'CLIMATE ADAPTATION AND THE REFORM OF THE INTERNATIONAL FINANCIAL ARCHITECTURE: STRATEGIC PILLARS OF THE AFRICA-EUROPE PARTNERSHIP'

SECOND POLICY BRIEF – BRIDGING THE AFRICAN AND EUROPEAN ADAPTATION FINANCE AGENDAS

BACKGROUND INFORMATION AND CONTEXT

The 2015 Paris Agreement's article 2.1c notes that finance flows should be "consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". Article 9 calls for developed country parties to take a lead in mobilising climate finance that should be a "progression beyond previous efforts."

But there is no agreed definition of what "climate finance" includes. The EU's 2023 submission to the UNFCCC on Article 2.1c acknowledges this[1]. The previous policy brief in this series pointed out that adaptation is dependent on robust, risk-aware development. But how should one identify the "progression beyond previous efforts" and relate them to climate change, as suggested above? It is not straightforward. The foreseen Annual Meetings of the IMF/WB in Marrakech and the COP28 Global Stocktake are immediate opportunities for world leaders to discuss this.

In practice, donors score and report on their own climate finance, and their methods vary , on the percentage of finance estimated as related to climate in any one project, and whether they count funds that have been committed, or actually disbursed. The reporting of climate finance has therefore been criticised as overestimating the actual quantity of finance provided[3 4].

The Africa group acknowledges the need for a transformation of the financial system to track finance flows more effectively[5], but the scoring of climate finance is, for Africa, eclipsed by their concern to get more finance flowing and faster, with a focus on a just transition, given Africa's vulnerability and development needs.

Africa currently receives only $30bn, or 12% of the $250 billion needed per year in climate finance. Most of this money is for mitigation and weighted towards large economies such as South Africa. Adaptation finance counts for 24% of the total $250bn needed, but this is thought to be an underestimate, given the lack of detailed local adaptation planning and uncertainty over climate impacts[6].

Recent analysis shows that current annual climate finance for adaptation across all of Africa is US$11.4 billion, which represents about 39 percent of total climate finance committed to Africa annually. About half of this finance was in the form of loans[7]. Recently, Africa has called for new global taxes to fund climate change action, along with greater grants. Many countries are paying more in debt service than they receive in climate finance support, with a set of Small Island and Developing States (SIDS) and LDCs spending $33 billion on debt repayments in 2021 as compared with $20 billion in climate finance[8]. Africa's debt increased from 36% to 71.4% of GDP between 2010 and 2020, and is projected to increase a further 10 to 15% over the next three to ten years[9]. The inaugural African Climate Summit organised in Kenya in September 2023 highlighted the need for action of debt including incentivizing investment in climate aligned opportunities and inclusion of 'debt pause' clauses to help deal with shocks.

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[1] *"On the technical side, it can for example be noted that there is no tracking system/framework (indicators and data) in place to capture in a systemic way the fragmented landscape of initiatives on financial flows consistent with the Paris Agreement."* (EU submission on article 2.1c) 26 April 2023

[2] Results of the survey on the coefficients applied to Rio Marker data when reporting to the UN Conventions on Climate Change and Biodiversity OECD 2021

[3] Malte Toetzke , Anna Stünzi , and Florian Egli ,Consistent and replicable estimation of bilateral climate finance Nature climate change 2022 https://doi.org/10.1038/s41558-022-01482-7 put overestimation 21% on principal markers and 60% on subsidiary markers

[4] Oxfam Climate Finance Short-changed: The real value of the $100 billion commitment in 2019–2020 Oxfam 2022 estimates climate finance about 67% over reported.

[5] Africa Submission thon 2.1 c 29.05.23 "*a holistic transformation of the financial system consistent with climate action will still require additional regulatory, structural, and capacity efforts"*

[6] Climate Finance Needs of African Countries Sandra Guzmán, Greta Dobrovich, Anna Balm and Chavi Meattle June 28, 2022 https://www.climatepolicyinitiative.org/publication/climate-finance-needs-of-african-countries/

[7] Global Center on Adaptation. 2022. State and Trends in Adaptation Reports 2021 and 2022

[8] https://www.iied.org/poorest-countries-spending-billions-more-servicing-debts-they-receive-tackle-climate-change

REFORMING THE CURRENT GLOBAL FINANCIAL ARCHITECTURE

Figure 1 below shows the contributions from different countries to adaptation and a range of multi-focus climate finance funds. The complexity of the current finance architecture is further demonstrated by **Annex 1.** Figure 1 illustrates that EU member states are pre-eminent in their contributions to adaptation funds.

Annex 2 shows that the EU contributed 65% of total adaptation finance between 2019 and 2021 and breaks this down by EU country. Annex 3 shows amounts for adaptation committed to Africa by fund.

There is another way of looking at climate finance. The concept of ‘fair share’, based on the unmet $100bn climate finance annual target from 2020 onwards, historical emissions, GNI and population.

By this measure seven countries paid their ‘fair share’ of climate finance in 2020 (Sweden, France, Norway, the Netherlands, Germany, Denmark and Japan). By contrast, the US provided just 5%, Canada 18% and Australia 23% of their ‘fair shares’ in 2020. Australia, Canada, Italy and Spain are also notable laggards (see Figure2). Looking forward to 2025 and the foreseen New Quantified Collective Goal (NQCG) on Climate Finance, only four countries globally have made climate finance commitments commensurate with their fair share: Norway, Sweden, France and Japan, although Germany and Denmark come very close[10].

