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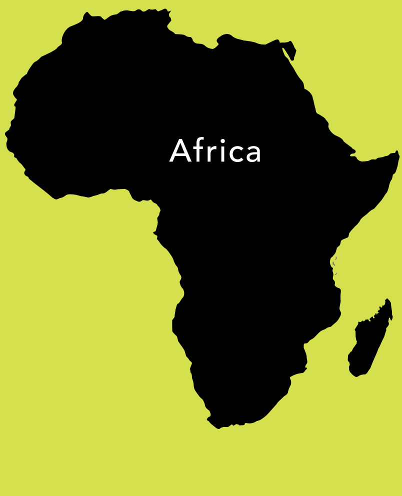

TOWARDS A FRAMEWORK FOR NATIONAL CLIMATE FINANCE GOVERNANCE IN AFRICA

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01
Introduction

1.1 Background and context

THE PROVISION OF CLIMATE FINANCE, to support urgently needed adaptation and mitigation action, has entered a watershed period. There is broad consensus about both the urgency and the need to ensure that the supply of climate finance is adequate to meet demand, the needs of developing countries and the imperative for transformation, but also that it will be effectively and efficiently used.

The environment on both the demand and the supply side is very dynamic. On the supply side there is complexity, with a plethora of new and not-so-new funds and financing instruments – although largely the utilised sources of funding have remained the same, and regrettably few, in number.

On the demand side there is, concomitantly, uncertainty. Many developing countries struggle to navigate the administrative complexity on the supply side and to cope with the political uncertainty that surrounds the question of whether there is going to be sufficient climate finance to meet the needs of developing countries.

The history of climate finance is relatively short. There are no ready-made prescriptions. Decision makers are having to think on their feet, as they craft an appropriate response to the challenge. This discussion paper seeks to contribute to the thinking that is going on globally in relation to a number of key issues, including: how best to organise the channelling of climate finance to recipient countries; its effective and efficient absorption and implementation at national level during the crucial period ahead, when new funding instruments such as the Green Climate Fund (GCF) are readied to come on stream and channel a significant portion of global multilateral climate funding, and new projects in which to invest climate finance are designed and presented.

As a new literature on climate finance emerges, it is possible to identify a number of key elements of the new landscape that are likely to be decisive, both internationally and domestically. These elements include familiar questions around effectiveness, monitoring and evaluation, as well as other vital questions such as how much of the public investment in climate finance should be used to attract private sector participation in climate action.

But arguably the first and foremost consideration must be the governance of climate finance. Because there is a broad consensus in favour of so-called 'direct access' to climate finance,[1] much attention is being paid to the term 'country readiness' – a disputed and/or not clearly understood new term that appears in the GCF's governing instrument,[2] but which is probably concerned with questions such as: Are the institutions at national level (and, conceivably, provincial and local/municipal level) properly equipped to receive and deploy climate finance?

In turn, therefore, it is inevitable that there will be an appropriate focus on the architecture that will govern climate finance, both on the supply and the demand side, within a country context.

Without assurance of strict fiduciary standards being fulfilled, and sufficient transparency and accountability, it is hard to imagine that those developed countries that are being urged to fill the coffers of the climate funds will be enthusiastic about doing so. In a sense, the future of climate finance depends heavily on getting the governance of climate finance flows in recipient countries 'right'.

1.2 Aim of the paper and approach

It is in this context and against this background that the Heinrich Böll Foundation (HBF) has identified the governance of climate finance in Africa as a priority for its current programme of work. African societies are especially vulnerable to the negative impact of climate change. While the need for different African countries to engage in the mitigation of climate change differs according to the circumstances of each country, adaptation to climate change and financing of climate change adaptation measures are challenges that show substantial similarities across the continent.

Whether fully justified or not, grave concerns are often raised about the record of African countries when it comes to the management of development aid. Those concerns are likely to be raised as African countries seek access to climate finance in the coming years. The starting point for HBF and for our discussion in this paper is that getting the governance architecture for climate financing 'right' in African recipient countries is an essential investment in time, thought, leadership, capacity-building and resources. In this, as the continent rushes to ready itself to receive climate finance, the challenge lies in balancing goals for a sound institutional architecture able to receive and implement climate financing effectively, long term, and with an expediency driven by the immediate imperative to move money quickly to support urgent on-the-ground actions.

'Getting it right' also builds confidence among contributor countries, and the recipients of funds, that money will be 'spent wisely' – to use the expression of the High Level Advisory Group on Climate Change Financing (AGF) appointed by the UN Secretary-General in 2010[3] – and not be lost to corruption and poor financial management.

Our central ambition in this paper is to offer a framework for the appropriate climate finance architecture, one that identifies the key elements for a national set of institutional arrangements, and that would in its design serve to foster improved access and efficient, cost-effective, transparent, accountable, and equitable – including gender-equitable – utilisation of climate finance by countries in Africa.

In delivering this assignment, we seek to balance idealism with realism. There is little point in offering a framework that is simply beyond the means or the political economy of any country. Equally, this is not a time to accept half measures: there needs to be bold ambition, as the highest standards are set. The people of Africa deserve no less, and the unprecedented scale and urgency of the climate change threat demand no less.

Our goal, therefore, is to stimulate thinking among practitioners – in and outside government – on the question of what would constitute the appropriate governance architecture for climate finance in African countries (though in this we do not accede to any 'African exceptionalism': the challenges are global ones, and we submit that our discussion points will be as relevant to any country around the world, whether African or other). The impact of climate change on African economies and societies is severe. Accordingly, climate finance primarily aimed at helping African countries to build climate resilience is essential. How such climate finance is governed is, therefore, a very pressing issue for African countries, not least because of persistent concerns about governance on the continent.

In passing, we seek to pose and, where possible, address a number of questions, including:

- What institutions and capabilities are required to identify key development priorities, craft appropriate climate change adaptation strategies and ensure that the two sets of priorities and strategies are aligned?
- What institutional arrangements and capabilities are needed to link technical know-how with key socio-economic and other human rights imperatives, such as gender equality, to design climate action policies that will attract international climate finance?
- How should the governance architecture for climate finance be constructed so as to maximise transparency, accountability, the space for public participation and the engagement of both private sector and civil society actors?
- What support processes can be designed as part of the governance architecture for climate change to instill an element of independent oversight into the monitoring and evaluation so as to maximise the positive impact of climate finance flows?

1.3 Methodology

In seeking to enumerate and respond to these many questions, our approach is not to start with an entirely blank piece of paper, but to draw on the extensive existing literature and knowledge on governance, our experience as practitioners, as well as the emerging experience around the continent. Accordingly, as a preliminary step, researchers in Ghana, Nigeria and Tanzania were contracted to prepare short country descriptions that responded to a template of questions that we devised and which encompassed the policy framework; the current institutional arrangements including the transparency and accountability, public participation, human rights and gender dimensions embodied in them; the capacity needs, development alignment and monitoring and evaluation capability; and, last, the available literature. To these three mini case studies we added our own knowledge about South Africa's state of readiness and its institutional arrangements related to climate finance.

These mini case studies were very useful in enabling us to sketch a quick picture of the general state of readiness and the sort of issues that are arising, and also helped to stimulate our own thinking about the issues that need to be addressed if the governance architecture is to be both effective and persuasive. The comparisons that we were able to make between the four countries are illustrative of some of the challenges and dilemmas.

