

# AFRICA



# ADAPTATION NEWSLETTER

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## ACTUALIZING SUSTAINABLE DEVELOPMENT IN AFRICA USING INNOVATIVE FINANCING

Across Africa, growth and opportunity in the agriculture sector is constrained by limited access to capital. The sector employs up to 60 percent of the population while contributing 20-30 percent to Africa's GDP. And yet it does not attract more than 5 percent of lending from financial institutions on the continent, leaving farmers and agripreneurs starved of capital they need to grow and operate their businesses. With Africa's population expected to more than double to 2.5 billion by 2050, significant advances in farming production and productivity will be required to enable Africa feed itself. Finance and sustainable agricultural practices that drives agrovalue chain and use of clean sustainable energy that is more reliable and can easily be made available through public & private entity partnerships coupled with improved access to capital will not only improve the state of food security in Africa but also improve livelihood opportunities.

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## Innovative Sources of Financing for Implementation of Agenda 2030 & SDGs

**Across Africa, growth and opportunity in the agriculture sector is constrained by limited access to capital.** Agriculture in Africa employs or provides livelihoods to 60 percent of the population while contributing 20-30 percent to Africa's GDP. And yet, it typically attracts less than 5 percent of lending from financial institutions on the continent, leaving farmers and agricultural enterprises starved of the capital they need to operate and grow their businesses. With Africa's population expected to more than double to 2.5 billion by 2050, significant advances in agricultural production and productivity will be required to enable Africa to feed itself. Finance is what will make this possible.

Reaching the goal to feed a growing world population is threatened by an important lack of investment in agriculture and a decreasing Official Development Assistance (ODA) in agriculture. To tackle this issue, Innovative Financing Mechanisms (IFMs) are being discussed as a means to complement ODA without replacing it to provide reliable and predictable financing for development and specifically for agriculture and food security and nutrition, especially by catalyzing and encouraging new projects

**Finance matters because it is a catalyst for growth.** While there are a number of critical bottlenecks constraining the

growth of a highly-productive and prosperous agriculture sector in Africa, finance is a cross-cutting catalyst for growth in the sector. By making possible investments in, e.g., productivity-enhancing farm inputs or agro-processing equipment, finance is an enabler of the positive outcomes that policymakers, development institutions, farmers and firms seek: increased productivity, higher value products, and broadened diversity of agricultural production that drives economic growth

**Demand for finance in agriculture also includes medium-term financing for farm or agro-processing equipment, as well as long-term debt and equity investments** in capital equipment and land. Further, smallholder farmers often face limited access to the full gamut of formal financial services, including a dearth of savings and risk management products tailored to their unique circumstances.

This situation creates an opportunity for different types of financial intermediaries and providers of capital— from commercial banks to private equity funds, state-run agricultural development banks, microfinance institutions, and non-banking financial institutions like merchant banks, credit unions, insurance companies and mobile money providers—to play different roles in addressing different unmet finance needs in the agriculture sector.

**Innovative Mechanisms for financing Agriculture and ensuring Food Security in Africa.**

**Private sector-led innovative financing tools have great promise to improve access to capital in African agriculture by catalyzing private investment and addressing market failures.** Innovative financing instruments are designed to mobilize additional resources and address market failures or institutional barriers. They complement traditional resource flows such as foreign direct investment, remittances, government investment and development aid. And while public sector investment is important in agriculture, the private sector ultimately drives activity and growth in agricultural development. This makes private sector involvement central to public sector-initiated innovative financing efforts.

**Extension of solidarity taxes to agricultural development and food security.** In July 2010, the report of the Leading Group on the tax on financial transactions proposed the introduction of a 0.005% levy on currencies transactions that could generate some US\$ 50 billion per year to be used for development purposes. Nowadays, the debate is on a possible tax on financial transactions to face the credit crunch. ....[Read More](#)



## STEMMING ILLICIT FINANCIAL FLOWS TO FINANCE AFRICA'S CRITICAL SECTORS

### ILLICIT FINANCIAL FLOWS IN SUB-SAHARAN AFRICA

Over the last 50 years African countries have lost about \$1 trillion to illicit financial flows. This equates to around \$50 billion a year and is equivalent to all the official development assistance received by the continent over the same period. It is enough to wipe out Africa's total external debt of around \$250 billion and still leave \$600 billion for poverty alleviation and economic growth..

