AfDB's work on climate change and green growth in a *changing climate.*

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Outline

- Part I: Bank's New Climate Change and Growth Strategic Framework
- Part II: Mainstreaming climate change in development investments
- Part III: Accessing Climate Finance
- Part IV: Climate Change and the Built Environment
- Part V: Concluding Remarks

Climate Change in Africa

The effects of the 2015 drought in Southern Africa

Global Greenhouse gas emissions

Global Climate Vulnerability

- Despite Africa emits about 4% of GHGs, the continent remains the most vulnerable region: **7 out of the 10 world most climate vulnerable countries are in Africa**
- To date, **Africa receives just 4% of global climate finance**

Economic cost of Climate Change in Africa is very high ≈ 7% of GDP.

Climate risk for infrastructure cascades through the economy, limiting or reversing progress towards all the SDGs

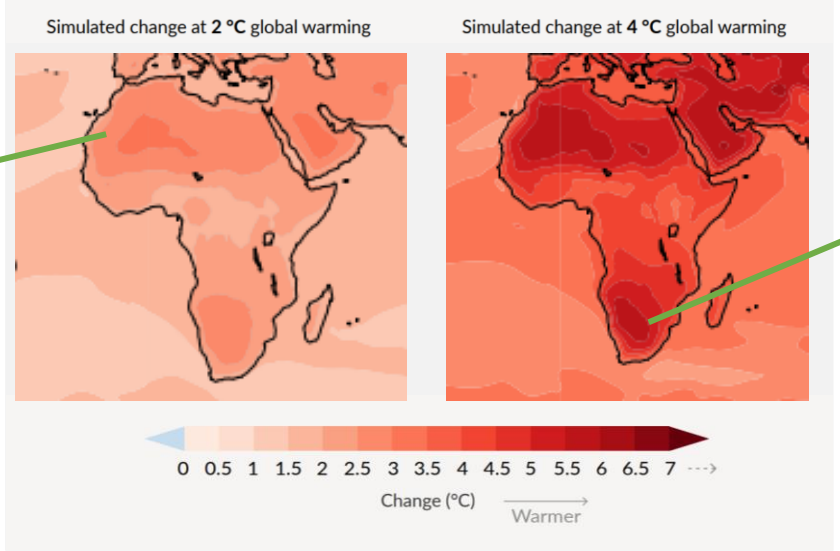
GLOBAL CENTER ON ADAPTATION

Morocco is expected to see **decrease of 24% in hydropower capacity** in higher warming scenario

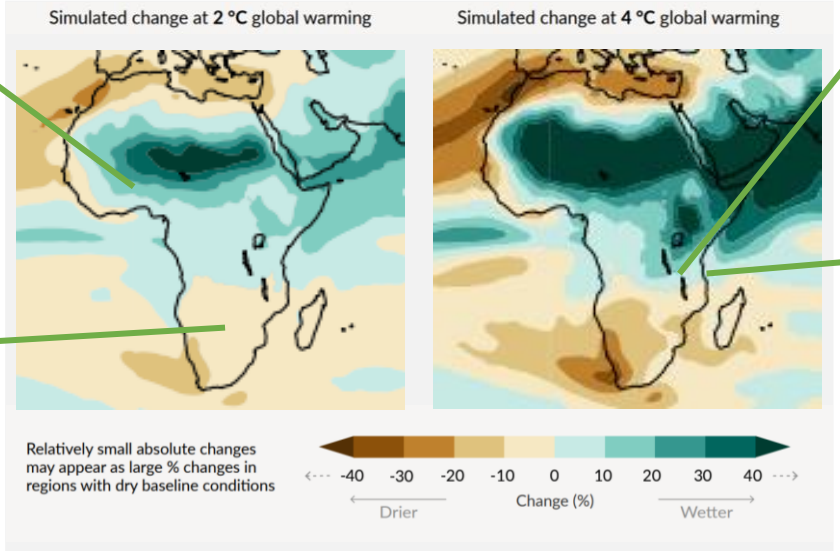
Damages to **Ghana's** road network can reach **US$ 4 billion** for a high-flood scenario and **14 million people** may lose access to healthcare

GDP growth in **Zambia decrease by 3.4%** due to power shortages associated with the impact of drought

Annual mean temperature change



Annual mean precipitation change



Drought in the Kariba Dam in **Zimbabwe** caused **US$ 200 million** in losses through lost production

4% of roads in Uganda's capital city of Kampala are exposed to floods in a 50-year flood event

In **Tanzania,** disruptions to power supply and transport disruptions lead to a **decrease of 0.7% of GDP** each year

Part I: Bank’s New Climate Change and Growth Strategic Framework

New Climate Framework

AfDB Climate Change and Green Growth Framework comprises:

1. **Climate Change and Green Growth <u>Policy</u>**
2. **Climate Change and Green Growth <u>Strategy</u> (2021-2030)**
3. **Third Climate Change and Green Growth <u>Action Plan</u> (2021-2025)**

Bank's Climate Change and Green Growth Policy: Framing Africa's voice on CC & GG - *Rationale*

1. Africa faces a low-development base compared to other regions.

Vast challenges remain, with climate change further threatening inclusive growth and development.

Therefore, climate action on the continent must be viewed pragmatically through the prism of poverty-alleviation, economic growth, wealth-generation and Africa's development imperatives.

SDG 1 is to *"End poverty in all its forms everywhere"*. **433m Africans were estimated to be living in extreme poverty in 2018. A situation exacerbated by COVID-19 impacts.**

SDG 3 is to *"Ensure healthy lives and promote well-being for all at all ages"*, and African governments have set Universal Health Coverage as an objective for 2030. However, in sub-Saharan Africa **healthcare spending has remained stable at ~5% of GDP** since 2000.

SDG 6 is to *"Ensure availability and sustainable management of water and sanitation for all"*. In 2019 the WHO estimated that **26% of Africans lacked access to improved drinking water**.

SDG 7 is to *"Ensure access to affordable, reliable, sustainable and modern energy for all"*. **Yet, 600 million people in Africa continue to live without access to electricity**. Further, the **rate of access to clean cooking solutions stands at only 10% in Sub-Saharan Africa**, compared to 36% in East Asia, and 56% in Latin America and the Caribbean.

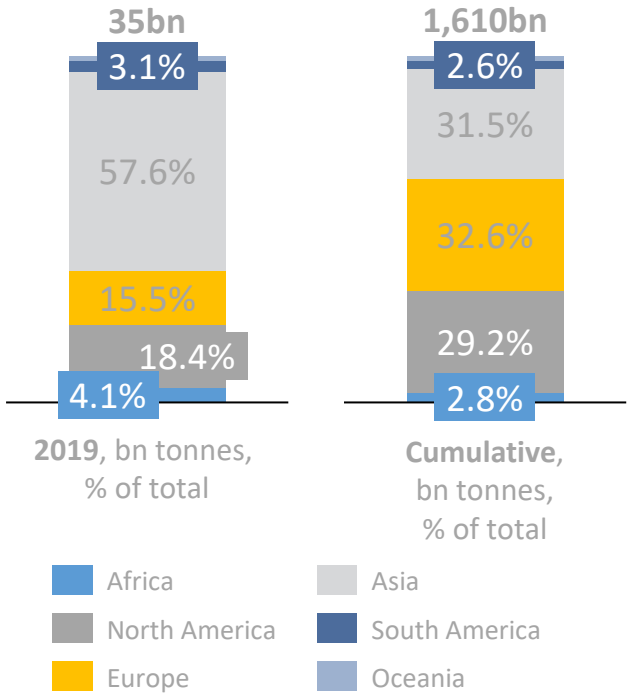
2. African nations have common but differentiated responsibilities for climate action. Achieving sustainable development pathways requires the re-targeting of efforts, financial flows and resources, considering national circumstances

