The Southern Africa
Climate Finance Partnership

# Catalyzing Climate Finance for the Southern African Development Community

## Executive Summary Annual Report

**31 May 2021**

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SSN TOWARDS CLIMATE RESILIENCE

## 1. Introduction

The Southern Africa Climate Finance Partnership (SACFP) is a multi-country, knowledge sharing and capacity enhancement platform facilitated by SouthSouthNorth (SSN) since 2016. The SACFP seeks to advance national and regional collaboration through programmatic knowledge and innovation brokering. The core focus of the SACFP is to improve access to and implementation of catalytic sources of climate finance, from the likes of the Green Climate Fund (GCF), to attract and enhance investments that address national climate change priorities. Phase III of the SACFP programme is resourced through funding from the International Development Research Centre (IDRC).

The activities and interventions of the SACFP III programme are grouped according to three Activity Areas, namely:

**Activity Area One: Applied Research** - Identify knowledge gaps pertaining to barriers and enablers for accessing and implementing international climate finance and avenues for overcoming constraints through knowledge brokering; and sharing of emerging lessons through a suite of academic research papers and practitioner-targeted knowledge products.

**Activity Area Two: Capacity Enhancement** - Build the capacity of practitioners to develop and implement financially feasible and socially responsive climate-related projects through the piloting of a formal practitioner-training programme with a partner academic institution, facilitating peer-to-peer learning exchanges and the expansion of youth internship programmes in key institutions.

**Activity Area Three: Targeted Technical Assistance** - Facilitate learning engagements between institutions and technical experts to understand the emerging policy and process constraints and collaboratively develop solutions through the adoption of innovative tools, resources and strategic approaches, informing on-going research.

The foundation of this programme is through the SACFPIII theory of change (Figure 1 below). The Theory of Change presents both the theoretical and methodological approach of the programme. Furthermore, a set of principles from the "lens" through which the programme team executes on delivery tasks.[1]

The programme is unique in that it leverages the Community of Practice (CoP) established in the first two phases of the programme, and the trusted relationships between key stakeholders and the SACFP delivery team, to bring research to the interface where practitioners are dealing with challenges of accessing and implementing international climate finance. It seeks to deliver applied research by linking researchers to knowledge brokering interventions that assures that the research topics and outcomes are demand-driven and highly, practically relevant.

This summary report covers the first year of delivery of SACFP III from April 2020 to April 2021. The report is divided into two sections. The first section covers the technical findings of the programme over this period. The second section covers the progress made against the programme's results framework in each of the Activity Area.

[1] The principles include being Independent, Responsive, Enabling, Connecting and Southern-led.

