

Communiqué

Egypt – International Cooperation Forum and Meeting of African Ministers of Finance, Economy and Environment

7-9 September 2022

Al Masa Convention Centre
New Administrative Capital, Cairo, Egypt

- i. *We, African ministers, and senior officials responsible for finance, environment and sustainable development, economic and social development, heads of international organisations, representatives of Multilateral development banks, development partners and financial institutions, and members of delegations of the parliaments of African Union member States and experts representing Governments and intergovernmental organisations, the private sector, philanthropies and civil society;*
- ii. *Convened* in Cairo, Egypt, from 7 to 9 September 2022 at the second edition of the Egypt International Cooperation Forum and Meeting of African Ministers of Finance, Economy and Environment, organised under the patronage of His Excellency the President of the Arab Republic of Egypt, Abdel Fattah Al-Sisi, and COP27 Presidency to reiterate our commitment towards accelerating the climate action agenda for a resilient and prosperous Africa;
- iii. *Expressing* our gratitude to the President Abdel Fattah Al-Sisi and Government of Egypt for having hosted the event and ensured all the necessary conditions for the successful completion of its work, which was marked by fruitful and high-quality discussions on the monitoring and evaluation of the progress achieved, exchange of experiences in the area of climate finance in Africa, and the formulation of key messages aimed at accelerating a just and holistic implementation of the 2030 Agenda for Sustainable Development and its SDGs, Agenda 2063: The Africa We Want, of the African Union, as well as the UNFCCC Convention and its Paris Agreement;
- iv. *Acknowledging* the need for more coordination and commitment ahead of COP27, while highlighting the role of the different stakeholders and capitalising on the needed interplay between them, particularly the role of the African institutions, including, the African Group of Negotiators, the AMCEN and CAHOSCC and the three regional Climate Commissions;
- v. *Considering* the disproportionate impact of climate change and nature loss on the African continent given its low carbon footprint, contributing to less than 4% of greenhouse gases emissions, Africa's role in capturing greenhouse gases, and its needs to mitigate and adapt to the adverse effects of climate change, recalling the Africa adaptation initiative (AAI) and the Africa renewable energy initiatives (AREI) and other Africa wide continental initiatives;
- vi. *Emphasising* the need to focus on and deliver implementation in relation to commitments already made under UNFCCC process, and the need to empower national governments, regional bodies, local government authorities, the private sector, development partners, civil society, in a

- people centred inclusive approach to deliver meaningful development outcomes and secure a climate resilient future aligned with the goals of the Paris Agreement.
- vii. *Pointing out* Africa's role in carbon sequestration, in particular carbon sinks of great importance for humanity such as the peatlands of the Congo Basin for the benefit of the humanity and the planet, notwithstanding the unremitting pace of natural degradation and biodiversity loss;
 - viii. *Recalling* that Africa had significant development financial needs prior to Covid-19, in the range of USD 130-170 billion, noting that countries are already spending between 3-9% of their GDP on climate change adaptation and that financial needs have been exacerbated by a post-Covid19 recovery which has been more modest in Africa than in other regions;
 - ix. *Recalling* that African countries have formulated ambitious NDCs requiring up to USD 3 trillion between 2020 to 2030 to be implemented and therefore requiring accessible and predictable climate finance flows, not to mention that, according to UNFCCC, most of developing countries' actual needs are not accounted for in their NDCs;
 - x. *Underlining* the need for the continued increased ambition in NDCs, and the need to update NDCs to reflect the status of the current climate emergency, to achieve progressive steps on the climate action agenda, further support is needed with regards to planning, financing, implementing and, ultimately, enhancing the quality of climate commitments;
 - xi. *Also, considering* the threats to food security amplified by the war in Europe, alongside the continuing impact of the COVID19 pandemic and the increasing costs to deal with the extreme and slow-onset weather events of climate change *and recognising* that African countries face increasing debt servicing costs associated with these crises;
 - xii. *Concerned* with the current crises and their impacts on Africa, in particular those related to energy prices, food security, increasing cost of finance, debt burden, the geopolitical crisis in Europe, and the unmanaged transition to a low emission and climate resilient development;
 - xiii. *Concerned* about the various intertwined social, economic and environmental effects of climate change and the depletion of the continent's natural capital, which has failed to add value to its full potential, that could undermine efforts to achieve the Agenda 2030 and Africa 2063 Agenda, particularly in African countries;
 - xiv. *Highlighting* the special needs and circumstances of Africa, in particular in relation to low energy access, increasing debt distress, climate induced displacement and socio economic impacts, and accessibility to climate finance, and Africa needs to achieve social and economic development and eradicate poverty;
 - xv. *Recalling* that Africa receives less than 5.5% of climate financing, most of which is provided by MDBs; expressed concerns that the disbursement rates of announced pledges and commitments remains inadequate; As an illustration, current MDB private investment mobilization ratio of 29 cents to the dollar and the disbursement level of MDBs shows that \$26.6 billion remains undisbursed out of the \$42.7 billion committed for 256 different energy programmes by the African Development Bank, the Asian Development Bank and the World Bank;