Africa has contributed a negligible % of historical CO_2 emissions, and this remains true today[1]

Yet, the continent is home to the world's largest share of populations vulnerable to climate change

Efforts and resources must consider national circumstances

Historical CO_2 emissions per region

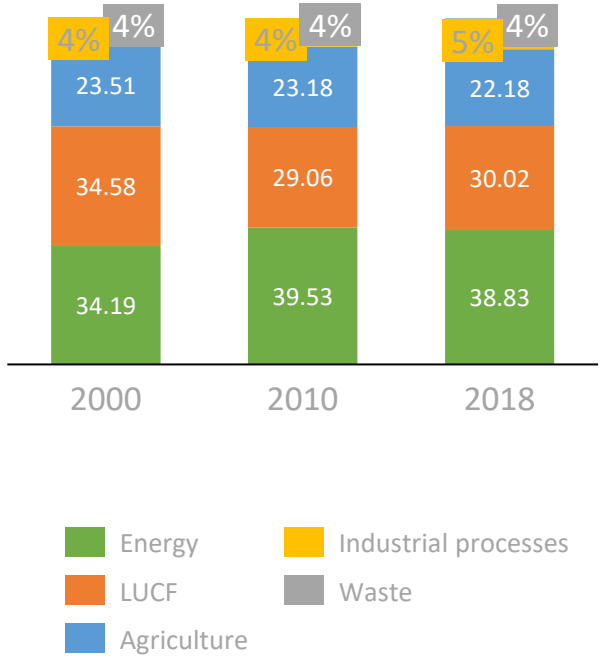


- Yet, today. Africa bears the brunt of Climate change impacts, a situation exacerbated by the Continent's **lower adaptive capacity**.
- While GHG emissions in high-income countries are largely driven by the energy sector, in Africa this is less than 40%; most Africa's emissions are from land use change, forestry and agriculture.

- Non-climate drivers/stressors combine with climate change to exacerbate Africa's vulnerability and further **threaten sustainable development**.
- E.g., increased **water and food insecurity** can result from changing weather patterns, while the growing prevalence of extreme weather can **damage infrastructure** and **increase human conflict and migration**.

- **Ensuring that development in Africa is sustainable is crucial** to limiting the continent's contribution to future emissions and environmental degradation. However, **doing so requires significant resources**.

Africa's GHG emissions per sector[2]



Data source: 1) Our world in data (April 2021). Total historical stock as far back as available – Europe 1750-, North America 1785-, Asia 1830-, Oceania 1860-, and Africa and South America both 1884-. 2) Source: CAIT.

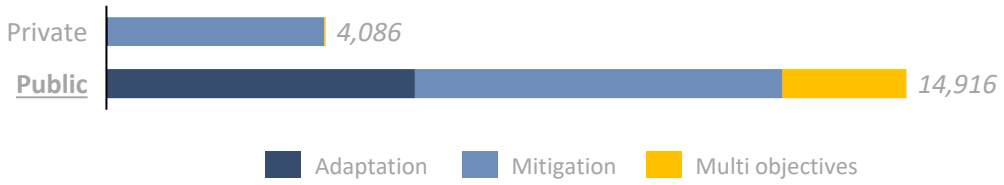
3. Climate finance flows remain far below Africa's investment needs, with climate adaptation and resilience largely underfunded

- **Adaptation investment needs for Africa** are estimated at **~US$26-41bn per year** on average **between 2020 and 2030**.[1]
- **New average global mitigation investment** through to 2050 required **to achieve Paris' 1.5°c target** is estimated at **~US$1.6-3.8tn annually** for energy systems alone.[2] While the continent faces a lower mitigation burden than other regions, investment is required to prevent lock-in to harmful technologies.
- In recent years, sub-Saharan **Africa** received **only 3% of global climate finance,** i.e. **US$19bn** in 2017/2018.
- Crucially, most global climate finance flows are directed to **mitigation (93%** in 2017/2018**), leaving climate adaptation underfunded and under-represented**.
  - **Adaptation finance in Africa** represents a higher a proportion than any other region (**30% of total regional climate finance flows).** Yet, this volume is still insufficient to address needs.

The **Bank** has a **critical role to play in:**
channelling climate finance to RMCs
and **supporting them in articulating** their needs through their **NDCs/LTSs and mobilising resources**, especially for adaptation.

***Destination** of climate finance (US$ billion)* [3]

***Distribution** of climate finance **to sub-Saharan Africa** (US$ billion)* [4]



[1] Conservative estimates based on costed NDCs submitted by RMCs (40 out of 53). [2,3,4] Source: Climate Policy Initiative, 2017/2018 average.

1. Climate Change and Green Growth Policy| The Policy centres on four core 'pillars' of action and four 'areas of special emphasis', recognizing and building upon the Bank's comparative advantage and lessons learned

VISION

A **climate-resilient**, **low-carbon**, **green**, **inclusive**, **integrated** and **prosperous Africa**, **justly transformed for the benefit of all Africans**

AREAS OF SPECIAL EMPHASIS

- Transition to green growth
- Gender, youth and social inclusion
- Private sector devt. and participation
- Robust and resilient recovery

PILLARS

- **Adaptation**
- **Mitigation**
- **Finance**
- **Enabling environment**

OBJECTIVES

- *To **empower** the Bank to continue to support African countries in a just transition towards a climate-resilient, low-carbon future*
- *To **enhance** the Bank's capacity to finance, mobilize funds for, and drive green, inclusive, sustainable and climate-compatible growth*
- *To **ensure** the Bank supports African countries in the development and achievement of their NDCs, NAPs, LTSs and SDG commitments*
- *To **enable** the Bank to align new operations with BB 1, 2 and 3 by 2023, and target full alignment with BB 4, 5 and 6 by 2025*
- *To **engender** a holistic, 'one-Bank' approach by guiding and supporting convergence on climate change and green growth*

Climate Change and Green Growth Strategy| The Strategy expands on the Policy, identifying key 'strategic actions' which apply across the Policy's four 'pillars' and four 'areas of special emphasis'

Structure of the Strategy: Strategic actions

1

RESOURCE MOBILIZATION, SPENDING AND TARGETS

With a focus on: **Pursuing the aggregate climate finance mobilization target of US$25 billion between 2020 and 2025** within the AfDB's total allocations, and **mobilizing greater volumes from other sources**, leveraging innovative and evolving financial instruments and mechanisms

3

CONVENING POWER, PARTNERSHIPS AND ACTIVATION OF KEY ACTORS

With a focus on: Creating **exponential impact** on CC & GG **through partnerships**, driving thought-leadership and knowledge-generation, and **making the benefits** of the AfDB's investments **more inclusive**

2

INVESTMENT PORTFOLIO AND PIPELINES

With a focus on: Giving effect to the Bank's commitment to progress **strong and visible alignment of new operations with the objectives of the Paris Agreement by 2023** and accelerating the **identification and development of bankable climate change and green growth investments**

4

INSTITUTIONAL AND RMC CAPACITY ENHANCEMENT

With a focus on: **Augmenting** the AfDB's **staffing and technical capacity** to keep pace with the increased scope and needs, **strengthening** institutional capacity within **RMCs**, **improving** overall **MERL** and **reducing** the **AfDB's resource footprint**

Note: Each instrument has been aligned to the Bank's guidelines and agreed with PECG taskforce members

In some other key respects, the Strategic Framework enables much-needed continuity that will allow the Bank to strengthen existing momentum on already-ambitious goals:

Formal $25bn goal (2020-2025)	The Framework formally espouses the Bank's commitment to mobilise $25 billion in climate finance between 2020 and 2025, despite COVID-related global disruptions.
40% annual climate finance allocation	The Bank firmly reaffirms its intent to ensure that at least 40% of all its annual allocations can be identified and reported as climate finance using the MDBs' climate finance tracking methodologies.
+50% adaptation goal	The Framework underscores the centrality of climate change adaptation in Africa by requiring the Bank to spend at least half of its climate finance allocation on climate adaptation and resilience.
Shift away from coal	Whilst the Bank's leadership has already indicated that investments in coal will cease, the Framework establishes this as the Bank's formal position.

