Identification of NDC Investment Challenges and Opportunities for the Private Sector on the African continent

FINDINGS FROM THE STUDIES IN Angola, Morocco, Mozambique, Nigeria & South Africa

CONSULTATION WORKSHOP SCOPING STUDY VALIDATION
CONSULTATION WORKSHOP
25 JUNE 2020 13:00 - 15:40 GMT
IDENTIFICATION OF NDC INVESTMENT CHALLENGES AND OPPORTUNITIES FOR THE PRIVATE SECTOR ON THE AFRICAN CONTINENT

AGENDA

13:00
OPENING

13:20 - 13:40
WELCOME & KEYNOTE SPEECH
- Anthony Nyong
- Al-Hamndou Dorsouma

Presentation of Key Findings from Scoping Studies on Private Sector Investment in NDC Implementation in Africa
Presentation of Key Findings from Scoping Studies on Private Sector Investment in NDC Implementation in five Pilot Countries

13:40 - 14:00
FINDINGS FROM ANGOLA
African Development Bank Country Manager for Angola & Rebecca Lamas

14:00 - 14:20
FINDINGS FROM MOZAMBIQUE
African Development Bank Country Manager for Mozambique & Rebecca Lamas

14:20 - 14:40
FINDINGS FROM MOROCCO
African Development Bank Country Manager for Morocco & Komal Hassamal

14:40 - 15:00
FINDINGS FROM NIGERIA
African Development Bank Country Manager for Nigeria & Komal Hassamal

15:00 - 15:20
FINDINGS FROM SOUTH AFRICA
African Development Bank Country Manager for South Africa & Fobissie Kalame

15:20 - 15:40
CLOSING
Discussions and Next Steps
AFRICAN CONTINENT

IDENTIFICATION OF NDC INVESTMENT CHALLENGES AND OPPORTUNITIES FOR THE PRIVATE SECTOR ON THE AFRICAN CONTINENT

Al-Hamndou Dorsouma
Manager Climate and Green Growth Division
African Development Bank
FINDINGS FOR THE STUDY ON PRIVATE SECTOR INVOLVEMENT IN NDC IMPLEMENTATION

Fobissie Kalame: Senior Climate Finance Expert
Komal Hassamal: Climate Finance Expert
Rebecca Lamas: Sustainable Energy Expert
**African CO₂ Emissions**

While they contribute to climate change, greenhouse gases are often a sign of development as a byproduct of energy production and use.

**32 million**
Estimated total global emissions in Kilotons (2009)

- **International Emissions**
  - **China**
    - 7.7m
  - **USA**
    - 5.3m
  - **India**
    - 1.9m
  - **Russia**
    - 1.6m
  - **Brazil**
    - 0.367

All amounts measured in Kilotons (one thousand tons)
Informal sector represents 38-45% of GDP, 70% are MSMEs

- 90% are family businesses, 176,000 private sector jobs are lost every year
- Conditions for the private sector have improved in a number of countries
- Private equity in Africa has a very high return on investment (3 to 4 times)
AFDB SUPPORT TO PRIVATE SECTOR

AfDB non-sovereign operations and private sector support (2009-2018)

EQUITY PORTFOLIO (2018)

- USD 1.7 billion: total Portfolio commitment
- 82 Investments: 53 Funds & 25 Direct Investments
- 741 investee companies have been supported through the Bank’s

Source: AfDB 2018
CHALLENGES AND OBSTACLES

- Customs and trade regulations
- Informal sector competitors
- Crime, theft, and disorder
- Access to land
- Tax administration
- Tax rates
- Labor regulations
- Access to finance
- Electricity
- Corruption
- Political instability
- Courts
- Licensing and permits

Lost jobs each year (thousands)

Source: Data from World Bank Enterprise Surveys.
High degree of political will through improved regional economic communities trades and African Continental Free Trade Agreement (AfCFTA).

A rapid transition to the digital economy can boost productivity, delivering jobs for an increasingly technology savvy population.

Strong demand growth, sustained economic growth, and higher global agricultural prices are generating most conducive conditions for agricultural growth in decades.

Several partners (AfDB, EU, UN, WB) are working closely with the regional economic communities to mainstream climate change into investment plans.

