

FINANCING FOR CLIMATE CHANGE IN AFRICA: A VIEW OF SOVEREIGN BORROWING FROM MULTILATERAL FUNDING INSTITUTIONS

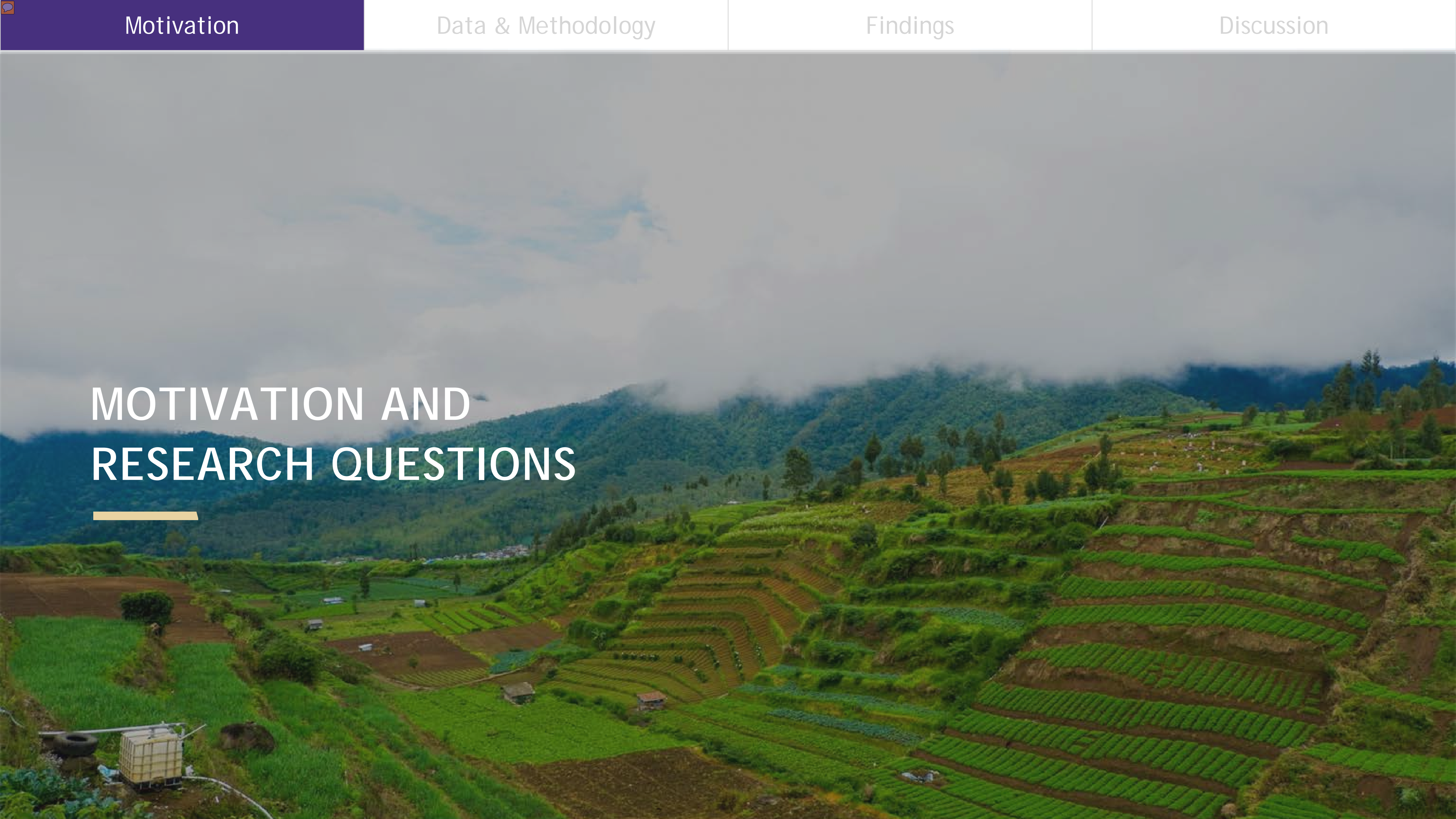
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Evans School Policy Analysis and Research Group (EPAR)

