Climate Funds Update

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Climate Finance Fundamentals 7

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Sub-Saharan Africa is both the region least responsible for global climate change and most vulnerable to its impacts. A multitude of actors are involved in directing climate finance to the region, both to support low-carbon development and to help countries adapt to severe impacts that are already being felt. The World Bank administered Clean Technology Fund (CTF) and the Least Developed Countries Fund (LDCF) are the biggest funding providers in the region. CFU data indicates that USD 2.67 billion has been approved for 458 projects and programs throughout Sub-Saharan Africa since 2003. However, only 43% of approved funding is delivered for adaptation measures. Public grant financing continues to play a crucial role, particularly for adaptation actions, to ensure that climate actions secure multiple gender-responsive benefits for the most vulnerable countries and population groups.

Introduction

Although Sub-Saharan Africa (SSA) is responsible for only 4% of annual global greenhouse gas emissions, it is the region most susceptible to the dangerous impacts of climate change, some of which are already being experienced. Of particular concern is the relationship between climate change, food production and food prices and extreme weather conditions, which collectively threaten food security and could lead to further destabilisation of the social, economic and political fabric of many states in the region.

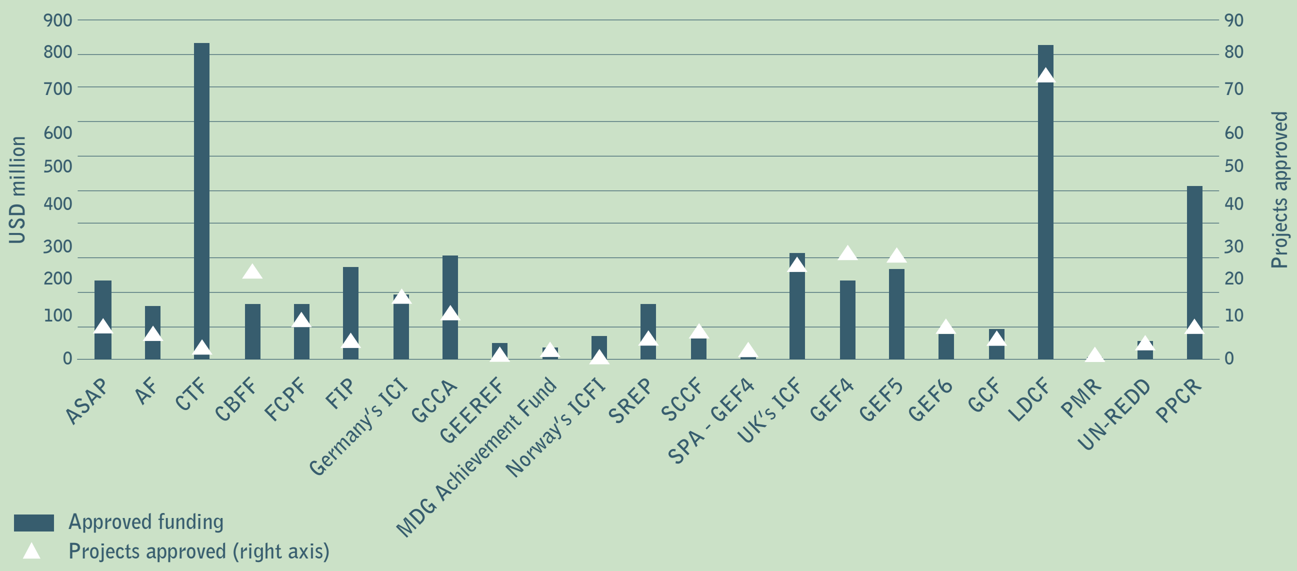
Current levels of climate finance directed to SSA are likely to be insufficient to meet the region's demonstrated need for adaptation finance, estimated by UNEP to reach USD 50 billion per year by 2050 under a two degree centigrade warming scenario and which could reach close to USD 100 billion at current unmitigated warming levels (UNEP, 2015). The most disenfranchised, and therefore the most vulnerable population groups in the region, have received limited support so far. A significant barrier to investment is the transaction costs of the small-scale projects that are often required in the poorest areas, and the difficulty of designing and implementing such programs in ways that are financially viable and replicable. Public sector grant finance will continue to play a crucial role in allowing for significant environmental, developmental, social and gender equality co-benefits of climate actions in the region to be realised, particularly for adaption measures.

