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Ministerial policy dialogues in the context of the theme of the seventeenth session, "Taking action for environmental sustainability and prosperity in Africa": policy implications and financing opportunities for the implementation of nationally determined contributions in Africa: the role of African ministers and policymakers

Policy Implications and Financing Opportunities for the implementation of Nationally Determined Contributions in Africa: Role of African Policy Makers**

Note by the secretariat

I. Introduction

1. Climate change and development agendas are inseparable. The Paris Agreement calls for integration of climate actions into overall development planning including national finance and budgeting. Twelve of the Sustainable Development Goals (SDGs) besides SDG 13 on climate change, directly require climate change interventions for their realisations. The Nationally Determined Contributions (NDCs) represent the main national policy frameworks, under the United Nations Framework Convention on Climate Change (UNFCCC), through which Parties have communicated their climate commitments for achieving the global temperature and adaptation goals under the Paris Agreement that requires reporting on the progress made, and support needed, toward achieving them.

2. As of September 2019, 50 African countries , representing 92% of the continent had ratified the Paris agreement out of the 54 (except Libya) that had submitted their nationally determined contributions, with Adaptation measures being priority. According to the Africa nationally determined contributions gap analysis report (2018)[1] conducted by the Africa nationally determined contributions Hub, the continent will require over $3 trillion in conditional and unconditional financing to uphold their nationally determined commitments. But the region faces a serious financing gap in responding to climate change, particularly adaptation financing.

3. The Africa State of Adaptation Report (SoAR) 2018[2] indicate that in sub-Saharan, adaptation costs as a share of GDP are expected to be much higher (about 0.5 percent on average between 2010-2050) than in any other world regions (between 0.08 percent to about 0.2 percent). This will make it difficult for Africa to build the resilience required by the most vulnerable groups, such as smallholder farmers– a sharp contrast to the increasing frequency of extreme weather events and the associated cost to the affected communities.

4. The same report (SOAR 2018) points out that Africa has 7 out of 10 countries now at high risk of debt distress following debt build-up from disasters, including climate vulnerabilities. These countries are Sierra Leone, South Sudan, Nigeria, Chad, Ethiopia, the Central African Republic, and

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[1] https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/African_NDCs_Gap_Analysis_Report.pdf.

[2] https://www.africaadaptationinitiative.org/assets/SoAR%20-%20Discussion%20Paper%20Sep%202018%20(Eng-a).pdf

Eritrea. According to the IPCC (2014), Africa faces three key risks: (i) water resources, due to droughts in an environment of increasing water demands (ii) food production and food security driven by unfavourable climatic conditions, flooding and drought, agricultural diseases and pests; and (iii) health, due to an increase in the range of water and vector borne diseases.

II. Mainstreaming mitigation and adaptation into existing economic and development policies, plans, and programmes

5. Most countries in Africa have significant efforts to align planning cycles that integrate mitigation and adaptation efforts into existing economic and development policies, plans, and programmes. The consultative process for the formulation of the nationally determined contributions provided an opportunity for countries to identify climate actions that promote synergies with other development priorities, as well as actions that provide both mitigation and adaptation benefits.

6. Striving to directly influence national development and economic policies, and capitalizing on the crosscutting nature of the nationally determined contributions across multiple sectors, the ministries of finance and planning, together with line ministries need to be at the core in driving climate change discussions, decision making and investment processes in promoting synergies across sectors, and integrating climate actions into long-term sustainable development planning, financing and budgeting. Fiscal policies and public financing are powerful tools for incentivization of low-carbon development transition, and decisions for prioritizing climate resilience measures.

7. Sixteen countries in Africa3 have so far joined the Coalition of Finance Ministers for Climate Action (the 'Coalition') that was launched by the World Bank Group and International Monetary Fund Spring Meetings, in Washington, D.C on April 13, 2019, to steer climate action. The coalition is a Ministerial-level group supporting the use of fiscal policy, public financial management and climate finance to promote domestic and global actions on climate change, through mitigation and adaptation measures.