Bioeconomy Innovation Pipelines and Supply Chain Shocks | 26th ICABR Conference

July 8, 2022

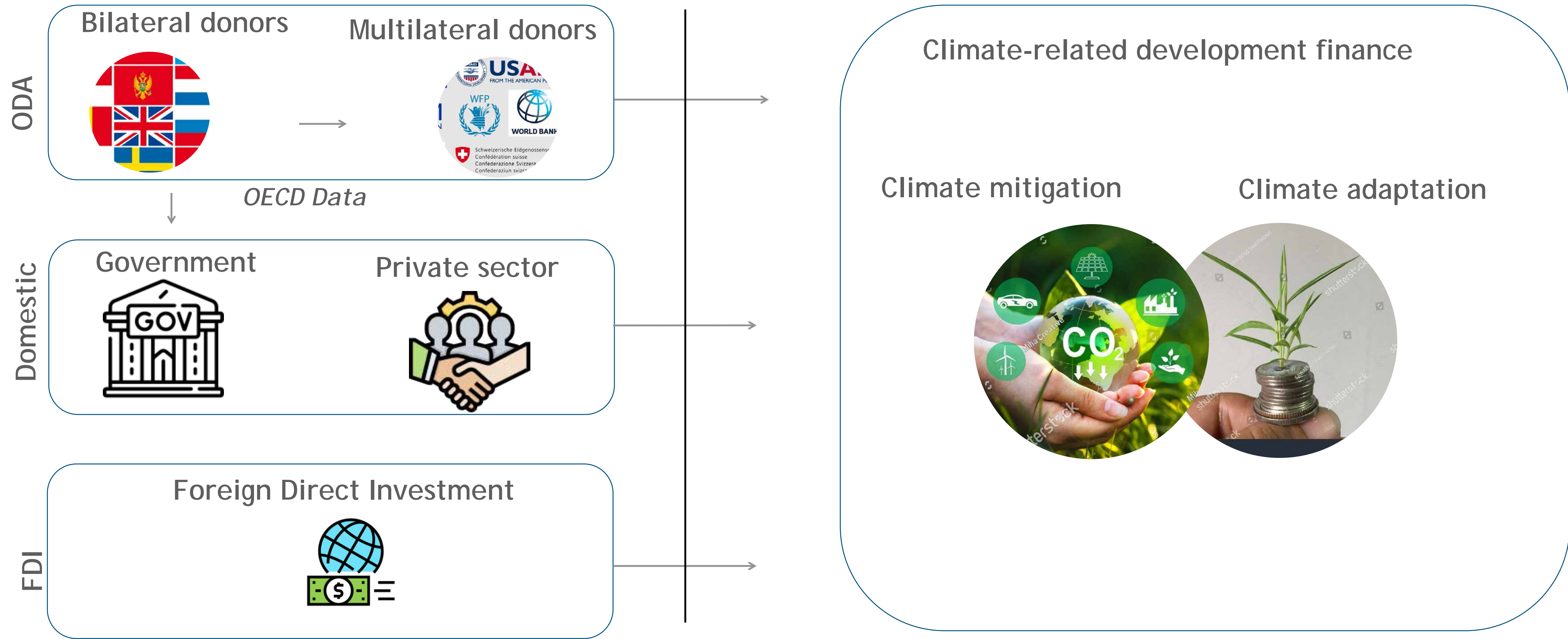
MOTIVATION AND RESEARCH QUESTIONS



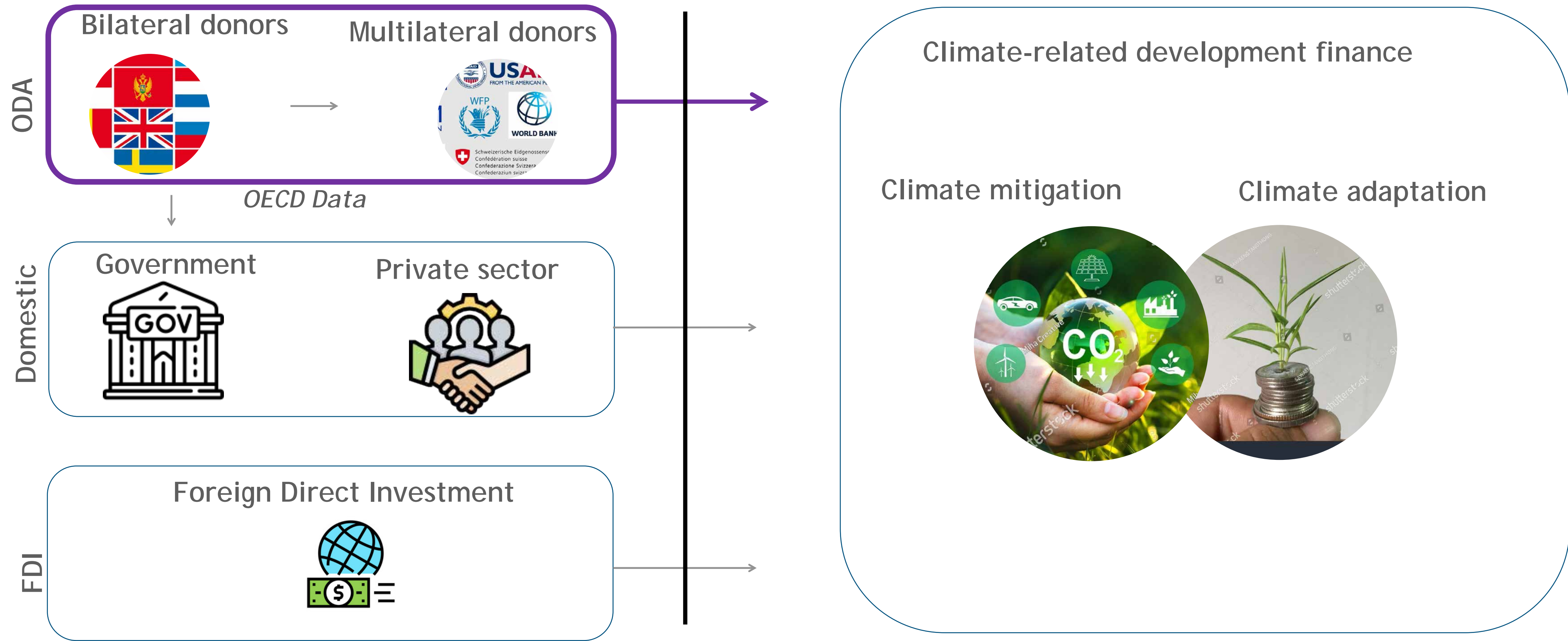
BACKGROUND

- Development programs have traditionally been focused on increasing the productivity of small-scale producers (SSPs) and transforming rural spaces.
- SSP who dominate the agricultural sector in most low- and middle-income countries are increasingly affected by changing climate.
- While mitigation strategies are being developed and implemented, it has become clear locally that there is an urgency to improve the adaptive capacity of SSP.
- The 26th UN Climate Change Conference of the Parties stressed the critical role of mobilizing funding from public, private, and alternative sources to address climate change in LMICs.

FLOW OF FUNDING TO CLIMATE CHANGE



FOCUS ON ODA AND SOVEREIGN BORROWING



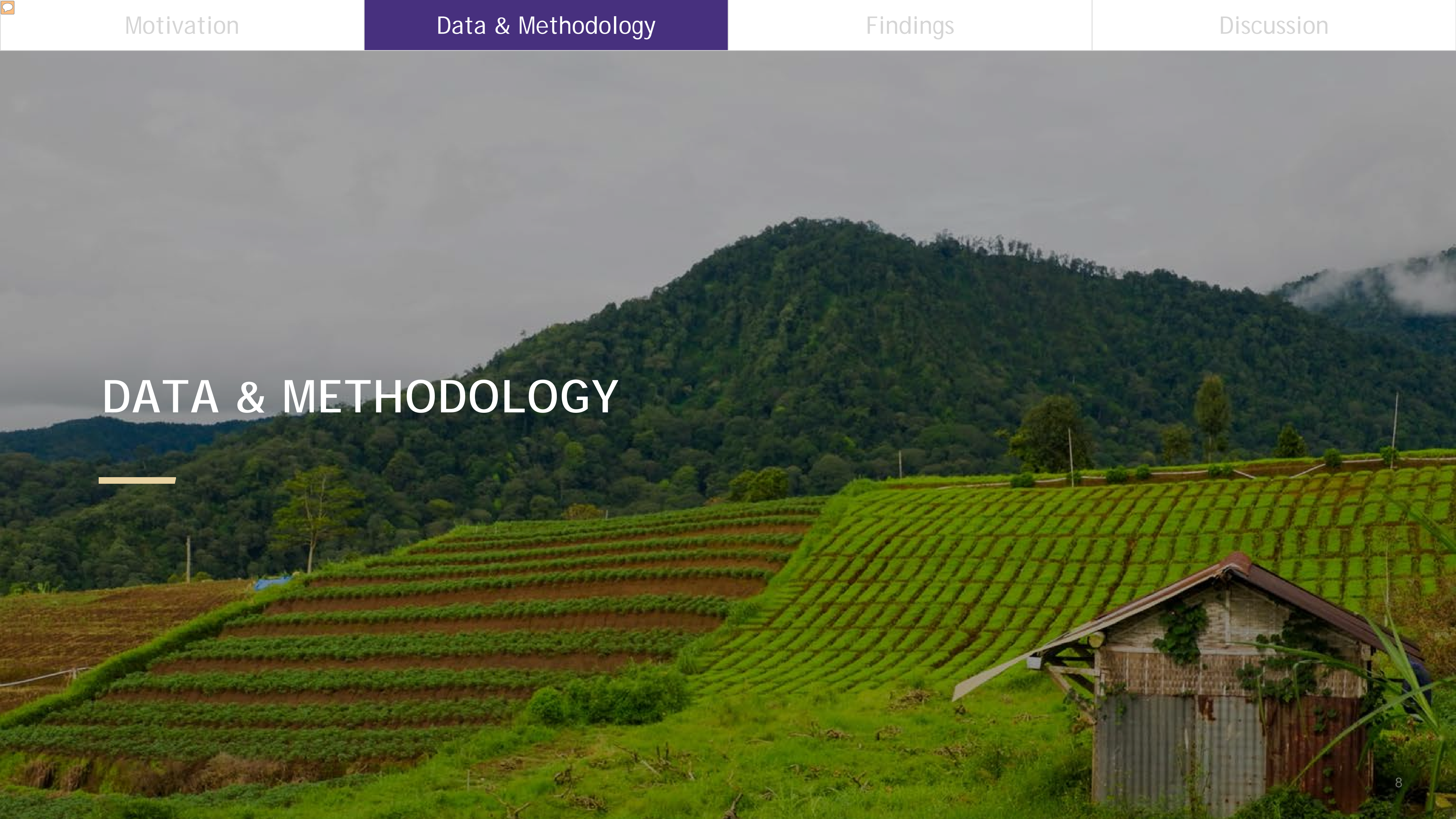
RESEARCH QUESTIONS

1. What proportion of agriculture-related lending has a climate component?
2. Which countries are borrowing most for climate-related agricultural projects?
3. Is climate-related agricultural borrowing correlated with a country's climate risk?

