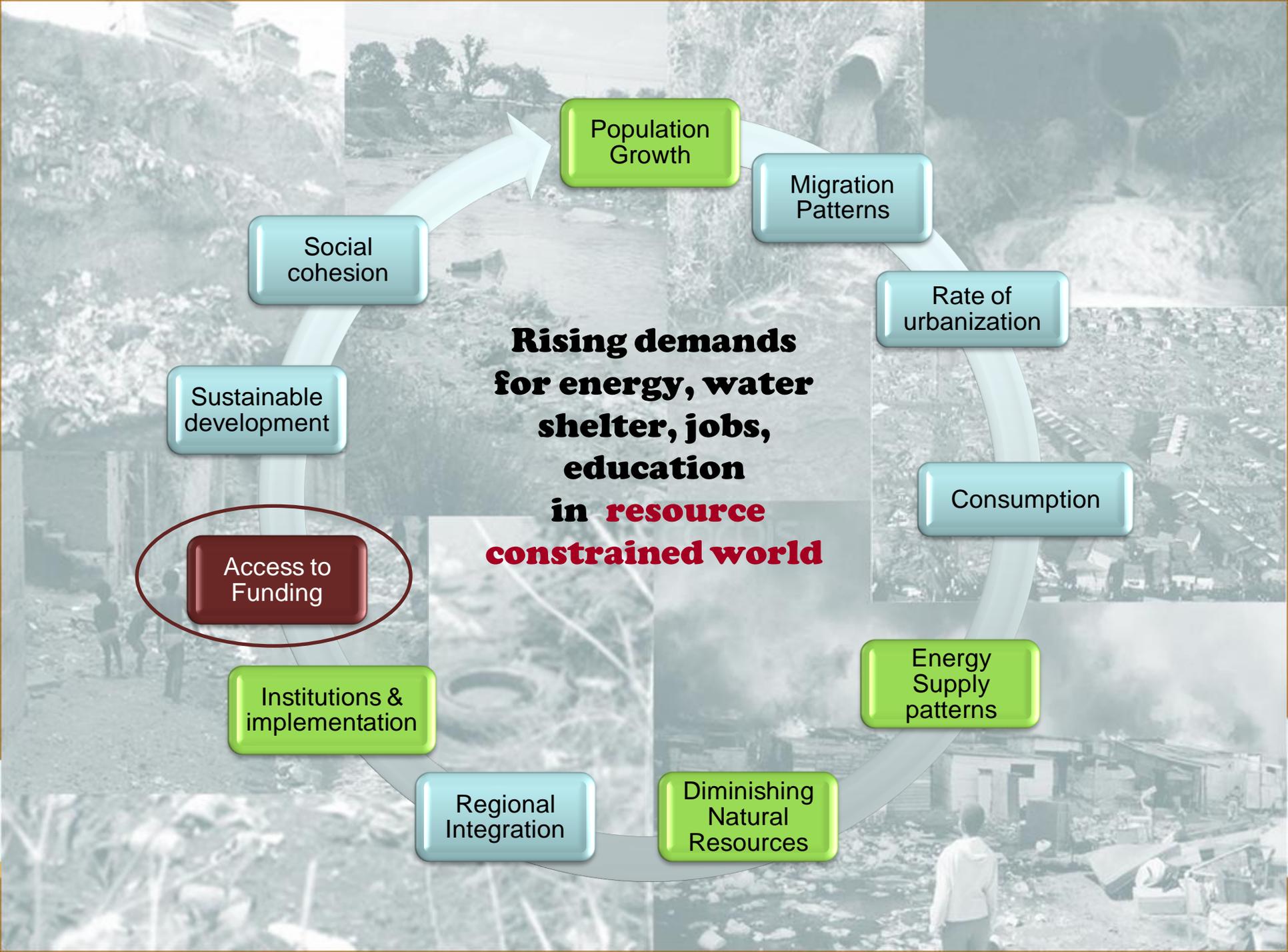




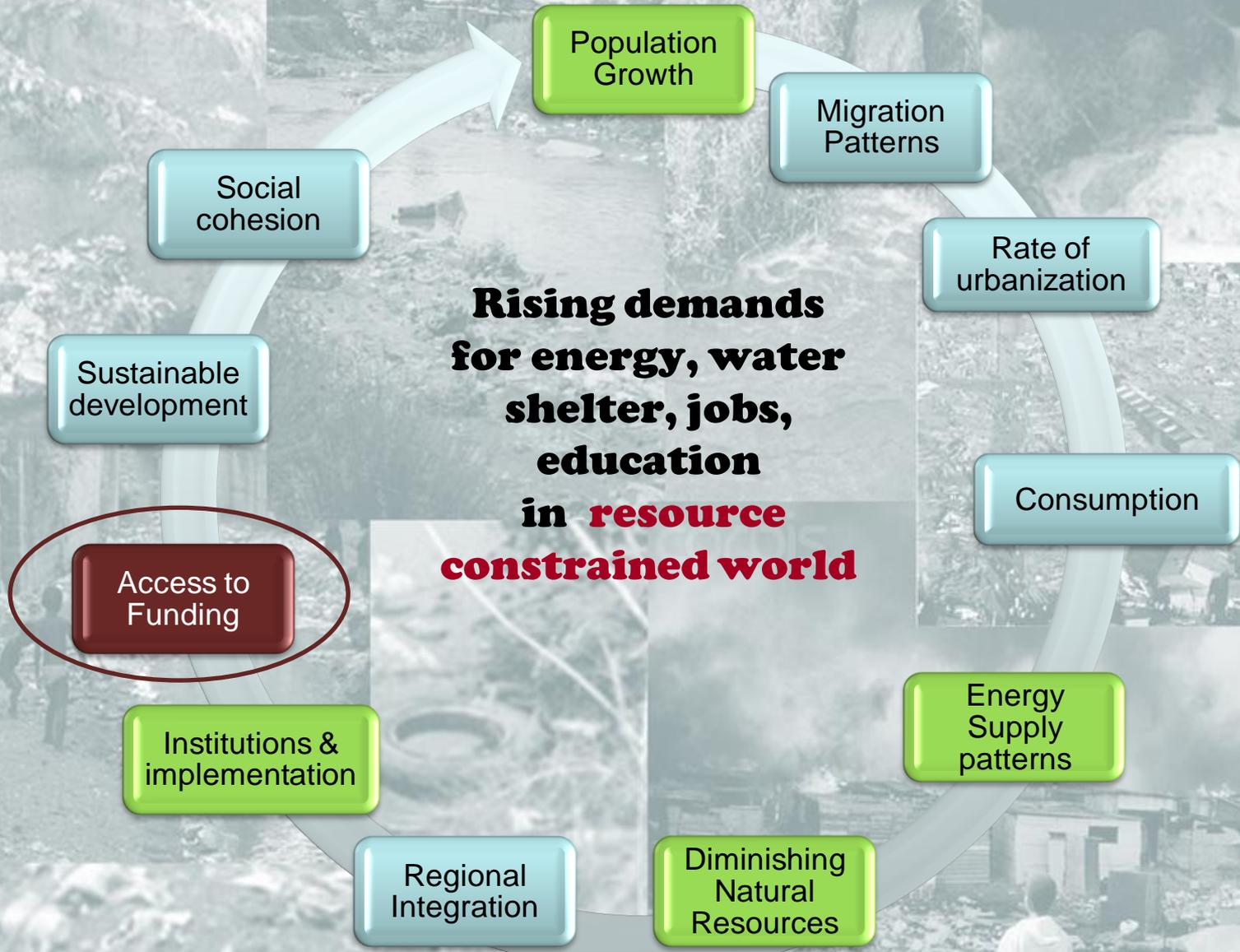
## Creating a long term financing framework for South Africa's Climate Change Response

**4 December 2011  
COP17 Side Event**