Carbon markets initiatives are popping up in a number of countries and regions in Africa.

Africa is endowed with abundant green energy resources for the private sector to invest in (hydropower, biomass, geothermal, solar, wind, liquid natural gas etc.)
Finding a way to reconnect banks and firms is crucial to enhance growth opportunities in the region and international financial institutions have the expertise and willingness to complement domestic policies.

Improving electricity access and reliability in Africa requires close collaboration among neighboring countries, private sector and financial sector.

Governments and the private sector need to collaborate in connecting farmers and food producers to better market opportunities, creating vibrant and competitive agricultural value chains.

Improved urban and regional connectivity and enhanced access to efficient, climate-friendly, and safe transport services would create opportunities for firms to access markets.
• Huge regional markets backed by some of the fastest growing economies and a growing middle class and demand for fairly sophisticated products.

• Ample investment opportunities in various sectors, from agriculture, manufacturing, tourism, financial services, infrastructure and energy.

• NDC implementation and green investment provide private sector actors the means to mitigate corporate risks, and address or procure opportunities that may exist beyond the production unit.

• NDC implementation and green investment may provide a window for private sectors to enter the carbon market and trade CO2 emissions reduced in their projects.

• Existence of an enabling environment for green investment in some countries and regions in the form of legal frameworks, industrialization plan, climate finance partnerships.
Policy responses are required to remove constraints on the private sector.

Initiatives in different sectors should clearly define the role of the private sector and put in place mechanisms to attract the private sector.

Governments should create or enhance the enabling environment for private sector-led emission reduction projects across different sectors.

Government subsidies in the form of tax breaks could encourage private sector involvement in NDC implementation and green investment.

Investing in modern green infrastructure that facilitates the use of more energy-efficient modes will minimize negative externalities.

Integrate Governments’ COVID 19 priorities into NDC implementation and greening of COVID 19 emergency and recovery measures.
RECOMMENDATIONS

- PPPs are particularly effective for initiatives like developing and maintaining climate-resilient infrastructure, which are costly projects.

- To leverage domestic gains for climate finance, tax revenue management needs to be improved, combined with making climate change a national priority.

- Institutional and human capacities need to be strengthened across the continent to better attract the private sector and efficiently manage foreign and intra-regional funding.

- Credit guarantee schemes for mitigation and adaptation projects might alleviate collateral constraints, strengthen secured transaction laws and support lending to SMEs without putting financial stability at risk.
RECOMMENDATIONS

- Green technological hubs and smart city ecosystems that showcase country’s innovation should play leading roles in building green cities to cope with growing numbers of inhabitants.

- For businesses to be more competitive, they need clear and fair rules, skilled employees, reasonable cost of services, accessible consumers within each country and across the continent.
Thank you for your attention!

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FINDINGS FOR THE STUDY ON PRIVATE SECTOR INVOLVEMENT IN NDC IMPLEMENTATION

Thanks to the Government for supporting this assignment
The country’s environmental changes include mean temperature increases, modified rainfall patterns, sea-level rise, alterations of oceanic acidity and temperature, as well as shifts in the habitat ranges of plants and animals.

The climatic shocks include droughts and flooding, as well as other extreme weather events.

<table>
<thead>
<tr>
<th>Climate Change</th>
<th>Key and Vulnerable Sectors</th>
<th>Preliminary estimate</th>
<th>GHG emissions reduction by 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitigation</td>
<td>Energy, agriculture, forestry</td>
<td>$ 14.7 billion</td>
<td>35% unconditionally</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>15% conditionally</td>
</tr>
<tr>
<td>Adaptation</td>
<td>Agriculture, coastal zone, land-use, forests, ecosystems and biodiversity, water resources, health</td>
<td>$ 1 Billion (50% unconditionally)</td>
<td>BAU = 66.8 million tons of CO2eq</td>
</tr>
</tbody>
</table>

Intended Nationally Determined Contributions, draft 2015

Baseline structure (2005) of GHG emission of Angola by sector and emissions in the energy sector
GDP in Angola was worth $87.9 billion (2019) – GDP per capita $3,061 (2019).