- xvi. *Welcomes* the agreement at COP26 that encourages Parties to ensure that just transition financing is incorporated into approaches to align climate action with the goals of the Paris Agreement¹ and the agreement on the need to ensure just transitions that promote sustainable development and eradication of poverty, and the creation of decent work and quality jobs, including through making financial flows consistent with a pathway towards low greenhouse gas emission and climate-resilient development, including through deployment and transfer of technology, and provision of support to developing country Parties.²
- xvii. *Capitalising* on the growing interest of institutional investors in climate financing, manifested in multiple initiatives that were launched during COP26, such as the Glasgow Financial Alliance for Net Zero (GFANZ), and highlighting the importance of creating an enabling environment to provide favourable risk-return portfolios for private sector engagement in climate adaptation and mitigation projects;
- xviii. *Acknowledging* the critical role of Multilateral Climate Funds (MCFs) in financing the climate agenda, especially adaptation projects, and recognising the limited access of African countries to these funds due to the required technical and administrative capacity to design and implement investable projects;
- xix. Acknowledging the complementary role philanthropies can play in supporting African countries to restore their ecosystems, transition to low emissions and climate resilient development pathways;
- xx. *Stressing* on the need to scale-up investments towards climate adaptation and mitigation projects, and highlighting the importance of improved access to quality and quantity climate financing that leaves no one behind, in order to underpin an ambitious and realistic actionable climate agenda that is rooted in the principles of Justice and Equality;
- xxi. *Reaffirming* previous Declarations, pledges, achievements on climate, environment, nature and biodiversity that are still relevant;
- xxii. *Stressing* the need to act now and at scale for financing an inclusive, just and resilient recovery and accelerated delivery of sustainable development in Africa;

Reaffirming the focus on mobilising resources for resilience and a new collective goal on climate finance

1. *Reiterate* our commitment to accelerate the achievement of the goals of the UNFCCC, the Paris agreement and the Sustainable Development Goals, through pathways that support the Just and Equitable Transition to a low emission and climate resilient development, including through a blue, green, just and inclusive recovery from the multiple crises facing the continent;

¹ Decision 5/CP.26, paragraph 10

² Decision 1/CMA.3 paragraph 85

2. *Strive* to enhance Africa's resilience and adaptation capacity in order to achieve the global goal on adaptation with a view to significantly reduce the immediate, short- and medium-term negative effects of climate change on African countries
3. *Call on* African countries to strengthen institutional arrangements to enhance efforts to adapt to the effects of climate change, and to avert, minimize and address loss and damage, in line with achieving sustainable development and poverty eradication.
4. *Urge* developed countries to fulfil their pledges in relation to climate and development finance, and deliver on their commitments to double adaptation finance, in particular to Africa, and facilitate access to appropriate finance and investments to enable African countries to unlock their potentials to play their role in the global action to tackle climate change while mitigating the effects of the pandemic and achieving just transitions in particular in energy;
5. *Request* all global stakeholders to fulfil unmet commitments to provide finance and technology transfer to ensure sustainable and resilient development;
6. *Advocate* that the setting of the new collective goal on climate finance be impact based on the aggregate finance needed to meet the goals set by the international community to combat climate change, address poverty eradication and achieve sustainable development. The new goal should be based on the needs identified by developing countries in their NDCs and as reflected in the SCF need report and no less than 2% of global GDP additional to the ODA commitments, and decadal and annual financing goals linked to pledges and actions of developed countries as requested in the Convention and Paris Agreement, and clearly based on the needs and priorities of developing countries;
7. *Urge* that Article 2, paragraph 1(c), of the Paris Agreement be operationalised in a manner that recognises different national circumstances and capacities and allows developing countries to sustainably transition while maintaining economic and social development;