WHY MULTILATERAL FINANCING

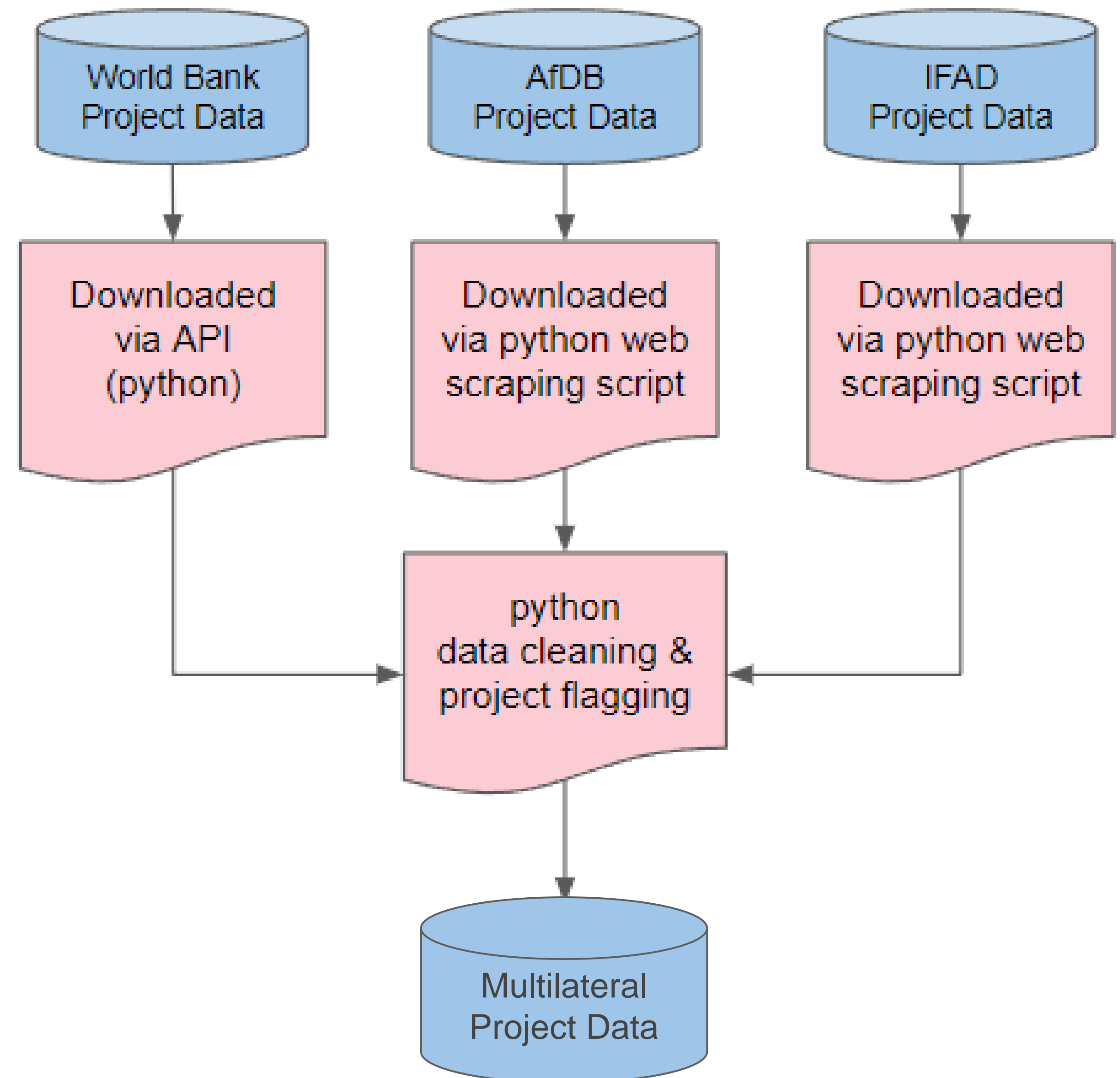
- IFIs fund approximately 1/3 of all ODA, which constituted up to 1/3 of GNI in some sub-Saharan African countries in 2019.
- The 3 IFIs in the EPAR dataset constitute 87% of multilateral funding to SSA.
- Multilateral investment shows progress toward climate change adaptation and mitigation.

DATA & METHODOLOGY



IFI DATABASE

- Active or approved agriculture-related financing projects as of 2022
- 3 specific multilaterals (World Bank, AfDB, and IFAD)



COMPARISON WITH OECD

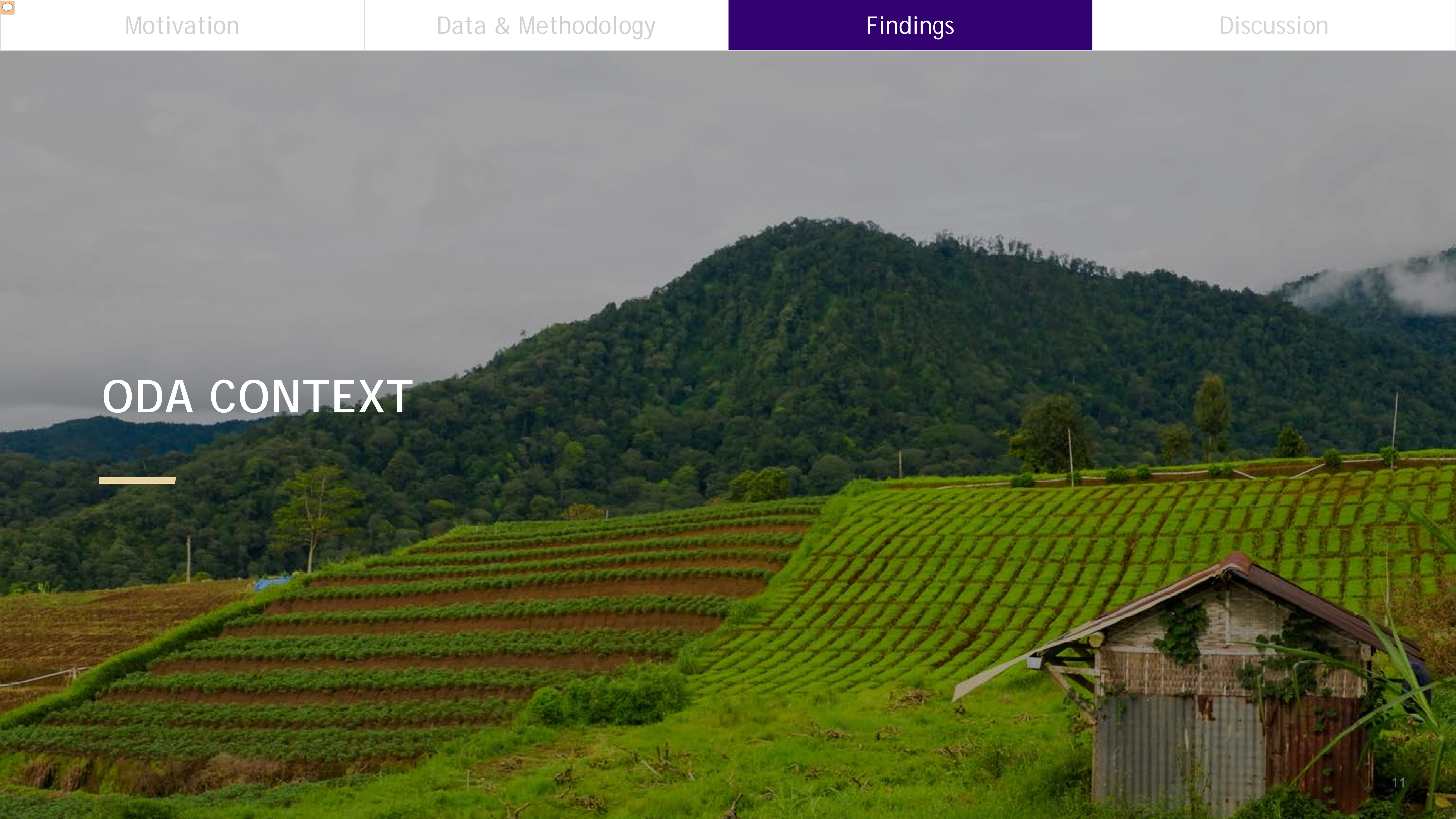
EPAR IFI dataset

- Agriculture-related financing projects as of 2022
- 3 specific multilaterals (World Bank, AfDB, and IFAD)
- Climate projects identified by searching project data for climate keywords
- Categorization of rural agricultural projects (and subset of on farm projects)

OECD ODA dataset

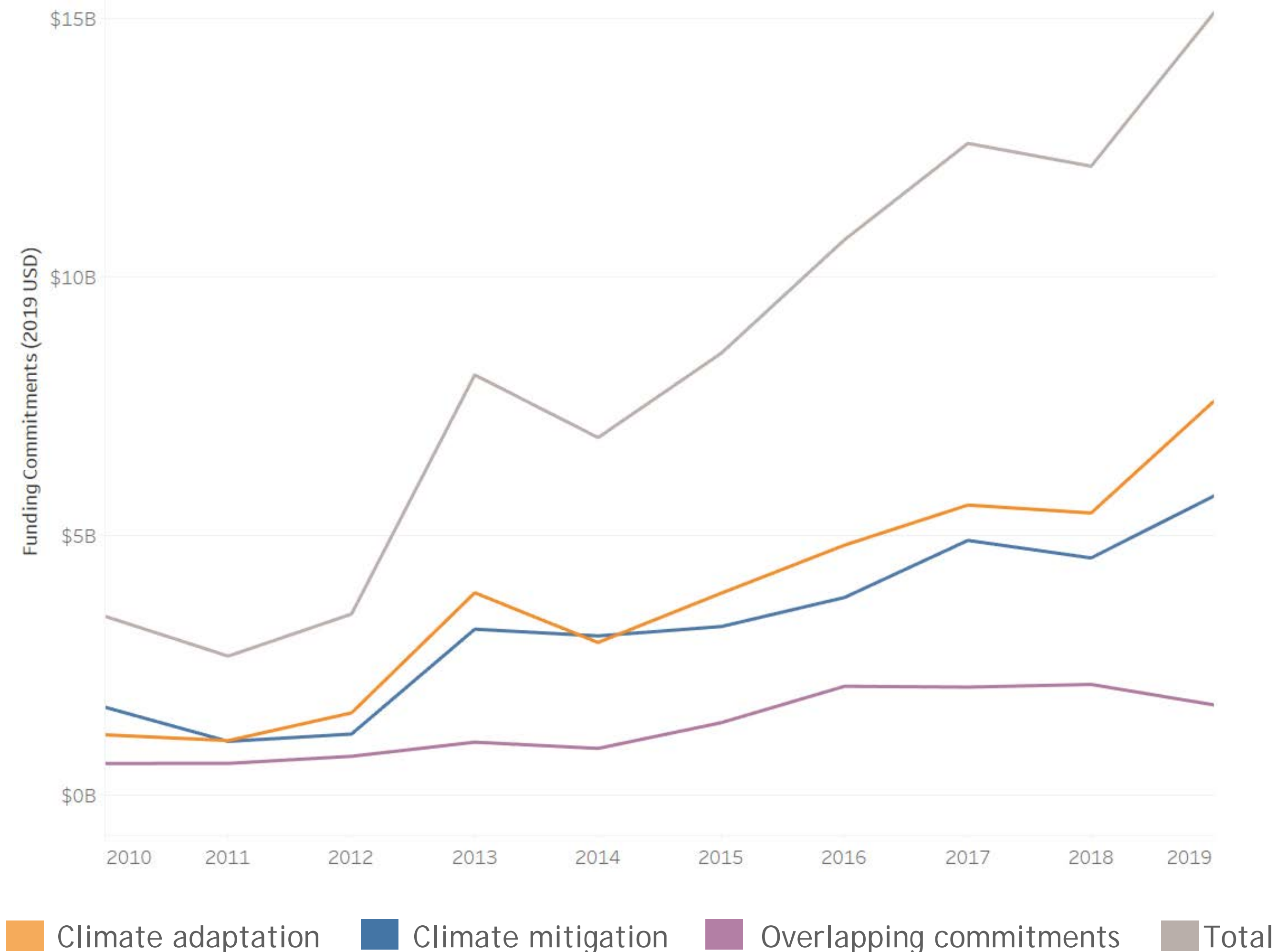
- Climate-related ODA projects, 2000-2019
- Multilaterals, bilateral, and private donors.
- Climate projects identified/reported by donors according to Rio Markers or “climate component methodology”

