

Workshop Report

Towards an African Adaptation Finance Agenda for COP27

DATE: 13-14 SEPTEMBER 2022

VENUE: HYATT REGENCY, ADDIS ABABA, ETHIOPIA



1. Introduction

Climate change is already impacting Africa in significant ways, with social and economic costs predicted to increase in the future. Today, seven out of ten most climate-vulnerable countries are in Africa. The current climate impacts across the continent are at unprecedented levels. The Horn of Africa is currently experiencing one of the worst droughts in recent history and Nigeria is experiencing its worst flooding in more than 50 years across multiple sub-regions of the country, while earlier in 2022 devastating floods resulted in the deaths of more than 450 deaths in South Africa's KwaZulu-Natal province.

African climate negotiators have been clear that adaptation is a priority for the region; in agreement with the general focus of all Nationally Determined Contributions of African countries. With the adoption of the African Union (AU) Climate Change and Resilient Development Strategy and Action Plan by AU heads of state and government in February 2022, the regional voice on adaptation has again been strengthened, and the need for support reiterated.

From 6-18 November 2022, the Government of Egypt will host the 27th United Nations Framework Convention (UNFCCC) Conference of the Parties (COP27). Widely billed as the 'Africa COP', this provides a critical opportunity for Africa's regional climate agenda to be advanced. As a contribution to this process, the Konrad Adenauer Stiftung (KAS) and the South African Institute of International Affairs (SAIIA), in collaboration with the African Development Bank (AfDB), reconvened a community of practice on African climate finance to identify African adaptation finance priorities ahead of COP27. This *community of practice* has emerged through past collaborations between the partner organizations and contains a diverse set of African climate stakeholders from across the continent's major regions. Participants came together from 13-14 September 2022 in Addis Ababa, Ethiopia for deliberations. This report provides an outline of key messages emerging from the meeting.

In submitting this report, we recognize that there are multiple processes underway that contribute to Africa's positions at the COP process. These include the work of the Africa Group of Negotiators, the Committee of African Heads of State and Government on Climate Change, the African Ministerial Conference on the Environment, and key forums such as Africa Climate Week and the Climate Change and Development in Africa conference series, and the International Cooperation Forum and Meeting of African Ministers of Finance, Economy and Environment, convened by the Government of Egypt and the UN Economic Commission for Africa from 7-9 September in Cairo, Egypt. The community of practice on African climate finance wish to contribute their voice to these processes to support effective outcomes and tangible results for the 'Africa COP'.

2. Structure and methodology

The workshop was designed to be highly interactive. Initial welcoming remarks were provided by Alex Benkenstein, Programme Head at SAIIA and KAS Country Representative Benno Mächler, who also delivered remarks on behalf of Anja Berretta, head of the KAS Energy Security and Climate Change in Sub-Saharan Africa programme. A keynote was subsequently presented by Dr. Olufunso Somorin, Regional Principal Officer at the AfDB. Following these sessions, workshop participants (drawn from government, academia, civil society, development partners, and private sector) were encouraged to co-design the remainder of the programme by identifying

priority themes to be discussed in subsequent breakaway and plenary sessions. With support from workshop facilitators, these experts formed three breakaway groups that would discuss adaptation financing as it relates to:

- 1) **the public sector:** the key focus relates to increasing private capital and investments into adaptation.
- 2) **the private sector:** the key focus relates to what the public sector needs to do differently in its approach to scale financing for its stated adaptation priorities.
- 3) **partnerships:** this discussion focuses on what form of strategic partnerships are critical for unlocking scaled up adaptation finance.

The experts acknowledged the importance of framing these discussions within the broader context of an urgent need to improve the scale and effectiveness of adaptation financing, and the need to leverage multiple sources of finance. They were encouraged to consider both actions at the domestic level and the international level required to improve adaptation financing, with key messages from breakaway discussions framed as solutions-oriented, emphasising key learnings and recommendations. Recommendations emerging from the breakaway sessions were shared and discussed in plenary. While efforts were made to ensure that these recommendations reflect the views of the larger group, it should be recognized that a diversity of views were expressed and these recommendations should not be interpreted as a consensus statement.

