African Economic Outlook 2022
Supporting Climate Resilience and a Just Energy Transition in Africa
PRESENTATION OUTLINE

01  Chapter 1
    Africa’s Economic Performance and Outlook

02  Chapter 2
    Climate Resilience and Just Energy Transition in Africa

03  Chapter 3
    Financing Climate Resilience and Just Energy Transition in Africa:
    Strategies and Instruments

04  Policy Recommendations and Conclusion
Chapter 1
Africa’s Economic Performance and Outlook
Following a contraction of 1.6% in 2020, Africa’s GDP grew by 6.9% in 2021.

- Africa’s average growth projected to decelerate to 4.1% in 2022 and 2023.

- Deceleration due to change in base effects and uncertainties from persistence COVID-19 pandemic, climate change effects, and geopolitical tensions, including the Russia–Ukraine conflict.
Growth Performance Outlook by Regions & Country Groupings

Real GDP growth (%), 2019 - 2023
Macro-economic fundamentals, debt vulnerabilities, and inflationary pressures

**Gross government debt (% of GDP), 2010-2023**

- Oil exporters
- Non-resource-intensive
- Other resource-intensive

**Consumer price inflation (Percent), 2020 vs 2021**

- Oil exporters
- Other resource-intensive
- Non-resource-intensive
Financing economic recovery and poverty reduction targets

Additional resources to finance fiscal deficits in Africa, 2020-22

Catch up with pre-COVID-19 and pre-Russia-Ukraine conflict poverty rates

Source: AfDB Staff calculations based on World Bank PocalNet datasets, growth projections from AfDB and population projections from UN Populations Division
Chapter 2
Climate Resilience and a Just Energy Transition in Africa
Climate Vulnerability; Readiness & Resilience 1/2

Climate vulnerability by regions, average 2010-19

Climate Readiness by regions, average 2010-19

Climate Vulnerability Index score

Climate Readiness Index score
Climate Vulnerability; Readiness & Resilience 2/2

Climate resilience by regions of the world over 2010-19

Climate vulnerability and readiness characteristics by countries 2010-19
Socioeconomic Impacts of Climate Change

Average Annual climate induced losses

1986 – 2015

• 5% – 15% of GDP per capita growth loss.
• Increased social consequences
Climate Justice, Just Transitions and the SDGs

- Universal access to energy

- Low per capita electricity consumption (550 kWh)

Per capita electricity consumption and GDP per capita, 2019
Just Transitions: Energy and Climate Resilient Development

Energy mix in selected regions and countries

- Transition time
- Role of natural gas
- Share of renewable energy
- Africa’s energy mix and carbon intensity
Just Transitions: Common but Differentiated Responsibility

Cumulative carbon emissions by region, 1850 - 2020

- 85% of global carbon budget used
- Average carbon footprint per capita in Africa (0.95 tCO2eq); Net-zero transitions target (2.0 tCO2eq).

Cumulative emission debt and credits ($, Billions)


Discounted average social cost of carbon of $70 per tCO2 (in billions)
### Just Transitions: Harnessing Opportunities

#### Example sectors and associated value chains with substantial green growth potential in Africa

<table>
<thead>
<tr>
<th>Raw materials</th>
<th>Components</th>
<th>Products</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minerals for batteries (lithium, nickel, cobalt, manganese, and graphite)</td>
<td>Electric batteries</td>
<td>Renewable electricity (solar, wind, hydro,</td>
<td>Energy-related services (energy access,</td>
</tr>
<tr>
<td>Minerals for magnets and other electric equipment (rare earths)</td>
<td>Other electrical components (pumps,</td>
<td>geothermal, biomass)</td>
<td>energy efficiency, energy-enabled</td>
</tr>
<tr>
<td>Materials for conductivity and grid infrastructure (copper, aluminum)</td>
<td>magnets, capacitors, etc.)</td>
<td></td>
<td>rural development, etc.)</td>
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<tr>
<td>Natural gas as transition fuel (if benefits outweigh economic risks)</td>
<td>Solar cells</td>
<td></td>
<td>Waste management and recycling services</td>
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<tr>
<td></td>
<td>Mirrors for concentrated solar power</td>
<td></td>
<td>Installation and construction services for</td>
</tr>
<tr>
<td></td>
<td>Bio-gasifier units</td>
<td></td>
<td>green and climate-resilient infrastructure</td>
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<tr>
<td></td>
<td>Transmission and distribution grid</td>
<td></td>
<td>Carbon removal (direct air capture, ecosystem services, etc.)</td>
</tr>
<tr>
<td></td>
<td>components</td>
<td></td>
<td>Green development finance services</td>
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Chapter 3
Financing Climate Resilience and Just Energy Transition in Africa: Strategies and Instruments
Climate Finance Mirrors Global Financial Architecture

1. Structure: complicated and loosely defined

2. Flow: misaligned with climate vulnerability and risk
3. Scale: Misaligned with NDCs and SDG Financing Requirements

African NDCs’ climate financing needs 2020-2030

- **01**: Between $1.3 and $1.6 trillion; an average of 1.4 trillion required over 2020-2030.
- **02**: On average about $18.3 billion received annually between 2016-2019.
- **03**: Climate financing gap: between $99.9 billion to $127.2 billion, an average of $108 billion per year, for the period 2022-30.
- **04**: On average between $118.2 billion - $145.5 billion required each year, from 2020 – 2030.

- **05**: At current trends, Africa’s conditional NDCs will not be delivered.

- **Lower bound**
- **Upper bound**

<table>
<thead>
<tr>
<th>Category</th>
<th>Lower Bound</th>
<th>Upper Bound</th>
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</thead>
<tbody>
<tr>
<td>Adaptation</td>
<td>259</td>
<td>407</td>
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<tr>
<td>Mitigation (avg)</td>
<td>407</td>
<td>715</td>
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<tr>
<td>Losses and damages</td>
<td>289</td>
<td>441</td>
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<tr>
<td>Climate finance needs</td>
<td>1265</td>
<td>1564</td>
</tr>
</tbody>
</table>
Policy Recommendations

1. Policy coordination
2. Build and strengthen regional value chains
3. Scale investments in renewable energy and green technologies
4. Invest in institutional capacity development for green transitions
Policy Recommendations

5. Honor the US$100 billion climate finance commitment

6. Expand and deepen innovative financing instruments

7. Increase concessional financing to support climate adaptation and a just energy transition
CONCLUSION

A global commons problem

Energy system: technological adequacy; cost optimal and viable

Decentralized renewable energy is key

Significant financing required: up to $1.6 trillion for NDCs by 2030; and $432 billion for Covid recovery
Thank You