

Strategy to Enhance Private Sector Engagement in Eswatini NDC Actions



The Commonwealth



Strategy to Enhance Private Sector Engagement in Eswatini NDC Actions



© Commonwealth Secretariat 2021

All rights reserved. This publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or otherwise provided it is used only for educational purposes and is not for resale, and provided full acknowledgement is given to the Commonwealth Secretariat as the original publisher.

Views and opinions expressed in this publication are the responsibility of the author and should in no way be attributed to the institutions to which they are affiliated or to the Commonwealth Secretariat.

Wherever possible, the Commonwealth Secretariat uses paper sourced from responsible forests or from sources that minimise a destructive impact on the environment.

Printed and published by the Commonwealth Secretariat.

Contents

Abbreviations and Acronyms	vii
Executive Summary	ix
Acknowledgements	xi
1. Introduction	1
1.1. Objectives of the strategy	1
1.2. Methodology	1
2. Country Context	3
2.1. Geography and population	3
2.2. Economic and social development	3
2.3. Climate change and impacts	4
2.4. Climate change impacts by sector	6
2.4.1. Climate impacts on agriculture	6
2.4.2. Climate impacts on water resources	6
2.4.3. Climate impacts on biodiversity and ecosystems	6
2.4.4. Climate impacts on tourism	7
2.4.5. Climate impacts on energy	7
Notes	7
3. Eswatini's Response to Climate Change	8
3.1. Policy framework for climate change	8
3.2. Institutional arrangements for the national climate change agenda	9
3.3. Government initiatives to engage the private sector	9
3.4. Eswatini Nationally Determined Contribution targets	10
3.5. Climate finance for NDC action in Eswatini	10
Notes	17
4. Enhancing Private Sector Engagement in Eswatini NDC Actions	18

4.1. Eswatini's private sector landscape	18
4.2. Why would private sector actors engage in NDC action?	19
4.2.1. Managing risks for business continuity and reputation	19
4.2.2. Complying with policies, regulations and investor interests	20
4.2.3. Capitalising on new markets and business opportunities	20
4.3. Climate change opportunities for the private sector	20
4.3.1. Opportunities in agriculture and forestry	20
4.3.2. Opportunities in the energy sector	22
4.3.3. Opportunities in the infrastructure sector	23
4.3.4. Opportunities in the water sector	23
4.3.5. Opportunities presented by the Green Climate Fund (GCF)	24
4.3.6. Green Bonds Markets	25
4.3.7. Adaptation Benefit Mechanism (ABM)	25
4.4. Barriers to private sector engagement in NDC action	26
4.5. Enabling factors for private sector engagement in NDC action	28
Notes	28
5. Key Actions to Enhance Private Sector Participation In Eswatini in NDC Action	30
5.1. Private sector mapping and identification of key private sector actors	30
5.2. Strengthen collaboration and co-ordination with the private sector	30
5.3. Improve communication with the private sector	30
5.4. Refining the regulatory framework	32
5.5. Develop a country NDC investment plan for private sector intervention	32
5.6. Improve private sector capacity to contribute to a stronger climate ambition	32
5.7. Develop innovative financial and non-financial mechanisms to mobilise private sector investment	33
5.8. Secure direct access to international climate funds for national and sub-national institutions	35
5.9. Design and implement a climate finance monitoring system to track private sector climate-related spending	35
Notes	35
6. Key Recommendations and Conclusion	36

6.1. General recommendations to government institutions	36
6.2. Specific recommendations for priority NDC sectors	37
6.2.1. Agriculture and forestry	37
6.2.2. Energy	37
6.2.3. Water	38
6.2.4. Waste management	38
6.3. Recommendations for the private sector	38
6.4. Recommendations for development partners	38
6.5. Conclusion	39
Annex 1. Private Sector Engagement Implementation Plan	40

Abbreviations and Acronyms

AFOLU	Agriculture, Forestry and Other Land Uses
COMESA	Common Market for Eastern and Southern Africa
CPEIR	Climate Public Expenditure and Institutional Review
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FINCORP	Eswatini Development Finance Corporation
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HIV	Human Immunodeficiency Virus
IPP	Independent Power Producer
IPPU	Industrial Processes and Product Use
LULUCF	Land Use and Land Use Change and Forestry
M&E	Monitoring and Evaluation
MNRE	Ministry of Natural Resources and Energy
MRV	Measurement, Reporting and Validation
MSME	Micro, Small Medium Enterprises
NCCC	National Climate Change Committee
NDC	Nationally Determined Contribution
NDP	National Development Plan
NDS	National Development Strategy
PPP	Public-Private Partnership
SACU	Southern African Customs Union
SADC	Southern African Development Community
SEDCO	Small Enterprise Development Company
SMEs	Small and Medium Enterprises
SOE	State-Owned Enterprise
SSDIG	Strategy for Sustainable Development and Inclusive Growth
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USA	United States of America
VAT	Value Added Tax
WASH	Water, Sanitation and Hygiene

Executive Summary

Climate change is already affecting Eswatini and the key sectors of its economy. The climate change impacts being experienced include significant variations in precipitation patterns, higher temperatures and increasing frequency and intensity of severe weather events such as droughts, floods and cyclones. The country is committed to implementing its National Determined Contribution (NDC) adaptation and mitigation commitments under the Paris Climate Agreement. Its revised NDC represents a progression beyond the 2015 NDC by adopting an economy-wide greenhouse gas (GHG) reduction target of reducing total emissions by 14 per cent by 2030 compared with the baseline scenario so as to ensure greater alignment with the objectives of the Paris Agreement.

The investment needs for low-carbon and climate-resilient growth in Eswatini are substantial. The private sector has a crucial role to play in the country's response to climate change, in mobilising green investment and in implementing mitigation and adaptation actions. Climate action offers profitable opportunities for the private sector but also will help protect such investments from climate impacts.

The private sector in Eswatini is not currently well engaged in NDC action. Barriers limiting Eswatini's private sector mass engagement towards green investments are largely the result of a lack of enabling policy and financial incentives to reduce investment risks and increase the willingness of the private sector. The Government of Eswatini thus needs to create an enabling policy and regulatory environment to enable private sector innovation and investment in NDC actions. Providing a robust framework for public-private partnerships and creating investment incentives will help minimise unnecessary costs and reduce risks and therefore attract private sector investment.

Private sector actors operating in the country's main socio-economic and highly climate-sensitive sectors should be prioritised – namely, agriculture, water, biodiversity and ecosystems, and infrastructure – as should sectors that are large contributors to GHG emissions – such as energy, waste and forestry. Most of Eswatini's energy is currently derived from fossil fuels, biomass and hydropower, and renewable energy is one of the primary GHG mitigation actions in Eswatini's NDC. The private sector is the driver of investment in this sector. As such, strong political will and ambition are required to establish the enabling frameworks needed to set the policy, regulatory, economic and financial measures necessary to further attract finance in renewable energy, scale up technology and lower costs.

The revision and implementation of Eswatini's NDC provide a unique opportunity for the government to work closely with private operators to address cross-cutting and sectoral challenges and boost green investments and green jobs. The process of engagement with the private sector should be co-ordinated, long term, sector-specific and disaggregated into micro, small, medium and large private sector actors. In order to strengthen the contribution of the private sector to NDC implementation, the government should also see green investments from a business perspective and not only from the environmental and development perspectives.

Acknowledgements

This Strategy for Private Sector Engagement in NDC Actions for Eswatini is a product of series of literature reviews, consultations with and support from different partners and stakeholders from Government institutions and the private sector. We acknowledge the support received which made this work possible especially from the Commonwealth Secretariat through its Climate Finance Access Hub, the Ministry of Tourism and Environmental Affairs (MTEA), Ministry of Economic Planning and Development (MEPD) and Business Eswatini.

Our sincere appreciation for the direct support received from MTEA (Dudzile Nhlengethwa-Masina, Khetsiwe Khumalo, Sanelisiwe Mamba; Constance Dlamini); MEPD (Sifiso Mamba, Nokuthula Mdlovu, Sibusiso Lushaba); Ministry of Economic Planning, Aid Section (Sabelo Shabangu, Sibongile Dlamini); Ministry of Finance (Hilton Dlamini); National Disaster Management Authority (DPMO/NDMA) - NDMA (Russel Dlamini, Eric Seyama, Victor Mahlalela); NDC Coordinator in Eswatini (Deepa Pullanikkatil); the Commonwealth Secretariat (Bilal Anwar, Unnikrishan Nair, Uzoamaka Nwamarah, Samuel S. Ogallah, Andrew Schofield, Ranga Pallawala, Kai Kim Chaing, Othniel Yila, Katherine Blackman, Ruth Phillips Itty) and Independent Consultant (Fabrice Mugabo).

We acknowledge all other partners in Eswatini under the CAEP NDC Partnership, the Commonwealth Secretariat, United Nations Environment Programme (UNEP), Food and Agriculture Organization (FAO), Common Market for Eastern and Southern Africa (COMESA) World Resources Institute (WRI), United Nations Development Programme (UNDP) Climate Promise Initiative and International Renewable Energy Agency (IRENA).

We note with thanks all the ministries, departments, agencies and divisions as well as entrepreneurs and individuals in Eswatini that provided inputs and also responded to survey conducted for the production of this Strategy. We appreciate your invaluable contributions and support for a better, stronger and greener economy with inclusive sustainable low carbon and climate compactible development in Eswatini.

1. Introduction

The Government of Eswatini updated its National Determined Contribution (NDC) in line with Article 4 of the Paris Agreement, which requests Parties to update their NDC every five years. The revised NDC sets clear mitigation and adaptation targets along with a comprehensive roadmap based on the local context. It incorporates new sectors for mitigation and adaptation actions. Along with the opportunity created by the Paris Agreement comes the important challenge of transforming the NDC into tangible actions that lead to long term zero-carbon and climate-resilient development.

It is well recognised that access to finance is fundamental to create momentum and raise ambition, but countries continue to face challenges in securing financial resources and attracting private sector investment at the scale needed to achieve their NDC targets. The investment needs for low-carbon and climate-resilient growth in Eswatini are substantial. The private sector in the kingdom has a crucial role to play in the country's response to climate change, in mobilising green investment and in implementing mitigation and adaptation actions. This calls for innovative approaches to attract and steer financial flows consistent with a pathway towards low-carbon and climate-resilient development. Building bridges between market-based approaches and climate financing institutions is crucial to allow for rapid investments in emerging mechanisms.

This strategy document presents an assessment of the private sector in Eswatini and its potential as well as existing opportunities to leverage climate finance to meet NDC targets. It also presents recommendations regarding private sector participation in climate action as well as guidance for the Government of Eswatini and development partners, so as to encourage private sector participation and engagement in climate change action. The document intends to stimulate a more informed and devoted private sector to contribute actively to NDC action. This will be achieved by increasing access to emerging and existing financing mechanisms for the private sector, as well as enabling the integration of climate adaptation

and mitigation into business practices, supply chains and investment decisions.

1.1. Objectives of the strategy

This strategy aims to enhance private sector engagement in financing, supporting and implementing technically sound and financially viable risk-informed mitigation and adaptation actions and therefore contributing to the implementation of Eswatini's NDC. Specific objectives are:

- Identify a clear rationale for enhancing private sector engagement in NDC action;
- Encourage the private sector to invest in mitigation and adaptation actions and to contribute to the achievement of NDC targets;
- Outline the enabling factors that facilitate private sector engagement in NDC actions;
- Present the key investment and implementation challenges for the private sector;
- Inform the private sector about green investment business opportunities;
- Offer guidance to the Government of Eswatini and development partners on how to enhance the engagement of the private sector in NDC actions.

1.2. Methodology

This strategy was developed based on a literature review of relevant national policies and strategic documents and an analysis of international best practices. Building on the literature review, key stakeholders were interviewed, using a targeted set of questionnaires. Data collection was conducted mostly through electronic means as a result of the constraints posed by the COVID-19 pandemic situation.

The results of the stakeholder consultations were analysed in light of the existing literature on the subject. The aim was to come up with appropriate approaches and key actions to promote greater

private sector adoption of climate actions and technologies and therefore to contribute to Eswatini's NDC implementation.

Section 2 of this strategy document sets the country context by illustrating the climatic challenges facing Eswatini within its specific geographic, economic, social and demographic realities. Section 3 elaborates the country's

response to the climate change challenge, including the policy framework and institutional arrangements. Section 4 presents the NDC targets. Section 5 highlights key actions required to enhance private sector engagement in NDC action. Finally, Section 6 provides key recommendations for the government, the private sector and development partners, as well as a conclusion.

2. Country Context

2.1. Geography and population

The Kingdom of Eswatini is a landlocked and mountainous country located in the south-eastern part of the African continent, bordering South Africa and Mozambique, covering 17,364 km². It is divided into four agro-ecological zones, which run longitudinally north to south. From west to east are the Highveld and the Middleveld, which is further divided into the wet and dry Middleveld (reflecting the amount of precipitation received), the Lowveld and the Lubombo Plateau. The four main rivers of the country flow from the Highveld eastwards towards the Indian Ocean. The country comprises four administrative regions: Hhohho (in the north), Manzini (west-central), Lubombo (east) and Shiselweni (south).

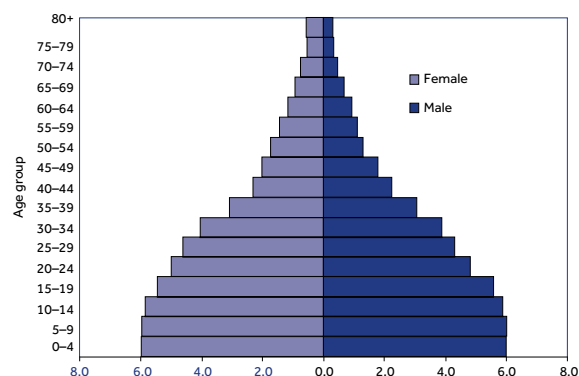
Figure 1. Map of Eswatini¹



The Population and Housing Census of 2017 estimated the population of Eswatini at 1,093,238, with 51 per cent female and 46.6 per cent under the age 20 (Figure 2). The country's population has shown an annual exponential growth rate of about 2 per cent or more since the 1930s. A slight decline of 0.25 per cent in the growth rate was observed in the 2007–2017 census as compared with the previous decade.² By 2017, 76.2 per cent of the population had been classified as rural, even though the boundaries between rural and urban are diminishing

owing to high dependency on employment opportunities in urban areas.