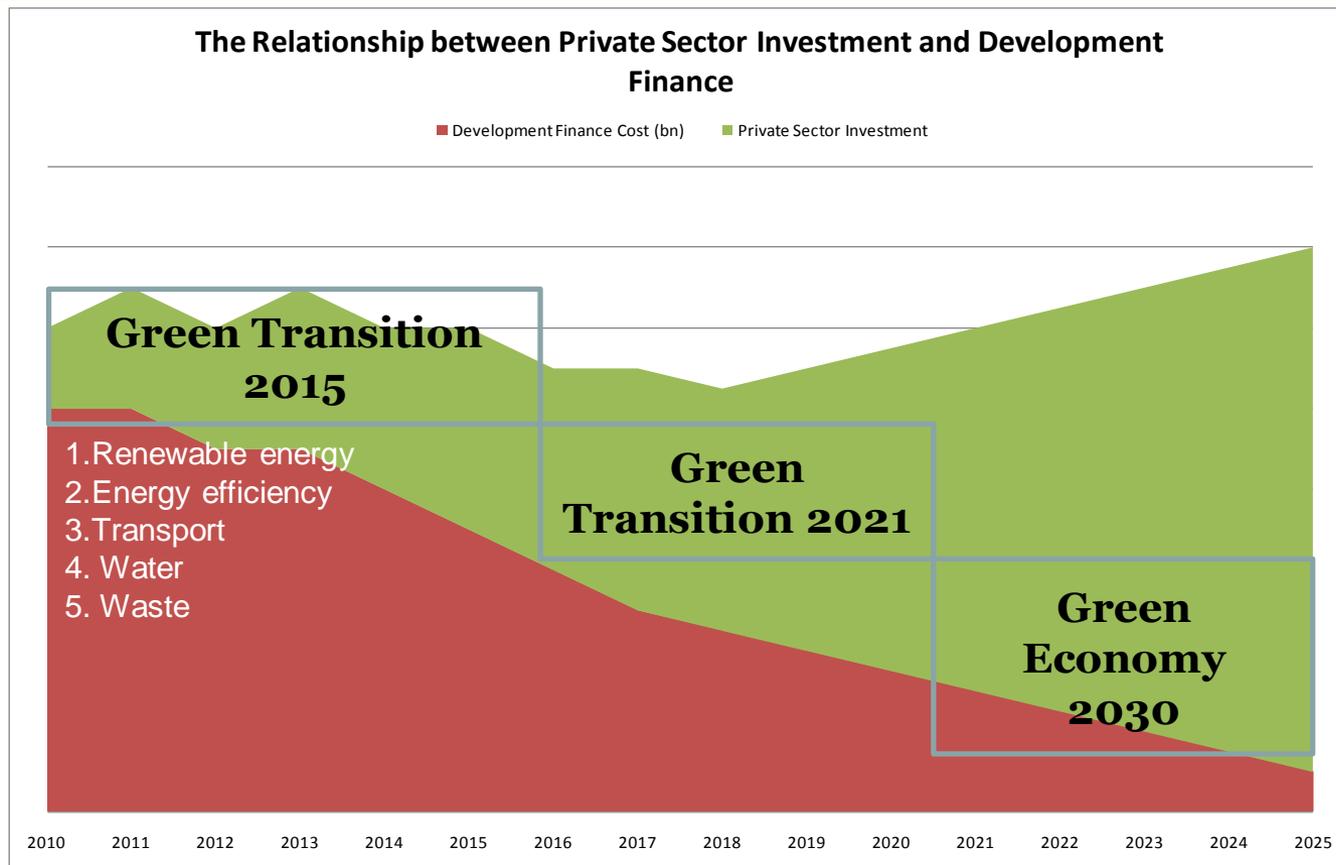
Prepared by Chantal Naidoo  
Divisional Executive – Environmental Finance  
[chantaln@dbsa.org](mailto:chantaln@dbsa.org) mobile: +27795058724



