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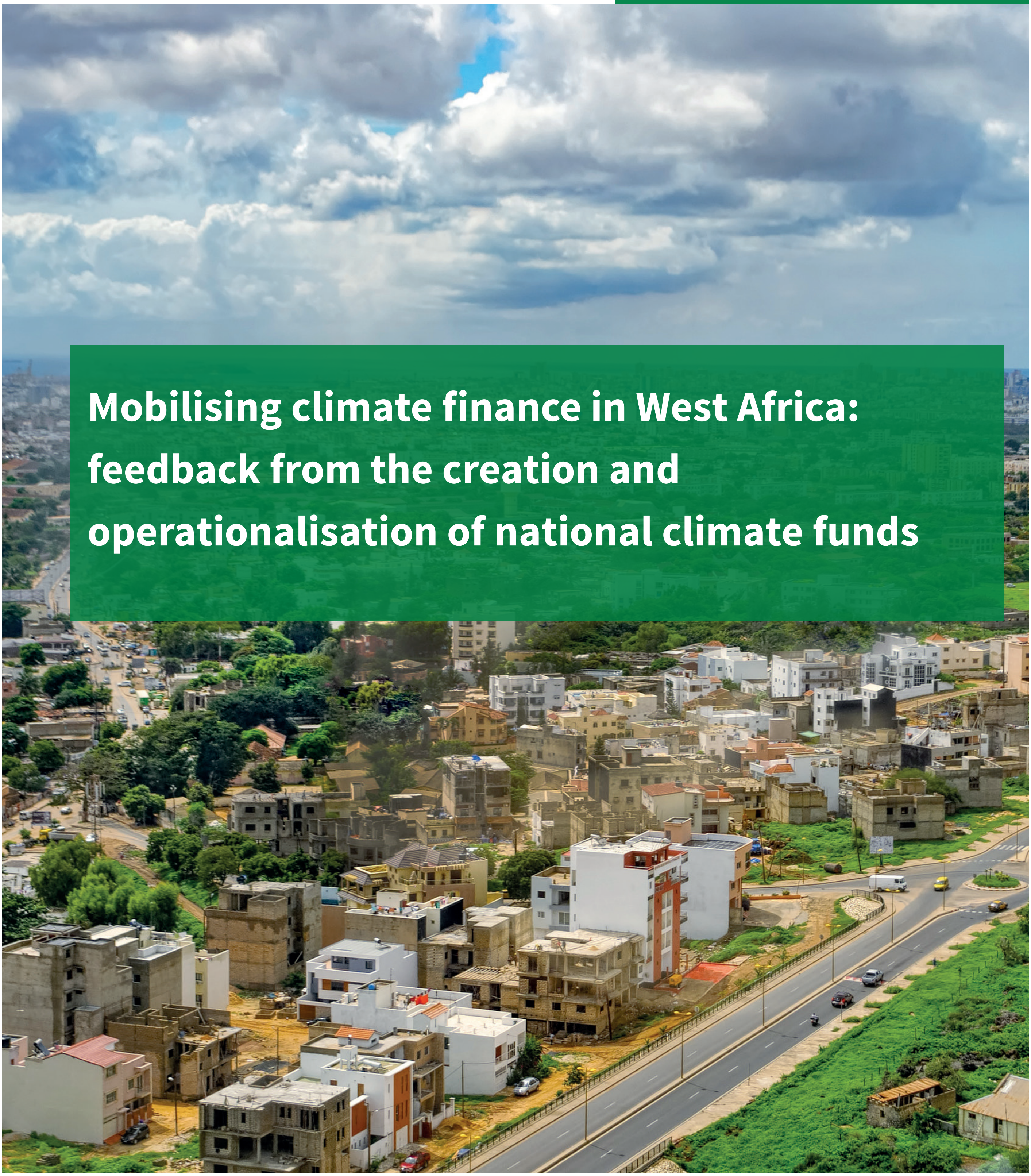

Mobilising climate finance in West Africa: feedback from the creation and operationalisation of national climate funds

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National climate funds: financing opportunities for climate change

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Climate change is a challenge of our time. In order for ECOWAS Member States to fully assume their responsibility in the face of the climate emergency, financial resources are needed to provide responses to the fight against climate change.