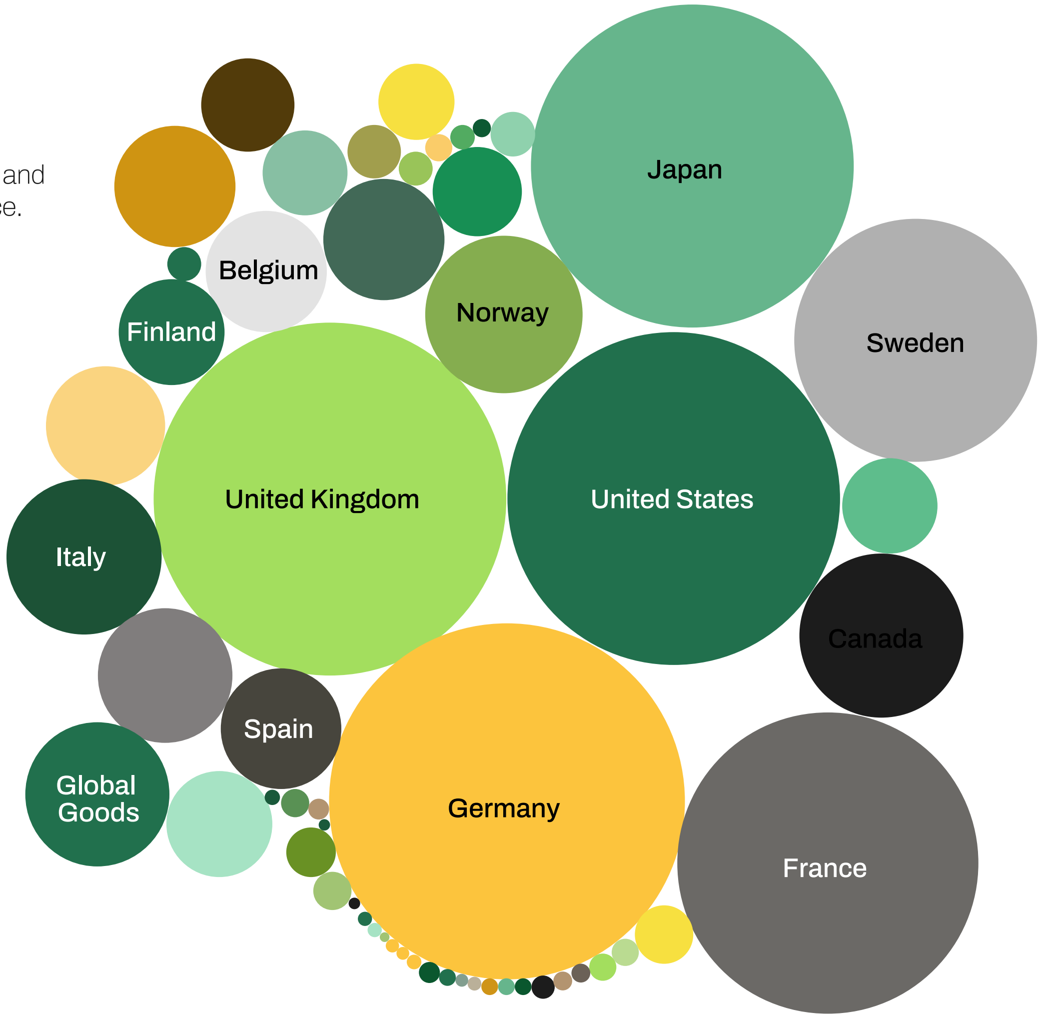

Figure 1 Relative size contributors to Adaptation and multiple foci climate finance. Interactive version

[9] https://www.afdb.org/en/news-and-events/press-releases/african-economic-outlook-2021-africas-growth-prospects-bullish-despite-covid-19-constraints-and-debt-burden-42692#:~:text=The%20average%20debt-to-GDP%20ratio%20for%20Africa%20is%20expected,is%20now%20%E2%80%93%20President%20Akinwumi%20A.%20Adesina%2012-Mar-2021

[10] Colenbrander, S., Pettinotti, L. and Cao, Y. (2022) A fair share of climate finance? An appraisal of past performance, future pledges and prospective contributors. ODI Working Paper. London: ODI (https://odi.org/en/publications/a-fairshare-of-climate-finance-an-appraisal-of-past-performance-future-pledges-andprospective-contributors/)