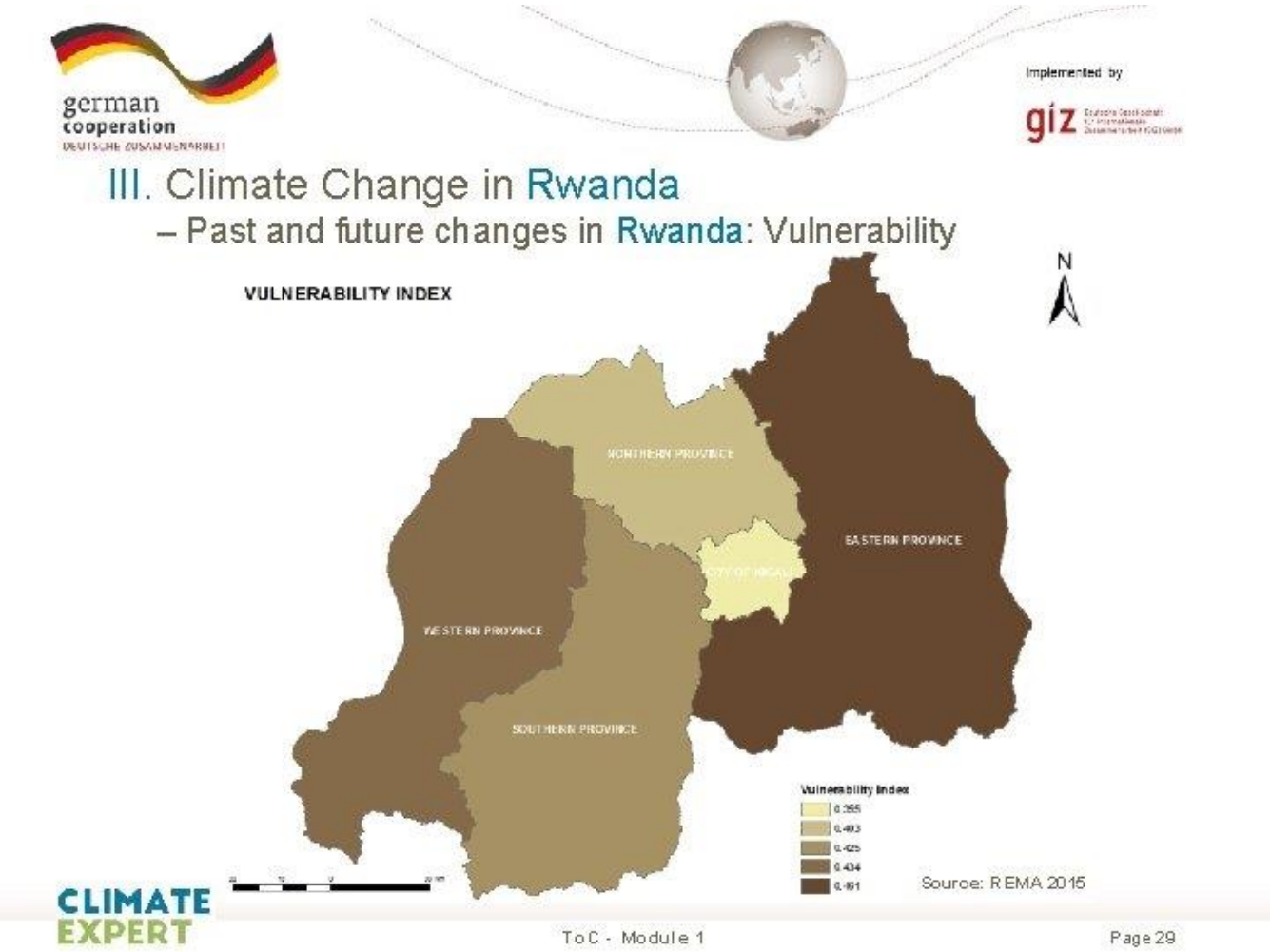
The formalization and re-commitment to these targets reflects extensive consultation on the level of ambition of these goals.

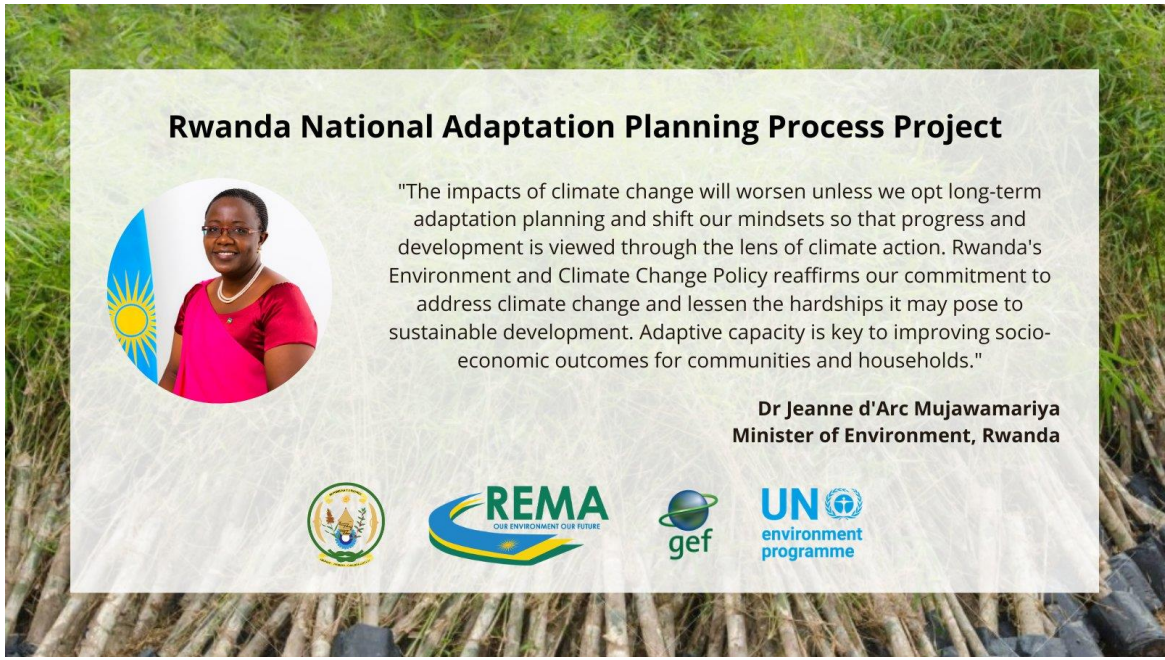
Part II: Mainstreaming climate change in development investments

