

Tracking Climate Finance Flows to South Africa



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Outline

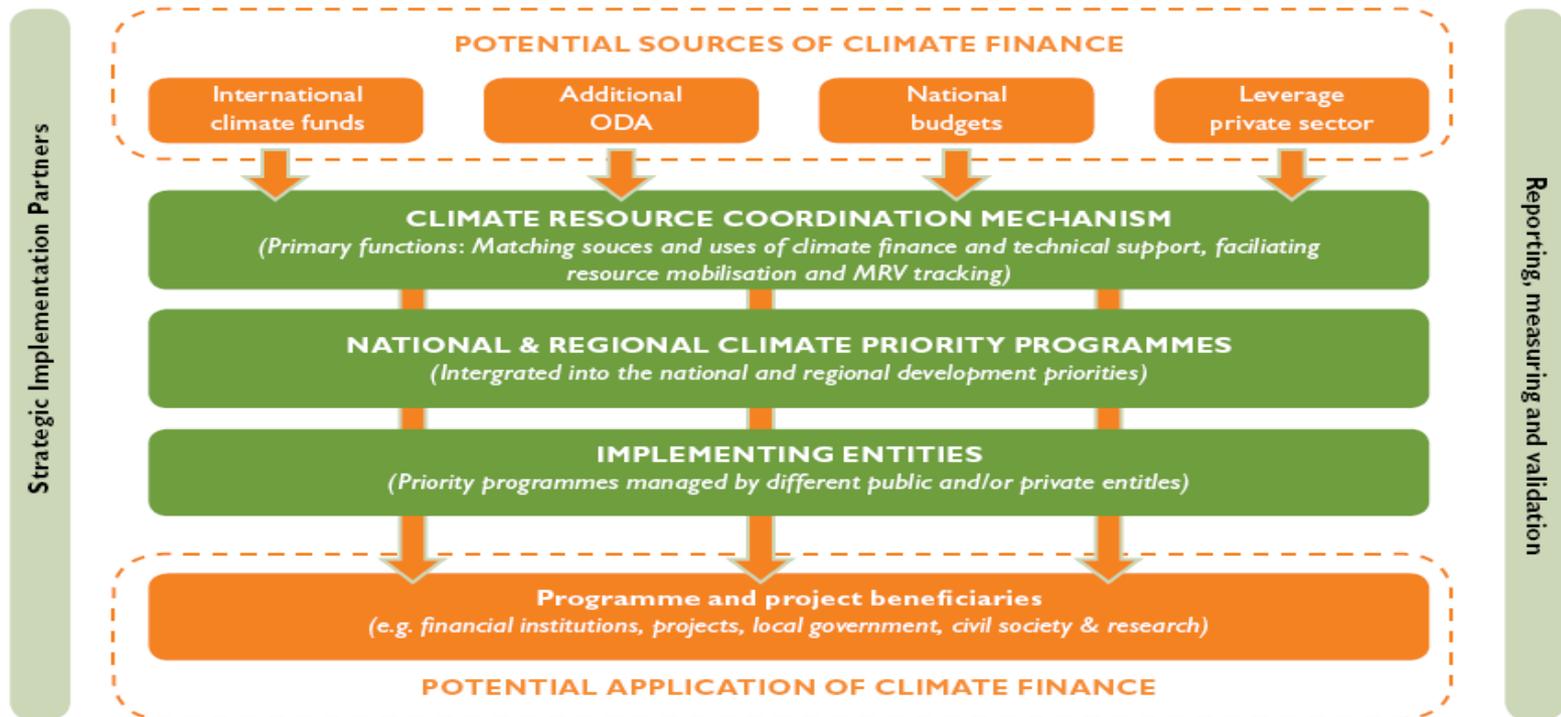
- SA's strategy on climate finance tracking
- DEA's project-based approach
- Tracking SA's public climate expenditures
- Tracking foreign public (donor) finance in SA
- Tracking private climate finance in SA
- Challenges: a SA perspective

SA's strategy on climate finance tracking

- Current lack of clear, structured and practical strategy on, and institutional arrangements for, climate finance tracking
- NCCR Green (2010) and White (2011) Papers
 - NT, EDD and DEA to develop a climate finance strategy and architecture to achieve SA's sustainable development and climate change goals
 - Multi-stakeholder Working Group to be established by October 2014
 - Establish a National Climate Change Fund to mobilise international and national finance sources for investment in both mitigation and adaptation
 - Establish a Climate Finance Tracking Facility to track both public and private climate finance flows and report on mitigation actions implemented with international support
 - NT to identify the custodian of an interim climate finance coordination mechanism to mobilise financial resources for SA's climate change-related activities and track the use and impact of channelled funds

SA's strategy on climate finance tracking

- DEA currently working with NT to design and implement the climate finance coordination mechanism



