

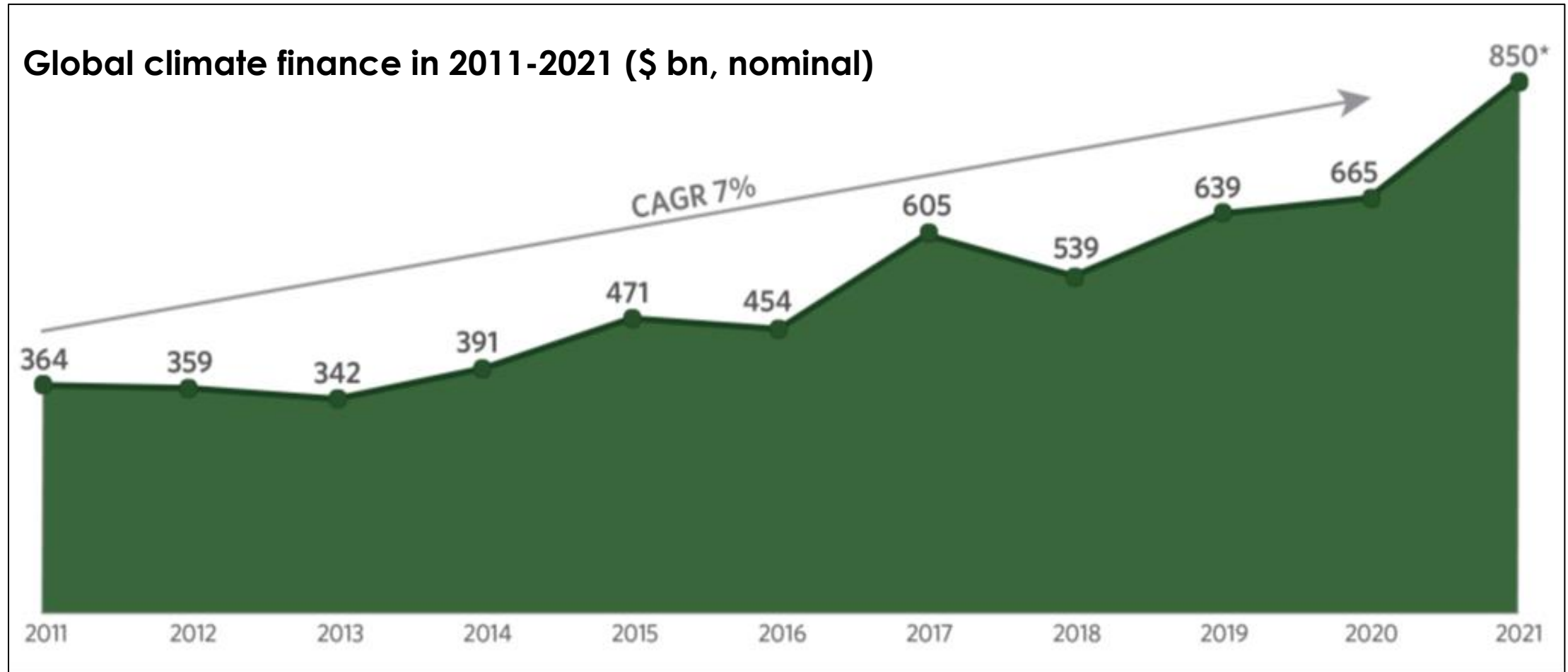
Role of private financing in Africa's climate action

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Climate financing trends globally