The last few years have seen a growing awareness of the resource losses to developing countries as a result of illicit financial flows, with many such flows motivated by efforts to reduce the personal and corporate tax burden.

In absolute amounts, South Africa is the second-largest victim of IFFs in Africa, after Nigeria, with an annual average of more than \$US 10 billion per year for the period 2002-2011. Egypt and Sudan are respectively the third and fourth largest victims in absolute amounts. However, taking IFFs relative to the scope of economic activity, both Ethiopia and Togo suffer larger IFF losses, with IFFs comprising an estimated average of 9.7% of Ethiopian GDP for 2002-2011 and an extremely high 65.9% for Togo. Though Ghana's result may appear more encouraging, there is a significant difference in IFF estimates before and after 2007 for Ghana; thus, the annual average for 2007-2011 is \$US 633, more than double the 2002-2011 average, or 2.1% of GDP for the more recent period. These estimates suggest that the problem of IFFs for Ghana has escalated significantly since the discovery of oil reserves and the consequent wave of

investment and production in extraction and related industries

Clearly, the potential resources lost as a result of IFFs are substantial and would go some way to address adaptation financing. In the South African country study we cite more detailed research that suggests that trade mispricing abuse alone (that is one, albeit a central, component of IFFs) may have cost the country up to 6% of tax revenue on average for the period 2001-2010.

IFFs are a problem of international taxation, and require internationally coordinated measures. However, this does not mean that revenue gains cannot be achieved through targeted domestic measures which go some way to reducing the asymmetry between revenue agencies and tax evaders and avoiders, such as establishing a transfer pricing unit that is adequately capacitated within the revenue authority, addressing obvious loopholes in the tax code, entering into information sharing agreements with other jurisdictions, and selectively targeting companies for more detailed tax audits based on risk profiles.

### Stemming Illicit Financial Flows

Grabbing the illicit outflows by the horn will require a partnership between both developing economies, which are losing these valuable resources, and developed economies that are absorbing them.

Developed economies should encourage greater financial transparency by reexamining issues related to confidentiality, the role of off-shore financial centers and tax havens.

Improved due diligence and know-your-customer provisions are needed so that true ownership information is readily available.

Tax evasion is an important aspect of illicit finance. To tackle it, developing countries should enter into automatic exchange of tax information agreements with developed countries. This should be accompanied by the signing of double tax agreements, to protect parties from being taxed twice.

Resource-rich countries should adopt and comply with initiatives like the **Extractive Industries Transparency Initiative**, which encourages the verification and publication of payments made by companies and revenues received by governments from oil, gas and minerals.

Countries with weak institutional capacity should strengthen legal institutions and empower regulatory agencies to exercise adequate oversight over trade and financial systems. Reducing inordinately high tax burdens, broadening the tax base, simplifying tax systems, and strengthening tax administration will all help curb illicit financial flows. ..

The May 6 draft of the Financing for Development Outcome document rightly highlights the importance of curbing illicit financial flows, which are sustained through global trading and financial systems. As the Africa Progress Panel says, global problems need multilateral solutions; this is one area where Africa need to agree on joint action...

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## DOMESTIC FUNDING TO CARTER FOR ADAPTATION COST



To address the multiple challenges of adaptation in Africa, there will be no silver bullet that can solve all the funding and implementation issues faced by African countries. Addressing these challenges will require the deployment of complementary measures at the international, continental and national levels.

### What are the options?

Despite witnessing exceptional growth in development finance in recent years, Africa is still faced with the arduous task of mobilizing adequate resources to fund its growth and future transformation agenda. Given the paucity of external development assistance, and low commodity prices for its goods and services, Africa has awakened to the fact that it must rely on its own financial resources for sustainable development.

Development analysts say Africa has realized that traditional sources of development finance, such as official development assistance and foreign direct investment, which have buoyed the continent's development efforts over the years, are not sustainable and cannot be relied upon as its main sources of funding, as was shown during the 2007–2008 global financial crisis.

At an African Group Perspective Conference on FfD in March, stakeholders said they were committed to funding sustainable development by mobilizing domestic resources, clamping down on corruption and illicit financial flows (IFFs) and addressing issues surrounding good governance....[Read More](#)

## Actualizing Sustainable Development Using Clean energy in Africa



Africa's economies are growing currently at an average rate of 4% per year. Six of the world's ten fastest growing economies over the past decade were in sub-Saharan Africa. If this growth is maintained, Africa's GDP should increase roughly three-fold by 2030 and seven-fold by 2050. However, sustaining such growth will only be possible if fuelled by a much larger and better performing energy sector.

