



Advancing Africa's Position on Global Climate Finance

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RECOMMENDATIONS

- Africa must identify realistic sources of climate finance that are likely to be sustained and secure these predictable flows as an essential element of any new global agreement on climate change at the Paris (COP21) conference.
- The African Group can lead a breakthrough in the climate negotiations through focused, innovative and credible domestic and global solutions. It needs to identify workable approaches that are innovative in their ability to ensure climate change adaptation while facilitating low-carbon development pathways.
- For Africa to generate credible adaptation linked to low-carbon development and increase willingness among international partners to provide finance, the continent should bolster its ability to leverage climate finance by developing better insights into the global and domestic political economies of climate finance.
- Adequately financed adaptive developments that also carve low-carbon pathways will represent a win-win outcome for all parties because they simultaneously catalyse transformation. To achieve this breakthrough, African countries must secure and spend predictable flows of finance and then seek incremental increases in the financial flows.

EXECUTIVE SUMMARY

Unlocking the climate finance negotiations will unlock a new global agreement on climate change in Paris later this year. Developing countries need to see tangible commitment to providing the finance needed to combat the negative effects of climate change. As global emissions continue to increase, so does the cost of managing the impact.

Africa's Group of Negotiators (AGN) is positioned to take the lead, consistently presenting common positions for 54 countries. A breakthrough necessitates focus on a key issue that will yield win-win outcomes. The global climate finance architecture, while evolving, has not been able to secure predictable financial flows, thereby jeopardising progress. Unpredictable finance stymies developing country efforts to plan for and deliver climate responses.

Innovation and credibility are the solution. Africa must use known approaches in different ways in the search for climate responses that meet domestic adaptation needs while responding to the global carbon challenge.

INTRODUCTION

A breakthrough in the climate finance regime will unlock a new legal agreement in Paris. Without developing countries' seeing a tangible commitment to finance for combating the adverse effects of climate change, it is unlikely that they will find cause to commit to such a new agreement. The reasons are clear. The combined decarbonisation pathways of the 15 countries that account for 70% of the world's emissions will not limit global warming to 2 °C.² The proposed cuts are not deep enough. Low ambition is frustrating for developing countries facing the enormous social, economic and environmental risks associated with high carbon emissions, which also come at a significant financial cost. How much exactly will this cost be and who will pay it? This has been the essence of the climate finance discourse, a global debate that African countries, represented by the AGN, have

been engaged in particularly since the Copenhagen climate summit of 2009.³ The concepts that have since dominated the climate finance discourse are adequate, accessible, additional and predictable finance.

Africa should concentrate on securing predictable finance, although focus will be critical for reaching a breakthrough. Countries should demonstrate that they can spend climate finance effectively, asserting credibility before requesting more money. Quantifying adequate finance is impossible given the prevailing uncertainties. When will emissions peak and decline? Will the peak be too late and how rapidly can emissions decline? What is the most accurate means of calculating related costs? How will these be additional to development finance? In the meantime, Africa has advanced the discussion on additional climate finance, and progress is closely linked to improved access. The case for climate finance that is additional to official development assistance (ODA) is accepted; evident, for example, in the emphasis placed on developing countries' tracking climate finance. Furthermore, modalities that enable developing countries to directly access climate funds are being established, bringing African countries closer to some of the international climate funds, which are both new and additional sources of finance.

This briefing examines what Africa can do to secure predictability of climate finance as a means of leading a breakthrough. It suggests that innovation and credibility are pivotal to resolving the challenge. It examines what Africa can do, both collectively through its negotiation body, the AGN, and domestically, through transparent commitment and action that will enhance credibility. The briefing is underpinned by the assumption that Africa, along with all global parties, desires a constructive outcome in Paris.

EVOLVING LANDSCAPE, ELUSIVE CONSENSUS

The global climate finance landscape has evolved significantly since the earlier days of carbon finance through the Clean Development Mechanism (CDM), to which Africa has had relatively little access. Along with the argument for adaptation finance coming to the fore, new mechanisms have been established, direct access modalities are being introduced, and the identification of diverse climate finance sources is advancing. Additionally, the volume of committed finance is scaling up and capacities for accessing and absorbing climate finance

are being strengthened. Summed up as climate finance readiness, this is what Africa is gearing up for.

