

Africa's Fair Share

Accessing Financial Resources

for Africa's Fight Against Climate Change

Post CoP6

Presentation to
Meeting of African Negotiators
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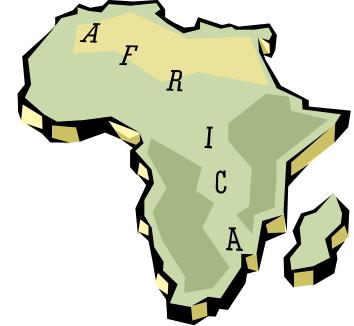
Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international

Canada



Approach



- 1. Problematique**
- 2. The Bonn Agreement:**
A new point of departure for Africa
- 3. Five questions**
- 4. Conclusions**

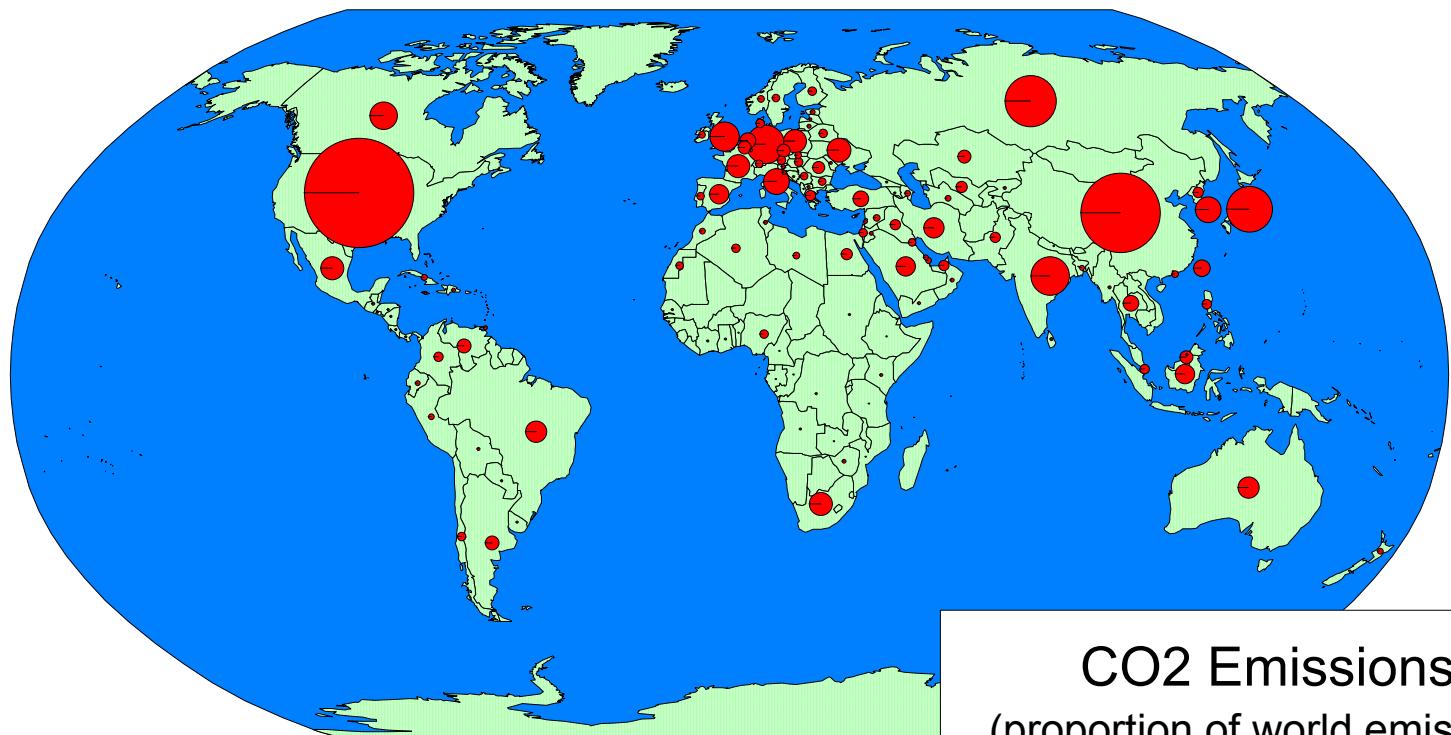
Problematique: Africa is especially vulnerable...