**Rising demands  
for energy, water,  
shelter, jobs,  
education  
in resource  
constrained world**



# National Climate Response: Pro-poor, pro-employment, low carbon and climate resilient development path



- **Transition pathways**– priority actions, defined transition impact & transition/trade-off costs
- **National flagship programmes** - ‘investors’ clarity on country priorities, certainty on long term horizon and attract incremental resources to catalyse actions at scale

<b>“Near term Priority Flagship Programmes” (DEA)</b>	<b>Green Economy Summit (DEA, DBSA)</b>	<b>Green Accord (DW&amp;EA, NEDLAC, IDC, EDD, DTI, DOE, DPE, DHET, DOT, DIRCO)</b>
Climate Change Response Public Works	Green buildings and the built environment Green cities and towns	Retrofitting
Water Conservation & Demand Management	Resource conservation & management Water management	Investment in the green economy
Renewable Energy	Clean energy	Rollout of renewable energy
Energy Efficiency & Energy Demand Management	Energy efficiency	Energy efficiency Rollout of solar water heaters
Transport	Sustainable transport	Carbon emission reductions on roads
Waste management	Sustainable waste management practices Sustainable consumption and production	Waste recycling, reuse & recovery
Carbon Capture & Sequestration		Clean coal
Adaptation Research	Agriculture, food production and forestry	

## **Current national green & climate programme landscape**

Electrification of poor communities & reduction of fossil fuel open fire cooking & heating

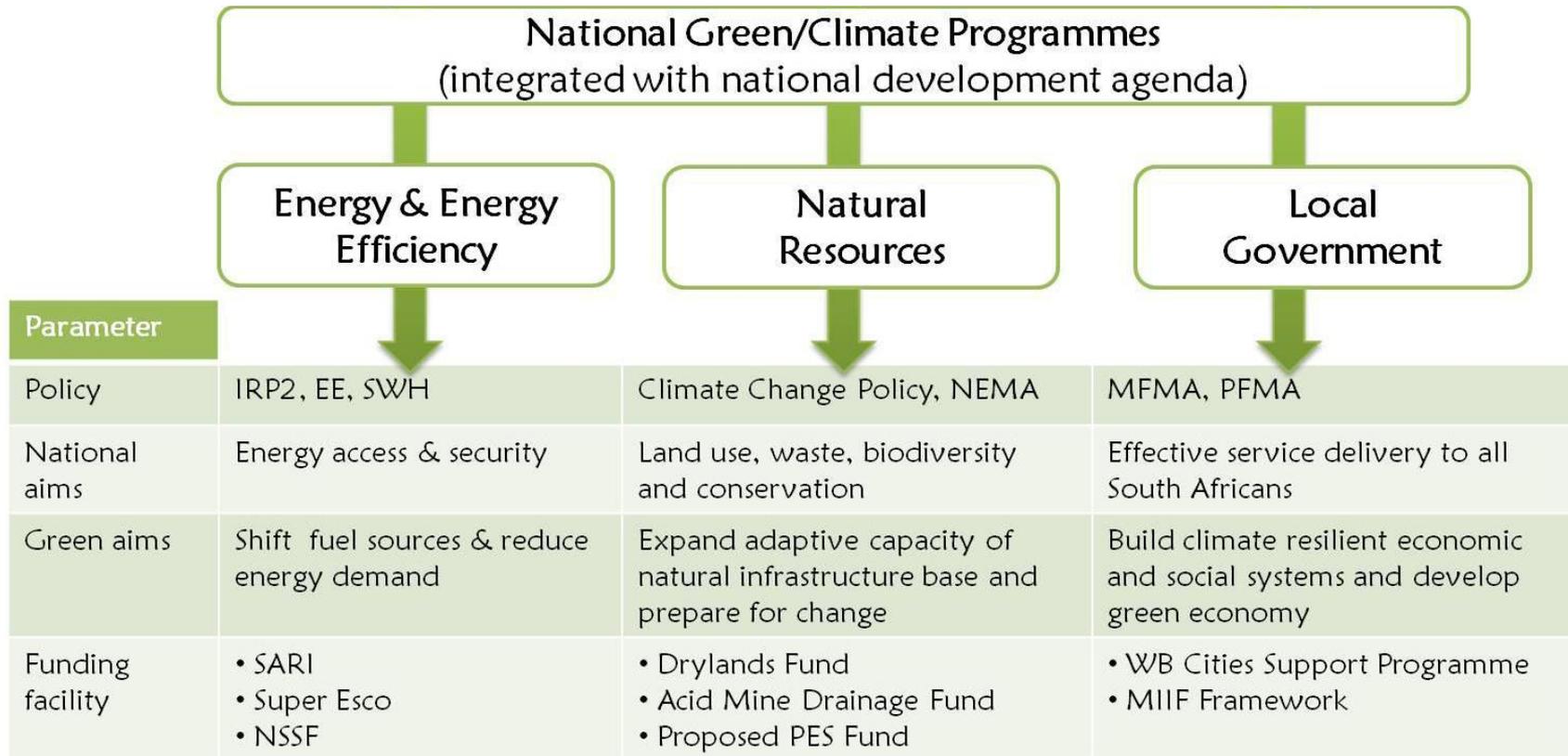
Biofuels

Localisation strategies (youth, coops, skills)

