



South Africa's 1st Annual Climate Change Report

Climate Finance

Theme F



environmental affairs

Department:
Environmental Affairs
REPUBLIC OF SOUTH AFRICA

IMPRINT

Prepared by

Letete Thapelo (Department of Environmental Affairs)
Makholela Tsepang (Department of Environmental Affairs)
Malebo Ditlopo (Department of Environmental Affairs)

Contributions by

Department of Energy, Department of Environmental Affairs (Green fund), Embassies of Australia, Denmark, France, Germany, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom and United States of America, Eskom, National Treasury, SANEDI (Carbon Capture & Storage programme), Matooane Leluma (Department of Science and Technology), Tsubo Mitsuru (Agricultural Research Council), Wright Caradee (Medical Research Council), Petja Brilliant (Water Research Commission) and Kruger Andries (South African Weather Service)

Layout by

Twaai Design

Photos

Pages 6, 20 - Photographs by Glenn McCreath © GIZ/SAGEN

Page 11 - Pixabay.com

Page 14 - © Rea Vaya

Pages 18/19 - Photograph by Gwendolin Aschmann © GIZ/CSP

Contact information

Department of Environmental Affairs
Environment House
473 Steve Biko Street
Arcadia
Pretoria 0001
South Africa

Tel: +27 12 399 9148

Email: bmantlana@environment.gov.za

The seven Themes of this Report are:

- ▷ **Theme A:** A Synopsis of South Africa's 2015 Annual Report on Monitoring Climate Change Responses
- ▷ **Theme B:** South Africa's Climate Change Monitoring and Evaluation System
- ▷ **Theme C:** Climate Change Trends, Risks, Impacts and Vulnerabilities
- ▷ **Theme D:** Tracking South Africa's Transition to a Lower Carbon Economy
- ▷ **Theme E:** Monitoring the Adaptation Landscape in South Africa:
Desired Adaptation Outcomes, Adaptation Projects and the Intended Nationally Determined Contribution
- ▷ **Theme F:** Climate Finance
- ▷ **Theme G:** Climate Change Adaptation Governance and Management
- ▷ **Theme H:** Near-Term Priority Climate Change Flagship Programmes
- ▷ **Theme I:** Key Outcomes of COP 21

Published in South Africa - August 2016



South Africa's 1st Annual Climate Change Report

Theme F

Climate Finance



environmental affairs

Department:
Environmental Affairs
REPUBLIC OF SOUTH AFRICA

FOREWORD BY MS. EDNA MOLEWA

MINISTER OF THE DEPARTMENT OF ENVIRONMENTAL AFFAIRS

Climate change is one of the greatest challenges of our time. As part of the global community, we know we shoulder an immense responsibility to deal with climate change and its impacts. The more we disrupt our climate, the more we risk severe, pervasive and irreversible impacts. That said - we do indeed have the means to limit climate change and build a more prosperous, sustainable future for our country and world, and all who live in it.


South Africa has endorsed the National Climate Change Response Policy as a vision and a framework for an effective climate change response, and the long-term, just transition to a climate-resilient economy and society. The policy is the product of an extensive consultation process. It sets two high-level objectives:

- **Firstly**, to effectively manage the inevitable climate change impacts through interventions that build and sustain South Africa's social, economic and environmental resilience and emergency response capacity; and
- **Secondly**, to make a fair contribution to the global effort to stabilise greenhouse gas (GHG) concentrations within a timeframe that enables economic, social and environmental development to proceed in a sustainable manner.

South Africa's approach towards an effective climate change response is both developmental and transformational. It is developmental in that we are prioritising climate change responses that have significant mitigation or adaptation benefits, AND have significant economic growth, job creation, public health, risk management and poverty alleviation benefits. It is transformational in that we are seeking to address climate change at a scale of economy that supports the required innovation and finance flows needed for a transition to a lower carbon, efficient, job creating, equitable and competitive economy. In essence, it is about sustainable development.

