

# **CLIMATE FINANCE & ALTERNATIVE DEVELOPMENT PATHWAYS: OPPORTUNITIES & PITFALLS**

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**RETHINKING SUSTAINABILITY, DEVELOPMENT AND ECONOMIC JUSTICE  
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# AMBIT OF PRESENTATION

- Background & Landscape of climate finance
- Green Climate Fund's 'Paradigm-shifting' ambition...
- Political Economy
- Big Strategic Issues
- Possible Action Points



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# CLIMATE FINANCE: STARTING POINTS & PRECEPTS

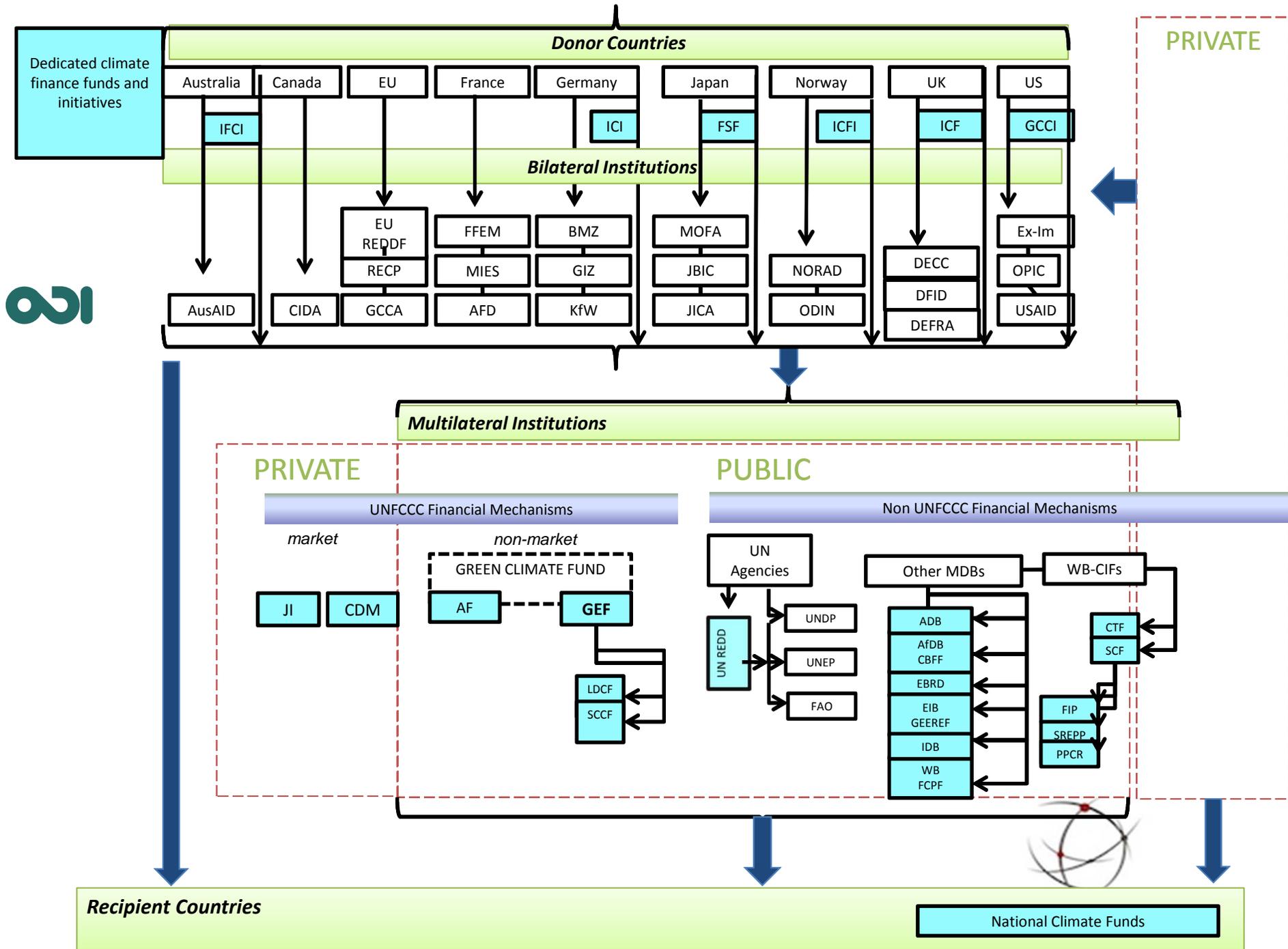
- Climate Change presents Africa with a challenge of unprecedented scale, urgency and complexity...
- Climate change is a threat to economic development rather than 'merely' being an environmental issue
- Climate finance should be seen as an opportunity to help countries prepare themselves for necessary transformation in their economies and in their approach to economic development

## CLIMATE FINANCE: STARTING POINTS & PRECEPTS (2)

- Climate finance should be based on the international legal principle of ‘common but differentiated responsibility’, whereby climate finance should be seen as primarily ‘compensatory’ or ‘remedial’ in character, placing an onus on developed countries
- There are problems of definition: what constitutes ‘climate finance’ and how is it distinguished from, and additional to, normal ODA?