Figure 2. Population pyramid Eswatini 2017³



2.2. Economic and social development

The Kingdom of Eswatini is a lower middle-income country, with a gross domestic product (GDP) of US\$4.704 billion in 2018 and an average gross national income per capita of \$3,850.⁴ It has a relatively diverse economy dominated by the agriculture and manufacturing sectors. Agriculture, forestry and mining account for about 13 per cent of Eswatini's GDP whereas manufacturing (textiles and related processing) accounts for 37 per cent of GDP. Services make up the other 50 per cent of GDP. Because of its small population, Eswatini has positioned itself as an export-oriented economy, tapping into several free trade blocs and customs unions.⁵

Unlike its regional peers in Southern Africa, Eswatini has experienced sluggish growth in the past two decades, averaging just over 2 per cent per year. The persistence of low growth owes mainly to lack of competitiveness, fiscal challenges, low investment and the high cost of doing business.⁶ Challenges to poverty reduction include slowing economic growth, adverse weather patterns, high prevalence of HIV/AIDS, high inequality and high unemployment. The country's Human Development Index value for 2018 was 0.608, which put it in the medium human development category, at 138 out of 189 countries and territories.

Unemployment increased to 22.5 per cent in 2018 from 22.3 per cent in 2017.⁷

Trade and regional integration are crucial to Eswatini's economic development. Its landlocked situation means it is heavily dependent on its neighbours for access to world markets, and for supplies. Eswatini's external trade relations are governed by regional free trade agreements and preferential trade agreements. The country is a member of a number of regional and international integration arrangements, including the African Union, the Common Market for Eastern and Southern Africa (COMESA), the Non-Aligned Movement, the Southern African Customs Union (SACU), the Southern African Development Community (SADC), the UN and the World Trade Organization, among others. The country also benefits from preferential market access to the EU (mostly regarding sugar exports) and to the USA under Africa Growth and Opportunity Act preferences (mostly textile and clothing exports).

South Africa accounts for 90 per cent of imports and 60 per cent of exports. A total of 80 per cent of electricity is imported from South Africa. Until 2010, SACU returns accounted for, on average, 60 per cent of total government annual revenue; this has since reduced to below 60 per cent. Access to regional markets is constrained by high transport costs, cumbersome border procedures and a number of non-tariff barriers. There are significant restrictions on trade in most SACU countries.

Although GDP growth is estimated to grow at an annual rate of 2.3 per cent for the period 2021–2025,⁸ the onset of the COVID-19 pandemic in Eswatini has further exacerbated socio-economic inequalities. This poses a threat not only to the country's planned economic recovery but also to the realisation of the 2030 Agenda pledge to leave no one behind, particularly vulnerable groups.⁹

2.3. Climate change and impacts

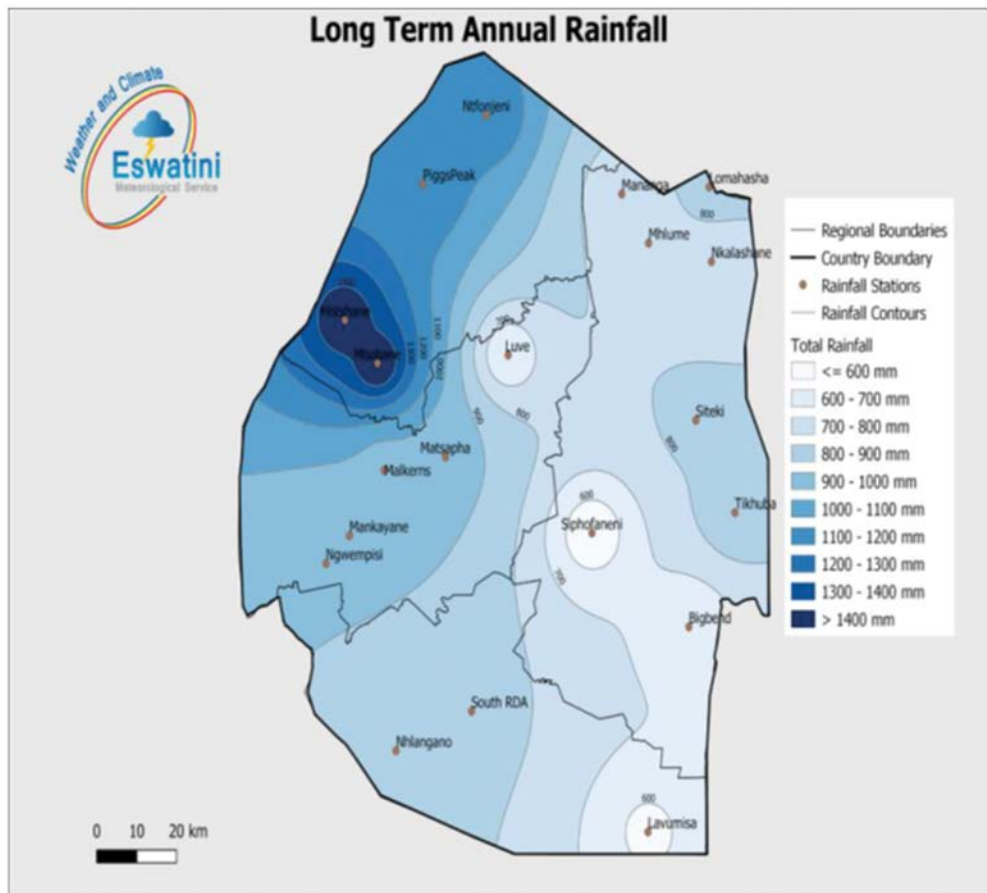
Eswatini's climate is generally sub-tropical, with distinct seasons characterised by wet and hot summers and cool and dry winters. Generally, rain falls mostly during the summer months: about 75 per cent of the precipitation falls between October and March, with the winter months generally dry. Annual rainfall in the Highveld is the highest, ranging between 1,000 and 2,000 mm depending on the year. The Lowveld records 500–900 mm per annum. Variations in temperature are also

related to the altitude of the different regions, reaching a maximum of about 33°C in mid-summer and a minimum of 0°C at night in mid-winter. The physiographic zones show different climatic conditions, ranging from sub-humid and temperate in the Highveld, characterised by wet summers and dry winters, to semi-arid and warm in the Lowveld. Eswatini lies at the transition of major climates zones, as it is influenced by air masses from different origins: equatorial convergence zone, sub-tropical eastern continental moist maritime (with occasional cyclones), dry continental tropical and marine west Mediterranean (winter rains, with occasional snow).¹⁰

The Climate Emergency Institute reports that, by 2050, Southern Africa's temperatures and rainfall are expected to have risen by 2–4°C and to have fallen by 10–20 per cent, respectively, compared with the 1961–1990 baselines.

According to Eswatini's Third National Communication to the United Nations Framework Convention on Climate Change (UNFCCC), climate trend analysis since the 1960s on daily maximum and minimum temperatures shows temperature patterns to have warmed up over most of the country in the past decade. Minimum temperatures have increased more rapidly than maximum temperatures. The past two decades (1990s and 2000s) were warmer than the 1970s and 1980s. In the 1970s, temperatures on the Lowveld, which is the hottest region in the country, rarely exceeded 34°C; current recordings show increasing frequency of very hot days, exceeding 34°C. This shows that recent decades have experienced upward trends in annual mean, maximum and minimum temperature, with the most significant warming occurring between 2000 and 2015/16.¹²

Pressure on the climate is derived mainly and directly from the emission of greenhouse gases (GHGs) into the atmosphere. Despite not emitting large quantities of GHGs, however, Eswatini is facing severe climate change impacts. Eswatini's total GHG emissions increased steadily from 2010 to a peak in 2014 and 2015. There was a dip in 2016 before emissions again increased in the latest two years of the time series. Eswatini's net GHG emissions in 2018 are estimated at 3240.10 Gg CO₂e, with increasing emissions from the Agriculture, Forestry and Other Land Uses (AFOLU) sector contributing 48 per cent, followed by the energy sector with

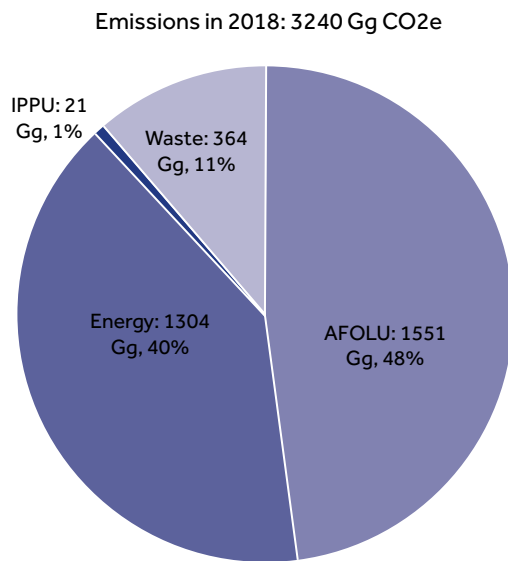
Figure 3. Long-term annual rainfall in Eswatini¹¹

40 per cent, the waste sector with 11 per cent and Industrial Processes and Product Use (IPPU) with 1 per cent. The main causes of increasing emissions in the AFOLU sector are increased deforestation of indigenous forests, harvesting of timber in plantation forests, cropland expansion, biomass burning and infrastructure development, including the creation of dams for hydropower and irrigation. The energy sector's main contribution comes from road transportation, manufacturing and construction. In the waste sector, solid waste disposal is the most significant source of emissions, contributing 49 per cent of total emissions from the sector, followed by wastewater treatment at 28 per cent.¹³

Even though Eswatini's GHG emissions are at less than 0.002 per cent of the global total, there is evidence of climate change impacts on the country's main socio-economic sectors and society at large. Eswatini's Third National Communication (2016) explains that the country's main socio-economic sectors are vulnerable to climate change because a large portion of the population

depends on the natural resources and ecosystems that are sensitive and exposed to changes. Most local communities rely on subsistence farming and depend directly on their local ecosystem to access basic needs such as food, energy, water, medicine and livelihoods. This high dependence on local ecosystems and vulnerability to climate change hinders the country's ability to attain its development goals and the Sustainable Development Goals.

Eswatini is also exposed to various types of natural hazards and extreme weather events. The intensity and frequency of these climate extreme weather events is expected to increase with climate change. Climate change will also further increase the vulnerability of communities even with regard to existing levels of hazards, through ecosystem degradation, impacts on water supply and food security and changes to livelihoods. In addition, Eswatini is under pressure as a result of rapid urbanisation and resource depletion, which makes it even more vulnerable to the additional challenges resulting from climate change.¹⁴

Figure 4. GHG emissions by sector, 2018

Source: National GHG Inventory Report 2020.

2.4. Climate change impacts by sector

2.4.1. Climate impacts on agriculture

Agriculture is a vital part of the Eswatini economy, with more than 70 per cent of the population relying on this sector for income. The sector is divided into two main sub-sectors; commercial and subsistence. Subsistence agriculture is practised by almost all rural households and is mainly rain-fed, while commercial agriculture is practised at a large scale using irrigation and in a highly mechanised and resource-rich environment. Maize is the dominant crop and represents on average 84 per cent of the cropped area; this is followed by cotton at 7 per cent (Lowveld crop) and groundnuts at 6 per cent. Many smallholder farmers produce sugar cane and cotton as cash crops. Large-scale commercial farmers cultivate almost exclusively sugar cane, citrus and forest trees.

Climate change impacts in the agriculture sector in Eswatini in the past two decades have included some of the country's worst-ever droughts and floods. Significant rainfall deficits/cessation at critical stages of crop growth has led to serious shortfalls in crop production, especially in maize.

Livestock production is a major agricultural activity in Eswatini, with small farmers owning about 77 per cent of the total cattle population. The number of livestock has been declining in recent years as a result of droughts and overgrazing of rangelands.

The severe drought of 2015/16 resulted in decreased levels of vegetation cover, with some grazing areas in the country turning semi-arid, with no grass in sight and de-leaving of the trees typical of winter months.

2.4.2. Climate impacts on water resources

Climate change affects water availability and use of water resources in Eswatini through changes in precipitation and run-off patterns. Projections based on General Circulation Model simulations predict an increase in temperature and a decrease in precipitation. Stream-flow of rivers in the country is projected to decrease by 40 per cent by 2050.¹⁵ This will have negative impact on the quality and quantity of water in the country. As a result, hydro-electric power generation, agricultural production and sanitation will likely be directly affected, with adverse consequences for food security, livelihoods, health and the country's overall economy. This is likely to adversely affect irrigated agriculture, domestic and industrial use, and hydropower generation capacity as a result of reduced river flows.

2.4.3. Climate impacts on biodiversity and ecosystems

Eswatini is endowed with a wide range of forest resources. The total forest area is estimated at 32 per cent of total land area, including 7 per cent of planted forests. Cultivated plantations and natural woodlands are increasingly being degraded as a result of uncontrolled fires, extraction of forest products, agricultural development and large livestock populations. Land degradation and the ecosystem situation are also projected to worsen, with negative impacts on productivity and livelihoods, especially in Eswatini's low-lying regions.

Biodiversity is an important resource for the Swati people. Uses are consumptive (food, fibre, fuel, shelter, medicine, etc.) and non-consumptive (ecosystem services and the economically important tourism industry). Given this dependence on natural resources, the majority of the rural poor are vulnerable to biodiversity loss. Yet biodiversity hotspots are under threat from multiple stressors, of which climate change is one.

The impacts of climate change on humans are compounded by climate change-induced

alterations to the ecosystem, affecting the delivery of the ecosystem goods and services necessary to human life support systems. Commercial forests are also likely to be affected.

2.4.4. Climate impacts on tourism

Tourism accounts for 2.8 per cent of the country's GDP and has the potential to grow. Eswatini's tourism is largely based on wildlife and the traditions and culture of the Swazi people. High diversity of floral and faunal species exists in various protected areas in the country. Recurrent droughts and flash floods are likely to affect these resources significantly. Wildlife in protected areas is surrounded by a plethora of human activities. Fragmentation and concentration of wildlife in the Lowveld and the Highveld lead to high vulnerability because the habitats cannot respond quick enough to the changed climate. As a result, wildlife will not be able to migrate to more suitable climatic zones in the face of limited corridors between protected areas.

2.4.5. Climate impacts on energy

Most of Eswatini's energy is derived from fossil fuels, biomass and hydropower. Fossil fuel sources include crude oil, coal and natural gas. Biomass, especially wood fuel, constitutes about 90 per cent of total final consumption. Biomass is still the main fuel for cooking and heating in rural households and is also the primary source of electricity self-generation in the sugar, pulp and sawmill industries.

The main climate impact on the sector is on hydropower. It is anticipated that Eswatini will experience a reduction in stream-flows and hence available water for hydropower generation.

Changes in the frequency and severity of storms in Eswatini will continue to cause serious damage to the country's electricity infrastructure and this will result in disruptions to the energy supply.

