

CLIMATE FINANCE READINESS IN EASTERN AND SOUTHERN AFRICA

The recently completed UNDP-OneWorld climate finance readiness (CFR) project in Eastern (Ethiopia, Kenya and Tanzania) and Southern Africa (Lesotho, Mozambique and Zambia) drew on the CFR status and aspirations of these countries to inform and guide the process of climate funding in Africa, particularly in light of the emergent Green Climate Fund (GCF) – a central fund in the global climate finance architecture – set to launch in 2015.

Many of the world's most vulnerable countries are in Africa, with many already experiencing the reality of climate change. This supports the contention that damage from climate change, relative to GDP and population, is likely to be higher in Africa than in any other region.

CFR has become an increasingly prominent feature of development discussions throughout the developing world, as countries grapple with ways to finance their responses to climate change. The UNDP-OneWorld CFR project complements a body of work conducted by a range of institutions which continue to produce important work on climate finance.

CLIMATE FINANCE READINESS IS CRUCIAL FOR AFRICA

The high impact of climate change in Africa provides more than sufficient motivation for structured, large-scale financial responses and a rationale for climate finance. A country's CFR status is a combined function of its financial, economic, political and social systems. Being climate finance ready means that a country is able to plan for, access and mobilise financial resources from both public and private sources and to track and verify the correct use of these resources.

CFR CHALLENGES ARE COMMON BUT DIFFERENTIATED

Although many of the challenges facing African countries are common to them all, the ways in which they manifest themselves in the six countries vary significantly. The impediments to the adoption of CFR measures, which affect all countries in the region, can be summarised as follows:

- Climate finance has, for a long time, been loaded in favour of mitigation, whereas African countries are more needful of adaptation finance.
- The overlap of development and climate change needs in most of Africa tends to widen the adaptation finance gap.
- Bilateral funding, to which African countries tend to have easier access, is too often driven by donor agendas, leaving recipient countries vulnerable to the vagaries of donor funding cycles and agendas.

OUTCOMES OF THE STUDY

Through in-depth research, a set of CFR Indicators (Table 1) emerged from the discussions and expert analysis undertaken by OneWorld under the pillars of the UNDP CFR Framework, which prioritises financial planning, accessing, delivery and monitoring of finance for climate-related purposes. These indicators define the ideal state of readiness under the UNDP Framework, creating a benchmark for charting Africa's progress for CFR.



TABLE 1. CFR Indicators

Financial Planning
<ol style="list-style-type: none"> 1. Cohesive Policy Framework 2. Resource Mobilisation Plan 3. Politically-endorsed Institutional Arrangements 4. Mechanisms for Local Delivery
Accessing Finance
<ol style="list-style-type: none"> 5. Accredited National Modalities for Direct Access 6. Established Mechanism for Blending Resources 7. Optimised Access to Global Funds
Delivering Finance
<ol style="list-style-type: none"> 8. Leveraging Development Bank Partnerships 9. Incentivised Private Sector Participation
Monitor, Report & Verify (MRV)
<ol style="list-style-type: none"> 10. Harmonised M&E framework 11. Cohesive tracking framework, including CPEIRs

CRITICAL CONDITIONS FOR CFR

For the many African countries that face multiple demands for change, working towards each of the CFR Indicators under all four UNDP Framework pillars may be overwhelming. The reality of limited resources and capacities heightens the need to identify the most important steps that African countries can take now to build an enabling environment for fast-tracking climate finance readiness. The critical conditions for accelerated readiness are:

- Politically-endorsed inter-ministerial and cross-sectoral institutional arrangements;

- Coherent, aligned investment planning;
- Established policy incentives for leveraging partnerships and resources; and,
- Climate integrated public finance systems.

In establishing the four identified critical enabling conditions, African Governments will be able to accelerate readiness, further supported by country ownership of their climate agendas. Ownership is demonstrated through clear prioritisation of climate-smart development action, and reinforced by regular evaluation. Achieving these conditions will enable progress towards successful fulfillment of all 11 CFR Indicators. Taking targeted actions toward achieving the CFR Indicators will enhance absorptive capacity even in the face of a changing global climate finance landscape and shifts in developmental demands on governments.

The outcomes of the UNDP-OneWorld study indicate that progress against all 11 CFR Indicators will flow if all four conditions are in place: if coordination is cross-cutting and politically mandated, if climate and development priorities are aligned with investor requirements, if the engagement of all key resources and stakeholders is incentivised and understood, and if climate finance expenditure is transparent within a fiscal system that stimulates domestic investment.

Although this study covered only six countries from two of Africa's five sub-regions, the outcomes can inform Africa-wide action for readiness. **All African countries can benefit** from sharpening their focus on these four most important conditions.