8. Currently, the coalition is co-chaired by the governments of Finland and Chile, with the World Bank providing Secretariat services with 6 Principles, notably:

- Principle 5: Mobilize private sources of climate finance by facilitating investments and the development of a financial sector which support climate mitigation and adaptation.
- Principle 6: Engage actively in the domestic preparation and implementation of NDCs submitted under the Paris Agreement.

III. Climate change related initiatives

9. Over the recent years, several climate change related initiatives are underway across the continent. This includes the Comprehensive Framework Programme on Climate Change in Africa[4] implemented through the Regional Economic Communities5 (RECs) and the regional commissions[6] formed in 2016 at COP22 under the Africa Union (AU) in informing various high level regional platforms like the African Ministerial Conference on Environment's (AMCEN) and the Committee of African Heads of State and Government on Climate Change (CAHOSCC) among others, which eventually shape the overall African position at the UNFCCC negotiations. There is a strong emphasis on resources that are at risk especially in trans-boundary systems that are beyond the sovereignty of individual countries like water, forests, coastal lines, and energy among others.

[3] Algeria, Angola, Benin, Cote D'Ivoire, Djibouti, Egypt, Ethiopia, Ghana, Kenya, Morocco, Mozambique, Nigeria, Rwanda, South Africa, Tanzania and Uganda.

[4] In 2014 in Malabo, the CAHOSCC adopted the "Work Programme on Climate Change Action in Africa" (WPCAA) that covers five priority areas including: i) Climate financing and addressing technology needs; ii) Africa-wide programme on Adaptation; iii) Actions on Mitigation; iv) Cross-cutting actions and participation.

[5] The AU recognizes eight RECs, the: Arab Maghreb Union (UMA), Common Market for Eastern and Southern Africa (COMESA), Community of Sahel–Saharan States (CEN–SAD), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Intergovernmental Authority on Development (IGAD), Southern African Development Community (SADC).

[6] Recently three regional commissions have been established, including the Sahel commission chaired by the Republic of Niger, the Congo Basin commission chaired by the Republic of Congo, and the Commission for African Island States chaired by the Republic of Seychelles.

10. Other examples of ongoing flagship climate initiatives under the African Union and Pan-African institutions include: the Climate for Development in Africa Programme (ClimDev-Africa) on the application of climate information services for development; African Initiative on Adaptation and Loss and Damage; and the African Renewable Energy Initiative with its Africa Renewable Energy Facility; and the Great Green Wall for the Sahara and Sahel Initiative that aims to build resilient communities in Africa's drylands.

11. At COP21, the NDC Partnership was formed and launched one year later at COP22 in Marrakech. The NDC Partnership is a global coalition of more than 150 members including countries, institutions, and non-state actors working together to mobilise resources across the membership to accelerate implementation of NDCs through technical assistance, financial support, and knowledge enhancement while enhancing sustainable development and even making them more ambitious. The NDC Partnership collaboration is guided by the NDC Partnership's Country Engagement Strategy focusing on four main areas; mobilizing climate action across government and society; integrating development and climate action; mobilizing climate finance and support; raising country climate ambition.

12. At COP23 in 2017, the Africa NDC Hub was launched, which represents a concerted effort by development partner institutions to leverage each other's comparative advantage in mobilizing resources necessary for Africa to embark on a low-carbon and climate-resilient development pathways. With a membership of 18 African and global institutions, the Hub through its Roadmap and Work Programme 2018-2020 serves as a coordination platform of nationally determined contributions related interventions in Africa.

IV. Policy implications and financing opportunities for the implementation of nationally determined contributions in Africa: role of policy-makers

13. The implementation of the nationally determined contributions will have direct implications for the achievement of the SDGs, as well as structural reformation of Africa's economies both at the policy and at financing levels, in promoting low-carbon, and climate resilient development. The African nationally determined contributions embody intersectoral linkages and benefits that require cross-sectoral planning and coordination at national level in creating the enabling policy environments for harnessing the emerging opportunities.