In recent years, ECOWAS Member States have continued their efforts to further mobilise funding for climate action. Efforts are constantly being made to mobilise external and domestic resources. At the same time, the scarcity of available resources and difficulties in accessing domestic and international funding remain a problem for most ECOWAS Member States. Hence the urgent need to rethink mobilisation strategies for climate finance. ECOWAS is committed to facilitating access to climate finance in the West African region. Thus, a mapping of climate finance flows to the ECOWAS CILSS zone was published in 2022 and an advocacy note communicated on the occasion of COP27 to recall the colossal needs of climate finance in West Africa at regional and national levels.

At the national level, many initiatives have been developed to strengthen adaptation and mitigation, including national climate funds. These national funds are important to support countries in activities to combat climate change. As set up in ECOWAS Member States, these national funds aim to attract and coordinate domestic and international, public and private sources of financing for actions to combat climate change and protect the environment. This is the case in several countries including Benin and Mali. In Benin, for example, the National Fund for Environment and Climate (FNEC) reinforces Benin's commitment to international conventions on the environment and climate through the mobilisation and channelling of additional domestic and external funding.

The Mali Climate Fund is also an essential tool for mobilising, accessing, sequencing and combining sources of finance for priority actions to achieve Mali's ambitious goal of a Green and Climate Resilient Economy. This is an important mechanism that has achieved significant results in mobilising climate finance in each of these countries. Today, the challenge is to ensure that climate finance is commensurate with needs.

Moreover, local and regional authorities are key actors in the implementation of climate action in these countries. What are the prospects for channelling climate finance flows through local government budgets? This third edition of the capitalization review «Stories of NDCs in West Africa» questions the mechanisms for mobilizing climate finance in Benin and Mali. It highlights the feedback from the creation and operationalization of national climate funds in Benin and Mali and takes stock of the issues and challenges of these national funds to lead to a paradigm shift.

May this capitalization review be useful, enjoy your reading!

Mobilising climate finance in West Africa: feedback from the creation and operationalisation of national climate funds

Equity is a basic principle of international climate negotiations, which recognise the "common but differentiated responsibility" of countries for climate change. However, this differentiated responsibility is struggling to materialise: the 100 billion dollars per year by 2020 promised by the countries of the North to the countries of the South in 2009, at the 15th Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC), far from being commensurate with the real needs, have never been reached, as several recent reports indicate. The range of financing mobilised in 2018 would be in the order of 59.5 to 78.9 billion dollars, depending on the nature of the flows recorded and the method of climate characterisation. Especially since, according to the NGO Oxfam, 80% of this amount is made up of loans (40% of which are non-concessional). For this reason, it claims that the support actually granted to the most vulnerable countries, i.e. without increasing their debt to cope with a situation they did not cause, is closer to 20 billion dollars.

With the adoption of the Paris Agreement in 2015, an additional level of commitment is foreseen by setting a new 'floor' target of USD 100 billion per year from 2020. It is therefore urgent that developed countries reaffirm their solidarity and respect this commitment, through the establishment of a transparent roadmap on how to reach the 100 billion dollars per year until 2025. This issue, as well as the nature of the financing accounted for under this commitment, will be the cornerstones of the negotiations at COP 26, which was held in Glasgow from 1er to 12 November 2021.

ECOWAS Member States are facing difficulties in defining their climate change needs and in transforming their climate action strategies into projects required by climate finance mechanisms. The gap between the needs for financial support and the flows of funding actually received is considerable in all ECOWAS Member States due to the lack of technical capacity in institutional coordination and engineering of climate projects, particularly in agricultural resilience. Indeed, the financing and investment needs for the fight against climate change in ECOWAS Member States are colossal (action area 3 of the ECOWAS Regional Climate Strategy).

The assessments undertaken in July 2021 by ECOWAS as part of the project mandated by the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) to determine the needs of developing country Parties in relation to the implementation of the Convention and the Paris Agreement, estimate that the needs expressed amount to more than 800 billion dollars by 2030, including 294 billion for the financing of their NDCs in West Africa for the period 2015-2030. Adaptation financing needs for which agriculture remains dominant are estimated at $162 billion according to the same report. However, according to the same source, between 2013 and 2018, ECOWAS countries received an average of USD 2.6 billion per year in total public climate finance, mainly from Multilateral Development Banks, followed by bilateral sources and climate funds.

