EXECUTIVE SUMMARY

Climate change and environmental degradation on the African continent already strongly influence human mobility patterns within countries and across borders. Africa remains the continent hardest impacted by climate impacts, despite having the lowest greenhouse gas emissions. These impacts degrade ecosystems, reduce crop yields, and threaten habitable areas, livelihoods, jobs and infrastructure.

Furthermore, these factors play a significant role in shaping human mobility, with sudden-onset events and slow-onset processes leading to different migratory outcomes and experiences. In 2022, 7.4 million new internal disaster displacements were recorded in sub-Saharan Africa alone (Internal Displacement Monitoring Centre, 2023), underlining the need for urgent action to prevent forced migration, to facilitate regular migration for those who need and want to move, and to protect people who are already on the move.

However, support to countries to address the human mobility and climate change nexus has been insufficient and its prioritization at the global level lacking. It is crucial to pay attention to financing climate action related to human mobility in Africa, particularly given that climate mobility has not been sufficiently integrated into mainstream climate finance discourse.

This assessment supports one of the requests put forward to the parties of the UNFCCC by the first 15 signatories of the Kampala Ministerial Declaration on Migration, Environment and Climate Change (KDMECC), signed in 2022.

The request states: **"Create a Multi-Partner Financing Instrument, including for the youth, to avert, minimize and address loss and damage and advance the Global Goal on Adaptation in the East and Horn of Africa."** With the expansion of the KDMECC to the rest of Africa (KDMECC-AFRICA) in 2023, the request has broadened in scope to address all of Africa, and this report therefore provides key information for signatory states in this endeavour.

This assessment answers two questions that are necessary for updating the financing architecture to accommodate climate mobility.

1. What issues and possibilities does the current financing architecture present for addressing climate mobility?
2. Which financial instruments have the suitable characteristics for addressing climate mobility and can integrate the following?

- The principle of not increasing the cost of debt and the risk of debt distress
- Demand for financial liquidity, rapid accessibility and the flexibility necessary to develop appropriate solutions for people on the move, for people to move and for people to stay in areas negatively affected by climate change
- Concerns and potential arising from Africa's socio-economic context, including a large youth population, green economic transition, and peace and conflict dynamics

KDMECC-AFRICA

The landmark Kampala Ministerial Declaration on Migration, Environment and Climate Change was established in July 2022 by the states in the East and Horn of Africa region, with a continental expansion (KDMECC-AFRICA) in September 2023 during the first Africa Climate Summit, held in Kenya.

The KDMECC focuses on the challenges and opportunities that climate change and related mobility can bring to development through building the resilience of populations to adapt to climate change. It is a comprehensive and action-oriented framework, with commitments that cut across social inclusion and human livelihoods; finance and investment; policy and regulatory activities; and climate mitigation and adaptation. It also addresses the challenges and opportunities of climate mobility in practical and effective ways.

KEY FINDINGS

The assessment analyses the policy environment and the current financing architecture for climate mobility financing. It reflects on how a new financing instrument could address some of the gaps and needs in the current architecture and other needed changes to improve the flow of finances towards climate mobility. It finds that to address the scale of finance and complex needs related to climate mobility, it is feasible to consider compounding multiple finance instruments into a single finance mechanism. The assessment's central goal is to map solutions for improving the flexibility and accessibility of financing while not increasing debt distress on the continent.

The findings highlight the broader issues and potential arising from the current financing architecture, underlining the need for partnerships, private finance mobilization and coordinated complementarity among national, regional and international frameworks, policies and efforts. The assessment finds that:

1. There is potential to leverage changes in the global policy space for climate mobility, and a need to better integrate human mobility into national planning and policies to provide an enabling environment for projects and programming.
2. Fragmentation of available finance reduces coordination and increases the administrative burden, hampering transformative action; this could be addressed by compounding different sources of finance and providing technical support.
3. Better coordination is needed between emergency and long-term recovery and development finance to effectively address loss and damage from climate change, but lack of coordination and limited access to finance hinder the utilization of best practices.
4. Debt distress in sub-Saharan countries impedes investment in vital areas such as climate resilience, requiring an approach that does not increase debt service costs on any new climate mobility financing.
5. Private sector engagement in addressing climate mobility is obstructed by risk perceptions, regulatory barriers and high interest rates, necessitating governments to better communicate adaptation needs and investment opportunities, and remove policy barriers.
6. There is a need for additional data on human mobility to improve monitoring and transparency efforts, which can improve finance flows.
7. Investment in resilience-enhancing regional public goods faces challenges, which could be addressed by increased multi-country investment for improved access to finance.

Given the financial risks associated with the usually fragile environments related to climate mobility and the existing debt challenges, concessional finance[1] (including direct grants) is needed for bridging the gap between development, philanthropic and public sector funding and the larger pools of private sector financing opportunities. For this reason, the assessment maps nine financial instruments that have concessional elements and can be adjusted to address climate mobility. Importantly, these can also be compounded into a finance mechanism to improve accessibility to finance, to improve flexibility and to leverage private finance, supporting the commitments outlined in the KDMECC.

1 Concessional finance is below market rate finance provided by major financial institutions to developing countries to accelerate development objectives (World Bank).

RECOMMENDATIONS

Compounding financial instruments into a finance mechanism

Multiple financial instruments should be compounded into a finance mechanism for the best results. A combination of instruments can reduce the cost of debt and leverage additional finance, while providing better accessibility and flexibility. These can include grants, bonds, concessional debt, guarantees, lines of credit, debt swaps and utilization of emerging revenues.

The selected financial instruments should also be suited to Africa's least developed countries (LDCs) and developing countries, regional economic communities, and vulnerable groups due the multilayered (local, regional and transboundary) nature of climate mobility.

Strengthening the climate mobility financing architecture

A **No Net Burden on Debt Service** approach is recommended for climate mobility financing to reduce the cost of debt and the risk of debt distress. Application of its key principles below is recommended for updating the financing architecture and creating an accessible and flexible financing mechanism:

Principle 1: Financial instruments that involve debt should not slow down or limit resources for existing and planned priorities in least developed and developing countries.

Principle 2: General country debt must not prejudice debt for financing climate mobility.

Principle 3: Financing measures for climate mobility should not increase the cost of debt or the risk of debt distress for countries.

Principle 4: Financing for climate mobility must be human centred and target affected populations, including in settings where barriers to financial access exist.

In addition, a specific technical support facility for enhancing country and regional capacity to access finance and develop feasible projects is recommended to improve access to existing finance.

Necessary institutional traits, arrangements and modalities

Hosting a financing mechanism for climate mobility in Africa requires the capacity to: i) produce information and provide technical support; ii) track and monitor investments; iii) manage risk and provide protection from risk to achieve **No Net Burden on Debt Service**; iv) mobilize, coordinate and pool resources; and v) convene relevant stakeholders.


A young girl walks to an IOM waterpoint loaded with empty jerrcans waiting to be filled in the Kabasa IDP camp near the town of Dolow, Somalia, on 30 August 2020. IOM Photo / Tobin Jones

These efforts should increase both the potential to mobilize finance and the number of projects capable of absorbing these finances.

Diversifying sources of finance

While targeted concessional funding is needed from the international community, coordination and complementarity with alternate funding such as private finance and domestic resources are necessary to address institutional limitations.

Additionally, there is a need to engage sector-led finance mobilization initiatives that can integrate climate mobility.

Recommended next steps

1. Map the existing sources of funding and finance for climate mobility to identify gaps and needs in the financing landscape.
2. Design a guiding theory of change for the mechanism or instrument, ensuring selected instruments, beneficiaries and goals are aligned.
3. Develop a business case (justification based on social, environmental and economic benefits) for the mechanism.
4. Establish an institutional and technical definition and the scope of the climate mobility financing mechanism.
5. Support diagnostic studies to further inform priorities and opportunities for the mechanism.