Africans currently consume only one quarter of the global average energy per capita, using a mix of hydropower, fossil fuels and biomass – mostly in traditional uses. Providing full electricity access to all Africans would require only an additional 900 TWh over 20 years, an amount that corresponds to one year of current additional global power consumption.

Access to energy is a pre-requisite of economic and social development because virtually any productive activity needs energy as an input.

Basic levels of electricity access (e.g. lighting, communication, healthcare, and education) provide substantial benefits for communities and households. Providing a basic level of electricity access with renewable sources is increasingly

economically feasible (e.g. kerosene lighting systems at USD 4–15 per month cost households significantly more than the USD 2 per month to run a solar lighting systems). However, sustained economic development requires a definition of electricity access, which asserts that energy levels should provide for basic services as well as for productive uses. If these services are based on renewable energy sources, positive environmental impacts can also be achieved.

Decisions concerning the development of the African energy sector will have long-term implications for individual welfare, national economic development, and greenhouse gas emissions because investment in energy infrastructure spans several decades.

Given recent technological advancements and cost reductions, the large-scale deployment of renewable energy offers African countries a cost-effective path to rapid, sustainable and equitable growth. This is in line with the aspirations of the United Nations Secretary- General's Sustainable Energy for All initiative...[Read more](#)

## Nigeria Incentive-Based Risk Sharing System for Agricultural Lending

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### Mini Grids Project to Improve Energy Access in Zambia

#### Objectives

Zambia is facing significant energy challenges due to the lack of extensive national grid coverage. The biggest challenge is to be faced in rural areas, where only 3% of the population is connected to the national power grid and where the supply of power is predominately serviced by diesel generators.

#### Strategy

In order to address this, the Government of Zambia in collaboration with the Global Environmental Facility (GEF), UNIDO, UNEP, the Zambia Electricity Supply Corporation Limited (ZESCO), the Development Bank of Zambia (DBZ), the Rural Electrification Authority (REA) and the International Centre on Small Hydro Power (ICSHP) in China have developed a project targeting renewable energy for isolated mini-grids.

UNIDO is executing the project and it has a total budget of USD 7.506 million with a GEF grant amounting to USD 2.950 million and co-financing to the tune of USD 4.556 million. The project will install a biomass gasifier based power plant (1MW capacity) for electricity generation at Kaputa, a small hydropower station (1 MW capacity) at Shimunenga linking with productive uses and a solar energy mini-grid to introduce solar lanterns for fishing activities at night.

The project will also contribute to a legal, institutional and policy framework that provides a favourable environment for the commercial deployment of renewable energy based mini-grids in rural areas of Zambia. This is expected to sustain further expansion of the market of these technologies....[Read More](#)



#### PROJECT OVERVIEW

The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) is an initiative of the Central Bank of Nigeria (CBN), the Bankers Committee (BC) and the Federal Ministry of Agriculture & Rural Development (FMA & RD).

It provides guarantee in form of Credit Risk Guarantee (CRG) as a comfort for the Banks to lend and also incentivize the farmers through provision of Interest Drawback Program (IDP) to be paid quarterly based on the agricultural project. The Guarantee ranges from about 30-75% depending on the Agricultural value chain involved. IDP also ranges from 20-40% depending on the category.

#### Target

All actors in the agricultural value chain can benefit under NIRSAL. It's a financing initiative that will provide farmers with affordable financial products and reduce the risk of granting bank loans to farmers.

#### Objectives of NIRSAL?

NIRSAL has five key objectives that it hopes to achieve using its dynamic and holistic approach to tackling the challenges in the agricultural and financial value chains. They are:

- To fix agricultural value chains in order to provide a reliable platform for de-risking agricultural lending.
- To mobilize financing for Nigerian agribusiness by using credit guarantees to address the risk of default.
- To provide technical assistance through capacity building across the value chains.
- To reduce the cost of borrowing by agricultural producers from commercial banks.
- To provide technical advice to agribusinesses.