The gap between financial needs and mobilised funding flows remains considerable in all ECOWAS Member States. The mapping of climate finance flows to the ECOWAS-CILSS zone (2003-2022) carried out by ECOWAS with the support of the regional project Global Climate Chance Alliance Plus - West Africa (GCCA + WA) confirms this investment deficit in climate action, in view of the needs expressed by the countries under the commitments of the Paris Agreement.

The climate finance thus mobilised from international sources between 2019 and 2022 represents only 4.7% of the conditional needs expressed by certain countries through their NDCs. Despite useful collaborations with various partners, the need to increase the volume and effectiveness of climate finance flows is still prevalent.

In this context of scarcity and difficulty in accessing international climate financing, several ECOWAS Member States have implemented initiatives over the past 10 years to better mobilise resources, improve their management and better direct them, as close as possible to the needs of the territories. Thus, in Mali and Benin, national climate funds were created in 2012 and 2014 respectively, based on three priorities: (i) to generate a leverage effect on other financing to increase flows, (ii) to optimise the use of resources through a single window and (iii) to ensure better monitoring of the financial flows mobilised.

Feedback on the creation, operationalisation and perspectives of these two funds, because if their name is similar, the two funds are very different in their origin, scope, operating mode but also perspectives!

National Fund for Environment and Climate (FNEC) of Benin

In 2014, the National Fund for Environment and Climate (FNEC) became the new form of an Environment Fund that had existed since 2000. It reinforces Benin's commitment to international conventions on the environment and climate through the mobilisation and channelling of additional domestic and external funding. Although under the supervision of the Ministry in charge of the environment, the FNEC benefits from financial autonomy with its own management. Since its creation, the FNEC has consolidated a high-level technical team (total staff of 20) which benefits from training programmes (through the Science-based Support Project for National Adaptation Plan processes (PAS-PNA), the Green Climate Fund readiness programme, etc.).

Three modes of intervention co-exist:

- **Direct interventions** at the request of the supervisory authority; these represented 80 million CFA francs in 2020, i.e. a very small share of the Fund's resources (4%),
- **Non-direct» interventions**, which are selected through calls for projects. In 2020, out of 98 proposals received, 14 were selected for a total funding of 1.2 billion CFA francs (about 1.8 million €), i.e. 65% of the FNEC resources. The main themes of the call for projects are derived from the priorities of Benin's NDC; the 2022 call for projects will also include mandatory indicators from the NDC. The projects financed have budgets of between 20 and 200 million FCFA (approximately €30,000 to 300,000),
- **The contribution to the financing mechanism of the LoCAL initiative of the UNCDF** , according to the equalisation rules of the Community Development Support Fund (FADeC) and the level of performance in terms of «climate-sensitive» planning and budgeting of each commune. This contribution concerned 2 communes in 2020; its generalisation to all communes in Benin is the subject of a request for financing from the Green Climate Fund. This contribution corresponds particularly to the leverage effect explicitly sought in the objectives of the FNEC, insofar as it serves as a «guarantee» for other initiatives.

Table 1. Overview of the National Fund for Environment and Climate (FNEC) of Benin

DATE OF CREATION	**2014** (2000: National Fund for Combating Desertification / 2003: National Fund for the Environment)
MANAGER	Financial autonomy Under the technical supervision of the Ministry in charge of the environment
OPERATION	**Board of Directors (07 members)** **General Management** **3 Technical Directorates:** -Mobilising financial resources -Foresight, Programming, Monitoring and Evaluation -Accounting agency
OBJECTIVES	Benin Alafia 2025 Framework: «The FNEC is the national reference mechanism for the mobilisation of financial resources and the financing of environmental and climate initiatives for the sustainable development of Benin». Strategic Plan 2017-2021: SO1: Mobilise financial resources for environment and climate financing (increase domestic flows and optimise the use of international financing) SO2: Finance environment and climate initiatives (increase efficiency and continue to build capacity of applicants) SO3: Improve the performance of the FNEC (strengthen the organisation and the information system)
RESOURCES (DATA FROM THE 2020 ACTIVITY REPORT)	**Own resources** (eco-taxes and fines levied - 2020): 1 837 707 400 CFA francs (approx. € 2.8 million) **Endowments** (grant): not known for 2020; 18 million FCFA in 2019 (about 27,000 €) **External resources** can be mobilised by the FNEC, in particular from the Adaptation Fund and the Green Climate Fund, to which the FNEC is accredited; 3 project concept notes are currently being examined by each of these funds.

