Aligning Financial Flows with the Paris Agreement in Africa (AFF)

FACT SHEET

Paris Agreement: Article 2.1c

The Paris Agreement has three long-term goals, listed in Article 2.1 of the Agreement, to which signatories are committed:

2.1a	Limiting the rise in global average temperatures
2.1b	Increasing the ability to adapt to climate change
2.1c	Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development

Operationalising Article 2.1c is critical for realising the other two long-term goals. For as long as financial flows remain aligned with carbon-intensive activity, economies are unlikely to reach the target of net-zero emissions by 2050.

African Context

In the context of Africa, operationalising Article 2.1c stands to **benefit the continent** by increasing its access to investment flows tied to the global low-carbon shift. However, many African economies are resource-dependent, raising concerns that an abrupt devaluation of asset classes could constitute a systemic risk, creating large amounts of stranded assets and setting back progress made by African countries to achieve the Sustainable Development Goals (SDGs).

Such **risks can be mitigated** by ensuring that the consistency and (re-)alignment of financial flows follows a coordinated approach that is conscious of Africa-specific economic and market conditions. This would avoid further straining African financial markets, suppressing development and restricting the practical transition to climate-resilient economies.

Therefore, it calls for a need to develop a **regional approach** and **Africa-specific** guiding framework that supports the alignment of financial flows consistent with low emissions and climate-resilient development. Such a framework would need to be mindful of issues around **safeguarding the assets of the poor** as it relates to **energy access and technological innovation**. The framework would also need to acknowledge adaptation initiatives, specifically around designing options for addressing how to make the current financial flows for **infrastructure** in Africa more climate-resilient.

Programme Description

The AFF programme aims to formulate evidence-based pathways for aligning financial flows in Africa with the Paris Agreement in a way that encourages the presentation of ambitious mitigation and adaptation actions in future Nationally Determined Contributions (NDCs) and long-term strategies of African countries.

By conducting in-depth economic and financial research and stakeholder engagements, the programme aims to formulate **four pathway papers**: three national-level and one regional-level.

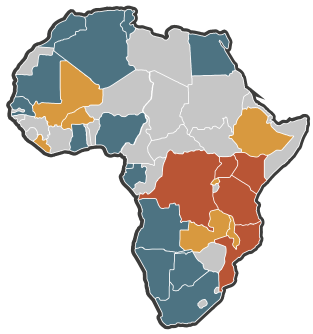
The three **national-level pathway papers** focus on mitigation finance alignment by considering specific cases of Ethiopia, Mozambique and South Africa. As shown on the map, these represent three clusters of knowledge exchange countries with similar energy and market characteristics. The fourth **regional-level pathway paper** focuses on adaptation finance by considering approaches to making investments in infrastructure development across the African continent more climate-resilient.

Within each cluster, the programme seeks to realise these **objectives**:

- Broadly develop a systematic assessment of potential volumes and sources of financial flows to be aligned with the Paris Agreement.
- Identify and analyse sectoral prospects for the re-investment of financial flows and leveraging existing funding to high-risk countries to attract sustainable/green financing for climate adaptation.
- Recommend specific short-to-medium term actions to be taken by country, regional and global decision-makers to support Africa in aligning financial flows.

THEMATIC FOCUS OF EACH PATHWAY PAPER (REFERRED TO AS "CLUSTERS")

1. High carbon assets and legacy infrastructure - previously spurred economic development, but need diversification and upgrading now. **Target country: South Africa.**
2. Large part of the population without access to clean and affordable energy, but with geographical proximity to abundant renewable sources. **Target country: Ethiopia.**
3. Least Developed Countries (LDCs) and Frontier Markets in Africa, with recent discoveries in high-carbon assets and extremely low energy access, who are also very vulnerable to adverse climate effects. **Target country: Mozambique.**



4. Regional approaches for making infrastructure in Africa more climate-resilient by presenting options that align infrastructure investments to the goals of the Paris Agreement. **Target region: Africa**

Programme Description (continued)

A vital component of the project is **knowledge brokering**, enabling the convening, sharing and exchanging of emerging evidence from the target countries with a broader group of African countries that reflect similar pathways. This involves facilitating **knowledge exchange forums** for understanding the goals and approaches necessary for the fulfilment of the Paris Agreement. Further, this entails designing and convening national-level, as well as multi-stakeholder regional-level, **dialogues** around a shared vision and pathways for regional cooperation on aligning financial flows with the Paris Agreement.

The outcomes and results from the research and stakeholder engagements are used to augment the analyses towards:

developing a regional approach and Africa-specific guiding framework that supports the alignment of financial flows.

The overall outcomes of the AFF programme will be the establishment of an **evidence base and knowledge tools** to be used in creating an enabling environment for aligning financial flows with the Paris Agreement in Africa.

Programme Process

In-depth research	Develop four pathway papers	Develop and present Africa-wide synthesis report	Exchange knowledge and create a shared vision through regional dialogues and political validation
Iterative process	Iterative process	Iterative process	
Stakeholder engagement	Validate findings with the Research Validation Group	Validate findings with the Research Validation Group	

Stakeholder Engagement

Public and private financial institutions
to discuss opportunities & criteria for investments & alignment with Article 2.1.c

Key government contacts
to understand their perspectives and challenges, and what solutions they could implement

Practitioners
for a different perspective on needs and limitations (e.g. within policy) to the implementation of solutions

Relevant experts
for technical inputs on issues, possible ways forward, and the practicality of recommendations

What does success look like?

African countries submit revised, more ambitious NDCs through the next NDC cycle (2023-2030), as required by the Paris Agreement, reflecting how the realignment of financial flows:

- demonstrates advanced ambitions,
- provides pathways to support long-term strategies, and
- contributes to the achievement of the Paris Agreement's goals.

Programme Details

The AFF programme is funded through the International Climate Initiative (IKI) of the German Federal Ministry of the Environment, Nature Conservation and Nuclear Safety and Consumer Protection (BMUV). SouthSouthNorth (SSN) is responsible for the core delivery and implementation of the programme, which runs from September 2021 until June 2023. The programme is supported by the South African Department of Forestry, Fisheries, and the Environment (DFFE), the Ethiopian Ministry of Finance and the African Group of Negotiators (AGN).

Find out more

Visit the following channels for more information and updates on AFF's work, and read AFF's blog posts on the AFF web page:

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Aligning Financial Flows

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IKI INTERNATIONAL CLIMATE INITIATIVE