



MAPPING AADFI MEMBER STATE OF READINESS TO ACCESS CLIMATE FINANCE



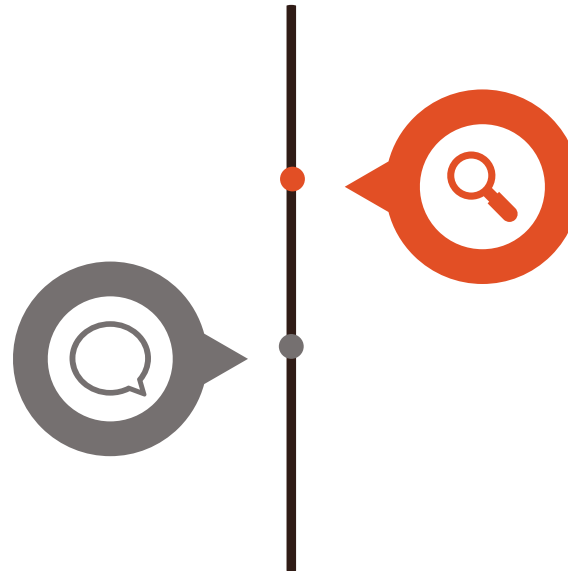
November 2024

Rationale of the study

Development Finance Institutions (DFIs) play a crucial role in **addressing climate change**. Following a workshop themed “A Practical Road Map for African DFIs in Accessing Green Fund”, the **AADFI Working Group on Climate Change conducted a survey** to assess member DFIs readiness for climate finance. This survey aimed to understand DFIs' engagement with climate finance entities, **identify challenges, and inform capacity-building efforts to better support** African DFIs in contributing to the Paris Agreement.

Analysis

- A study was conducted among African AADFI member DFIs.
- **40 DFIs, representing 50%** of the study population, responded to the survey.
- A well-structured questionnaire for data collection was **administered over a 2-month period to 80 institutions**, and 50% responded
- The data collected were analysed using descriptive statistics, which involve the use of average, frequency, chart, and percentages to describe the variables of interest in the survey
- Most of the institutions have attempted to access green finance, with 7.5%, 2.5%, and 2.5% already accredited with the Global Climate Fund (GCF), Global Environmental Facility (GEF), and Adaptation Fund(AF), respectively.



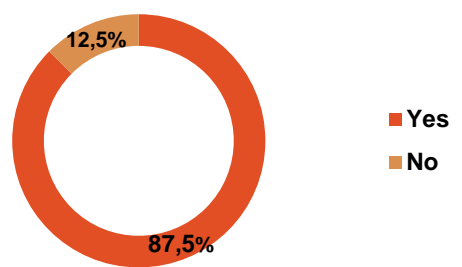
Aim of the Study

- Examined how prepared member institutions are to be effectively involved in promoting and financing green and climate-resilient projects.
- Identify the scope of African DFIs' commitment to just energy transition and net zero emission.
- Determine the support system, including Capacity Building and Technical Assistance required by African DFIs to mainstream climate change taxonomies in their businesses.
- Identify the challenges faced by African DFIs in implementing climate finance, and
- Profile the necessary assistance AADFI member institutions need to support their involvement in advancing the Paris Agreement.

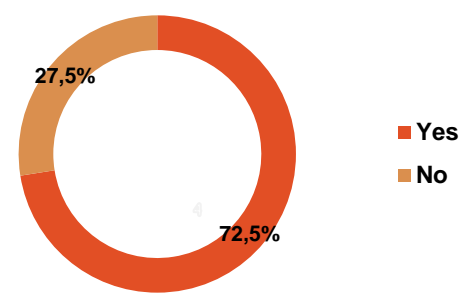
FINDINGS

PREPAREDNESS OF MEMBER INSTITUTIONS TO BE EFFECTIVELY INVOLVED IN PROMOTING AND FINANCING GREEN AND CLIMATE-RESILIENT PROJECTS