So why has consensus on climate finance reached a deadlock? The answer lies in predictability. However much the international climate finance regime has evolved, it has not been able to ensure predictable financial flows. This is a priority for developing countries. An assessment of readiness in a sample of African countries attests to this, emphasising that combating the adverse effects of climate change will be a long-term process difficult to plan for in the absence of predictable funding flows.⁴ The 'rudimentary evidence' provided by a review of recent negotiation text⁵ supports this finding, noting that 'predictability' features most in the text, many more times than 'adequate' or 'additional'.⁶

AFRICA MUST UNLOCK GLOBAL AND DOMESTIC CHALLENGES

Africa's challenge is in seeing the interests of the continent embedded in the climate finance architecture while demonstrating national ability to allocate, spend, deliver and monitor climate finance domestically. Arguably, the AGN is instrumental to success at both global and national levels. On the one hand, the AGN has a mandate to negotiate for African countries to better mobilise international climate finance and to ensure that they be allowed to determine how to spend these resources. On the other hand, the AGN must be able to demonstrate that its member states can deliver climate finance in tangible and catalytic ways that ensure sustainable development and promote equity. As stated at the 2015 African Carbon Forum, 'We all know current climate financial flows are currently insufficient to meet all of Africa's climate change challenges, but it will be critical for African countries to demonstrate the ability to effectively deploy those resources that are available to help contribute to the global climate change goals.'⁷ The AGN can argue more effectively for increased finance by highlighting Africa's ability to use available resources meaningfully. Moreover, effective utilisation strengthens the argument for predictable financial flows, primarily because planning is integral to the effective use of funds and African countries can only be expected to divert their limited capacity towards planning if they know they will have the resources to deliver.

The AGN faces a difficult task, making possible solutions much less simple. When parties negotiate on goals that interlock but cannot be achieved independently, they

usually expect a give and take. The finance negotiations seems to be at the point where developing countries demand that developed countries 'give' by paying for the long-term damage caused by their earlier carbon-intense industrial policies and by substantially reducing future emissions. In turn, developed countries require, and will to some extent pay for, the adoption of low-carbon development pathways in emerging economies. However, developing countries inevitably will absorb some of the risks of climate change. That they are expected to is not explicitly articulated but is evident in how climate funds have been allocated and spent to date, ie, mostly on mitigation actions.

This is the essence of the problem. Consensus on the need for a balanced deal on mitigation and adaptation, a fairly straightforward concept, has stalled. Introducing complex methods of determining equity by recognising differentiated responsibility and means has only added complexity. The cultural and political-economical overlays are just too many.

A structural break in the deadlock is critical. Africa can and must lead the way and the continent can for many reasons – not least because of its ability to present a common position on key elements of the climate negotiations. This achievement is remarkable given the number of countries and the diversity of political economies involved. Africa can speak with one voice precisely because it badly needs an outcome that will limit the impacts of climate change in a meaningful way and because its resources are deemed critical to securing the economic future of many global players.

INNOVATION AND FOCUS WILL ACCELERATE CHANGE

In parallel with continuing to ensure adequate flows of climate finance, new approaches are needed to establish its predictable and sustained flow. Expending too much energy on calculating how much is required is arguably a waste of time if we cannot contain global warming and demonstrate that countries in need can utilise climate finance. Africa needs predictable finance, allowing its countries to plan for, implement and deliver on climate adaptation interventions while finding ways of augmenting flows. Moreover, sustained and incremental adaptation responses are also likely to yield changes to behaviour and practice that are useful to implementing low-carbon development pathways.

Most African countries, appropriately, are more focused

on adapting to climate change than on mitigation. Yet low-carbon development is also applicable to countries experiencing rapid economic growth. Many of these countries are simultaneously dealing with the challenges of adaptation and of rapid growth, and there are overlaps. For instance, the demand for change in Africa's major economic sector, agriculture, is manifold. Conservation agriculture that increases yields during droughts, for example, can also respond to demands for reduced sector emissions. Both require behaviour change. Thus a meaningful if not new adaptation to climate change can also become central to low-carbon development pathways. Achieving both the adaptation and mitigation benefits is a win–win approach that is directly contingent on predictable finance flows.

Securing predictable climate finance may generate fewer flows now than needed in the long term. However, sustained flows will allow African countries to innovate, validate and consolidate adaptation and longer-term mitigation pathways, and to use these successes to leverage further resources. It is the most useful battle for Africa to focus on now. It is thus the AGN's job to train the spotlight on the aspect of climate finance it now needs the most and to demonstrate that this win–win outcome can be realised.