Figure 2 Scorecard of progress towards Annex II countries' fair share of the $100 bn climate finance goal, 2020 and 2025[11]

	share (US$ billions)	finance provided (US$ billions)	towards providing fair share (%)
Sweden	0.91	1.47	161%
France	5.39	8.66	161%
Norway	0.58	0.9	154%
Japan	11.89	16.09	135%
Netherlands	1.76	2.14	122%
Germany	8.33	9.91	119%
Denmark	0.62	0.62	101%
Switzerland	0.94	0.68	72%
Finland	0.56	0.33	60%
United Kingdom	5.84	3.2	55%
Austria	0.82	0.44	53%
Belgium	1.13	0.59	52%
Ireland	0.52	0.19	37%
Iceland	0.04	0.01	37%
New Zealand	0.43	0.15	36%
Luxembourg	0.09	0.03	31%
Italy	4.73	1.43	30%
Australia	2.93	0.68	23%
Spain	3.43	0.64	19%
Canada	4.13	0.74	18%
Portugal	0.69	0.07	10%
Greece	0.78	0.06	8%
United States	43.48	2.3	5%

	share (US$ billions)	finance provided (US$ billions)	towards providing fair share (%)
Norway	0.58	1.7	292%
Sweden *	0.91	1.89	206%
France	5.39	7.9	147%
Japan	11.89	14	118%
Netherlands	1.76	Commitment does not address FY 24/25	
Germany	8.33	8.18	98%
Denmark	0.62	0.6	97%
Ireland	0.52	0.35	68%
United Kingdom	5.84	3.7	63%
Spain	3.43	2.03	59%
New Zealand	0.43	0.23	54%
Switzerland	0.94	0.46	49%
Finland	0.56	0.26	46%
Italy	4.73	2.01	42%
Belgium	1.13	0.35	31%
United States	43.48	11.4	26%
Canada	4.13	0.85	20%
Australia	2.93	0.3	10%
Luxembourg *	0.09	Commitment does not address FY 24/25	
Austria *	0.82		
Portugal *	0.69		
Greece *	0.78		
Iceland	0.04		

[11] Colenbrander, S., Pettinotti, L. and Cao, Y. (2022) A fair share of climate finance? An appraisal of past performance, future pledges and prospective contributors. ODI Working Paper. London: ODI (https://odi.org/en/publications/a-fairshare-of-climate-finance-an-appraisal-of-past-performance-future-pledges-andprospective- contributors/)

Establishing the New Quantified Collective Goal (NQCG) to replace the unmet $100bn per year climate finance goal and setting up the new Loss and Damage Fund are making slow progress while representing an opportunity for Africa and Europe to align on expectations and greater delivery of adaptation action. This is against a backdrop of dramatic, accelerating climate impacts across the world and an increasingly strident consensus that the amount of finance mobilised is woefully inadequate[12]. Climate finance provided and mobilised by developed countries reached USD 79.6 billion in 2019. Projections indicate climate finance could yield numbers above USD 100 billion from 2023 onwards[13]. Germany and Canada have developed a delivery plan to demonstrate how the USD 100 billion of annual climate can be delivered by 2023, including the New Collective Quantified Goal for climate fiancé post-2025[14].

The need for more money is clear but there are also major concerns about access and quality of climate finance. Complicated procedures that demand large amounts of precious government time, rules on how money can be channelled, lack of harmonisation between funds and the length of time it takes to get to disbursement are all areas where progress needs to be made. This is particularly so in the case of the Green Climate Fund (GCF), which is by far the largest mechanism for delivering multilateral climate finance.

THE GREEN CLIMATE FUND: A WORK IN PROGRESS

This is the largest multilateral fund having received confirmed pledges of $19.1bn[15] since its inception in 2014, of which $9.1bn (47%) is from EU countries. Several EU countries have already made pledges for the next GCF replenishment. This includes USD 232.2 million from Denmark, 2.2 billion from Germany, 1.74 billion from France and 243.1 million from Spain[16]. The GCF has approved $12.6bn in funding since 2015 of which $3.2bn is for adaptation and a further $4.5bn labelled as 'cross cutting', hence likely to include some adaptation component. It disburses funds through "accredited entities". The accreditation process to manage or receive funds from the GCF can take 6 months, but it can also take much longer. Globally, there are 78 accredited agencies, of which only 17 are African institutions, of which 4 are government institutions[17]. Most money (76%) goes through international agencies and banks, direct national funding accounts for 13% and direct funding regional 11%[18]. Recipients complain at the level of overhead payments charged by international agencies (typically 7%), which are on top of costs to administer and run the agreed project at international salaries.

At the GCF, the average time taken from review of funding proposals to first disbursement of funds has fallen from 26-28 months in 2018 to an average of 12-17 months for projects approved in 2021[19]. But it is important to note this is an average. Countries complain that some funding has taken up to 5 years to arrive.

GCF funding is overwhelmingly project based, which means that all planning must be done in advance and then the money waited for. This is in sharp contrast to best practice in adaptation, which recognises the long term nature, process-focused, flexible finance required to support adaptation in the face of climate uncertainty and changing needs.

Pillar 2 of the Team Europe Initiative on Climate Change and Resilience in Africa, which was launched at COP27, notes the importance of mainstreaming adaptation and disaster risk reduction in policies and plans, and Pillar 3 notes the need to increase public sector capacity and improve access to finance and project readiness. However, neither of these pillars explicitly acknowledge the calls for more direct access to funds and appear to accept the status quo of projects being the preferred response to adaptation.

ADDRESSING THE ISSUE OF RISK MANAGEMENT AND DEBT

The recent UN General Assembly has pledged to fully implement the Addis Ababa Action Agenda and take actions to finance sustainable development in developing countries[20]. It highlighted the importance of international debt mechanisms to support debt review, debt payment suspensions and debt restructuring. The Assembly also emphasized the need for debt swaps for SDGs, including for climate and nature, to enable developing countries to use debt service payments for investments in sustainable development.