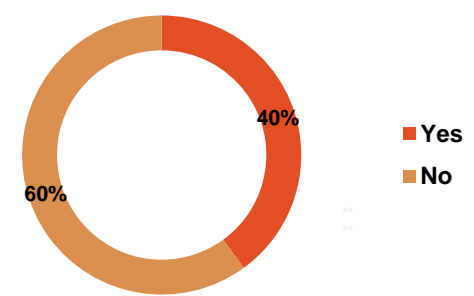
1. Incorporation of climate finance agenda into the institutions' annual planning and strategy



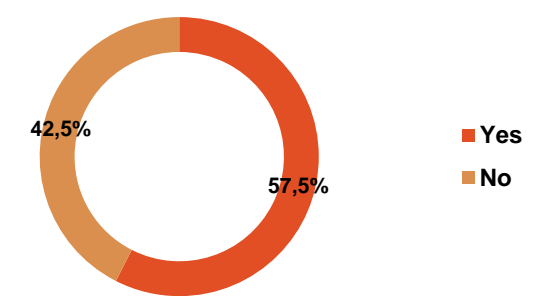
2. African DFI's engagement in Climate Change Projects



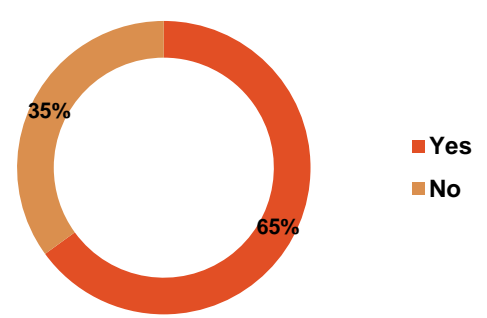
3. DFIs interest in engaging in climate change projects



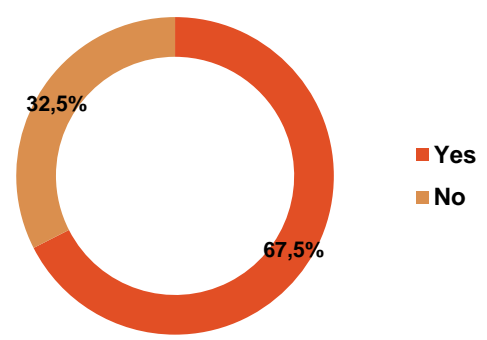
4. National DFIs' collaboration with their National Designated Authority (NDA)



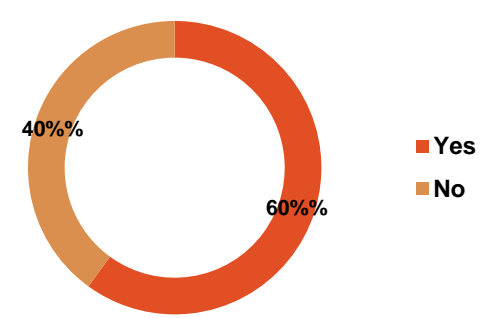
5. Alignment of DFIs climate change projects with countrys' Nationally Determined Contributions (NDCs)