Private sector investment to non-oil GDP remains low.

Public sector strong dominance in the economy.

Limited growth in the private sector remains an important binding constraint for Angola.

Establishment of the Private Investment and Export Promotion Agency (AIPEX). The Angolan Government has also established the PDN 2018-2022.

Angola is ranked 177 among 190 economies in the ease of doing business (World Bank, 2019) and the country is ranked 136 out of 140 in terms of competitive nation in the world (World Economic Forum, 2018).
- Some available climate funds: GEF, GCF
- International partners: FAO, FIDA, UNICEF, UNDP, EU, GIZ and other bilateral and multilateral agencies.
- Some funded projects:
  - Promoting sustainable energy access for rural communities in South-Eastern Angola (GEF + co-financing).
  - Addressing urgent coastal adaptation needs and capacity gaps in Angola (GEF + co-financing).
  - Promotion of Sustainable Charcoal in Angola through a Value Chain Approach (GEF + co-financing).
Persisting challenges that hinder inclusive growth in the country: low agricultural production and productivity, inadequate skills, weak trade facilitation and export support systems, weak quality and unequal distribution of infrastructure, and challenging business environment. In addition, gender disparities in health, education and employment have persisted over time.

Private sector specific challenges:
- Deficient knowledge and expertise.
- Constant inflation, growing exchange rates, high rates for loans made in Kwanzas (Angola’s currency) and limited hard currency.
- Access to credit, enforcing contracts and trading across borders.
- Insufficient commercial focus.
The country has a high agricultural potential, natural resources, strategic geographical location, intraregional trade and potential labor force.

Other opportunities:

- Nationally committed and planned economic diversification.
- Better articulation between the public and private sectors.
- Privileged geographical positioning for regional integration.
- Potential for large-scale afforestation/reforestation activities.
- Nationally committed to increasing universal access to energy services, improving energy efficiency, and increasing the use of renewable energy.
Angola will require international support in the form of finance, investment, technology and capacity transfer. And so, the investment environment must be enabled for international participation in the country’s market.

- Skills development enhancement.
- To diversify exports and national revenue sources.
- Larger private sector participation in the economy - development of infrastructure through public-private partnerships and concessions.
- Expansion of electricity access, water and sanitation supply.
- To develop more monitoring systems.
- Detailed assessment of the different sectors potentials.
- Increase the amount of credit available.
Thank you for your attention!

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FINDINGS FOR THE STUDY ON PRIVATE SECTOR INVOLVEMENT IN NDC IMPLEMENTATION

AfDB COUNTRY MANAGER: Pietro TOIGO
PRESENTER: Rebecca LAMAS
COUNTRY EXPERT: Boaventura CUAMBA

Thanks to the Government for supporting this assignment
Mozambique is dealing with several climate change consequences, the most recent ones being the 2019 Cyclones Idai and Kenneth, which caused unprecedented severity of damage.

The country's vulnerability to climate change is mainly a function of its location, geography and inadequate infrastructure.

#### CLIMATE CHANGE CONTEXT

- **Mitigation**: Energy, AFOLU, waste and transport
  - To limit GHG emissions by 31.2 MtCO2eq in 2025 (instead of 53.44 MtCO2eq)

- **Adaptation**: Agriculture, fisheries, water resources, built infrastructure and human settlements and human health

**Nationally Determined Contributions, 2018**

- The implementation of Mozambique's NDCs, following the country's roadmap, has an estimated cost of at least USD 11 Billion, in which the private sector has a great role to play.
Mozambique’s private sector is still developing - contributing to around 65% to the GDP ($ 15.20 billion in 2019).

Characterized by low productivity and competitiveness.

The sector is dominated by individual entrepreneurs, and micro-enterprises, with few SMEs. Individual entrepreneurs represent 93% of all enterprises, while micro-enterprises (2-4 employees) account for 6.6% and small enterprises (5-49 employees) are 0.7%. Only 0.02% are medium size, employing between 50 and 100 workers.