Notes

- 1 <https://www.britannica.com/place/Eswatini>
- 2 2017 Population and Housing Census Preliminary Results 2017.
- 3 The Population and Housing Census of 2017
- 4 Eswatini Economic Review and Outlook 2018–2021.
- 5 Ibid.
- 6 AfDB Africa Economic Outlook 2018.
- 7 Eswatini Human Development Report 2019.
- 8 <https://www.imf.org/en/Countries/SWZ#countrydata>
- 9 National Development Plan 2019–2021.
- 10 State of Environment Report 2020.
- 11 Eswatini's Third National Climate Change communication to the United Nations Framework Convention on Climate Change (UNFCCC), 2016.
- 12 Eswatini's Third National Climate Change Communication to the UNFCCC 2016.
- 13 National Greenhouse Gas Inventory Report 2019.
- 14 Eswatini's Third National Communication to the UNFCCC 2016.
- 15 Eswatini Climate Change Policy 2016.

3. Eswatini's Response to Climate Change

3.1. Policy framework for climate change

Eswatini's National Development Strategy (NDS), formulated in 1997 and reviewed in 2014, is the overarching framework that provides a platform for the achievement of sustainable development in the country. The NDS identifies four thematic areas as critical to the attainment of Eswatini's vision: (i) good governance; (ii) a vibrant and diverse economy; (iii) environmental sustainability; and (iv) human capital and social development. Meanwhile, Eswatini's National Development Plan (NDP) was developed with the aim of accelerating inclusive economic growth and sustainable development, as outlined in the NDS. The NDP gives guidance to civil society, the private sector and development partners on the agenda for development and prioritised programmes for active participation. The private sector is seen as the primary vehicle and source of investment for dynamic and inclusive growth.

The Strategy for Sustainable Development and Inclusive Growth (SSDIG) 2030, developed in 2017, resulted from the review of the NDS and the identification of key strategies to be adopted in order to overcome remaining and emerging challenges to the achievement of Vision 2022. Therefore, the SSDIG is an overarching framework targeted at the achievement of sustainable development in Eswatini. Under this framework, climate change has been identified as a threat to sustainable development, and a number of strategies have been recommended, including mainstreaming climate change into national development and sectoral planning and budgeting, as well as promoting the development and implementation of adaptation and mitigation actions that contribute to sustainable development, poverty eradication and increased adaptive capacity. Today, climate change is widely acknowledged as a cross-sectoral challenge, and there is a better understanding of causal links between sectors. Eswatini has pushed towards an

integrative cross-sectoral approach that looks at synergies for collaboration.

The Government of Eswatini is committed to reducing the vulnerability of its people and of its climate-sensitive economic sectors. In 2015, Eswatini initiated the development of the National Climate Change Strategy and Action Plan for the period 2015–2020, which informed the National Climate Change Policy, adopted in 2016. The latter provides a framework for addressing national climate change challenges, through an integrated and participatory approach. As part of its obligations under the Paris Agreement, the country submitted its first NDC in 2015, including commitments for both climate change adaptation and mitigation. The government is in the process of revising its NDC to set clear mitigation and adaptation targets along with comprehensive roadmaps based on the local context. The revised NDC incorporates new sectors for mitigation (IPPU, waste and AFOLU) and adaptation (infrastructure, water, sanitation and hygiene, WASH) actions.

Eswatini is committed to the 2030 Agenda for Sustainable Development and acknowledges the importance of achieving the 17 Sustainable Development Goals. The country has made strides towards creating an environment that enables the achievement of these by revising the NDS to incorporate emerging regional and global development issues.

In addition to an overarching development strategy, the country also has a number of sectoral strategies, policies and plans that present a comprehensive vision and strategic framework for climate change. These include the Energy Efficiency and Conservation Policy 2019, the National Disaster Management Policy 2011, the Integrated Water Resources Master Plan 2016, the National Drought Mitigation and Adaptation Plan 2016–2022, the National Agricultural Investment Plan 2015 and the National Biodiversity Strategic and Action Plan 2016.

3.2. Institutional arrangements for the national climate change agenda

The Ministry of Tourism and Environmental Affairs is responsible for the co-ordination and management of the climate change agenda in the country and oversees implementation of national climate change policy and action planning. The Ministry also engages in global and regional negotiations on climate change, and co-ordinates and manages the assistance provided by donors and development partners on climate change.

The Government of Eswatini established the National Climate Change Committee (NCCC) in 2010 as a central pillar of climate change governance in the country. This is a multi-stakeholder entity with over 30 members from different institutions, mandated to co-ordinate the climate affairs of Eswatini by ensuring that climate change is integrated into the broader development agenda, and to guide development plans, programmes and projects in response to climate change. It is composed of a council (political function), an executive committee (technical function) and technical working groups. The latter form a core part of the NCCC and have different thematic focuses: GHGs and mitigation; adaptation and resilience; scientific research and technology; knowledge management; and climate finance.

Other important institutional arrangements for mainstreaming climate change in all sectors include:

- Sector working groups, which dialogue on pertinent matters relating to sector policies and strategies, intervention priorities, financing opportunities, implementation and performance issues, and monitoring and evaluation (M&E), among others;
- The Eswatini Development Co-operation Forum, established under the Development Co-operation Policy, constituting the highest-level co-ordination authority in the country for development stakeholders. This provides a platform for policy-level consultations, joint decision-making and policy implementation. The forum is composed of high-level representatives from the government, the UN Resident Coordinator, ambassadors and heads of mission of bilateral and multilateral development partners, as well as representatives from civil society, the private sector and academia.

The National Environment Fund of the Eswatini Environment Authority was established under the Environmental Management Act as a body corporate with perpetual succession. The overall objective of the fund is to promote environmental sustainability at the grassroots level in the Kingdom of Eswatini. Specific objectives of the fund are:

- Aggregate funds from different sources to ensure sustainable funding for programmes, projects and activities that provide for and promote the protection, conservation and enhancement of the environment and the sustainable management of natural resources;
- Provide financial support for activities aimed at the enhancement, protection and conservation of the environment and the sustainable management of natural resources and supporting community participation in these activities; and
- Enhance and restore the environment of Eswatini.

3.3. Government initiatives to engage the private sector

Eswatini Development Finance Corporation (FINCORP) empowers Eswatini citizens through the provision of meaningful access to credit, job creation and poverty alleviation. FINCORP has provided access to financial services to thousands of small and medium enterprises (SMEs) and individuals across all economic sectors that make a meaningful contribution to economic growth.¹ FINCORP provides loans to farmers at a competitive market rate if they have secured a market for their agricultural products.

Eswatini Development & Savings Bank, known as Eswatini Bank, has development functions that include financing projects or businesses in various sectors of the local economy, such as industrial, commercial, agriculture, transport, mining, micro, small and medium enterprises (MSMEs), health care, tourism, youth entrepreneurship, property development, retail, etc.² The bank has also shown an interest in being accredited by the Green Climate Fund (GCF) as it makes efforts to mobilise climate finance for the private sector in Eswatini.

Eswatini National Industrial Development Corporation serves as a special purpose vehicle for investing on behalf of government to ensure

maximisation of investment returns in the various investing avenues, including agribusiness.³ The Industrial Development Company of Eswatini is a development finance institution formed to promote industrial growth in the country. It fulfils its role by promoting and investing in financially viable projects in all sectors, including agribusiness and MSMEs.⁴

The MSME Unit was created within the Ministry of Commerce, Industry and Trade. Its main goal is to advise government on policy issues and stimulate indigenous enterprises through creating an enabling environment for business. An enabling environment in this case is defined as a trading environment in which a business can operate while the government minimises licensing and other regulations. The MSME Unit has the overall responsibility of coordinating the implementation of the MSME policy.

The Eswatini Investment Promotion Authority is a public enterprise that has a mandate to promote, co-ordinate and facilitate foreign direct and local investment in Eswatini, with the goal of creating the wealth necessary to enhance social and economic development. Services offered include co-ordinating investment activities and providing information on business opportunities, the cost of doing business and the economic climate in Eswatini.

The Small Enterprise Development Company (SEDCO) is a public company that was created by the government with a main mandate to support and promote the small business sector in Eswatini. It is tasked with facilitating the creation of a supportive and co-operative environment that will enhance the performance of MSMEs. As part of its goal to create a vibrant MSME sector, SEDCO offers a wide variety of services that are tailor-made to promote the entrepreneurial talent of small and medium businesses. The main service offered is the provision of affordable premises in all the cities and towns in the country.

The Federation of Eswatini Employers and Chamber of Commerce is Eswatini's apex private sector body representing local businesses in the country. It serves as an umbrella body for all businesses in Eswatini and its membership cuts across all sectors of the economy. Its mandate is to work with government in ensuring that a conducive environment in Eswatini is created and enhanced for business to thrive and prosper. This is achieved by forging a working relationship with government

and key policy-makers, collaborating with key stakeholders and promoting social dialogue and partnership.

These initiatives are not customised for climate action but they bring co-benefits and could be used as a platform to mainstream climate action measures.

3.4. Eswatini Nationally Determined Contribution targets

The Government of Eswatini submitted its first NDC to the UNFCCC in 2015 and ratified the Paris Agreement on 21 September 2016. Since 2015, there have been considerable improvements and progress with regard to technologies, policies, partnerships, data and stakeholder engagement for climate action. The country has also conducted a review of its first NDC with the objective to enhance it with greater ambition.

The revised enhanced and more ambitious NDC of Eswatini submitted to the UNFCCC on 12 October 2021 represents a progression beyond the 2015 NDC by adopting an economy wide GHG emissions reduction target of 5% by 2030 compared to the baseline scenario⁵ and help achieve a low carbon and climate resilient development. This economy wide emission reduction can increase to 14% with external financing, technology, and technical support and this translates to 1.04 million tonnes fewer GHG emissions in 2030 compared to a baseline scenario.

The revised NDC also charts out clear mitigation and adaptation targets along with comprehensive roadmaps based on the local context. It incorporates new sectors for mitigation (IPPU, waste and AFOLU) and adaptation (infrastructure, WASH) actions.

The revised NDC will assist Eswatini in the setting-up of robust domestic measurement reporting and verification (MRV) and M&E systems that will make tracking of implementation of climate change mitigation and adaptation easier.

3.5. Climate finance for NDC action in Eswatini

The investment needs for low-carbon, climate-resilient growth to achieve NDC targets are substantial. Public funds channelled into climate action and commitments made by industrialised

Table 1. Mitigation targets

Sector	Mitigation action
Energy and transport	<ul style="list-style-type: none"> • Increasing the share of renewable energy to 50% in the electricity mix by 2030 relative to 2010 levels through the adoption of solar, wind, biomass, hydro, and solar water heater technologies. Key measures to be implemented include: <ul style="list-style-type: none"> • Electricity Generation <ul style="list-style-type: none"> ◦ Solar: 55.85 MW ◦ Hydro: 80 MW ◦ Biomass: 95 MW ◦ Wind: Conduct feasibility studies and assessments • Residential <ul style="list-style-type: none"> ◦ Achieving 100% access to clean modern energy for cooking at household-level by 2030 ◦ Improving by 50%, uptake of energy efficient biomass stoves used for cooking by 2030 ◦ Replacing inefficient wood-based water heating with energy efficiency options to reduce its share by 13% by 2030 ◦ Reduce energy consumption in water heating, through replacing conventional geysers with 1000 solar water heaters by 2030 ◦ Reducing energy intensity (electricity) by 20% by 2030 relative to 2010 • Industry <ul style="list-style-type: none"> ◦ Reducing energy intensity (electricity) by 5% by 2030 relative to 2010 • Commercial and public services <ul style="list-style-type: none"> ◦ Reducing energy intensity (electricity) by 3% by 2030 relative to 2010 levels • Agriculture <ul style="list-style-type: none"> ◦ Reducing energy intensity (electricity) by 3% by 2030 relative to 2010 levels Electricity consumption in all these sectors is expected to continue to increase, but the country is committing to efficiency improvements that will reduce the speed of that growth. • Transport <ul style="list-style-type: none"> Under transport sector the measures include: <ul style="list-style-type: none"> ◦ Introducing commercial use of 10% ethanol blend in petrol by 2030 and ◦ Conducting studies to assess the adoption of electric mobility options.
Waste	<p>Reduce GHG emissions by 2030 compared to baseline scenario through improvements in waste treatment (including landfilling) across urban and rural areas. Key measures to be implemented include:</p> <ul style="list-style-type: none"> • Decreasing open burning of municipal solid waste (MSW) • Increasing composting of organic waste (biological treatment) capturing 30% of the organic waste generated within the country by 2030. • Introducing Landfill Gas Recovery (LGR) in existing and new solid waste disposal sites • Improving wastewater treatment and control. • Conduct assessments and develop strategies to move from a linear economy to a circular economy model to support sustainable development in the country.

(Continued)

Table 1. Mitigation targets (Continued)

Sector	Mitigation action
IPPU	<p>Reduce GHG emissions by 2030 compared to baseline scenario by implementing the Kigali Amendment to the Montreal Protocol and other measures. Key measures to be implemented include:</p> <ul style="list-style-type: none"> • Substitution of HFC consumption for low-GWP alternatives under the Kigali Amendment implementation calendar including through: • Substitution of HFC-134A with isobutane (HC-600A) in domestic and commercial refrigeration • Substitution of HFC-134A with ammonia in industrial refrigeration • Phasing out the use of HFC Eswatini is required to freeze HFC production and use in 2024, based on an average of HFC consumption of 2019, 2020 and 2021 levels • Servicing best practices that allow recovery and reuse of refrigerants and • Recovery and reuse of refrigerants contained in disposed equipment.
AFOLU	<p>In the AFOLU sector Eswatini commits to move from Tier 1 to Tier 2 ⁶GHG inventory and improve data collection and institutional arrangements by 2030. Furthermore, the country commits to reducing land degradation (including in mountain ecosystems) through restoration including tree planting and improving livelihoods through better livestock management. The country aims to plant 10 million trees.</p>

countries are insufficient to the magnitude of the challenge. The 2021 Climate Public Expenditure and Institutional Review (CPEIR) reported that, in the period 2015–2020, the Government of Eswatini received approximately US\$209 million from international financiers, during implementation of the first NDC. Approximately \$103 million was leveraged as co-finance, mainly from domestic sources. The total climate finance mobilised in the 2015–2019 period was thus approximately \$312 million. Adaptation funding in this period was greater than mitigation funding (\$254 million versus \$5.5 million).⁷

The amount of public climate finance disbursed to date covers only a small portion of actual need with regard to implementing Eswatini's NDC. The

private sector is therefore an indispensable partner. Private actors including private enterprises and financial institutions have a key role in the transition to climate-resilient and low-carbon development in Eswatini. Information on private sector climate finance in Eswatini is not well documented. The 2021 CPEIR report for the country indicates that most private sector entities in Eswatini are still at the infancy stage in terms of the development of climate change-related projects.⁸ The risks associated with climate change are unknown or poorly understood by private operators. In deciding whether to undertake or invest in climate action, private sector actors must consider the business case for such investment by assessing the expected risks and costs versus the expected returns on a particular investment.