Cooperation at COP17 and follow up

Monitoring and evaluation

# Creating an integrated national transition plan



# Climate finance strategy: Long term, sustainable financing framework

## What did private finance institutions require to invest in climate interventions?

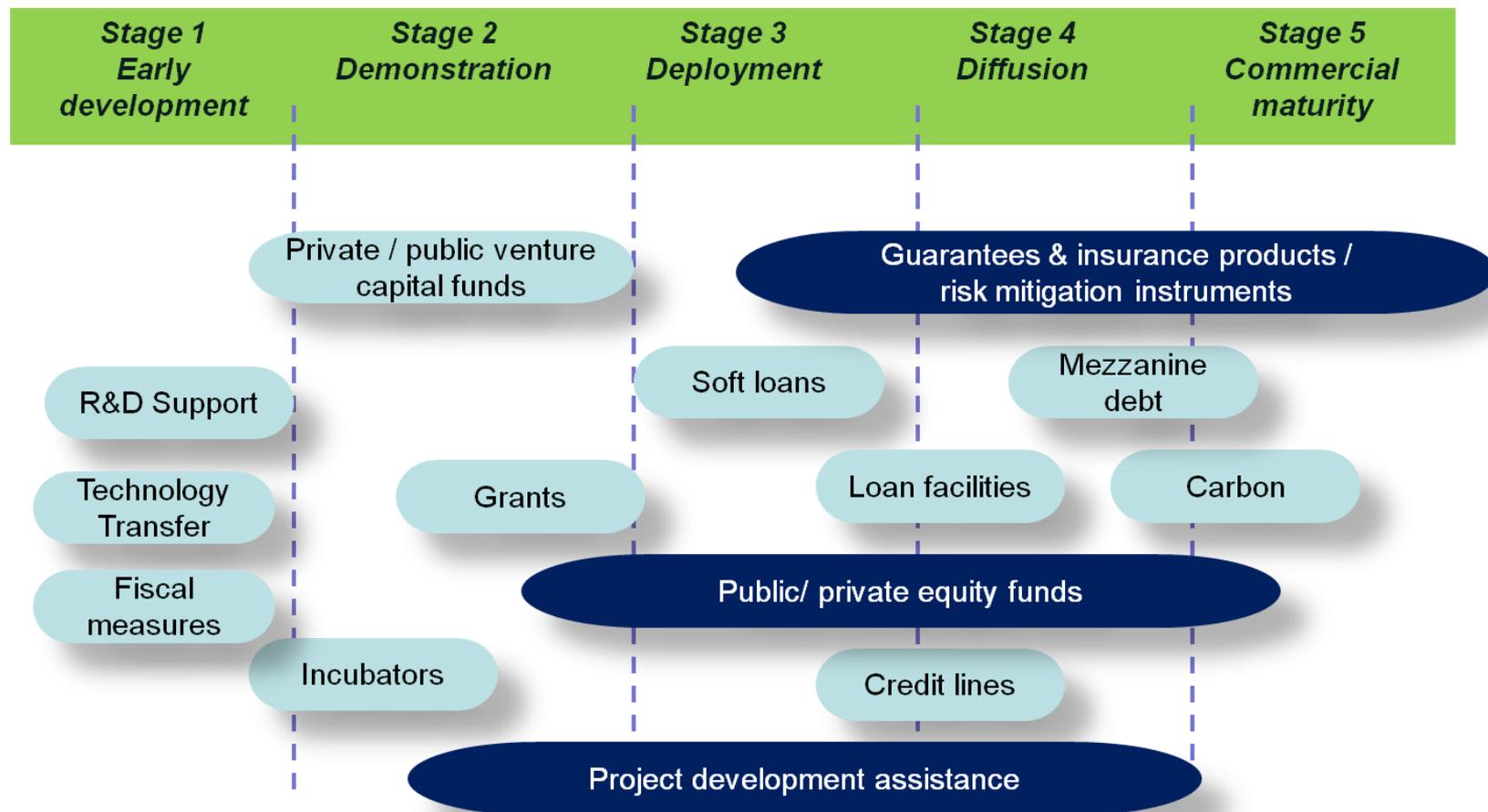
Certainty on priorities & long term investment horizon, with enabling policy & regulatory frameworks

**Goal: Build an effective and inclusive climate finance architecture for South Africa's climate change and green economy response.**

1. Interim climate finance mechanism for flagship programmes
2. Develop long term funding framework for climate finance within 3 years of publication (i.e. October 2014) (Ministers of Finance, EDD and DEA)
  - Climate risk
  - Investment management
  - Sanity check on enabling regulatory and enabling frameworks
  - Recognition of “common and differentiated” strengths of finance system