Mozambique is ranked 138 among 190 economies in the ease of doing business (World Bank, 2019) and the country is ranked 137 out of 140 in terms of competitive nation in the world (World Economic Forum, 2018).
Available climate instruments: GEF (LDCF), GCF, CIF, AF. Related instruments: FNDS, SEFA, FASER, BRILHO, AECF, among others.

International partners: EU, USAID, GIZ, AfDB, AFD, Sida, UNCD, FAO, WB and other bilateral and multilateral agencies.

Some funded projects:
- Climate-resilient food security for women and men smallholders in Mozambique through integrated risk management (GCF).
- Ecosystem Based Adaptation Programme in the Western Indian Ocean (GCF).
- Strengthening Capacities of Agricultural Producers to Cope with Climate Change for Increased Food Security through the Farmers Field School Approach (LDCF).
- Payment for Ecosystem Services to Support Forest Conservation and Sustainable Livelihoods (GEF).
- Disposal of POPs Wastes and Obsolete Pesticides (GEF).
The main country challenges, raised by its NDCs, are insufficient financing available to climate proof in country, associated with the complexity of the criteria and procedures for accessing the international climate financial resources, low public investment and private participation in the adaptation actions, limited funding to maintain and upgrade data collection stations (meteorological, hydrological, hydrographical, air quality, among others); and slow payback of the investment in climate change adaptation actions.

Private sector specific challenges are:

- Affordable capital
- Limited technological capacity
- Uncomprehensive and non-specific regulatory framework
- Extremely low access to electricity
- Inadequate infrastructure
- The factor productivity is low
The country presents high opportunities for green investments given its strengths in appropriate legislation for specific sectors, high vulnerability to climate change and to green fundable project ideas, comprehensive and fully detailed Nationally Determined Contributions (and roadmap) and eligibility to all funding instruments. Also:

- Mozambique aims at increasing the investments in the monitoring, research of climate change impacts.
- The country aims to improve the capacity for integrated water resources management.
- The country is committed to universal access to reliable electricity by 2030. Great potential for hydro and solar power.
- Huge availability of grants, funds, and other instruments as well as great in-country international partners participation aiming at local capacity building.
- NDC Roadmap 2020-2025, which raises the country priorities.
To address physical infrastructure constraints that can foster productivity, competitiveness and access to markets.

To address legal and regulatory reforms for boosting diversification.

Acceleration of the country’s industrialization.

To diversify away from the current focus on capital-intensive projects and low-productivity subsistence agriculture towards a more diverse and competitive economy.

To achieve the country’s commitment to access to electricity for all by 2030.

To maintain the macroeconomic stability considering and re-establishing confidence through improved economic governance and increased transparency.

To build capacity about climate change mechanisms and how to develop bankable projects.

To enable access to capital, reduce business transactions costs and boost green investments.
Thank you for your attention!

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RÉSULTATS DE L’ÉTUDE SUR LA PARTICIPATION DU SECTEUR PRIVÉ DANS LA MISE EN ŒUVRE DE LA CDN

COUNTRY MANAGER: Leila MOKADEC, BAD
PRÉSENTATEUR : Komal HASSAMAL, Stantec
EXPERT DU MAROC : Mohamed ALAOUI, Stantec

Remerciements au gouvernement
CONTEXTE DU CHANGEMENT CLIMATIQUE

Sommets qui ont marqué l’histoire

Sommet de la Terre
FEM

COP 3 - Japan
Protocole de Kyoto

COP 15 - Danemark
Premier texte juridiquement contraignant

COP 16 - Mexique
Constitution du FVC

COP 21 - France
l’Accord de Paris, CDN

COP 22 - Maroc
Mise en actions des décisions entérinées à Paris

COP 25 - Madrid
Négociation marchés de carbone

COP 26 - Angleterre
Soumission de 2e CDN avec des objectifs plus ambitieux
Ressources financières mobilisées pour financer des actions dans l’atténuation et l’adaptation aux effets des changements climatiques pour des projets publics, privés ou PPP.