ODA CONTEXT



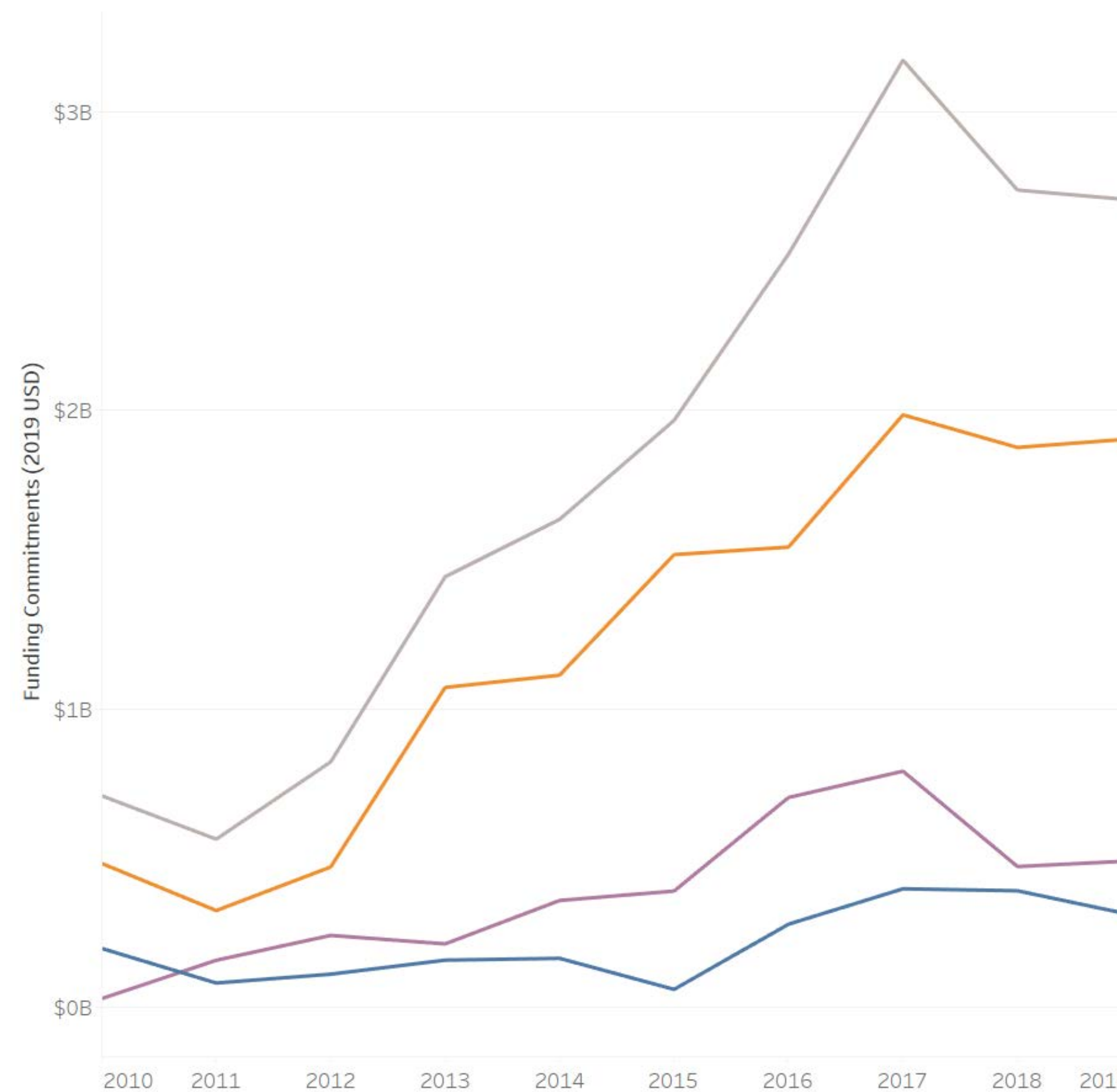
CLIMATE-RELATED FUNDING TO SUB-SAHARAN AFRICA, 2000-2019 (2019 USD)

- Increase in climate-related financing from **\$3.4 billion** in 2010 to **\$15 billion** in 2019.
- Comparable investments in **mitigation** and **adaptation**.
- 2019: 52% of climate financing to SSA from multilaterals, 47% from bilaterals, 1% from private donors. 30% from World Bank and 14% from AfDB.



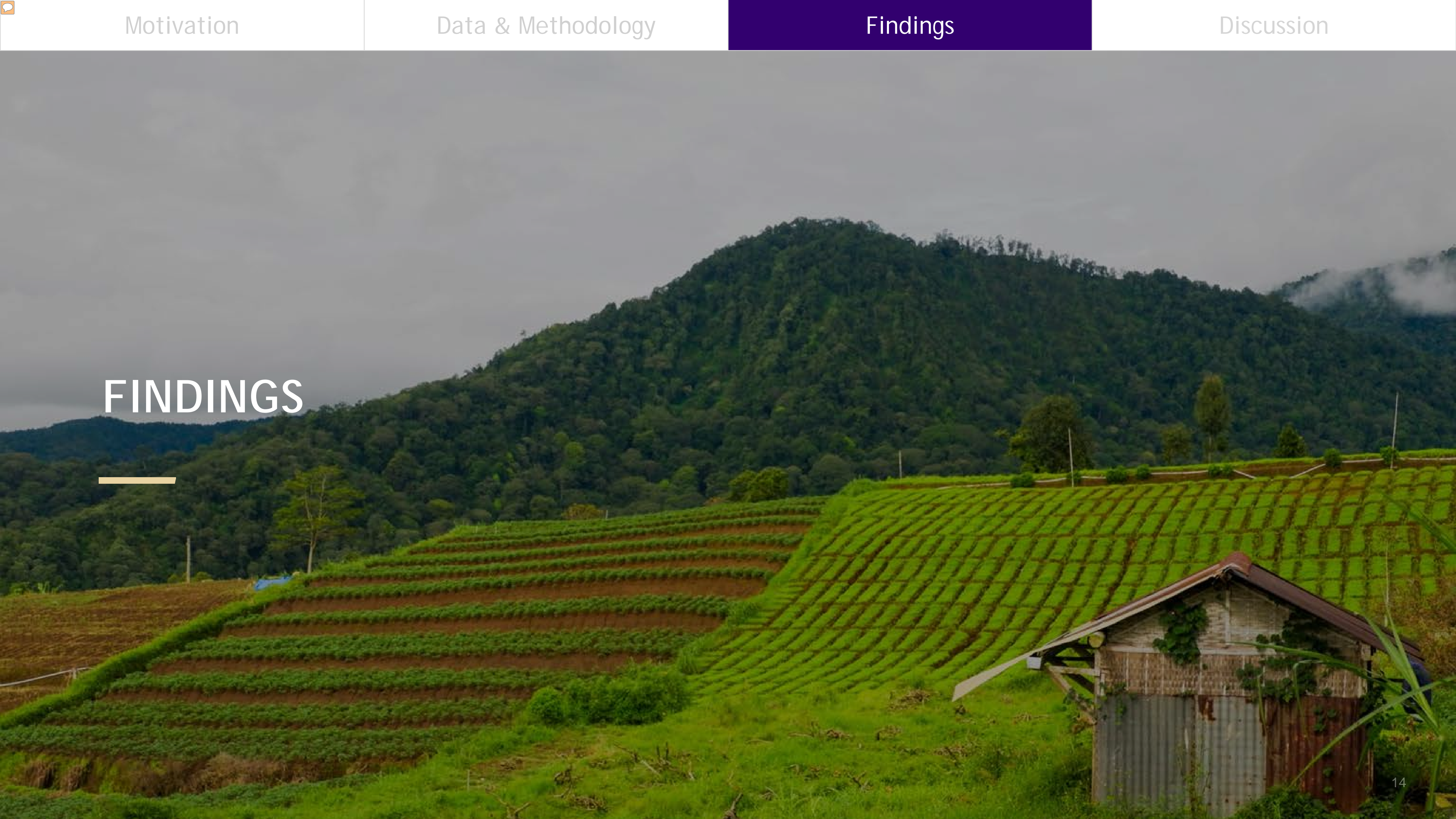
CLIMATE-RELATED AGRICULTURE FUNDING TO SUB-SAHARAN AFRICA, 2000-2019 (2019 USD)