Addressing climate change in AfDB: Tools and Procedures

- **Climate Safeguard System -** facilitate upstream climate risks assessment. Climate Risk Screening Tool and the Adaptation Review and Evaluation Procedures.
- **Greenhouse Gas Accounting and Reporting** tool to assess greenhouse gas emissions and carbon intensity of projects to recommend better alternatives.
- **Mainstreaming of climate change and green growth** throughout the project cycle: Categorization, Readiness Reviews, Green Growth Framework; ESA reviews as well as Additionality and Development Outcomes Assessment for private sector operations.
- **Climate Finance tracking:** Joint MDB Methodology for tracking adaptation finance; Joint MDB Methodology for tracking mitigation finance and sector guidance manuals

Rwanda Country Climate Risks

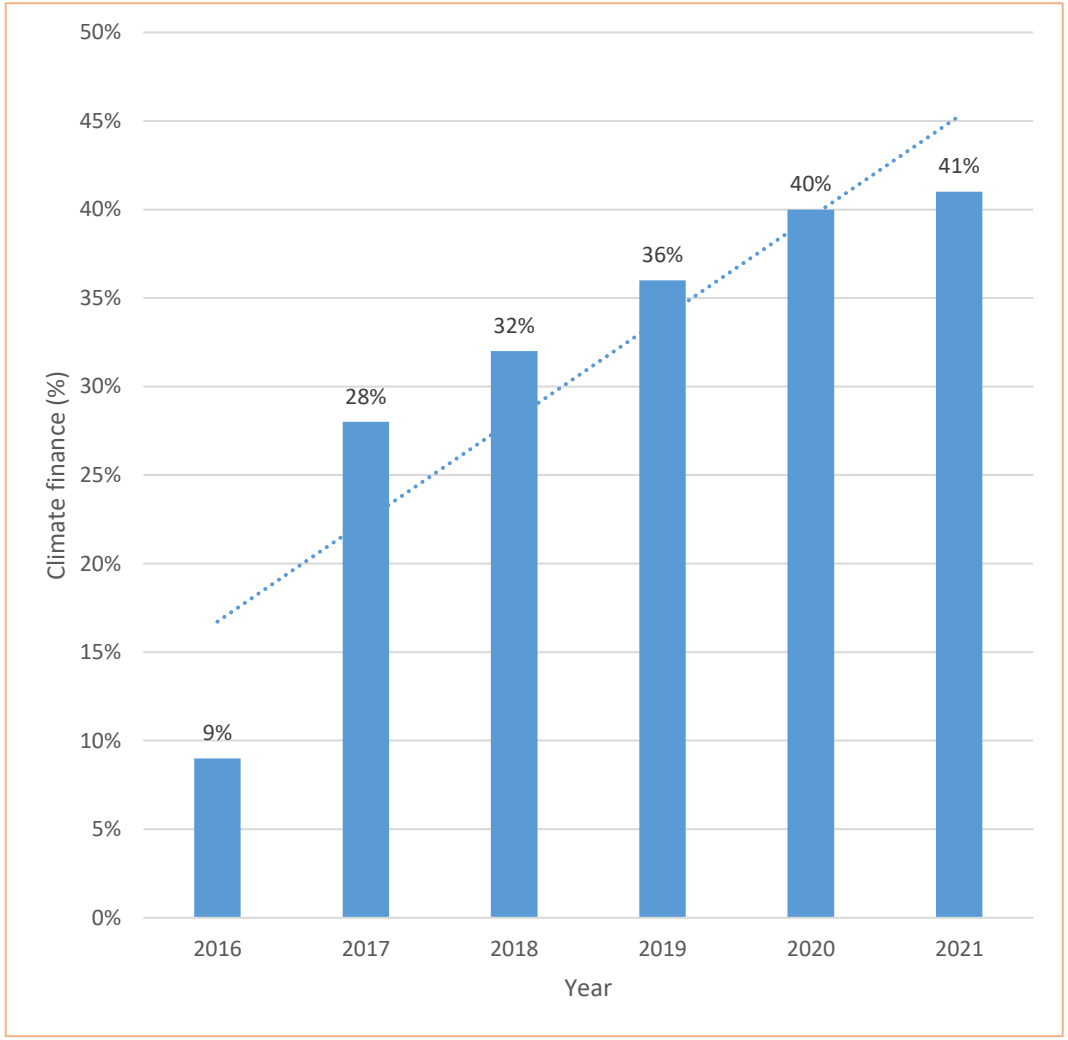




- Rwanda is particularly vulnerable to climate risks such as erratic rainfall patterns, flooding, landslides, drought.
  - Rainy seasons are shifting and becoming less predictable

Mainstreaming climate change in all operations and policies

- The Bank has committed to mainstream climate change and green growth in all its policies and operations.
- We do NOT have stand-alone climate change projects.
- All development projects are based on climate-informed design and:
  - Build climate resilience of project investments, populations and ecosystems
  - Lead to emission reduction and low carbon development
  - Increase efficiency in use of resources and reduce wastes

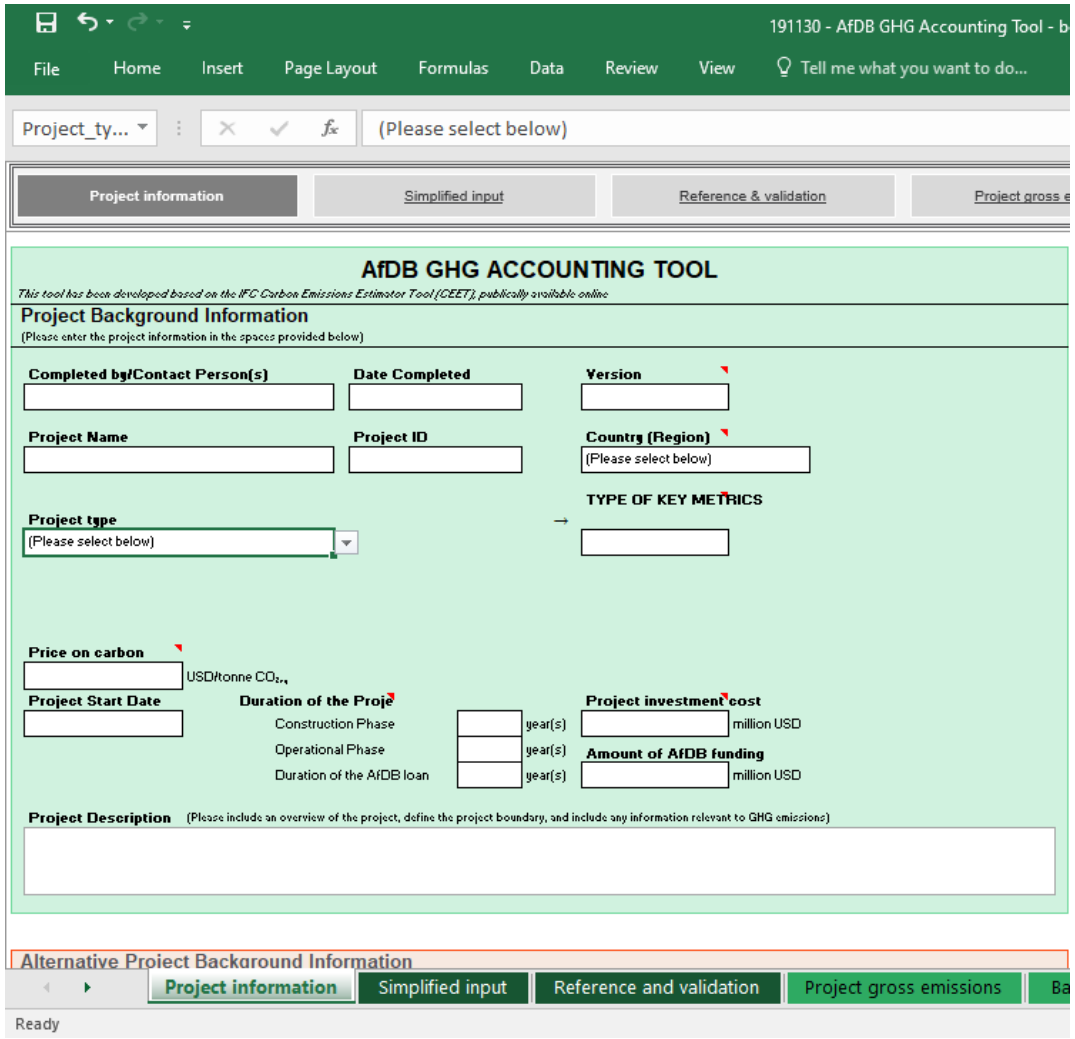


AfDB GHG Accounting tool

- It is an Excel-based tool that quantifies the amount of Green House Gas (GHG) emissions expected from the Bank's projects before they are implemented.