A comprehensive summary of the key issues and findings that emerged from the mini country case studies is provided in Section 3 of this paper, which is preceded by a section that sets out the principles and precepts upon which we based our analysis. The final section of the discussion

OUR APPROACH IS... TO DRAW ON THE EXTENSIVE EXISTING LITERATURE AND KNOWLEDGE ON GOVERNANCE, OUR EXPERIENCE AS PRACTITIONERS, AS WELL AS THE EMERGING EXPERIENCE AROUND THE CONTINENT.

paper seeks to draw the various strands together, to offer a framework of key elements for future climate finance governance architecture. As will be seen, this is presented not as a prescription but as a basis for debate, and one that we hope will contribute to considered and constructive thinking about the subject. In both Section 2 and our conclusion, we emphasise that there can be no 'one size fits all' solution and that country context – political, institutional, cultural, socioeconomic – is crucial and must be respected and accommodated.

Accordingly, we tend to focus on function rather than form, inviting an approach that says 'What must the governance architecture deliver?' rather than 'What should the governance architecture look like?' In this, our conceptual premise is the well-established aphorism that form should follow function. So, for example, we ask whether the current institutional arrangements meet the needs of just and effective delivery of climate finance rather than whether new institutions are necessary for climate finance.

Finally, it is important to note that while this discussion paper focuses on domestic governance architecture, there are equally important discussions to be had at international level about the emerging architecture on the 'supply side'. Many of the early contributions to that discussion call for similar principles to be applied to the international system, as we do to the national.[4] From the debates at international level, certain clear lessons have been drawn:[5] national-level governance matters just as much as international level governance; a greater emphasis on capacity-building and institutional support is needed (until now, limited to rather small technical assistance grants); and there needs to be more risk-taking, to innovate and improve technologies to drive adaptation and mitigation.

Alignment between supply and demand will also be an important consideration in the future. It is clear from the country experience that we have drawn on for this paper that the developed country contributors and the climate funds they support have the potential to undermine, as much as to serve, national governance – for example by misaligning climate finance contributions with the domestic development agenda or by encouraging a diffusion of institutional arrangements and thereby undermining coherence and reasoned public policy-making. It is hoped that the new Green Climate Fund will create a space where various stakeholders can come together to work towards a common goal and common standards, to minimise these potential harms.

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Relevant principles and precepts of democratic governance

THERE IS A WELL-WORN PATH in relation to the principles that should underpin any system of democratic governance and it is not our intention to retread it here. What does or does not constitute 'democratic governance' (a term that we prefer, but that is used interchangeably with 'good governance' in this paper) is contested territory. Notwithstanding the long-standing debates around the form and content of democratic governance, there is, we submit, a broad global consensus about the core features that characterise a system of governance that is democratic, although we also fully accept that this is not value-neutral and that there are ideological perspectives which may influence the approach taken.

Indeed, in setting out the principles and precepts which we propose should underpin a democratic governance architecture for climate finance in any country, we take an unashamedly normative approach in arguing that the institutional arrangements should be such that they are progressive in purpose and operation, giving maximum opportunity for public engagement and treating human rights and gender equality considerations seriously.

Besides, as Schalatek has noted:

> [c]limate finance decisions are not made within a normative vacuum. An impressive body of conventions, binding treaties, regulations and principles exists which codifies normative frameworks for both international environmental law and universal and unalienable human rights as obligations by which all bilateral and multilateral actors in global public climate change finance are already customarily bound … However, currently, developed countries pursue climate policy and the funding needed for climate actions as if comprehensive legal frameworks related to environmental protection and universal declarations of human rights, basic notions of justice and fairness and the core principles of a democratic state were not applicable.[6]

Moreover, for the system to be accountable, it must be open for all to see. There is no place for secrecy.

Our other starting point is to state what we see as the transformative purpose and potential of climate finance. The fundamental objective of climate finance is to help a country move to a different place; to help transition its economy away from one that contributes to, and/or is vulnerable to, climate change; and to protect its weakest and poorest citizens from the harm that will be caused by runaway climate change.

This perspective helps to countermand the dangers of adopting a purely 'technicist' approach to climate action and to climate finance that is exempted from the usual standards of democratic governance practice on the grounds that it is about the 'science' or the 'technology transfer', and that given the complexity and the urgency, the usual requirements for open and accountable democratic decision-making should be suspended. As has been noted in relation to energy policy in South Africa, this attitude can

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have decidedly undemocratic consequences: 'Indeed the world over, electricity planning has tended to be an opaque process subject to inadequate public scrutiny or engagement as a result of its technically complex nature. Democratic governance is often a difficult, messy process that is more art than science. This makes the intent – and good faith – of those in charge of the process crucially important.'[7]

There are very similar concerns in relation to climate finance: that the process will be too opaque; that not enough time and effort will be invested in ensuring that sufficient information is made available for a wide range of social stakeholders to understand the decision-making process and the options available to decision makers; that these factors will play into the hands of elites and vested interest-holders, who will capture the process and steer it in a non-transformative or non-optimal direction.

Accordingly, we believe that it is important that some clear principles of democratic governance are enunciated as a framework for the crucial next phase of climate finance in Africa. In broad, over-arching terms, the notion of democratic governance can be conceived as a basket of many practices, including, for example, a professional civil service, anti-corruption policies, transparency and accountability, democratic decision-making, the principle of the rule of law, protection of human rights and the presence of an independent judiciary.[10] As a helpful platform from whence to commence the discussion, the 2000/64 Resolution of the UN Commission on Human Rights enumerates four characteristics of good governance as follows:[11]

01 Transparency: Decisions are taken, and implemented, in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement.

02 Responsibility and accountability: Decision makers in government, the private sector and civil society are accountable to the public and/or to their institutional stakeholders.

03 Participation: The public can participate (either directly or through representatives) in the decision making and the implementation of public projects or other government activity.

04 Responsiveness to the needs of people: good governance requires that institutions try to serve all stakeholders within a reasonable timeframe.

Four more 'complementary' attributes of good governance can be added:[12]

05 Effectiveness: Processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal.

06 Equity and inclusiveness: All groups, but particularly the most vulnerable, have opportunities to improve or maintain their well-being.

07 Rule of law: This principle requires fair legal frameworks that are enforced impartially.

08 Consensus oriented: Good governance requires mediation of the different interests in society to reach consensus.

Each of these eight 'pillars' of democratic governance is of relevance to an appropriate climate finance architecture, and should be borne in mind. The question is how best to 'convert' these into a plausible, effective and legitimate governance architecture for climate finance – a question to which we now turn.

While there is a well-established literature on national democratic governance, in the realm of climate finance most of the academic and public policy attention has thus far been directed towards the international governance architecture.[13] Three specific areas of (relatively) new or emerging democratic governance practice deserve to be cited at this point. First, the aid effectiveness agenda carries a number of important lessons for climate finance (for suppliers of climate finance, it should be noted, as well as recipients), in terms of national ownership, alignment with national development priorities, accountability and transparency, and monitoring and evaluation.

This is a complex subject, with many different opinions on how best to deal with the dilemma of having to balance accountability and transparency on the one hand with non-duplication and efficiency on the other. Clearly, it is important to be able to identify and distinguish all forms of external (non-domestic) finance, whether characterised properly as overseas development aid (ODA) or not, and that within this, it must ideally be fully possible to distinguish climate-related expenditures as classified for example under the OECD-DAC Rio Marker system from other types of external finance or ODA.[14]

Likewise, there has to be a monitoring, reporting and verification (MRV) of non-ODA dedicated climate finance flows. Yet, for reasons of efficiency and non-duplication of institutional resources, it may be necessary to have similar, or the same, institutions handling and managing those different types of finance. The International Aid Transparency Initiative (IATI) is also playing a valuable role in helping to establish good practice in climate finance, both at the supply and the demand end.