6. African DFI's engagement in Climate Change Projects



7. Presence of a dedicated desk or division for monitoring and evaluating climate finance projects



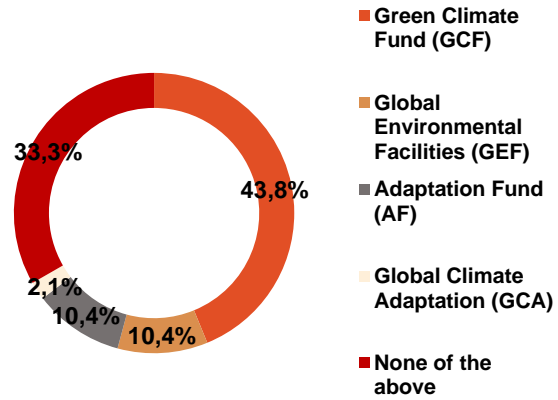
NOTES –on the circles

- 87.5% of the DFIs incorporate climate finance agenda into their annual planning and strategy, while 12.5% of institutions do not.
- 72.5% of the DFIs engage in climate change projects, while 27.5% of the institutions do not
- 60% of the institutions are not interested in climate change projects. In comparison, 40% of the (27.5%) institutions are interested in climate change projects.
- 57.5% of the DFIs that are engaged in climate change projects (72.5% in Figure 3.2) worked closely with their countries' National Designated Authority (NDA) to determine their countries' needs and priorities in addressing climate change, while 42.5% of the institutions do not work closely with their countries' National Designated Authority (NDA).
- 65% of (72.5% of DFIs that have climate change projects) aligned the projects with their country's Nationally Determined Contributions (NDCs), while 35% of institutions' climate change projects do not agree with their country's Nationally Determined Contributions (NDCs).
- 67.5% of the DFIs have attempted to access climate finance, while 32.5% have not.
- 60% of the institutions in the study have a dedicated desk or division for monitoring and evaluating climate finance projects, while 40% of the institutions do not.

