Speaking notes of the United Cities and Local Governments (UCLG) and South African Local Government Association (SALGA) President, Councillor Mpho Parks Tau, at the Africa Investment Forum, Johannesburg

Theme: *'African Financial Alliance on Climate Change'*

07 November 2018

Background/context

Climate change no longer debatable in its immediate and cumulative impact on ecosystems, biodiversity, food security, economies.

While its impact has global reach, climate change is intensely experienced at the local scale.

Normative functions of local governments are to provide basic services in an equitable, efficient and sustainable manner.

Cities and towns have to prepare for climate change net effects and respond to its immediate challenges through the following measures:

i) develop institutional means (resources, capacities, technologies) to access relevant information and knowledge,
ii) build capacities and capabilities in ever-changing and complex environments, &
iii) access sustainable and affordable sources of climate finance over the long-term.

The Developed North has reasonably responded to the above measures.

The Developing South still battles with synergising local & national governments.

Moreover, there are prevalent challenges in:

- in effective intergovernmental collaboration and project implementation frameworks,

- reducing the vulnerability of cities' constituents to both the present and future dangers that climate change poses,
- as such, coherent and coordinated development planning is key,
- underpinned by need for sustainable and easily accessible finance and institutional enablers.

South Africa, for instance, has made considerable progress in both policy and practice in its overall climate change response. We have noted, however, that there are several impediments to up-scaled implementation for local governments, particularly at the level of small and rural municipalities.

In our case, broadly, the National Climate Change Response Policy (NDC), as well as the proposed draft framework legislation (i.e., Climate Change Bill gazetted for public comment in July 2018) provide adequate policy imperatives to all actors.

However, a considerable gap remains in implementation areas in the local government sphere. This gap, more specifically, relates to the minimal availability and accessibility of climate finance for cities in two dimensions.

Firstly, allocations from the national fiscus to municipalities are limited to core service mandates, with conditions of application that do not easily enable the innovations required for climate performance.

Secondly, internal apportioning to municipal budgets does not adequately make provision for large-scale climate investments. It is important to note, however, that these constraints are recognised as emerging in general from city level actors. There are numerous cities that increasingly are able to leverage their resources and direct them to climate change action.

The Climate Finance Gap

Globally, the climate finance gap for developing countries to adequately limit their greenhouse gas emissions to acceptable levels is estimated at about $300-billion annually by 2020, and growing to an estimated $500-billion by 2030.

The financing gap for climate change adaptation, including disaster risk reduction is far larger, and of much more concern for the least developed and developing nations.

Unfortunately, the finance gap for adaptation is significantly much more difficult to measure, as the adaptation challenge is super-imposed on already existing development disparities and service delivery backlogs – which further escalate vulnerability to the impacts of climate change.

According to the 2013 UNEP Adaptation Gap Report, Africa needs between $7-billion to $15-billion by 2020 just to begin addressing only climate resilience challenges.

The South African government recently released the draft of its Integrated Resource Plan (IRP 2018) in August, setting out a new direction in energy sector planning. The plan includes a shift away from coal, increased adoption of renewables and gas, and an end to the expansion of nuclear power. Implementing the IRP update of 2018 could bring South Africa close to meeting the upper range of its 2030 NDC target.

For Developing Countries as a whole, climate finance challenge includes the following:

- lack of a coordinated domestic approach to building in-country means of implementation that is reflective of city capabilities and needs,
- the resultant domestic climate finance deficit causes a continued reliance on donor and international sources of finance and technology support,
- limited capacity of local authorities to develop qualifying project proposals,
- onerous application requirements and processes,
- systemic municipal challenges relating to audit findings plus minimal technical staff complements, &
- lack of co-funding resources, which all combine to reflect local authorities as high investment risks

.It is important that cities gain access to climate finance that enables both immediate recovery from extreme events and their resultant losses and damage to key social and economic infrastructure; as well as the transformation of service delivery that allows adaptability to long-term slow-onset impacts.

Leveraging on opportunities and climate finance instruments

At the 22nd session of the Conference of the Parties (COP22) in Marrakech in 2016, parties to the United Nations Framework Convention on Climate Change (UNFCCC) agreed to the convening of in-session workshops on long-term financing during 2017 and 2018, with a view of scaling up finance for both mitigation and adaptation.

Since 2016, 'means of implementation', i.e. finance, technology transfers, and capacity building have been a distinctive agenda of the UNFCCC climate talks. Key issues emerging from the workshops held in May 2017, have been the lack of focus of NDCs on enhanced domestic climate financing.

SALGA holds the same view, in that the current NDC (to be revised every five years) does not include strategies for domestic climate finance. It is SALGA's view that at a national level, mechanisms should be put in place to unlock climate finance internally (i.e. in the fiscus) and to enable improved access to global climate finance instruments.

However, the role of sub-national actors in leveraging direct financing, and attracting climate smart investments is essential to a sustained national climate response agenda.

Globally, a number of funds exist aimed at addressing the funding deficits in developing countries.

At country level though, developing countries, and South Africa in this case, have few instruments available to sector role-players, and even fewer available to cities and local authorities.

Cities however, have been shown to demonstrate a great deal of ambition and creativity in unlocking finance for green development; as evidence in the case of the Cities of Johannesburg and Cape Town that have created Green Bonds to leverage resources for climate smart development.

The following present viable opportunities for local governments to address 'climate-proof' infrastructure delivery:

- Municipal Pooled Financing;
- Tax Incremental Financing;
- Municipal Bonds (i.e. Green Bonds); and
- Public Private Partnerships

The development finance arena already plays a significant role in financing long-term climate change response in infrastructure development sectors.

Institutional such as the World Bank offer concessional loans and a variety of blended-finance instruments. The successful application and domestication of these instruments though is contingent on geo-political parameters that ultimately see climate finance being submerged within general development finance imperatives.

This further widens gap for climate specific investment, and also further entrenches the plight of 'dependence' of developing countries on the global West.

What Africa and the Developing East requires, is contextually appropriate financing instruments that enable self-determination and grow green economies in developing countries.

Towards a coordinated continental climate investments framework

The African Development Bank is championing a cause to create the Africa Financial Alliance for Climate Change (AFAC), driven largely by the fact that the continent faces the highest level of exposure to the impacts of climate change (e.g., 7 of 10 of the most 'at risk' countries in the world are in Africa).

A consistent position of the Africa Group and the G77 and China in the annual climate change negotiations (under the auspices of the UNFCC), is the need for greater parity between mitigation and adaptation efforts and investments, whilst seeking a balance with development objectives.

These objectives are critical for developing and least developed nations and require greater investments in technology transfer, financing and capacity development.

The success of an initiative such as the AFAC will be contingent on:

- the ability of member states to the African Union (AU) to mobilise finance from a diverse pool of sources,
- focusing on attracting investments in greening the energy, transport, and waste sectors,
- aggressively pursuing a low-carbon agenda and direct capital to the rehabilitation and preservation of natural ecosystems,
- grow investments in carbon capture and storage technologies.

This multi-pronged basket of investments will enable African countries to enter more sustainably into the carbon trading market and aggressively pursue their developmental mandates.

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