The Paris Principles on Aid Effectiveness[15] are also relevant to climate finance and should be observed. Amongst other things, the Paris Declaration seeks to address non-alignment between aid and national development strategies and the marginalisation of citizens from the aid architecture (which, in our case, translates to decision-making mechanisms on climate finance at both the international [supply] end and the national [demand] end). Drawing on the Paris Declaration, the Nairobi Call for Action on Climate Change Finance and Development Effectiveness calls for an 'African Approach to Accountable and Effective Climate Finance' and invites a framework approach based on a number of desired outcomes that encompass the policy environment, planning and budgetary processes at both national and sub-national levels, the relationship with public finance management systems, and accountability mechanisms for reporting on climate-related expenditures and their impacts.[16]

Second, there have been huge advances in the understanding of the role of budget transparency, and a rights-based, participatory approach to budget-making, in the past fifteen years. The work of the International Budget Partnership and others has helped to establish good practice principles that are now applied and tested through the Open Budget Index. In the most recent (2010), the four countries covered in this paper scored as follows: South Africa: 92 (in first place); Ghana: 54; Tanzania: 45; and Nigeria: 18. Securing full budget transparency will be a key dimension of an effective and legitimate climate finance architecture at national level. As Norrington-Davies and Thornton[17] recommend in respect of Tanzania, introducing a comprehensive climate change expenditure framework in order to capture financial data internally may be one way of strengthening the budgetary transparency and accountability of climate finance. They add that markers for tracking climate change mitigation and adaptation within national budgets could also be considered, possibly based on the OECD DAC's Creditor Reporting System (CRS).

Some of the lessons that can be learnt and applied from the experience with budget reform include:

- Making sure the basics are in place: that is to say, the basic budget system should be in place, one that provides sufficient transparency, and which conforms with principles of public finance management principles.[18]
- What is coming in? Clarity around the various revenue sources is an essential part of making sure the 'basics are in place'.
- Roles and responsibilities in the budget process: there needs to be clarity not just about the rules of the budget game, but also about the various budget actors – National Treasury/Ministry of Finance; Parliament and, specifically, the Parliament Finance Committee; the Auditor-General, or equivalent body; and a Standing Committee on Public Accounts.
- There should be a common set of principles, but the structures should be based on what is already there: that is to say, there are now some very well established principles of 'good budgeting practice', which are widely accepted and adhered to, but in seeking to improve and strengthen the budget process care should be taken to make full use of existing structures rather than create new ones.
- Ring-fencing should be avoided. The experience with the extractives' industries is that ear-marking revenue for specific expenditure purposes rarely works for the following reasons: Government will use the donor finance and not spend any of its own money, with the net effect of reducing the

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overall amount of money available for the issue it was received for, and, furthermore, the donor funding cannot be spent on anything else.

- Monitoring performance and impact: tracking what comes in to the budget and what goes out is a relatively straightforward exercise, especially when sound, transparent budget processes are in place, but measuring impact is a much harder thing to accomplish.

In this last respect, it should be noted that the idea of budget transparency is a subject around which there is full acknowledgement and acquiescence in most countries; it is not a contentious subject. In many countries, the budget system is now sufficiently developed that the inputs can be clearly identified in the budget. However, what is often far less clear is what goes out and where and how it is spent. In turn, this makes the monitoring of impact very hard.

Accordingly, the advice from budget experts suggests that insistence on proper reporting and oversight processes should be a base requirement, to put a greater emphasis on 'what comes out of the budget, rather than what goes in'. This is especially important for state-owned enterprises (SOEs) and statutory bodies, many of whom are charged with mandates that relate to key climate issues, such as energy and electricity, forestry, water, and agriculture. The experience of the Open Budget Index is that levels of transparency and oversight in parastatals tend to be lower than for government departments. In general, when money is transferred from the national fiscus into the budget of a parastatal, there is little or no accurate reporting.

In turn, this leads to questions about what sort of indicators and oversight are appropriate and effective. This is something that is going to require further thought and consideration, taking into account the relevant domestic institutional context.

Third, in terms of both consensus-building and the establishment of new standards in accountability and transparency conduct, as well as levelling the playing field in terms of civil society participation in oversight, the concept of multi-stakeholder governance and process has acquired considerable traction in recent years.[19] At international level, the progress of initiatives such as the Extractive Industries Transparency Initiative (EITI) and the Construction Sector Transparency Initiative (CoST) have shed light on the benefits of bringing the key stakeholders from government, business and civil society together in a carefully facilitated process of dialogue and standard-setting.[20] Given the complexities and international dimension to climate finance, it may be that a similar initiative could be of benefit to the climate finance governance architecture. In some countries, such an approach has been adopted to forge consensus – for example in South Africa, the Long Term Mitigation Scenarios (LTMS) process that helped South Africa set ambitious new targets in emissions reductions was a multi-stakeholder process that brought key industry players with government and some civil society actors.[21]

As noted above, most of the thinking on climate finance governance so far has been directed at the international architecture – understandably, given the attention that has been paid to the establishment of new mechanisms, such as the Green Climate Fund and the concomitant concerns about fragmentation and lack of coherence. The German agency GIZ has started, however, to draw together lessons from its own work with national governments when providing GIZ assistance to developing country governments in setting up their own national climate funds. GIZ identifies four critical factors:[22] First, the importance of defining the Fund's objectives and strategy – where the emphasis is on maximising integration of the Fund's objectives with national goals and priorities. Second, the importance of accountable governance and fiduciary standards, where the emphasis is placed on transparency and access to information, on participation by civil society and the private sector, and on environmental and social safeguards. Third, project selection and approval: this is where the rubber of decision making hits the tar road of implementation. Learning lessons from the field, GIZ attaches great emphasis to the importance of developing a programmatic approach, with clear project selection criteria and standardised processes to control quality and ensure harmonisation with the Fund's operations and objectives. Fourth, project monitoring and evaluation – with an emphasis on gathering improved data on projects and their impact, on assessing the transformative impact of the projects and investments at scale, and on producing a real assessment of results.[23] As GIZ notes, there is an emerging body of knowledge about how best to monitor adaptation projects.

Although the GIZ framework has been drawn from its experiences in country in relation to national climate funds specifically, the approach that it has adopted as a result, and as a tentative framework for the future, is one that has a wider applicability to the overall governance architecture.

Similarly, the UNDP's own framework for national climate finance,[24] although directed at the establishment of national climate funds per se, contains a set of useful principles and guidelines relating to: defining the objectives; identifying capitalisation; instilling effective governance; ensuring sound fiduciary management; supporting efficient implementation arrangements; facilitating effective monitoring, reporting and verification.

03

National climate finance governance architecture: observations and innovations

THIS SECTION IS DEVOTED to providing key insights into the possible or ideal governance architecture for climate finance drawn from each of the four countries reviewed: Ghana, Nigeria, South Africa and Tanzania. Instead of presenting a summary of information submitted to us by researchers in Ghana, Nigeria, Tanzania, and the authors of this paper with respect to South Africa, we give an outline of eight general observations that are useful in helping to understand what might reasonably be included in a draft framework for climate finance governance in Africa. We also highlight innovative features that can serve as a guide or inspiration in the development of governance systems for climate finance. The experience of the four countries reveals that there is no common, one-size-fits-all approach – and nor would we expect there to be. However, as section two argues, it is important that whilst the approach may differ markedly between countries, the underlying principles of democratic governance should hold.