Where does climate finance come from?

Table 1: Funds supporting sub-Saharan Africa region (2003-15)

Fund	Amount Approved (USD millions)	Projects approved
ASAP	117.0	14
AF	79.8	11
CTF	466.08	5
CBFF	83.11	37
FCPF	84.6	17
FIP	136.	19
GEF4 (and SPA)	124.2	48
GEF 5	132.7	43
GEF 6	40.02	14
Germany's ICI	98.1	26
GCCA	155.2	19
GEEREF	26.96	2
LDCF	462.1	117
MDG AF	20	4
Norway's ICFI	36.49	1
PPCR	257.50	14
SREP	81.5	9
SCCF	32.0	12
UK's ICF	158.0	39
UN-REDD	29.17	7

Figure 1: Funds supporting sub-Saharan Africa (2003-15)

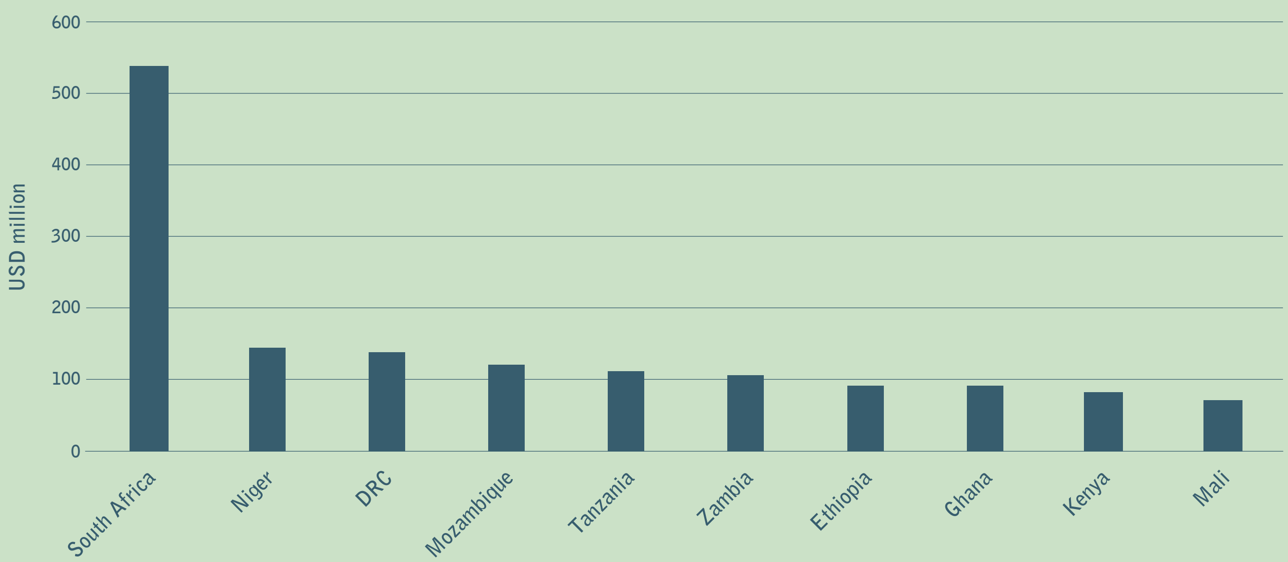


Twenty climate funds are active in the region (Table 1; Figure 1). The largest contribution is from the CTF, which has approved a total of USD 466 million for four large renewable energy and energy efficiency projects, primarily concentrated in South Africa. The Least Developed Countries Fund (LDCF) which implements urgent adaptation activities prioritised by LDCs under National Adaptation Programmes of Actions (NAPAs),is likely to surpass the CTF however with USD 462.1 million approved across 117 projects;. Germany (International Climate Initiative – ICI), Norway (International Climate and Forests Initiative - ICFI) and the UK (International Climate Fund - ICF) have all invested in SSA through their respective bilateral country climate funds. The USD 158 million approved by the ICF for 39 projects represents the largest source of bilateral funding.

Who receives the money?