- Increase in climate-related agricultural financing from \$709 million in 2010 to ~\$3 billion in 2019
- Growth driven by climate **adaptation** projects: 70% of climate-related agricultural ODA in 2019

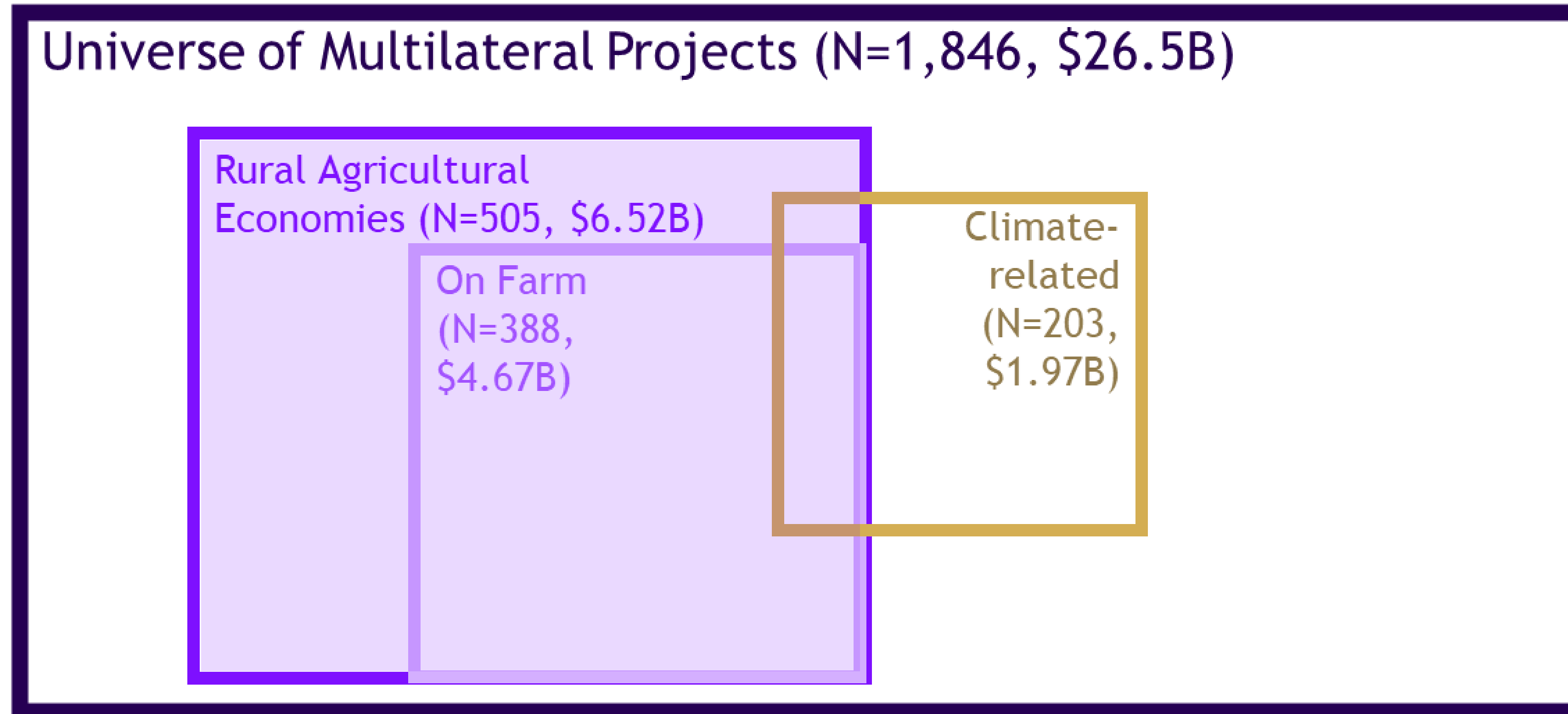


■ Climate adaptation
 ■ Climate mitigation
 ■ Overlapping commitments
 ■ Total

FINDINGS



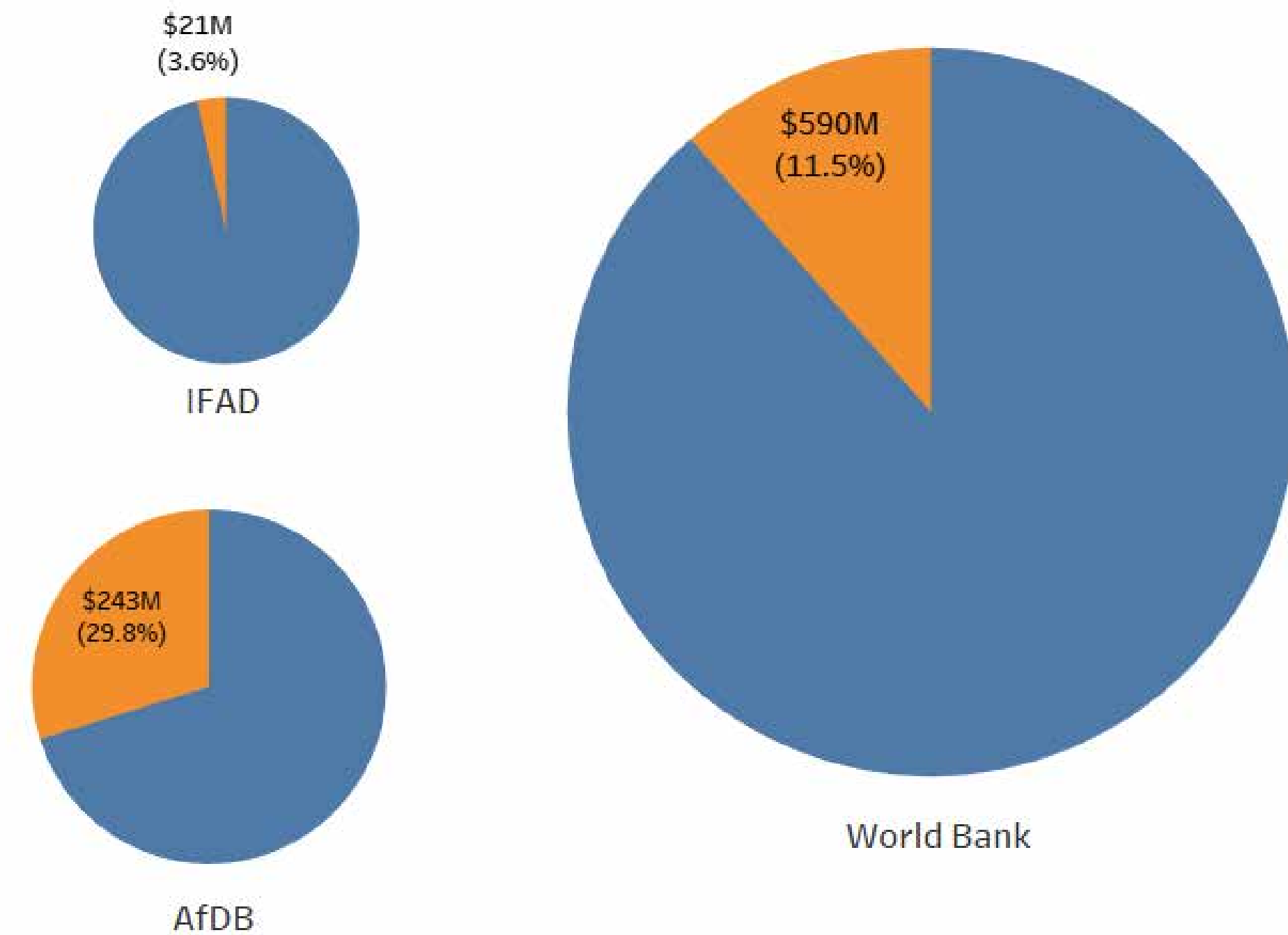
Characterization of Multilateral Financing Projects