3.1 General observations

3.1.1 Levels of funding

At US$536.24 m, South Africa has received the highest amount of funding in sub-Saharan Africa for climate finance from 22 dedicated public climate funds.[25] This is followed by Tanzania at US$107.8 m, Ghana at US$34.513 m, and then Nigeria at US$16.99 m.[26]

The majority of funding in all four countries goes to mitigation, with South Africa receiving almost all its financing from 22 dedicated public funds for mitigation at US$524.65 m, followed by Tanzania at US$66.14 m, Ghana at US$15.881 m, and then Nigeria with US$12.53 m.[27] Private sector interests have driven mitigation finance because of the incentive of potential big returns on investments. Mitigation, through carbon markets, is also more attractive to developed countries because it can be used as a mechanism to offset domestic emissions. 'A major limitation of private sector finance is that it is concentrated in a small number of high growth countries (explaining why South Africa receives the highest amount of finance). In 2004, around 90 % of private investment flows into Asia went to China (67 %), India (14 %) and Malaysia (9 %).'[28]

Adaptation is expressed as a critical need for Africa. A large amount of resources are therefore required to finance adaptation.[29] Despite these calculations, adaptation finance is sorely lacking. In fact, climate finance is heavily skewed towards mitigation rather than adaptation. Of disbursed finance from 22 global funds, adaptation receives 24.7 % of funding – almost three times less than that directed towards mitigation, which receives 71.3 %. Of the global share of funding for adaptation, sub-Saharan Africa receives 42 %, of which South Africa only receives US$6.78 m, Tanzania US$9.31 m, Nigeria US$.46 m and Ghana US$7.722 m.[30]

3.1.2 Policy framework for climate change

Each of Ghana, Nigeria, South Africa and Tanzania's national climate change policy is evolving and is at a different stage of development. After a short period of consultation, South Africa's National Climate Change Response (NCCR) white paper was released in 2011, ahead of the country hosting of COP17 in Durban in December 2011.[31] In Nigeria, the Federal Executive Council, the country's highest decision making body, has approved the National Climate Change Policy Response and Strategy. Though the document is still not in the public domain, it is now acknowledged that Nigeria has an overarching climate policy on which future actions and measures will be anchored. Domestic climate change response has before now, been undertaken within the broad context of some existing national environmental and development policies, and the nation's reporting obligations under the United Nations Framework Convention on Climate Change (UNFCCC). The new Policy sets out strategic sectoral climate response goals that include fostering a low-carbon economy and building a climate-resilient society. The document further proposes the establishment of a Special Climate Fund that will coordinate the mobilisation and management of financial resources for climate change actions.

Tanzania lacks a stand-alone policy on climate change and rather adopts a sectoral approach to addressing climate change, as discussed below.

To complement and enhance the strategic objectives of the Ghana Shared Growth and Development Agenda (GSGDA), explained below, the Ghanaian Ministry of Environment, Science and Technology (MEST) facilitated the formulation of the National Climate Change Policy Framework (NCCPF), which aimed at ensuring a climate-resilient and compatible economy while achieving sustainable development and equitable low carbon economic growth for Ghana. The further elaboration of the NCCPF has culminated in the development of a National Climate Change Policy (NCCP). Though the preparation of the NCCP has at the time of writing still to be completed, the processes have been participatory enough to stimulate greater positive signals for other key sectors to take concrete actions to combat climate change in their respective annual action plans.

3.1.3 Mainstreaming climate change

All four countries advocate a sectoral approach to addressing climate change concerns. However, the country experiences show the varying degrees to which each country is utilising the approach. This approach appears to be a first step towards developing a stand-alone policy on climate change rather than as an end in itself. It is also unclear if climate change response strategies and development policy are harmonised.

Tanzania is the only country that emphasises the sectoral approach alone. Sectoral policies include: National Environment Policy, National Energy Policy, Agriculture and Livestock Policy, National Forest Policy and National Water Policy. Tanzania has set up a legal and institutional framework for environmental management through the Environmental Management Act of 2004. Amongst other things, the Act provides for establishment of climate change units at individual sector ministries. However, here too the main challenge identified has been to mainstream and integrate climate change adequately in sector-specific plans and strategies. Where efforts have been initiated, as in the water, agriculture and livestock sectors mentioned, there remain implementation gaps in the identified strategies/processes.

In Ghana, climate change response has been integrated into the main national development policy as explained above, and has also been reflected in a number of sector plans. The Ministry of Environment, Science and Technology (MEST) provides leadership in the national efforts to integrate climate change into development programmes in collaboration with the Ministry of Finance and Economic Planning (MoFEP) and the National Development Planning Commission (NDPC). In line with statutory provisions, the NDPC, in close collaboration with the Environmental Protection Agency (EPA) and MEST, translated the climate provisions in the GSGDA as part of the national planning guidelines and subsequently provided orientation to all the sectors and the districts with the aim of guiding them to reflect climate change action in the preparation and implementation of their sector district development plans.

So far, the sector ministries of Transport,[32] Energy,[33] Agriculture,[34] Lands and Natural Resources,[35] and Finance and Economic Planning have responded to making climate change response part of their programmes. The local government authorities in Ghana, which are viable channels for community development, have planning guidelines that require that they address the major climate risk factors that threaten the achievement of their development targets. The operationalisation of the composite budget framework has contributed substantially to prioritising climate change adaptation and mitigation programmes in the budgets of local authorities.

3.1.4 Institutional arrangements

The associated institutional arrangements responsible for climate change action differ in each country. But, in general, there are two main institutional approaches. Only Nigeria has a Climate Change Department (CCD) in its Federal Ministry of Environment whilst in Ghana, Tanzania and South Africa the ministry of environment is the lead department. Without a specific climate change department, it seems that the latter countries face some difficulties in clarifying roles and responsibilities, which in turn could hamper their capacity to take appropriate climate action.

Nigeria's CCD coordinates all government climate change responses in the country at the federal/national level. The department incorporates the former Special Climate Change Unit, the National Renewable Energy Programme and the REDD Programme all under the Federal Ministry of Environment. The CCD further coordinates international cooperation function and serves as the country's focal point to the UNFCCC, the Designated National Authority (DNA) for the Clean Development Mechanism (CDM) and to the Adaptation Fund. Aspects of climate change adaptation are still dealt with by other departments including Flood and Erosion Control and Drought and Desertification. Although other government agencies also deal with climate change-related issues, there is no evidence of coordination between the CCD and these other agencies or whether the CCD has control over the agencies. Environment is listed under the Concurrent Legislative List in the 1999 Nigerian constitution, so state governments can also legislate independently and deal with the issues at their state level. Consequently, many states in the federation have set up either a climate change unit or desk in their respective states.

WITHOUT A SPECIFIC CLIMATE CHANGE DEPARTMENT, IT SEEMS THAT COUNTRIES FACE SOME DIFFICULTIES IN CLARIFYING ROLES AND RESPONSIBILITIES, WHICH IN TURN COULD HAMPER THEIR CAPACITY TO TAKE APPROPRIATE CLIMATE ACTION.

In both Tanzania and Ghana, the Office of the Vice-President and the ministries of environment take a lead role. The Division of Environment (DoE) in the Vice-President's Office is the government coordinating agency for climate change and dominates government's response on all issues relating to climate change in Tanzania, therefore taking on a policy-making and implementation role. International cooperation is also the responsibility of the DoE as it is the national focal point for the UNFCCC. A National Climate Change steering committee structure is already established within the DoE, which is meant to provide guidance to National Climate Change focal persons and to coordinate actions and participations within various sectors, though as yet it is not up and running. Environmental officers have also been installed within each line ministry but are not yet focusing on climate change issues. Local authorities are the principal executive agencies of environmental policies and regulations.

There is an evolving institutional architecture in Ghana with the following broad outline:[36] At the level of the presidency, the Vice-President has the overall lead of policy via his chairmanship of the Natural Resources and Environment Advisory Council (ENRAC). Five development partners are supporting the Natural Resources and Environment Governance (NREG) mechanism, which started in 2008 with an initial four-year duration, in the form of Sector Budget Support (SBS). It focuses on a number of policy reforms in the Forestry, Mining and the Environment sectors. The policy lead is the MEST, which is the focal point. Within the MEST, the Environmental Protection Agency has the technical lead. Other ministries, commissions and units have varying implementation responsibilities – for example the Forestry Commission, Ministry of Agriculture and the Energy Commission.