Similarly, the Nairobi Declaration, stemming from the Africa Climate Summit, stated the need to restructure the

[12] https://www.oecd.org/climate-change/finance-usd-100-billion-goal/

[13] OECD (2021), Forward-looking Scenarios of Climate Finance Provided and Mobilised by Developed Countries in 2021-2025: Technical Note, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, https://doi.org/10.1787/a53aac3b-en.

[14] https://www.canada.ca/en/services/environment/weather/climatechange/canada-international-action/climate-finance/canada-germany-open-letter-climate-finance.html

[15] https://www.greenclimate.fund/about/resource-mobilisation

[16] https://www.nrdc.org/bio/joe-thwaites/green-climate-fund-pledge-tracker

[17] Ministry of Environment Rwanda, Ministry of Water and Environment Uganda, Ministry and finance and economic cooperation Ethiopia, National environment management authority Kenya. GCF website

[18] https://www.greenclimate.fund/projects/dashboard

[19] GCF website

[20] https://hlpf.un.org/sites/default/files/2023-09/A%20HLPF%202023%20L1.pdf?_gl=1*szuo7q*_ga*MzIxNDc2NDc1LjE2ODYxMjMwMDg.*_ga_TK9BQL5X7Z*MTY5NTc2OTMyMi45LjEuMTY5NTc2OTY1NC4wLjAuMA..

international finance architecture, particularly given the risks of many countries entering a spiral of rising debt due to climate impacts. With this statement, Africa has explicitly endorsed the Bridgetown agenda[21], which calls for: the provision of emergency liquidity to countries facing a debt crisis, especially generated by natural shocks; expansion of multilateral lending by $1 trillion; a mechanism to raise reconstruction grants; and an agency to accelerate private investment flows into the low carbon transition.

In Europe, the Paris Summit for A New Global Financing Pact[22], attracted representatives from 32 countries, including a strong representation from African and European heads of states, the presidents of the European and African Union Commissions, as well as the World Bank (WB) and International Monetary Fund (IMF), the UN General Secretary, and representatives from civil society and academia. The meeting produced an ambitious road map[23] of possible actions. The summit showed an increasing willingness of countries and financial institutions to discuss the need for urgent action and to alter the status quo on delivering assistance to those affected by climate change. This summit also discussed the need for more sustainable debt management, the exploration of new sources of finance through taxation and simplified access to existing finance[24].

A particular focus of the Nairobi summit and the Team Europe Initiative is enabling better climate risk management and response. Pillar 4 of the Team Europe Initiative seeks to develop better climate and disaster risk finance and insurance, and specifically mentions the Global Shield initiative and the Africa Risk Capacity Group[26].

The use of insurance to manage climate risk is not straightforward and raises a host of difficult questions. There are technical problems of pricing, disbursement and affordability, especially for countries who are poor and suffer frequent shocks. There are also issues of climate justice over who should pay, which can lead to real anger and resentment. The idea of insurance has been compared to the developed world setting the houses of the global south on fire and then offering to sell them a fire extinguisher.

The performance to date of the Africa Risk Capacity (ARC) Group is also instructive. ARC provides drought insurance to African countries, and is valued for building national government capacity in risk management and the use of its products. However, staff turnover, weak government systems and poor targeting have led to delays in implementation. Domestic capacity does not seem to be sustainable without ongoing ARC support, and those countries participating express concerns around the drought model, the timeliness of payouts and price of the insurance premium. ARC is also more expensive ($4.1mn) to operate than the larger Caribbean Catastrophe Risk Insurance agency ($2.4mn). Up to January 2022, donors had supplied around $250mn of the funds required to operate the insurance pool, and the donor share of premiums for 2021-22 stood at 73%. Despite subsidy being available, only 16 of 36 African countries signed up to ARC had actually bought policies by 2021[27].

The focus on insurance as a mechanism is unlikely to have a major role in climate risk management for much of Africa, especially as the frequency and scale of impacts rise. While there is more that can be done, especially with larger companies in the private sector, most people will not be able to afford the insurance premium. Take, for example, the 60% of sub-Saharan Africans who are involved in smallholder agriculture[28], or those who have moved to Africa's growing cities where 80% of jobs are low-paid and in the informal sector[29]. The Africa Climate Summit acknowledged the need for more understanding and managing climate risks and the importance of early action. Pillar 2 of the Team Europe Initiative aimed at helping with policy and planning should therefore be a particular focus.

The call for action to enable better management and action on debt, reinforced by the Nairobi Declaration is starting to show some movement. At the Paris summit, the World Bank unveiled a plan that will involve (1) pausing debt repayments; (2) redirecting financing in emergencies; (3) linking crisis preparedness and financing; (4); backstopping development projects with private sector support, and (5) building enhanced catastrophe insurance without debt[30]. The Managing Director of the International Monetary Fund appealed to donors to cover the $1.2 billion subsidy still needed to enable the fund to lend at zero interest rates to those countries that need it through the Poverty Reduction and Growth Trust[31] and asked developed countries to channel 40% of their special drawing rights issues to the fund or the development banks.