14. In most national contexts, the nationally determined contributions is led and is under the custody of the Ministry of Environment with no or limited involvement of the Ministry of Finance and Planning, who oversee the national budgetary process. This thus constitutes a disconnect between commitments, budget planning, implementation, and macroeconomic projections. Most nationally determined contributions were not costed or factored into the national budget, while in others, costing was done with incomplete or inadequate data. In some cases, the data used for computing the nationally determined contributions were inconsistent or based on weak MRV systems without SMART indicators, baselines and targets.

15. There is a clear distinction characterising the nationally determined contributions of most African countries principally along the axis of 'conditional' and 'unconditional' contributions. Following an analysis by the African Climate Policy Center, UNECA, for adaptation, the conditional contributions constituted 58% while the unconditional constitutes 42%. Similarly, for mitigation, conditional was 66% and unconditional, 34% respectively. Thus, that alone obligates the need to budget for the implementation of unconditional contributions in the NDCs since these represent actions that the country pledges to undertake using their own means and resources.

16. There is therefore a great need to enhance the role of policy-makers to critically consider the policy implications as well as the financing obligations and opportunities associated with the implementation of nationally determined contributions in Africa, by enhancing coordination among the key stakeholders, and ensuring strong buy-in and alignment with national development priorities.

17. To ensure successful implementation of the nationally determined contributions in Africa, coordinated efforts are needed to ensure that those nationally determined contributions are properly mainstreamed into national development plans as well as sectoral plans, and that they are fully costed and captured in the national budgetary processes. Like any investment, this has significant benefits in building climate resilience of production sectors. According to a joint report prepared by AfDB,

UNEP, UNECA and Climate Analytics[7], the direct and indirect costs of taking action on climate change will be high, but the costs of inaction will be much higher. For example, with climate change, West and East Africa could lose up to about 15 per cent of their gross domestic product (GDP) by 2050. Global efforts towards a low-emissions, low-warming scenario – as expressed in the Paris Agreement's long-term goals – could avert a large part of the most serious macroeconomic and development consequences for Africa.

18. There are significant benefits in investing in climate actions under the nationally determined contributions by African member states that builds resilience. For instance, the World Bank estimates that investment in making infrastructure more resilient will require an additional 3% upfront cost but will increase returns on investment by 300%[8]. The Global Commission Report[9] therefore concluded that adapting now is in our economic self-interest because it is typically much cheaper than recovery and rebuilding.

19. However, mobilizing these resources will require significant policy and regulatory reforms which involve various national stakeholders, including ministries in charge of finance and budget, development planning, etc.

V. Overview on regional achievements, gaps and opportunities in Africa

(a) Climate Change Impacts in Africa and the required policy and regulatory reforms

20. Even though Africa contributes least to the global emissions of greenhouse gases, the continent is among the most vulnerable to climate variability and change. The situation is compounded by the interaction of multiple stresses including high poverty levels, high dependence on rain-fed Agriculture, coupled with low adaptive capacity. Climate change seriously threatens Africa's continued economic growth and livelihoods of vulnerable populations.

21. It is projected that by 2020, between 75 and 250 million people on the continent will be exposed to increased water stress and in some countries yields from rain-fed agriculture could be reduced by up to 50 percent (IPCC AR4[10]). The major concerns for Africa's key economic sectors with disastrous consequences include; a heightened threat of food security, inadequate water resource availability, degeneration in natural resources productivity, diminished biodiversity, decline in human health viability, increasing land degradation, increasing desertification, and coastal zone recession.

(b) Mainstreaming NDCs into National Policies in Africa - national and subnational development plans and processes

22. Integrating NDCs into national budgets will ensure that NDC-related actions can be identified as part of government spending, and will enable governments to make informed, transparent decisions and prioritize the most relevant climate investments. They will be able to assess the return on investment on NDC action. Africa's efforts to respond to climate change is envisaged as an opportunity to drive the economic transformation in the key economic sectors like Agriculture Energy, Industry, trade, transport for climate-resilient, low-carbon development that boosts growth, bridges the energy deficit and reduces poverty. This calls for a need to design growth-stimulating policies to address the cross-cutting nature of climate change.