As the lead institution, the MEST is responsible for coordination and harmonisation of climate change activities among the sectors. This is done through the National Climate Change Committee, which is a multi-stakeholder committee of MDAs, donors, the Parliament of Ghana, CSOs, research institutions and representatives of the private sector. Apart from the sector-support financing from NREG, the national budget also provides a major source of funding for climate activities for MEST, though

ACCOUNTABILITY IS A TWO-WAY STREET, BUT IN THREE OF THE COUNTRIES STUDIED THIS APPEARS TO HAPPEN ONLY UPWARDLY TO DONORS, AND NOT DOWNWARD WITHIN THE COUNTRY.

additional resources are sometimes sourced from the National Environment Fund (NEF), which is operated by the EPA in accordance with the EPA Act 1999 (Act 490). At the level of operations, the EPA is responsible for coordinating the implementation of technical activities on climate change. It does so through its energy resources and climate change unit. The unit serves as the technical clearing-house for climate change as well as a fulcrum for international cooperation programmes. The climate change unit is the focal point for the UNFCCC and IPCC, is representative of Ghana on the Adaptation Fund and Article 6, and plays the leading role in preparing National Communications to the UNFCCC. Significant amounts of the funding of the energy resources and climate change unit are tied to projects, which usually come through the international community, in addition to some support from NEF and NREG.

Green issues are dealt with by various departments in South Africa, including: the National Treasury which is assisting the Department of Energy with the Independent Power Producer procurement and is developing a carbon tax proposal; the Economic Development Department, which is leading on green economy issues generally; the Department of Environmental Affairs, which led on the National Climate Change Response (NCCR) and also leads on climate change negotiations; as well as other departments such as Energy, Minerals, Water Affairs and Public Enterprises, which are responsible for the state owned entities such as the electricity utility, Eskom.

In an effort to promote inter-sectoral and multi-level coordination and move away from a piece-meal and sometimes contradictory approach within the public sector, different forums have been created – an inter-governmental green economy environmental team led by the Economic Development Department as well as an inter-governmental climate change coordinating committee led by the Department of Environmental Affairs. Both these forums seek to consult with the private sector, NGOs and other stakeholders, but have the ultimate aim of finding ways to mainstream climate change and other environmental factors into policy and strategy.

3.1.5 Accountability

Accountability is a two-way street, but in three of the countries studied this appears to happen only upwardly to donors, and not downward within the country. Funding for climate change currently comes into Tanzania through a number of projects, including some financing for activities within wider sector programmes. Support is not clearly identified in the budget at this time. Hence it is difficult to identify and track funding allocated specifically for climate change activities at the national level. Presumably there is upward accountability to donors but downward accountability within the country is questionable, as everything is controlled centrally only.

Nigeria also maintains upward accountability to donors since they actually manage most climate finance separately, maintaining their respective fiduciary standards on transparency and accountability, with few checks and balances. Its quarterly or yearly reports remain the only medium for scrutinising activities, and that is after the fact. With respect to allocation from the national budget, the Fiscal Responsibility Commission charged with ensuring budget implementation and the relevant committees of the National Assembly (Senate Committee on Environment and Ecology and the House of Representatives' Climate Change Committee) should be the most appropriate bodies to monitor climate finance. These National Assembly Committees have oversight functions and powers to ensure that the allocated funds are used for the purpose intended. However, because of the large turnover of new members in the National Assembly after every election, most of the members do not have sufficient understanding of this role or knowledge of climate finance to effectively undertake such oversight. The absence of a donor-coordinating forum where all international development assistance and support is coordinated has contributed to duplication or overlap of funding with little supervision. A proposal for the establishment of a Special Climate Trust Fund that will coordinate the receipt, allocation and spending of climate finance has been made by the Federal Ministry of Environment;[37] however, the proposal is yet to be approved while debates on the sources of funding and who should be trustee of the fund remain as unresolved issues.

Ghana's Multi-Donor Budget Support System (MDBS) (see 3.2.4) is a rolling mechanism for soliciting budget support from donors. Among the basic rationales of the MDBS mechanism is to: ensure predictability of funds inflows; minimise transaction costs in dealing with individual donors; simplify disbursement procedures and practices; and improve donor coordination. Thus, this system provides the basis for a sound accountability mechanism for donors. Nationally, there is a Public Accounts Committee of Parliament that vets individuals on the use of such funds disbursed by the Ministry of Finance and Economic Planning in open sessions, usually aired live on national television. The Public Accounts Committee works in close collaboration with the Audit Service of Ghana, including on yearly review and follow-up actions on the recommendations of the Auditor-General report on public sector auditing, which indicates some level of participation by the general public in the process. However, it appears the general public is not aware of the specific role it is expected to play, and this calls for intensive education.

Until recently, South Africa had no way of tracking climate finance. It has since initiated a process to develop an interim climate finance coordinating mechanism that will track all funds (see 3.2.1).

3.1.6 Public participation

Public participation in Ghana and South Africa appears, on the surface, to be well organised. However, in practice, it tends to fall short of expectations. For example, Ghana has a well-developed public participation model with avenues for participation going all the way down to district level. Budget processes are interspersed with public hearings involving wider participation by the communities, private sector organisations and CSOs. Current arrangements for budget preparation open up participation to the general public through adverts in the national dailies for submission of memoranda to the budget division of the MoFEP. However, there seems to be a lack of awareness by the public of some of these opportunities for participation, including in the budget process.

In South Africa, the importance of public participation and stakeholder engagement is widely acknowledged, and enjoys protection from the Constitution, in which the principles of 'participatory democracy' are enshrined, and it is required that, for example, national and provincial legislative processes 'facilitate public involvement.'[38] There is a similar provision for parliament's second house – the National Council of Provinces (NCOP).[39] South Africa's Constitutional Court has been asked to rule on these provisions on several occasions, as challenges have been brought against the proceedings of the National Assembly and/or the NCOP. However, it must be recognised that organising meaningful public participation in complex processes is far from simple, and consensus is an elusive and often frustrating goal when interests are as diverse as they are in a sector with as much at stake as, for example, electricity in a context of urgently needing to reduce greenhouse gas emissions.[40] Moreover, there are other obstacles to meaningful engagement and involvement, especially where parliament's role is minimal and the executive branch of government is predominant in the policy-making process. The quality of public participation and the extent to which the constitutional aspiration has been met in practice is questioned. There are many factors that may well serve to inhibit participation. A comprehensive analysis of the governance of electricity in South Africa coordinated by the Electricity Governance Initiative (EGI)[41] notes that the legislative process goes through the motions, but often lacks real substance.

3.1.7 Gender and human rights considerations

Gender and human rights considerations appear to be unevenly applied in the countries considered. Tanzania is remarkable in Africa for already having an internationally recognised gender budgeting system, and has invested much effort into developing accounting procedures. However, the Tanzania National Adaptation Programme of Action (NAPA) does not put gender and human rights issues high on the agenda. Moreover, the strategies and action plans relevant to the NAPA, such as the Rural Development Strategy, the Agriculture Sector Development Strategy and the Local Government Reform Strategy, do not seem to include gender issues in their assessment of the risks associated with climate change.

Nigeria has submitted its Financial Needs Assessment to the UNFCCC,[42] but details of the financial costs for integrating human rights and gender equality considerations have not been fully projected and quantified. Nevertheless, there is a high recognition of the role of women in national climate change response actions and the implications thereof in general in Ghana. There are also some gender considerations in climate finance. For example, in almost all training sessions on climate change there are sessions focusing on the linkages between gender and climate change.