Work is well advanced in implementing this National Climate Change Response Policy. One of the key elements of the climate change response is a country-wide monitoring and evaluation system that tracks South Africa's transition to a lower carbon and climate resilient economy and society.

The main output of the climate change monitoring and evaluation system is South Africa's annual climate change report. This year, the Department will publish its first annual climate change report. This report focusses on (i) quantifying and profiling the impact of ongoing or recently completed mitigation actions (ii) updating the information on climate finance that was reported in South Africa's



first Biennial Update Report (iii) providing latest available information on climate change risks together with describing ongoing adaptation projects (iv) presenting progress in establishing a credible tracking system for key climate change actions in the country (v) updating the roadmap on climate change flagship programmes (vi) recognising and profiling climate change actions that have been taken by the local government sphere of government and (vii) setting out key outcomes of the 21st Conference of Parties (COP 21) which took place in Paris in December 2015.

Internationally, South Africa submitted its own Intended Nationally Determined Contribution (INDC) to the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat in September 2015. Our INDC encompasses three distinct components namely mitigation, adaptation and the means of implementation. The main aim of the next annual report (2016/17) is to initiate an in-depth annual process of reporting progress against South Africa's INDC.

Lastly, there is vast potential for co-operation in producing these annual reports. We recognise and thank all those that have assisted us to produce the first report. For this report, we received contributions from all three spheres of government, the private sector, civil society, foreign

embassies, and academia. In addition, I would like to thank the German government for the extensive support that we have received through GIZ. We invite many others to continue the collaboration with us as we contribute towards the identification of opportunities for further climate change actions and management of current and future climate risks with the view to consolidating the gains that this country has attained so far by improving peoples' livelihoods, conserving biodiversity, and improving human well-being. We believe that by working together; we can save our tomorrow today.

Thank you



MS. EDNA MOLEWA

Minister of the Department of Environmental Affairs

TABLE OF CONTENTS

1. INTRODUCTION	6
2. DOMESTIC PUBLIC CLIMATE FINANCE	7
2.1 Background	7
2.2 Public Finance to Support Transition to a Lower-carbon Economy	7
2.3 Public Finance to Support Transition to a Climate-resilient Society and Economy	10
2.4 Challenges, Gaps and Key Success Factors on Funding Climate-resilience	14
3. BILATERAL AND MULTILATERAL CLIMATE FINANCE	15
3.1 Multilateral Climate Finance	15
3.2 Bilateral Finance	17
4. PRIVATE CLIMATE FINANCE	18
5. CIVIL SOCIETY CLIMATE FINANCE	19
6. KEY MESSAGES	20
REFERENCES	21

LIST OF TABLES

Table 2.1: Major public finance instruments with direct climate change mitigation impact	8
Table 2.2: Major public funding related to supporting the country's transition to a climate-resilient society	10
Table 2.3: Climate change units and programmes in State Owned Entities for sectors prioritised in Chapter 5 of the NCCRWP	12

LIST OF FIGURES

Figure 2.1: Growth of national government grants with direct climate change mitigation impact 2009/10–2013/14	7
Figure 2.2: Climate change initiatives at South African Universities	13
Figure 3.1: International multilateral finance for the period 2000–2014	17
Figure 3.2: International bilateral finance for the period 2000–2014	17



