ASWAN FORUM
FOR SUSTAINABLE PEACE AND DEVELOPMENT
منتدى اسوان للسلام و التنمية المستدامين

CHAIR'S SUMMARY

# ACCELERATING CLIMATE FINANCE FOR SUSTAINING PEACE IN AFRICA:

## TOWARDS INTEGRATED, SUSTAINABLE AND INNOVATIVE FINANCING

**MAY 2022**

Chair's Summary

**Accelerating Climate Finance for Sustaining Peace in Africa: Towards Integrated, Sustainable and Innovative Financing**

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**CCCPA**

Founded in 1994, the Cairo International Center for Conflict Resolution, Peacekeeping, and Peacebuilding (CCCPA) is an Egyptian public agency; an AU Center of Excellence in training, capacity building, and research; and the Arab world's only civilian training center in the fields of peacekeeping and peacebuilding. It is a major voice of the Global South on a wide range of topics, including conflict prevention and resolution; peacekeeping; peacebuilding; disarmament, demobilization, and reintegration (DDR); preventing radicalization and extremism leading to terrorism; combating transnational threats; women, peace, and security; and climate, security, and development. In addition, CCCPA is the Executive Secretariat of the Aswan Forum for Sustainable Peace and Development, and the Secretariat of the International Association of Peacekeeping Training Centers (IAPTC).

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Egypt, in its capacity as the Champion of Post-Conflict Reconstruction and Development in Africa launched the Aswan Forum during its Chairmanship of the African Union in 2019 as a high-level platform that advances home-grown solutions to address the challenges facing the African continent by strengthening interlinkages between peace, security and sustainable development through long term innovative solutions and robust partnerships.

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- **Fragile and conflict-affected countries are disproportionately impacted by climate change.** Data shows that 70% of the bottom quartile of countries most vulnerable to climate change are also in the bottom quartile of the most fragile countries in the world.[1] The Global Peace Index (2019) estimates that 1 billion people are highly exposed to climate change, almost half of which reside in conflict-affected countries.[2]
- **Despite this, climate finance for Africa continues to fall short of the increasing demand.** It is estimated that less than 4 percent of global climate finance reaches the African continent, and only 20-25 percent of this amount is directed towards adaptation, which is critical for Africa to deal with the growing impacts of climate change.
- The **main challenges** that hinder the acceleration of climate finance to Africa, particularly for adaptation, include:
    - The fact that global climate finance architecture continues to be skewed towards climate mitigation, despite climate adaptation being a priority for Africa.
    - The existence of capacity challenges which hinder African governments and local stakeholders from accessing climate finance.
    - The fact that climate finance mechanisms tend to be complex and supply-oriented, which makes it difficult for potential recipients to secure funding opportunities.
    - The perception that fragile and conflict-affected settings are high-risk environments.
    - The lack of coherence and coordination across different policy communities, including climate finance, peacebuilding, development, and humanitarian stakeholders.
    - A limited ability for the replication and scaling-up of climate investments and projects in Africa.

1 "Infographic: Countries Receiving PBF Funding and Their Climate Vulnerability | Climate-Diplomacy," accessed 1 December 2021, https://climate-diplomacy.org/magazine/cooperation/infographic-countries-receiving-pbf-funding-and-their-climate-vulnerability.

2 "Global Peace Index 2019 - World," ReliefWeb, accessed December 1, 2021, https://reliefweb.int/report/world/global-peace-index-2019.

- The **key opportunities** for African and international financial actors (including development banks, government finance institutions, businesses, and private sector companies) to accelerate climate finance for adaptation and mitigation in Africa, particularly for fragile and conflict-affected settings, include:
    - Enhancing the capacities of African governments and local stakeholders on how to prepare for climate adaptation and mitigation projects, access climate finance, and design innovative climate finance mechanisms.
    - Accounting for resilience factors and peacebuilding benefits in the design and planning of climate policies, including Nationally Determined Contributions (NDCs) and National Adaptation Programmes of Action (NAPAs), to achieve comprehensive and cross-cutting outcomes.
    - Designing a national climate adaptation finance framework, where climate adaptation priorities and the means for attracting finance and scaling up investments are clearly defined.
    - Formulating targeted and separate financing facilities for Africa, including for fragile and conflict-affected settings to meet their specific circumstances and capacities.
    - Aligning climate investments with the private sector commitments for decarbonization, and social and environmental responsibility. This could be achieved by evaluating the socio-economic benefits of a certain climate-related project, particularly in fragile and conflict-affected settings.
    - Strengthening understanding of how climate-related investments can contribute to peacebuilding, social trust and cohesion, and mitigate the risks of conflict escalation.
    - Leveraging climate investments for transformative change to advance a green economy, providing solutions for energy poverty, as well as for food and water insecurity.
    - Adopting a regional perspective when devising interventions to deal with climate-related threats and their associated risks.
    - Considering devising innovative climate finance mechanisms, particularly through blended finance, where public or philanthropic finance is utilized to strategically attract private sector investments.
    - Addressing the specific vulnerabilities of women and youth as well as supporting their efforts in climate adaptation and conflict resolution.



