

Financing resilience at the sub-national level in South Africa

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STANDING COMMITTEE ON FINANCE FORUM, MONTEGO BAY, JAMAICA



My key takeaways from 21 June 2014

1. Improve access to finance through well articulated domestic **enabling environments**
2. Increase **capacity** for climate risk and opportunities
3. Adopt a supply-chain approach through use of **existing incentives**
4. Improve understanding of adaptation finance in context of **private sector**
5. Use **national financing mechanisms** to create space for climate budgets and implementation
6. Use a **systems approach** to address issues around the project that affect implementation
7. Work at **different levels** to improve effectiveness of adaptation interventions
8. **Interesting innovations** in financial instruments to address wide spectrum of response

South Africa has strong foundations in place to translate the climate science into policy at the national level

Planning & Policies

- National Climate Change Response Policy
- Low emission & climate resilient development
- National development plan (2030)
- Strong environmental management legislation

Existing Initiatives

- Expanded Public Works Programme – water, fire, land use, rivers, energy
- South African National Biodiversity Institute – rich data sets on biodiversity
- South African Weather Services – predictive capacity for disaster management
- Private sector & academia – partners with government institutions

Opportunities to mainstream resilience

- Flagship Programmes - Long Term Adaptation Scenarios
- Strategic Infrastructure Projects (SIPs) – procurement
- U\$80 bn infrastructure spend 3 year budget – procurement (PPPs)
- Recent private sector funding for renewable energy programme

Progress on financial mechanisms & partnerships with private sector is emerging – but much more is needed for scale of action required

National financing mechanisms & facilities

- Public budgets assigned to EPWP programme & sector specific
- Drylands Fund (land use management)
- National Green Fund (programmatic based – low emission & resilience)
- Cities Support Programme – with climate window
- Private finance – sometimes “hidden” as technology/resource improvements

“Adaptation Finance” under UNFCCC

- Adaptation Fund NIE – SANBI
- Global Environment Facility NIE – Development Bank of Southern Africa
- Bilateral and multilateral lines – green credit facilities with technical assistance
- Majority of support is for mitigation activities – less than 10% for adaptation

Opportunities for innovative financing

- Private sector partnerships with local municipality on improving resilience
- Early engagement on payment for ecosystem services
- Use of potential carbon tax revenues

Each municipality requires a unique response and therefore flexibility and grass root approaches more evident – and the call for greater access to finance more urgent

	#1 - Reforestation	#2 - Resilient infrastructure
Strategic objective	Environmental management & response to adaptation: erosion	Environmental management & disaster response strategy: flash floods impacting road and other infrastructure
Project sponsors	Internal - Environmental Protection & Climate Change Programme	Multi stakeholder sponsors including government, NGOs, business and community
Amount funded	\$1.5 million	\$2.1 million
Sources	Grants from development agency Provincial & municipal budget (ongoing) Corporate sponsors Grant from National Green Fund	i) private sector insurer, ii) multilateral & CSO - GEF & WWF, iii) development partner - CSIR, iv) government - SANBI, Dept of Waters Affairs & Municipal Infrastructure Grants

Reflections from these case studies

- **Strong project champions** lead initiatives despite shortage of resources
- **Shortfall in capacity** to initiate and implement at municipal level for ongoing efforts
- Lack of funding available to conduct **critical science based research** – need partners
- Embedding resilience into **budget applications** vs. **risk aversion** by sub-national Treasurers
- **Ambitious** sub-national government – but **major disparities** in skills and capacities (283 munis)
- Funding is mainly **grant based** – or technical assistance linked to wider mitigation objective
- **Private sector** – **willing partner** where they can identify the risk to their operations
- Access to climate finance – less **fragmentation**, clearer processes, more access

Key lessons learnt by project sponsors

#1 - Reforestation

- Mainstream climate change into existing development priorities,
- Leverage events and existing networks within and outside of gov't to promote project
- Initiation of project from economic branches with technical support from Environmental branches

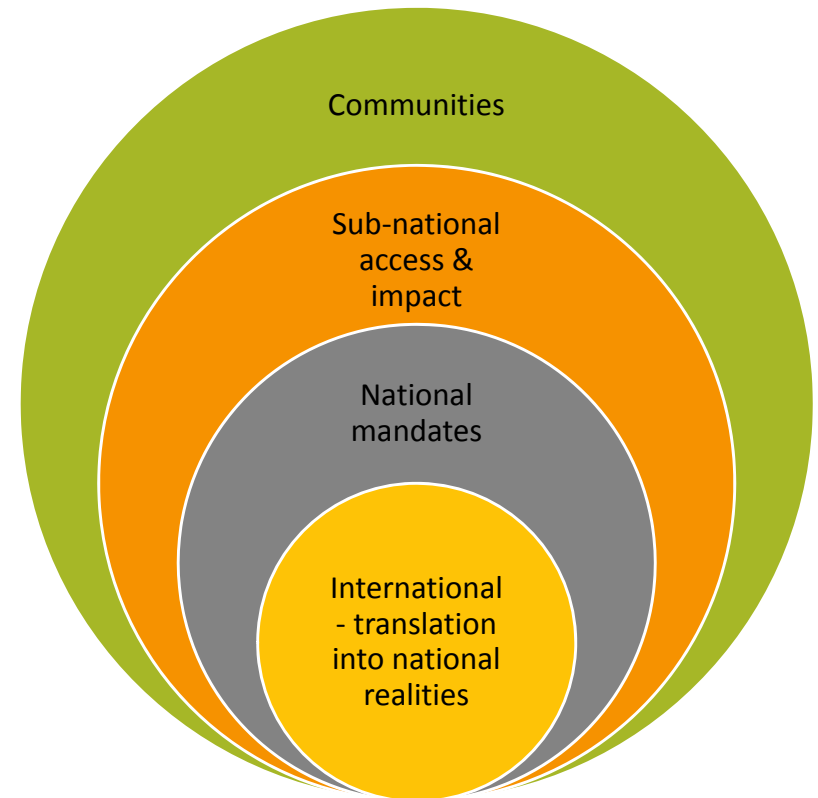
#2 – Resilient infrastructure

- Business case important - identifying the socio-economic context
- Building trust with stakeholders
- Winning support from private sector to crowd in capacity and resources
- Process should be structured to obtain buy in by executive leadership

International Negotiation Context:
High level outcomes that are sufficiently wide to interpret national actions



National Implementation Context:
End goal is to improve livelihoods, reduce risks and contribute to economic, social & environmental well being



Thoughts for SCF work on financing adaptation

1. Important to **maintain healthy tension** between international and implementation contexts
2. Significant funding is needed for delivery of **benefits over different time scales**
3. **Reframing adaptation** as an investment in development – resource scarcity? investment
4. Adopting a **systems approach** is very helpful as it addresses down and upstream blind spots
5. Access to **predictable and relevant** funding – regardless of source/ convention
6. **Private sector debunking** – very good at pricing risk e.g. hidden categories of spend
7. **Response margins** for resilience is broad – need wide spectrum of financial instruments
8. **Biennial Assessment vs. Country reports** – need for comparison to inform further progress

Thank you for your attention.

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