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Item 5 of the provisional agenda*

High-level round-table discussions

Round table 2: socioeconomic implications of climate change and opportunities for leveraging green finance

Concept note

I. Background

1. Climate change continues to pose an existential threat to African countries and puts at serious risk the attainment of the Sustainable Development Goals and the development aspirations encapsulated in Agenda 2063: The Africa We Want, of the African Union. Between 2000 and 2020, Africa was responsible for less than 4 per cent of global greenhouse gas emissions¹ but the continent is affected more than any other region by the adverse effects of climate change, including the consequences of extreme weather events, such as droughts, floods, and heatwaves; shifts in agroecological zones; erratic seasonal variations; and rising sea levels.
2. Addressing poverty and inequality in Africa implicitly requires addressing climate change, which is one of the most pressing drivers of the continent's vulnerability to exogenous shocks.
3. African countries are among the countries that are the least able to mobilize financial flows effectively to mitigate the impacts of climate change. They are the most dependent on official development assistance to meet their commitments in relation to their nationally determined contributions and to address the immediate negative impact of climate change on development outcomes.
4. Sustainable industrialization in Africa is predicated on moving beyond growth driven by extractive exports to the development of sustainable value chains, which incorporate climate resilience.

* E/ECA/CM/55/1/Rev.1.

¹ Lars Kramer, "Percent of global CO2 emissions with origin in Africa 2000-2020", Statista. Available at www.statista.com/statistics/1287508/africa-share-in-global-co2-emissions (accessed on 17 February 2023).



5. Delivering a people-centred recovery means that predictable climate finance needs to be available urgently to address the immediacy of the climate crisis and combat poverty and inequality across the continent.

II. Socioeconomic implications of climate change

6. By conservative estimates, the five African countries most affected by climate change are projected to lose between 3 and 5 per cent of gross domestic product per capita by 2030 as a result of the adverse effects of climate change,² and some African countries are spending up to 9 per cent of public expenditure on adaptation measures to respond to increasingly extreme weather events caused by climate change.³

7. In the past 50 years, drought-related hazards have claimed the lives of over half a million people and have led to economic losses of more than \$70 billion in Africa.⁴ Up to 118 million extremely poor Africans could be exposed to drought, floods and extreme heat by 2030.⁵ Increased temperature has contributed to a 34 per cent reduction in agricultural productivity growth in Africa since 1961, which is more than in any other region of the world.⁶ The trend is expected to continue to heighten the risk of acute food insecurity and malnutrition on the continent. Global warming of 1.5°C is projected to lead to a decline of 9 per cent in the maize yield in West Africa and between 20 and 60 per cent of the wheat yield in North and Southern Africa.⁷ Sub-Saharan Africa accounts for 55 per cent (71 million people) of the global population living both in extreme poverty and in high flood risk areas.⁸

8. The impacts of climate change on African countries are made worse by the fact that the continent has a low adaptive capacity to respond to climate change and build resilience, with African economies disproportionately reliant on climate-sensitive sectors. Such vulnerability is exemplified by the fact that over 60 per cent of the economically active population in Africa works in and lives from the agricultural sector.⁹ That the vast majority of the cropland on which that sector depends is used for rain-fed agriculture highlights the exposure of the productive agricultural sector in Africa to droughts and cycles of food insecurity and poverty.

9. Climate change increasingly threatens the livelihoods of individuals in rural areas and informal settlements in cities, including, in particular, by raising the risk that such vulnerable populations, especially women, children and older persons, are pushed into extreme poverty. Without urgent action to address climate change in Africa, the vulnerability of the continent to the effects of climate change will worsen and, in sub-Saharan Africa, an additional 40 million people will be pushed into extreme poverty and over 85 million people will migrate or be displaced.¹⁰

² Florent Baarsch and others, *Climate Change Impacts on Africa's Economic Growth* (African Development Bank, 2019).

³ African Climate Policy Centre, "Information Brief: Africa is spending more than its fair share for adaptation", 2017. Available at www.climdev-africa.org/sites/default/files/DocumentAttachments/Information%20Brief-Adaptation%20COP23-New.pdf.

⁴ World Meteorological Organization, *State of the Climate in Africa 2020* (Geneva, 2020).

⁵ Ibid.

⁶ World Meteorological Organization, *State of the Climate in Africa 2021* (Geneva, 2022).

⁷ Ibid.

⁸ Jun Rentschler and Melda Salhab, "People in harm's way: flood exposure and poverty in 189 countries", Policy Research Working Paper, No. 9447 (World Bank Group, 2020).