#### Aims of NIRSAL?

The NIRSAL, as a brainchild of successful collaborations between the ministry and the CBN, aims to de-risk agricultural lending to farmers and as well as lower the cost of lending for the banks. The Central Bank of Nigeria (CBN) has explained that Nigeria Incentive Risk Sharing of Agricultural Lending (NIRSAL) would be a risk-sharing barrier between banks, farmers and stakeholders in respect of agriculture lending ...[Read more](#)

## AFRICA LEDS PROJECT TO SUPPORT LOW EMISSIONS DEVELOPMENT



The Africa LEDS project is supporting Low Emissions Development (LEDS) in Africa in the context of respective socio-economic development priorities as stipulated in country development visions & strategies and encapsulated in their respective INDCs. Africa, a region highly vulnerable to climate change, stands to benefit significantly from implementation of the agreement in a transformational manner that targets actions at catalytic sectors that will also advance critical Sustainable Development Goals. To this end, the Africa LEDS project is being implemented in 8 countries, with the aim of replicating success and sharing lessons across the continent.

Among crucial provisions of the COP21 agreement that ensure alignment with country economic priorities is Article 3 on INDCs. This project is focusing on implementing INDCs in a way to achieve simultaneous climate objectives and socio-economic priorities of countries.

### Project Implementation.

Project implementation is under two components. The first focuses on strategic level interventions validated through a ground demonstration project, aimed at building the capacity of countries for LEDS planning and policy integration at sectorial and economy wide scales consistent with their respective climate objectives and socio-economic development priorities stipulated in their INDCs. [Read More](#)

## RESHAPING AFRICA'S FOOD SECURITY : TOGO EBAFOSA NATIONAL BRANCH LAUNCH



Following the 6th Special Session of the Africa Ministerial Conference on the Environment (AMCEN) supported the establishment of the Africa Ecosystem Based Adaptation for Food Security Assembly (EBAFOSA), its' Constitution and the outcomes of the process leading to the establishment of the Assembly, as the inclusive pan-African policy framework and implementation platform that brings together key stakeholders and actors along the entire ecosystem-based adaptation-driven agriculture value-chain.

With this highest policy recognition by AMCEN countries have a big opportunity to build on the call for these partnerships to implement their INDCs/NDCs as well as ensuring Adaptation Mitigation projects are jointly implemented towards a transition to low-emissions and climate resilient development in order to realize 2030 Agenda for the SDGs and Africa's Agenda 2063

It is against this backdrop that the Togo National Branch hosted by the Jeunes Verts Togo, a national Non-Governmental Organization was launched on 12th August 2016, under the theme "Re-shaping Togo's food security and climate resilience through EBAFOSA". The launch event under the leadership of the EBAFOSA Togo officials, and the government, academia, the private sector, and the non-governmental, attracted over 150 stakeholders representing multiple sectors from government, academia, NGOs, CSOs, individual professionals & citizens, farmers, resident UN agencies with strong media coverage to enhance awareness across the country.

The EBAFOSA Togo was officially launched by the Ministers of Environment and Agriculture. In his statement the Minister of Environment highlighted that EBAFOSA is timely and fits into the Vision of Togo and political space. He noted that the government has so many plans and policies and there has been no practical implementation framework and platform to mobilize means of implementation. He therefore lauded the coming of EBAFOSA as timely to help Togo convene both state and non-state actors to implement the SDGs and the Paris Agreement in a manner ensuring both socio-economic development and climate action.