Source: Climate Finance Update, 2019
## Contributions Déterminées Nationales 2015

<table>
<thead>
<tr>
<th>Mesures</th>
<th>Secteurs prioritaires</th>
<th>Estimation financière</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atténuations</td>
<td>(i) Energie, (ii) Agriculture, Forêt et Autres Utilisations des Terres (AFAT), (iii) déchets. Objectifs de 42% de réduction d’émissions GES d’ici 2030</td>
<td>$ 50 milliards</td>
</tr>
<tr>
<td>Adaptations</td>
<td>(i) eau, (ii) agriculture, (iii) Pêche, (iv) foresterie (v) lutte contre la désertification, (vi) biodiversité, (vii) santé, (viii) tourisme, (ix) logement, (x) urbanisme et territoires.</td>
<td>$ 35 milliards</td>
</tr>
</tbody>
</table>
Pourquoi investir dans le vert?

- Opportunité pour l’entreprise dans différents secteurs (solaire, efficacité énergétique, déchets, transports, eau et infrastructures
- L’appui au développement du pays et sa mise en œuvre de la CDN: création d’emplois et combattre les changements climatiques

Le secteur privé est représenté par la Confédération Générale des Entreprises au Maroc (CGEM):
- Représentation aux COP,
- Dialogue avec le gouvernement,
- Formation en CC,
- Nouvelle économie climatique.

Secteur privé est composée de 93% MPME et 7% de entreprises plus large.

L’INVESTISSEMENT DU SECTEUR PRIVÉ DANS LE FINANCEMENT VERT
LES DÉFIS DU SECTEUR PRIVÉ

- Renforcer les incitations financières « vertes » plus ciblées et la capacité:
  - FIT + allègements fiscaux pour les toitures solaires aux secteurs résidentiel et professionnel
  - Règlementation thermique des bâtiments: renforcer les capacités des professionnels et des consommateurs + accès aux financements.

- Difficultés d’évaluations des projets d’adaptation:
  - difficile d’estimer la valeur économique des mesures d’adaptations.

- Fonds d’adaptation demeurent très limités et pas diversifiés (absence d’incitation)

- Connaissance technique relative au climat limitée et difficultés pour accéder à des financements climats.
Pendant la pandémie de COVID-19, le gouvernement a estimé que les **projets verts ont un grand potentiel pour** la relance de l’économie marocaine.

Transformer le Maroc en **vrai centre financier vert** pour l’Afrique, passerelle vers des marchés européens plus prospères vers l’Afrique subsaharienne.

En 2014, suite à la suppression des subventions sur l’essence, le mazout et le diesel, le Maroc a vu les prix d’énergie qui ont significativement augmenté. Cette hausse des prix est une opportunité à saisir pour développer davantage des **projets d’énergies renouvelables et d’efficacité énergétique**.
LES OPPORTUNITÉS DU SECTEUR PRIVÉ

- **Villes vertes**: Ben Guérir, centre de technologies vertes, création d’opportunités dans différents secteurs (industrie, transport, énergie, déchets). Casablanca **ville intelligente**: notamment en matière de transports et de gestion des déchets.

- Programmes couvrant l’**agriculture, les ressources en eau** ainsi que l’**irrigation durable** dans le but d’utiliser ses ressources de manière durable, et de développer des modèles spécifiques de partenariat public-privé (PPP).

- **Gestion durable des déchets**: La Stratégie Nationale de Réduction et de Valorisation des Déchets - un mémorandum signé entre l’État et le secteur privé encourage la création d’écosystèmes qui pourraient créer 25 000 emplois pour un investissement de $ 165 millions.
Promouvoir une **approche intégrée** : soutenir les politiques et les réglementations mais également de développer des outils permettant d’encourager les investissements verts privés et l’assistance technique.

- Incitation financière et **diversifier leurs produits financiers** : créer des garanties, tarifs de rachat ou assurant les flux monétaires dans le cadre les investissements verts. Pour ce faire, les institutions financières accroître leur capacité à prendre des risques (à travers leurs assurances, incitations, assistance technique, obligations vertes).

- **Un renforcement des capacités** et l’utilisation des données et outils liées au climat et également l’appui pour **accéder au financement climatique**.
Les partenaires de développement doivent « parler le même langage » que le secteur privé, c'est-à-dire qu'ils doivent se concentrer davantage sur le retour sur investissement, l'accroissement de la compétitivité, la réduction des coûts et de l'exposition aux risques, plutôt que sur les avantages environnementaux.

