

scale agricultural sector for local food production, which is largely dominated by women. Overall, the region faces challenges at each stage of climate finance delivery:

- (i) Resource mobilisation needs to be enhanced through deep reforms in the existing international funding architecture so that expected needs can be met.
- (ii) Resource administration needs to allocate resources to favour the most vulnerable sectors and societal groups, including

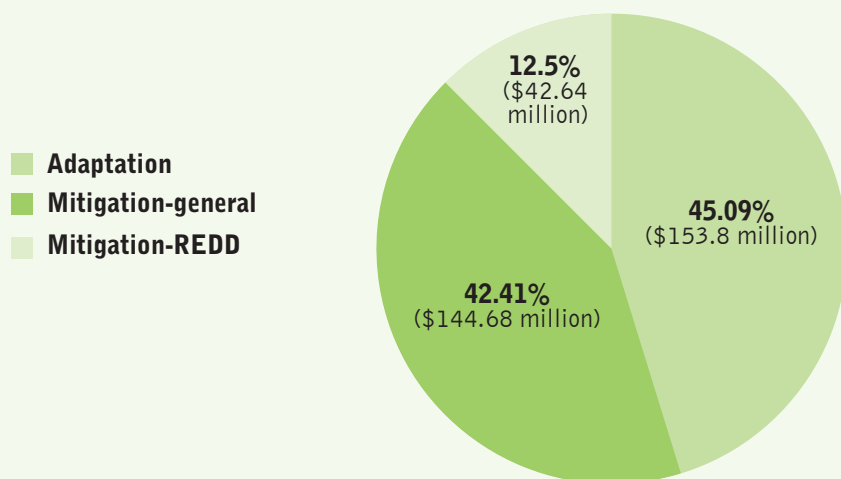
women, more effectively, moving beyond the current emphasis on large-scale mitigation projects to supporting broader national development and coping strategies.

- (iii) Resource disbursement needs to increase the attractiveness of investments, increase grant funding primarily for adaptation, and should reduce the number of intermediaries and transaction costs involved in implementing climate-related projects in Africa.

References and useful links

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 EACC (2010) 'The Economics of Adaptation to Climate Change' World Bank.
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 Climate Funds Update: <http://www.climatefundsupdate.org/>

Funding for climate projects by theme for Africa



NOTE: These numbers do not reflect the total amount of climate finance in the region, but only the public funding channeled through some 20 dedicated bilateral and multilateral climate funds and funding mechanisms, for which tracking data is available.

SOURCE: www.climatefundsupdate.org; accessed in December 2010



Climate Finance Fundamentals

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BRIEF 7

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Regional Briefing: Africa

Africa is the region that has contributed the least to global greenhouse gas emissions but is the most vulnerable to the impact of climate change. It is estimated that the total cost of Africa's adaptation to climate change will be between \$10-30 billion a year by 2030. The funding that is currently delivered is far from fulfilling these needs. Africa receives only 2% of total CDM projects. A number of actors are involved in adaptation, mitigation and REDD activities within the region, although mitigation projects dominate current investment activity. Often these projects have ambiguous goals. One of the main barriers to investment is the unattractiveness of small scale projects that are often required in the poorest areas. Other constraints include the lack of insurance mechanisms, the fact that the forestry sector is not fully recognized under the CDM, and the high transaction costs required for climate projects in the region. Finally, a lack of gender awareness makes the delivery of climate finance to the most vulnerable an even harder task.

The challenge of climate change for Africa

Less than 4% of global CO2 emissions come from the African continent. However, it is hit harder by climate change related phenomena than any other continent. Huge areas of land in Sub-Saharan Africa (SSA) are experiencing longer and more intensive periods of drought compared to the recent past. Uganda and many other East African countries are experiencing drastic shifts in rainfall patterns. These patterns are likely to worsen over the next few decades. The Intergovernmental Panel on Climate Change predicts that in Africa, by 2020, some regions could see crop yields from rain-fed agriculture fall by up to 50% and 75-250 million people could be affected by water shortage. As Africa has no responsibility for causing climate change and has limited resources to deal with the problems caused, there is strong justification for the region to receive significant amounts of adaptation grant finance.

Funding needs - The World Bank estimates that between 2010 and 2050 the annual cost to adapt to climate change (at 2005 prices) in Sub-Saharan Africa will be \$18 billion. Christian Aid puts the figure for 2030 at between \$10-30 billion a year. Overall, in order for Africa to develop in a low carbon, sustainable way, Christian Aid has calculated that the region will require funding between \$510 and \$675 billion between 2010 and 2030. The current model of financing through the Clean Development Mechanism (CDM) of the Kyoto Protocol and other sources of climate fi-

nance are not providing anywhere near this level of funding.

Funding delivered - The Stockholm Environment Institute estimated that in 2008, North Africa and the Middle East received 16% of global climate finance, with SSA receiving 8%. Of total adaptation finance, North Africa and the Middle East received 35% (\$1.2 billion) and SSA 5% (\$168 million). These figures show how adaptation funding to Africa is predominantly concentrated in North Africa. The discrepancies between the two regions are exacerbated when considering the geographic and demographic dimension of each. This discrepancy seems to follow political and economic ties, with more funds being provided to richer countries than to poorer ones. Concerning mitigation funding, Africa accounts for 2% of global CDM projects, with only 48 projects registered under the CDM being in Africa. This suggests that fundamental reforms of the existing climate finance architecture are required to provide the African continent with the funding required and to ensure more uniform access to funding across and within different countries.