- The tool allows the Bank and its clients to assess the impacts of their project on GHG emissions.

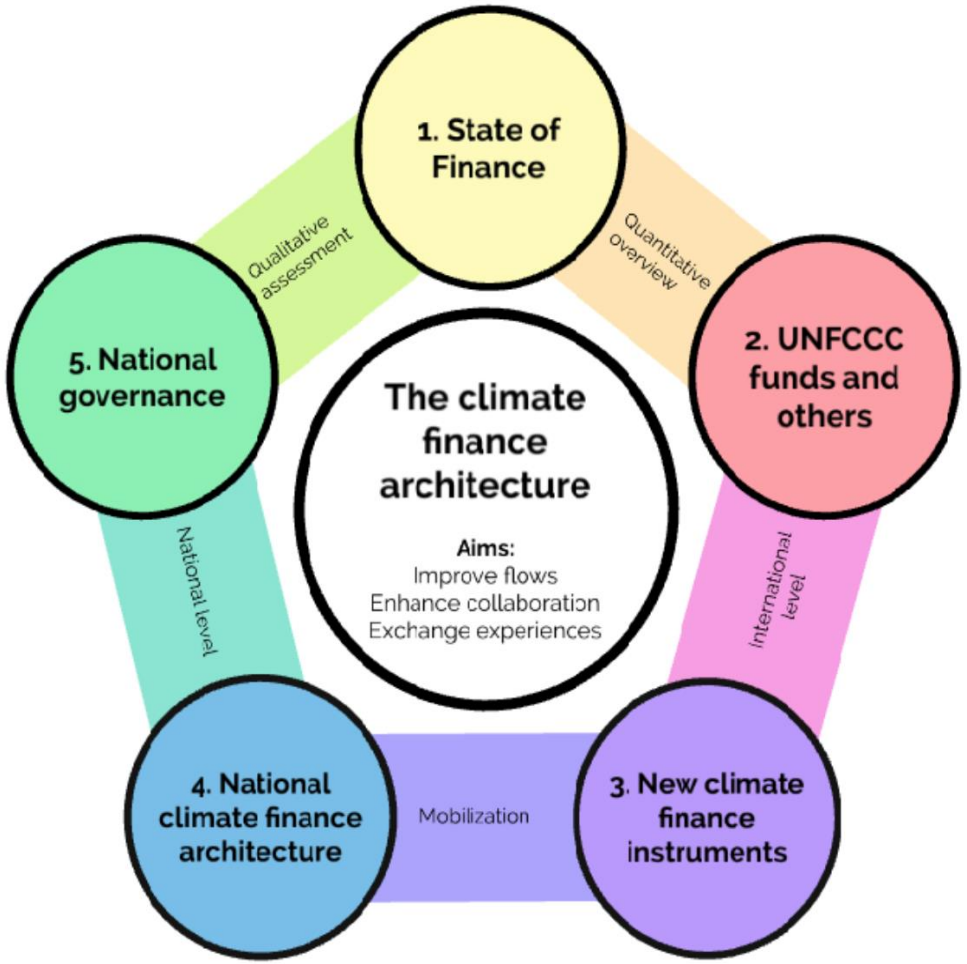
- The tool uses project activity data, such as type and magnitude of a project's GHG emission sources, to estimate the impacts of a project on GHG emissions.



Part III: Accessing Climate Finance

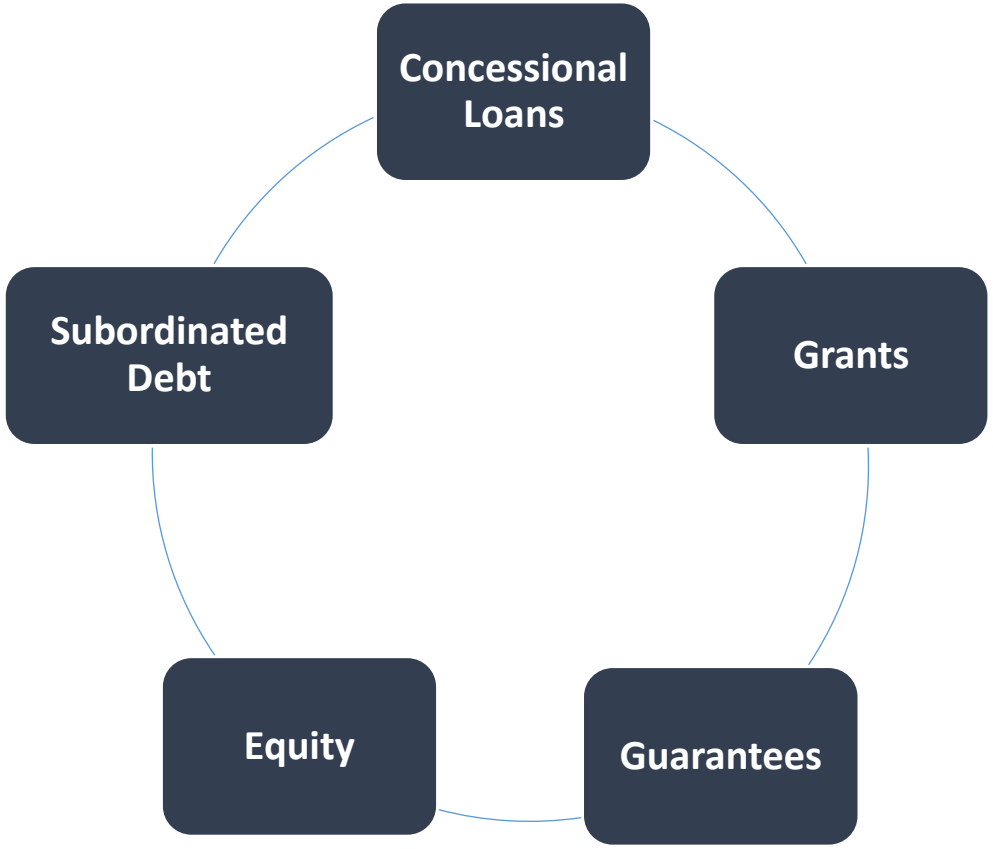
Climate Finance: What is it??

- **No universal definition of climate finance** exists to date. As a result, we are not adequately accounting for climate finance due to the disparity in definition of what it constitutes.
  - Often defined within the context of international climate funds such as the Green Climate Fund, Global Environment Facility, Adaptation Fund, Climate Investment Funds.
- **What is Climate Finance?**
  - Any financing whether domestic, foreign, from public sector, private sector, a combination of the two, NGOs, research institutions that goes into reducing emissions (***mitigation***) or building resilience against climate impacts (***adaptation***).