Le Maroc a de l'expérience pour développer des partenariats public-privé (PPP) dans divers secteurs, cela devrait être optimisé et étendu à des projets PME spécifiquement « verts ».

Communication peu déployée sur les « success stories ».

Un système de suivi et d’évaluation au niveau national dont le but serait de comptabiliser l’investissement vert du secteur privé.
Merci pour votre attention !

Pour plus d’informations, veuillez contacter:

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FINDINGS FOR THE STUDY ON PRIVATE SECTOR INVOLVEMENT IN NDC IMPLEMENTATION

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PRESENTER: Komal HASSAMAL
COUNTRY EXPERT: Dr. Paul ABOLO
PRIVATE SECTOR EXPERT: Andrew OGAGA

Thanks to the Government for supporting this assignment
Nigeria climate vulnerability is characterized

- Sea level rise /erosion in the South (Niger Delta)
- Desertification in the North - drying up Lake Chad
- High variability in rainfalls: floods

Sectors with high GHG emitter

- Forestry industry, land use due to deforestation
- Energy, waste, agriculture, other industries

Source: Climate Finance Accelerator, 2017
## CLIMATE CHANGE CONTEXT

*National Determined Contributions, 2017*

<table>
<thead>
<tr>
<th>Climate Change</th>
<th>Key sectors</th>
<th>Preliminary estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitigation</td>
<td>Enery, oil &amp; gas, agriculture and land use, industry and transport</td>
<td>$ 142 billion</td>
</tr>
<tr>
<td>Adaptation</td>
<td>Agriculture, education, energy, environment, health, forestry, transport, land use</td>
<td></td>
</tr>
</tbody>
</table>

Source: Climate Finance Accelerator, 2017
CLIMATE FINANCE LANDSCAPE

Focus is on mitigation

Type of support

Source: Climate Finance Accelerator, 2019
- High informal sector ratio (mostly MSMEs): 60% vs. 40% formal

**Organized Private Sector** represented by:

- Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA)
  - Advocacy & policy
  - Committed to the protection of the environment
  - Pursuit of sustainable production patterns such as participation in the Energy Efficiency Networks (EEN)
CHALLENGES

- Collapse in oil prices encourages increase consumption
- Unsustainable state subsidies for fossil fuels
- Inadequate infrastructure (power, transport)
- Lack of reliable aggregated data on climate change
- Limited understanding of climate change adaptation or mitigation projects
- Weak corporate governance deters green investment capital
- Limited climate finance instruments towards adaptation
- Lack of technical assistance for early stage green project development.
OPPORTUNITIES

- De-risking agri business: NIRSAL
- Improved climate information sharing - Green Tagging Project reporting and monitoring tool for Financial Institutions
- Environmental, Social, Governance Reporting this will elevate corporate governance and attract investment capital
- Sustainable infrastructure to build energy mix in the grid such as Renewable Energy Technology and Energy Efficiency (hydro, wind, solar)
- Digital technology: innovative green approaches can be leverage to reduce carbon footprint: online shopping, Artificial Intelligence, cashless, home delivery, …
- Adaptation investment in agriculture (for example Sebore farm)
- Green value chain: clean cooking, smart meters, replace diesel generators
- Green investment in waste management
RECOMMENDATIONS

- **Tax incentives**: “Pioneer” status to all Green/Climate related investments by the Nigeria Investment Promotion Council - Pioneer Status Incentives (“PSI”): (i) to reduce the cost of doing business, (ii) corporate income tax relief for 2 years to qualifying companies

- **Green Infrastructure**: related projects can benefit from **zero import tariffs and exemption from VAT** that aid the seamless acquisition and installation.

- **Update Policies and regulations** in waste and water management, in digital infrastructure to attract private investment and de-risking in mitigation and adaptation projects
**RECOMMENDATIONS**

- Green **Project Development technical assistance** to
  
  i. tools for conducting green investment business case development that capture ESG metric;

  ii. understand the value-add benefits of mainstreaming climate change action in their business;

  iii. build capacity in accessing climate finance instruments that can support in de-risking;

  iv. early stage financing to develop bankable climate related projects, more specific to understand the value of adaptation.
Thank you for your attention!