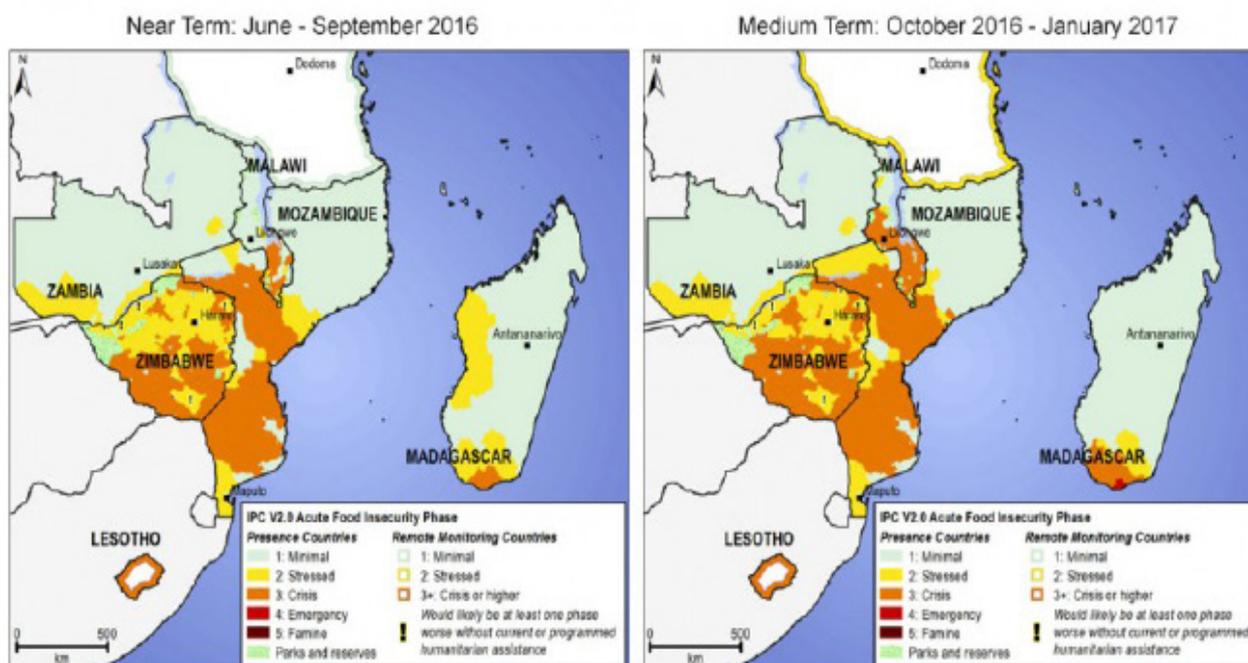
The minister said that through EBAFOSA, Government Plans will be translated into action especially in the area of energy, food security and climate resilience. He also said that EBAFOSA framework gives Togo the opportunity to fulfil its climate obligations. [Read more](#)

## EVENTS

<b>SEPTEMBER</b>	<b>07</b> MONROVIA, LIBERIA  30 <sup>th</sup> Meeting of the Least Developed Countries Expert Group (LEG)	<b>10</b> BERLIN, GERMANY  Industrial Efficiency 2016	<b>13</b> NEW YORK, USA  71 <sup>st</sup> Session of UN General Assembly (UNGA 71)	<b>13</b> BONN, GERMAN  10 <sup>th</sup> Meeting of Adaptation Committee
<b>OCTOBER</b>	<b>06</b> DUBAI, ICC UAE  World Green Economy Summit (WGES) 2016	<b>08</b> KIGALI, RWANDA  28 <sup>th</sup> Meeting of The Parties to the Montreal Protocol	<b>15</b> TORONTO, CANADA  5 <sup>th</sup> International Conference on Climate Change Adaptation 2016	<b>17</b> BANGKOK, THAILAND  44 <sup>th</sup> Session of the IPCC
<b>NOVEMBER</b>	<b>02</b> PARIS FRANCE  International Coral Reef Initiative General assembly	<b>09</b> NEW DELHI, INDIA  First International Agrobiodiversity Congress 2016	<b>07</b> MARRAKECH, MOROCCO  The 22 <sup>nd</sup> session of the Conference of the Parties (COP 22) to the UNFCCC	

## CLIMATE WARNINGS

According to FEWS NET, earlier depletion of household stocks and above-average food prices results in increasing number of households experiencing Crisis (IPC Phase 3) Outcomes. The main drivers of these increases are low local market supplies and unusually high consumer demand due to significant production decreases.



**PUBLICATIONS**

Climate Change Adaptation and Mitigation: Challenges & Opportunities

Impacts, Vulnerabilities and Adaptation in Developing Countries

Addressing Climate Change Challenges in Africa

Opportunities for Linking Adaptation and Mitigation in Agroforestry System

Climate Change in The African Drylands: Options and Opportunities for Adaptation and Mitigation

Climate change adaptation and Mitigation in the Tourism Sector

Africa's Climate Opportunity: Adapting and Thriving

Rangelands in a Changing Climate: Impacts, Adaptation and Mitigation

Integrating Ecosystem Based Adaptation and Mitigation in Africa: Policy and Practice

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Climate finance in Africa

Climate Finance Regional Briefing: Sub-Saharan Africa

Climate Finance :Is it Making a difference

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