Constitutionally, South Africa takes a progressive stance on human rights and gender equality. However, although the national response to climate change is framed almost exclusively in terms of 'pro-poor development', an ongoing and lengthy lobbying process by gender activists

TWO OF THE COUNTRIES SURVEYED, NAMELY NIGERIA AND SOUTH AFRICA, ARE IN THE PROCESS OF ESTABLISHING A NATIONAL IMPLEMENTING ENTITY (NIE) TO THE ADAPTATION FUND. HAVING AN NIE MAY BE CONSTRUED AS DEVELOPING CAPACITY FOR ADAPTATION, WHEREAS IN REALITY THIS IS AN IMPORTANT BUT INSUFFICIENT RESPONSE TO ADAPTATION NEEDS.

has only seen gender mentioned twice in the National Climate Change Response policy paper.

3.1.8 Capacity for adaptation

Two of the countries surveyed, namely Nigeria and South Africa, are in the process of establishing a National Implementing Entity (NIE) to the Adaptation Fund. Having an NIE may be construed as developing capacity for adaptation, whereas in reality this is an insufficient response to adaptation needs. Nigeria's Climate Change Department set up a sub-committee for the identification of a suitable body that can be submitted for accreditation as an NIE under the Adaptation Fund. As part of the terms of reference for the sub-committee, and also to meet the fiduciary standards of the accreditation process, a robust measurement and evaluation framework will be developed for evaluating projects and determining the effectiveness of the funding. The NIE has yet to be established. South Africa is developing its NIE through an implementation agency, South African National Biodiversity Institute (SANBI), and is currently consulting with stakeholders ahead of launching the NIE.

3.2 Innovation

There are significant innovations within each country studied that are important considerations for developing sound governance architectures for climate finance. These innovations are not necessarily described as prescriptive or in fact necessary, but highlight the different approaches that can be taken nationally to foster democratic governance of climate finance.

3.2.1 South Africa's interim climate finance coordinating mechanism

Whilst developing their climate finance architecture, South Africa has opted to establish

THE OBJECTIVE OF TANZANIA'S GENDER BUDGETING SYSTEM IS TO ENABLE EQUITABLE RESOURCE ALLOCATION AND REDISTRIBUTION TO REDUCE INEQUITIES IN TERMS OF GENDER, CLASS, AGE, COLOUR AND DOMICILE.

an interim climate finance coordination mechanism. The mechanism is designed to mobilise resources for mitigation and adaptation priority programmes, to track the use and impact of funds, and to coordinate existing flows of finance. The government is also considering centralised donor coordination on climate finance and funded projects and programmes, and letting climate finance flow through the Reconstruction and Development stream for tracking purposes.[43] It is seen as a necessary first step to maintain some control over the chaotic climate finance environment.

3.2.2 Nigeria's Climate Change Department (CCD)

Nigeria's CCD within the Federal Ministry of Environment is a one-stop approach to all action and activities on climate change. The CCD coordinates all government climate change responses in the country at the federal/national level, is also in charge of international cooperation, and has some policy and administrative capacity. Having a single department reduces considerably the potential for confusion and conflict in roles and responsibilities. However, other government agencies also deal with climate change-related issues. There is no evidence of coordination between the CCD and these other agencies or as to whether the CCD has control over the agencies, except for the occasional meetings of the Inter-ministerial Committee on Climate Change which the department anchors.

3.2.3 South Africa's National Green Fund

The creation of a National Green Fund is meant to help build an effective and inclusive climate finance architecture for South Africa's climate change and green economy response. If it succeeds in achieving this goal, then clearly the Green Fund will take a central, pivotal place in South Africa's climate finance governance architecture. The intention is that the Green Fund will provide a long-term funding framework for climate finance, to be established by end of 2014, with a multi-donor facility attached to it. Subject to the international climate finance that it can attract, it is intended that the Green Fund will provide performance-based grants, concessional loan facilities, and technical support for green projects. It is envisaged that beneficiaries would include local and provincial government, the private sector, NGOs, research institutions and development agencies. A first window for applications was opened in October 2012, with R800 m (c. $100 m) allocated to the fund from the national fiscus.

The national Green Fund is intended to shepherd complimentary finance and not to 'crowd out' private investment, with public money used as seed or catalytic funding.[44] It is also intended to help rationalise the climate finance environment. While it is not yet clear precisely what kind of overall model will emerge in South Africa, the hope is to create some greater level of coherence and to turn the 'crazy meadow into a neat garden'.[45] The Green Fund will be led by a management committee chaired by the Director-General of the Department of Environmental Affairs (DEA). Treasury will undoubtedly play a major role, notwithstanding the leadership role that the DEA will take.

3.2.4 Ghana's Multi-Donor Budget Support System

The Multi-Donor Budget Support System (MDBS) in Ghana plays a major role in the determination, allocation and spending of resources including climate finance. In essence, it is a rolling mechanism for soliciting budget support from donors. Among the basic rationale of the MDBS mechanism is to: (1) ensure predictability of funding inflows; (2) minimise transaction costs in dealing with individual donors; (3) simplify disbursement procedures and practices; and (4) improve donor coordination. One of the sectors under the MDBS is the Environment and Natural Resource Management Group (ENRM). The basic aim of ENRM is to enhance policy dialogue, share information and improve harmonisation.

3.2.5 Tanzania's gender budgeting system

Tanzania has an internationally recognised gender budgeting system and has invested much work into developing accounting procedures. The objective of the system is to enable equitable resource allocation and redistribution to reduce inequities in terms of gender, class, age, colour and domicile. The aim is also to create a policy framework in which Tanzanians can equitably participate in the development process. It has been targeted at marginalised and impoverished groups of Tanzanian society such as women, the youth, the disabled, people living with HIV/AIDS, poor men, and the elderly.

Gender budgets are an attempt to assess government priorities as they are reflected through the budget and examine how they impact women and men and, within that, certain groups of women and men. Through this process, there can be a more equitable distribution of resources and increased access of women and the marginalised to decision makers. The Tanzanian Gender Networking Program (TGNP) has worked hard to build alliances, which has led to increased trust between government and non-governmental players. The TGNP now acts as an ongoing consultant to the Ministry of Finance in the area of gender-responsive budgeting.[46]

04

Developing a framework for climate finance governance architecture: key elements

THIS ANALYSIS of what is happening in the sample of four African countries provides an interesting and useful context in which to consider the question of what would constitute an 'ideal' climate finance governance architecture, and provides a sense of what may be realistic in terms of what there is to build on. In order to stimulate further debate, we advance the following set of eleven propositions as potential key elements of such an architecture, taking account not only of the analysis of how some African countries are responding but the principles and precepts of democratic governance outlined earlier in the paper:

Strategic clarity and intent, and development goals' alignment:

It is hard to imagine how climate finance can realise its transformative potential unless it is carefully aligned with the development strategy of the particular country. The evidence from the four countries considered as the backdrop for this paper suggests that there is some recognition of this imperative but it is easier in theory than in practice. Accordingly, the governance architecture should make specific institutional provision for such alignment, in the form of both policy and structural/process alignment. Different countries will achieve this in different ways, but the important thing is that mechanisms for achieving such alignment should be visible and invested with sufficient authority and resources to deliver such alignment.

Harmonise climate change and development action:

Climate change and development action needs to be harmonised in policy and related programmes, and adequate mechanisms should be found to disaggregate allocation of expenditure for each. In this way, the replication of institutions that fulfill similar or complementary programmes and roles can be avoided or minimised. Minimising the development of new institutions also reduces the need for additional resources and capacity that is already limited in developing countries.

Mainstreaming climate change:

Climate change should be effectively harmonised into all departments and policies across all relevant sectors. Mainstreaming is an end in itself. However, care should be taken to disaggregate climate finance from other budgets when mainstreaming so as to properly account for action taken towards addressing climate change.