Today, the main challenge for the FNEC is to increase its resources, in particular in order to work more on a programme agreement approach with project leaders rather than through calls for projects. The Fund is currently carrying 6 concept notes for the Green Climate Fund and the Adaptation Fund, which should considerably modify the structure's operating mode.

According to Mathieu Biaou, former Director of Financial Resource Mobilisation, «*reflections are underway on the institutional arrangements to be put in place to deal with the massive increase in resources to come*.»

The Mali Climate Fund

The Mali Climate Fund was created in 2012, but became operational in 2014. It is the result of a history of cooperation with two development partners (Swedish and Norwegian cooperation) who have contributed financially to the GCF since its creation. These contributions will reach 33 million euros in 2021, a constant increase since 2014, and constitute almost all of the GCF's resources.

A draft law should be validated to allow the GCF to have its own resources through environmental taxation. In addition, the Technical Secretariat is seeking to broaden the base of financial contributors from several bilateral technical and financial partners.

Table 2. Overview of the Mali Climate Fund

DATE OF CREATION	**2012** (operational in 2014)
LAUNCHING PAD	Memorandum of Understanding signed between Mali and the UNDP Multi Partner Trust Fund (MPTF) office, with support from Norway and Sweden.
MANAGER	**Environment and Sustainable Development Agency** (AEDD - within the Ministry of Environment, Sanitation and Sustainable Development) and **UNDP - MPTF in co-management** (before full transfer to Malian authorities in 2025)
OPERATION	**Steering Committee** (chaired by the Minister for the Environment, with representatives of the government, technical and financial partners, civil society organisations) and Project Selection Committee **Technical Secretariat** (hosted by AEDD), ensuring the smooth running of project selection and reporting **UNDP-MPTF Administrative Officer** (fund management, ensuring fiduciary and technical compliance with international standards and requirements)
OBJECTIVES	Terms of reference of the GCF 2012 It is an essential tool for mobilising, accessing, sequencing and combining domestic and international, public and private sources of finance for priority actions to achieve Mali's ambitious goal of a Green and Climate Resilient Economy. It will also contribute to the achievement of the SDGs, which are largely negatively influenced by climate change. Commitment of the NDC Development of a plan for a sustainable environment and climate change financing strategy, including through the GCF. Focus on NDC actions in the energy, agriculture and forestry sectors.
RESOURCES (DATA FROM THE 2020 ACTIVITY REPORT)	**Annual contributions from Swedish** (since 2013) and **Norwegian** (since 2014) **cooperation** Contributors' commitments at 31/12/2021: €28,170,298 Grant from the Government of Mali for the functioning of the Technical Secretariat

The current set-up of the Mali Climate Fund responds to a need to ensure fiduciary and technical compliance with international standards and requirements, particularly in an unstable institutional landscape; indeed, the Fund is co-managed with the UNDP administrative agent through its special office «Multi-Partner Trust Fund» (UNDP-MPTF). This co-management is expected to continue until 2025, when «*management will be transferred to a national administrative entity or agency*», according to Ms Lala Diarra, Coordinator of the GCF Technical Secretariat.

This development, combined with the mobilisation of domestic resources, should enable the GCF to operationalise the «national» implementation window. Indeed, to date, CSOs, NGOs and technical services are entitled to respond to calls for projects but must have concluded a partnership with a UN agency of the MTPF (FAO, UNDP, UNESCO, UNICEF, UN Women, WFP) to be eligible. This method of access through international organisations, while guaranteeing the proper management of funds, generates certain delays in implementation and considerably limits the number of project leaders able to conclude a partnership. Thus, the operationalisation of direct access, including for local authorities, which until now have not been eligible as project leaders, is a priority for the GCF.

Over the period 2014-2019, the GCF has funded 24 projects in 186 communal territories in Mali through three calls for proposals, for a total amount of USD 27.5 million. During the third call for proposals of the GCF, ten new projects were approved in December 2019, including seven from UN organisations and three from National Entities for a total amount of USD 9,228,985. The maximum budget for projects is USD 1 million.