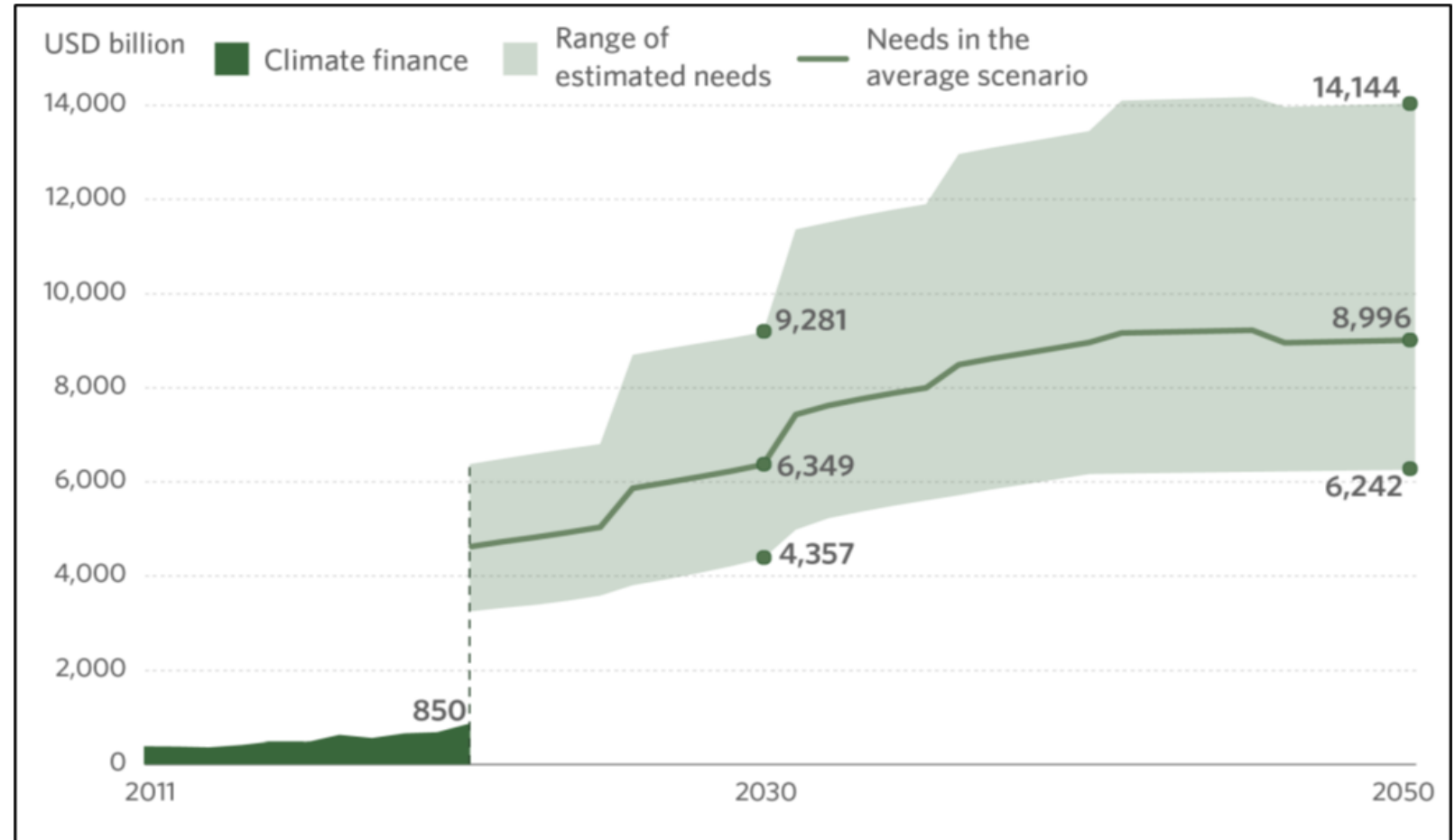


Source: Climate policy initiative

Climate financing needs globally

- **2021 climate finance flows are estimated at \$850 billion**
- **Need \geq \$4.3 trillion annually by 2030 (CAGR 21%) to achieve climate goals.**

Global tracked climate finance flows and the average estimated annual climate investment needs through 2050