Funding across major themes

The top four African countries with the most climate projects are the Democratic Republic of Congo (DRC), Cameroon, South Africa and Tanzania. Although these are all SSA countries, they are not the poorest countries of the region (with the exception of the DRC). Many poorer countries such as Sudan, Uganda and Chad appear to have been neglected by international climate finance support.

Adaptation - The region's vulnerability to climate change suggests early prioritization should be given to adaptation activities. However, adaptation finance is clearly lacking in SSA. The Climate Funds Update Website records around 80 adaptation projects (totalling \$154 million) are been implemented within the Africa region through dedicated bilateral and multilateral climate funds. Among these, the most significant (in terms of financial support) is the \$5 million project implemented this year in Ethiopia through the Least Developed Countries Fund (LDCF) (see

Brief 3) to promote autonomous adaptation at the community level. Also supported by the LDCF is a \$4 million project started in 2009 that aims to strengthen resilience and adaptive capacity to climate change in Guinea-Bissau's agrarian and water sectors.

Mitigation - About 50 mitigation projects totalling \$145 million funded by dedicated climate funds are under implementation within the continent. These are mainly concentrated in biomass and landfill gas production, and in the transport sector. Among the biggest mitigation projects are the \$11 million Sustainable Public Transport project in South Africa and the \$8 million Integrated Approach for Zero Emissions Project in Algeria. Both projects, which are funded by the Global Environment Facility (GEF), aim to improve energy efficiency through the use of renewable energy technologies.

The approval of a \$3.75 billion World Bank loan to support the Medupi Supercritical coal plant in South Africa has raised questions about environmentally and socially sustainable development in the country. The coal plant, part of the national South African utility Eskom's programme to expand generation capacity, is expected to provide 4,800 MW of electricity. Although the World Bank argues that the Eskom power plant is the first in Africa to use the cleaner coal 'supercritical' technology, the operation of large coal-fired power plants is enormously water intensive in a country where water scarcity is a pressing environmental threat. This highlights the need for greater clarity over what should and should not be classified as mitigation finance.

REDD - The Forests and woodlands occupy an estimated 650 million hectares, 22% of the land area in Africa. The distribution of forests and woodlands varies among the different sub-regions, with Northern Africa having the least forest cover and Central Africa the densest cover. The Congo Basin holds the world's second largest continuous block of tropical rain forest. The Climate Funds Update Website reports that about twenty REDD projects have been implemented in Africa totalling \$43 million.

The region's main funding initiative is the **Congo Basin Forest Fund (CBFF)** (see Brief 5). The CBFF

is supporting relatively small-scale projects that range from promoting land tenure rights to community participation in the formulation of REDD activities and incentivizing innovative forms of community controlled protected areas.

In addition to the CBFF, two other forest funding initiatives that are starting to be active in the region are the Forest Investment Program (FIP) and the Forest Carbon Partnership Facility (FCPF).

The **UN-REDD Programme** - Quick Start Initiative was started in Tanzania in 2009 for a total amount of \$2 million. The objective of this initiative is to increase funding for environment management with a focus on Climate Change and natural resource management.

It aims to do this by strengthening institutional capacity at the national level for REDD, through the support of systems for measuring, reporting and verifying (MRV) information and broad based stakeholder involvement.

Active players with regard to climate finance

The **African Development Bank (AfDB)** plays a key role within the region, implementing investments identified by the World Bank administered Climate Investment Funds (CIFs). It is expected that the CIFs will channel approximately US\$625 million through the AfDB for clean technology projects. The AfDB intends to blend these funds with its own resources to support several large-scale renewable energy projects, including Morocco's 500 MW solar power complex in Ouarzazate and the Egyptian 200 MW wind farm and transmission infrastructure on the Gulf of Suez. The AfDB is also leading the development of other initiatives such as the Sustainable Energy Fund for Africa, the Fund for Private Sector Assistance and the Africa Green Fund.

One of the largest funds in the region is the **GEF Trust Fund**. In September 2009 it endorsed an \$18 million regional project, entitled the African Rift Geothermal Development Facility (ARGeo). This project aims to accelerate the development and utilization of geothermal resources in the Rift Valley, where these types of resources are mostly concentrated, as a pathway to low carbon development in the region.

Lack of funding reaching the sectors and people most in need

Small-scale climate projects generate smaller returns on emissions reductions and often struggle to attract funding. To respond to this problem a number of initiatives have started to provide start-up capital. For example, the Economic Community of West African States (ECOWAS) has established an African investment fund that can purchase carbon credits upfront. The **Central African States Development Bank (BDEAC)** has also developed instruments to facilitate access by CDM project developers to funding.

Another obstacle in getting funding to those most in need is that climate projects often involve a large number of intermediaries, which leads to high transaction costs. Favoring Direct Access by national implementing entities (as developed under the Kyoto Protocol Adaptation Fund) offers one possibility for streamlining the flow of international funds. Allowing non-state actors direct access to climate financing is another option, given the institutional and governance challenges some governments in SSA face.

From the demand side, one of the obstacles to absorbing climate finance, in particular for adaptation activities, is when the financing instrument is not a grant. Under the UNFCCC negotiations the African Group declared that there should be no cost incurred to the finance offered for adaptation.

Finally, one reason why funding does not reach the most vulnerable is because of a lack of gender awareness in funding instruments and the widespread notion that women lack capacity to receive and manage financial resources. This is aggravated by the fact that in many rural areas women do not have access to banking facilities and so are not in a position to receive funds. Existing gender roles in poor rural villages in many African countries also reduces demand for financial resources, as women are often not consulted or integrated as important stakeholders into participatory processes determining priority actions. The result is that donors may not consider disbursing resources to sectors, areas and via instruments relevant and accessible to women, such as domestic water access systems or adaptation activities in the small-