1. What proportion of agriculture-related lending has a climate component?

Multilateral	Climate-Related Rural Agricultural Projects	Total Rural Agricultural Projects
World Bank	N = 32 12%	N = 259 100%
AfDB	N = 50 36%	N = 140 100%
IFAD	N = 7 7%	N = 106 100%
Total	N = 89 18%	N = 505 100%

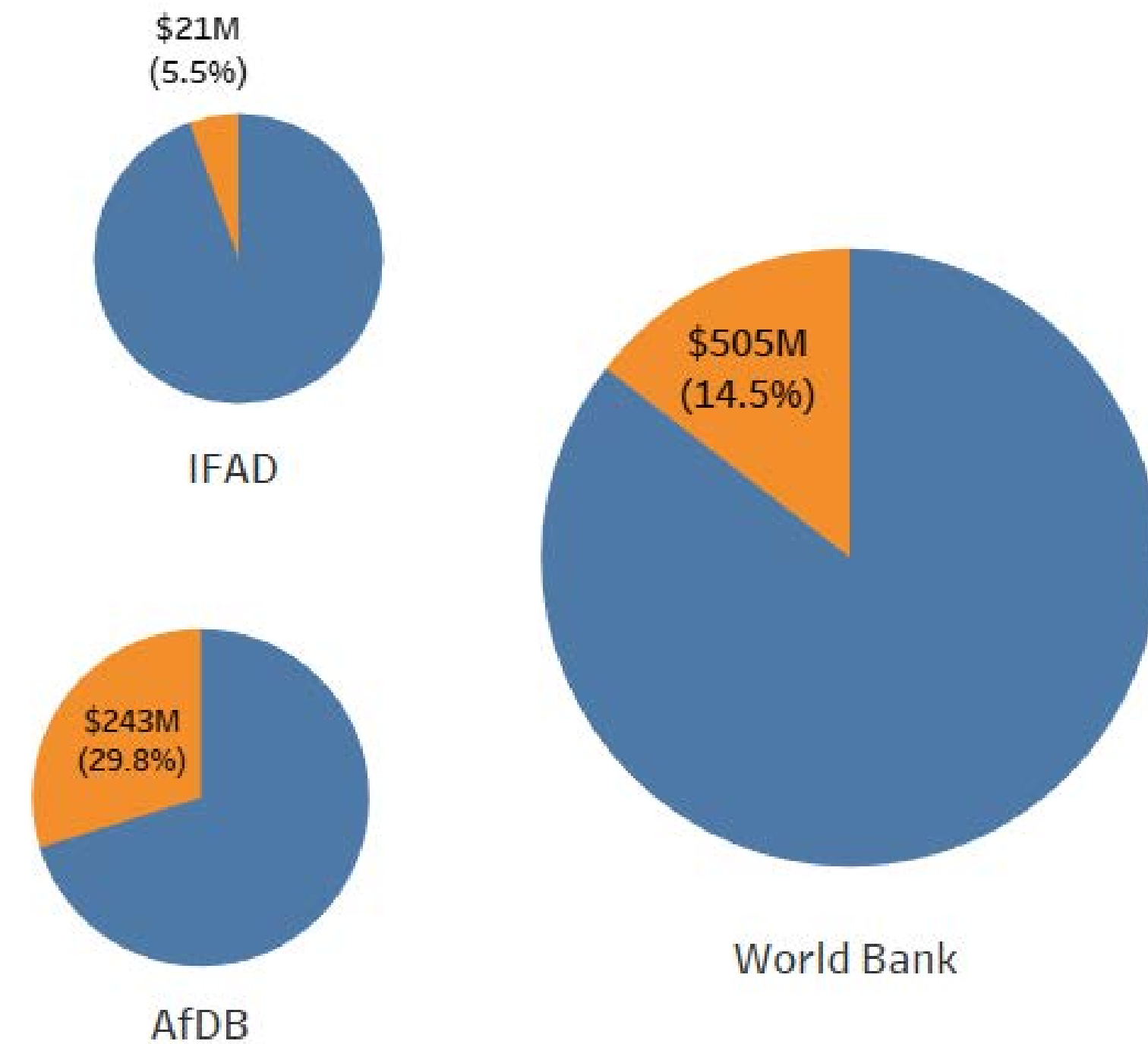
How Much of Each Multilateral's Rural/Agricultural Funding is Climate-related?



1. What proportion of agriculture-related lending has a climate component?

Multilateral	Climate-Related On Farm Projects	Total On Farm Projects
World Bank	N = 23 13%	N = 177 100%
AfDB	N = 50 36%	N = 140 100%
IFAD	N = 7 10%	N = 71 100%
Total	N = 80 21%	N = 388 100%

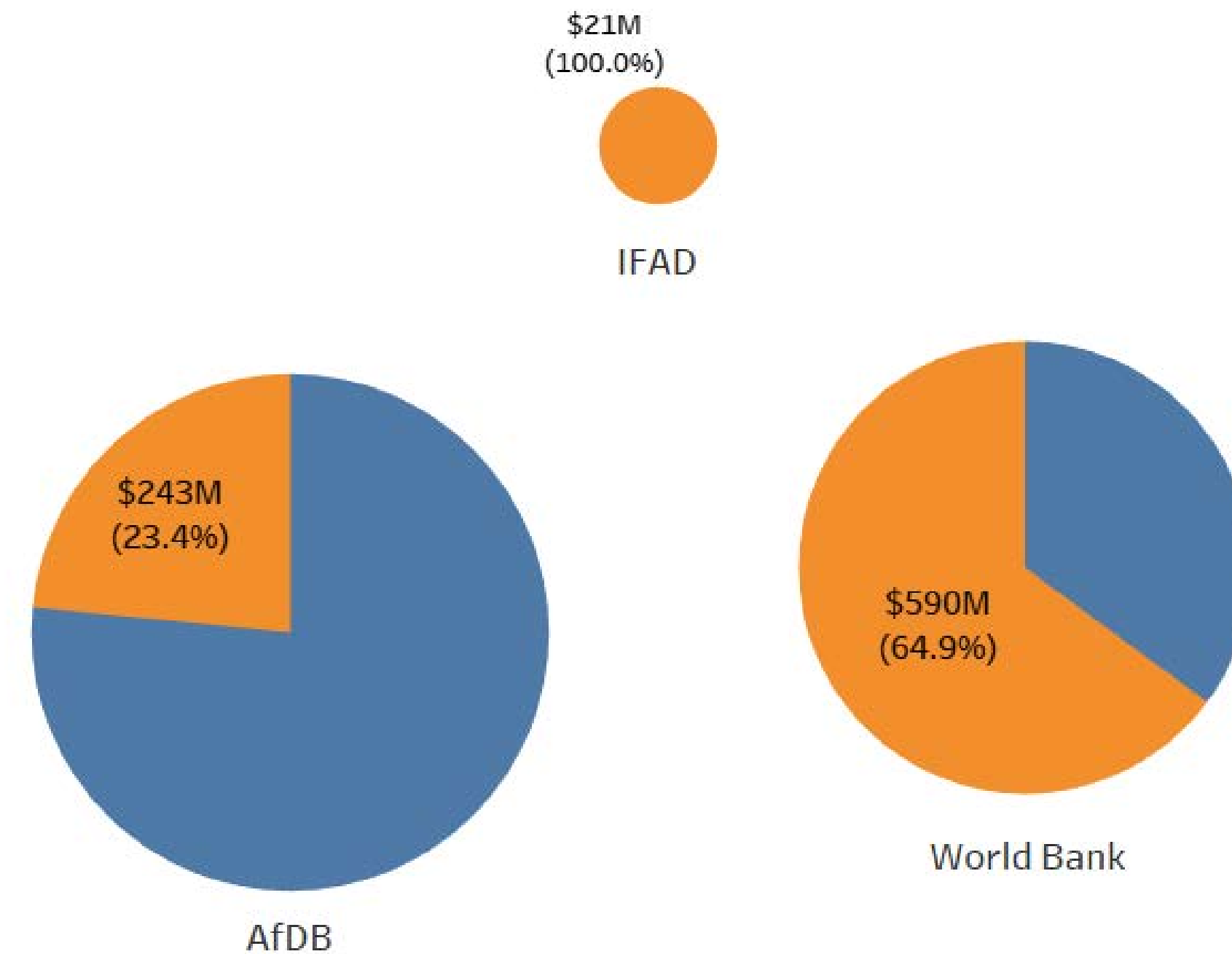
How Much of Each Multilateral's On Farm Funding is Climate-related?