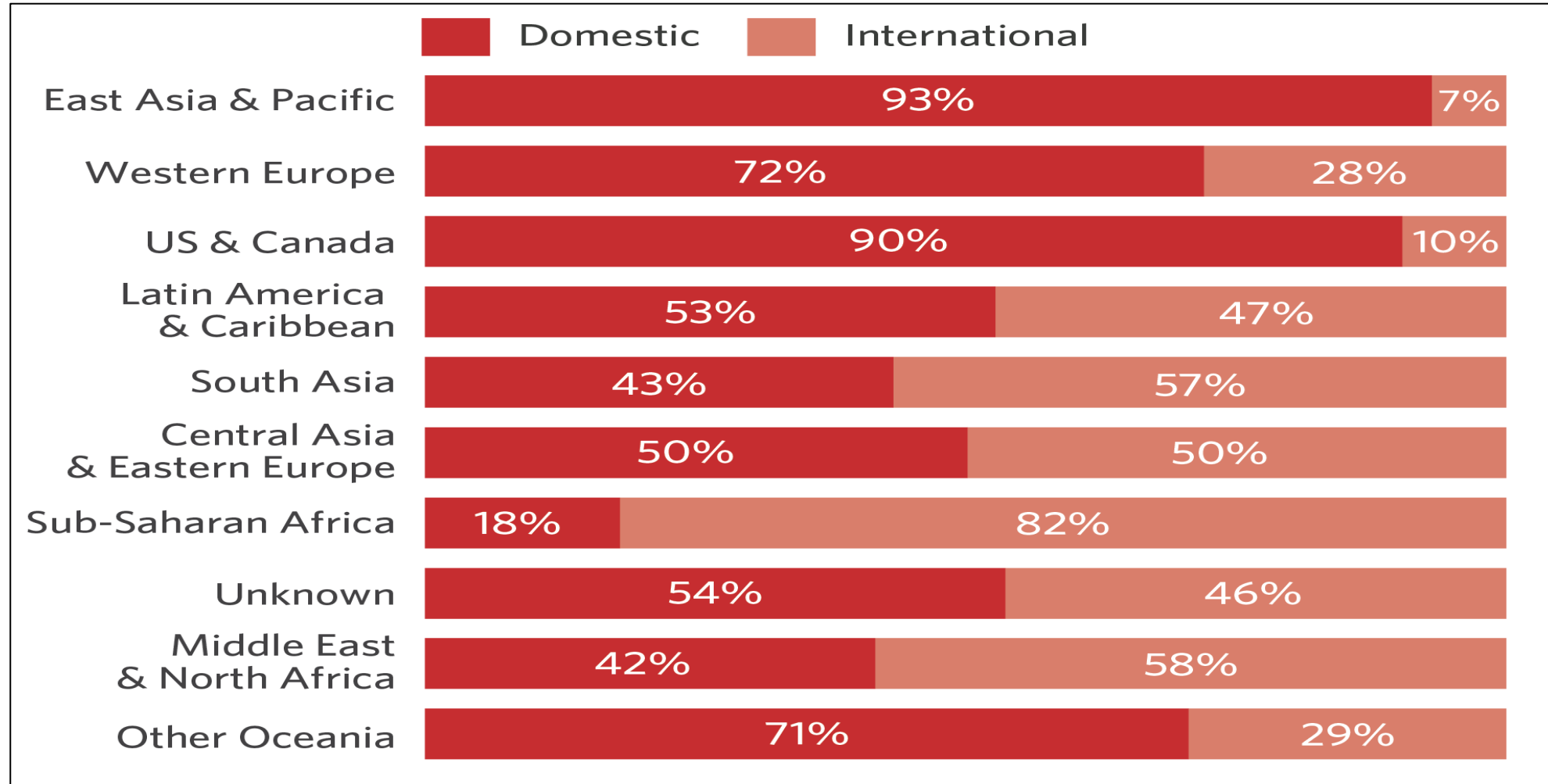


Source: Climate policy initiative

Africa's climate financing needs

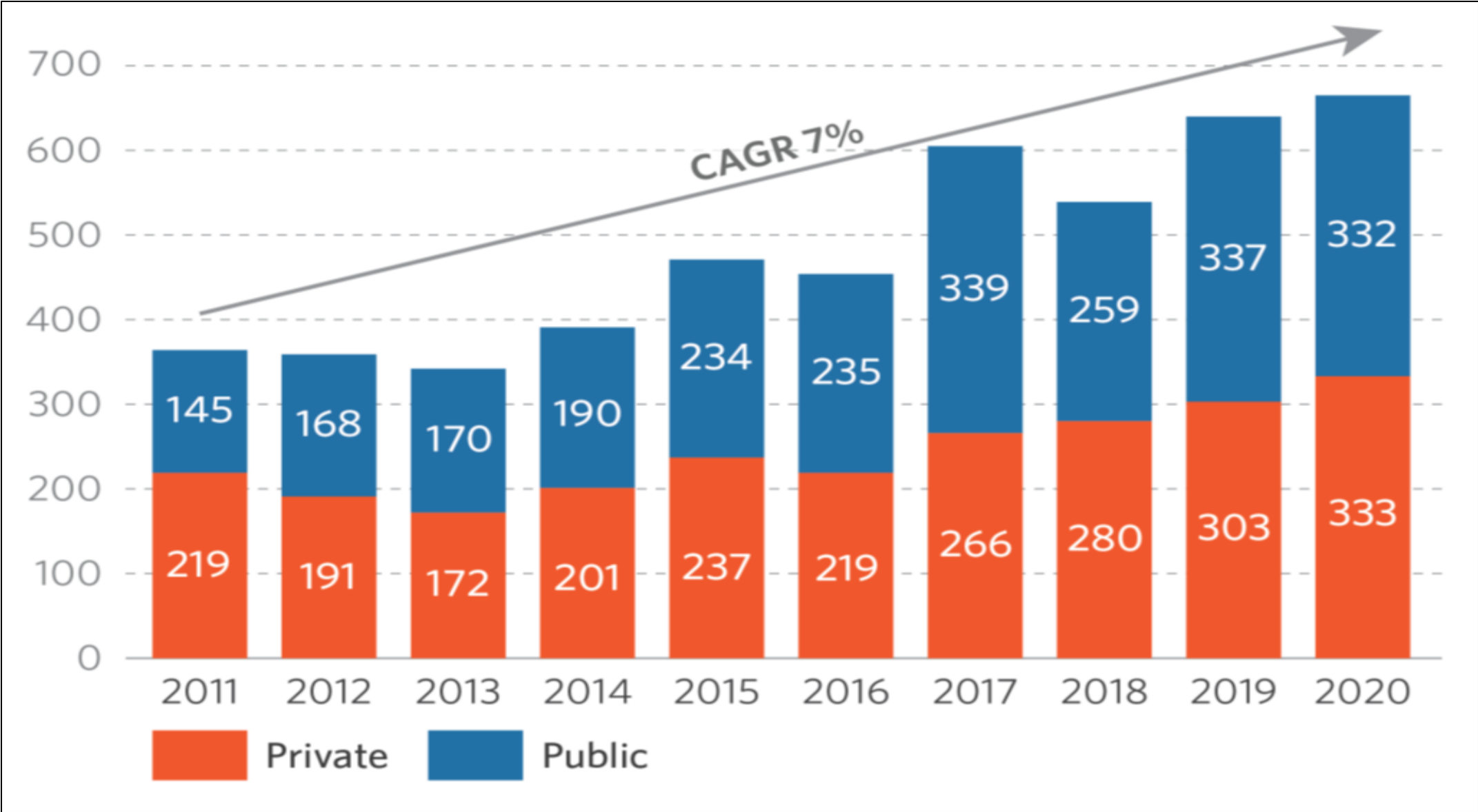
- Africa needs \$2.5 trillion between 2020-2030. i.e., \$250 billion each year.
- Total climate finance flows in Africa in 2020 were \$30 billion (12% of the amount needed)
- Africa's GDP is \$2.4 trillion (WB 2021), implying that 10% of this needs to be mobilized above and beyond current flows every year for the next 10 years.