3. Key messages

PUBLIC SECTOR

1. Countries should work towards developing National Adaptation Financing Frameworks (a country-level strategy for adaptation-specific financing) to address barriers to accessing finance, identify adaptation priorities, and support innovative and long-term financing for adaptation.
2. National and sub-national (provincial & municipal) budgets should clearly indicate planned expenditure for climate adaptation (budget tagging).
3. NDC adaptation objectives and priorities need to be clearer and more detailed to unlock both public and private finance flows.
4. African governments should do more to highlight and promote peer learning around projects, programmes and interventions that are contributing to the financing of climate adaptation.
5. Governments can play an important role in developing a taxonomy to support participation by investors and financiers in supporting adaptation action (e.g. South Africa's Green Finance Taxonomy)
6. Institutional strengthening and capacity building on negotiations is vital to enable countries mobilize international climate finance directly.
7. During bilateral trade/investment discussions, African countries have an opportunity to negotiate for, and mobilise, financing that could be channelled into climate change adaptation.

8. International climate finance must go into furthering the national agenda and priorities (i.e., international climate financing must be aligned with national priorities).

PRIVATE SECTOR

1. NDCs and other climate frameworks should more explicitly identify opportunities for private sector contributions to adaptation action.
2. At policy design stages, recognised private sector bodies/unions/authorities should be given a significant role in defining private sector interests, actions and business models.
3. Private sector-led ecosystem restoration should be encouraged and scaled; with emerging best practices shared more widely to inspire accelerated action in this area.
4. National investment promotion agencies can play an important role in supporting private sector engagement in adaptation action, particularly in identifying market opportunities and attracting investments.
5. Collaboration is required in initial project screening and supporting project identification in the prefeasibility stage to unlock greater private sector investment.
6. Innovative insurance mechanisms can de-risk investment and support private sector actors in engaging in adaptation actions (e.g., index-based insurance for farmers and pastoralists currently being implemented in Kenya and Zambia).
7. Given that mitigation action has drawn the bulk of private sector climate financing, greater efforts are required to unlock adaptation actions that could form part of mitigation projects (e.g., using solar installations intermixed with agriculture to reduce heat stress and evaporation).
8. Platforms should be established where emerging good practices related to private sector finance for adaptation in Africa may be showcased in order to support replication and scaling.

PARTNERSHIPS

1. There is a need to develop an African Coalition on Adaptation Finance, with representation from all key stakeholder groups.
2. Public finance should be used to catalyse and crowd in private finance (see, for example, Nigeria's development of a green bond market). Adaptation investments by national entities and development finance institutions should focus on preparing projects to make them investment-ready for the private sector and other climate finance sources.
3. Partnerships can play an important role in assisting stakeholders in developing bankable adaptation projects (see, for example, the work of the Climate Finance Accelerator programme).
4. Existing adaptation financing partnerships at national and global levels can inspire and inform new partnerships (current examples include African Adaptation Accelerator Programme, the Africa Adaptation Initiative, and Kenya's Financing Locally Led Climate Action Programme).

5. There should be a greater emphasis around building coalitions and supporting peer-learning on key climate response measures, such as debt-for-climate swaps.
6. Engagement and partnership with civil society is critical in ensuring sustainability of climate interventions. Existing coalitions and platforms, such as the Pan-African Climate Justice Alliance, can play an important role in this regard.
7. Partnerships can be facilitated by the establishment of establishment of a climate finance partnership framework, which will provide guidance on transparency and support the identification and scaling of emerging good practice.

4. Conclusion

COP27 represents an important opportunity for Africa to articulate and mobilise support for the continental climate change agenda. African climate negotiators have long made clear that adaptation is a key priority for the continent, as well as the imperative to increase the scale and effectiveness of climate finance. The recommendations contained in this report emerged from deliberations between a diverse group of African stakeholders. These messages can contribute to various other regional processes that are informing Africa's negotiating position at COP27, as well as informing future climate negotiations.

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