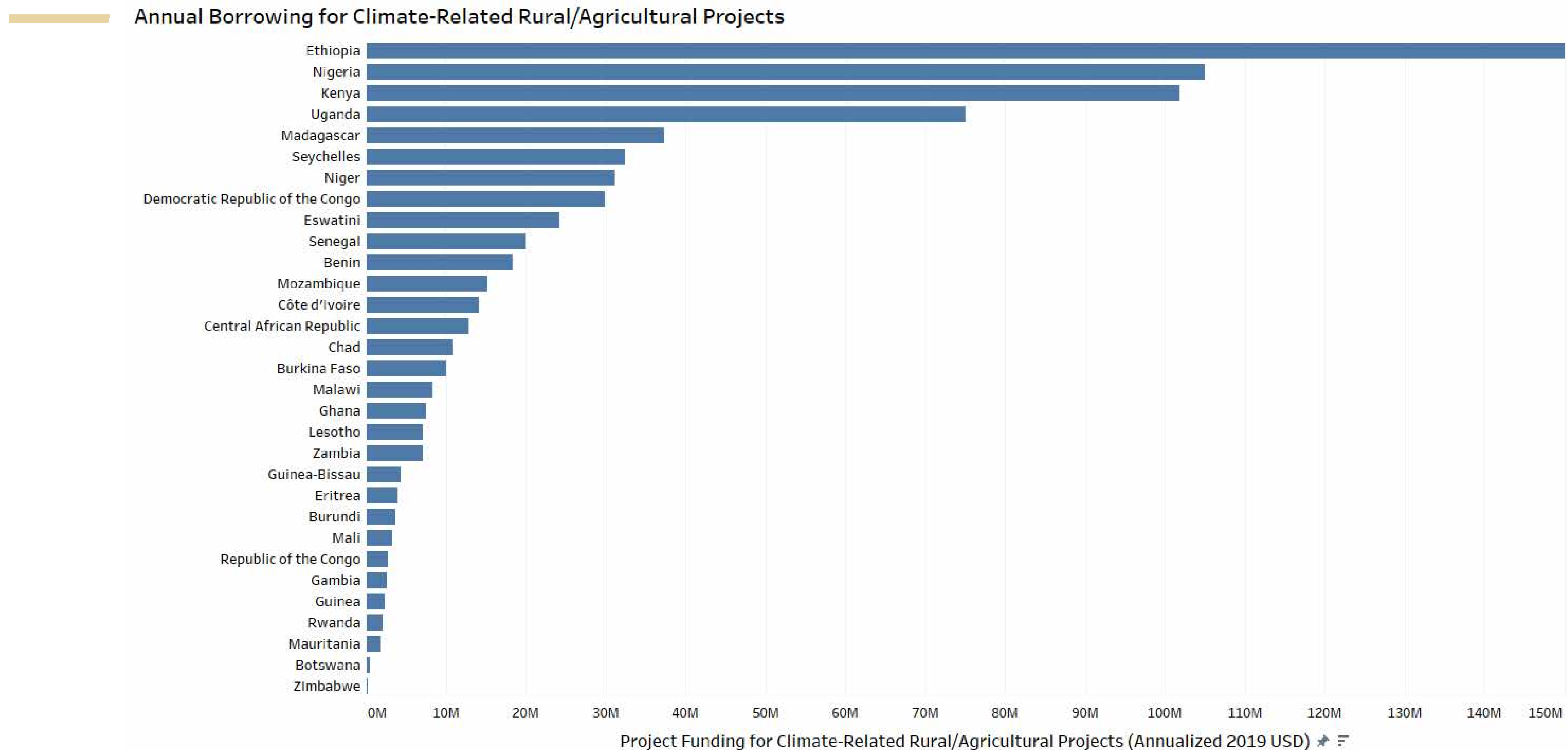
1. What proportion of agriculture-related lending has a climate component?

Multilateral	Rural Ag-Related Climate Projects	Total Climate Projects
World Bank	N = 32 55%	N = 58 100%
AfDB	N = 50 36%	N = 138 100%
IFAD	N = 7 100%	N = 7 100%
Total	N = 89 44%	N = 203 100%

How Much of Each Multilateral's Climate Funding is Rural/Ag-related?

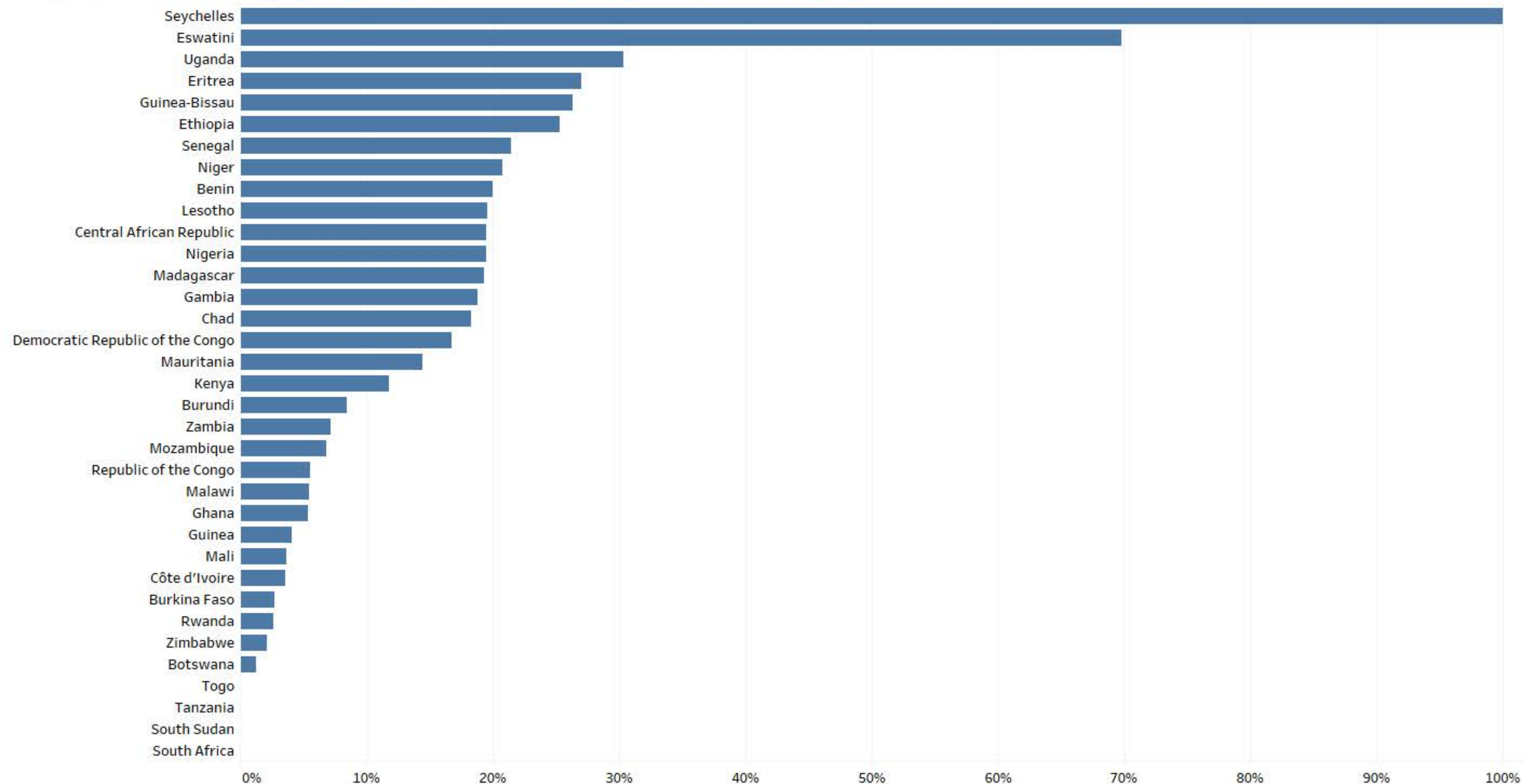


2. Which countries are borrowing most for climate-related agricultural projects?



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Proportion of Annual Rural/Agricultural Borrowing that is Climate-Related by Nation



Percentage of Annualized Rural/Agriculture Borrowing that is Climate-related ↗

3. Is climate-related agricultural borrowing correlated with a country's climate risk?

- No statistically significant relationship between a country's Climate Risk Index and its proportion of annual rural/agricultural borrowing that is focused on climate.
- No predictive relationship between CRI and the proportion of annualized on-farm borrowing for climate-related projects.