(c) Importance of long-term strategies on climate change to effectively implement, replicate and/or scale-up NDC related climate actions and successes

23. The Paris Agreement invites countries[11] to communicate their long-term strategies to the UNFCCC Secretariat by 2020 although it remains voluntary and country driven. Long term strategies offer an opportunity for African countries to set a strategic direction that can demonstrate the magnitude of change required to bring national climate action, both in the short and medium-term that lead to
net-zero pathways in line with Paris Agreement.

[7] Climate Change Impacts on Africa's Economic Growth 2019. A joint report by AfDB, UNEP, UNECA and Climate Analytics.

[8] The resilient infrastructure opportunity 2019. https://openknowledge.worldbank.org/handle/10986/31805

[9] The Global Commission on Adaptation 2019. https://gca.org/global-commission-on-adaptation/adapt-our-world

[10] https://www.ipcc.ch/site/assets/uploads/2018/02/ar4-wg2-chapter9-1.pdf

[11] https://unfccc.int/process/the-paris-agreement/long-term-strategies

24. Benin is the first country in Africa among the 12 countries that have so far submitted. Now is the time for all countries to start working on what it means for them to respond to the climate challenge, while deciding what kind of development they want for their economies and their people, ensuring the 2050 strategy addresses national priorities.

(d) Reporting methodologies, baseline, targets, and indicators for NDC implementation in Africa

25. At COP24 in Katowice, the Paris Rulebook was adopted which emphasizes among other things, enhanced reporting and tracking progress for NDC implementation towards operationalizing the Paris Agreement. Most African countries are still challenged in establishing baselines, quantifying adaptation and mitigation targets across sectors, setting clear performance indicators, developing reporting templates, lacking data and having low human capacity to collect and analyse the data.

26. Countries need to know what emissions level they need to aim for in order to achieve their targets. The regular checks will help countries understand if they are on track or if changes need to be done. Robust accounting by all countries would reduce the potential for double counting of "internationally transferred mitigation outcomes (ITMOS)," in which countries support emissions reductions in other countries (e.g. through emissions trading schemes).

(e) Lessons learned from existing NDC-related initiatives in Africa such as the AfDB NDC Hub and NDC Partnership.

- Elaborating the NDCs targets beyond political statements to allow practical solutions and clear targets;
- NDC investment planning - country members are attempting to develop financial strategies to support their NDC implementation plans by identifying the most appropriate investor profiles for different actions and develop a related engagement strategy for targeted investors. This includes identifying overlaps and synergies between development and climate finance, as well as the use of appropriate fiscal instruments, domestic resources and/or blended financing approaches;
- Identifying policy gaps and establishing the required policy reforms to enable various engagements
- Whole government and society approaches - to enable a diverse of national and sub-national stakeholders including non-state actors to be involved in development and implementation of NDCs to secure greater ownership;
- Deliberate strengthening of coordination and collaboration mechanisms to allow effectiveness and complementarity – sharing of information;
- Strengthening monitoring, reporting and verification for adaptation and mitigation systems across board within government and non-state actors;
- Enhancing capacity and access to scientific knowledge;
- Integration and alignment of the NDC targets into national development and sub-national development planning and budgeting processes;
- Aligning NDCs targets with the national long-term visions, and low carbon long-term strategies on climate change, together with National Adaptation Plans - for effective implementation that allows replication and/or scale-up NDC related climate actions and successes;
- Investing and strengthening climate information services, interpretation and dissemination to inform national planning processes;
- Regional initiatives to address crosscutting climate change related issues across countries and regions.

VI. Country Experiences on NDC implementation

(a) Achievements to NDC implementation at the country level

27. Many African countries are making considerable progress and necessary policy reforms to accelerate implementation of their NDCs commitments and this has materialized by having strong policy/strategies and institutional frameworks. Africa has countries with the most ambitious NDCs in the world (examples like Namibia, Ethiopia) which are based on strong national climate change policies and institutional coordination structures, and means of implementation.