Table 2. Adaptation targets

Sector	Adaptation action
Agriculture	<p>Increase the contribution of agriculture to economic development to support both food security and income generation through:</p> <ul style="list-style-type: none"> • Converting flood irrigation systems to water efficient systems and adopt water saving practices to increase water availability, equity and security • Supporting development of in-farm water harvesting (including small earth dams) and move to more efficient technologies for intensive farming methods to improve food security • Facilitating utilization of invasive species of economic value and agriculture bi-products to reduce GHGs • Diversifying from heavy water consuming enterprises to drought tolerant commercial crops, trees, and small livestock • Developing sustainable utilization and management of rangeland practices to reduce GHG emission and • Monitoring Genetically Modified Organisms (GMO) use to ensure biodiversity losses and other negative impacts are kept in check. <p>Reduce poverty and improve food and nutrition security through sustainable use of natural resources, improved access to markets and improved disaster and risk management systems. This can be achieved through:</p> <ul style="list-style-type: none"> • Restoring and managing degraded land for adaptation benefits and mitigation co-benefits • Developing an integrated early warning and timely response climate information management system to help farmers and value chain actors take informed decision and improve their adaptive capacity • Facilitating production of diverse foods, biofortification and fortification to meet the nutritional needs of the population • Improving alternative nutrition security with special focus on all vulnerable groups • Upscaling and replicating climate smart agriculture, (Crops, aqua-culture, fisheries, and livestock production) for improved food security and nutrition security and higher income • Managing alien/invasive species using the National Invasive Alien Plant Species Strategy to enhance productivity of rangeland, riparian areas and preservation of endemic species • Building the capacities and support communities towards a diversification of livelihoods to alleviate the economic burden on women • Intensifying post-harvest preservation and processing of foods to increase availability of food and • Promoting healthy eating and healthy lifestyles in line with adaptation needs.

(Continued)

Table 2. Adaptation targets (Continued)

Sector	Adaptation action
Biodiversity & Ecosystems	<ul style="list-style-type: none"> • Scale up actions and investments in ecological infrastructure including actions for <ul style="list-style-type: none"> ◦ Strengthening Regenerative Landscape Management of degraded lands/ecosystems of Eswatini ◦ Improving conservation of genetic resources (indigenous trees and land races) ◦ Restoring and protecting wetlands (areas of marshes, fens, peatlands, or water, including artificial, permanent, or temporary) and ◦ Improving sustainable utilization of its resources for biodiversity and other benefits to communities. • Establish long term biodiversity conservation, landscape management and natural resources management through actions including increasing Protected Area Network and assess climate resilience of the protected areas to identify valuable ecosystem services be managed • Strategically plan and manage ecological infrastructure including grasslands, rivers, wetlands, woodlands, and forests including updating and implement the National Biodiversity Strategy and Action Plan (NBSAP) and ensuring that vulnerable ecosystems are addressed in national adaptation programmes • Reduce pressures driving biodiversity loss (e.g., deforestation, human settlements) to improve carbon sinks and promote eco-tourism • Properly manage quantity and quality of water resources for ecosystems and biodiversity preservation • Manage and control invasive plant, fish and animal species and ecological pest management for increasing food sources, habitats, and income generation opportunities and • Conduct research, innovation, and knowledge sharing for income generation through use of tree resources and non-timber forest products.

Health	<p>Enhance legal, policy and institutional frameworks for health sector through:</p> <ul style="list-style-type: none"> • Mainstreaming climate change into the national health policy and other strategic documents • Strengthening climate-informed disease control programs and surveillance systems using climate services to target vector control • Improving and integrating the health management information system with other systems from relevant sectors to achieve a centralized Monitoring Review and Verification (MRV) system and • Strengthening the preparedness and resilience of the health sector to respond to climate related emergencies and illnesses through preparedness plans and programs. <p>Build capacity in the health sector through:</p> <ul style="list-style-type: none"> • Strengthening capacity of healthcare workers on the adverse impacts of climate change; and • Educating and informing the public of the needed measures to protect health from the adverse impacts of climate change. <p>Leverage the use of technologies to help health sector adapt to climate change through:</p> <ul style="list-style-type: none"> • Adopting sustainable climate smart technologies to enhance the resilience of communities to the adverse effects of climate change and • Establishing a multi-hazard early warning system to trigger prompt public health intervention when certain variables exceed a defined threshold. <p>Enhance adaptive capacity in the health sector through:</p> <ul style="list-style-type: none"> • Financing health actions to address inequities and climate related vulnerabilities • Promoting capacity building through research and development, education and awareness, and training in climate change related issues • Mainstreaming gender responsive climate policies and emphasize special efforts to support vulnerable groups (women, youth, and children) in climate change adaptation efforts within all sectors of the economy and • Using co-benefits from mitigation measures e.g., clean technologies in waste and wastewater management, energy, etc.
--------	--

(Continued)

Table 2. Adaptation targets (Continued)

Sector	Adaptation action
Water	<ul style="list-style-type: none"> • Improve water governance and compliance to help manage water resources more efficiently and effectively to adapt to resultant water shortages from climate change • Develop water pricing structures to encourage efficient water use and scale-up smart metering systems • Strengthen the control and monitoring of water availability and use to protect surface and groundwater resources from over abstraction and impose timely restrictions when needed • Strengthen the capacity of early warning systems to improve preparedness and response while reducing disaster risk • Develop and implement catchment adaptation plans and strategies to promote ecosystem and community resilience • Control Invasive Alien plant species and pollution in catchments to protect water resources (quality and quantity) • Design and construct water storage infrastructure for multiple use i.e., large dams, earth dams, sand dams etc. • Enhance Water supply, Sanitation and Hygiene (WASH) Sector contribution to sustain healthy livelihoods • Create an enabling environment for the governance of WASH activities to promote resilience against climate change • Assess sustainable water supply options beyond 2030 through conducting water assessments/studies to identify potable water supply sources, opportunities, and constraints with a climate lens and • Secure climate proof water infrastructure including through developing resilient/ climate proof WASH infrastructure to increase community resilience and boost adaptive capacity.
Infrastructure	<ul style="list-style-type: none"> • Improve evidence base of climate change impacts on infrastructure to support decision making • Build capacity at institutional level and community level for mainstreaming climate change into infrastructure • Climate proof existing infrastructure, particularly critical infrastructure • Develop nature-based solutions for urban infrastructure for adaptation benefits and disaster risk reduction to enhance resilience of urban dwellers • Manage critical ecosystems in cities to preserve flood control services, habitats for biodiversity and contribute to maintaining micro-climate • Implement integrated waste management for resilient ecosystems, reduced pollution, and healthier communities and • Build capacity and implement climate smart town planning for urban resilience and enhancing adaptive capacity of urban dwellers.

Notes

- 1 <https://www.fincorp.co.sz/profile/>
- 2 <https://www.swazibank.co.sz/mfmbs/ib/about.jsp>
- 3 <http://www.nidcs.org.sz/Introduction.html>
- 4 <https://www.idce.co.sz/about/>
- 5 The baseline scenario was developed based on historic GHG emissions between 2010 and 2017 and an updated scenario showing the change in GHG emissions between 2018 and 2030
- 6 IPCC provides guidance on methods for estimating emissions (and removals as appropriate) for each gas in mass units. A tier represents a level of methodological complexity. Tier 1 is the basic method, Tier 2 intermediate and Tier 3 the most demanding in terms of complexity and data requirements. Tiers 2 and 3 are sometimes referred to as higher tier methods and are generally considered to be more accurate on condition that adequate data are available to develop, evaluate and apply a higher tier method.
- 7 Eswatini Climate Public Expenditure and Institutional Review 2021.
- 8 Ibid.

4. Enhancing Private Sector Engagement in Eswatini NDC Actions

4.1. Eswatini's private sector landscape

The private sector in Eswatini is fairly small and dominated by MSMEs. A survey by FinScope estimated the number of these at close to 70,000, employing over 90,000 people, or about 21 per cent of the workforce. The survey also estimated a total of 59,283 business owners employing approximately 93,000 people. The majority of enterprises are micro businesses and individual entrepreneurs. The largest proportion of MSME business owners operate in the agriculture sector (26 per cent) specialising in crop cultivation; this is followed by 11 per cent of businesses in manufacturing.

High-impact enterprises account for only 4 per cent of MSMEs, with low-impact MSMEs accounting for 79 per cent. The bulk prevail in low value-addition activities in the wholesale and agriculture sectors. The most common place of business for most MSMEs is from a residential premise, with most businesses located in rural areas.¹

Eswatini has 49 State Owned Enterprises, which are active in agriculture, transport, finance, education, tourism & environment, information, housing, labour, sports, arts & culture, youth affairs, disaster management, energy and regulatory sectors. They are governed by the Public Enterprises (Control and Monitoring Act), 1989, under the supervision of the Public Enterprises Unit, which is under the Ministry of Finance. They report to the Unit on a quarterly basis, where a consolidated report is compiled and submitted to Cabinet for approval.

State Owned Enterprises in Eswatini are divided into two categories namely; Category A and B. Category A are those that are wholly owned by Government or in which Government has a majority interest. These are also divided into two that is subvented and non-subvented entities. Currently, there are 34 entities relying on government subvention

and the remaining 15 are self-sustaining through revenue generation and levy collection. Category B Enterprises are those entities in which Government has a minority interest or which monitors other financial institutions or which are Local Government Authorities.

The main organization representing the private sector is Business Eswatini, which represents more than 80 percent of large businesses in Eswatini, works on a wide range of issues of interest to the private sector, and seeks to build partnerships with the government to promote commercial development. Through Business Eswatini, the private sector is represented in a number of national working committees.

The NDP underlines key challenges, weaknesses and threats facing the private sector:

- **Macro-economic environment:** The country's weak macro-economic conditions and fiscal instability are major deterrents to investment.
- **Fiscal crisis:** The fiscal crisis and building arrears are greatly heightening the risks to the private sector.
- **Utilities costs and reliability:** Utilities are reportedly more costly and less reliable than the regional average. Internet data charges in Eswatini are the second highest of all sub-Saharan African countries. Electricity outages are still frequent and electricity price inflation has been accelerating every year.
- **Regulatory issues:** The regulatory framework is reported as one of the major challenges by companies across all industries, with regulation reported to be either too weak, inappropriate or, more often, excessive, timely and costly.
- **Ease of doing business:** Eswatini ranks 117th out of 190 countries worldwide on ease of

doing business overall, with a particularly poor rank on enforcement of contracts, getting electricity, starting a business and registering property.

- **Skills gap:** Certain industries report facing a large skills shortage that the labour force of Eswatini is unable to meet. Companies must often either go without the skills required or bear high costs of training, while large numbers of graduates from local institutions cannot find employment for years, with numbers increasing yearly.

Although Eswatini has a relatively small private sector, the NDS underlines its potential contribution and recognises its power to transform the country and to deliver broad-based and inclusive economic growth.

4.2. Why would private sector actors engage in NDC action?

Private sector actors are diverse and multi-faceted, and, as such, have a variety of motivations for engaging in climate action. Some may be motivated by the search for profit and new markets or by the desire to reduce business risks. For others, it may be in response to policies, regulations or signals from investors. Investments in green projects, by both private enterprises and financiers, can be made for three main reasons.²

4.2.1. Managing risks for business continuity and reputation

In recognition of the disruption caused by floods or drought, companies may respond accordingly by investing in adaptation and mitigation solutions to counter the risks that climate change poses to business operations and supply chains. These risks can include physical risks (climate-related damage to property or assets; disruptions to trade) and transition risks. Companies may also support adaptation/mitigation activities in order to reduce potential liabilities that could emerge as a result of climate change. Managing climate risks will require investments by companies to protect their operations and avoid future losses. Companies may manage climate risks through investments in climate-resilient infrastructure, consideration of climate impacts in procurement decisions, integrating climate change into business plans and climate-proofing supply chains.

In Eswatini, 80 per cent of surveyed private sector enterprises reported that their businesses had been impacted by climate-related events, most of which had involved extreme and erratic rainfall and drought events that had resulted in moderate physical damage; disrupted internal production, operations and the value chain; and had a negative impact on their financial performance and on their downstream market conditions (Figure 5).

Figure 5. Extent of weather and climate impact in Eswatini according to interviewees

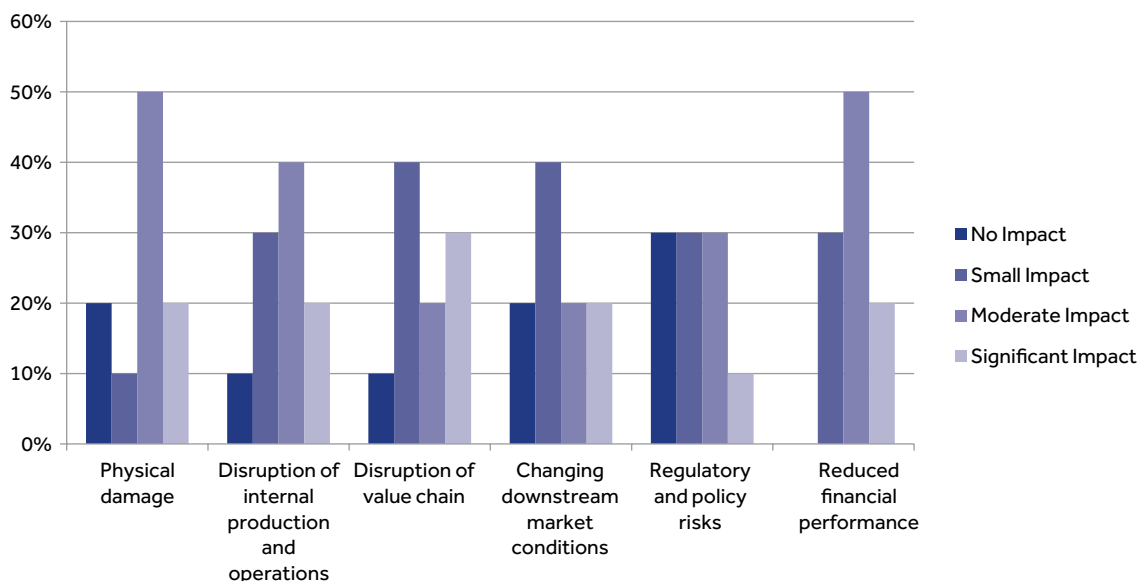
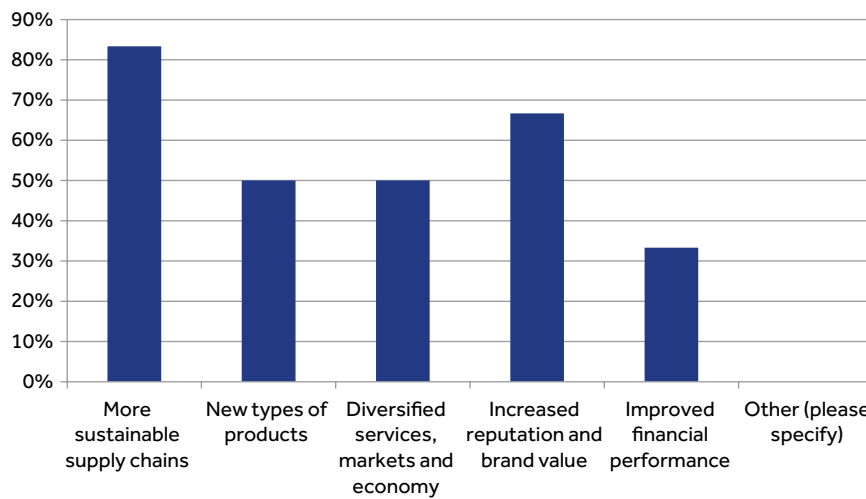


Figure 6. New markets and business opportunities for green development, according to interviewees



4.2.2. Complying with policies, regulations and investor interests

Private sector actors may engage in climate action in response to government policies and regulations in place or to attract investors. New policies or regulations adopted by a government may require that businesses and financiers strengthen the degree to which they consider climate risks, and work to reduce them. For example, companies may be required to consider and disclose climate matters in their investment and risk decisions. A need to minimise their stated exposure to climate risks may push them towards making smart investments in enterprises that work to reduce these risks through adaptation.