## INTRODUCTION

While Africa has contributed the least to the climate crisis, it is the most vulnerable to its devastating consequences, including droughts, floods, cyclones, rainfall unpredictability, and sea-level rise. This is further aggravated by the continent's limited resilience towards adapting, withstanding, and coping with slow onset events and extreme weather events, as well as the convergence of climate threats with fragility, security threats, and other concurrent crises, such as the COVID-19 pandemic and its socio-economic implications.[3]

There is a growing recognition – on the international and continental levels – that the inaction to address climate adaptation and mitigation can increase the risks of violence and insecurity.[4] Yet, climate action, particularly adaptation efforts, continues to lag behind. Likewise, climate finance in Africa falls dramatically short of the $100 billion per year that was pledged at the fifteenth session of the United Nations (UN) Climate Change Conference of the Parties (COP 15).[5]

Africa receives only 4 percent of global climate finance, and only a small fraction of which is directed to fragile and conflict-affected settings, largely focusing on climate mitigation.[6]
Moreover, although there is progress towards integrating climate-security into peacebuilding finance, concerted efforts are required to strengthen the nexus between peacebuilding and climate finance mechanisms.[7] As reflected in the recently launched United Nations Development Programme (UNDP) report on "Climate Finance for Sustaining Peace"[8], this is important to ensure that climate adaptation and mitigation can advance goals of conflict prevention and peacebuilding, while peace efforts can act on climate-related security risks, such as competition over natural resources use and management, forced displacement and migration, exacerbation of grievances and inequalities, among others. Furthermore, multilateral climate funds – the major source of climate finance for sub-Saharan Africa – focus primarily on large-scale projects, while providing limited finance to local projects and initiatives.[9] Data shows that less than 10 percent of global climate funds prioritized local action between 2003 and 2016.[10]

3 Joshua W. Busby, Todd G. Smith, and Nisha Krishnan, "Climate Security Vulnerability in Africa Mapping 3.01," Political Geography, Special Issue: Climate Change and Conflict, 43 (1 November 2014): 51–67, https://doi.org/10.1016/j.polgeo.2014.10.005.

4 "The UN Security Council and Climate Change | Climate-Diplomacy," accessed 11 August 2021, https://climate-diplomacy.org/magazine/conflict/un-security-council-and-climate-change.

5 United Nations Environment Programme, "Policy Implications and Financing Opportunities for the Implementation of Nationally Determined Contributions in Africa: Role of African Policy Makers: Note by the Secretariat [Advance]," 21 October 2019, https://wedocs.unep.org/xmlui/handle/20.500.11822/30619.

6 Ibid.

7 "Climate Security and Peacebuilding Brief" (United Nations Peacebuilding, July 2020), https://www.un.org/peacebuilding/sites/www.un.org.peacebuilding/files/documents/brief_climate_security_20200724_2.pdf.

8 "Climate Finance for Sustaining Peace" (United Nations Development Programme, 2021), https://climatepromise.undp.org/sites/default/files/research_report_document/UNDP-Climate-Finance-for-Sustaining-Peace.pdf

9 "Climate Finance Regional Briefing: Sub-Saharan Africa (2020) – Climate Funds Update," accessed 16 June 2021, https://climatefundsupdate.org/publications/climate-finance-regional-briefing-sub-saharan-africa-2020/.

10 Neha Rai Marek Soanes, "Delivering Real Change: Getting International Climate Finance to the Local Level," Publications Library, accessed 28 July 2021, https://pubs.iied.org/10178iied

Against this background, it is imperative to reconfigure the climate finance system towards innovation, sustainability, and predictability, while widening and diversifying the engagement of financing actors, including the private sector to support sustaining peace. This necessitates creating an enabling environment as well as bankable projects that incentivize private sector investment, particularly in climate adaptation. Additionally, there is a need for enhanced coordination across financing actors, including multilateral funds, peacebuilding finance, development aid, and public and private finance. This is to ensure harmony and complementarity across the agendas and mandates of different financing actors and to avoid overstretching the institutional capacity of recipient countries.