Africa's climate financing needs



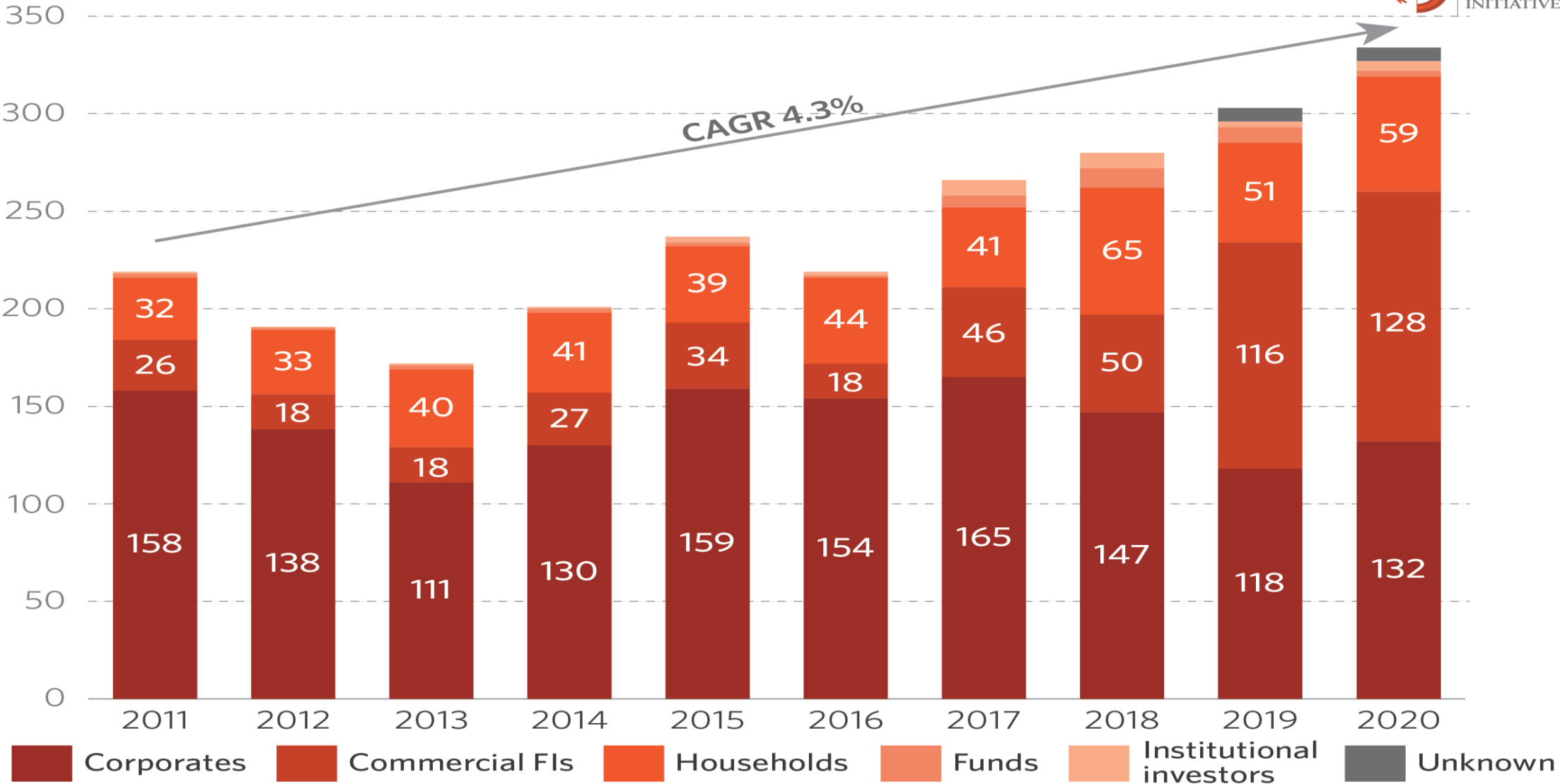
Source: Climate policy initiative

Climate Finance by public and private sources in 2011-2020 (USD billion)



Source: Climate policy initiative

Figure 6: Climate finance by private sector actors between 2011-2020 (USD bn)



Source: Climate policy initiative

The challenges for Africa

1. Huge resource requirements for climate action

- NDC requirements versus competing social and economic needs
- Countries reduced their climate spending during COVID-19 (WRI report)

NDC financing required (2021-2030)	
S. Africa	\$64 bn
Uganda	\$22 bn
Senegal	\$13 bn
Benin	\$10 bn
Tanzania	\$14 bn
Nigeria	\$177 bn

Challenges in climate financing

2. Unfulfilled commitments

- The pledge at COP15 in Copenhagen to provide developing countries \$100 billion per year by 2020 has not been met.
- OECD projects that the goal could be met from 2023 onward.
- Will the loss and damage fund be fulfilled?

How can Africa mobilize more private financing?