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[21] https://www.foreign.gov.bb/the-2022-barbados-agenda/
[22] https://nouveaupactefinancier.org/pdf/chairs-summary-of-discussions.pdf
[23] https://nouveaupactefinancier.org/pdf/proposed-roadmap.pdf
[24] Chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.elysee.fr/admin/upload/default/0001/15/ae591f67adb68240e785486564ee0da587ff9b8e.pdf
[25] https://www.bmz.de/en/issues/climate-change-and-development/global-shield-against-climate-risks
[26] https://www.arc.int
[27] Oxford Policy Management Independent evaluation of ARC October 2022
[28] https://www.mckinsey.com/industries/agriculture/our-insights/winning-in-africas-agricultural-market
[29] https://blogs.worldbank.org/africacan/supporting-africas-urban-informal-sector-coordinated-policies-social-protection-core#:~:text=Accounting%20for%2080.8%25%20of%20jobs,key%20in%20ensuring%20food%20security.
[30] https://www.worldbank.org/en/news/factsheet/2023/06/22/comprehensive-toolkit-to-support-countries-after-natural-disasters
[31] https://www.imf.org/en/Topics/PRGT#:~:text=What's%20the%20PRGT%3F,%2Dincome%20countries%20(LICs).

Donor pledges for early action are not an exact science, but the Risk Informed Early Action Partnership estimates that $368 million was pledged for early action in 2022, of which $311mn was from Europe, and $195 million for the Global Shield initiative[32], including $189 million from Europe.

IMMEDIATE ACTIONS TO BRIDGE AFRICA-EUROPE DIFFERENCES AND MAKE PROGRESS ON ADAPTATION FINANCE AHEAD OF THE ANNUAL MEETINGS OF THE WB/IMF AND COP28

Lifting constraints on access to adaptation finance

On finance for adaptation, opportunities exist but there are no 'easy' means to access adaptation finance. There is interest to look at the capacity constraints of African countries (including local organisations) to plan and submit proposals for adaptation finance from international organisations (including the Green Climate Fund). There is also a lack of capacity for developing pipeline projects for implementation, including collecting all the data that is required for each application. The process of accessing seed finance, and becoming accredited to access funds is often extremely time consuming and expensive. Another issue is in relation to fund allocation: most projects that access finance are pre-determined, having to fit in a framework that aligns with donors and funds requirements and agenda. The international community is more interested in ensuring that projects fit with their own perspectives instead of listening to the needs of local communities. Finally, the time issue is also important, with adaptation projects sometimes not being relevant anymore due to the time it takes to get them approved.

As these constraints limit the ability of countries/local organisations (including civil society and youth-led organisations) to access adaptation finance, there is an interest to shed light on bottlenecks, how to overcome them, and to advocate for more fluidity in the process of accessing adaptation finance for project implementation. The inaccessibility is also caused by ever-changing project requirements, leading to more information required, resulting in delays of project planning.

Improving access to finance for those that need it most is a common concern in both Africa and Europe.

The principles set out by the Task Force on Access to Finance[33], reflect wider concerns that adaptation activities need to be country-led and owned. The principles go on to note the need to harmonise procedures among funds for access to finance, and ensure funding is responsive, able to react to changing needs and be transparent and predictable.

The Locally Led Adaptation Principles[34], which are endorsed by over 40 organisations, including four EU members (Ireland, Denmark, Netherlands and Sweden) align with calls from the LDCs[35] and the Task force on access to finance. There is an increasing consensus that the way finance is accessed and used needs to be faster, more responsive to locally identified priorities , long term and able to respond to changes in priorities.

The difficulty of getting access to finance is consistently identified in blogs[36] and meetings convened on the fringes of formal negotiations. Firstly, **applying for funding takes time, soaking up precious administrative capacity and expertise**. This includes time and effort in getting accreditation, or negotiating and working through the added layer of process if working through an intermediary. Once projects are submitted **approval is often slow** with examples of the lead time for funding actually arriving being measured in years. This is compounded by a **lack of harmonisation among funds** with each bit of funding requiring a separate application tailored to the procedures of each funding entity, which adds further administrative burden and difficulties in co-ordinating funding streams. Funding is **overwhelmingly project based**. This means that planning needs to take place well in advance, raising expectations of communities and **based on priorities that may be out of date by the time the funding arrives**. If action is spread across a number of projects and funders, **action may become disjointed and fragmented**, as a result of different project management requirements and unco-ordinated funding schedules. Greater **trust and transparency** will be needed in order to enable funding to move to a more programmatic basis. Processes to enable this, such as through the LDCs LIFE- AR[37] and Kenya's financing locally led climate action (FLLoCA[38]) that put in place national mechanisms to channel funds to the local level will be required from recipient countries to make the most of improvements in access to finance.