Furthermore, it is important to strengthen national climate funds to better mobilize, pool, and blend both domestic and external sources of finance and to support more coordinated programming of resources across stakeholders and ensure national ownership of climate finance.

In light of this, and in accordance with the Aswan Conclusions on Sustainable Peace and Development (2021), the Cairo International Center for Conflict Resolution, Peacekeeping and Peacebuilding (CCCPA), in partnership with the African Development Bank (AfDB), organized a virtual workshop; titled: "**Accelerating Climate Finance for Sustaining Peace in Africa: Towards Integrated, Sustainable and Innovative Financing**", as part of the Geneva Peace Week, which took place on 04 November 2021.

The workshop aimed to (1) discuss the main challenges and opportunities for accelerating and diversifying climate finance in fragile and conflict-affected settings across the African continent; (2) take stock of good practices and lessons learned in devising innovative and integrated climate finance that promotes peacebuilding goals, as well as integrating climate-security into peacebuilding financing mechanisms; and (3) infer concrete recommendations on how to advance integrated, sustainable, and predictable climate finance to advance peacebuilding and sustainable development in Africa.

The workshop brought together some of the main stakeholders of climate finance for Africa, including national officials, multilateral development banks, peacebuilding funds, international partners, research institutions, private sector institutions, UN agencies, humanitarian agencies, as well as climate finance experts and practitioners.

This Chair's Summary synthesizes the key messages and recommendations that were put forward in the workshop. It sheds light on the main challenges for accelerating climate finance to fragile and conflict-affected settings, as well as identifies key opportunities and entry points for advancing climate finance for sustaining peace in Africa. Also, it takes stock of the good practices of financial instruments that contributed to climate action and peacebuilding in Africa.

## CLIMATE, FRAGILITY, AND CONFLICT LINKAGES

**Fragile and conflict-affected countries are disproportionately impacted by climate change.** Data shows that 70% of the bottom quartile of countries most vulnerable to climate change are also in the bottom quartile of the most fragile countries in the world. The Global Peace[11] Index (2019) estimates that 1 billion people are highly exposed to climate change, almost half of which reside in conflict-affected countries.[12] Despite the concurrence of climate change, conflict, and fragility, there are very few projects that address the climate-conflict linkages.

**Climate change can exacerbate security risks--creating new ones and altering existing conflict dynamics.** Climate-security responses focus on preventing and resolving conflicts that are caused or exacerbated by climate change and its associated threats.

11 "Infographic: Countries Receiving PBF Funding and Their Climate Vulnerability | Climate-Diplomacy," accessed 1 December 2021, https://climate-diplomacy.org/magazine/cooperation/infographic-countries-receiving-pbf-funding-and-their-climate-vulnerability.

12 "Global Peace Index 2019 - World," ReliefWeb, accessed 1 December 2021, https://reliefweb.int/report/world/global-peace-index-2019.


This includes efficient and equitable management of transhumance corridors and land access; resolving land ownership disputes; reducing competition over scarce resources; and fostering agreements over climate adaptation strategies.

**Climate finance continues to fall short of the increasing demand.** It is estimated that less than 4 percent of global climate finance reaches the African continent, and only 20-25 percent of this amount is directed towards adaptation, which is crucial for Africa to deal with the threatening impacts of climate change and mitigate possible loss and damage. The majority of climate finance to Africa comes from three main sources: (1) international climate funds, such as the Green Climate Fund (GCF) and the Global Environment Facility (GEF), (2) multi-lateral development banks, most prominently AfDB, and (3) bilateral institutions.

**Over the past years, there has been growing demand for preventing and resolving conflicts over natural resources.** Since 2017, the UN Peacebuilding Fund (PBF) has continued to increase its finance to climate security-related projects responding to requests from national governments. Since 2017, the Fund invested $63.4 Million through 29 projects in 20 countries towards climate security. Climate-security investments are projected to reach almost a quarter of the PBF portfolio over the few coming years.

## CHALLENGES FOR ACCELERATING CLIMATE FINANCE FOR FRAGILE AND CONFLICT-AFFECTED SETTINGS

**The global climate finance architecture is skewed towards climate mitigation –** While climate adaptation is a top priority for Africa, most of the global climate finance continues to be directed towards mitigation. Sub-Saharan Africa receives an estimate of $5-7 billion of global climate adaptation finance annually. This amount falls dramatically short of the actual need.

**African countries face challenges in obtaining approval for Green Climate Fund (GFC) proposals –** Many of the project proposals from African countries don't meet the criteria and/or the requirements that are put in place by the Green Climate Fund (GCF) – the financial instrument of the Paris Agreement. This leads to the rejection of many project proposals and a shrinking of Africa's project pipeline.