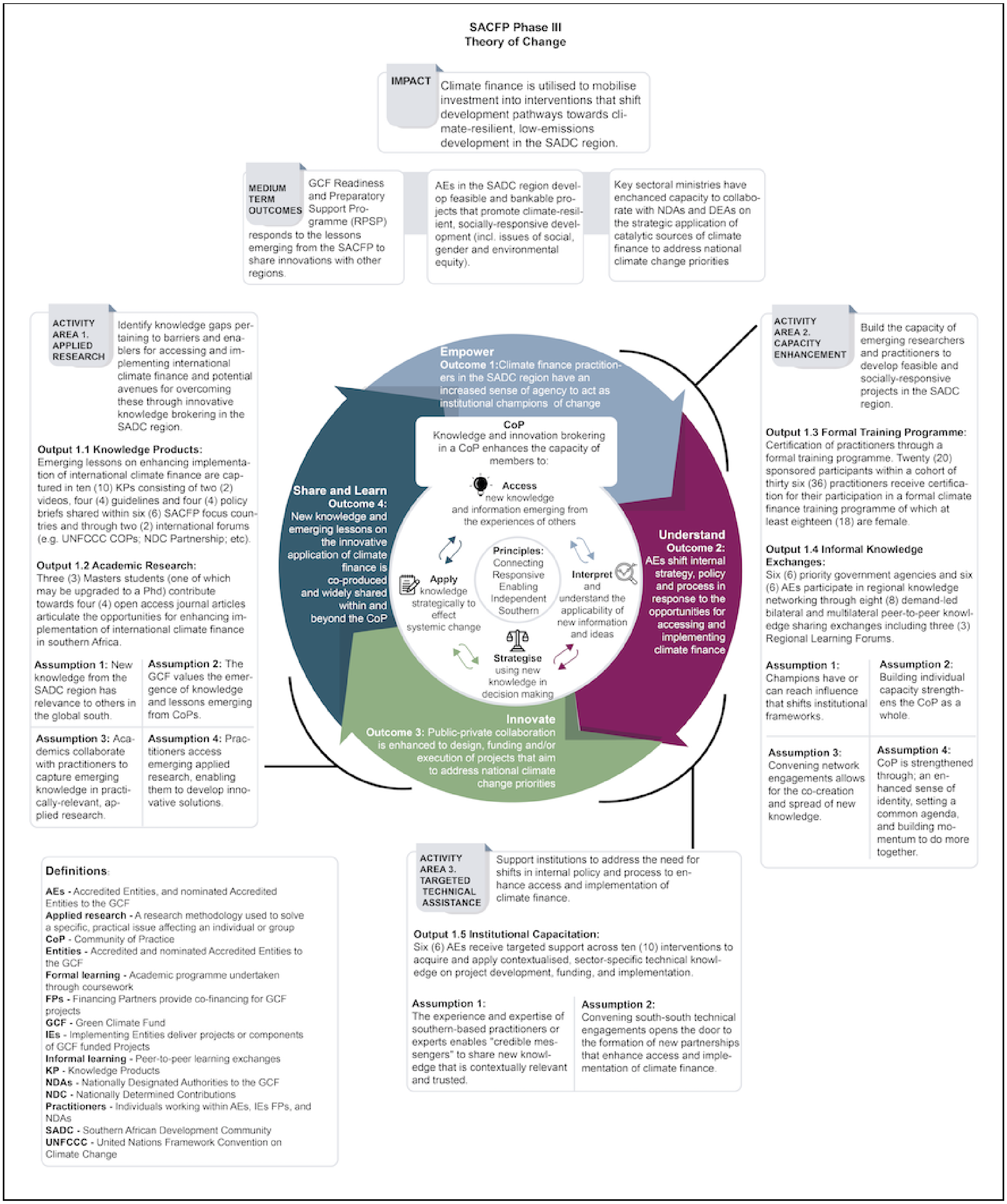



*Figure 1: SACFP III Theory of Change*

## Technical Report Summary

## 2. Determining research and capacity enhancement needs

**A comprehensive stakeholder mapping exercise provided the departure point for the implementation of the programme**. Through this process, the core group of focus institutions was identified. This group was divided into two. **Core Group 1 (CG1)** consists of six southern African financial institutions seeking accreditation to the GCF, most of which have an existing relationship with the SACFP, this includes:

- CRDB Bank Tanzania (CRDB) - Recently accredited
- Development Bank of Namibia (DBN)
- FBC Bank Zimbabwe (FBC)
- Infrastructure Development Bank of Zimbabwe (IDBZ)
- National Development Bank of Botswana (NDB)
- Zanaco Bank Zambia (Zanaco)

**Core Group 2 (CG2)** was broadly identified as being sectoral ministries responsible for addressing national climate change priorities. These institutions have yet to engage with SACFP and will therefore require targeted relationship building throughout the initial stages of the programme.

**Following the stakeholder mapping, a detailed Capacity Needs Assessment (CNA) process was undertaken** as a primary research methodology applied during this inception period (April 2020 - April 2021). The CNA therefore provided an opportunity to assess both capacity and research needs and explore the interlinkages between them. The data pertaining to capacity needs were examined using trend analysis, and the findings validated through subsequent rounds of engagement (see Table 1 below).