4.2.3. Capitalising on new markets and business opportunities

Private sector actors may invest in green projects to take advantage of new markets or business opportunities presented by a changing climate. Companies, motivated by profit, can develop and distribute new goods and services that respond to the local threats posed by climate change and help people, communities, other businesses and government adjust to the current and future impacts. Climate-resilient goods may include climate-resilient seeds, water-efficient irrigation systems, equipment for early warning systems and telemedicine technologies to respond to the predicted increase in infectious diseases owing to climate change. New services could include climate and weather modelling, or a seed company offering agricultural extension services to climate-affected farmers. Companies

can also explore investments that benefit both adaptation and mitigation – the development of local renewable power generation in communities where supplies of fossil fuels are threatened by storms or coastal erosion, for example.

Private sectors operators in Eswatini consider that climate change presents opportunities for their businesses, including opportunities to generate more sustainable supply chains, to increase reputation and brand value, and to develop new types of products and diversified services, markets and economy (Figure 6).

4.3. Climate change opportunities for the private sector

As new markets open up, climate change presents opportunities for businesses. For example, opportunities may exist in providing access to technologies, products and services to communities (climate risk information and market information on mobile phones, risk insurance products, drought-resistant seeds); investing in ecosystem-based adaptation (community-based wood lot management, sustainable forestry-based enterprises); and co-venturing with local communities in distribution/sales networks, diversified supply chains, access to finance, etc.

4.3.1. Opportunities in agriculture and forestry

Agriculture is the mainstay of the Eswatini economy and is critical to the achievement of the overall development objectives of the country. The sector

has been heavily affected by increasingly intense droughts and floods. The Vulnerability Assessment Report of July 2020 reported that an estimated 366,261 people (32.7 per cent of the population) were at risk of food insecurity for the October 2020 to March 2021 time period.

This presents an opportunity for the private sector to invest in the sector. Conservation agriculture and the promotion of drip and micro irrigation technologies are key areas here. The cost of mechanised planters is too high and this poses a barrier to adoption of conservation agriculture technology, as farmers want to move away from manual to mechanised methods. Other specific opportunities for the private sector include conservation tillage, crop diversification, greenhouse farming, hydroponics, livestock selective breeding, micro irrigation and organic farming.

For the forestry sector, agroforestry and conservation of genetic resources have been prioritised as adequate technologies for adaptation. Agroforestry can improve the resilience of agricultural production to current climate variability as well as long-term climate change through the use of trees for intensification, diversification and buffering of farming systems. There is limited adoption of agroforestry in Eswatini, and this thus represents a business opportunity. The barriers to private sector engagement include the knowledge gap and a lack of impetus, and the fact that agroforestry accrues benefits only in the long term.

Existing institutional support for the private sector includes the following:

Eswatini Agricultural Development Enterprise

is a government parastatal with the objective of promoting participation of smallholder farmer organizations in irrigated commercial agriculture, as part of a poverty eradication program for rural areas and enhancing private sector development through the active participation of small and medium enterprises in agricultural development³.

Eswatini's National Agricultural Marketing Board

is charged with facilitating markets for farmers and assisting them production processing, storage, transportation, distribution and sale of schedule products⁴. NAMBOARD has a number of initiatives that aims at creating an enabling environment for the participation of the private sector in agribusiness including The Small and Medium Earth

Dams Project (SMEP), Climate Smart Agriculture Project (CSMA), Agricultural Marketing Information System (AMIS).

Eswatini Dairy Board develops and regulate the dairy industry in Eswatini. The mandate of EDB is to complement government in developing and promoting the production and consumption of quality products by coordinating and harmonizing all in the dairy industry through appropriate skills and technology. The EDB provides programmes such as training and services to milk producers; services to farmers which include among other things resource assessment for starting dairy farming, citing and construction of dairy structures, forage production and conservation, perennial and winter pasture establishment and management.

National Maize Corporation is a government company entrusted to enhance increased production and national food security through improved stakeholder relationships, creating strategic partnerships, farmer support, vigorous marketing and supply of high-quality maize, cereals and other grains. NMC has the following key responsibilities: to guarantee an all year round competitive market for Swazi maize farmers; to reduce marketing barriers and costs to Swazi farmers by improving maize marketing and logistics services; to guarantee all year round supplies of white maize at a reasonable cost to the nation and to increase the efficiency of the maize market in Eswatini by promoting the availability of white maize to consumers at a reasonable cost in all the regions of the country.

Eswatini Sugar Association is an umbrella organization bringing together all growers and millers of sugarcane. ESA is responsible for providing the services necessary for the regulation and general development of the Swazi sugar industry as well as marketing of all the sugar and molasses produced in the country. ESA provides support services to the entire industry's value chain which includes agricultural research and extension, cane testing, warehousing and distribution, marketing and policy advocacy.

Eswatini Cotton Board⁵ is a Public Enterprise under the Ministry of Agriculture. It was established by Cotton Act No. 26 of 1967. The mandate of the cotton section is to promote cotton production throughout the four regions of the country. Its functional operations are the training of field extension staff and cotton growers on improved

agronomic practices which would result in the attainment of high yields and reduced costs of production. The Cotton Board is also involved in the co-ordination of the cotton industry.

Eswatini through support from the Grow Africa Initiative has endorsed the **Country Agribusiness Partnership Framework (CAP-F)**, a country engagement and partnership tool developed to support the formation of partnerships between agribusinesses, non-state actors, development partners, governments and farmers with the intent of unlocking private sector investment in National Agricultural Investment Plans (NAIP) prioritized value chains⁶.

4.3.2. Opportunities in the energy sector

Renewable energy

Renewable energy (RE) has been identified as one of the primary GHG mitigation enhanced actions in Eswatini's revised NDC. The NDC commits to increase the share of RE in the electricity mix to 50% in the country by 2030 through the adoption of solar, wind, biomass, hydro, and solar water heater technologies. It also commits to introduce the commercial use of bio-ethanol (10 per cent blend) in petrol, for use in all petrol vehicles. The biofuel blending commitment is further supported by the national biofuels development strategy and the subsequent national biofuels development action plan. The latter specifically outlines the country's approach to facilitating a viable biofuel industry that builds on existing strengths in the sugar industry and in ethanol production. The Department of Energy signed a Memorandum of Understanding with the Royal Eswatini Sugar Corporation for a pilot study on the feasibility of ethanol/petrol blending.

The private sector is the driver of investments in this sector in terms developing renewable energy projects and further financing them.⁷ The Electricity Act of 2007 allows the participation of private sector in the business of generation, transmission and distribution of electricity. Interested parties should obtain proper licensing from the energy regulator. To date, two power purchasing agreements have been signed with private sector entities.

The Eswatini Energy Regulatory Agency was set up through the Energy Regulatory Authority Act of 2007, to receive and process applications for licences; to modify/vary licences; to approve tariffs, prices, charges and terms

and conditions of operating a licence; and to monitor the performance and the efficiency of licensed operators.

The Ministry of Natural Resources and Energy (MNRE) has partnered with the University of Eswatini to establish the Centre for Sustainable Energy Research, with the aim of conducting research into sustainable energy. This will result in improved adoption of sustainable energy in the country and further ensure that the country imports renewable energy products that meet stipulated quality standards. MNRE's Independent Power Producer (IPP) Policy of 2015 aims to create an enabling environment to promote the establishment of sustainable renewable energy and IPP generation sources for the benefit of all citizens of the country.

Energy efficiency

Energy efficiency is a powerful method of reducing GHG emissions and is identified in the Energy Efficiency and Conservation Policy 2019 as a way of mitigating climate change. Industries are the biggest consumers of energy in Eswatini and have great potential to reduce their energy demand through efficiency measures.

The Energy Efficiency and Conservation Policy aims to stimulate energy efficiency programmes to promote sustainable development in the country and to work with the private sector in partnership to implement such programmes. The National Energy Efficiency Strategy and Action Plan 2020 is a direct follow-up, to guide the implementation of energy efficiency and energy conservation measures in all energy demand sectors. It identifies areas of improvement with regard to private sector participation in energy efficiency and energy conservation, such as incentives and public-private partnerships (PPPs).

The Department of Energy at MNRE, with support from the SADC Centre for Renewable Energy and Energy Efficiency, is engaging the private sector through the Energy Efficient Lighting and Appliances in the East African Community and the Southern African Development Community Project. This aims at bringing market incentives to stimulate the uptake of efficient lighting and appliances.

The GCF has approved funding for a readiness project titled the National Framework for

Leapfrogging to Energy Efficient Appliances and Equipment in Eswatini (Refrigerators and Distribution Transformers) through a regulatory and financing mechanism. This readiness proposal will result in Eswatini having a regulatory framework and an agreed minimum energy performance standard and labelling scheme for refrigerators and distribution transformers. The project will also result in market preparation and business planning for the deployment and scale-up of prioritised climate technology solutions in the energy efficiency and energy conservation sub-sector, including a financial strategy to fund energy efficiency and energy conservation initiatives in the country.

4.3.3. Opportunities in the infrastructure sector

The infrastructure sector is not prioritised in the revised NDC. However, as designers, financiers, constructors and maintainers of infrastructure, the private sector has a huge role to play in the advancement of climate action in the sector.

The Construction Industry Council (CIC) of Eswatini is a legal government entity with a mission to regulate, develop and promote the construction industry for the benefit of all stakeholders through transformation for sustainable growth, monitoring industry performance, research and empowerment, thus improving socio-economic status. It has also enacted the Construction Industry Associations Regulatory Policy 2016, which aims at improving the operations of local firms and companies, including lobbying for policies that will create an enabling environment in the infrastructure sector.

The Ministry of Finance's PPP Policy for infrastructure development in Eswatini identifies four types of PPPs that can be set up in the country, as follows:

- Management contracts where the private sector is given responsibility for maintenance and operation of a specific facility, such as water or sewage treatment works. This includes lease contracts;
- Projects implemented by private companies with state funds. These range from Build Operate Transfer (BOT) to Design Build Operate Maintain (DBOM, or DBO). In these cases, the private companies receive a fee for their services;
- Projects financed by the private sector where the capital expenditure and operating costs

are remunerated by the state on an annual basis. These are known as Design Build Maintain Finance (DBMF) or Design Build Operate Maintain Finance (DBOMF). This method can be used to provide buildings to be used by the public sector;

- Concession projects partly or fully financed by the private sector and fully remunerated by user charges – common in the roads sector, where tolls are charged to meet the costs. Management includes responsibility for meeting the demands of new customers, maintenance of the whole network, collection of user fees, etc. Concessions are typically for a period of over 20 years to allow for recovery of the cost of investment and of good maintenance. This includes franchise contracts.

4.3.4. Opportunities in the water sector

According to Eswatini's Fifth National Report to the Convention on Biological Diversity, aquatic water systems in Eswatini are under threat from agricultural development. The Technology Action Plan for Adaptation 2018 presents opportunities for the private sector in the area of wetlands restoration and protection and rainwater harvesting technologies. The ambition for technology deployment and diffusion in wetlands is to restore and protect five medium-sized wetlands. The ambition for up-scaling rainwater harvesting technology is to subsidise a 5,000 litre tank and some supporting implements such as gutters, filters and pipes by 50 per cent of the cost for 20,000 households, building systems for 100 institutions and improving awareness of the technology among the public.

The 2018 Eswatini Technology Needs Assessment for Climate Change Mitigation report presents a number of opportunities for the private sector. It identifies and prioritises mitigation technologies in sectors of energy, waste and land use and land use change and forestry (LULUCF). Three technologies are prioritised for the energy sector and two for each of the waste and LULUCF sectors:

Energy

- **Installation of building envelope insulation:** The 2018 Technology Action Plans indicate that the installation of building insulation is expected to be financed by residents and commercial property owners as part of

mortgages. This is a considerable opportunity for financial institutions. It is expected that wealthier households and commercial property developers will be the first to invest in this technology. This will result in the development of skills and access to insulation materials, leading to lower overall prices that can increase the adoption of the technology by the less wealthy.

- Combined heat and power plant using biomass fuel:** This is another opportunity for the private sector presented in the Technology Action Plans, which indicate that the technology can succeed if the country can develop a renewable energy feed-in tariff programme and standard power purchase agreements. This can ease the selling of renewable energy power to the national grid. There is also a need to complete the integrated power resource plan in the form of an energy master plan. This can provide for the necessary allocation of renewable power and also correspond to the country’s target to have 50 per cent of power generation from renewables by 2030.
- Solar PV:** Solar PV technology is not widely used even though Eswatini has favourable insolation for its deployment. Three large solar PV systems are under development and at an advanced stage. These include a 22 MW by Wundersight Investments, a 10 MW by Eswatini Water Services Corporation and another by the national electricity utility, Eswatini Electricity Company. The main barrier to the uptake of solar PV systems is the lack of a net metering programme. With net metering, individual households and institutions can invest in solar PV, leading to increased availability of skills and lower equipment prices.

Waste

- Waste sorting** represents another business opportunity for private enterprises. Waste sorting facilities can sustain themselves by selling the waste to downstream users of separated waste. They can also be paid for reducing waste quantities that eventually go to landfill. Waste sorting facilities will need funding to subsidise the purchase of equipment and land.

