Financing climate resilience and a just transition in Africa

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Addis Ababa, 20 March 2023 (ECA) - Innovative and collaborative financing models are required to urgently finance climate action, particularly in Africa and emerging markets, concluded experts attending a round table on the socioeconomic implications of climate change and opportunities for leveraging green finance at the ministerial segment of the 55th Conference of African Ministers of Finance, Planning & Economic Development.

African countries face an existential dilemma on how to advance their economic transformation and industrialization path while being responsive to the ever-changing climate. Addressing this and achieving the goals of the historic Paris Agreement require transitioning to a just net-zero economy, for which finance is a major lever. By unlocking climate finance, Africa can move from crisis to resilience and forge a new social contract, carving a structural development path that is just and meets its people’s needs, creating decent jobs which are vital to tackling poverty and inequality.

Presentations and interventions from participants echoed the growing call to build back better and create a more inclusive and sustainable economy that is climate resilient. While forging this new social contract to reduce vulnerabilities in Africa, it is worth mentioning that insights from the African Development Bank reveal that $1.3 trillion and $1.6 trillion, averaging $1.4 trillion, will be needed over 2020–30 to implement Africa’s climate action commitments and Nationally Determined Contributions (NDCs). In reality, climate finance committed and mobilized for Africa falls short of the continent’s needs and historical carbon emission shares, creating an estimated annual financing gap of $99.9–$127.2 billion in 2020–30.

“There are billions of dollars on climate funds, but Africa can only access three percent, we must put in place mechanisms to help governments access these funds,” said Ms. Hassatou Diop N’Sele, Vice- President for Finance and Chief Financial Officer of the African Development Bank.
The discussions underscored the urgent need for African governments to enhance efforts to employ suitable green growth financing mechanisms in addition to the ones provided by the United Nations Framework Convention on Climate Change, such as the Green Climate Fund or the newly announced loss and damage fund which was approved at COP27.

They also stressed the importance of leveraging green finance for a people-centered recovery and inclusive development, to reduce inequalities. “Investing in nature-based sequestration can provide up to 30% of the world’s sequestration needs. At 120 USD per tonne of carbon, up to US$ 82 billion per year can be mobilized from nature-based carbon credits in Africa,” stressed Jean-Paul Adam, Director, Technology and Climate Change Division at the ECA.

Adjusting current practices and implementing green fiscal reform (sustainable budgeting) and climate-resilient investment “could facilitate monitoring and evaluation and help address the formulation of realistic climate and SDG aligned Key Performance Indicators,” they said.

To help African countries to recover from the twin COVID-19 and climate-related crises to revitalize economies, new and resilient green financing frameworks are needed to drive national development and leapfrog old development pathways, setting in motion African-owned growth models that are sustainable, inclusive, and resilient.

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