Human rights and gender:

A human rights and gender equality checklist should be devised and applied, whereby no decision about the allocation or deployment of climate finance is taken without due and proper regard to the human rights' and gender equality implications of such decisions. Part of this checklist should be a mandatory human rights and gender analysis, as well as appropriate indicators to allow for monitoring, evaluation and the collection of gender-disaggregated data, to name just a few key action points. Gender budgeting has proven effective in Tanzania and should be considered by other countries for the purposes of climate finance. This will enable the needs of both men and women to be effectively considered within climate programmes and projects.

Build multi-stakeholder consensus and activate community participation:

The evidence from the four countries suggest that meaningful engagement of the public and interested stakeholder groups presents a very demanding challenge, and is unevenly delivered. In order to encourage civil society engagement and consensus-finding, a multi-stakeholder process should be established alongside the formal/official decision-making bodies to enable willing role-players and social actors from NGOs, unions, affected local communities and intended beneficiaries as well as the private sector to engage with government officials and representatives of the community fund contributors on issues pertaining to climate finance.

In addition, there should be adequate mechanisms put in place for communities affected by and benefiting from climate finance projects to be actively involved in the design and monitoring of projects, paying particular attention to the involvement of societal groups often marginalised in such processes, particularly women or indigenous peoples. Communities should also be able to monitor the projects and the use of funds.

Transparency:

The broader public should be able to understand and follow climate finance decision-making, to enhance both public participation and accountability. Accordingly, a state-of-the-art Access to Information Protocol should be crafted to ensure that all information about climate finance – encompassing the supply and source, the amount and any conditionality, the purpose and objective, and the factors taken into account in accepting and deploying the climate finance – is published proactively. A process for receiving and responding to requests for further information with due haste should be included in the protocol.

Accountability:

In addition, the question of a complaint or recourse mechanism arises. When climate funds within the country are misallocated/ appropriated or harm the gender/human rights of people in their implementation, where can the affected citizens turn to? There should be a clear understanding of the possibility of using the existing judiciary system for such complaints or recourses. Where this is not possible, in the course of the 'institution-building' that might be unavoidable in the long term on the national level, it might be necessary to create a national climate finance review body, inspection panel or climate finance ombudsperson. Mechanisms should be put in place for downward accountability within the country to complement upward accountability to donors. It is equally, if not more, important for recipients of funds to

MECHANISMS SHOULD BE PUT IN PLACE FOR DOWNWARD ACCOUNTABILITY WITHIN THE COUNTRY TO COMPLEMENT UPWARD ACCOUNTABILITY TO DONORS. IT IS EQUALLY, IF NOT MORE, IMPORTANT FOR RECIPIENTS OF FUNDS TO KNOW WHERE AND HOW THEIR FUNDS WILL REACH THEM, AS THEY WILL BE IMPACTED BY CLIMATE CHANGE.

know where and how their funds will reach them, as they will be impacted by climate change.

Clarify roles and responsibilities of institutions:

The country mini case studies show a significant overlap or lack of clarity in institutions that provide policy, operations, international cooperation and dialogue-type functions. Whilst it may not be necessary to develop new institutions to undertake each function it is important to clarify the functions and responsibilities in each institution undertaking one or more of them. Awareness, implementation and alignment of roles and responsibilities are also important for overall coherence in the way funds are mobilised, allocated and disbursed.

Leadership and political will:

In order to achieve such alignment effectively, leadership and political will is required. Such attributes are impossible to legislate, but it is clear that key institutions of state need to be fully engaged and roles and responsibilities clearly described to avoid turf wars, duplication or policy contradiction. Typically, in most countries, the Ministry or Department of Environmental Affairs (or equivalent) will play a major role – as all four country descriptions indicate. If climate change action is limited to such a department, inevitably it tends to remain branded as an 'environmental issue' rather than as a socioeconomic and developmental issue. Thus, at a minimum it is crucial that key departments and agencies that are concerned with economic policy generally, and development planning and strategy specifically, should be engaged. With climate finance, national treasuries/ministries of finance are more likely to be involved, but it is clear that this involvement needs to go beyond the budget process to macro-economic policy-making and strategic planning, most obviously in the making of national development plans. In addition, the engagement of key sectoral departments and state agencies – such as agriculture, energy, infrastructure and public utilities responsible for electricity generation and provision – are likely to be significant. For the purposes of coordination, and cross-cutting policy alignment and action, it is likely that high political office (such as the President/Prime Minister or Vice-Presidency) will be a necessary ingredient.

Develop an interim climate finance coordination mechanism:

As the case of South Africa shows, interim measures to coordinate climate finance can be useful while money is already coming in and more permanent systems are being developed. The interim measure can track finance, identify and coordinate the existing policies and institutions in place and implement anti-corruption measures. The interim mechanism can provide valuable information and indicators of what works, from which the permanent system can benefit.

Fiduciary standards and budget tracking:

Climate finance should be clearly delineated in all budget documents, so that it can be relatively easily tracked and monitored – for example the introduction of a comprehensive climate change expenditure framework in order to capture financial data. In addition, monitoring and evaluation tools ought to be developed to enable key stakeholders to evaluate the impact of climate finance. Civil society capacity could also usefully be built to enable independent monitoring to take place, in terms of tracking expenditure and assessing impact at community level, where the benefits of climate finance need to be found.

05

Conclusion

THIS FRAMEWORK OF 11 key elements is proposed as a basis for debate and not as a prescription. There can be no 'one size fits all' model. As the experiences in Tanzania, Ghana, Nigeria and South Africa suggest, there are many different ways of responding to the challenge of climate change and to putting in place an appropriate national climate finance governance architecture.

But there are certain principles of democratic governance that should be observed and respected if climate finance is to have both the legitimacy and the transformative impact that is urgently required, which include: maximum openness and access to information in relation to the allocation, distribution and spending of climate finance; full public accountability of decision makers; sufficient clarity around institutional roles and responsibilities, to minimise the scope for duplication and fragmentation and to increase levels of coherence and alignment with national development goals; and a budgetary process that permits full transparency in respect of climate finance and enables all stakeholders to distinguish climate finance from other budget support and overseas development aid – though again, there are different institutional modalities for arriving at the same outcome.

There is a lot to be learnt from what is already happening around Africa and, indeed, from the past experiences with external finance, including traditional forms of ODA. Ghana's Multi-Donor Budget Support System provides a good example of an efficient, clear and accountable way of managing finance. Nigeria's establishment of a climate change department is a good attempt to provide policy and institutional clarity on roles and coherence and strategic focus on climate change. And, as the case of South Africa shows, interim arrangements with well-defined roles, responsibilities and measures can be useful while developing a robust climate finance architecture.

Last, but certainly not least, the protection and fulfillment of basic human rights, including gender equality, must be primary considerations when making decisions about the allocation, distribution and spending of climate finance. In this sense, Tanzania's internationally recognised gender budgeting system now only needs to develop a clear mechanism for climate finance for it to be a very useful standard, as the basis for replication elsewhere.

Climate change presents a threat of unprecedented scale, urgency and complexity. African economies need to adapt rapidly, to protect their citizens and to build more resilient societies. Climate finance represents an opportunity to take the necessary steps to do so. But 'getting the governance right' will be an essential part of this process. There can be no short-cuts in this regard: in order to secure country ownership of climate finance it will only be by ensuring that there is a robust, customised and carefully thought-through governance architecture in place that African governments will be able to convince their citizens – as well as developed country contributors – that they are fit and 'ready' to meet the challenge.