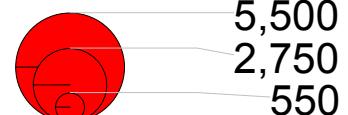
The African continent is particularly vulnerable to the impacts of climate change because of factors such as widespread poverty, recurrent droughts, inequitable land distribution, and overdependence on rain-fed agriculture. Although adaptation options, including traditional coping strategies, theoretically are available, in practice the human, infrastructural, and economic response capacity to effect timely response actions may well be beyond the economic means of some countries

Several climate regimes characterize the African continent; the wet tropical, dry tropical, and alternating wet and dry climates are the most common. Many countries on the continent are prone to recurrent droughts; some drought episodes, particularly in southeast Africa, are associated with El Niño-Southern Oscillation (ENSO) phenomena. Deterioration in terms of trade, inappropriate policies, high population growth rates, and lack of significant investment—coupled with a highly variable climate—have made it difficult for several countries to develop patterns of livelihood that would reduce pressure on the natural resource base. *Under the assumption that access to adequate financing is not provided, Africa is the continent most vulnerable to the impacts of projected changes because widespread poverty limits adaptation capabilities.*

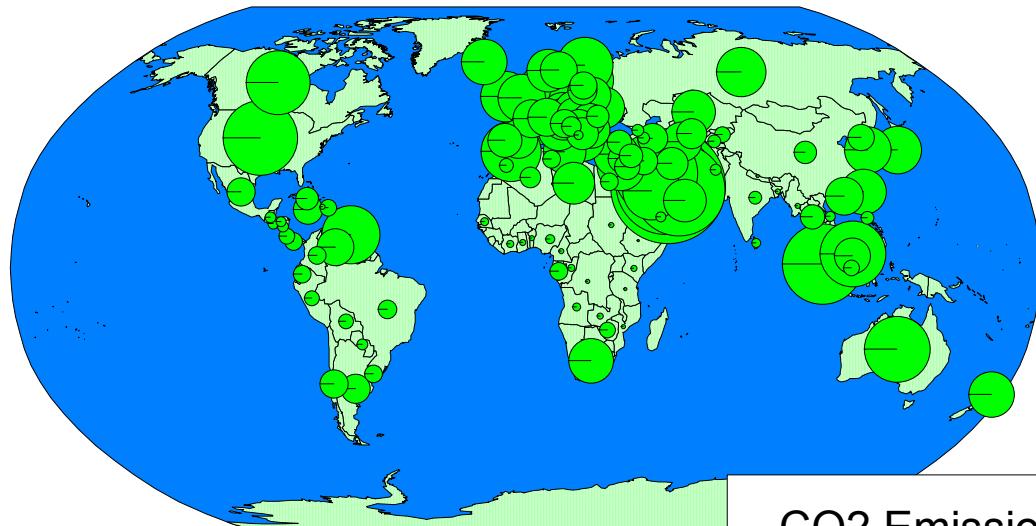
CO2 Emissions by Country



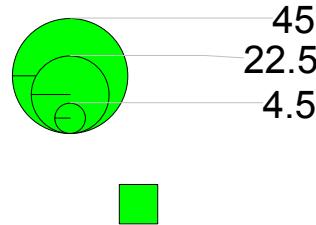
CO2 Emissions
(proportion of world emissions)