Table 1. Priority mitigation technologies in sectors of energy, waste and LULUCF

Sector	Subsector	Technology
Energy	Energy efficiency	Building insulation
	Power generation	Combined heat and power
	Electricity production	Solar PV
Waste	Waste management	Waste sorting
	Waste treatment	Composting
LULUCF	Forestry	Agroforestry
	Forestry	Urban forestry

- Composting** reduces the production of methane (a major source of GHG) and provides a series of economic and environmental co-benefits. Producing in bulk and selling compost is an opportunity for the private sector. Target markets may include local government, farms and neighbourhoods. Another related key activity is the setting-up of laboratories to certify the compost fertiliser produced.

Agroforestry

Investment in agroforestry can be a profitable business for private actors. However, forestry is often difficult for traditional investors to finance, given that a large majority of the income come with the final harvest of the system, which can take at least seven or more years, depending on the species. Private actors should therefore focus on commodities with the greatest potential to expand in agroforestry. Development of the entire value chain is key to encourage private sector investment.

4.3.5. Opportunities presented by the Green Climate Fund (GCF)

The GCF’s Updated Strategic Plan (USP) identifies certain focus areas for the GCF private sector strategy, including strengthening capacities, enabling climate transformation in key sectors, de-risking and addressing barriers, and being consistent with guidelines for country ownership and country drivenness. For the 2020–2023

programming period, key actions in this area of the GCF business model includes the following⁸:

- Identifying and increasing private sector engagement potential across results areas.
- Strengthening engagement capacity, investment environments and climate-oriented financial systems.
- Structuring to mobilize private sector resources at scale.
- Supporting private sector engagement in all developing countries, including Least Developed Countries and Small Islands Developing States.
- Enhancing the role of the private sector in adaptation.
- Executing a private sector outreach plan.
- Staged development of the Private Sector Facility modalities.

4.3.6. Green Bonds Markets

The growth of bond markets provides increasing opportunities to finance the implementation of the SDGs, climate commitments (NDCs) and other green growth projects. Green bonds are becoming an increasingly prevalent form of green finance, particularly for clean and sustainable infrastructure development and their large funding needs. Green bonds offer a vehicle to both access finance from the capital markets and deliver green impacts that can be verified against standards. In developing countries, green bonds are already financing critical projects, including renewable energy, urban mass transit systems and water distribution⁹.

- A green bond market has three key benefits to a country and its environmental goals and commitments. It increases the finance available for green projects, therefore incentivizing an increase in their number. Today, green bonds mainly finance projects within renewable energy, energy efficiency, low-carbon transport, sustainable water, and waste and pollution.
- It is a viable vehicle for enabling the increasing pool of sustainable investors to access environmental projects. Bonds are an instrument and an approach with which foreign investors are familiar, so these institutions need little new understanding

or capacity. Investors are also interested in placing money where the environmental impact achieved is highest per unit of currency, and emerging and developing economies have the potential to offer this where lower project costs exist.

- It can be a catalyst for further development of the domestic capital market and financial system more broadly beyond environmentally related projects.

Ensuring that both bond issuance and bond investment are attractive in the market is key to developing the scale and repetition of issuance. To do this requires unrestrictive and ideally supportive political positions, policies, regulation and tax regimes.

The AfDB Green Bond program facilitates the achievement of the Bank's corporate priority of green growth through the financing of eligible climate change projects. Investors can make a difference with their investment by financing climate change solutions through AfDB's Green Bonds¹⁰.

4.3.7. Adaptation Benefit Mechanism (ABM)

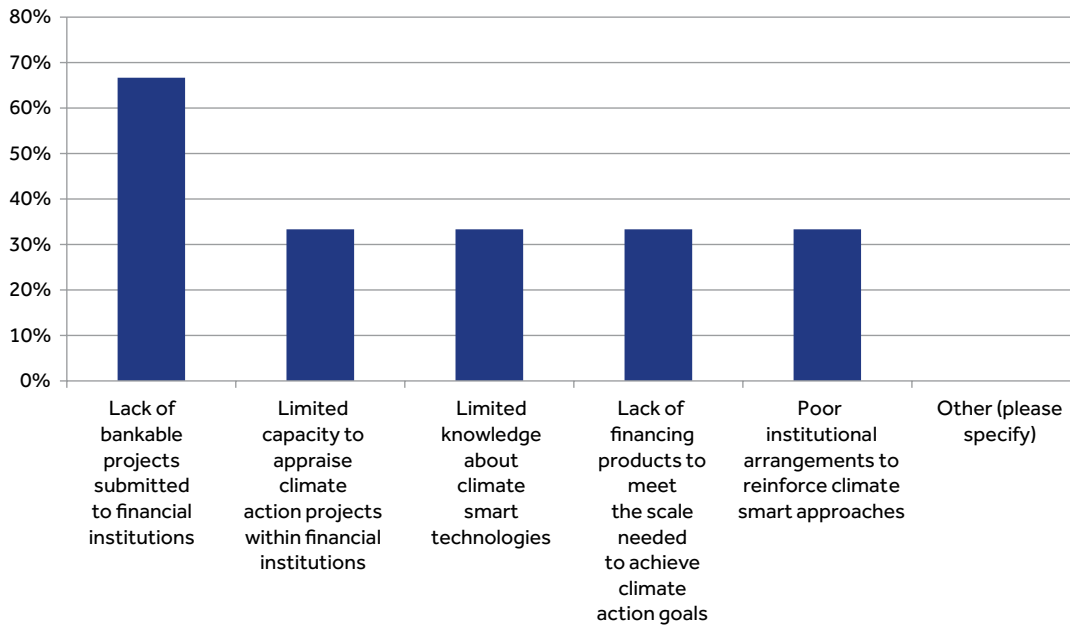
The ABM is an innovative mechanism for mobilizing new and additional public and private sector finance for enhanced climate change adaptation action. It has the potential to speed up transformation to low-carbon, resilient and sustainable development of the host countries by giving value to resilience.

ABM will contribute directly to the establishment of a new business model for adaptation and the achievement of¹¹:

- The Sustainable Development Goals;
- The Adaptation and Climate Finance goals of the Paris Agreement;
- The UNFCCC long-term finance goal;
- Adaptation and resilience goals and needs of developing countries expressed in, amongst others, Nationally Determined Contributions, National Adaptation Plans, Technology Action Plans and Long-term strategies for low-emissions, resilient and sustainable development.

ABM will de-risk and incentivize investments by facilitating payments for delivery of Adaptation

Figure 7. Barriers to financing green projects, according to interviewees



Benefits. ABM will certify the social, economic and environmental benefits of adaptation activities. The value of adaptation action captured in these certificates, including the incremental costs of generating the benefits, will be promoted to potential investors or lenders. The expectation is that verified certificates of the benefits of specific adaptation activities issued by a reputable international organization and based on sound methodological and technical work, in consultations with stakeholders and with the approval of the host country government will guarantee the credibility of the adaptation activities and increase their attractiveness to potential investors or lenders. Under the ABM, adaptation project developers can sign off-take agreements with a variety of public, private and non-profit actors for payments upon delivery of certified adaptation benefits and use those agreements as collateral for achieving equity and raising finance.

The African Development Bank aims to mobilize at least \$50 million by 2023 to pilot the ABM and operationalize it for global use¹².

4.4. Barriers to private sector engagement in NDC action

Barriers to the mass engagement of Eswatini’s private sector in green investments to date owe largely to the lack of enabling policy and financial incentives that reduce investment risk and increase

willingness to invest in NDC action. Surveyed financial institutions indicated that lack of bankable projects, financial products such as government guarantees, tax benefits and risk-sharing mechanisms, as well as limited knowledge on climate-smart technologies, represented the main barriers to financing green projects (Figure 7).

Barriers to private sector engagement in NDC action can be categorised as follows:

- Policy and regulation barriers:** The main deterrent is related to regulatory, operational and market risks in business operations. The absence of sound regulatory and policy frameworks limits assurance with regard to the appropriate management of risks related to green investment. Private enterprises in Eswatini stressed that the main hindrance to accessing climate finance was lack of or inadequate implementation of policies or legislation, and limited capacity for climate action.
- Limited technical capacity to implement adaptation and mitigation measures:** Adopting new business processes, developing new products or services, and implementing new technologies for increased resilience require technical skills and expertise, which may themselves require upfront investment. Although certain large companies may have the means to access this technical expertise,

MSMEs are less likely to be able to do so, given tight margins in the context of their ongoing business ventures. Moreover, a perceived lack of technical expertise in implementing adaptation and mitigation solutions can hinder external investors from directing capital towards climate risk management ventures.

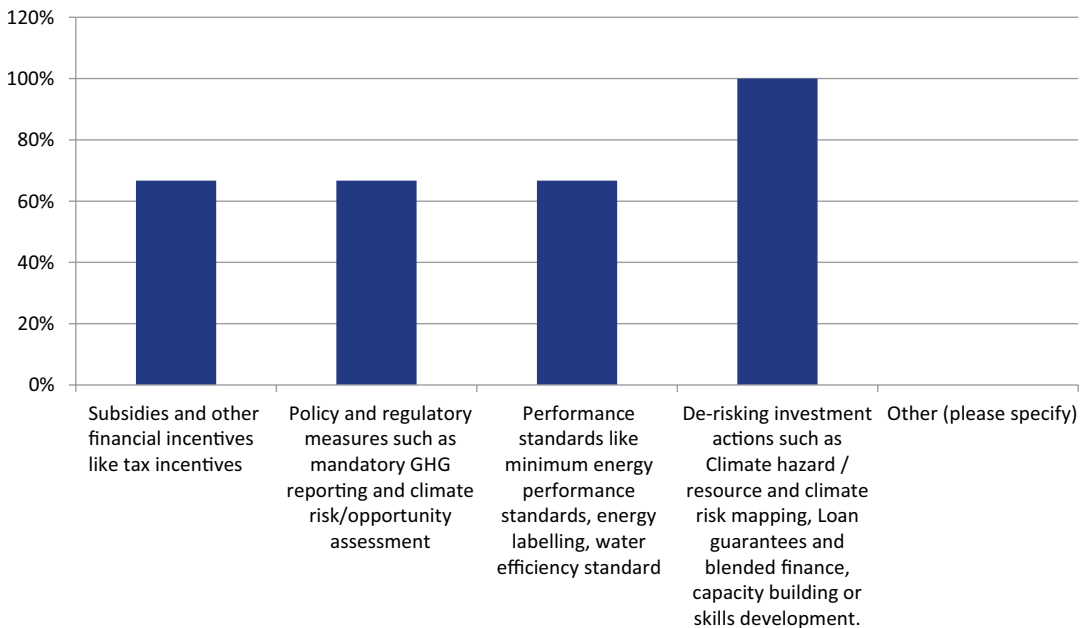
- Insufficient climate knowledge:** Although there is increasing awareness of the threats posed by climate change, the private sector is not well informed about impending climate risks. This is primarily because information on climate risks and uncertainties is unavailable or inaccessible, making it difficult for businesses to incorporate this into their planning and decision-making processes. Lack of information also limits the viability of weather index-based insurance products, which are potentially effective risk management solutions. In Eswatini, downscaled climate projections are not regularly made available to government institutions and to the private sector, and there is a lack of sector-specific climate risk assessments, especially for key sectors that will contribute to the NDC goals.
- Weak identification and evaluation of cost-effective adaptation measures:** In order to catalyse private finance towards climate change adaptation and mitigation action,

businesses must be able to better assess and prioritise available measures and options for adaptation and mitigation. There is a need for a standard "menu" of actions from which enterprises can choose.

- Inadequate financial mechanisms to attract the private sector:** Some investments that are required for climate change risk management can have relatively large upfront costs, relatively long payback times and other uncertainties for those who need to bear such costs. Banks and other financial intermediaries, recognising unfavourable risk-return profiles, may hesitate to invest in such activities. Private sector actors may struggle to obtain financing for specific types of interventions, given constraints in raising the necessary collateral. In addition, knowledge of and access to alternative types of financial instruments that can adjust the risk-reward profile of adaptation and mitigation investments and incentivise financial institutions to support climate risk management measures may be limited and/or beyond the capacity of private enterprises.

Financial institutions in Eswatini reported that there was a need for appropriate financial mechanisms and incentives to enhance private sector engagement in climate action, such as policy and

Figure 8. Potential approaches to encourage private sector engagement in climate action, according to interviewees



regulatory measures; de-risking investment actions through risk mapping, loan guarantees and blended finance; and subsidies and other financial, such as tax, incentives.

4.5. Enabling factors for private sector engagement in NDC action

There are a number of factors that the Government of Eswatini, with the support of development partners, civil society and private actors, can put in place or strengthen to enable and incentivise the necessary level of private sector engagement in the pursuit of NDC commitments. These factors can help address the barriers that commonly inhibit private sector engagement. Information, both on current and future climate conditions and on corresponding adaptation and mitigation measures, may be generated and shared broadly with private sector actors. Capital markets and the allocation of financing can be made more efficient, incentives for engagement can be adopted and the risks associated with adaptation investments can be reduced.

The institutional arrangements required to ensure active collaboration for effective NDC implementation among government, private enterprises and financiers can be established, with a strong foundation of policies and regulations that support private investment in climate action. Technical capacities can be built among those expected to design, deliver and monitor adaptation and mitigation actions. Four enabling factors are proposed to enhance private sector engagement in NDC action:¹³

1. **Availability of climate change-related data and information and information-sharing:** Better data management and accessibility would allow businesses to make use of this data to (i) assess their business risks from climate change (based on information on climate change observations and projections for specific sectoral and geographic needs, as well as the associated impacts) and (ii) identify new business opportunities or services – for example, insurance will be able to develop better climate index-based products.
2. **Adequate policy, regulatory and institutional arrangements:** In order to promote private sector engagement in NDC action, the Government of Eswatini

must work to ensure that the legal and policy framework, along with appropriate institutional arrangements, is in place to support investment in NDC action and facilitate dialogue among national and sub-national decision-makers, private enterprises and private financiers. The government should ensure that the legal and regulatory framework within the country is conducive to businesses engaging in climate action.

3. **Building capacity:** Increased capacities are required to integrate climate risks into investment portfolios and financing products, and to better quantify and track the returns on investments. Private sector actors lack the technical capacities needed to understand and use climate data and information, and to integrate climate risk management into standard business operations. They require enhanced capacities in the use of techniques, technologies and equipment needed to invest in climate-friendly businesses, and they require capacities to develop bankable projects and the business models needed to commercialise new products and services.
4. **Financial instruments for private investment in NDC action:** Many of the existing financing instruments are traditional investment instruments (such as debt financing, equity investments and grants). In order to attract the private sector, innovative financial instruments could be used to de-risk investments, such as on-lending schemes or concessional financing from local banks. It is also essential for the public sector to create incentives in the form of subsidies, taxes or reward schemes. Making use of the opportunities offered by the green bond market may also help bring down (re-) financing rates.