The EU-Africa Global Gateway investment package of €150 billion[39] announced at the EU-AU Heads of States summit in 2022 includes assistance to implement National Adaptation

[32] https://www.early-action-reap.org/early-action-state-play-2022
[33] DAI Annual report on the Task Force on Access to Finance Nov 22
[34] https://www.wri.org/initiatives/locally-led-adaptation/principles-locally-led-adaptation
[35] chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/http://www.ldc-climate.org/wp-content/uploads/2019/09/2050-Vision.pdf
[36] See for example https://www.iied.org/learning-adaptation-financing-working-for-ldcs-sids
[37] https://www.iied.org/supporting-ldc-initiative-for-effective-adaptation-resilience-life-ar
[38] https://www.treasury.go.ke/wp-content/uploads/2021/03/ToR-for-the-Development-of-the-ASSA-Manual-Cleared-by-WB-June-2020.pdf
[39] https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway/eu-africa-global-gateway-investment package_en

Plans. The Team Europe Initiative on Climate Change Adaptation and Resilience in Africa under pillar 2 commits to help mainstream climate change adaptation into policies and plans, pillar 3 will increase public sector readiness and improve access to finance. The Team Europe initiative, however could usefully more explicitly address action on funding body reform to enable more direct and programmatic based access to funding, which is a gap in its response to the expressed needs of developing countries in general, including Africa.

There is clearly convergence between Africa and Europe in wanting to see effective adaptation, integrated into national processes and responsive to local conditions. However, in practice there is some way to go in adjusting procedures in access to finance and enabling locally led approaches.

In order to guide future action, the Africa-Europe Foundation could broker discussions on how best the Africa-Europe partnership can advance some of the reforms required, including:

- Take stock of existing mechanisms and agree principles of funding and access, drawing from the LDC vision 2050, the Task Force on Access to Finance and the principles for Locally-Led Adaptation Principles.
- Understand how best to support the mainstreaming of climate in policies and plans both in terms of national action and European funding mechanisms. Convene funds, governments, civil society and implementing agencies to identify specific ideas for changes in funding procedures that will help deliver nationally led action and move away from piecemeal project funding.

Risk management and insurance

The growing strain on African economies and people from climate impacts is a concern in the Nairobi Declaration and the Team Europe Initiative's pillar 4, which aims to develop and implement climate and disaster risk finance mechanisms through the Global Shield[40]. The Global Shield has already started to be made operational, for example through the World Bank[41] [42] and the German managed Global Shield solutions platform[43]. The Global Shield initiative is committed to using "evidence-based, systematic, and inclusive analyses of countries' protection gaps, and apply these analyses to design, fund, and facilitate interventions to address these gaps" with a view to putting in place schemes for pre-arranged finance for disasters. While the Global Shield is central to the Team Europe Initiative, it is important to keep in mind it exists in a rich landscape of other initiatives such as the Zurich flood resilience alliance[45] the risk informed early action partnership[46] and the centre for disaster protection[47].

The need to keep an open mind on the right financial instruments for particular countries and vulnerable populations is recognised as essential, bearing in mind the differing needs of countries and communities and the limits of insurance mechanisms. Looking at sources of technical assistance and finance from a recipient's point of view remains daunting and confusing. This is made worse when efforts are being made to integrate private providers of risk finance[48].

Given the number of actors it may be useful for Africa and Europe to work together to respond to the call in the Nairobi declaration for development partners to align and co-ordinate their technical assistance. The Africa-Europe Foundation could help convene a meeting to listen collectively to African voices on how access can be facilitated and work with Africa to accelerate access to expertise.

The Nairobi Declaration and wider initiatives such as the Bridgetown Agenda are explicit on the need to address the debt burden for developing countries and that climate change adds further stress to an already stressed system. Work on debt as started by MDB's is welcome, as is work under the G20's Common Framework for Debt Treatment, but the urgency of more action is clear, and Europe and Africa must work jointly in discussing and agreeing the terms and conditions for enabling more fiscal space for African countries to invest in climate adaptation.

Empowering local communities and governments

Managing climate risk for the most vulnerable will require close co-operation between African national and local government systems, and international and donor agencies. How can the steps towards this be defined and how best to share experience and approaches at municipal and local government levels? Can Africa and Europe work to bring together technical advice and expertise that demonstrate appropriate actions and approaches at sub-national levels? Building on the EU's Adaptation Mission, and the wide range of networks linking municipal governments, is there a valuable space for the Africa-Europe Foundation to strengthen learning within and between the two continents, focused on building greater urban and rural adaptation and resilience?

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40 https://www.bmz.de/en/news/press-releases/v20-g7-agree-launch-global-shield-against-climate-risks-cop27-125782
41 https://www.worldbank.org/en/news/press-release/2022/11/14/world-bank-group-launches-global-shield-financing-facility-to-help-developing-countries-adapt-to-climate-change
42 https://www.wfp.org/news/wfp-uk-germany-and-world-bank-come-together-expand-risk-financing-communities-vulnerable
43 https://global-shield-solutions.org/about/about-global-shield
44 https://www.globalshield.org/about/vision-mission/
45 https://floodresilience.net/zurich-flood-resilience-alliance/
46 https://www.early-action-reap.org/
47 https://www.disasterprotection.org/
48 https://www.early-action-reap.org/early-action-state-play-2022

As the EU currently reflects on past achievements and future programming priorities and the legacy it will leave to the next EU policy cycle, it could explore the potential of fleshing out a 'Mission on strengthening climate finance access pathways in Africa', designed to foster capacity development and knowledge exchange to access adaptation finance. The Mission would support efforts to mobilise, empower and assist African communities/countries in accessing climate finance, and build essential capabilities and skills to initiate and manage processes to access available finance, as well as devise pathways to scaling up adaptation action and solution. The Mission would be led by the demands from national and local level adaptation processes and learn from peer exchange and between experts and country officials. It would direct support to technical agencies and actors already working in this area to build capacity in Africa. It would co-ordinate European funding to encourage co-ordination and responsiveness of technical support to African priorities. It would evaluate progress on improved access and timeliness of funding to inform wider European engagement with climate funds and adaptation policy reform.