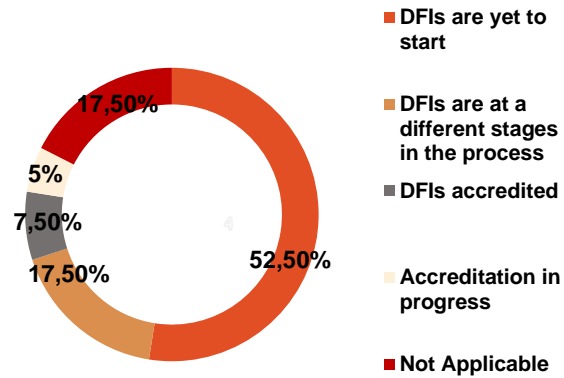
FINDINGS

STATUS OF ENGAGEMENT WITH GREEN FUNDING ENTITIES

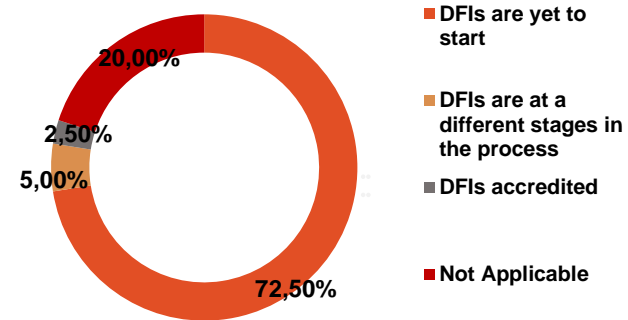
Engagement with Green Funding entities



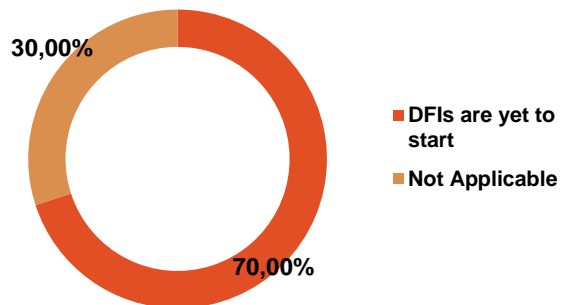
Green Climate Fund



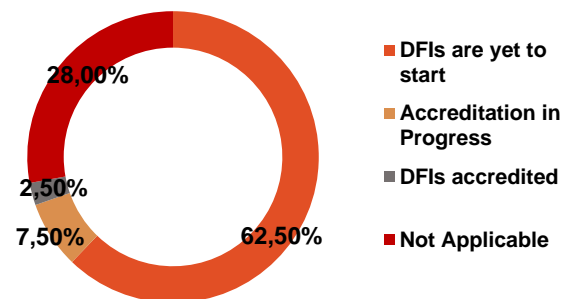
Global Environment Facility



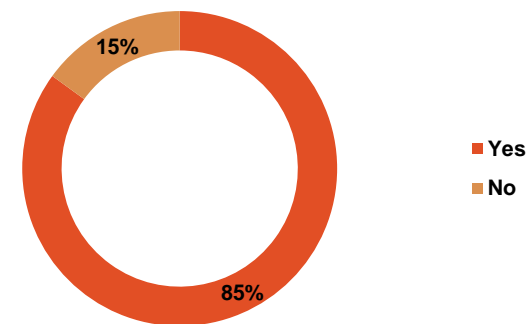
Global Climate Adaptation



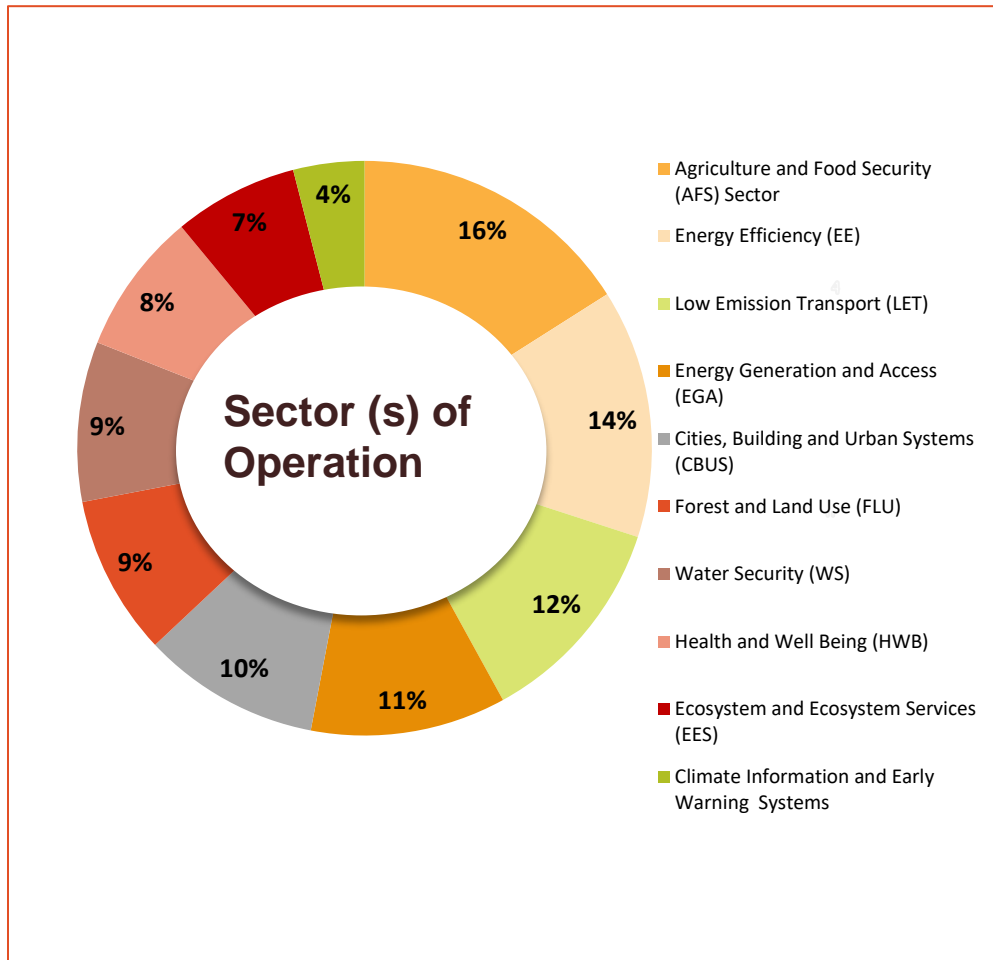
Adaptation Fund



Ability/capacity of institution to deliver climate finance products



INFORMATION ON THE SCOPE OF INTENDED CLIMATE PROJECTS/PROGRAMS



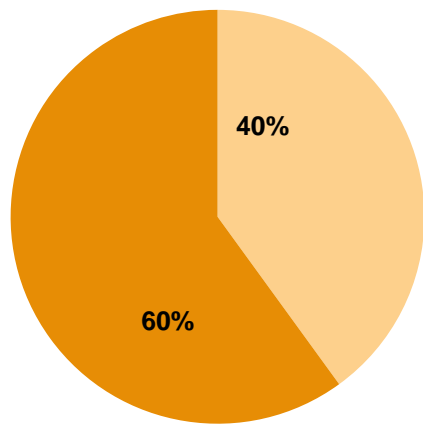
Scope of projects/program sectors DFIs intend to carry out:

- 16% of institutions intend to implement projects in the Agriculture & Food Security (AFS) sector,
- 14% in Energy Efficiency (EE),
- 12% in Low Emission Transport (LET),
- 11% intend to carry out projects in Energy Generation & Access (EGA),
- 10% intend to carry out projects in Cities, Buildings, and Urban Systems (CBUS),
- 9% intend to carry out projects in Forest & Land Use (FLU),
- 9% intend to carry out projects in Water Security (WS),
- 8% intend to carry out projects in Health & Well Being (HWB),
- 7% intend to carry out projects in Ecosystems and Ecosystem Services (EES),
- 4% intend to carry out projects in Climate Information & Early Warning Systems (CIEWS).

FINDINGS

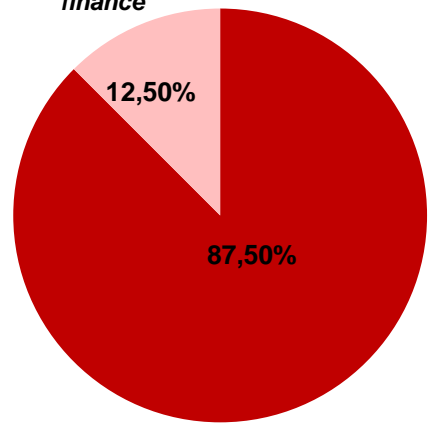
CAPACITY BUILDING AND TECHNICAL ASSISTANCE

Presence of staff with expertise in climate finance within DFIs



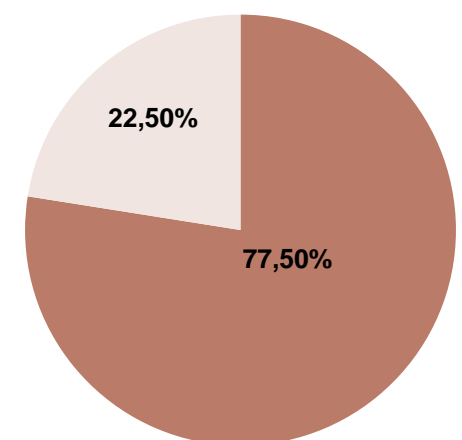
■ Yes ■ No

Interest of institutions in training or capacity-building programs in climate finance



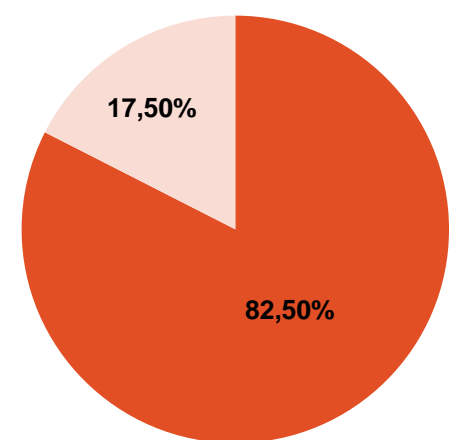
■ Yes ■ No

Participation of institution in climate finance workshops, seminars, or training programs in the past year



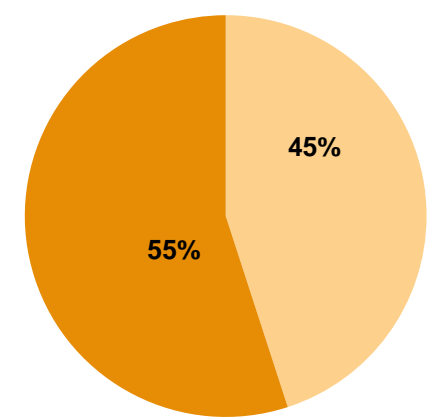
■ Yes ■ No

Collaboration of DFIs with other DFIs or international organizations on climate finance initiatives