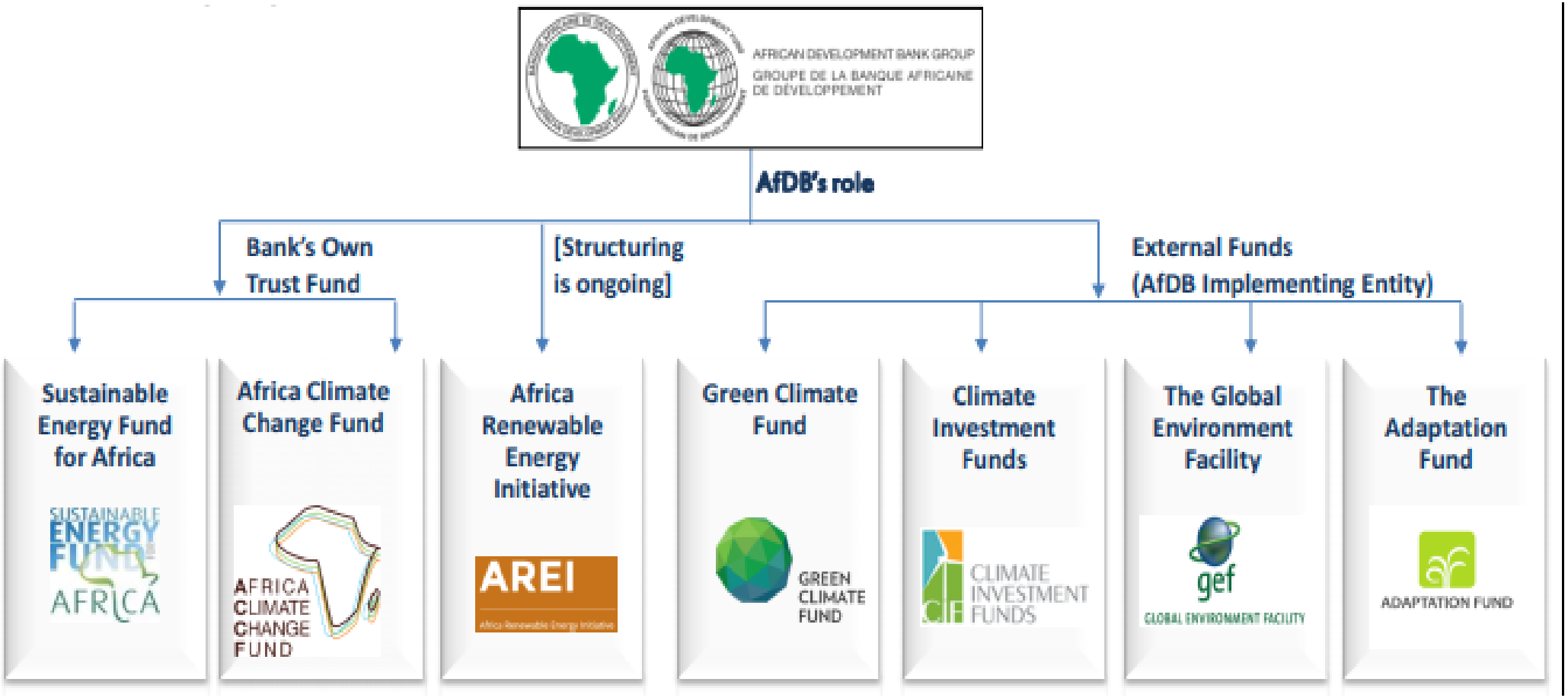


Climate Finance Instruments

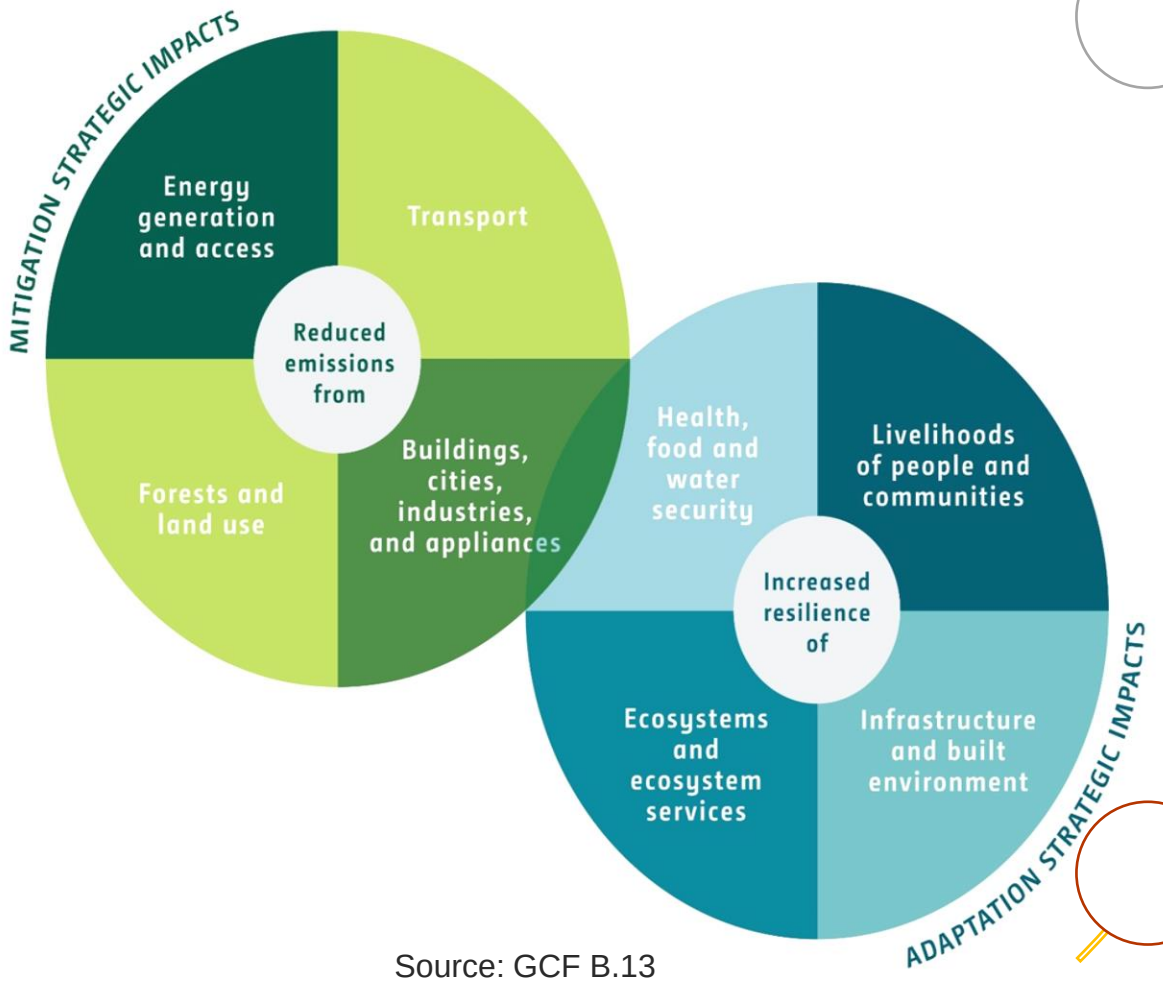
- **Public sector finance**: mostly in form of:
  - equities, loans (concessional), and grants.
- **Private sector finance**: comes in form of:
  - investment funds, carbon finance markets, capital markets, debt, equity
- **Innovative financial and products**:
  - risk guarantees to manage or mitigate risks, results-based financing, co-financing schemes, loan guarantees, lines of credit, special purpose vehicles.
- Disaster risk insurance