- The private sector has not been emphasized enough in terms of financing NDCs
- Emphasis is mostly on public financing (bilateral and multilateral)
- But private financing can and should play a bigger role, rechanneling existing capital towards green investments
 - e.g., African pension funds have \$700 billion in assets, and SWFs have \$16.4 billion

PPPs

- African governments partnering with the private sector.
- REIPPPP in South Africa intends to mobilize \$17 billion to generate 17,800 MW of renewable energy
- About half mobilized so far

Blended finance

- Blended finance refers to the strategic use of public sources of capital to attract private investment.
- It entails blending public capital such as bilateral or multilateral funds with private capital.
- Public funds are usually offered to de-risk investment projects.
- Africa can benefit more given the perceived high risks in green investments

Green bonds

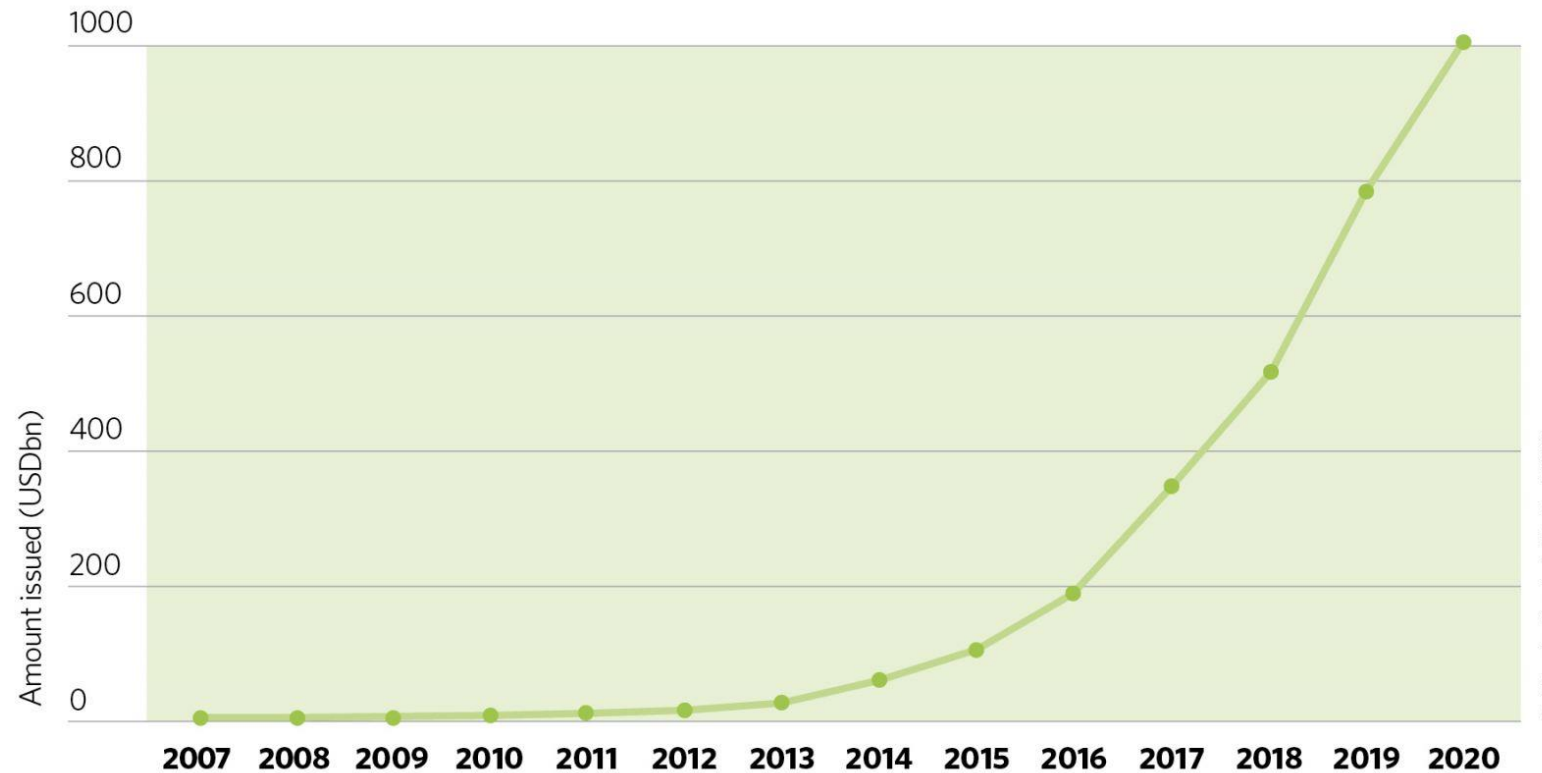
- South Africa is a leader in green bonds in Africa. About 90% of all green bonds issued in Africa have been by South Africa
- Still, Africa as a whole accounts for just 0.4% of global green bond issuance