Issues and challenges of climate funds in Benin and Mali

It is clear that the two funds meet a real need for financing climate action by project leaders at the national level, for micro or small projects that are not eligible for many international funds. The high number of applicants to each call for projects is proof of this (about a hundred for the FNEC, about fifty for the GCF).

The «one-stop-shop» effect also clearly facilitates the efforts of project leaders, and makes it possible to generate substantial economies of scale with effective communication strategies and adapted procedures. Nevertheless, in 2020, out of the 98 projects received by the FNEC, only about 50 were deemed admissible and 14 were finally selected; this high rate of project inadmissibility, which has also been observed in several other initiatives, starting with GCCA+ West Africa, demonstrates the low level of skills of the actors in terms of climate project formulation. Efforts to build the capacity of interested actors to set up projects must therefore be maintained.

The desire to diversify sources of financing is a priority for both funds, with one seeking to mobilise more domestic resources and the other focusing on mobilising climate finance. The FNEC's «Strategic Plan 2017-2021» and the GCF's «Investment Plan 2019-2023» have been developed with this in mind.

One of the key issues for these national funds is to ensure that the resources disbursed are well used and create sustainable and tangible positive impacts, thus raising the question of the resources dedicated to monitoring the projects supported. Each project, within its respective scope, aims to initiate sustainable transformations, which requires resources to measure the long-term impact. Significant efforts have already been made (production of monitoring and evaluation methodological guides, observation missions, etc.) and must be consolidated, particularly in order to meet the requirements of the transparency framework of the Paris Agreement

All these challenges suggest that better sharing of information and lessons learnt from other similar initiatives should be prioritised to enhance peer learning and progressively improve the models. The establishment of a West African platform should therefore be considered in order to provide a means of knowledge exchange, learning and experience sharing, collaboration and peer support within ECOWAS to increase the efficiency of entities in accessing resources, programming, monitoring of these resources and project implementation

Towards territorial counters?

Finally, it is interesting to note that the reflection on the generation of sustainable positive impacts leads to the consideration, for both funds, of local and regional authorities as key players in the implementation of climate action. In this respect, whether through the generalisation of the LoCAL mechanism by the FNEC or through the search for synergies with the National Agency for Investment by Local Authorities (ANICT) by the GCF, the channelling of climate financing flows through the budgets of local authorities is a priority area to be explored.

Thus, it is useful to include in the reflection other models of national public financing windows developed in the ECOWAS zone, which are not specifically related to climate, but which are based on innovative approaches, both in terms of governance and funding modalities. In Guinea, for example, a National Local Development Fund (FNDL) was created in 2014 with the aim of strengthening the decentralisation dynamic.

This mechanism, managed by the National Agency for Community Funding (ANAFIC), is based on the share of the national budget allocated to decentralisation (replenished by a tax on mining operations according to the provisions of the mining code). Each year, local authorities are invited to submit their needs in the form of micro-projects to ANAFIC. And the sums committed are not negligible, close to USD 37 million for 2019-2020, which will be used to support local development initiatives. It should also be noted that, with ANAFIC's accreditation process with the GCF underway, these investment capacities should increase significantly. It would therefore be possible to envisage the contribution of economic sectors with high greenhouse gas emissions to support climate projects, directly with communities. This model is similar to the logic of payments for environmental services, which are often used for forestry and biodiversity issues (REDD+ mechanism, for example), or carbon offsetting.

The Nationally Determined Contribution (NDC) is an instrument of the Paris Agreement in which each state signatory to the United Nations Framework Convention on Climate Change (UNFCCC) records its greenhouse gas reduction and climate change adaptation commitments by demonstrating the highest level of ambition possible given the country's circumstances.

The review entitled «Stories of NDCs in West Africa» aims to present the lessons learned, successes and challenges of implementing NDCs in the West African countries. The particularity of the review is to reveal informal or intangible practices that are not always documented in the implementation of NDCs.

This review was conducted in collaboration with the GCCA+ West Africa project. The «Global Climate Change Alliance Plus - West Africa (GCCA+ WA)» project is funded by the European Union and implemented by Expertise France under the leadership of the ECOWAS Commission and in collaboration with the Permanent Inter-State Committee for Drought Control in the Sahel (CILSS). This project is part of a regional cooperation dynamic. It aims to contribute to the regional effort to implement the Paris Agreement and strengthen West Africa's resilience to climate change.

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