LIST OF ABBREVIATIONS AND ACRONYMS

ACCESS	Applied Centre for Climate and Earth System Studies	REEEP	Renewable Energy and Energy Efficiency Programme
AEON	African Earth Observation Network	RU	Rhodes University
ARC	Agricultural Research Council	R&V	Risk and Vulnerability
BRT	Bus Rapid Transit	SACCCS	South African Centre for Carbon Capture and Sequestration
CCS	Carbon Capture and Sequestration	SANBI	South African National Biodiversity Institute
CSP	Climate Support Programme	SANSA	South African National Space Agency
CTF	Clean Technology Fund	SARVA	South African Risk and Vulnerability Atlas
DBSA	Development Bank of Southern Africa	SAWS	South African Weather Services
DEA	Department of Environmental Affairs	SEON	South Africa Environmental Observation Network
DST	Department of Science and Technology	SU	Stellenbosch University
EE & DSM	Energy Efficiency and Demand Side Management	UCT	University of Cape Town
EPWP	Extended Public Works Programme	UFH	University of Fort Hare
FBIP	Foundational Biodiversity Information Programme	UKZN	University of KwaZulu-Natal
GCF	Green Climate Fund	UL	University of Limpopo
GEF	Global Environmental Facility	UNFCCC	United Nations Framework Convention on Climate Change
IDC	Industrial Development Corporation	UNISA	University of South Africa
IDM	Integrated Demand Management	UNIVEN	University of Venda
IFC	International Finance Corporation	UP	University of Pretoria
KfW	German Development Bank	USD	United States Dollar
MRC	Medical Research Council	WITS	Witwatersrand University
N/E	Not Estimated	WRC	Water Research Commission
NCCRWP	National Climate Change Response White Paper	WSU	Walter Sisulu University
NEPAD	New Partnership for Africa's Development	ZAR	South African Rand
NIE	National Implementing Entity		
NWU	North West University		

I. INTRODUCTION

Based on Chapter 11 of the National Climate Change Response White Paper (DEA 2011), climate finance can be defined as follows:

Climate finance refers to all resources that finance the cost of South Africa's transition to a lower-carbon and climate-resilient economy and society. This covers both climate specific and climate relevant financial resources, public and private, domestic and international. It includes financial resources that go towards reducing emissions and enhancing sinks of greenhouse gases; reducing vulnerability, maintaining and increasing the resilience of human and ecological systems to negative climate change impacts; climate resilient and low emission strategies, plans and policies; climate research and climate monitoring systems; as well as climate change capacity-building and technology.

This theme presents the sources, and in some cases destinations, of the finances that have been funding the country's transition to a climate-resilient and lower-carbon economy and society. While there are instances where it is possible to disaggregate the funding by whether it primarily contributes to a lower carbon economy (mitigation) or to climate resilience (adaptation), this is not always possible, especially for internationally sourced funds. The theme is structured according to the sources of finance, covering domestic public, private and non-governmental climate finance as well as international bilateral and multilateral finance.



2. DOMESTIC PUBLIC CLIMATE FINANCE

2.1 Background

The Draft Public Environmental Expenditure Review (GTAC 2014) declares that the critical role for public finance in supporting the transition to a lower-carbon economy lies in making it easier to borrow money on the financial markets for environmental projects by acting as a catalyst providing investment at an early stage, sharing risk and guaranteeing public infrastructure and services or subsidies to lower the cost of borrowing. It classifies the economic instruments that the public sector uses in playing this role as follows:

- environmental taxes
- fees and user charges
- deposit refund schemes, refunded emissions payments and subsidised credits
- removing environmentally harmful subsidies
- targeted environmental subsidies and
- environmental financing (guarantees, low-interest concessional loans, green bonds, grants, and so on).

In facilitating South Africa's transition to a lower-carbon

and climate-resilient society and economy, government has been using a combination of financial instruments together with basic payment for environmental/ ecosystem services from fiscal allocations. Overall the Draft Public Environmental Expenditure Review (2015) compiled by the Government Technical Advisory Centre of the National Treasury estimates that between 2011/12 and 2014/15 government has allocated and spent about R140 857 million on environmentally related programmes in the country. The sub-sections below give a summary of the key public climate finance instruments that government has been employing.