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FINDINGS FOR THE STUDY ON PRIVATE SECTOR INVOLVEMENT IN NDC IMPLEMENTATION

PRESENTER: Prof. Kalame Fobissie
DIRECTOR GENERAL: Ms. Josephine Ngure
COUNTRY EXPERT: Dr. Brian Mantlana

Thanks to the Government for supporting this assignment
SOUTH AFRICA

Rees Mwasambili
Chief Regional Program Officer, RDGS
African Development Bank

Fobissie Kalame
Senior Climate Finance Expert
Climate change vulnerability and adaptation

- Changing rainfall patterns, increase temperature, heatwave, drought, floods, storms & fires.
- Vulnerable sectors: Agriculture, Forestry, Water, Ecosystem, Coastal Zone, Health, Settlements.

GHG emissions

- Africa’s largest emitter of GHG
- Net GHG emissions of 518.3 GgCO2e
- Sources: Energy (83%), AFOLU, Industry, Waste

Source: DEA 2017
PRIVATE SECTOR LANDSCAPE

- 56% of jobs are concentrated in the top 1,000 large companies
- Share of people working in MSMEs has been declining since 2000
- SA Climate Change Priority Flagship Programmes is an entry point for mobilising and scaling private sector finance in support of South Africa’s NDC
- 15 priority NDC investment areas for the private sector have been identified in 5 initial sectors (Energy-4, Water–5, Waste-2, Agriculture–3, Settlement-5)
- Increasing loan to the private sector during COVID 19 (see graph)
### CLIMATE FINANCE INFLOW

- 4 GCF projects: at least 2/3 of mitigation projects financed through loans
- Clean Technology Fund: Financial and private sector strong involvement

<table>
<thead>
<tr>
<th>SOURCES</th>
<th>GRANT US $</th>
<th>LOANS US $</th>
<th>CO-FINANCING (in-Cash and in-kind) (* estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEF</td>
<td>77,290,565</td>
<td>15,000,000</td>
<td>466,569,011</td>
</tr>
<tr>
<td>GCF</td>
<td>36,790,000(*)</td>
<td>296,000,000 (*)</td>
<td>592,040,000 (*)</td>
</tr>
<tr>
<td>AF</td>
<td>9,937,737</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CTF</td>
<td></td>
<td>442,500,000</td>
<td>2,706,800,000</td>
</tr>
<tr>
<td>Bilateral Funding</td>
<td>300,000,000</td>
<td>91,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>424,018,302</strong></td>
<td><strong>844,500,000</strong></td>
<td><strong>3,765,409,011</strong></td>
</tr>
</tbody>
</table>

Source: DEA 2018
- Difficulty to establish the business case for adaptation investments.
- Limited local data and tools to support investment decision making.
- Inadequate legislative frameworks to enhance private sector climate actions.
- Misalignment between green economy vision, industrial policy and financial system.
- Sub-optimal coordination between commercial banks and development finance institutions.
- Inadequate skills/capacity in green project development, sourcing and evaluation by banks.
- Limited focus on non-energy related low carbon projects.
OPPORTUNITIES

- Adopting a more strategic approach to access climate finance would help private sectors to leverage further funds from donors and banks.

- Tracking progress and increasing ambition on climate change could strengthen private sector’s role and involvement in NDC.

- Alternative municipal revenue models could bring private sector onboard e.g. the case of embedded electricity generation.

- Review of regulatory frameworks and grants in light of South Africa’s low carbon and climate resilient development future.
RECOMMENDATIONS

- Identify and incubate standalone high-impact, transformative projects.
- Partnership between Accredited Entities, commercial banks and private sector.
- Build capacity in green project development, implementation and financing.
- Incentivize commercial banks to innovate and scale funding for green projects.
- Undertaking climate risk assessments to understand company-specific climate impacts and opportunities.
- Establish SA climate change Lab to finance NDC actions and green investments.
- Align NDC implementation with COVID-19 recovery and response measures.
Thank you for your attention!

If you request for more information, please contact:

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THANK YOU FOR YOUR ATTENTION