| Research findings pertaining to the needs of institutions seeking climate finance access and implementation in Southern Africa | |
|---|---|
| Institutional / organisational needs | |
| National Cooperation | ● In-country Direct Access Accredited Entities seek to maintain productive relationships with the Nationally Designated Authorities (NDAs) and other focal points to achieve coherence between their investment planning and national climate change priorities.<br>● Specifically, moving to implementation requires strategic cooperation between Direct Access Accredited Entities and sectoral ministries to identify projects that address national climate change priorities, and explore opportunities for public-private partnerships. |
| Strategic Integration | ● Direct Access Accredited Entities need to understand the innovative opportunities unlocked by catalytic sources of international climate finance and how to align these opportunities with their mandate or overarching strategy. There is currently a poor understanding of the “business case” for investing in the accreditation and institutional capacity-building required to attain access.<br>● Once an understanding is achieved, this needs to be built out into a coherent vision for the institutional response to climate change risks and opportunities, and ultimately an associated investment plan or strategy for the institution. |

| | |
|---|---|
| Organisational Coherency | ● Institutions remain largely unfamiliar with the requirements of climate finance providers and need to undertake a gap/alignment analysis of policies and procedures vs the requirements of funders and the national policy landscape.<br>● Thereafter they can start the process of policy and procedural alignment informed by the gap analysis.<br>● Particularly, there is a need for enhanced strategic understanding of risk and treasury management in the context of climate finance. |
| Resourcing | ● There is an understanding that progress will be hard to achieve without dedicated resources and staff, with clear mandates and Key performance Indicator (KPI) integration.<br>● Dedicated resources require training and building capacity on technical aspects that represent a departure from ‘business as usual’; where entities have traditionally been “project takers” and now need to be “project initiators”. |
| Partnerships | ● Partnerships offer several key opportunities to expedite climate finance access and implementation, however, most institutions remain unaware thereof.<br>● Partnerships enable the building of track records of implementation regarding policy adjustments and demonstrable business cases for investments. |
| Individual / practitioner needs | |
| GCF Responsiveness | ● Individuals driving entity accreditation need to establish strong working relationships with key regional contacts from the GCF, who are able to be responsive to individuals needs.<br>● Particularly they require assistance in reviewing and advising prior to submission of documentation to save time and reduce transaction costs. |
| Strategic Planning | ● Individuals acting as institutional champions need a clear roadmap or strategic plan to address the gaps in funder requirements vs institutional frameworks. |
| Agency | ● Individuals require a clear mandate to act as institutional champions where currently most are tasked with climate finance as additional work not included in their job description; KPIs integration is required for individuals and business units.<br>● Mobilising additional resources across the institution is needed to support access and implementation. |
| Internal Cooperation | ● Individuals require that their institutions have a strategy driving alignment and buy-in across the organisation to attain the cooperation they require.<br>● These often need to be articulated in clear procedures driving responsiveness across the institution. |
| Technical Knowledge | ● The departure from ‘business as usual’ requires that individuals build their technical expertise; the expertise required needs to be established through knowledge and capacity needs assessments and gap analysis.<br>● Possible technical training needed, includes: Gender and Environmental and Social Safeguards; project identification; risk assessment; finance structuring; articulating climate rationale; and establishing and implementing monitoring and evaluation systems. |

*Table 1: Key findings of priority needs of SACFP III Core Group 1 focus entities seeking to access climate finance*

## 3. Defining the Research Agenda

**The overarching aim of the research agenda is to support southern African institutes to implement climate finance to effectively achieve the climate adaptation and mitigation objectives of the region**. The applied research component of the programme links the knowledge and capacity gaps identified by practitioners to research themes that seek to fill these gaps; through further primary research taking place alongside iterative instances of knowledge brokering across the three activity areas of the programme. This approach seeks to ensure that the research agenda remains demand-driven and practically relevant.