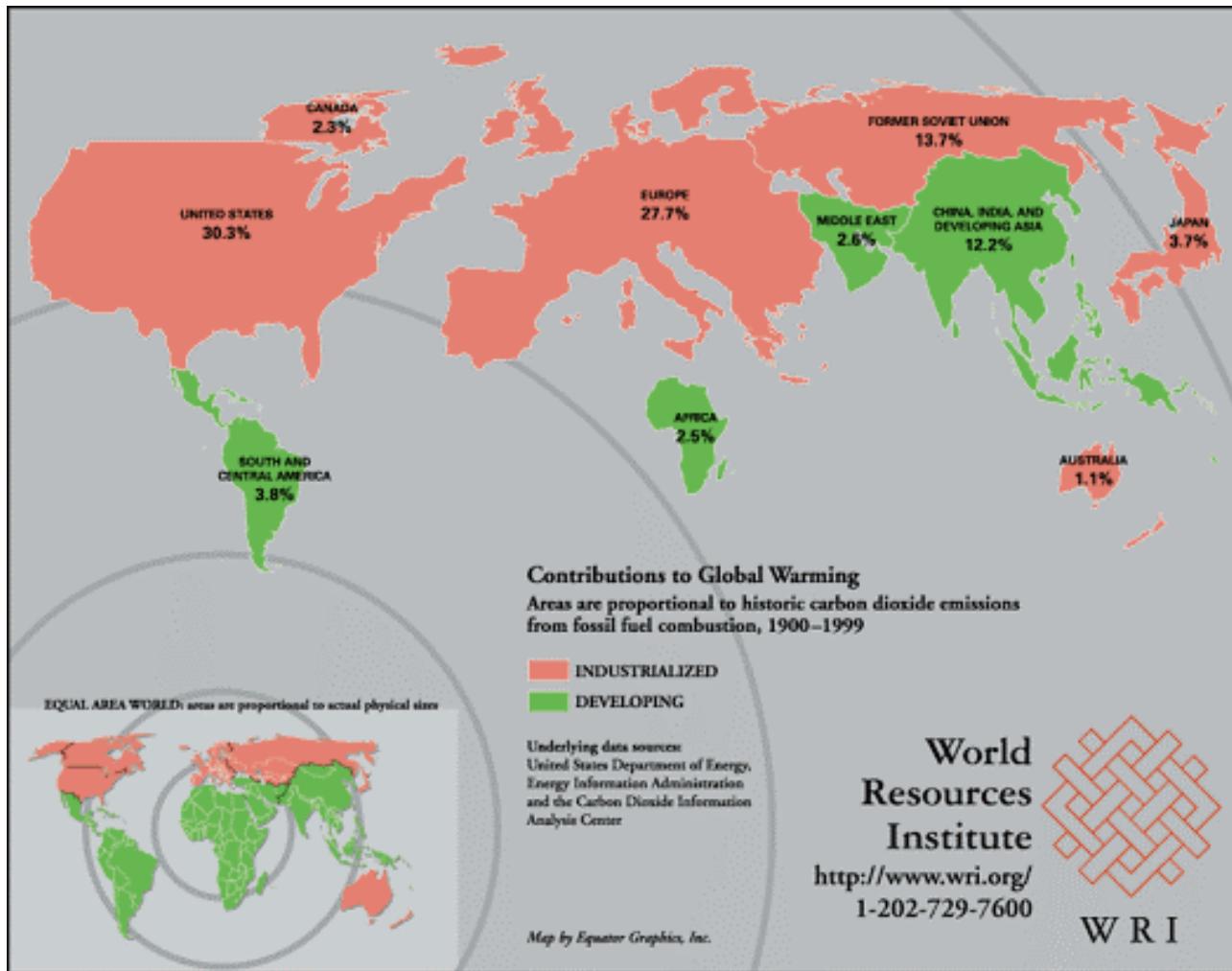


CO2 Emissions by Population



CO2 Emissions by Population
(Source: IEA 1999)





...yet Africa contributes little to global GHG levels

Bonn COP6 bis

A new point of departure for developing countries

- **Agreement on five substantive issues:**
 - Capacity Building
 - Technology Transfer
 - Adaptation
 - Response to measures
 - Least Developed Countries
- **Donor Declaration**
- **New funding structure**

Donor Political Declaration

- EU plus Canada, New Zealand, Norway and Switzerland
- prepared to contribute US \$410 million per year by 2005
- what is included?
 - contributions to GEF climate change related activities
 - bilateral and multilateral funding
 - funding to the Special Climate Change Fund, Least Developed Countries Fund and the Kyoto Protocol Adaptation Fund
 - funding derived from the share of the proceeds on Clean Development Mechanism (CDM) projects
- **Japan, one of largest donors does not figure in declaration, but made separate statement**
- **USA remains major donor for Convention Issues, despite opposition to Protocol**

Global Environment Facility

- ***Normal scope of GEF:***
 - ***Incremental costs*** (difference or "increment" between a less costly, more polluting option and a costlier, more environmentally friendly option)
 - **current 4 operational programmes:**
 - Removal of barriers to energy efficiency and energy conservation;
 - Promoting the adoption of renewable energy by removing barriers and reducing implementation costs;
 - Reducing the long-term costs of low GHG-emitting energy technologies; and
 - Promoting environmentally sustainable transportation.
 - ***Full cost of national communications (only)***
- **Expansion of the scope of activities at CoP6 bis:**
 - capacity and institution building activities (Stage II adaptation activities)
 - implementation of pilot and demonstration activities

Kyoto Protocol Adaptation Fund

- funding under the *Kyoto Protocol*
- to be financed from
 - share of the proceeds on Clean Development Mechanism (CDM) projects
 - other sources of funding
 - Donor funding needed to help “prime the pump”
- to finance concrete adaptation projects and programmes in developing countries

