African Civil Society's Marrakech Declaration on Climate Finance

Marrakesh, Morocco, 08 October. 2023 *– At the invitation of the Pan African Climate Justice Alliance, African Civil Society Organizations held a roundtable discussion on adaptation finance. The event occurred as a pre-event of the Annual World Bank/ IMF on 7-8 October 2023 in Marrakech, Morocco. At the end of the deliberations, participants issued the following statement. The statement is intended for delegates attending the IMF/ World Bank annual meeting from 9th to 15th October. The theme of the meeting is Global Action, Global Impact.*

Background

This year, the World Bank/ IMF annual meeting is happening on a continent whose optimism on commitments by the global communities to address the climate crisis is quickly fading away. Scientists warn that we are staring at a time bomb that will explode if we do not decisively cut down our greenhouse gas emissions by 43% by 2030 to keep the 1.5 degrees Celsius goal alive.

The IPCC AR6 report projects more frequent and intense heat waves, droughts, floods, storms, and wildfires under all emission scenarios. This will shoot ongoing climate-related losses and damages in developing countries beyond the coping capacities of the already vulnerable and struggling economies and communities. These impacts have disproportionately burdened the poorest and most marginalized groups that have contributed least to global greenhouse gas emissions.

Additionally, according to the IPCC, Africa has suffered annual losses of $7 billion due to climate change between 2010 and 2019. If we continue with high-emissions scenarios, this figure could rise to $50 billion by 2040. This could cause a 2-4% reduction in Africa's Gross Domestic Product (GDP) growth per year by 2040 and a 10-25% reduction by 2100. It is therefore crucial to provide urgent finance specifically dedicated to adaptation, loss, and damage to help countries prepare for future displacement, livelihood disruption, and losses.

Unfortunately, developing countries receive too little adaptation finance. According to the Adaptation Gap Report 2022, developing countries received international adaptation finance worth US$28.6

billion in 2020. This amount accounts for a 34% share of total climate finance to developing countries in 2020 and represents only a 4% increase from the previous year. The report also reveals that the adaptation needs are estimated to be USD 340 billion per year by 2030, which means that the costs could reach $500 billion annually by 2050.

The Pan African Climate Justice Alliance, representing civil society organizations in Africa, is deeply concerned about the current state of climate change financing. There is a lack of commitment to provide essential financial support to the countries and communities that need it most. The Green Climate Fund was created to finance climate action, partly because multilateral development banks (MDBs), including the World Bank, were not suitable for administering climate finance due to their business approach. Unfortunately, most of the finance provided by these institutions comes in the form of loans for disaster recovery and reconstruction, which is unjust. The most vulnerable victims of the climate crisis bear the burden of the costs despite having done the least to create it. The sad reality is that poor and vulnerable countries must choose between paying off their debts or addressing the climate risks they face. These countries are already trapped in a debt spiral as they try to recover from each new shock.

We note and recall that:

African countries have recognized the urgent need to address the impacts of climate change, which are already affecting the continent. They have prioritized climate adaptation over mitigation, acknowledging that while mitigation efforts are crucial, adaptation measures are more immediate and critical for safeguarding lives and livelihoods in Africa.

An increasing number of people around the world, from both the global north and south, are willing to engage in constructive dialogue about the need for reform in the global financial system. This includes ongoing initiatives and campaigns aimed at tackling the issue of mounting global debt levels. One such effort is the Sustainable Debt Coalition, which seeks to promote sustainable development by advocating for reforms to the international debt architecture, with the goal of increasing finance for sustainable development. The coalition seeks to address the root causes of the debt crisis and to promote responsible borrowing and lending practices, with a view to creating a more equitable and sustainable global financial system. These discussions should cover crucial topics such as financial regulation, international trade, and debt restructuring, among others. The goal of these conversations should be to create a financial system that is more stable, sustainable, and equitable, and that benefits everyone, not just a select few.

Many developing countries, particularly in Africa, are facing a growing debt burden that adversely affects their economic growth and development. This debt burden makes it challenging for them to invest in crucial areas, such as health, education, and infrastructure. Additionally, the current loans-based approach of most climate finance worsens the indebtedness of these countries.

The Intergovernmental Panel on Climate Change (IPCC) has estimated that Africa may need up to $86.5 billion annually by 2030 to adapt to climate change impacts. This highlights the urgency for measures that address the devastating effects of climate change on vulnerable communities in Africa. Investments in adaptation strategies such as resilient infrastructure, agricultural practices, and disaster risk reduction are crucial to mitigate the impact of climate change on the continent.