Notes

- 1 Micro, Small and Medium Enterprise Survey, Eswatini, 2017.
- 2 Crawford, A. et al. (2018) "Toolkit for Engaging the Private Sector in National Adaptation Planning Processes".
- 3 Eswatini Agricultural Development Enterprise Annual Report 2018/19.
- 4 <http://namboard.co.sz/scheduled-produce/>

- 5 <http://www.eswatinicottonboard.org/home/homepage.php>
- 6 Country Agribusiness Partnerships Framework (CAP-F) Concept Note
- 7 UNEP (2020) Global Trends in Renewable Energy Investment.
- 8 Independent evaluation of the Green Climate Fund's approach to the private sector, 2021.
- 9 CDKN, a guide to understanding the building blocks and enablers of a green bond market, 2017
- 10 <https://ndcpartnership.org/funding-and-initiatives-navigator/green-bonds-program>
- 11 <https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/adaptation-benefit-mechanism-abm>
- 12 <https://www.africanews.com/2021/01/28/african-development-bank-s-adaptation-benefits-mechanism-helps-to-climate-proof-ivorian-smallholder-farms-cocoa-yields/>
- 13 Crawford, A. et al. (2020) "Toolkit for Engaging the Private Sector in National Adaptation Plans".

5. Key Actions to Enhance Private Sector Participation In Eswatini in NDC Action

In light of the opportunities and challenges identified, the following are key actions to enhance the participation of the private sector in NDC action in Eswatini.

5.1. Private sector mapping and identification of key private sector actors

As a starting point, there is a need to have a clear idea of private sector actors to be engaged in advancing the NDC implementation process. The government needs to prioritise private actors according to their actual or expected contribution to NDC implementation. Focus should be on major contributors to GDP such as the agro-processing (mainly sugar, maize commodities), textile and wood products industries and their related value chains. Large firms that are major power consumers or these affected by a specific issue, such as firms that require large amounts of water, should also be prioritised. Finally, engaging banks, microfinance and the insurance sector is a key element in building the financial structures for financing adaptation measures.

5.2. Strengthen collaboration and co-ordination with the private sector

Strengthening collaboration and co-ordination with the private sector can help encourage private actors to incorporate climate change issues into their decision-making and also promote multi-stakeholder partnerships and collaborations. Such a participatory approach can help create a certain degree of ownership and motivation with regard to private sector participation in NDC implementation. Specific co-ordination actions may include:

- Improving vertical and horizontal co-ordination in climate change between national, regional and local government

(leadership at sub-national level is highly instrumental), across the different government silos, and with the private sector;

- Involving the private sector in the design and implementation of national climate change policies and projects, to better understand investment barriers and jointly explore opportunities – for example in national adaptation and mitigation planning;
- Establishing dedicated committees or learning events that promote peer exchange among companies undertaking green projects;
- Supporting and working with business associations and multipliers, such as chambers of commerce or smaller, more local, associations of individuals like farmers or miners. These are important institutions for reaching private sector actors. Other private sector groups to consider are the Architects, Engineers, Surveyors and Allied Professionals Registration Council, Environmental Consultants in Eswatini and companies selling vehicles, including electric vehicles;
- Promoting greater public-private dialogue on climate finance through regular forums and institutions. These can include sectoral associations, investor platforms and public consultations. Increasing public-private dialogue can lead to increased understanding of climate change opportunities within the private sector, as well as greater appreciation of investment barriers and how these can be addressed.

5.3. Improve communication with the private sector

The government should develop communication approaches that speak to business. Because of the mismatch between “business language” and “development language,” the relevance of climate change and more specific issues, such as the

definition of climate risks, are not always clear to companies. The key to enhancing understanding between the public and private sectors may therefore lie in more effective communication. "Speaking business" (e.g. focusing narratives on co-benefits for businesses and providing sound climate data) helps build strong relationships based on trust. Messaging should, in turn, be conveyed through the most appropriate communication channels for the audience.

Outreach to relevant private actors, including domestic enterprises, financiers, multinational corporations and SMEs, is often best done through business associations, co-operatives or chambers. These institutions are often a more efficient vehicle for reaching a broad audience with knowledge products, climate information or training. They, in turn, through internal processes, can transfer the information and knowledge on to their members. If the mining sector, for example, is prioritised for engagement in the NDC, given its significant impacts on domestic water and energy resources, the government could engage key players through the Chamber of Mines as an easier and more cost-effective means of reaching often geographically dispersed stakeholders.

Early communication with private sector stakeholders should focus on informing these actors of the NDC process and of the business case for investing in climate action. Eventually, these channels will be used to communicate how the private sector can become involved in the NDC process, how it can invest in climate action and the enabling conditions that should encourage and facilitate these investments. To summarise, a few key approaches should be considered in communicating with the private sector:

- **Be strategic:** Set clear and measurable communication objectives, develop key messages to be conveyed to the private sector and think about the most effective channels for reaching the private sector audience. The private sector is, of course, not homogeneous, and different communication strategies (objectives, messages, channels) have to be developed for different audiences and sectors.
- **Speak the language of the private sector:** Public actors should use clear terminology and familiar concepts when speaking with the private sector. The complex terminologies of climate science and policy-making are unlikely to gain much traction with this audience when compared with messaging around risk and return. Language may also have to be tailored to the sector with which the engagement is occurring.
- **Identify points of leverage:** An understanding of the private sector context will help in identifying the key points of leverage that exist within a given private sector stakeholder or group and in translating this into a value proposition for investments in climate action. This requires an understanding of the needs and capacities of key private sector actors, as well as existing barriers to investment. This will help answer the question of why the private sector should be a part of the NDC process and what the government can or will do to help it build its climate resilience objectives.
- **Engage at the appropriate level for the activity:** Where sector-specific inputs are required, go to the sectoral association. Where there are questions of economy-wide import, discuss with the private enterprise federation and/or chamber of commerce.
- **Engage the sector first, rather than the company:** Given the diversity of the private sector, and to be as relevant as possible, it is important to ensure that engagement is targeted by sector or theme and focuses on the risks and opportunities of climate change that align with the sector-specific circumstances. Business membership organisations can help improve the efficiency of engagement.
- **Lead by example:** Leverage Eswatini public enterprises' active participation to pilot and demonstrate the benefits of resilient business behaviour.
- **Identify climate action champions:** The government should identify and cultivate private sector champions on climate action and work with them to share stories of success and failure that make the business case for adaptation and mitigation, helping promote crowding-in from other industry players. Doing so need not be solely altruistic; there can be significant reputational benefits for those private sector actors that meaningfully support climate action and resilience-building.

- **Use of media:** The media, including print, radio, television and online, will be key collaborators here and should be engaged accordingly. Infographics, social media campaigns and public figures appointed as ambassadors in combating climate change can also further outreach and enhance effectiveness.

5.4. Refining the regulatory framework

Reforming the regulatory framework will be essential to ensure that policies, laws and regulations create an enabling environment for private sector investment in climate resilience. Successfully engaging the private sector requires broader policy and market reforms that can enhance the investment context. Changes in public policy that respond to issues specific to the context can help address barriers and create entry points for private sector participation in climate projects and activities.

Actions to refine the regulatory framework are:

- Analyse the legal and policy context governing private sector engagement in climate action;
- Assess private sector engagement requirements, and promote disclosure of climate risks and opportunities;
- Develop a legal, policy and institutional framework that supports private sector investment, such as an appropriate subsidy system to leverage private interest;
- Involve the private sector in the identification and development of mitigation and adaptation actions and policies from the very outset.

5.5. Develop a country NDC investment plan for private sector intervention

A country climate investment plan sets out the programme of investments required to implement each priority action in the NDC, as well as a strategy for meeting these financing needs.

- Undertake a desk review to identify and cost the main sub-actions within each mitigation and adaptation action. Costing each action involves identifying the cost for sub-actions, including upfront capital costs (e.g.

infrastructure), ongoing maintenance costs, capacity-building or training, and the human resources needed to implement the action;

- In collaboration with stakeholders, scope and prioritise the actions to be undertaken during NDC implementation and assess the funding status of each priority NDC action by considering available domestic budgetary support, as well as any expected bilateral and/or multilateral support and private sector finance;
- Assess options for private sector investment for each action and make decisions regarding which funding options are most appropriate for each action. This can be done by determining if the action is likely to generate a predictable future revenue stream that can cover the costs and generate profit.

5.6. Improve private sector capacity to contribute to a stronger climate ambition

Capacity-building is a fundamental precondition in fostering enhanced and sustained participation of the private sector in NDC action. The following key activities can be undertaken:

- Assess the capacity needs of the private sector to gain a sense of the areas the private sector considers to be the most important in investing in climate action, depending on key productive sectors;
- Harness potential platforms to engage the private sector in capacity-building initiatives for climate action at different levels, for greater co-ordination and coherence of capacity-building actions undertaken by different actors;
- Build the capacity of key private players in collaboration with academia and research organisations. Key capacity needs highlighted by financial institutions relate to understanding the cost of climate impacts and climate risk management and developing financial instruments and bankable projects;
- Increase the capacity of local energy efficiency and renewable energy experts in the installation and maintenance of such technologies.

Capacities that can support the development of a projects include:

- Capacity to undertake financial and technology needs assessments across the country's NDC priority sectors, to assess where efforts need to be focused and ensure projects are robust;
- Technical understanding of available technologies to ensure the most suitable and effective technology is being used;
- Capacity on financial modelling and cost-benefit analysis expertise to determine the financial feasibility of the proposed projects and ensure projects stay within the country's budget;
- Writing skills to develop business cases and project concept notes, to ensure the most effective outcomes for implemented projects.

5.7. Develop innovative financial and non-financial mechanisms to mobilise private sector investment

Identify the range of non-financial and financial interventions needed to address barriers to private sector investment across relevant priority actions for NDC implementation. Non-financial interventions include strengthening the rule of law; developing "matchmaking" services between project developers and financiers; capacity-building for the financial sector to address perceived risks associated with low-carbon or climate-resilient technologies; and knowledge transfer. Financial incentives can alter the cost-benefit ratio for business activities that increase GHG emissions or increase climate risks, compared to with those that contribute to reduced emissions and increased climate resilience:

- **Introduction/phase-out of subsidies:** The Government of Eswatini should phase out subsidies for fossil fuel production and consumption. These encourage continued and increased use of finite resources, and spur increased GHG emissions from fuel combustion. Phasing out these subsidies can help companies make operational decisions that better reflect the climate impact of using fossil fuel resources. Conversely, the country should offer feed-in tariffs to subsidise the cost of renewable energy

power generation. Feed-in tariffs guarantee a payment for every kWh or MWh of electricity that a renewable energy operator provides to the grid, regardless of the market price for power. Feed-in tariffs can apply to utility scale operators as well as household-scale renewable energy systems, and have led to a massive increase in renewable energy generation in North America and Europe.

- **Tax incentives:** Governments employ a range of tax incentives to encourage engagement on climate change. These range from accelerated depreciation on energy efficient equipment, to reduced VAT and import duties for renewable energy systems, and tax holidays for companies starting up in the environmental sector. In addition, governments may issue tax-advantaged "green bonds"¹ to raise finance for climate-related measures.
- **Carbon pricing:** Under a carbon tax, the government sets a price that emitters must pay for each ton of GHG emissions they emit. Businesses and consumers will take steps, such as switching fuels or adopting new technologies, to reduce their emissions to avoid paying the tax.
- **De-risking investments:** Every additional cost or source of uncertainty increases the risk that an investment will not meet its financial performance targets. All else being equal, riskier investments have to pay a higher risk premium than do less risky ones. The perception of risk may make many climate-friendly projects unattractive. De-risking climate investments, therefore, entails measures that lower the "hurdle rate," or the rate of return that investors must reach before they will finance a new business or project. There are many ways to de-risk climate change-related investments. The more common approaches include:
 - **Climate hazard/resource mapping:** Government support for hazard mapping helps identify the location and severity of potential climate hazards, for example flood zones and areas prone to high temperature and drought. Armed with this knowledge, private sector operators can take steps to mitigate their risks, such as relocating, purchasing

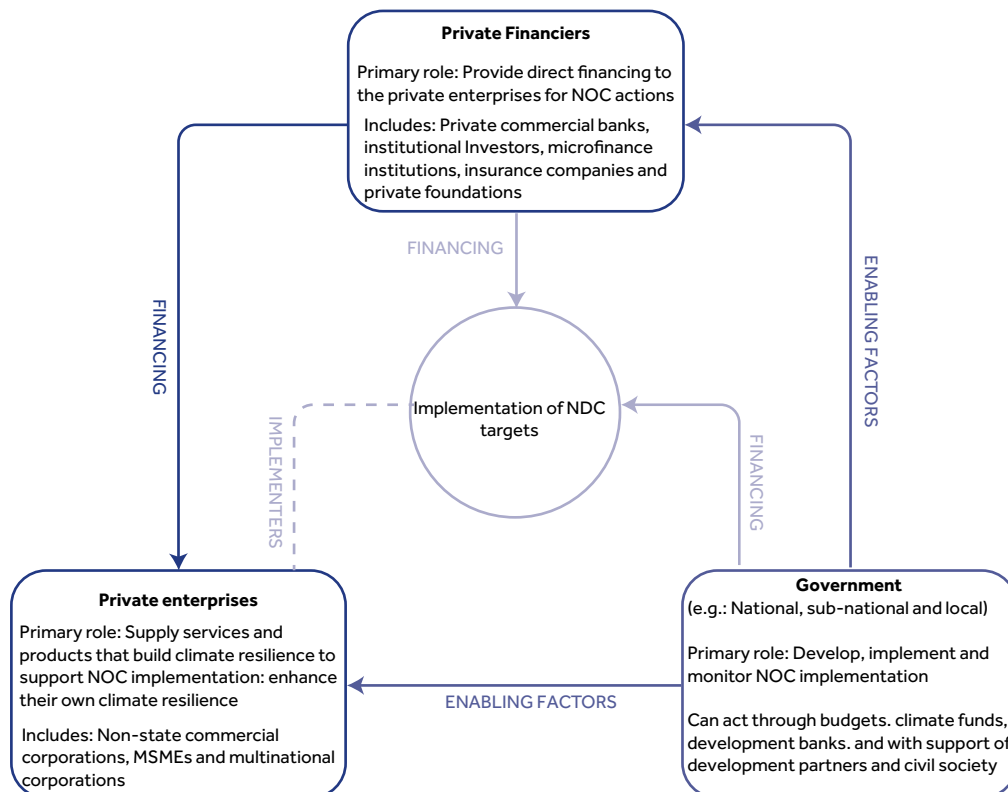
insurance or climate-proofing their operations. Similarly, government support for renewable energy and water resource mapping can help private sector operators more accurately understand resource availability, so they can more appropriately size and locate their equipment or farms, and better estimate likely revenues.