⁹ Philippe Egger, "Employment in Africa: think agriculture!", International Labour Organization, 29 January 2013.

¹⁰ Mo Ibrahim Foundation, *The Road to COP27: Making Africa's Case in the Climate Debate, Facts & Figures* (May 2022).

III. Leveraging green finance for a people-centred recovery and inclusive development

10. In addition to the mechanisms provided for in connection with the United Nations Framework Convention on Climate Change, such as the Green Climate Fund or the newly announced loss and damage facility, which was approved at the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, it is imperative to ensure that predictable sources of climate finance can be accessed by African countries by improving the financing mechanisms available to them beyond the traditional frameworks for official development assistance. The mechanisms would ideally allow African countries to develop their own national and regional financing systems. Some innovative financing mechanisms to be discussed during the round-table discussion are summarized below.

A. Carbon credit trading

11. Carbon credit trading in Africa could allow African countries to mobilize alternative revenue sources for their sustainable development and climate action plans. If the removal of carbon dioxide from the atmosphere is priced at \$120 per ton, nature-based carbon removal projects could generate almost \$82 billion per year and help to create 167 million jobs.¹¹ To reach that price, carbon markets must have a high level of integrity and be underpinned with the robust, transparent and trustworthy accounting of carbon emissions that uses the best internationally available standards. A high-integrity carbon registry, such as the one recently produced by the Economic Commission for Africa (ECA) for the 16 member countries of the Congo Basin Climate Commission and which will soon be extrapolated to the climate commissions for the Sahel region and African island States, will also be required. The accounting will improve the valuation of national carbon sequestration potential and the generation of high-quality credits. The regional carbon registry will facilitate the transparent exchange of carbon credits in a manner that supports both nationally determined contributions and development plans.

12. In addition, the African carbon markets initiative, which was launched at the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, is aimed at better connecting prospective investors with opportunities to develop voluntary carbon markets across the continent.

B. Ocean-based resilience

13. Africa can leverage the great blue wall initiative, which was launched in 2021, to accelerate and scale up ocean conservation actions while enhancing socioecological resilience and the development of a regenerative blue economy. The initiative includes ambitious targets to establish 2 million km² of protected and conservation areas; achieve a net gain of critical blue ecosystems by conserving and restoring more than 2 million hectares of critical ecosystems and, thereby, sequestering more than 100 million tons of carbon; and unlock regenerative livelihood opportunities for 70 million people in the western Indian Ocean. The initiative could also release additional blue financing through the exploration of the development of a regional blue bond, given that the countries in that area have a limited capacity to attract substantial investments solely through national blue bonds.

¹¹ Climate Action Platform – Africa, Nature-based Climate Change Mitigation. Available at <https://capa.earthrise.media> (accessed on 14 February 2023).

C. From debt to climate-resilient investment

14. In 2022, the scheduled debt repayments of African countries reached \$64 billion, which is almost twice the amount of the bilateral aid that was provided to Africa in 2020.¹² Debt savings are one of the most important potential areas that could help countries to tackle poverty, inequality and underinvestment in climate resilience. Additional financial resources are indispensable if African countries are to meet their nationally determined contribution commitments, carry out climate action and progress towards the implementation of the 2030 Agenda for Sustainable Development.

15. The sustainable debt coalition was launched at the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change and underlines the urgent need in Africa for increased fiscal space and an international forum to address outstanding debt issues. The coalition is aimed at encouraging partners to align on crucial, new commitments to alleviate the debt burden and launch a new track for consultations on the intersection of debt, climate and development. Recognizing that, with transparent and responsible management, debt-for-nature swaps can bring positive social, economic and environmental outcomes, the coalition is focused on introducing debtor-defined key performance indicators in order to promote such sustainable debt transactions. Debt-for-climate adaptation swaps are most relevant for countries seeking a treatment of their existing debt portfolios. The swaps can contribute to debt sustainability in Africa by providing countries with fiscal space to invest in climate resilience and adaptation actions. They provide opportunities to raise capital in low-income, middle-income and vulnerable countries to support ocean and land conservation and regeneration and livelihoods in local communities. They can unlock substantial fiscal space by attracting the existing informal private lending sector into formalization.