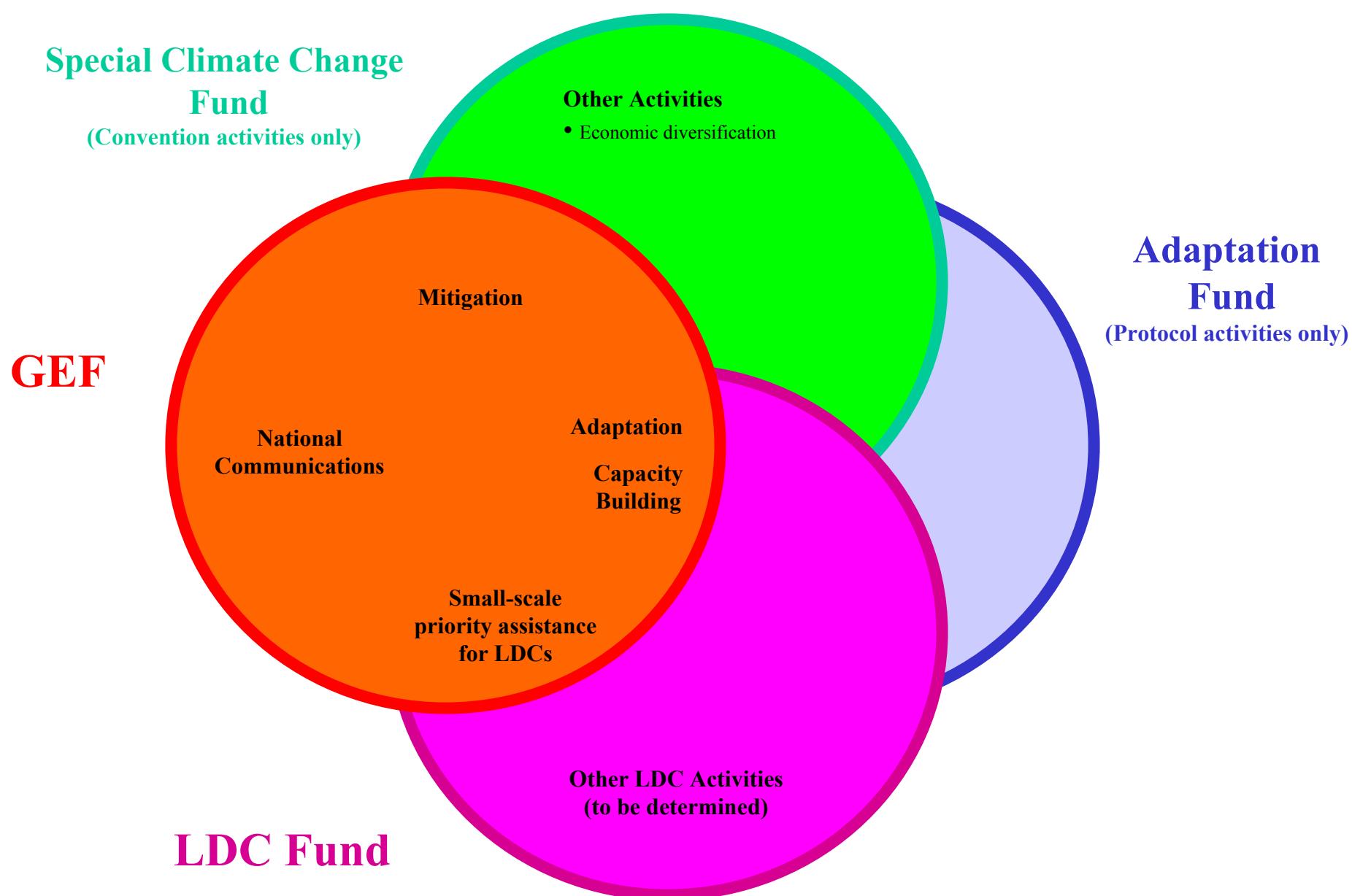
Special Climate Change Fund

- funding under the *Convention*
- to finance activities, programmes and measures related to climate change, that are complementary to those funded by the GEF):
 - adaptation
 - technology transfer
 - energy, transport, industry, agriculture, forestry and waste management
 - diversification of economies

Least Developed Countries Fund

- funding under the *Convention*
- to support a work programme for LDCs, including National Adaptation Programmes of Action (NAPAs)
- Canada committed to contribute CDN \$10 million to jump-start this fund, other donors likely to join shortly
- Details to be worked out with GEF
- Maldives LDC meeting October 2001 important opportunity to discuss modalities, start working with GEF