# THE CURRENT LANDSCAPE OF CLIMATE FINANCE (1)

- Complexity on the 'supply side' (multiple funds; 44 at last count)
- Some are long-established (Global Environment Fund); some are new (Green Climate Fund)
- Dynamic Field; lots happening...
- ...\$97bn per annum global, 75% from private sources (Climate Policy Initiative, 2011); now as much as \$343-385 (Climate Policy Initiative, 2012)
- Impetus of Copenhagen agreement to create global fund of \$100bn per annum by 2020
- With Fast Start Finance of \$30bn by 2012
- ...But: 'austerity' backdrop, giving rise to major doubts about capitalisation of GCF



## THE CURRENT LANDSCAPE OF CLIMATE FINANCE (2)

- Grave uncertainty on the ‘demand side’
- Countries need assistance, urgently, if they are not to miss out on a key phase in history of global climate finance
- Climate finance flows are currently heavily biased towards mitigation over adaptation activities – a key concern for African nations

# CLIMATE FINANCE: AFRICAN CONTEXT

- The gap between funds approved and those disbursed in Africa is substantial. Moreover, putting aside the funds that have been allocated and disbursed in South Africa (primarily through Eskom renewable energy projects), and the other largest recipients, the remaining funds have been spread very thinly across the other countries in the region. For example, the total amount approved across all funds for Zambia is \$24.6m, and only \$6.5m for Namibia
- Despite the obvious adaptation priority needs of SSA, since 2003 only 28% of in-coming climate finance has been spent on adaptation activities (although they have received 40% of funds disbursed) and the majority of climate finance plans for the region (56%) are directed to mitigation activities.

# CLIMATE FUNDS UPDATE

## Climate Finance Regional Briefing: Sub-Saharan Africa

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7914.pdf>

November 2012



# GREEN CLIMATE FUND

## ‘PARADIGM-SHIFTING’ OBJECTIVE

### SECTION 2:

The Fund will contribute to the achievement of the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC). In the context of sustainable development, the Fund will promote **the paradigm shift towards low-emission and climate-resilient development pathways** by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.



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# POLITICAL ECONOMY QUESTIONS

- Whose ‘paradigm shift’?
- What is meant by ‘paradigm shift’? (GCF Board certainly doesn’t know...)
- Who will have a say on the definition & parameters of the ‘paradigm shift’?
- Even if intent, can it overcome political economy barriers – such as vested interest holders (eg Energy Intensive Users’ Group in SA); weak governance systems; lack of ‘transformational’ projects; governments locked into neo-liberal development pathways
- Will there be enough money to drive progressive transformation?



# KEY EMERGING ISSUES

## 1. Country 'Readiness'

(GIZ/UNDP 6 SSA Countries upcoming)

- AFCH needs' assessment in Zambia, Namibia & Tanzania:
- Emphasis on 'Aptitude' and Planning; and 'mainstreaming' climate action (and, therefore, climate finance)
- Backdoor conditionality/beauty parade?



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### 3. COUNTRY ‘READINESS’

GCF Governing Instrument: section 40:

“The Fund will provide resources for **readiness and preparatory activities and** technical assistance, such as the preparation or strengthening of low-emission development strategies or plans, NAMAs, NAPs, NAPAs and for in-country institutional strengthening, including the strengthening of capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund.”



# KEY EMERGING ISSUES 2

## 2. Country 'Ownership'

- What does it mean? (not 'government ownership'...)
- Civil society voice in decision-making
- GCF Board: 'Multi-stakeholder Engagement' & emphasis on National Focal Point/National Designated Authority – who gets the power to decide on allocation?
- Other Governance issues – such as: budget transparency; M & E



# KEY EMERGING ISSUES 3

## 3. Private Sector Participation

- Mantra: ‘private sector finance will be the big piece; public climate finance must be catalytic’
- Public investment for private profit?
- What role do we want the private sector to play in climate finance?
- Can private finance be ‘transformational’?
- And how?



# KEY EMERGING ISSUES 4:

## ACCESS MODALITY

- Indirect Access – the Fund Manager and Implementing Body are located within Multilateral Institutions, while the Executing Body is within the recipient country.
- Direct Access – the Fund Manager remains at Multilateral Level, but the Implementing and Executing bodies are within the recipient country.
- Enhanced Access – all three are within the recipient country.
- Role of International (World Bank) & Regional (AfDB/DBSA) MDBs

# WHAT'S THE STRATEGIC AGENDA?

- Educate/Empower progressive CSOs beyond environmental NGOs on climate finance agenda
- Press for 'new paradigm'; articulate new development pathway; cost climate action gap; demand climate finance to fill it
- Fight for transparent multi-stakeholder process
- Participate actively in multi-stakeholder processes
- Monitor climate finance flows & allocation