- **Loan guarantees:** Loan guarantees can reduce financing costs for climate-related investments. Banks set interest rates and repayment periods based on the perceived creditworthiness of borrowers. Partial loan guarantees from government, the GCF or other sources can cancel out the bank's perceived non-performance risk, resulting in dramatically lower interest rates and extended repayment periods for borrowers. These changes can be enough to make an otherwise unprofitable climate-related investment viable.
- **Application of the Agrinvest approach.²** This mainly facilitates (i) improvement of the enabling

environment and ease of doing business in agriculture; (ii) de-risking, risk-sharing measures and blended financing tools for value chain players; (iii) the setting-up of viable institutional arrangements and mechanisms to enable value chain players' access to production and commercial infrastructure; and (iv) co-operation between governments and sector industry associations to design and implement smallholder-inclusive value chain sector development plans for each priority commodity.

- **Training/capacity-building/skills development:** Training and capacity-building initiatives can overcome knowledge and information barriers that prevent private sector actors from engaging with climate change initiatives. For example, at the farm level, experiential information-sharing schemes like the Food and Agriculture Organization of the United Nations (FAO) Farmer-to-Farmer³ programme can reduce the perceived risk of climate-resilient agriculture approaches and overcome the inertia of traditional practices.

Figure 9. Engaging the private sector in the NDC process⁴



- **IPP/power purchase agreement frameworks:** Small renewable energy operators may struggle to overcome the regulatory and legal costs involved in obtaining a licence to operate and signing a power purchase agreement with an electric utility. Government can help reduce these costs by streamlining regulatory requirements and supporting the preparation of standard power purchase agreement frameworks.

5.8. Secure direct access to international climate funds for national and sub-national institutions

A limited number of international funds allow direct access, including the GCF, the Adaptation Fund, the Global Environment Fund and the European Commission Directorate-General for International Co-operation and Development.

- Screen national institutions, especially financial institutions, against the accreditation requirements for the relevant fund or funds, to identify potential eligible institutions and the resources required to fully meet the accreditation requirements;
- Selected institutions apply for accreditation for direct access to international green funds;
- Develop funding proposals that can be shared with bilateral and multilateral funders.

5.9. Design and implement a climate finance monitoring system to track private sector climate-related spending

- Building on the NDC MRV system, develop standard methodologies and key

performance indicators for a climate finance monitoring system or tracking tool, including agreeing a definition – with all relevant stakeholders – of what constitutes climate change-related activities.

- Put in place data-sharing agreements (e.g. memoranda of understanding) between the public and the private sector.
- Introduce regular reporting on climate activities for prioritised private actors using standard key performance indicators to ensure data comparability.
- Process and analyse data on a regular basis, delivering findings in a report that can be used to guide the strategic thinking.

Notes

- 1 <https://www.climatebonds.net/policy/policy-areas/tax-incentives>
- 2 AgrInvest, is an initiative of the Food and Agriculture Organization of the United Nations (FAO), conceived to facilitate private sustainable investments in food systems. The initiative envisages a series of activities to design blended finance facilities and schemes and facilitate a policy dialogue between actors of the food systems and investors, both public and private.
- 3 <http://www.fao.org/3/a-i5862e.pdf>
- 4 Adapted figure from the document of Crawford, A. & Church, C. (2019) *Engaging the private sector in National Adaptation Planning Processes*.

6. Key Recommendations and Conclusion

6.1. General recommendations to government institutions

- For thriving and sustainable engagement of the private sector in climate finance and investment, an appropriate policy framework and an enabling environment is a pre-requisite. Without such pre-conditions, none of the measures discussed above are likely to yield significant results.
- It is important for the government to create demand and opportunity in the market to enable the private sector to invest in climate-friendly products and services. The government is primarily responsible for creating a conducive regulatory framework and the right conditions and incentives for the private sector to engage in NDC action including; providing tax incentives; reducing bureaucratic hurdles to new technologies; and removing subsidies for high-emission sectors. Enabling policies and incentives will help the private sector switch from conventional methods to climate-friendly practices. Innovative financing, such as blended finance, insurance, guarantees and credit enhancement measures, can be catalytic in removing barriers and stimulating investments.
- The existing NCCC needs to be strengthened with a view to enhancing its performance and inclusive representation, including relevant ministries and departments, local communities, women, vulnerable groups and private sector representatives.
- Sector-specific private sector strategies and investment plans need to be developed for NDC priority sectors to make it possible to translate the specific climate targets defined in the NDC into investment priorities and types of financing required to deliver the objectives, including investment opportunity mapping – a roadmap for execution with key milestones in the long, medium and short term.
- Dialogue needs to be facilitated among national and sub-national decision-makers, private enterprises and private financiers, by establishing a leading engagement platform and dialogue space on climate change. Given the diversity of the private sector, and to be as relevant as possible, it is important to ensure that engagement is targeted by sector or theme and focuses on the risks and opportunities of climate change that align with stakeholders' specific circumstances.
- Identification of potential PPPs can advance the country's NDC goals, including establishment of a public-private dialogue mechanism in order to identify areas for collaboration. A full review of the regulatory and policy frameworks relevant to bankable PPPs would be needed to understand any legal or contractual constraints to their implementation.
- It is paramount to support research and development to make it possible to demonstrate business value, stimulate market demand, develop market linkages across the value chain and scale up through larger investments. Establishment of a climate change technology research and innovation centre as a hub of technology development, transfer and diffusion could be conceivable. A national climate change research group could function as an advisory organ to the Ministry and the NCCC on the basis of progressing scientific knowledge on climate change adaptation and mitigation options and impacts on the country.
- Capacity shortfalls need to be addressed by strengthening technical capacities among businesses and financiers through training, outreach programmes and the development of context-specific guidance notes.

Industry-specific trainings on methodologies, approaches and tools (including Indigenous Knowledge) can help in conducting a vulnerability assessment and identifying adaptation and mitigation options. Peer learning among private sector actors and the integration of lessons learnt into the design of adaptation and mitigation solutions will be critical.

- A communication strategy is necessary to bridge the public and private sector “languages” and identify common interests on which to capitalise.
- A private sector facility can be set up for which the primary mandate is supporting private sector needs with more tailored financial instruments such as a green guarantee fund, green incubator and accelerator facility.
- Consider green bonds as an attractive financial instrument to accelerate the implementation of the country’s NDC. To be successful, green bond market development must be coordinated, with engagement across key market players of the public and private sector. A market development committee will need to work through what is required to create an enabling environment for developing a market, such as policy, incentives and green definitions. In time, this is about building a green finance strategy for the country, with green bonds often as the market entry point.
- Government should work closely with Adaptation Benefit Mechanism (ABM) of the AfDB as private sector/project developer to receive payment for delivery of Certified Adaptation Benefits (CABs) to any purchaser.
- Support is needed to the growth of SMEs, covering issues ranging from serving local markets to competing for business on the national or international level by building marketing competence, facilitating market linkages and extending access to early-stage finance.
- There is an urgent need to align NDC targets with green economic recovery efforts to address the economic challenges brought by COVID-19.
- Payment of ecosystem services schemes can incentivise individuals, communities or businesses to undertake actions that increase the provision of ecosystem services, such as water purification, flood mitigation or carbon sequestration.

6.2. Specific recommendations for priority NDC sectors

6.2.1. Agriculture and forestry

- Establish an enabling environment for financial institutions to play a key role in providing credit and insurance cover in agriculture and forestry.
- Support value chain competitiveness focused on reducing the costs of doing business, linking farmers and value chain actors to markets and to policy discussions through public-private dialogue.
- Scale up agroforestry through private sector awareness-raising and capacity-building. Establish measures to treat agroforestry as a priority in corporate social responsibility programmes.
- Conduct scientific and market research to explore business opportunities. For investment purposes, large businesses and SMEs should work with appropriate government and research institutions to understand the impact of predicted climate change as well as the business opportunities in commodities.
- Communicate best adaptation business practices and opportunities with large businesses and SMEs to attract them into the area.

6.2.2. Energy

- Support the formation of a local market to stimulate technology uptake in domestic renewables. Production subsidies, tax incentives and other mechanisms can lower barriers to markets from a cost perspective. This will make affordable technologies more readily available and create a critical mass.
- Create new commercial and financial products to promote renewable energy

technology uptake through joint public and private ventures.

- The Government of Eswatini to fund research and development in several areas of renewables and energy efficiency.

6.2.3. Water

- Create awareness and build capacity of the private sector on rainwater harvesting technology through the construction of rainwater harvesting systems in institutions that can be used as demonstration sites.
- Develop rainwater harvesting subsidy vouchers in collaboration with suppliers of tanks.

6.2.4. Waste management

- Promote a circular economy in waste sector management. This sector presents excellent opportunities: it is crucial that Eswatini unlock the social, economic and environmental opportunities in waste treatment technologies.
- Develop partnerships with the private sector and implement extended producer responsibility, whereby manufacturers of goods take more responsibility for their products, throughout the product lifecycle.
- Set up PPPs to address waste management problems and achieve a significant reduction of the load of hazardous waste on landfills.
- Consider and strengthen recycling and waste minimisation; consider extended producer responsibility as a means to emphasise waste minimisation; explore opportunities for energy recovery and ban some waste streams from landfill sites.

6.3. Recommendations for the private sector

- Participate actively in information-sharing platforms and in multi-stakeholder dialogues as part of the NDC development and implementation process. Work through chambers of commerce or other business multipliers to establish dedicated committees or learning events that promote peer exchange among companies undertaking

mitigation and adaptation planning and implementation. Business multipliers could also support exchange programmes among their members.

- Raise awareness of the business case for adaptation and mitigation action by sharing case studies and best practices with the media and other members of the private sector. Investments made by competitors are often more important signals than net-present value calculations or other economic tools used to measure the costs and benefits of investments.
- Become familiar with domestic and international sources of climate financing and seek out opportunities for climate finance.
- Engage in cost-sharing financing mechanisms with the public sector, such as PPPs or blended financing facilities.
- Adopt voluntary standards in the absence of any mandatory political or regulatory requirements. Doing so can send signals to and drive future policy conversations, and can help push sectors or industries towards best practices. Becoming partners or signatories to voluntary adaptation agreements and initiatives could strengthen corporate reputations and influence further crowding-in.
- Financial institutions to devote greater attention to understanding the impact of climate change and its risks to different financial activities, and assets, including its implications for inflation dynamics as well as the integration of sustainability considerations, within their operations and line of credits.

6.4. Recommendations for development partners

Bilateral and multilateral development partners play a vital role in enabling private sector engagement in NDC implementation. Development partners can enhance the participation of private sector in NDC actions in a number of ways:

- Provide direct support to financing adaptation and mitigation initiatives through instruments such as grants, blended financing or green credit lines or challenge funds.

- Support the generation and dissemination of climate information to private sector actors.
- Invest in building capacity of the private sector in the development of green, climate-resilient value chains and markets for green products and services.
- Facilitate and encourage partnerships and south exchange programmes. Learning from countries' experiences and benefiting from peer-to-peer support is crucial for planning and implementing NDCs.
- Support Eswatini's government to boost public domestic resources by increasing mobilisation of international and domestic capital; catalysing domestic private capital; and supporting global efforts to raise and strategically deploy concessional climate finance to de-risk climate investment.

6.5. Conclusion

Climate change impacts and disasters are affecting Eswatini's social and economic sectors. The country has already taken measures to reduce its climate

change impacts, including putting in place policies and regulations on climate change, and has in the same spirit prepared and submitted its NDC, which identifies key mitigation and adaptation targets.

The private sector in Eswatini is not well engaged in climate change projects, however. To drive private investment, the country must address the challenges that the sector poses today. A clear and coherent business case for private investment in NDC action must be articulated by both the public and the private sector, covering expected risks and costs. Efforts should also be made to address the existing informational, financial, technical and institutional barriers to green investment, and the factors that enable private sector engagement should be established and maintained.

These enabling factors include facilitating information-sharing; improving financing strategies; promoting inclusive institutional arrangements; establishing a stable political and regulatory environment that supports private sector investment in climate action; and strengthening private sector capacities to design and deliver prioritised NDC activities.

Annex 1. Private Sector Engagement Implementation Plan

Category	Barrier	Proposed approaches to address barrier	Key activities	Responsible
Institutional capacity	Absence of policies, regulations, standards and metrics	Build a conducive regulatory and co-ordination framework and consider focusing on bottom-up approaches	Review existing policies and set up enabling policies to help private sectors switch from conventional methods to climate-friendly practices Create a conducive regulatory framework, providing tax incentives, reducing bureaucratic hurdles for new technologies and removing subsidies for high-emission sectors	Government, development partners
	Low private sector engagement	Increase private sector engagement in national climate policies, strategies, co-ordinating committees and national financing bodies	Private sector mapping and identification of the "right stakeholders" for NDC action, according to their actual or expected contribution to NDC Work with business associations and multipliers, such as chambers of commerce or smaller, more local associations of individuals like farmers or miners Establish a leading private sector engagement platform and conduct regular consultations Create favourable enabling environments for project developers Promote greater public-private dialogue on climate finance	Government, development partners Government, private sector, development partners
Technical capacity	Limited skills and technical capacity to implement adaptation and mitigation measures	Improve private sector capacity to contribute to stronger climate ambition in collaboration with academia and research organisations	Build technical capacities needed to understand and use climate data and information, and to integrate climate risk management into standard business operations Improve local capacity to develop bankable proposals, and provide matchmaking platforms to raise awareness of funding availability	Government, development partners

Category	Barrier	Proposed approaches to address barrier	Key activities	Responsible
			Enhance capacities in the use of techniques, technologies and equipment needed to invest in climate-friendly businesses	
			Build capacity to develop business models needed to commercialise new products and services.	
			Establish dedicated committees or learning events that promote peer exchange among companies	
Information and knowledge-sharing	Insufficient communication and information-sharing Weak business case for green investment in adaptation projects Poor tracking of and insufficient access to climate finance	Improve communication and deepened dialogue with the private sector Develop a country NDC investment plan for private sector intervention Design and implement a climate finance monitoring system to track private sector climate-related spending across all relevant finance flows	Develop a communication strategy	Government, development partners
			Use of media, including print, radio, television and online to disseminate	
			Assess the funding status of each priority NDC action Assess options for private sector investment for each action Develop standard methodologies and key performance indicators for a climate finance monitoring system Put in place data-sharing agreements	
Inadequate financial mechanisms to attract the private sector	Lack of financial incentives to encourage the private sector to participate in NDC action	Support research and development Develop innovative financial and non-financial mechanisms to mobilise private sector investment	Process, analyse data and produce a report on a regular basis	Government, development partners
			Establish a national climate change research group	
			Establish a climate change technology research and innovation centre	
			Identify the range of financial and non-financial interventions needed to address barriers for private sector Assess the funding status and gaps for each priority NDC action Secure direct access to international climate funds for national and sub-national institutions	Government, development partners

Commonwealth Secretariat

Marlborough House, Pall Mall
London SW1Y 5HX
United Kingdom

thecommonwealth.org