Climate Funds in the Bank



Case Study: The Green Climate Fund

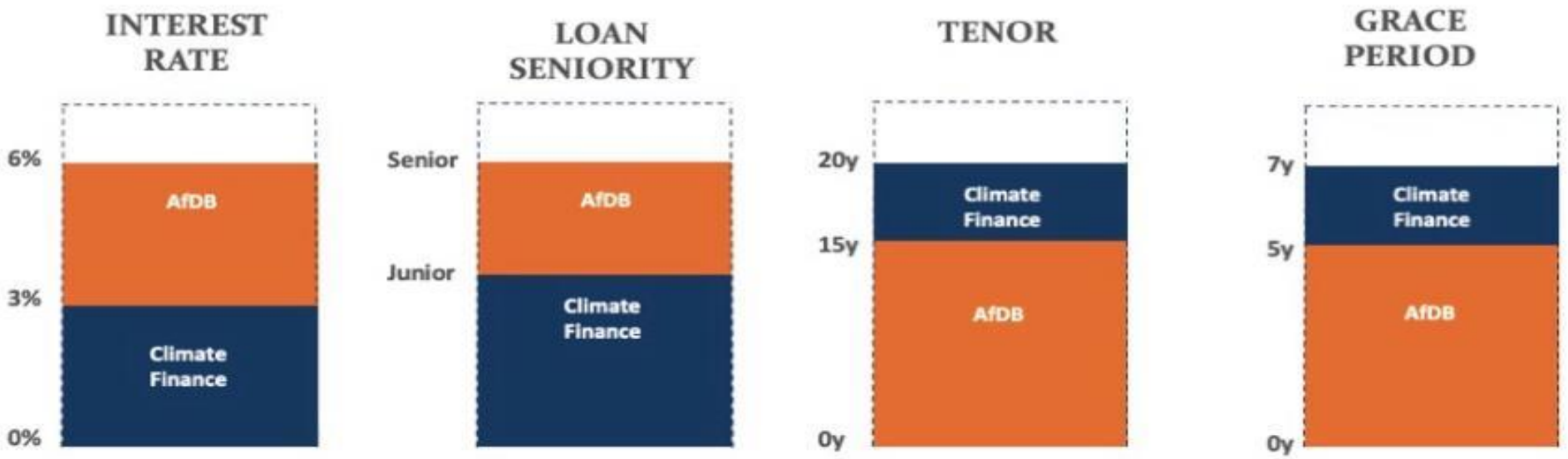


Source: GCF B.13

- Impact potential
- Paradigm shift potential
- Sustainable development potential
- Responsive to recipients needs
- Promote country ownership
- Efficiency & effectiveness

Importance of Concessionality

Climate Finance is about blending financial instruments at terms below market rates and beyond.



The Principle of Minimum Concessionality needs to be applied to avoid market distortions and crowding-out other financiers.

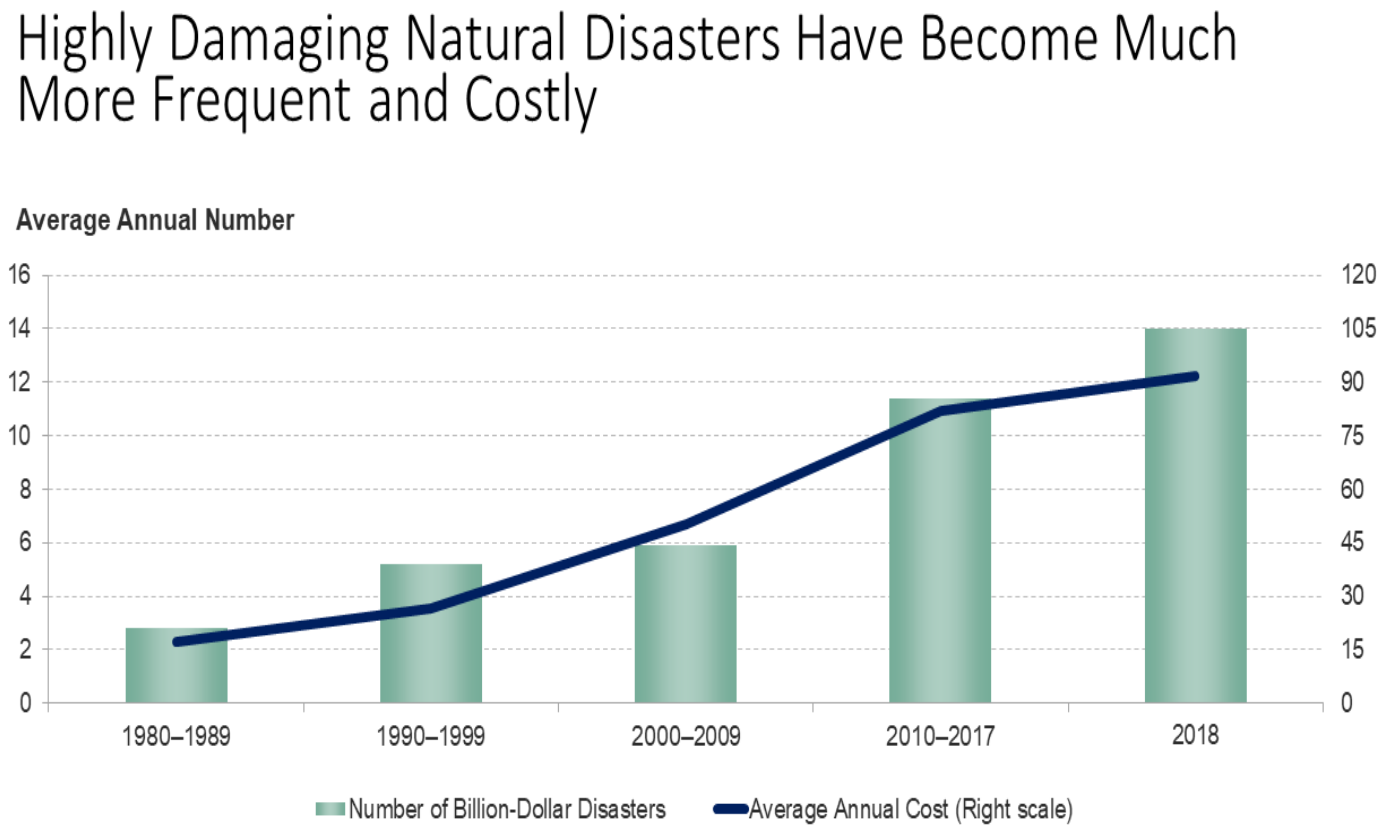
Part IV: Climate Change & the Built Environment

Climate Change and Housing: What do we know?

The [2019 Harvard Joint Center for Housing Studies (JCHS) report] looks at climate change as an urgent threat to housing.