28. Most countries have long term development and climate action plans, including National Development Visions/ Green Growth strategies; Aligning with Agenda 2030 for Sustainable Development, Africa's Agenda 2063. As per UNFCCC, some countries have started to develop their Low Carbon Long Term Strategies (LTS), and National Adaptation Plans frameworks etc. Some countries are developing NDC implementation plans that prioritizes specific key economic sector

climate actions, (Morocco at 35% Renewable Energy in 2018 committed to 52% by 2030); Kenya is becoming a champion on Clean Energy for cooking; Ethiopia is focusing on energy efficiency and low carbon transport options.

29. Some countries are strengthening institutional arrangements and coordination mechanisms with support from NDC Partnership members to support NDC work (Uganda, Namibia, Mozambique, Rwanda, Sao Tome and Principe, Kenya, Cote d'Ivoire Seychelles, Saint Lucia, Republic of the Marshall Islands and Pakistan) which has hugely improved coordinated investments toward climate actions, and designing monitoring systems (measurement, reporting, and verification or MRV) to measure progress toward the implementation of the NDCs.

(b) Challenges, major lessons and opportunities from NDC financing at the country level

30. Conditional Actions in the NDCs – Over 60% of the NDCs of African countries are subject to the conditionality of available finance, capacity and technology transfer. This poses a significant challenge for implementation without the fulfillment of the global commitments under the UNFCCC on finance, capacity and technology transfer.

31. Updating /revising NDCs - most countries have expressed the need to refining/defining/updating their NDCs. Countries need to quantify their adaptation /mitigation goals; reset GHG emissions targets and some countries will be broadening NDC scope by adding new sectors. This will not only help countries to be more realistic but also some of them may raise their ambition.

32. Sectoral focus and limited coherence among NDCs – most countries' NDCs are sector focused and yet the nature of climate change is cross-cutting and some issues transboundary, which calls for intersectoral and regional approaches.

33. Alignment and mainstreaming of climate action with development agenda is still limited. There is still parallel planning process under different mandated institutions at national and sub national levels, handling different processes like – NDCs, SDGs, NAPs etc.

34. Inadequate coordination - As much as countries have strong coordination structures on paper, there is need for operationalization and reinforcement of the coordination mechanisms.

35. Private-sector engagement is still limited - it is evident that public funding will not be enough to address climate change. According to a review of Africa's Public Expenditure on Adaptation jointly conducted by UNDP and UNECA and two UK Centres, Climate Scrutiny and Mokoro, African countries are already making a major contribution to adaptation that constitutes 20% of the total adaptation expenditure required to reduce the potential economic impacts of climate change. This leaves a gap of 80%. The private sector window is still under-explored and needs to be fully harnessed. This will require adequate policy and regulatory framework to engage and incentivize the private sector. With private finance critical to meeting NDC targets, there is consensus that limited domestic budgets and ODA should be leveraged to unlock much larger private capital flows for NDC implementation. This includes identifying relevant financial mechanisms and instruments to enable private sector engagement, including bonds (green, blue, cat), and risk and credit guarantees.

36. Advancing research to inform decision makers: African countries require tailored research in climate adaptation to increase the understanding of investment patterns in adaptation in relation to development. This will help countries to refine their adaptation ambition goals and capitalize on opportunities. This will promote the use of cost benefit analysis for decision making in low carbon options that have adaptation co-benefits.

37. Capacity building and strengthening the integration of NDCs, SDGs and Gender considerations into a common national framework at sectors and sub national levels. Most countries require tailored capacity enhancement in various forms to improve integrated planning across sectors.

38. Increased access to international climate finance (especially adaptation financing) is still a challenge. Most countries need to increase nationally based institutions that are accredited and multiple pathways for direct access to international climate finance

39. Preparing Bankable Proposals - all countries are putting efforts to increase in-country capacity to develop competitive and bankable project proposals. Focusing on scaling up successful existing pilots into national flagship fundable projects will be crucial.

40. Strengthening and expanding national financing mechanisms – some countries have established specific national climate funds that needs strengthening, other countries require support to establish such funding mechanisms, including innovative financing instruments such as Green bonds, Carbon pricing – carbon taxation systems, blended finance windows and de-risking mechanisms etc.