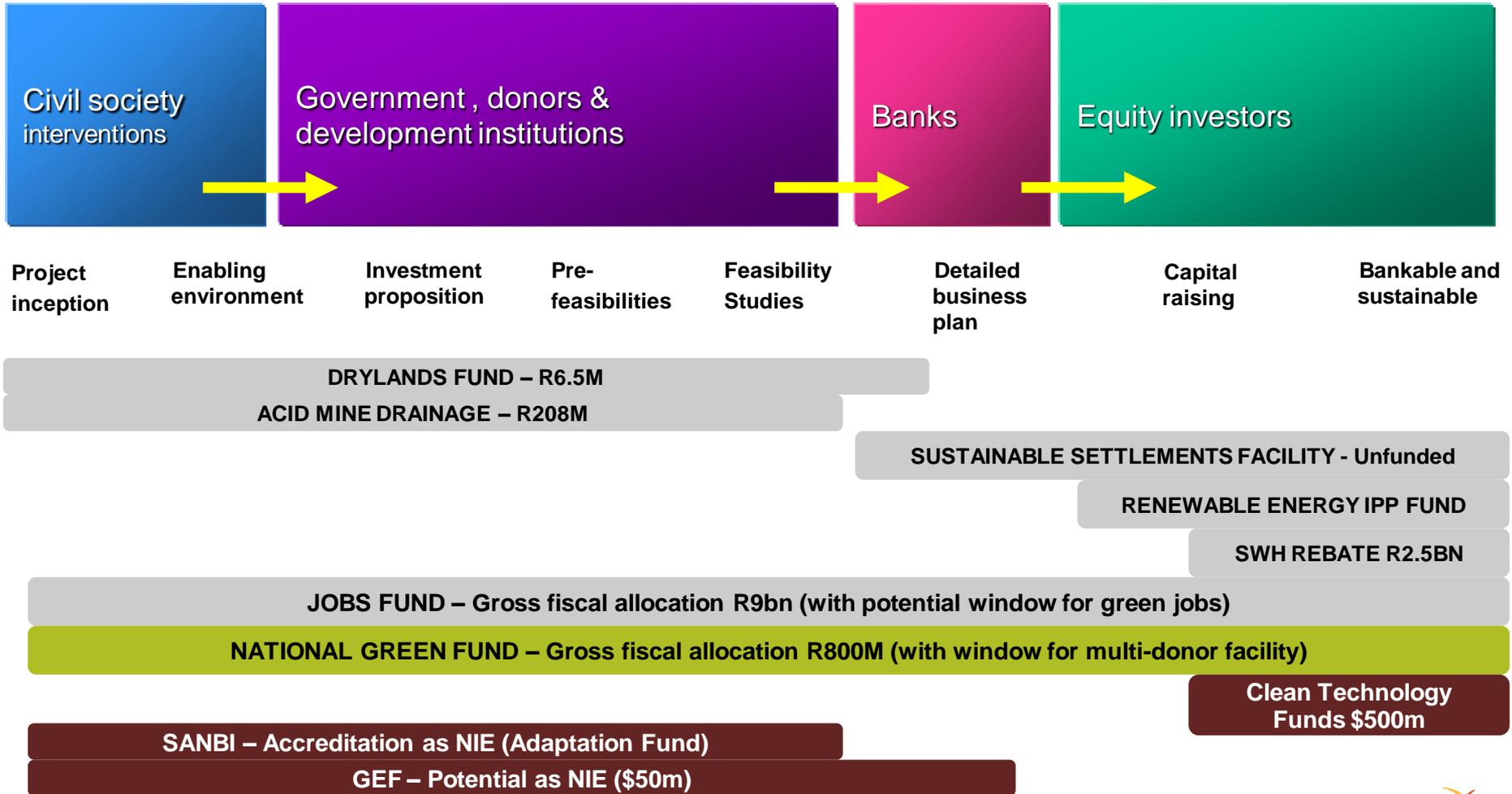
# New & additional = Relevant & innovative + matched to specific resources needs

Enabling frameworks + Responsive capital



Different forms of support are required along the programme and project life cycle trajectory – requiring a blending of public and private capital, from international and national sources.

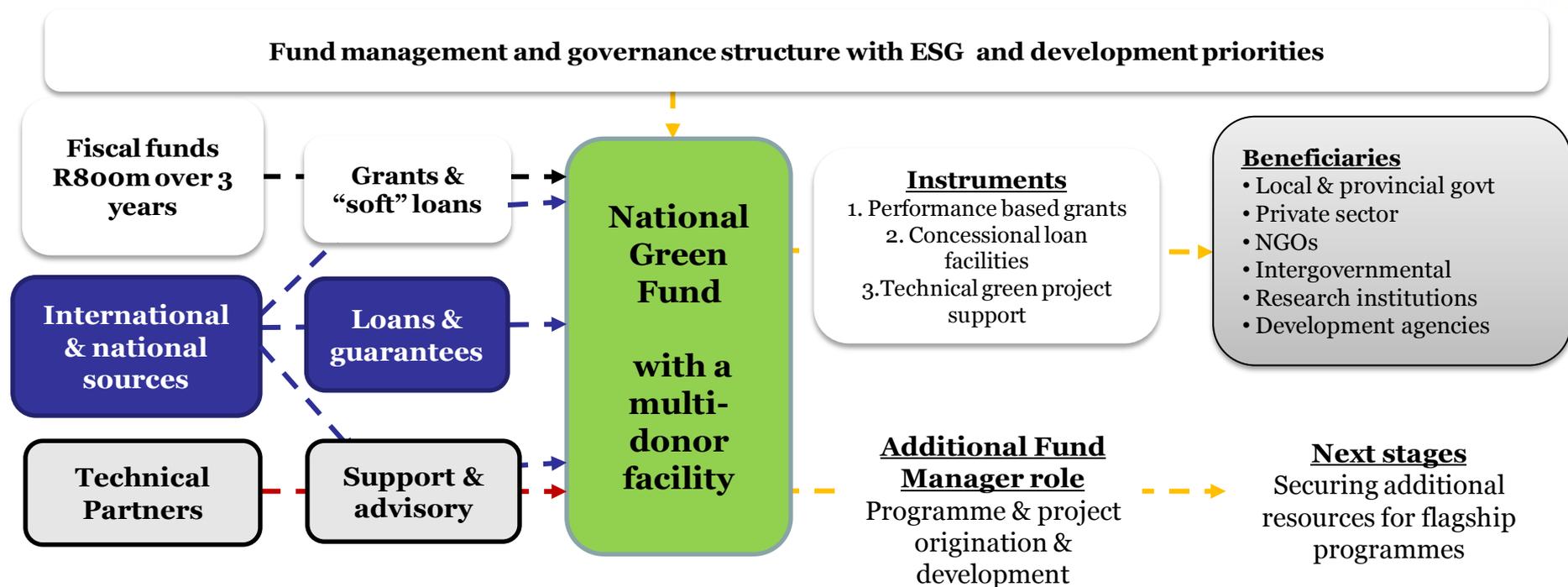
# Mapping South Africa's current public & international climate finance facilities<sup>1</sup>