2.2 Public Finance to Support Transition to a Lower-carbon Economy

Table 2.1 and **Figure 2.1** summarise the major public finance instruments that government has been implementing in supporting the country's transition towards a lower-carbon economy

Since 2009, national government funding for projects with direct climate change mitigation impact has been growing significantly from about R640 million in 2009/10

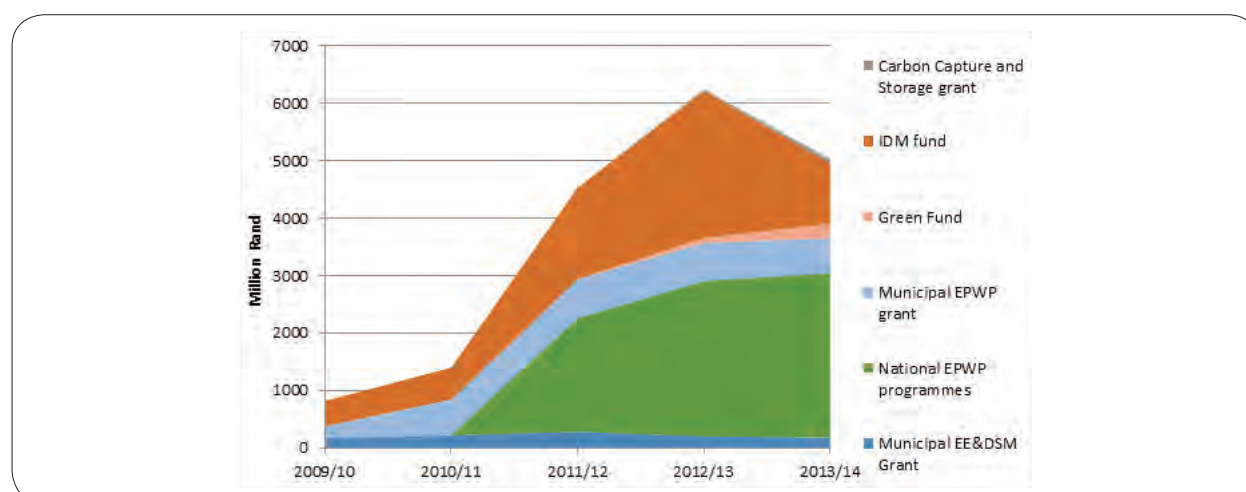


Figure 2.1: Growth of national government grants with direct climate change mitigation impact 2009/10–2013/14 (NB: Only those programmes for which data was available)

2. Domestic Public Climate Finance

reaching a high of over R6 billion in 2012/13 (see **Figure 2.1**). These projects also have adaptation co-benefits. **Figure 2.1** shows an overall decrease in the rand value of these grants between 2012/13 and 2013/14 as a result of a hold put on Eskom's Integrated Demand Management

(IDM) programme since 2013. Between 2009 and 2014 government has provided funding to the tune of over R21 billion in the form of grants and programmes with direct climate change mitigation impact.

Table 2.1: Major public finance instruments with direct climate change mitigation impact

Administering Institution	Financial Instrument	Type	Description	Amount (R million)					
				2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Where the entire fund has a direct impact on climate change mitigation									
Department of Energy	Municipal Energy Efficiency & Demand Side Management (EE & DSM) grant	Grant	The grant aims to promote the implementation of more energy efficient technologies, processes and behaviours for municipalities.The funding comes from National Treasury via the Division of Revenue Act.	175	220	280	200	180.7	Data not available
	Section 12L of the Income Tax Act	Tax Rebate	The 12L tax rebate is an incentive for increased energy efficiency (EE), available in the form of an allowance/deduction allowed from taxable income on the basis of demonstrable EE savings created through the implementation of EE measures.						Delayed
	Section 12B of the Income Tax Act	Tax Rebate	Under Section 12B of the Income Tax Act businesses can depreciate investments in renewable energy and bio fuel production at a rate of 50:30:20.					Data not available	Data not available
Department of Environmental Affairs	National Expanded Public Works programmes	Fiscal fund	Creates employment in fields related to the environment, culture, social and non-state sectors, including implementation of green economy projects.	Data not available	Data not available	1 977	2 705	2 860	3 286
	Municipal Expanded Public Works Programmes grant	Grant	Supports municipalities to create employment in fields related to the environment, culture, social and non-state sectors, including implementation of green economy projects.	202	621	680	662	611	Data not available
	Green Fund	Grant	Invests in green economy projects at early research and development stages right through to the project expansion phase.				89	250	250
Eskom	Integrated Demand Management (IDM) fund	Grant	Payment for approved projects structured to sustain verified electricity savings during the weekday evening peak over the twelve 3-month cycles of the 3-year sustainability contract.	441	557	1 592	2 563	1 051	440