CoP6 Funding Arrangements for Climate Change



Sources of funds

Multilateral Funding

Ongoing:

- *World Bank*
- *Global Environment Facility*
- *UN Organizations (UNDP, UNEP)*
- *Regional Development Banks (African Development Bank)*

New from CoP6:

- *Expanded GEF mandate*
- *Special Climate Change Fund*
- *Kyoto Protocol Adaptation Fund*
- *Least Developed Countries Fund*

Bilateral Funding

Questions

- 1 What strategies should Africa adopt?
(countering current tendencies to be undirected, short-term, short sighted, ad-hoc, fragmented, duplicative, multiplicity of initiatives)
- 2 How can cross-border projects be financed and credits shared?
- 3 How can small countries participate and ensure that projects benefit them?
- 4 What are the thorny issues regarding finance?
How should Africa strategize to attain maximum benefits. Who should Africa lobby on these issues?
- 5 What does streamlining of the GEF mean for Africa and how can Africa influence this process?
Does Africa have a choice in the financial mechanism, i.e., can Africa opt for another body to implement capacity building or at least provide guidance to GEF on this matter on its behalf.

Question 1: What strategies should Africa adopt?

(countering current tendencies to be undirected, short-term, short sighted, ad-hoc, fragmented, duplicative, multiplicity of initiatives)

Seven suggestions:

1. Recognize Africa's diversity: one size may not fit all
2. Solutions appropriate to Africa are unlikely to reside in complex international arrangements: Place emphasis on practical, prioritized programmes to build local, national and regional capacity.
3. Start by establishing national project formulation capacity
4. Open up participation, diversify/multiply development channels
5. Generate multi-stakeholder projects for greater economic, social and environmental sustainability
6. Make more efficient use of regional mechanisms
7. Champion country-driven approach: improve national capacity to coordinate donor efforts at national/regional level. Avoid “divide and conquer” with donors.

Question 2:

How can cross-border projects be financed and credits shared?

- Financing structure more complicated, but not unusual
- World Bank, African Development Bank have extensive experience in cross-border projects
- Donors are interested and can help with project formulation
- Need to negotiate credit-sharing agreement between investor and host countries

Note: Unilateral/South-South CDM projects not acceptable at present

Question 3: How can small countries participate and ensure that projects benefit them?

Some suggestions:

- Start by establishing national project formulation capacity
- Focus on simple projects to generate interest/credibility domestically and with donors
- Utilize regional institutions to overcome small size
- share information/resources
 - specialize
- Utilize/mobilize *all* national resources
 - horizontal integration in government
 - engagement of non-governmental sector (community groups, NGOs, academics, private sector)

Question 4:

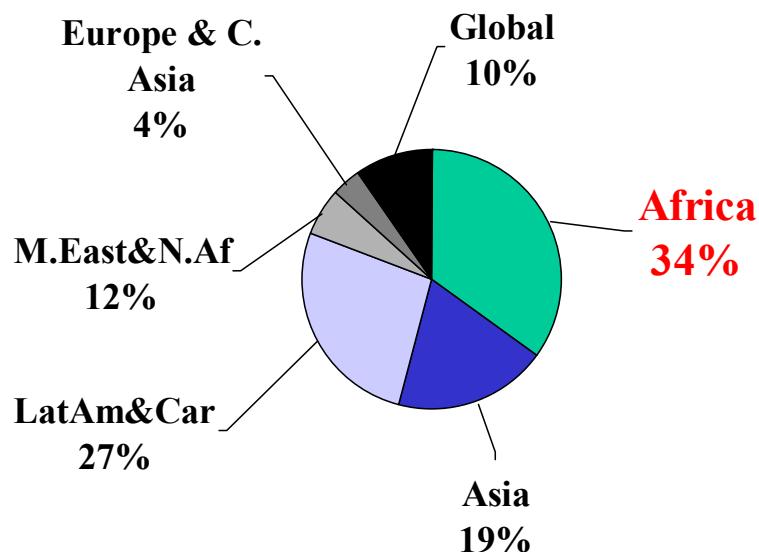
What are the thorny issues regarding finance?