Decentralising international climate adaptation finance:

Another way forward would be to encourage international climate finance organisations to decentralise their processes, especially in the context where funds have been allocated to Africa. Global Climate Funds often lack continental and regional offices in Africa. There is an interest in having different regional/country desks offering African organisations the opportunity to apply and be supported (at a more local level), instead of having to pass by headquarters located elsewhere. In addition, having global climate funds set up continental office in Africa would greatly assist that finance meets priorities identified by the African countries, and their partner organizations. There is an interest to look at these different climate funds and international organisations through which international climate finance is channelled and call on them to set up regional African offices.

Reinforce the growing appreciation of blended-finance

The current trend demonstrates greater interest in combining public and private funds — to further mobilize much-needed capital for resilience investments in Africa. Historically, blended finance for adaptation has been about 11% of all blended finance deals, although there has been a 72% increase in volume of finance in 2019/21 compared to 2016/18[49]. Given the scale of need for adaptation in Africa, further work to identify opportunities for blended finance is urgent. The Mission mentioned above should bring together investors and companies active in Africa to identify how investments in adaptation and resilience, for Africa, and for their businesses, can be increased.

Finance: Allocating SDRs to climate action, including adaptation.

Bridging the gap between needs for climate action and funds available may also require looking at the global financial infrastructure, including how to recycle more Special Drawing Rights (SDRs). SDRs are allocated as a percentage share of a country's GDP, so low-income countries receive a very low share of the SDR total. Today, it is estimated that of the total 650 billion SDRs recently issued, close 82 billion have been pledged to be recycled to developing countries[50]. Given the growing impacts of climate change, there is strong interest in having these funds recycled and serving climate adaptation first. As leaders gear-up towards the Annual Meetings of the IMF/WB, European countries could increase their efforts in reallocating SDRs to developing country action, and match the French pledge[51] to reallocate 30% of their SDRs, and encouraging other countries to do the same.

Adaptation needs a radical shift in mindset and approach towards finance:

The shortfall in finance compared to needs in Africa shows that efforts need to be radically stepped up in order bridge the adaptation gap, and that more emphasis needs to be given to grants and blended finance to help ease the debt burden on states. In addition, the ability of Africa to get access to finance and have it applied in ways that fit the need for long term programmatic approaches to adaptation is essential.

Incremental approaches are unlikely to deliver the change needed. The AEF encourages Europe and Africa to join forces to press for the reforms needed, unlocking more finance and improving access to and application of funds.

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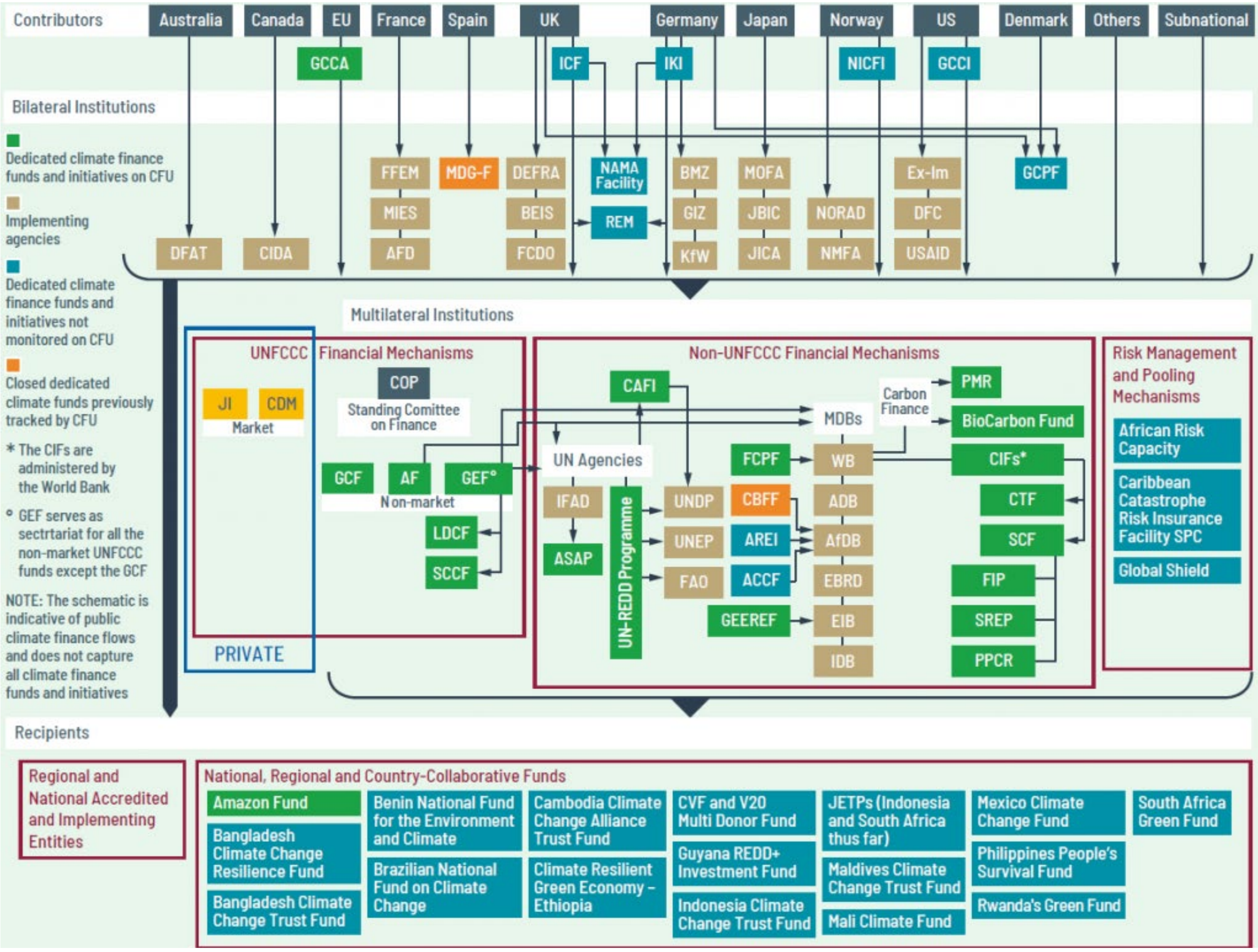
[49] Convergence Blended Finance (2022). The State of Blended Finance 2022: Climate Edition. Convergence Report