CONCLUSION

Internal political economies of climate finance shape policy decisions in all countries. Insight into where the balance of power lies and how decisions are made will allow African countries to develop their own climate-adaptive development solutions. Similarly, recognising exactly what will determine predictable flows of climate finance in any economy required to pay for these solutions is essential to achieving the desired breakthrough.

Greater insight into their own political economies will enable African countries to effectively utilise financial resources and build the consensus needed for coherent climate investment. Successful climate-adaptive development (ie, tangible changes in behaviour and practice) is built on the back of the shared commitment of a broad group of national leaders, not just one or two individuals. Shared ideas, narratives and resources will inform coalitions of support for country-specific climate investment strategies that align with adaptation plans.⁸ Appropriate incentives, for example for private sector adaptations that in turn ensure their continued licence to operate,⁹ will allow countries to demonstrate lasting

commitment to tangible solutions. Timely action is also key, and coalitions need to be built quickly.

Guiding transformation: a plan for action

Arguably, African negotiators for climate change have among the best insights available on the political economies of climate finance in their own countries and should deploy these at the domestic level as well as in influencing global policy. Lead negotiators in the AGN are drawn from African governments (typically ministries for environment, planning and foreign affairs). Their negotiation experience has sharpened their capacity, positioning them to recognise patterns of coalitions and dissent. Channelling this knowledge can generate synergistic action and catalyse transformation. Using climate finance to engage the private sector, secure sustainable development, build country ownership and scale investments to bring about transformational change will respond to stated domestic priorities while contributing to addressing climate concerns in a global context.

Innovating realistic yet simple solutions to the problem of predictable finance is also integral to a win-win outcome. Again, African countries can lead, feeding political economy insights into debates at home and vice-versa. Numerous ideas are on the table, ranging from direct budget support in line with traditional ODA to sourcing finance from global high-emitting maritime and aviation activities and carbon finance mechanisms such as the CDM.¹⁰ An analysis of the political economy of finance highlights the vagaries affecting development finance, particularly that of budget support. Short-term political life cycles and sudden changes in government commitments make budget support unreliable as a sustained source of climate finance. African leadership will therefore benefit from identifying off-budget and market-driven solutions as a means of enhancing predictability.¹¹ Domestic sources of finance should be included and overall emphasis needs to be on the sustainability of the financing source rather than the amount.

There are four conditions for success in facilitating a breakthrough: climate and development priorities aligned with public and private investor requirements; incentivised engagement of key actors; identified innovative and realistic sources of finance; and credible,

effective utilisation of resources for transformation. In combination, these will ultimately encourage developed countries to pay for low-carbon development, which is the outcome they want. African countries will be supported in institutionalising climate-adaptive development, paving the way for low-carbon pathways that they own. This is what Africa wants. With a greater sense of purpose and attention to credible, innovative approaches that inspire mutual trust and confidence, predictable climate finance that generates results may be within reach.

ENDNOTES

- 1 Belynda Petrie is the CEO of OneWorld Sustainable Investments, an Africa-based, global development consultancy.
- 2 Sustainable Solutions Network & Institute for Sustainable Development and International Relations, 'Pathways to Deep Decarbonisation: 2014 report', September 2014, http://unsdsn.org/wp-content/uploads/2014/09/DDPP_Digit_updated.pdf.
- 3 The 15th Conference of the Parties (COP15) of the UN Convention on Climate Change, held in November 2009 in Copenhagen, Denmark.
- 4 OneWorld, 'Enhancing Readiness for Climate Finance: Experiences from Eastern and Southern Africa', for the UN Development Programme Regional Service Centre for Africa, Addis Ababa, OneWorld Sustainable Investments, 2014.
- 5 Geneva negotiations on climate finance in March 2015.
- 6 Müller B, 'The Paris Predictability Problem: What to Do about Climate Finance for the 2020 Climate Agreement', Oxford Climate Policy Centre, 2015, http://www.eurocapcity.org/finance/documents/The_Paris_Predictability_Problem_published_pdf.
- 7 See UN Environment Programme, 'African ministers call for strong Paris agreement, climate finance flows', 16 April 2015, <http://www.unep.org/newscentre/Default.aspx?DocumentId=26802&ArticleId=34957#sthash.uTu7bm3e.dpuf>.
- 8 Rai N *et al.*, 'Political economy of international climate finance: Navigating decisions in PPCR and SREP', IIED (International Institute for Environment and Development), Working Paper. London: IIED, April 2015.
- 9 OneWorld, *op. cit.*
- 10 The financial outputs of the CDM are used to co-finance the Adaptation Fund.
- 11 Müller B, *op. cit.*

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