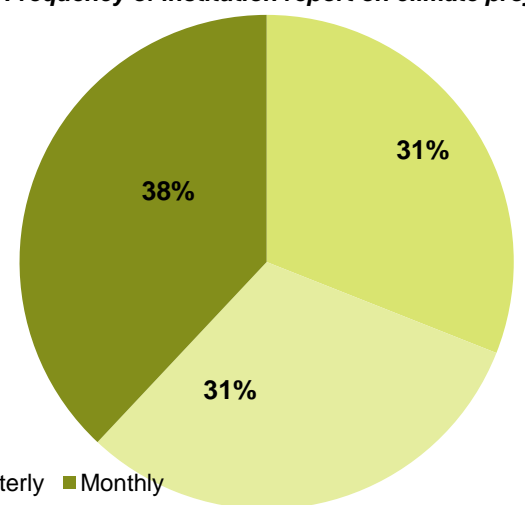
■ Yes ■ No

Monitoring and Reporting



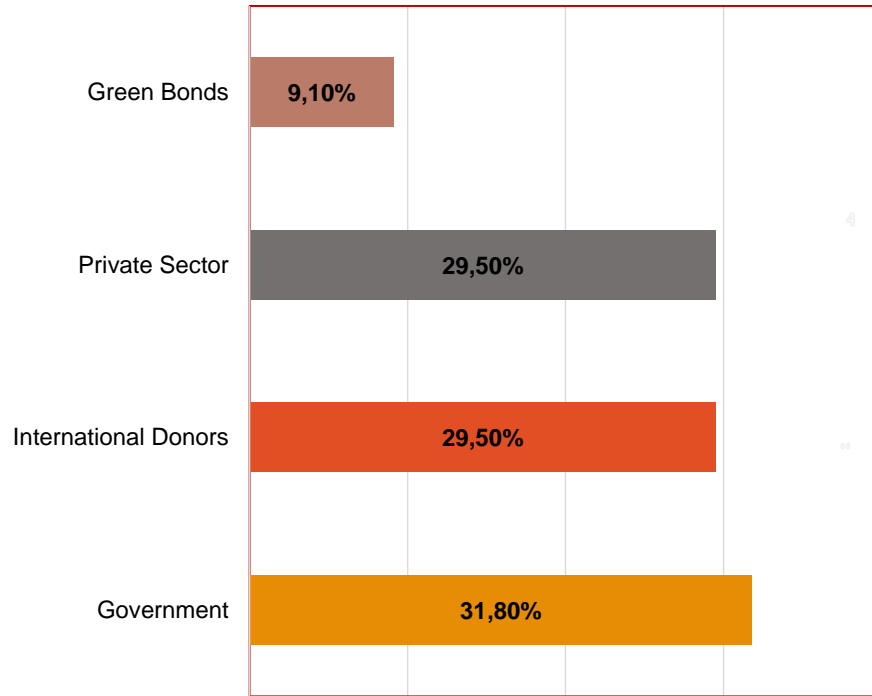
■ Yes ■ No

Frequency of institution report on climate projects

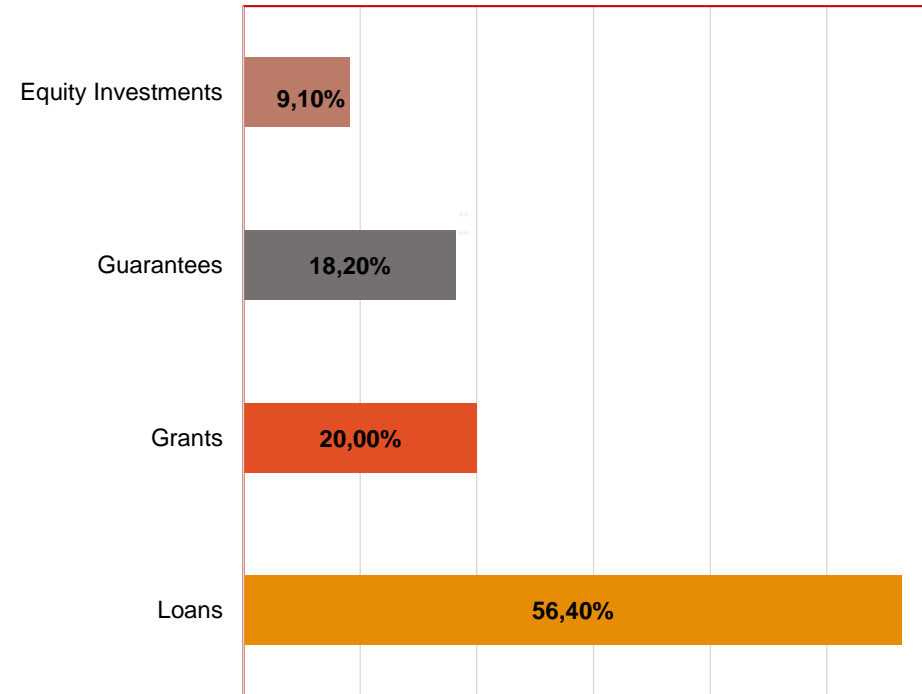


■ Annually ■ Quarterly ■ Monthly

Main Sources of funding for institution's Climate Finance Projects

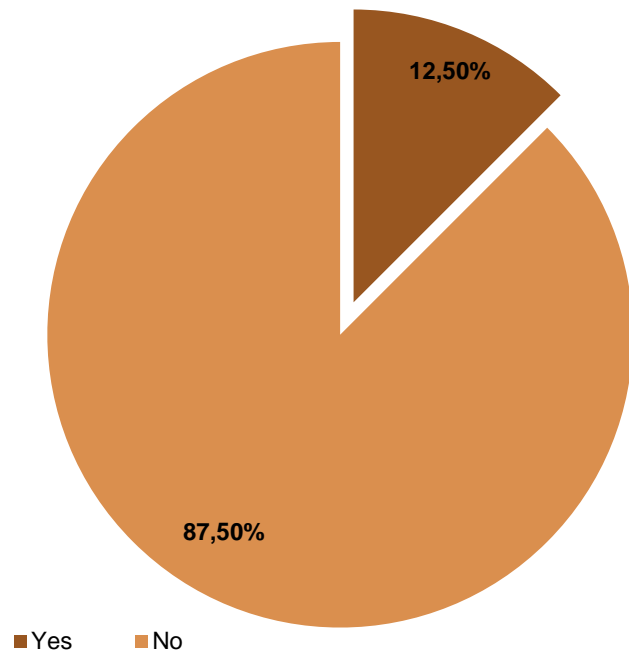