06

Endnotes

1. Bird, N., Billett, S. and Colon, C. (2011). 'Direct Access to Climate Finance: experience and lessons learned', Discussion Paper, London: ODI/UNDP.

2. Paragraph 40 of the Green Climate Fund's Governing Instrument states: 'The Fund will provide resources for readiness and preparatory activities and technical assistance, such as the preparation or strengthening of low-emission development strategies or plans, NAMAs, NAPs, NAPAs and for in-country institutional strengthening, including the strengthening of capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund.' Retrieved at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF-governing_instrument-120521-block-LY.pdf [accessed on 17/08/2012].

3. Each section of the AGF report contained sub-sections entitled 'Spending Wisely', reflecting the advisory group's appreciation of the nexus between supply and governance, noting in the executive summary: 'The credibility of both developed and developing countries in raising and using resources will be greatly increased if over the next decade there is confidence that these resources will be spent wisely, be quickly accessed and produce results' See Report of the Secretary-General's High-level Advisory Group on Climate Change Financing, 5 November 2010, p7. Retrieved at: www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/AGF_Final_Report.pdf

4. See for example: 'Climate Finance: Proposals on Governance', retrieved at http://centralcontent.fco.gov.uk/central-content/campaigns/act-on-copenhagen/resources/en/pdf/climate-finance-governance [accessed on 25/08/2012]; and Ballesteros, A., Nakhooda, S., Werksman, J., and Hurlburt, K. (2010). *Power, Responsibility and Accountability: Re-thinking the Legitimacy of Institutions for Climate Finance*, Washington, DC: World Resources Institute.

5. Many of these observations arise from the presentation by Smita Nakhooda of the Overseas Development Institute at the consultative workshop held on 16 October 2012, in Johannesburg, at which a draft version of this report was tabled and discussed.

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7. Calland R. and Nakhooda S. (forthcoming, 2012). 'Energy Policy & Democracy in South Africa: A Case Study' in *Democratisation*, Heinrich Böll Foundation.

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9. Secretary-General Ban Ki-moon, Remarks to the Security Council on Timor-Leste, 19 February 2009.

10. Reif, L. (2000) *Building Democratic Institutions: The Role of National Human Rights Institutions in Good Governance and Human Rights Protection*, 13 Harvard Human Rights Journal 1 (2000).

11. For a more detailed explanation of these elements, see the UNESCAP document entitled 'What is Good Governance?' retrieved at http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp [accessed on 06/06/2011].

12. Szerletics, A. (2011). *The Role of Good Governance Practices in The Protection of Fundamental Rights.* Pro Publico Bono Online Támop Speciál, pp. 2–3 retrieved at: www.propublicobono.hu/pdf/Szerletics_A_Good_governance%5B1%5D.pdf

13. For example: Stewart R. (ed.) (2009). *Climate Finance,* New York: NYU; Rossati D. (2012). *The Development of Climate Finance Governance – Complimentarity vs. Competition?* Paper presented at Earth System Governance conference at the University of Lund, Sweden, 18-20 April 2012.

14. There is an assumption in some quarters that all climate finance contributions should be, or are, labelled as overseas development aid (ODA). While this is currently the case with the majority of climate finance, it is not what is envisioned or hoped for, nor called for under international legal agreements, where the 'additionality' to ODA is clearly established. Likewise, not all of climate finance is ODA, in any case – for example CERs, carbon finance and the rare additional public funds.

15. The Paris Declaration on Aid Effectiveness, an output of the 2nd High Level Forum on Aid Effectiveness, was signed in 2005 by over 100 entities including foundations and non-governmental organisations, multilateral agencies, and donor and partner countries.

16. Retrieved at: http://www.oecd.org/dac/environmentanddevelopment/48922223.pdf [accessed on 31/08/2012].

17. Norrington-Davies, G. and Thornton N. (2011). *Climate Financing and Aid Effectiveness – Tanzania Case Study,* London: Agulhas Consulting/OECD.

18. This part of the paper draws specifically on the input provided by Albert Van Zyl of the International Budget Project at the consultative workshop held on 16 October 2012, in Johannesburg, at which a draft version of this report was tabled and discussed.

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23. See: http://climatepolicyinitiative.org/publication/public-climate-finance-a-survey-of-systems-to-monitor-and-evaluate-climate-finance-effectiveness/ [accessed on 03/08/2012].

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26. Ibid.

27. Ibid.

28. Caravani, A., Bird, N. and Schalatek, L. (2010). *Brief 3: Climate Finance Fundamentals - Adaptation Finance*, Washington, DC: Heinrich Böll Stiftung North America and Overseas Development Institute.

29. Estimates for adaptation funding vary. For example, the UNFCCC indicates that by 2030, poor countries would need $28–59 billion a year to adapt. The World Bank says that $70–100 billion per year (at 2005 prices) is needed between now and 2050. The European Union Commission puts this figure at between $10 and $24 billion a year by 2020. The African Group of climate change negotiators estimates $67 billion a year by 2020.

30. Climate Funds Update, retrieved at: http://www.climatefundsupdate.org/themes/adaptation [accessed on 20/09/2012].

31. Department of Environmental Affairs (2011). National Climate Change Response White Paper, Pretoria: DEA. Also note: The NCCR's twin objectives are: to effectively manage inevitable climate change impacts though interventions that build and sustain South Africa's social, economic and environmental resilience and emergency response capacity and make a fair contribution to the global effort to stabilize greenhouse gas (GHG) concentrations in the atmosphere at a level that avoids dangerous anthropogenic interference with the climate system within a timeframe that enables economic, social and environmental development to proceed in a sustainable manner. The sectors targeted for particular

attention in the NCCR are water, agriculture and forestry, health, biodiversity and human settlements with resilience to climate variability and climate change–related extreme weather events being the basis for South Africa's approach to disaster management

32. *Strategic Environment Assessment of the National Transport Sector Policy, 2009 and National Transport Policy, 2008*

33. *National Action Plan on Sustainable Energy for All, 2012*

34. *Food and Agriculture Sector Development Policy II, 2007*

35. *REDD+ R-PP Report, to FCPF, World Bank, 2011*

36. *Climate Change and Aid Effectiveness: Ghana Case Study, April, 2012*

37. Federal Ministry of Environment (Special Climate Change Unit) (2012): 'Nigeria Climate Change Policy Response and Strategy', unpublished, August 2012.

38. Section 57 of the South African Constitution, 1996.

39. Section 72, ibid. Section 118 contains a similar provision in relation to the nine Provincial Legislatures.

40. Calland R. and Nakhooda S. (forthcoming, 2012). 'Energy Policy & Democracy in South Africa: A Case Study' in *Democratisation*, Heinrich Böll Foundation.

41. IDASA (2010). The Electricity Governance Index, Cape Town : IDASA.

42. Retrieved at: http://unfccc.int/files/adaptation/applications/pdf/nigerianeeds.pdf [accessed on 26/08/2012].

43. Presentation by Hemraj, S. (2012). *Implementation of climate change response white paper: climate finance and tracking funding flows*, National Treasury, 16 August 2012.

44. According to Chantal Naidoo of the Development Bank of Southern Africa.

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The Heinrich Böll Stiftung, associated with the German Green Party, is a legally autonomous and intellectually open political foundation. Its foremost task is civic education in Germany and abroad with the aim of promoting informed democratic opinion, socio-political commitment and mutual understanding. In addition, the Heinrich Böll Stiftung supports artistic and cultural, as well as scholarly projects, and co-operation in the development field. The political values of ecology, democracy, gender democracy, solidarity and non-violence are the foundation's chief points of reference. Heinrich Böll's belief in, and promotion of citizen participation in politics is the model for the foundation's work.

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Publication designed by Make Content - www.make-content.com
Printed on recycled paper

HEINRICH BÖLL STIFTUNG