Table 2.1 continued

Administering Institution	Financial Instrument	Type	Description	Amount (R million)					
				2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Where the entire fund has a direct impact on climate change mitigation									
South African Centre for Carbon Capture & storage (SACCCS)	Carbon Capture and Storage grant	Grant	SACCCS undertakes carbon capture and storage (CCS) research, development and capacity-building (both human and technical) to attain a state of country readiness for the implementation of CCS in South Africa.				23	69	103
National Treasury	Motor vehicle CO ₂ emission levy	Levy	Motor vehicle CO ₂ emissions above a specified threshold deemed harmful to the environment are subject to the payment of an environmental levy by manufacturers, if used in the RSA. The objective is to influence the composition of South Africa's (SA) vehicle fleet to become more energy efficient and environmentally friendly.			Data not available	Data not available	Data not available	Data not available
Funds that partly impact on climate change mitigation									
Department of Energy	Integrated National Electrification Programme grant	Grant	This grant supports electrification of poor communities. Due to current electricity challenges and costs of expanding the electricity infrastructure to rural areas, off-grid electrification, including solar water heating is prioritised and expanded.	921	1 020	1 097	1 151	1 635	Data not available
Department of Transport	Municipal Public Transport Infrastructure grant	Grant	Includes bus rapid transit (BRT) and high-speed rail in addition to improvements to normal road infrastructure.	2 419	3 699	4 803	4 988	4 669	Data not available
Department of Trade and Industry & the Industrial Development Corporation (IDC)	Manufacturing Incentives	Incentives, loans and grants	Supports the implementation of the Manufacturing Competitiveness Enhancement Programme, which includes energy efficiency in manufacturing industries but also other non-green manufacturing incentives. Part of it is a cost sharing Green Technology Upgrading Grant.	Data not available	Data not available	2 101	2 955	3 339	3 611
Industrial Development Corporation	Green Energy Efficiency fund	Loan	The IDC and the German Development Bank (KfW) have partnered to make a R500 million loan facility available for energy efficiency and self-use renewable energy projects.			500			

2.3 Public Finance to Support Transition to a Climate-resilient Society and Economy

The primary funding mechanism has been through direct allocations from the national budget and includes expenditure on research programmes and disaster management. **Table 2.2** indicates major funding related to supporting the country's transition to a climate-resilient society.

It is important to highlight that funding under sector innovation and green economy cover broad programmes. The following programmes on sector coordination and green economy are relevant to climate change adaptation:

- **South African Risk and Vulnerability Atlas and complementary risk and vulnerability science:**

The South African Risk and Vulnerability Atlas (SARVA) and complementary risk and vulnerability (R&V) science, focus on generating and disseminating R&V related information and knowledge. The SARVA programme is estimated to cost about R4.5 million a year. R&V science centres are supported at a cost of about R2 million per centre amounting to a total of about R6 million a year.

The funding under research, development and support could not be estimated. However the following programmes are relevant to climate change adaptation::

- **The Department of Science and Technology's (DST's) Space Science Programmes:** The Department of Science and Technology has been funding earth observation and monitoring using space-based and ground-based platforms. Space-

Table 2.2: Major public funding related to supporting the country's transition to a climate-resilient society