Reducing of the cost of green borrowing, and the enabling role of Internationals Financing institutions and Multilateral Development Banks

6. *Invite* the UN system, the African Union Commission and the African Development Bank and partners to strengthen the capacity of African countries to take advantage of the Financial Stability Board (FSB) and the Resilience and Sustainability Trust (RST) and other innovative financing mechanisms, including green and blue bonds and debt swaps for biodiversity and sustainable development;

7. *Underscore* that meeting the African NDC financing needs and those of all developing countries merits consideration of the appropriate scale of MDB climate and development finance, and that if developing countries continue to borrow to invest for climate purposes, the MDBs will need to provide a significant share of these investments in climate -resilient, low-emissions growth.
8. *Address the need for liquidity* in fiscally constrained African and developing countries to invest in climate resilience through a new issuance of SDRs.
9. *Support* the work of the International Sustainability Standards Board (ISSB) to introduce a global baseline of sustainability disclosures to meet the needs of capital markets, which will enhance transparency, accountability, efficiency and comparability across market. Early adoption by African jurisdictions and companies has the potential to attract more investment and to boost private sector development in Africa. We urge the ISSB to work closely with African stakeholders and to provide strong advisory and capacity building support to achieve early adoption of the ISSB standards in Africa.
10. *Stress on the role of using concessional funding and grants in blended finance vehicles* as a catalyst for private capital through creating fiduciary investment assets by improving the risk-return ratios, and aiming to upscale African engagement and participation in the issuance of Green Social and Sustainability Bonds through mechanisms such as the Liquidity and Sustainability Facility;
11. *Call upon* development partners to foster simplification and harmonization of ESG criteria in order to facilitate access to performance-based green, blue and sustainable bonds;
12. *Advocate* for a climate change focused review, and reform, of the multilateral development banks and international financial institutions, including matters related to:
 - a) Provide meaningful debt for sustainable investment and/or debt refinancing in order to manage debt in developing countries, including a climate focused debt suspension and/or refinancing initiative (DSSI)/G20 common framework for countries experiencing LD event;
 - b) Reform the World bank re-payments process, and the IMF surcharge system;
 - c) Increase the risk appetite of the MDBs to focus on the economic costs of transition risk by taking first loss risks on investments in technologies that are not yet commercially available. Facilitate scaling-up through interventions that help bridge the gap to commercial project viability, mitigate risks, finance first-of-its-kind projects and support technical assistance work.
 - d) Mandate new and urgent capital increases for the MDBs;

- e) Increase the MDB private sector leverage ratios;
- f) Double the scale of replenishment for the incoming GCF replenishment compared to the GCF1
- g) Facilitate the deployment of new financial instruments, particularly non-debt instruments, policy-based guarantees, and options that do not require sovereign guarantees; and
- h) Incorporate innovative financing mechanisms initiated and led by African countries to address their development needs and build climate resilience, such as the Blue Fund for the Congo Basin.

Linking debt to climate resilient Key Performance Indicators

13. Requests the ECA to present a proposal to establish a Sustainable Sovereign Debt Hub that addresses four inter-linked aims of:

- I. ***Reducing the cost of capital for developing countries***, in particular by building harmonisation on the deployment of blended resources to maximise the opportunity for issuance of SDG and climate linked performance bonds.
- II. Supporting the opportunity to undertake debt for climate adaptation/nature swaps to reduce the debt stock of African economies and stimulate ambitious ***action on climate and nature*** as well as other aspects of sustainability, given the urgent need to address food, energy and water security.
- III. ***Making sovereign debt markets responsive*** to climate change and nature restoration, and the underlying needs of countries facing financing challenges in the context of increasing exogenous, destabilising shocks as well as recognizing nature and climate performance-linked sovereign debt
- IV. ***Building capacity, developing policy frameworks and facilitating issuance of debt instruments which use Key Performance Indicators to better channel resources into sectors that are critical for climate resilience***