A large share of climate finance for SSA has been directed to South Africa, which has received over 20% % of funding approved since 2003 (Figure 2). Much of the finance South Africa received has supported the CTF Eskom renewable energy program. Although forty-four countries in SSA have received some funding, outside of a few countries approved finance has been spread quite thinly. While most funding is at the country level, USD 215 million has been approved for over 30 regional projects. The high percentage of funding for regional projects reflects the bilateral approach of contributors such as Germany or the UK as well as multilaterals such as the GEF to support similar climate change objectives across multiple countries. In addition, the Congo Basin Forest Fund (CBFF) has tended to support projects that aim to reduce emissions from deforestation and

Figure 2: Top ten recipient countries by amount approved (2003-15)



Box 1: Climate Finance in SSA in the Least Developed countries

Least Developed Countries (LDCs) are some of the countries most vulnerable to the impacts of climate change. A number of LDCs in SSA are also fragile and conflict affected states that make spending more complex and can often require context specific solutions. The multilateral climate funds have tended to focus finance in the LDCs within the SSA region. At least 33 LDCs have been supported with more than USD 1.6 billion since 2003, representing 60% of overall approved finance for the region. Tanzania, Niger, Rwanda and the DRC all stand out as LDC recipients, each due to receive more than USD 100 million for approved project activities.

Agriculture is the most financed sector in the LDCs of SSA, with USD 350 million of project approvals going to this sector and, as expected, with adaptation five times that of mitigation spending. While the Least Developed Countries Fund (LDCF) has provided SSA's LDCs with the greatest amount of finance,, the projects of the Pilot Programme for Climate Resilience (PPCR) have been the largest in volume; supporting Niger, Zambia and Mozambique.

The 2015 approvals of initial projects of the Green Climate Fund (GCF) includes two adaptation projects in SSA, in Malawi and Senegal (together totaling USD 20 million). With 50% of approved finance dedicated to adaptation projects, half of which should go to LDCs, SIDs and African States, the Green Climate Fund is likely to be a key additional source of climate finance to SSA and LDCs more generally.

forest degradation across several of the Congo basin countries, although 2015 has seen the winding down of the CBFF and the announcement of a new Central Africa Forest Initiative which will offer results based finance to the region. The amount approved for the largest 25 projects range from USD 15.8 for a coastal cities resilience project in Mozambique to 350 million in the case of the combined solar and wind renewables project through South African national utility company Eskom. The remaining projects are at a much smaller scale with an average of USD 3.36 million. While making real contributions to improving the lives and livelihoods of severely impacted people, these small projects are unlikely to achieve impact at scale without significant replication and additional and integrated spending.

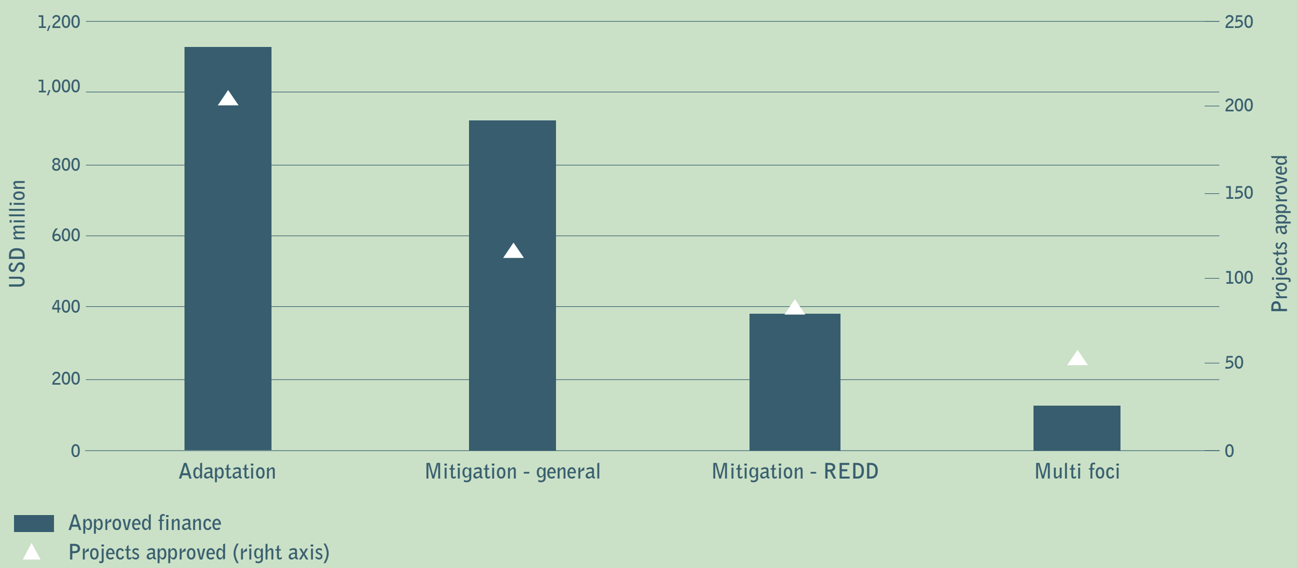
What is being funded?