**African governments and local stakeholders face capacity challenges which hinder them from accessing climate finance –** Securing climate finance requires a set of specific skills and capacities to be able to formulate climate projects and finance requests. This requires data collection and the use of scientific-based evidence to inform project design and to accurately showcase the climate adaptation or mitigation outcomes that a given project aims to achieve. Another capacity challenge lies in the ability to develop blended finance mechanisms that combine different resources from public, private, local and international investors.

**Climate finance mechanisms are often complex and supply-oriented –** Access to climate finance can be difficult due to the complexity and extensiveness of the project formulation phase, which could hinder governments and non-governmental organizations (NGOs) from applying and securing the needed funds. In light of this, it is important to revisit the needs and capacities of potential recipients (demand side) vis-a-vis the modalities of accessing available resources from international funds (supply side).

**Policy communities (including climate finance, peacebuilding, development, and humanitarian stakeholders) lack adequate coherence and coordination –** Policy communities use different languages, terminologies and concepts which often becomes a barrier for coordinated responses and for having a common understanding of complex and integrated issues, such as climate finance for fragile and conflict-affected settings. Likewise, organizational structures, including mandates, resources and incentives are set up in a way that result in siloed approaches.

**The ability to scale-up climate investments and projects in Africa remains a challenge –** Concerted efforts are needed to create an enabling environment that attracts investments for both climate adaptation and mitigation, including through the private sector. Climate adaption, in particular, is often needed at the local level, so there should be mechanisms that allow the trickling down of finance and investments at the local level and to strengthen local resource mobilization.

**Fragile and conflict-affected settings are perceived as high-risk environments –** There are limited climate adaptation and mitigation investments in fragile and conflict-affected settings, and the ones available have very high interest rates. This is primarily due to actual or perceived risks by investors, including political and macroeconomic instability, local currency instability, and delays in project implementation. These barriers need to be addressed to mitigate or absorb risks and uncertainties to better mobilize resources.

## OPPORTUNITIES FOR ADVANCING CLIMATE FINANCE FOR SUSTAINING PEACE IN AFRICA

The following are key opportunities and entry points for advancing climate finance for sustaining peace in Africa:

1-Accelerating Climate Finance for Africa:

- **Strengthening institutional capacity –** It is important to enhance the capacities of African governments and local stakeholders on how to prepare for climate adaptation and mitigation projects, access climate finance, design innovative climate finance mechanisms and create an enabling environment that incentivizes as well as scales up investments in climate-related projects while contributing to sustainable peace.

- **Integrating resilience and sustaining peace in NDCs –** Climate policy frameworks, such as NDCs and NAPAs, should account for the resilience factors and peacebuilding benefits in the design and planning process for climate policies to achieve comprehensive and cross-cutting outcomes. Concurrently, there is a need for national climate adaptation finance frameworks, where climate adaptation priorities--the means for attracting finance and scaling up investments--are clearly defined.

- **Targeted financing frameworks for Africa –** Globally and in Africa, there are disparities and varied capacities between countries and regions. This necessitates the formulation of separate financing facilities for Africa, including for fragile and conflict-affected settings to meet their specific circumstances and context-specificity.

- **Leveraging innovative finance mechanisms –** There is the need to devise innovative climate finance mechanisms, particularly through blended finance, where public or philanthropic finance is utilized to strategically attract private sector investments. Grants that come from public or philanthropic sources are meant to absorb investment losses, and therefore mitigate risks for investors who have commercial return expectations.
- **Monetizing the impact of climate investments –** An entry point for incentivizing the engagement of the private sector is to align climate investments with private sector commitments for decarbonization and social and environmental responsibility. This could be achieved by evaluating the socio-economic benefits of a certain climate-related project, particularly in fragile and conflict-affected settings.

