Africa needs due support for Climate Financing and accelerating SDG implementation

BY STAFF REPORTER

At a roundtable on the Sustainable Debt Coalition, Mr. Claver Gatete, Executive Secretary, UN Economic Commission for Africa (ECA), stressed the need to ensure that climate finance from both public and private sources flows at the appropriate scale and pace to expedite sustainable development aligned with the Paris Agreement and meet the SDGs without burdening the already stretched fiscal capacity of developing countries.

Africa requires $2.3 trillion between 2020 and 2030 to implement its Nationally Determined Contributions (NDCs) under the Paris Agreement but only receives $30 billion annually for climate finance, he said.

He added that increasing the number of investable climate and SDG projects, as well as improving their viability to potential investors and financiers, especially in developing countries, will play a crucial role in attracting more financial support to the continent. Yet, there remains a disconnect between investors and projects in need of investment.

Climate, debt, and development are closely intertwined. Projections by the Economic Commission for Africa show that some African regions could face GDP losses of up to 15% by 2050 due to global warming.

"High debt servicing costs constrain countries from making critical investments in climate adaptation and resilience to mitigate some of these losses," said Mr. Gatete noting that various governments, institutions, and leaders are advocating for change - chiefly among them the UN Secretary-General Mr. Antonio Guterres, who introduced his ambitious SDG Stimulus in February this year.

A recently published report by a G20 expert group estimates that, by 2030, developing countries will require annual incremental investments of 1.8 trillion US Dollars for climate action and 1.2 trillion US Dollars for achieving the SDGs.

ECA has been serving as the temporary secretariat of the Coalition and remains dedicated to supporting global debt architecture reforms. Mr. Gatete said efforts are needed in the following areas:

- First, we need to ensure that countries in debt distress have access to a functional debt resolution mechanism. The G20 Common Framework needs comprehensive reform to enhance its effectiveness, timeliness, and transparency. The planned debtor’s club within the Sustainable Debt Coalition could play a pivotal role in ensuring that debtor countries’ voices are heard in this process,” he said.
- Secondly, there is a need to adapt debt instruments to a more shock-proof world. He said that to prevent countries from sliding into debt distress when facing climate-related disasters, there is a need to strengthen automatic stabilizers. The expansion of climate-resistant debt clauses, which suspend debt service payments in the event of such shocks, is crucial and should be advocated for in all new sovereign debt issuances.
- He also stressed the need to work towards making debt more affordable. Guarantees, including those from MDBs, can reduce market borrowing costs for developing nations. Additionally, guarantees can serve as catalysts for innovative financing tools such as the issuance of sustainability-linked bonds, as demonstrated recently in Rwanda.

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At a side event titled, Regional Platforms for Climate Finance: Unlocking climate finance flows through project acceleration, Mr. Gatete highlighted the need for implementation labs or hubs, as they offer opportunities to foster collaboration and explore strategies for unlocking predictable, affordable, and scalable financing for climate action and the SDGs in Africa.

He called for a comprehensive approach to bridge the significant climate and Sustainable Development Goals (SDGs) financing gap and increase climate action ambition.

Meanwhile during the COP 28, it was noted that due attention should be given to ensure long term climate resilience and investments in climate sensitive sectors, including water, infrastructure, energy and agriculture. Africa needs to scale up and increase its partnerships in the Africa Climate Resilient Investment Facility (AFRI-RES), according to experts at a side event on the margins of COP28 in Dubai.

AFRI-RES was established to support African countries and stakeholders with the tools and capacity to integrate climate resilience in investments in critical sectors.

The side event on partnership for scaling up resilience in Africa, led by Madagascar, and ways forward was organised by United Nations Economic Commission for Africa (ECA), African Union Commission (AUC), African Development Bank (AfDB), World Bank Group, Nordic Development Fund (NDF).

Nassim Oulmine, Acting Director Technology, Climate Change and Natural at ECA said African economies are losing on average 5% of their GDP per year because of the adverse impacts of climate change.

For example he said the cyclone Freddy in Malawi early this year affected 4.8% of the country’s GDP. It affected the main dam that generates electricity and they are still struggling to fill the gap of 40%. "This is a huge loss for a developing country. It is therefore important to strengthen the capacity of African institutions and private sector to plan, design, and implement interventions in selected sectors to increase their resilience to climate change," said Mr Oulmine.

Source: UN ECA

Editor’s Note: The views expressed in this article do not necessarily reflect the stance of The Ethiopian Herald