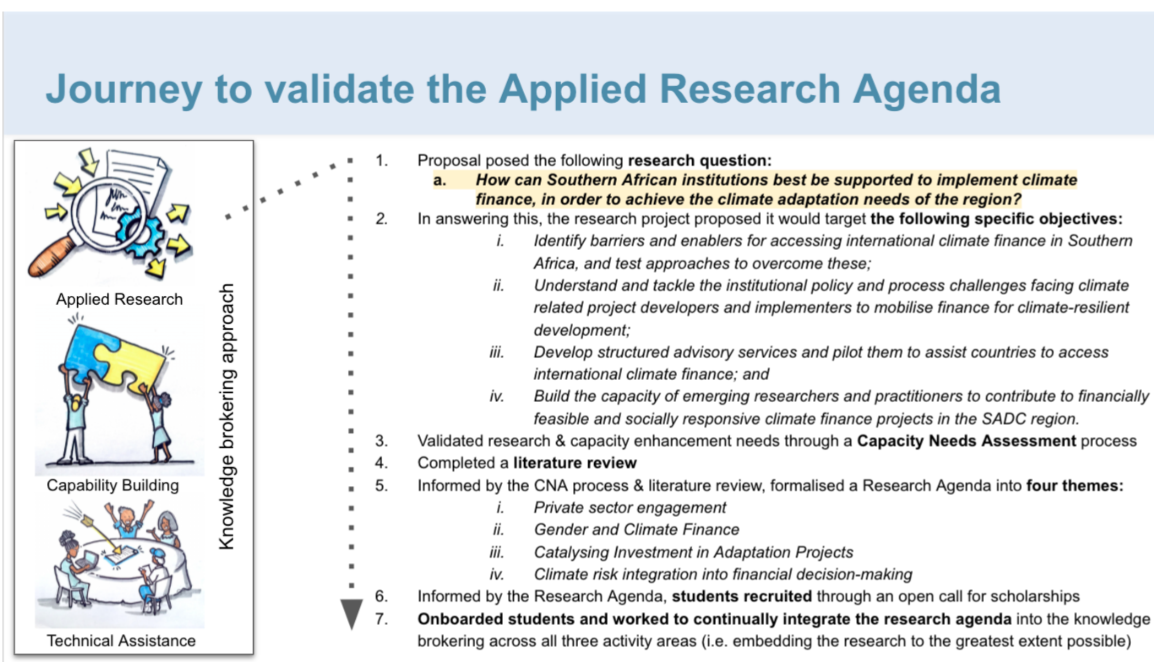
As a departure point, a literature review was conducted to provide an analysis of the climate finance landscape in the region.

**Based on the findings of the CNA and the literature review, the team have identified four broad research themes for the programme, namely**:

- Private sector engagement
- Gender and Climate Finance
- Catalysing Investment in Adaptation Projects
- Climate risk integration into financial decision-making

The issues raised in the research agenda will be pursued using a multi-pronged approach, consisting of both primary research to be conducted by the applied research team, and through post-graduate student research projects.

The University of Pretoria, University of Free State, University of Zimbabwe and University of Cape Town are the universities where the Masters students and PhD students are pursuing their formal degrees. The SACFP's PI and Co-PI will team up with supervisors within these institutions in order to align the bursary holders' research towards that being pursued by the programme and, ideally, to the experiences of the practitioners within the Core Group.



## Activity-based Progress Report Summary

## 4. Summary of Activities and Outputs

### Overarching

The varying overarching outcomes include:

- The key focus institutions for the project were identified through a detailed stakeholder mapping process
- The typology of capacity needs was determined through the capacity needs assessment
- The Technical Reference Group (TRG) was commissioned and convened and their terms of reference determined
- Entity support roadmaps were co-developed with Core Group 1 stakeholders to enhance buy-in and cooperation.
- Non-disclosure Agreements (NDAs) and Memorandums of Understanding (MOUs) were signed between SSN and three (3) GG1 institutions
- Programme interventions to address the determined capacity needs across each of the three project Activity Areas were designed
- Stakeholder relations within the community of practice were further cemented

The takeaway from this is that the CoP continues to play an important role in the region. More noticeable is that after entities receive GCF accreditation many capacity gaps remain before they can begin to effectively scope, design, and implement climate projects. Stakeholders in the region have generally responded well to the transition to the virtual working environment.

Moreover, coordination and general stakeholder meetings have benefitted from the shift to remote working. Although there has been a progressive trend in moving towards a virtual working environment. The deeply-focused, collaborative engagement achieved in immersive, multi-day workshops, such as the SACFP Learning Journey events, is simply not possible to recreate meaningfully in the digital world.

The delivery of the work against the overall work plan on all activities outlined in the work plan has been delivered accordingly and remains on track, excepting the delivery of activities 5.1 - 5.4 which experienced an anticipated delay of two quarters. A mitigation plan was developed as the intended path of action the team will implement to ensure that this delay does not compromise the overall outcomes of the project.