Figure 3 and Table 2 illustrate that 51% of climate finance in SSA is directed towards mitigation and REDD+ activities; however a closer look at CFU data suggests that mitigation spending in particular is concentrated in just a few countries to the detriment of low-carbon development options in other SSA countries. In addition, while it is certainly important to assist developing countries in integrating climate mitigation into their development strategies, the extreme vulnerability of many sub-Saharan countries to the likely impacts of climate change means that adaptation should be seen as a higher funding priority. According to CFU data, however, adaptation projects have received only 44% of funding approved since 2003. While the balance of adaption to mitigation funding is improving this trend needs to continue to prioritise adaptation in SSA. The Green Climate Fund (GCF) is likely to support this with a commitment to focus 50% of its finance on climate

Table 2: Approved funding across themes (2003-15)

Theme	Amount Approved (USD millions)	Projects Approved
Adaptation	1128.6	204
Mitigation	923.4	116
REDD	380.5	83
Multiple foci	122.7	52

Figure 3: Approved funding across themes (2003-15)



change adaptation projects. The fund has already become operational and has started to approve projects in the region in 2015 for more than USD 47.2 million. Of this, USD 2.5 million has supported readiness efforts with around USD 20 million for adaptation and resilience building efforts to scale up climate information and early warning systems in Malawi and restore salinized lands for communities in Senegal. In addition, the GCF has also approved a USD 20 million equity investment in a regional mitigation project: the KawiSafi Ventures Fund which plans to raise USD 100 million to invest in small off-grid solar companies in east Africa, starting in Rwanda and Kenya.

To date the largest project under implementation in SSA remains the USD 350 million *Eskom Renewable Energy Support Program* in South Africa approved in 2010 through the CTF, which seeks to promote the development of large-scale concentrated solar power and wind energy. The largest single adaptation project in SSA is the USD 63 million *Community Action Project for Climate Resilience* in Niger, approved in 2011. The primary aim of this project is to increase the food security of rural communities by improving the resilience of their agricultural systems to climate variability and change.

In addition to the series of 12 Climate Finance Fundamentals, these recent ODI and HBS publications may be of interest:

- **Financing Intended Nationally Determined Contributions (INDCs): Enabling Implementation**. Meryln Hedger and Smita Nakhooda analyse the current and potential role for finance in INDCs published to date (October 2015).
  Available at: **http://bit.ly/1PzzKqc**
- **Climate Finance for Cities: How can climate funds best support low-carbon and climate resilient urban development?** Sam Barnard reviews the approaches taken by multilateral climate funds to support climate action in cities (June 2015).
  Available at: **http://bit.ly/1eTq23L**
- **What counts: tools to help define and understand progress towards the $100 billion climate finance commitment.** With Paul Bodnar, Jessica Brown, ODI's Smita Nakhooda, layout five simple tools to consider what should count to the 2020 target (August 2015).
  Available at: **http://bit.ly/1PzzQ0Y**
- **10 things to know about climate change and financing for development.** Smita Nakhooda and Charlene Watson highlight what you need to know about climate change and development finance (July 2015).
  Available at: **http://bit.ly/1RuUVgr**
- **From Innovative Mandate to Meaningful Implementation: Ensuring Gender-Responsive Green Climate Fund Projects and Programmes.** Liane Schalatek looks at the potential for the GCF to support gender responsive climate action (November 2015).
  Available at: **http://bit.ly/1HtEyMB**

Contact us for more information at **info@climatefundsupdate.org**

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in November 2015)

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The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at **www.climatefundsupdate.org**

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