Specific financial instruments or mechanisms institution uses to support climate finance projects

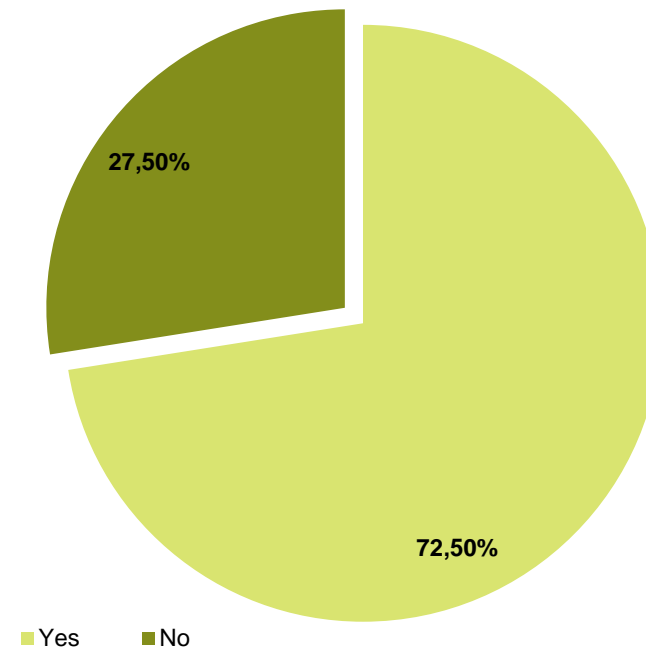


Others include concessional lines of credit, guarantees from multilateral partners, DFIs, AFD, multilateral finance institutions, UNIDO, Shareholders' Capital, public agencies, central bank deposits, money market deposits from customers, and Green Bonds