Financing a just and equitable transition and delivering implementation

14. Underscore the need to avoid approaches that encourage abrupt disinvestments from fossil fuels, as this will, in addition to the impacts of climate change, threaten Africa's development due to the unintended impact on jobs, the economy, energy, food security, and the ability to mobilise finance. Ministers further stressed that Africa and all developing countries need the development space to undertake a just and equitable energy transition, and it should be acknowledged, respected, and supported. Ministers also noted growing concerns that an abrupt devaluation of asset classes could constitute a systemic risk, create large amounts of stranded assets, and set back progress made by African countries in achieving the sustainable development goals;

15. *Urge* COP27/CMA-4 to agree a comprehensive mitigation package based on ambitious action and leadership by developed countries related to mitigation and finance, including a set of investment and support goals under the mitigation work programme, the new collective goal on finance and the CMA discussions on PA goal Article 2.1 that is people centred, supports the coal phase down programmes as well as more programmatic support for net-zero linked to countries NDCs, and commits developed countries to scale up annual investment goals in renewable energy in Africa, as part of the Just Energy Transition in Africa;
16. *Encourage* governments to consider initiating multilateral country platforms to accelerate the transition towards a low-carbon, resilient and inclusive economy, in order to create momentum for climate financing on the local level, such as Egypt's Country Platform for the Nexus of Water, Food & Energy Program (NWFE - نُؤْفِي);

Financing Adaptation

17. *Request* the operating entities of the financial mechanism of the UNFCCC in particular the GCF, to facilitate access of African countries to adaptation finance, while welcoming the support provided for the preparation of national adaptation plans NAPs;
18. *Call upon* MDBs to increase their assistance to better support African countries' trajectory in implementing long-term development plans; designing adaptation projects; and develop their NDCs based on their developmental needs;
19. *Welcome* the new CIF finance program for nature- based solutions and highlights the importance of securing that Africa gets a fair share of its resources in line with the continents needs and vulnerabilities;
20. *Call on* African countries and their development partners to strengthen the region's capacity to integrate and scale up investments in sustainable biodiversity and land management into national, sub-regional and regional development frameworks;
21. *Enhance* the investment in restoration of degraded lands, wetlands, forest and soils

Enhancing sustainable regional value chains for food security

22. *Enhance* synergies to unlock green industrial development for private sector through development of integrated sustainable value chains in AfCFTA;
23. *Encourage* countries to engage in efficient food management and storage projects in agriculture to improve food supply chains, limit price increases, and support agricultural resilience. In this regard, we urge the strengthening of the efficacy of free trade agreements, especially AfCFTA, to increase the resilience of African countries against food supply shocks;

Facilitating development and access to high integrity carbon markets

24. *Call on* all parties to establish an ambitious carbon market, aligned with the objectives of the Paris Agreement, to enable African and other developing countries to mobilise adequate financial resources to meet their climate commitments, including those under the NDCs and the Paris Agreement, while accelerating progress on the SDGs; and enable African countries to benefit fully from their natural capital.
25. *Support the development of capacity of African countries* to use carbon markets as a means to stimulate investment in climate resilience and raise revenues through the development of high integrity carbon registries such as through the ECA supported initiative for a common registry for the Congo Basin.

Capacity development and institutional support

26. *Support the creation of climate finance units in African ministries of finance to facilitate and improve access to climate financing*
27. *Underline* that the effective delivery of climate commitments is linked to:
1) the availability of data and concrete investment plans; 2) the integration of climate action strategies and national development priorities; 3) the mobilisation and access to finance, 4) access to technology, and 5) the development of robust monitoring and reporting systems to track the progress achieved, all the while striking a balance between adaptation and mitigation efforts;
28. *Support* the development of capacity and institutionalisation of a Sustainable Budgeting Approach, integrating climate goals within national fiscal frameworks
29. *Call upon* all stakeholders to adopt gender-sensitive strategies in their response to the climate change, and to mobilise accordingly the necessary finance to avail economic opportunities for women, which not only improves the mitigation of and adaptation to climate change, but also helps remove economic, social, and cultural barriers;
30. *Promote* investments in technical assistance and capacity building complemented by efficient market-based policies and instruments, operating under a strong regulatory framework, and leveraging innovative green technologies, to harness the benefits of the transition and increase the quantity and quality of green jobs;

Conclusion

31. *Call upon* all countries to convey key messages of the Egypt - ICF and Meeting of African Ministers of Finance, Economy and Environment at COP27.