**PLUS : Market based mechanisms such as carbon tax**

Source: DBSA, 2011. This mapping excludes individual bilateral and multilateral “green” credit lines that have been secured by SA institutions.

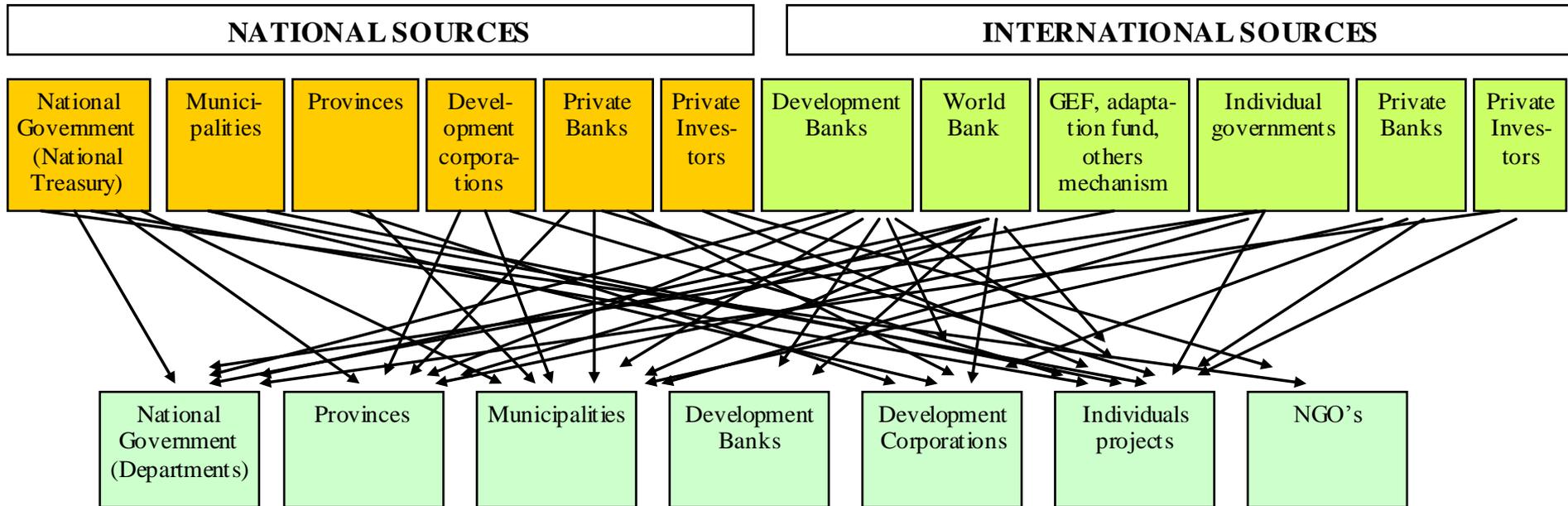
# Design parameters for a National Green Fund