Regulatory or policy barriers that hinder institutions' ability to access or deploy climate finance



Engagement of Institution in policy advocacy to improve the climate finance landscape



SPECIFIC ASSISTANCE DFIS WOULD LIKE AADFI TO PROVIDE TO SUPPORT THEIR CLIMATE FINANCE JOURNEY



- Capacity Building for Climate Finance Staff
- Identifying funding sources –in line with international best practices
- Study visits
- Capacity building on proposal development
- Technical Assistance to connect the National Investment Bank to international climate funding sources, grants and management of climate finance
- Advocacy to engage climate finance accreditation bodies on fast-track the process
- Technical Assistance to get accreditation
- Acquisition of readiness support for the accreditation process
- Access to long tenor loans, affordable credit/interest margin, adequate capital and interest grace financing.
- Implementation of ESG performance at the financing process level



- Technical Assistance, seminars, exchange programs
- Climate finance awareness of the board, Executive management and the key staff as well as financial partners
- Green finance training on selection criteria, monitoring and evaluation mechanisms for green projects
- Access to climate finance networks
- Development of climate finance tools and formulation of policy documents to guide lending etc
- Develop Africa level green taxonomy and knowledge exchange
- Strengthening access to donations for pilot adaptation project and project preparation funding.



- Enhancing training for members of DFIs as well as stakeholders on project structuring and resource mobilisation
- Network and accreditation on climate funds and project development
- Knowledge sharing and advocacy on climate policies and assistance for climate change specific reporting
- Assisting the Bank develop strong policy advocacy to improve the climate finance landscape

CHALLENGES FACED BY DFIS IN IMPLEMENTING CLIMATE FINANCE PROJECT



- Access to grant funding to blending with institutions loans for lending to financial institutions and affordable funding
- Accreditation process that is considered long, complicated, complex and human capital intensive
- Lack of green taxonomy in the country and related risks
- Insufficient funds dedicated to climate finance initiative
- Lack of knowledge, technical expertise and capacity to develop proposals
- High cost of implementing climate mitigation and adaptation projects
- Limited availability of bankable climate finance projects
- Currency volatility
- Quality of data availability, data integration and analytical capabilities



- Climate finance tools to screen climate projects
- Capacity building, lack of knowledge on how to access funds, lack of experience
- Meeting funding criteria can pose a challenge-such as GHG emission requirements or achieving gender equity
- Lack of established processes and systems
- Difficulty in developing commercially viable climate-related projects without gap funding from grants
- No dedicated unit specifically to deal with these issues and no specific target or budget allocated for climate change
- Lack of local currency funding and Donors reporting requirements
- Lack of interests from traditional financial partners in projects
- Difficulty in addressing the SME market



- Technical assistance to support the participating financial institutions
- Limited knowledge of green finance structuring
- Limited staff with expertise and lack of a dedicated team of units for climate change projects
- Limited publicity on the need to achieve climate gaps
- Limited funding and source of funding to create climate finance products and programs
- Lack of monitoring tools and complexity in reporting and impact measurements



CAPACITY BUILDING

DFIs should take **deliberate steps to build the competencies of their staff** in Climate Finance programs. The following thematic areas are recommended: climate project design, identification, preparation, and implementation. Other are identifying funding sources and support systems for climate finance, and peer learning and study visits to institutions with success story as it relates to climate finance. Moreover, a guide through the accreditation process of the climate funding and support entities was recommended.



ACCREDITATION PROCESS

Green fund entities should take practical steps to **make the accreditation process more friendly**, speedy, and self-explanatory to intending applicants. The various entities are requested to support the efforts of the Association in building the capacity of member institutions and DFIs in the continent



ESG TAXONOMY

The need for an **ESG taxonomy that will reflect African DFI funding and peculiarities** is recommended.



THANK YOU