

## Press release

Baku, November 15, 2024 9:00 am UTC+4

### **International Financial Institutions and development partners support the Republic of Benin in establishing a country' climate finance platform**

Baku, Azerbaijan – Today (November 15, 2024), at COP29, the Government of Benin together with international financial institutions and development partners (DPs), unveiled an ambitious vision for climate action. This new suite of initiatives that include carbon monetization mechanism, enhanced credit instruments, common policy matrix, and innovative financing signals Benin's commitment to unlocking climate finance and catalysing meaningful change. This framework aims to mobilise both public and private sector resources to address Benin's climate adaptation and mitigation priorities, supporting the nation's sustainable development goals (SDGs) and the objectives of the Nationally Determined Contributions (NDCs), while preserving debt sustainability within the country's overall macroeconomic policy framework.

*"With strong support from our partners at the July IMF and World Bank Group Climate Financing Round Table in Cotonou, Benin, is transforming climate goals into action...Leveraging our experience in international capital markets, such as our 2021 SDG bond framework, we aim to catalyze private investment to drive climate action. By harnessing innovative financing, we are materializing our ambitions into concrete results, advancing both adaptation and mitigation. It is a commitment to a sustainable, resilient future that will resonate beyond Benin's borders (for the greater benefit of our planet)"*

*Senior Minister, Minister of Economy and Finances of Benin **Romuald WADAGNI** said.*

Benin has a proven track record on climate policies and climate financing in the region. Its funding strategy includes USD \$1.4 billion from the World Bank Group's International Development Association (IDA) and an additional USD \$200 million from the Resilience and Sustainability Facility (RSF) approved by the IMF in December 2023 supporting the authorities' ambitious climate change reform. These financial commitments, alongside support from the World Bank Group's 2023 Country Climate and Development Report (CCDR) and a EUR 195 million partial credit guarantee from the African Development Bank (AfDB), lay the foundation for Benin's pathway towards a low-carbon, climate-resilient future.

In a joint Climate Finance Roundtable co-convened by the IMF and the World Bank Group (WBG) in July 2024, the Government of Benin and its DPs in Cotonou expressed full commitment to reinforcing the country's efforts in addressing climate change by supporting Benin in establishing a climate finance' country platform through further catalyzing financial resources. The estimated financing gap to achieve the goals set in Benin's NDCs is about USD10 billion by 2030. Following the roundtable, Benin's partners have been working on financing options and technical assistance to boost national 'efforts to enhance its climate action.

This press release highlights the significant progress and coordinated efforts of all partners involved across four complementary streams.

### **Carbon Monetization Mechanism with Enhanced Credit Instruments**

The Government of Benin is implementing a carbon monetization strategy backed by 2.5 million carbon credits from energy and regenerative agriculture projects, managed by the National Carbon Registration Authority, with plans to expand these initiatives in collaboration

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with the World Bank Group through the SCALE Trust Fund to enhance nature-based activities. The Global Green Growth Institute (GGGI) supports this effort via its Carbon Transaction Facility (CTF) and the establishment by Benin, of a new Climate Finance Unit (CFU) to facilitate international climate finance under the Paris Agreement, aided by Luxembourg. Proceeds from these projects will be managed by Benin's Debt Management Office to support mitigation aligned with the country's updated Nationally Determined Contributions (NDC) and enhance adaptation benefits like desertification control and food security. Building on the progress of the Africa Adaptation Acceleration Program (AAAP), the Global Center for Adaptation (GCA) is further supporting Benin with an initial envelope of \$1 million to provide catalytic support for unlocking additional adaptation finance. It will do so by supporting the government in tapping into innovative financing sources, such as carbon finance for nature-based solutions. This approach aims to help Benin, local banks and financial intermediaries, and international financial institutions to access innovative financing sources, such as carbon finance, effectively managing and mitigating climate risks and boosting investments in adaptation.

### **Enhanced Budget Support through a Common Policy Matrix**

Following the Climate Finance Roundtable, a coalition of partners led by the authorities, including the World Bank Group, African Development Bank, AIIB, and OPEC Fund has developed a three-year framework to coordinate budget support for scaling climate financing in Benin. This framework aims to provide stable and predictable budgetary resources, enhancing the effectiveness of aid and accelerating the implementation of climate policies. A common policy matrix developed with contribution from the IMF staff, building on the early experience of the WBG-IMF Enhanced Cooperation Framework for Scaled-Up Climate Action in other countries, shall be established to sequence policy reforms, avoid duplication among DPs, and serve as a basis to identify potential additional budget support operations by DPs. Among the initial commitments, the OPEC Fund has pledged EUR 30 million in 2025, with additional funding anticipated in 2026 under the enhanced budget support stream.

### **Attracting Private Investment through Innovative Financing**

Benin is working with the World Bank Group Guarantee Platform, housed at the Multilateral Investment Guarantee Agency, which has recently approved a EUR200 million guarantee to mobilize EUR500 million of long-term commercial financing to support on reforms to strengthen social and climate resilience, among other activities. This includes expanding the Single Social Registry, strengthening the disaster risk management system, and adopting regulations for sustainable and resilient cities. The Government of Benin is also collaborating with the European Union (EU) to strengthen its green bond market, with guidance from the Global Green Bond Initiative, to attract institutional private investment for green projects. Upon successful monetisation of the mitigation outcome, and with the support the Global Environment Facility (GEF), Benin would consider a financing plan for climate-focused projects, with a dedicated credit enhancement facility support. The EU, the European Investment Bank (EIB), and the United Nations Development Program (UNDP) are working to provide technical support in the identification and development of these projects.

Under the AfDB' African Green Banks Initiative, the AfDB, the Climate Investments Funds (CIF) and Canada Climate Action are currently supporting Benin in the establishment of a

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### **blended financing vehicle for the private sector – the Benin Green Investments Vehicle.**

This vehicle aims to provide additional financing tool to implement Benin green transition and is putting Benin as a pioneer and an example to follow for the region. The vehicle aims to catalyse financing for the private sector. A national green financing vehicle is an important aspect to the Beninese Country Platform architecture.

### **Establishing a One-Stop Window for Local Financial Access**

In collaboration with the World Bank, IFC, GGGI, and the West African Development Bank, Benin is setting up a one-stop climate finance window to facilitate intermediated lending to local banks and microfinance institutions. This will benefit from the support of the recently launched Sustainable Finance Knowledge Center for Francophone Africa. This platform aims to enable long-term investments by small and medium enterprises in Benin, empowering local business growth while aligning with green investment objectives.