DISCUSSION & CONCLUSION



DISCUSSION

- IFIs currently devote ~13% of SSA rural agricultural funding to climate.
- Climate risk may be a driver of funding along with many other potential factors.

CONCLUDING REMARKS & FUTURE WORK

- Distinguish between and within climate adaptation and mitigation projects
- Merge agricultural project database with OECD climate project database
- Add bilateral funding of SSA agricultural projects and additional multilateral funding sources
- Test associations of agricultural borrowing against additional measures of climate risk and other hypothesized drivers such as FDI, public finance systems, etc.
- Distinguish across financial instruments, degree of concessionality etc.

Thank You.

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Federico Trindade

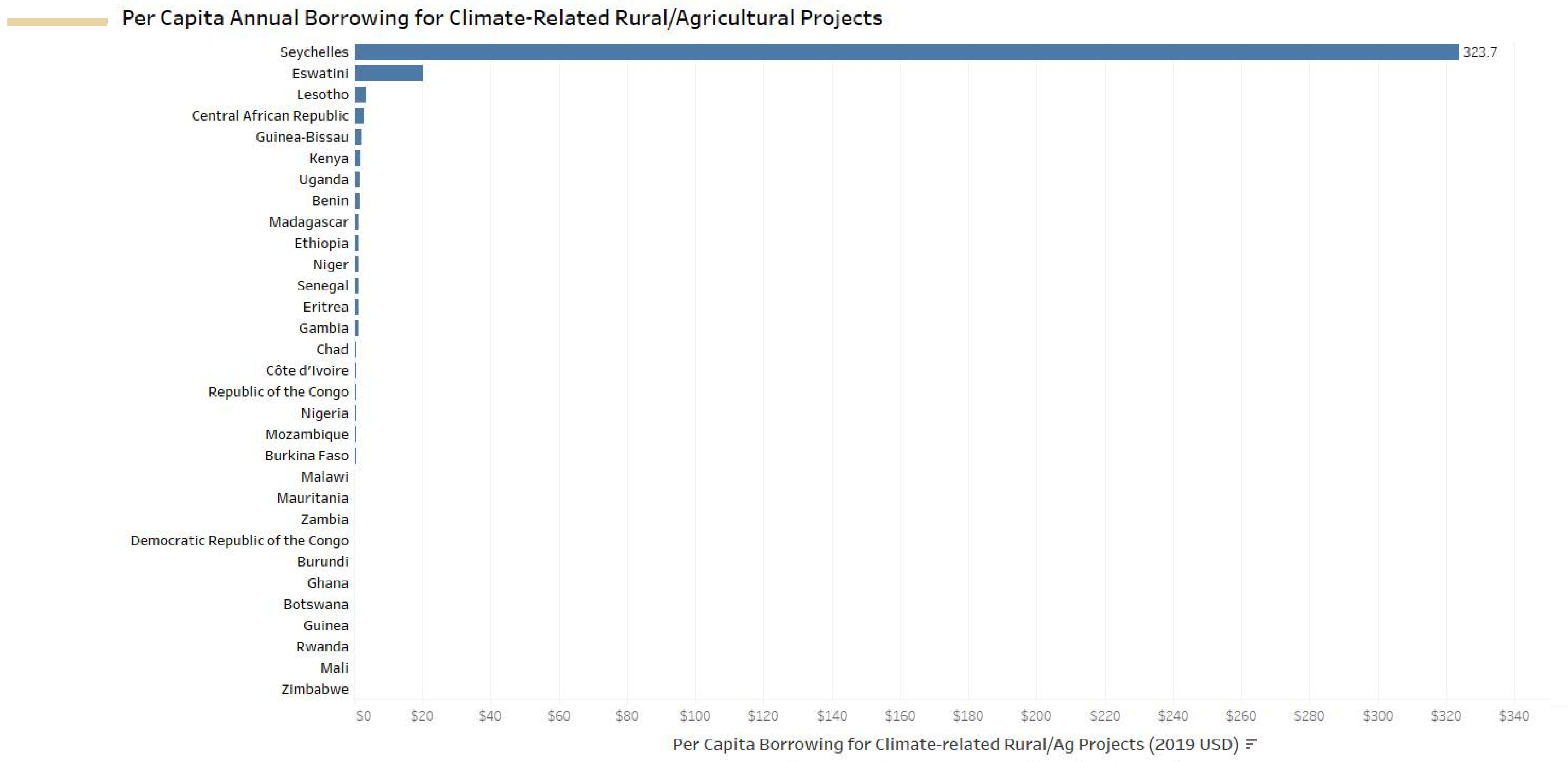
EPAR: [Evans School Policy Analysis and Research](#) group at the Daniel J. Evans School
of Public Policy and Governance, University of Washington

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UNIVERSITY *of* WASHINGTON

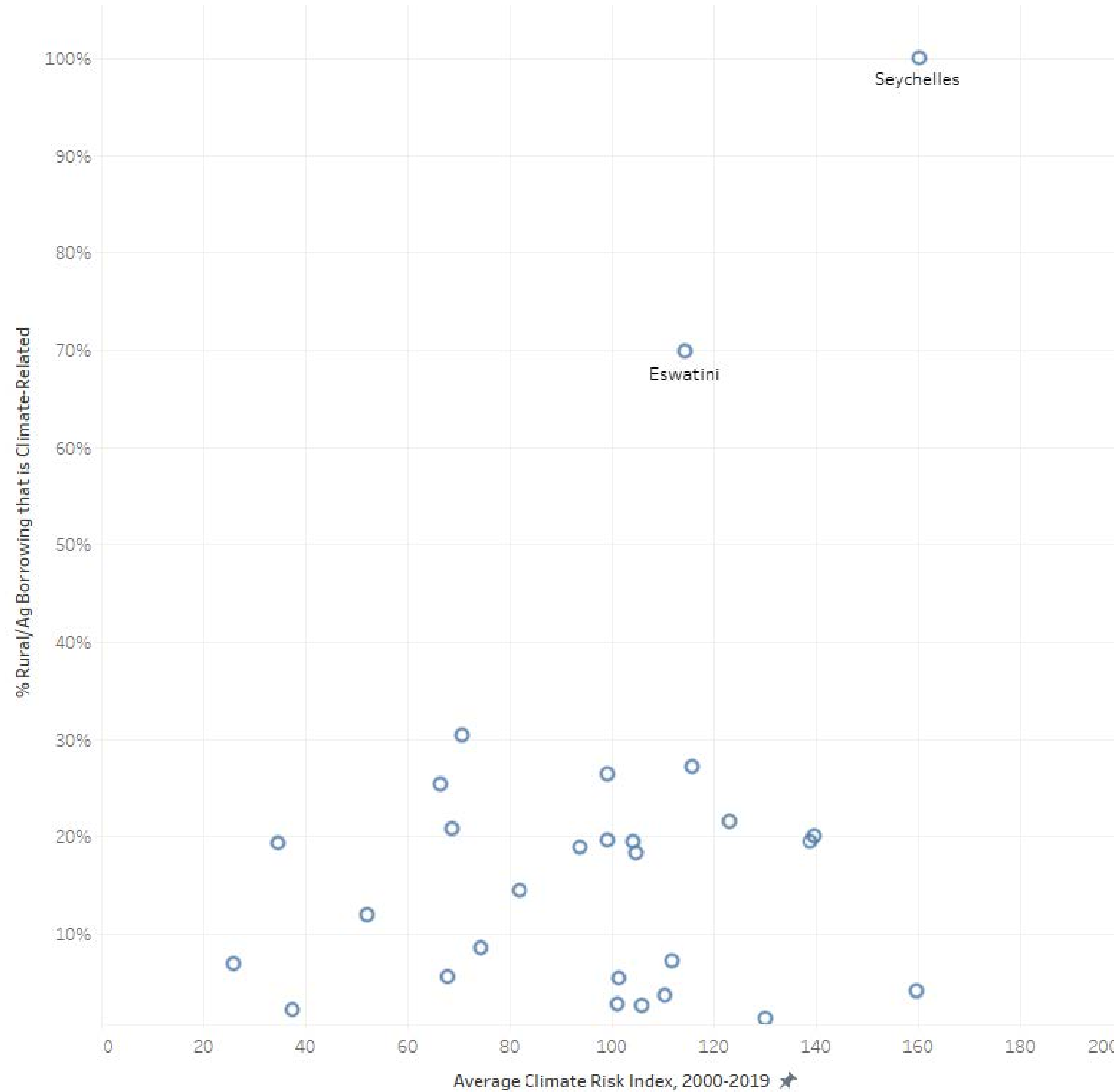
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JULY 2022

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GLOBAL CLIMATE-RELATED FUNDING, 2000-2019 (2019 USD)

ODA DATA FROM OECD