<u>2-Climate Finance for Sustaining Peace in Africa:</u>

- **Peace-positive climate adaptation and mitigation –** There is a need for an enhanced understanding of how climate-related investments can contribute to peacebuilding, social trust and cohesion, and mitigate the risks of conflict escalation. This should contribute to bridging the gap between the peacebuilding and climate finance communities by identifying concrete ways for integrating peace-positive outcomes in climate finance investments.
- **Revisiting the framing of the conflict prevention and energy transition agendas –**Climate change is an entry point for peacebuilding activities, particularly in settings where conflicts over access to resources and livelihoods are ubiquitous. In such cases, addressing climate-related threats--including pressures on natural resources--through conflict-sensitive climate adaptation contributes to the mitigation of conflict risks. Likewise, the peace lens should be an integral part of the energy transition, where a just, inclusive, and peaceful transition is prioritized.
- **Mitigation finance can achieve climate adaptation outcomes –** Climate mitigation investments, such as renewable energy projects, off-grid solutions and energy efficiency, can create an enabling environment for climate adaptation. For instance, a solar-powered water irrigation project in a semi-arid region achieves both climate mitigation and adaptation outcomes. Thus, it is important to devise climate interventions that bring cross-cutting benefits, including mitigation, adaptation, and peacebuilding.
- **Climate investments can be a catalyst for transformative change –** Finance moves towards solvable problems; accordingly, climate finance can be utilized to bring about the structural reforms that are needed to advance a green economy. Specifically in fragile and conflict-affected countries, climate finance can transform the economic vacuum into a green economy, provide solutions for energy poverty as well as food and water insecurity.
- **Regional approaches to climate action and sustaining peace –** The consequences of climate-related threats are often cross-border, as are peace and security challenges. As such, his calls for the adoption of a regional approach when devising interventions to deal with climate-related threats and their associated risks, which can also support peace and security efforts.
- **Strengthened coordination and partnerships –** Enhancing partnerships and coordination across relevant stakeholders is key to attracting climate finance, trickling finance to the local level, and strengthening technical support. There are different layers of partnerships, including between national, local, regional and international stakeholders.


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- **Women are often drivers for climate adaptation and local natural resource management –** Climate finance can leverage the positive role that women play in their communities by providing requisite support, such as strengthening local conflict resolution mechanisms; enhancing the leadership and participation of women in natural resource management; and supporting women's access to land, technology, and knowledge.
- **Youth are engines for innovation and transformative change –** Climate finance should support youth-led climate action; remove barriers that hinder their access to climate finance and investments; and create incentives that encourage innovation, entrepreneurship, and transformative change.

## DEVISING TAILORED CLIMATE FINANCE FOR SUSTAINING PEACE IN AFRICA

The following are examples of initiatives and projects that can support the acceleration of climate finance to Africa, including for fragile and conflict-affected settings:

- **The Africa Adaptation Initiative (AAI)** aims to address the adaptation financing gap in Africa. The initiative was launched by African Heads of State during COP21 in December 2015.

  The AAI includes a technical facility that supports African countries in accessing funds for climate adaptation by assisting them in formulating their readiness plans and project proposals.
- **The UN PBF** is the main financial instrument for peacebuilding. The Fund has spent an estimate of $1 billion over the past seven years, and under the current strategy, it aims to spend a total of $1.5 billion over the period between 2020-2024. The PBF aims to accelerate its efforts to address the imbalance between crisis response and crisis prevention, including through responding to climate-related risks as part of the conflict prevention agenda. Since 2017, the PBF invested over $63.4M through 29 projects in 20 countries towards climate security.[13]
- **The UN Capital Development Fund, the UN PBF and the Multi-Partner Trust Fund** are developing a project which aims to incentivize public-private partnerships for climate adaptation and environmental conservation where governments, the private sector, and civil society can come together.

13 United Nations, *Climate Security*, 1.

- **Africa Adaptation Acceleration Program** aims to mobilize $25 billion to accelerate adaptation across the African continent, including for fragile and conflict-affected settings. The program focuses on strengthening climate-smart digital technologies for agriculture, climate-resilient infrastructure, entrepreneurship and job creation for youth in climate adaptation and resilience, and innovative finance initiatives. The program was launched by the Global Center on Adaptation and AfDB at the Climate Adaptation Summit 2021.

- **The Global Innovation Lab for Climate Finance** aims to bridge the gap between public and private finance by bringing together experts in sustainable investments from government institutions, investment banks, and private sector companies. The Lab aims to enhance coordination between public and philanthropic finance institutions and innovate businesses and the private sector to accelerate climate finance.

- **Peace and Renewable Energy Credit (P-REC) Aggregation Fund** is a financial instrument under the Global Innovation Lab. It provides finance to project developers that aim to build renewable energy infrastructure in energy-poor and fragile countries. P-REC is a new type of energy attribute certificate that can be sold as a virtual commodity separately from the energy produced. It can also be sold to international private companies who can count them in their social and environmental sustainability commitments. P-REC has funded projects in DRC, South Sudan, Somalia and Chad.

- **AfDB's Adaptation Benefit Mechanism** aims to mobilize new and additional public and private finance for climate adaptation in Africa, including for fragile and conflict-affected settings as well as for local climate adaptation, which often receives limited funding.

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