**Activity Area One: Applied Research**

The distinct part of this activity is that it intersects with all the activity areas. The activity area focused on awarding scholarships to four students to pursue studies with their research focus mainly on climate finance. This call for scholarships was largely intended to attract students in southern Africa. Through a rigorous and standard criteria, four students were awarded the scholarship. The awardees were three masters candidates and one PhD candidate.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Alongside the research undertaken by the postgraduate students, the SACFP team will be conducting several other primary research initiatives to address the programme's Research Agenda (as described in more detail in Section A of this report). The knowledge brokering interventions spearheaded by the programme provide the access points and opportunities to undertake primary research. This initial phase of the programme provided an opportunity to identify key focus topics which are currently being validated through subsequent stakeholder engagement, these include:

- Gaps and opportunities for climate finance mainstreaming in institutional strategies in southern Africa.
- Towards a taxonomy for project-level gender outcomes in climate finance projects
- Opportunities to enhance the practices of financial institutions to understand their exposure to climate risk and create risk mitigation strategies.

The outputs from this additional stream of research will include a suite of knowledge products and academic publications.

**Activity Area two: Capacity enhancement**

Furthering relationships with stakeholders created a space to investigate the collaborative engagement pertaining to the needs identified. These were captured through the CNA as

1. *Peer-to-peer learning*: Including the delivery of bilateral and multilateral knowledge exchanges. This series of engagements is designed to match stakeholder needs to the availability of peer knowledge within the community of practice, supplemented with the participation of additional practitioners from other regions that were found to be strategically useful.
2. *Practitioner training programme:* The aim is to develop a tailored course offering for the core group of SACFP stakeholders consisting of nominated Direct Access Entities, Accredited Entities, and key sectors ministries supporting the development of GCF project pipelines in-country. iii. Youth Intern placements.
3. *Youth Intern Placements:* Through relationship building with the CG1 there sought to be capacity building with the placement of two interns to support the Environmental Investment Fund of Namibia promoting the enhancement of skills for the interns as climate finance practitioners.

**Activity Area three: Targeted Technical Assistance**

The thematic area here is based on the needs assessment undertaken through desktop research to identify the needs that many entities require as they journey through the accreditation process. In essence, creating a space to identify the strategy and policy gaps that may not fulfil the requirement for donor funders such as the GCF. In light of this, there exists an opportunity to deploy technical experts to provide support by assisting institutions in developing new and/or augmenting existing institutional strategy and policy frameworks in a process of co-creation that enhances institutional capacity. The key outcomes herein:

1. Convened and facilitated meetings with the executives of four (4) entities - DBN, FBC, IDBZ, ZANACO, and CRDB, attaining buy-in for the mainstreaming of climate finance in institutional strategy
2. Appointed a research analyst to review the strategies of five institutions and make recommendations pertaining to the opportunities for mainstreaming climate finance therein. Thereafter, undertook a detailed analysis to identify areas of technical assistance for four (4) CG1 entities.
3. Established a panel of experts for the draw-down of technical expertise on an ad-hoc basis.
4. Developed a detailed institutional work plan to support the accreditation application process for DBN.
5. Assisted in defining the terms of reference for the staffing of a new Sustainability business unit within FBC Bank.
6. Provided input into the setting of strategic objectives and goals about sustainability and climate change for IDBZ.

## 5. Impact of the COVID-19 pandemic on SACPF

Navigating through what has become the ‘new normal’ perpetuated by COVID-19. The impacts that were borne were the restrictions on travel, restrictions on large gatherings of people resulting and delays to the 2020 academic year are examples of the impacts that have seen the need for the team to adaptively manage the risk of an overall project underspend. More generally speaking, the redirection of some of the CG1 organisational focus’ towards direct COVID19 relief has led to a level of organisational delay in chasing GCF accreditation (and climate finance ambition more generally). Slow traction in the response time in the communication with the core groups as the response time was much slower. Setting the scene to have in-person meetings disappeared as much of the engagements were converted to online. This has affected the bilateral and multilateral engagements that were the key components of the project’s design.

## 6. Closing

The SACFP programme as it continues to navigate through COVID-19 is much more aware of the fact that the team and stakeholders have to adapt to new ways of working, and in many ways, this common struggle has strengthened relationships. At the core of this sentiment is that finer details in interventions with institutions have been explored. To this end, the SACFP is pursuant to the goals of delivering knowledge and innovation brokering support that is of high practical value, remaining flexible to support emerging needs as stakeholders progress along their journey, and assuring that at all times our support contributes to lasting capacity enhancement in the region.