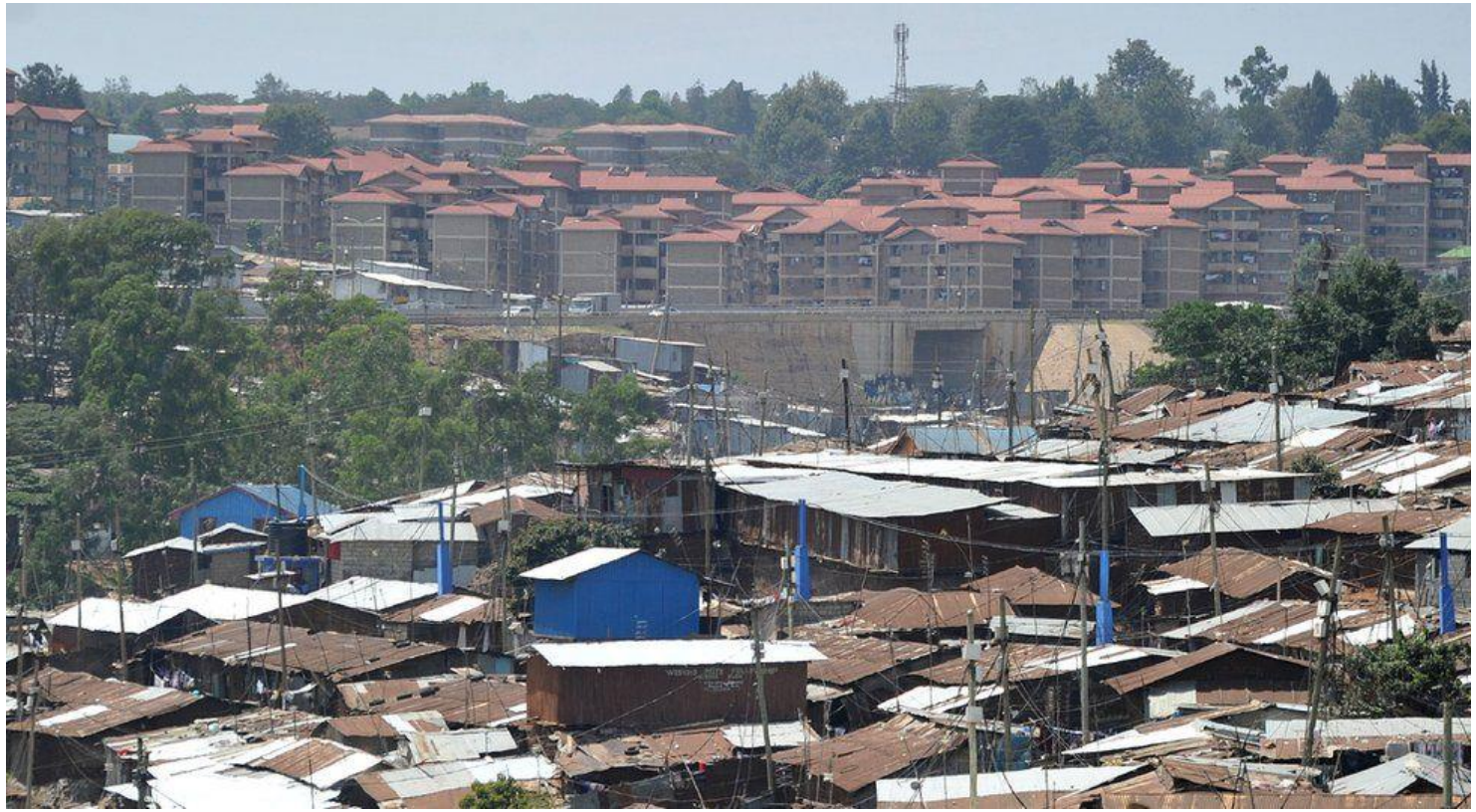
*"…**flooding and wind from hurricanes** alone damaged some 700,000 residential and commercial properties in North Carolina, South Carolina, and Virginia."*

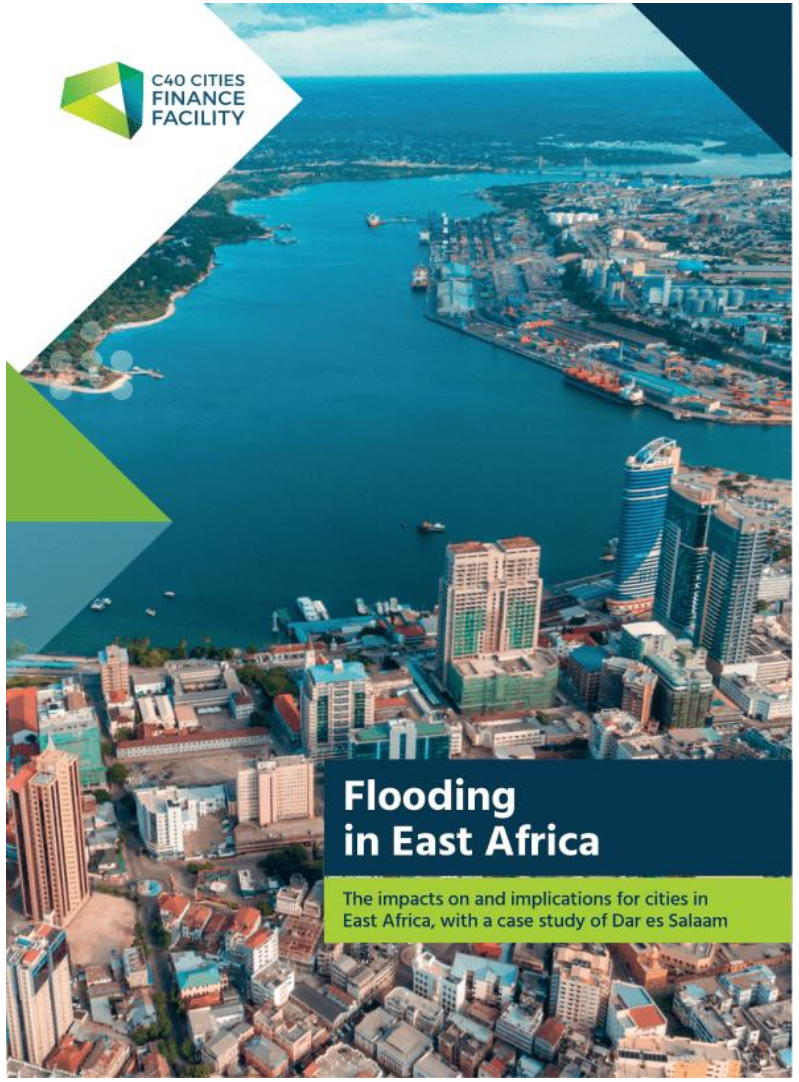
*"In California, last year's **wildfires** destroyed over 18,800 structures in Paradise and another 1,600 in Malibu."*



- Note: All values are constant March 2019 dollars adjusted by the CPI-U for All Items.
- Source: JCHS tabulations of National Oceanic and Atmospheric Administration, Billion-Dollar Weather and Climate Disasters: Time Series.

Climate Change and Housing: What do we know?





Future Housing Outlook: affordable vs climate-proof

Housing offers substantial possibilities for **climate mitigation** through reduced energy consumption, and thus lower carbon emissions, whilst at the same time **resilient and adaptive to climate impacts**.

Part V: Concluding Remarks

My concluding thoughts…..

- Recognizing the **framing power of climate change**:
  - challenges vs opportunities

- **Strategic alignment** to the New Climate Change and Green Growth Framework
  - 100% mainstreaming of climate change and green growth in all Bank policies and operations
  - GHG accounting and reporting *(Paris Agreement alignment)*
  - Supporting RMC's work on providing enabling environment for climate actions.

- Need for deliberate **approaches for accessing and scaling-up climate finance** flows for projects and programs
  - *A shift from "being helped" to "being a partner"*
  - *Developing a pipeline of bankable projects for climate finance*

THANK YOU

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