- **Foreign Direct investment far exceeds ODA worldwide**
 - Africa falls far behind other parts of developing world in attracting FDI
 - Lack of enabling environment for investment in Africa continues to be major obstacle
 - fiscal regimes
 - land tenure
- **For time being, ODA remains critical for Africa**
- **However, for Africa, the main problem is not a lack of ODA funding opportunities, but inability to access funding**
 - Part of problem is lack of transparency of funding institutions
 - However, biggest problem is lack of capacity to generate good projects

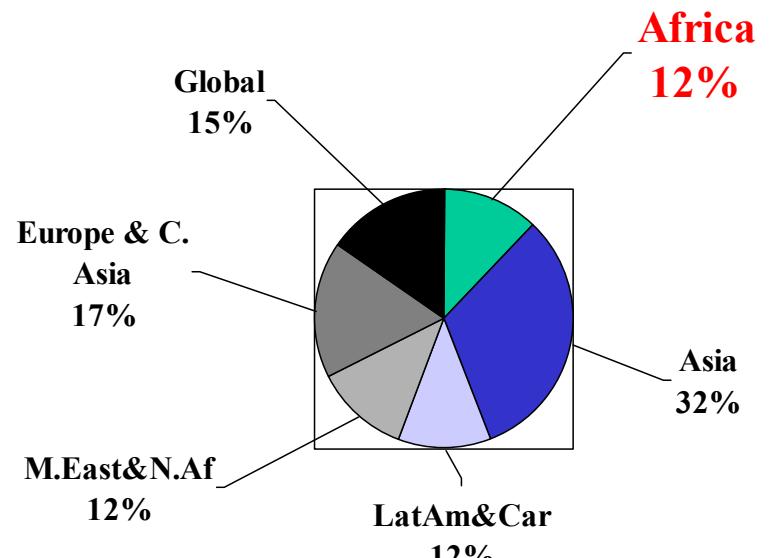
GEF 2000

Regional Project Distribution

Biodiversity



Climate Change



Source: GEF 2000 Project Implementation Review

How should Africa strategize to attain maximum benefits?

- **More effective coordination at national level**
 - horizontal (other ministries)
 - vertical (better engagement of ministers in climate change)
 - temporal (planning for the short & longer term)
- **Wider use of full range of national resources**
- **Better coordination of donors through country-driven strategy**
- **More use of regional approaches**
- **Capitalize on current attention by G8, World Bank on Africa, poverty alleviation**
- **34 of 49 Least Developed Countries are African: Make best use of new LDC focus for climate change**
- **Make more effective use of African representation in International organizations/international fora.**

Who should Africa lobby on these issues?

- **Primarily African decision-makers and representatives**
- **Donor community at national/regional level**
- **Special attention on G8, which has major focus on Africa**
- **International bodies such as GEF Council, UNDP, UNEP , World Bank**

Question 5

What does streamlining of the GEF mean for Africa and how can Africa influence this process?

What does GEF streamlining mean for Africa?

An opportunity to:

- build and improve on an existing mechanism
- harness donor priority for GEF reform
- focus on Africa-specific problems

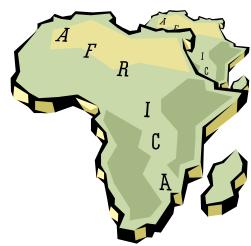
How to influence process:

- Meet with GEF (CoPs, regional meetings)
- Work with the donors - they want the same thing
- More active use of African GEF/World Bank representatives
- Engage with African Development Bank
(new GEF implementing agency)

Question 5: GEF (continued)

Does Africa have a choice in the financial mechanism, i.e., can Africa opt for another body to implement capacity building or at least provide guidance to GEF on this matter on its behalf?

- **GEF is accountable to CoP**
 - even more so after CoP6
- **GEF must and can be improved: all agree**
- **Significant efforts being undertaken: GEF**
- **Main problem with access is with implementing agencies, not GEF secretariat**
 - **UNEP and UNDP are adapting rapidly**
 - fast track review and approval processes being put in place
 - **more executing agencies being considered**
 - African Development Bank will be coming on stream
- **Opting out of GEF not a wise course**
 - **Strengthen existing institution**
 - **Donors support a reformed GEF:**
 - Non-GEF route would undermine donor confidence
 - **GEF is core of new funding structure for climate change**



Conclusions

Financing for climate change for Africa

- The solutions to Africa's financing problems are unlikely to come from complex international arrangements.
- Generating human capacity is the key to progress, and Africa's biggest challenge. It is the first place to start.
- Practical steps can be taken to systematically build national capacity.
- New opportunities are arising through international recognition of African needs (e.g. G8) and LDC concerns (CoP6).
- A revitalized GEF, at the heart of the new funding arrangements for climate change, effectively guided by Africans, is an essential instrument for Africa to combat climate change.