Source: DBSA 2011

DEA's project-based approach

- DEA has adopted a project-based approach w.r.t. tracking
- DEA is currently implementing a new database to be finalised in March 2013 (and operational in April 2013)
 - Focuses on the output of climate finance by stocktaking all projects and programmes occurring in SA that yield a positive impact on climate change mitigation and adaptation, including those that are not directly climate change-related but still deliver progress with regards to mitigation and adaptation.
- Main purpose: assess the impact of climate actions
- Also data on: financiers, sector, location, duration, cost
- Main gaps: additionality and attribution; not focused on tracking finance *per se*, missing/incomplete data

Tracking SA's public climate expenditures

- No systematic tracking of domestic public finance in SA
 - Governmental budgets at all levels are reported by department, and environmental or climate change-related projects are not specifically earmarked.
 - When sectorally reported in NT documents, 'environmental protection' is coupled with 'economic services', which makes it difficult to analyse
- NT is currently setting up a database gathering all governmental climate change and environmental funding.
 - The databank, for internal use only, will allow NT to monitor more effectively public environmental expenditures with the goals of ameliorating spending patterns and evaluating requirements for public finance in the sector

Tracking SA's public climate expenditures

- DEA + other relevant departments (DoE, DAFF, etc.)
 - NT's estimate: USD 1.6 billion for 2012/2013
 - DBSA's estimate: USD 2.1 billion for 2012/2013
- SA's DFIs:
 - IDC: USD 2.8 billion over the 2011/2012-2014/2015 period
 - DBSA: USD 2.2-3.3 billion over the 2011-2015 period
- Other climate finance streams:
 - Provincial and local levels
 - Schemes and incentives (such as fiscal stimuli, taxes, rebates, standards, etc.)

Tracking foreign public (donor) finance in SA

- No systematic tracking of foreign public climate finance flows and no centralised management of donor funding
 - Each entity obtains individual funding for its own projects. Information on donor funding can only be accessed at respective departments and not in a central repository
- Substantial improvements are still to be made (NT 2012b)
 - NT's MTEF guidelines: “[a]ll institutions should provide a comprehensive schedule of all donor funding by programme or objective/activity and economic classification over the seven-year period, a brief description of what the funds will achieve (outputs) and the associated timelines”
- Only GEF funds are centrally managed by DEA. NT then channelled funds to implementing departments, and monitors that money is spent in line with funding agreements

Tracking foreign public (donor) finance in SA

- Two recent independent once-off stocktaking exercises
- DBSA (2010-2011)
 - 95 climate change-related donor financed projects and programmes from 2003-2010 for an estimated total of USD 2.2 billion
 - Project information: nature, timeframe, status, implementing agency, funding origin and funding nature
- Faure (2009)
 - at least 33 different development agencies financing (or preparing) 99 climate change-related projects or programmes in SA.
 - donors support accounted for approximately USD 1.3 billion
- Gaps: once-off exercises, lots of missing/incomplete data, issues with co-financing, additionality and attribution

Tracking private climate finance in SA

- SA is not directly working on tracking private climate finance flows and there is no systematic tracking in place
- DBSA's once-off exercise (2012) gathered publicly available information (aimed to give an idea of minimum flows)
 - Private equity funds available for climate finance: USD 0.3-0.5 billion
 - Commercial banks funding for renewable energy: USD 4.12 billion
- Climate finance resulting from operations on the local bond market is easily identifiable due to the limited number of deals
 - IDC: USD 0.5 billion (green bond aimed at facilitating funding for clean-energy infrastructure developments)
 - Nedbank: USD 0.4 billion (green savings bond programme aimed at SA's investors)

Tracking private climate finance in SA

- No particular tracking locally for market-based mechanisms part of the climate regime (CDM)
- National tracking and reporting of FDI stocks (both liabilities and assets) on an annual basis by SARB
 - However, data are not disaggregated at the sectoral level and do not allow to identify FDI related to climate change or environmental projects
- Main gaps: no systematic tracking, missing data, very incomplete picture, issues with additionality and attribution, no concrete plan to tracking private flows as yet

Recommendations: a SA perspective

- Absence of articulation and cooperation between funders and receiving entities (to ensure that funding meets SA's requirements and priorities)
- High degree of sophistication of tracking systems required at the country level
 - Multitude of stakeholders and funding channels, issues of currencies, aggregation, co-financing, additionality, etc.
- Centralised donor coordination on climate finance and funded projects and programmes, based on the ODA model?
 - Climate finance flows could temporarily be channelled through NT's RDP Fund before a dedicated mechanism is established
- Still missing: private flows, on-the-ground impact, additionality and attribution, resources needs, existing financing gaps and ring-fence funding in an efficient and effective pattern

Thank you very much for your attention!

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