[50] https://www.cgdev.org/blog/february-2023-update-sdr-recycling-getting-closer-still-not-there

[51] https://twitter.com/KGeorgieva/status/1572692055586906113?s=20&t=YX9uTdeyo0cQ3YYMmxqqbA

ANNEX 1

An overview of the Climate Finance Architecture[52].



[52] https://climatefundsupdate.org/about-climate-finance/global-climate-finance-architecture/

ANNEX 2[53]

Adaptation Funding

Adaptation-related development finance commitment in millions USD: principal and significant (including overlaps— development finance marked for both adaptation and mitigation)

Year	All Climate Provider Countries	EU Countries and its Institutions	Percentage of the total climate finance
2021	27,420.8	18,078.8	66
2020	31,258.3	17,628.5	56
2019	22,406.8	16,609.1	74
Total	81,085.6	52,315	65

Adaptation-related development finance commitment in millions USD: principal and significant (including overlaps— development finance marked for both adaptation and mitigation)

EU Countries and its institutions

Country	2021	2020	2019
Austria	146.83	89.80	86.60
Belgium	230.87	253.70	343.51
Czech Republic	6.47	5.80	5.61
Denmark	241.53	212.32	405.86
Estonia	1.36	0.33	-
EU Institutions	3,853.53	3,849.84	5,091.23
Finland	239.21	96.97	117.14
France	4,620.32	5,529.60	2,930.77
Germany	6,484.02	4,857.48	5,144.63
Greece	-	0.02	-
Hungary	13.21	30.19	2.54
Ireland	95.72	87.60	109.64
Italy	393.81	570.44	204.61
Latvia	0.01	169.66	0.01
Lithuania	1.16	1.03	0.65
Luxembourg	23.02	3.87	23.64
Netherlands	1,037.81	1,554.83	1,332.96
Poland	3.05	6.54	3.52
Portugal	2.50	1.38	3.37
Romania	0.00	0.06	-
Slovak Republic	0.46	0.56	2.27
Slovenia	1.76	0.16	0.96
Spain	94.35	65.40	99.69
Sweden	585.74	238.90	699.87
Total	**18,078.76**	**17,628.52**	**16,611.09**

[53] https://climatefundsupdate.org/data-dashboard/regions/

ANNEX 3[54]

Fund	Funding Approved (USD millions)
Partnership for Market Readiness	5.85
MDG Achievement Fund	20
BioCarbon Fund Initiative for Sustainable Forest Landscapes (BioCarbon Fund ISFL)	26
Special Climate Change Fund (SCCF)	33.51
UN-REDD Programme	36.38
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	40.5
Congo Basin Forest Fund (CBFF)	83.11
Forest Carbon Partnership Facility - Readiness Fund (FCPF-RF)	121.42
Global Environment Facility (GEF4)	122.76
Global Environment Facility (GEF5)	153.89
Adaptation for Smallholder Agriculture Programme (ASAP)	160.63
Global Environment Facility (GEF6)	225.92
Forest Investment Program (FIP)	287.56
Global Environment Facility (GEF7)	289.87
Pilot Program for Climate Resilience (PPCR)	298.03
Central African Forest Initiative (CAFI)	308.43
Scaling Up Renewable Energy Program (SREP)	316.03
Adaptation Fund (AF)	365.75
Global Climate Change Alliance (GCCA)	386.30
Clean Technology Fund (CTF)	700.66
Least Developed Countries Fund (LDCF)	942.37
Green Climate Fund (GCF-1)	1115.15
Green Climate Fund IRM (GCF IRM)	1167.07

[54] https://climatefundsupdate.org/data-dashboard/regions/