Green bonds

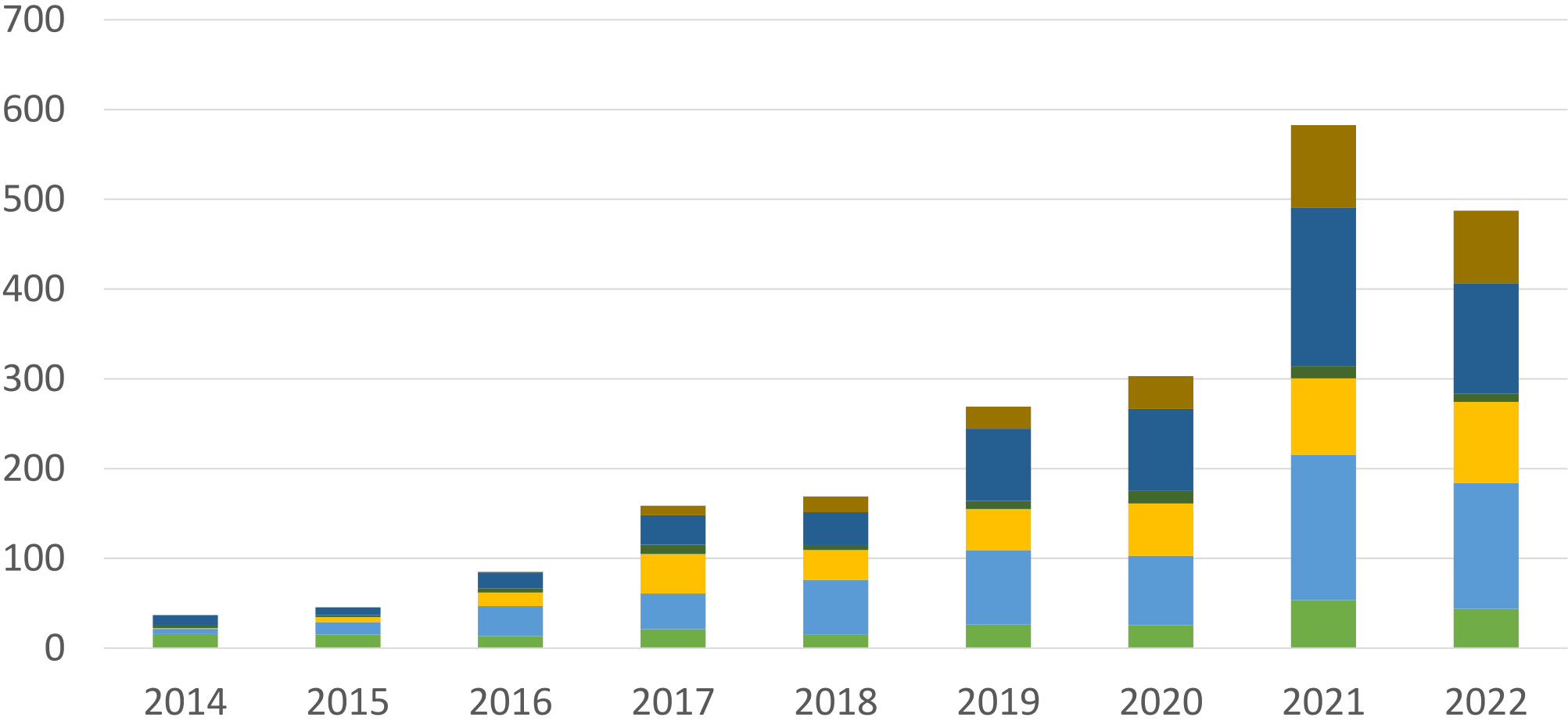
- A lot of appetite for green bonds.
- African need to maximize this.

The \$1 trillion: cumulative progression

Climate Bonds Initiative



Green bond issuers



- Development Bank
- Local Government
- Financial Corporate
- Non-Financial Corporate
- Government-Backed Entity
- Sovereign

Carbon markets

- Some African countries such as Malawi and Kenya are already issuing carbon credits.
- However, there is risk of green washing inherent in carbon credits.
- Could be worse under weak regulatory framework and no green taxonomies.