Climate financing in light of the Outcomes of Addis Ababa International Conference on Financing for Development

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International Conferences on Financing for Development

Selected Means of Climate Financing
Monterrey Consensus: “Our goal is to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system.”

No reference to Climate Change

Official Development Assistance (ODA) alone is not enough to meet the MDGs.

Millennium Declaration and the adoption of the Millennium Development Goals (MDGs)
Doha Declaration: “We once again commit ourselves to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system.”

References to Climate Change, mainly to the associated challenges
Climate Change in the Doha Declaration on Financing for Development

- Focused on “inclusive development”, and acknowledged the need to address climate change as an integral part of development:

“We recognize that multiple financing for development challenges and opportunities have emerged since the Monterrey Conference, including the impact of the financial crisis, additional costs of climate change mitigation and adaptation and damage to the Earth’s environment, price volatility in international markets of key commodities, expanding economic cooperation and the growing needs for reconstruction and development of post-conflict countries.”

- A general reference was made to the need to mobilize additional resources to address the implications of climate change:

“Ongoing and potential responses to tackle this phenomenon have major financing for development implications and will incur substantial additional costs on all countries, thus requiring additional resource mobilization, including from the private sector, particularly for developing countries to address the challenges of climate change, in order to support appropriate national adaptation and mitigation strategies and actions…”
Addis Ababa Action Agenda: “Our goal is to end poverty and hunger, and to achieve sustainable development in its three dimensions through promoting inclusive economic growth, protecting the environment, and promoting social inclusion.”

Recognition that “Environmental degradation, climate change, and other environmental risks threaten to undermine past successes and future prospects.”
Climate Change in the Addis Ababa Action Agenda on Financing for Development

- Commitment to “protecting our ecosystems for all”
- Reference to United Nations Framework Convention on Climate Change and the Conference of the Parties and to their outcomes: “We reaffirm the importance of meeting in full existing commitments under international conventions, including on climate change and related global challenges.”
- The principle of common but differentiated responsibilities was associated to climate change issues **only** (as opposed to shared responsibility)
- Reference to the importance of science, technology and capacity building initiatives in the framework of climate change.
- Under the section of International Development Cooperation, several articles were exclusively reserved for Climate Financing.
Proposed Means of Climate Financing under the Addis Ababa Action Agenda on Financing for Development

- Reforming tax systems
- Fighting illicit financial flows

Public sources

Bilateral or multilateral Assistance

$100 billion annually by 2020

Climate Financing

Alternative Sources: Blended Finance

- Green Bonds
- Public Private Partnership

Private Sources

Green Climate Fund

Official Development Assistance

Attracting responsible Foreign Direct Investment

Channeling remittances and savings

Public sources

Private Sources

Alternative Sources: Blended Finance

Green Bonds

Public Private Partnership
Green Bonds

- To fund clean energy and clean power projects, including carbon reduction
- Expected to reach $100 billion in 2015

Capital market debt instruments

- Estimated at $40 billion in 2014 (Climate Bond Initiative)

Green Sukuk

- Shari’ah compliant bonds
- Estimated at US$273 billion as of the first quarter of 2014 (30% in GCC)
- Need legal and regulatory set-up as well as the supportive technological and human capacity

In 2013, the African Development Bank issued green bonds whose proceeds were partially used to fund two projects in Arab countries (Tunisia and Egypt).
Public Private Partnership

The New Cairo Wastewater Project (US$ 200 million) to construct a 250,000 cubic meters wastewater treatment plant to serve the new Cairo settlement (estimated to increase from 550,000 to 3 million inhabitants by 2029).

The Ouarzazate Solar Power Project (Morocco) considered to be one of the world’s largest solar energy projects. It involves the design, construction, operation, maintenance and financing a solar complex project.

Efficiency gains as a result of competitive pressure.

Financing by the private sector of what is traditionally government sponsored projects.

Risk sharing + benefiting from the private sector’s management skills, expertise, innovation and efficiency.

Recycling water and lower CO2 emissions.
“Saving our planet, lifting people out of poverty, advancing economic growth... these are one and the same fight. We must connect the dots between climate change, water scarcity, energy shortages, global health, food security and women's empowerment. Solutions to one problem must be solutions for all.”

*Ban Ki Moon, Secretary General of the United Nations*