41. Collection of data and establishment of databases - most countries still face difficulties to measure progress with numerous isolated projects /programmes - which impedes the effective monitoring, and review of progress achieved towards NDC implementation. Countries require support to strengthen their MRV systems, setting sector baselines, establishing national inventory system for GHG emissions and adaptation - modelling and developing ambition scenarios. Countries need usable tools for national and sectors MRV system for mitigation and adaptation and institutional capacity development in data collection, analyses and reporting and disaggregating by age, gender, income and geographical location.

VII. Recommendations - NDC Financing Opportunities

(a) Africa needs more climate finance specifically for Adaptation for the continent to achieve its NDCs

42. Current climate-related finance flows to Africa remain alarmingly small and far short of the $100 billion per year that was promised at the fifteenth session of the Conference of the Parties to the United Nations Convention on Climate Change, held in Copenhagen. Much of the finance to Africa has been earmarked for small-scale projects rather than national flagship programmes which can transform economies and reduce poverty. Africa has received just 4% of global climate change finance, much of which has gone to mitigation; much lower than national expenditures on adaptation.

43. There is a deliberate need to design adaptation specific financial architecture to unpack and align development benefits accrued from adaptation initiatives. Africa requires large scale transformative programmes and private sector engagement to unlock private sector investments, in addition to increasing direct access to public and private finance to meet priority climate financing gaps.

(b) Financing NDC conditional commitments: role of international finance instruments and climate/green finance

44. As part of their NDCs, most African countries made commitments that are conditional to accessing finance, capacity and technology transfer. This implies continuously pushing for the fulfilment of global obligations on adequate and predictable flow of finances. International climate funds play an important role in financially supporting countries to implement their low-carbon, climate resilient NDC targets, while national funds enable countries to mobilize, pool and blend both domestic and external sources of finance, to support more coordinated programming of resources across stakeholders, and ensure national ownership of climate finance. However, basic requirements are needed to create the environments necessary for the finance to flow at a scale needed.

(c) Financing NDC unconditional targets through domestic sources

45. To meet their unconditional targets under their NDCs, African countries will rely on a wide range of finance sources, in particular, domestic resources and budgetary processes. At domestic level, African countries could explore various options, including revenues from tax sources, domestic savings, sovereign wealth funds, pension funds, bank assets, insurance assets, stock exchanges, as well as reorienting fossil fuel subsidies, financial wastage and illicit financial flows, among other means.

(d) Engaging private sector support in financing NDC implementation

46. Given the current low level and unpredictability of public finance, private finance remains a key source of supporting climate actions in Africa. However, attracting climate finance for climate actions particularly for adaptation interventions is still a challenge. It is therefore critical for African countries to ensure that private finance flows, as several barriers still hamper access to finance in the continent including weak governance systems, high-risk profile, lack of incentives, weak project bankability, etc.

(e) Enhancing access to public and private finance to meet the priority of climate financing gap

47. To close the financing gap for the implementation of the NDCs in Africa, it is estimated that about USD 3 trillion will be required by 2030. This will require blending public and private finance,

with global climate funds constituting a critical option. This will require strategic use of limited public finance to de-risk, incentivize and aggregate investments, strengthening the private sector investment, and ensuring financial innovation to attract private sector investment at scale.

48. It is also important for African countries to mainstream their NDCs commitments into national development planning and budgeting processes as well as creating stable and attractive regulatory and policy frameworks, such as carbon pricing, performance standards, market-based support, to ensure that climate considerations are adequately integrated into other sector policies.

VIII. Questions

49. The following questions are intended to elicit discussions:

- What strategic NDC areas should Africa invest in to bring more returns on investment?
- What policy enabling environment needs to be put in place to catalyse the above investments?
- How can Africa leverage on policy harmonization across sectors to deliver optimal NDCs and ensure efficient investments?
- How can African countries mobilize domestic resources such as tax revenues and domestic savings to support the implementation of their NDCs, and meet their unconditional targets?
- How should Africa diversify climate financing options for Adaptation, both public and private sources?