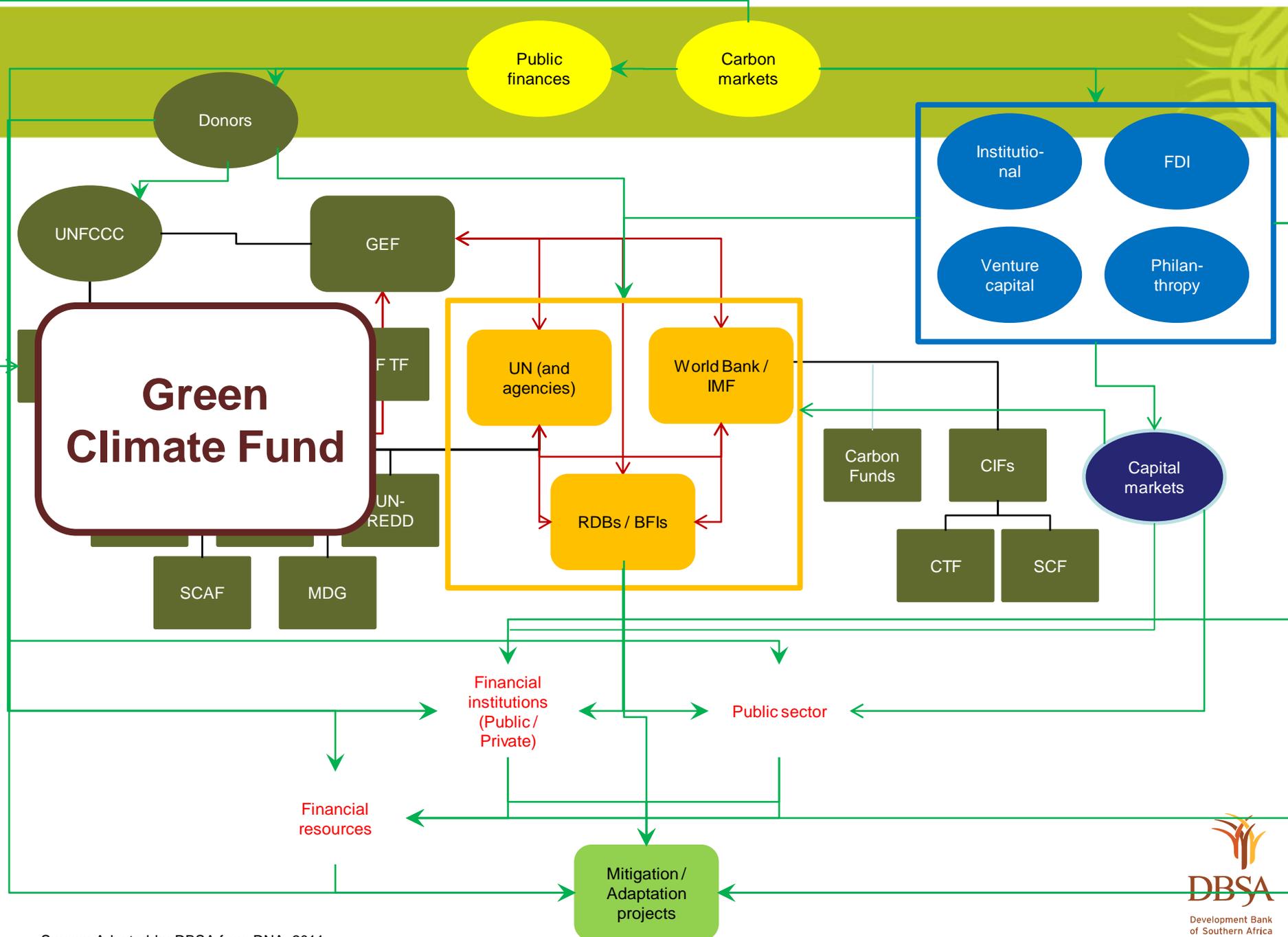
## Key features

1. **Source of funding:** National Treasury budget allocation, with option to leverage additional funding
2. **Leverage and blending:** Matching instruments with resource needs, crowding in private sector
3. **Investment mandates:** Climate and green economy related programmes defined by government
4. **Transition impact:** Scale, catalyze & mainstream
5. **Developmental impact:** Pro-poor, pro-employment, low carbon and climate resilient development
6. **Functional areas:** Green technologies, institutional strengthening & policy feedback loops

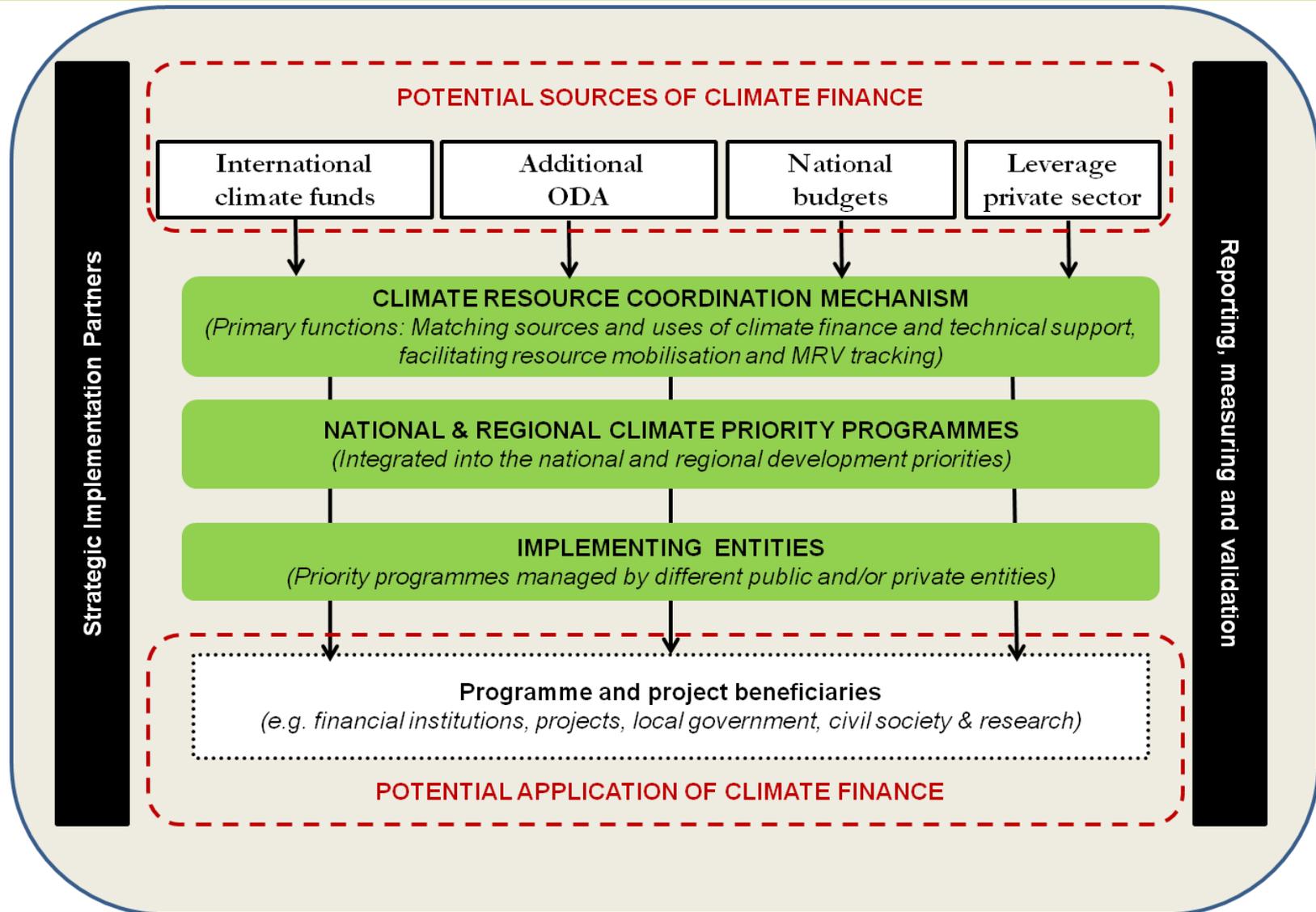
# Climate finance is very complicated on the ground .....