The issue of the climate adaptation finance gap is becoming increasingly significant. The amount of funds allocated for this purpose is estimated to be much lower than what is required to prepare low-income countries for the fast-paced climate impacts. Experts believe that the current adaptation finance falls at least 5-10 times short of the actual amount needed to mitigate the adverse effects of climate change. There is also a huge disparity between mitigation and adaptation finance, with country-allocable global mitigation finance (US$4.8 billion) being double that of global adaptation finance (US$2.5 billion) in 2021. MDBs have played a leading role in creating this disparity. Collectively they committed a total of $66.05 billion in 2020. However, 76 percent of this funding was allocated towards mitigation efforts, while the remaining 24 percent was earmarked for adaptation. This has resulted in an undesirable imbalance between the financing of these two vital areas.

Countries that are highly vulnerable to the impacts of climate change and are already struggling with protracted crises have only received an average of $1 per person from multilateral climate funds between the years 2003 and 2020. This inadequate funding is a cause of concern as these countries face some of the most severe consequences of climate change, including droughts, floods, and extreme weather events, which exacerbate ongoing conflicts and humanitarian crises. The need of the hour is to ensure that these countries receive sufficient funds to develop and implement adaptation and mitigation strategies to address the impacts of climate change and build resilience in their communities.

At the 27th Conference of Parties (COP27), a call was made to Multilateral Development Banks (MDBs) to facilitate easier access to climate finance. The intention behind this call is to make it simpler for countries to receive the necessary funds for their climate action plans. This will be important as countries around the world continue to work towards reducing their carbon footprint and alleviating the impacts of climate change.

Private finance can be a valuable contributor to climate action, but it should not be viewed as a substitute for public finance. While private finance can bring innovative financial instruments, expertise, and resources to the table, it can also be subject to market risks and may not address the needs of vulnerable communities. Public finance, on the other hand, is critical for stimulating investment in areas of the economy that may not attract private investment, such as renewable energy infrastructure or adaptation projects in developing countries. It is important to strike a balance between private and public finance to ensure that climate action is effective, efficient, and equitable.

We, therefore, call on the World Bank and IMF:

- To prioritize grant financing over debt financing to support sustainable development and climate change: Instead of financing projects through loans, financial institutions should provide grants to support sustainable development and climate change, which would not require repayment and would be more accessible to communities in need.

- Undertake institutional governance reform within the MDBs to ensure that governance is more equitable and that representatives from all regions have equal decision-making power.
- Follow through on the call by Parties to UNFCCC at COP27 to MDBs and their shareholders to reform their practices and priorities to sustainably increase climate finance,
- Reject the proposal raised by the US government at the L&D transitional committee meeting to present the World Bank as the host of the loss and damage fund. If adopted, this proposal would limit access to L&D funding and burden communities in the Global South with debt-creating financial mechanisms.
- Shift their emphasis from pure economic prosperity to human well-being and broaden their focus from financial targets to environmental, social, and governance impacts.
- Work with developed countries to restore and strengthen global accountability between MDBs and national governments to ensure that financing is being used for sustainable development and climate change.
- Work with Governments to develop reporting rules on climate finance to avoid inflated claims and double counting.
- Channel finance directly to national and subnational governments and local actors consistent with the principles of locally-led action to ensure that communities have direct access to funding for sustainable development and climate change.
- Support Parties to UNFCCC to accelerate negotiations on a New Collective and Quantified Finance Goal, which should pave the way for predictable, adequate, and flexible climate finance to vulnerable countries and communities.
- Align with an effort to reach urgent conclusions on the modalities of operationalizing the loss and damage facility. The funding mechanisms should follow the principles of equity, and CBDR, and must be Party-driven, where decisions are agreed upon by consensus. The funding mechanisms should follow the principles of equity, and common but differentiated responsibilities (CBDR), and should be Party-driven, where decisions are agreed upon by consensus. The loss and damage fund should be grant-based, locally-led, broad-based, and adopt a whole society approach. Additionally, it should be gender-responsive and accessible to communities at the frontline of the climate crisis.

About PACJA

The Pan African Climate Justice Alliance (PACJA) is a consortium of more than 2000 organizations from 51African countries and brings together a diverse membership drawn from Faith-based Organizations, Community-based organizations, non-governmental organizations, Trusts, Foundations, Indigenous Communities, Farmers and Pastoralist Groups with a shared vision to advance a people-centered, equitable, just, and inclusive approach to climate response.

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