D. Just energy transition

16. There can be no net-zero emissions scenario by 2060 without universal access to clean energy by 2030. The energy transition in Africa must be compelling and must be defined and owned by Africa. It must reflect the very low contribution by the continent to global emissions and comply with the Paris Agreement, in which the need is recognized for the emissions of developing countries to take longer to peak and for developed countries to continue to take the lead by undertaking economy-wide absolute emission reduction targets while developing countries should move over time towards such reduction or limitation targets. Notably, the scale of investment needed for universal access to clean energy requires an energy mix that, in many cases, cannot be achieved solely with renewable sources, based on existing technologies. Nonetheless, the energy transition must be based on the huge opportunities that the abundant renewable energy resources and mineral wealth of the continent offer for a green socioeconomic transformation, including with regard to energy access, job creation, industrial development and ambitious climate action.

E. Sustainable budgeting

17. The limited fiscal space that is available to African countries, which has been exacerbated by the coronavirus disease (COVID-19) pandemic, the food and energy crisis associated with the war in Ukraine, and the ongoing impact of climate change, has severely constrained the allocation by African countries

¹² Fiona Robertson, "An urgent plan to avert the debt crisis", The One Campaign, 11 January 2023. Available at <https://data.one.org/data-dives/debt/>.

of resources to climate resilience and poverty alleviation. The use of sustainable budgeting approaches can help to align the spending of limited resources with the maximization of climate resilience and poverty reduction. ECA has already piloted an integrated planning and reporting toolkit that is aligned with the 2030 Agenda and Agenda 2063, and the refinement of the toolkit could allow for improved perspectives on how to mainstream climate resilience into the budgetary processes of African countries.

18. The United Nations Development Programme, the United Nations Environment Programme and ECA jointly supported the Government of Gabon in the development of an integrated national financing framework to assess the flow of capital into critical sectors of the economy. The assessment revealed that, in 2020, the green economy accounted for only 4 per cent of the gross domestic product of Gabon.¹³ ECA and other partners have also developed natural capital accounting tools, including the blue economy toolkit of ECA, to help countries to understand how their natural capital contributes to economic growth and economic opportunity.

IV. Objectives

19. The discussions at the round table are aimed at unpacking and distilling a set of clear messages, recommendations and actions on how green finance can be leveraged to foster recovery and transformation in Africa to reduce inequalities and vulnerabilities.

20. The panellists will discuss the following questions:

(a) As debt in Africa continues to rise, how can the fiscal space needed to urgently invest in climate resilience be created?

(b) How can the sustainable debt coalition, which was launched at the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, help to address climate finance needs and reduce poverty and inequality?

(c) How can debt-for-climate investment swaps help to reduce poverty and inequality?

(d) What is the role of voluntary carbon markets in channelling investment into climate-resilient projects and sustainable jobs in Africa?

(e) The oceanic space of Africa is a pillar of Agenda 2063. What are the main priorities of the great blue wall initiative that can help increase sustainable investment in the African blue economy?

(f) How can the great blue wall initiative help to address poverty and promote inclusion in coastal communities?

(g) What are the barriers to private sector investment in climate action in Africa?

(h) How can the private sector be incentivized to deliver resources to support the most vulnerable communities and create sustainable jobs?

(i) Is the current international development architecture adapted to the needs of climate-resilient development in Africa?

(j) What do the financing frameworks of African countries need to tackle climate resilience and accelerate poverty reduction?

(k) How are young people in Africa responding to the impacts of climate change?

¹³ ECA, "UN unveils strategy to move Gabon from brown to green economy", 25 January 2021.

(l) How effective is the existing environment for fostering African start-ups that help address climate change?

(m) What is the link between government budgets and the channelling of resources to reduce poverty and inequality?

(n) What are the best practices in the delivery of sustainable budgeting?

(o) How can sustainable budgets that actively help to reduce poverty and inequality be delivered?

V. Chair and list of panellists

Chair: Director, Technology, Climate Change and Natural Resources Management Division, ECA, Jean-Paul Adam

Framing remarks (video): Secretary-General, World Meteorological Organization, Jukka Petteri Taalas

Panellists:

- Minister of Finance, Egypt, Mohamed Maait
- Minister for the Environment, Sustainable Development and the Congo Basin, Congo, Arlette Soudan-Nonault
- Vice-President for Finance and Chief Financial Officer, African Development Bank, Hassatou Diop N'Sele
- Assistant Secretary-General, United Nations, and Deputy Executive Director, United Nations Environment Programme, Elizabeth Maruma Mrema
- Deputy Executive Secretary (Programme) and Chief Economist, ECA, Hanan Morsy
- Secretary of State for Business Development, Cabo Verde, Adalgisa Barbosa Vaz