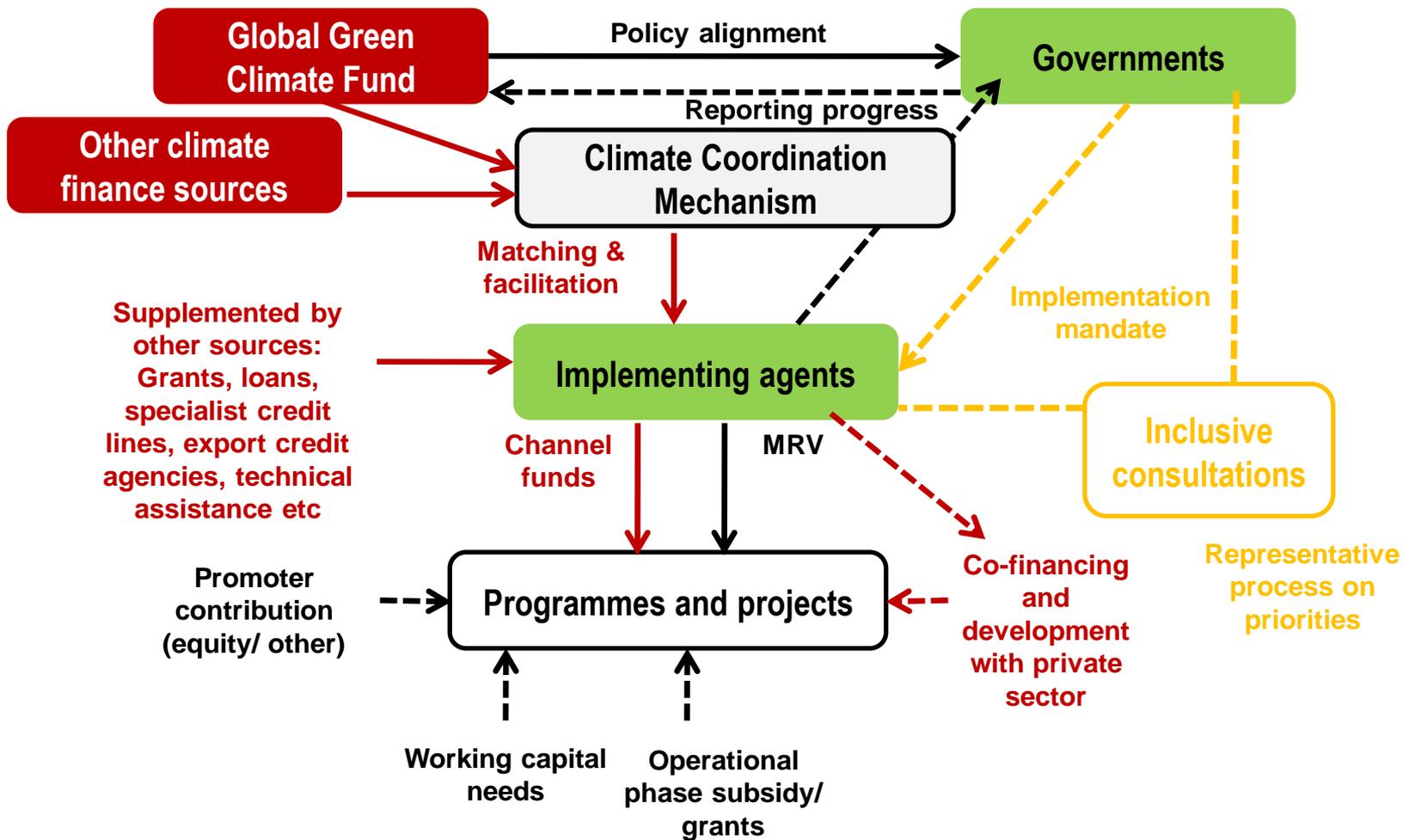
- Donor “climate related” commitments since 2003 > R20bn to South Africa
- Poor alignment with national development priorities
- Deeply fragmented, difficult to track impact & achieve scale
- High transaction costs due to duplication



# Prototype for “Interim National Climate Coordination Mechanism” (Ch 11, White Paper)



# GCF readiness – creating national absorptive capacity



Source: Adapted from output of workshop of developing country DFIs hosted by the DBSA, AfD and World Resource Institute (29-31<sup>st</sup> August 2011)

# Principles to advance climate finance @ country level

- 1. Own the definitions** - equity, pragmatism, trust, innovation, transparency, accountability
- 2. Power of the package** – finance, technology transfer, technical assistance
- 3. Power of the network** – right partners for the right programmes
- 4. Power of innovation** – relevant and responsive resources to bridge gaps
- 5. Matchmaking** – risk and return matched to appropriate players
- 6. From commitment to action** – start now for business unusual
- 7. Lighthouse watch** – focusing on long road, not only short term