Administering Institution	Financial Instrument	Type	Description	Amount (R'000)			
				2011/12	2012/13	2013/14	2014/15 (revised estimate)
Funding with specific programmes relevant to climate change adaptation							
Department of Science and Technology	Sector innovation and green economy	Fiscal fund	Develop high potential science, technology and innovation capabilities for sustainable development and the greening of the economy.	739 090*	833 595*	812 750*	878 626*
	Research, development and support	Fiscal fund	Aims to strategically develop priority science areas.This would include establishing a climate change research network and finalising a report on the state of climate change for Cabinet by 2017/18.	Data not available	Data not available	Data not available	Data not available
Funds that partly impact on climate change adaptation							
Department of Cooperative Governance and Traditional Affairs	Disaster Relief Transfers	Grant	Provides immediate relief after disasters.	47 283	74 030	264 344	260 952
	Municipal Disaster Recovery	Grant	Repairs to municipal infrastructure damaged by disasters.			118 340	194 253

*Funding includes broad programmes under Sector Innovation and Green Economy (GTAC 2014)

based observation activities are funded by the DST's Space Science programmes mainly through the SA National Space Agency (SANSA). SANSA's earth observation programme is funded to the tune of about R60 million a year. This covers observation and monitoring, research, services and products, and administration (at 25%).

- **South African Environmental Observation Network:** Ground-based activities are undertaken by the SA Environmental Observation Network (SAEON). SAEON runs six observational nodes plus sentinel sites, covering the terrestrial, coastal and onshore environments. Real-time data on key climate and weather variables are recorded at these sites and transmitted to SARVA, the central information hub. Studies on external forces (such as human) on the environment are conducted at these observational sites.
- **African Earth Observation Network:** Geoscience programmes such as the African Earth Observation Network (AEON) have also been conducting some earth observation through projects such as Inkaba yeAfrica and !Khure Africa. While the AEON work is predominantly in the geosciences, it includes studying geological formations to trace global climate changes, focusing more on the science than on responses to climate change. AEON is funded at around R10 million a year, including about 25% for administration.
- **Foundational Biodiversity Information Programme:** A limited amount of observational work is also undertaken under the Foundational Biodiversity Information Programme (FBIP). The programme is managed by the South African Biodiversity Institute (SANBI) as part of implementing the broader Global Change Research Plan. FBIP is funded at about R11 million a year, including about 25% for administration.
- **Applied Centre for Climate and Earth System Studies:** The Applied Centre for Climate and Earth System Studies (ACCESS) undertakes small-scale observation or monitoring work limited to specific



studies. ACCESS is funded at about R15 million a year, including about 25% for administration.

Observed data from systematic observation and monitoring are used to understand the impact of human beings and changing climate on natural environments or

habitats. Studies undertaken using these data are also used to understand the vulnerability of or risks to these receiving environments or habitats, as well as to model future scenarios under different conditions. Observed data from systematic observation and monitoring can also be used to identify and understand different natural coping mechanisms of various habitats and species for extreme environmental conditions, including climate change, and how these coping mechanisms can be enhanced.

Funding is also allocated to environment, water and sanitation, agriculture, forestry and fisheries, disaster

management, rural development, infrastructure, health, human settlements and to social and economic development programmes, which all contribute to/enhance/support resilience. However, considerable work is still required to make sure that climate change is mainstreamed into these programmes.

Other notable research programmes include the work done at universities (**Figure 2.2**) and state owned entities (**Table 2.3**), particularly work that relates to sectors prioritised in Chapter 5 of the National Climate Change Response White Paper (NCCRWP).

Table 2.3: Climate change units and programmes in state owned entities for sectors prioritised in Chapter 5 of the NCCRWP (DEA 2011: 16)

State Owned	Climate Change Unit	Climate Change Programme
Agricultural Research Council (ARC)	Natural Resources	ARC Climate Change Collaboration Centre
Medical Research Council (MRC)	Environment and Health Research Unit	Climate and Health <ul style="list-style-type: none"> Heat and Health Weather-based Early Warning Systems
South African Biodiversity Institute (SANBI)	Climate Change and BioAdaptation Division	<ul style="list-style-type: none"> Climate Change: Adaptation and Policy Monitoring Climate Change Impacts
Water Research Commission (WRC)	Water Resources Management (Key Strategic Area 1)	Climate and Water Resources
	Water Linked Ecosystems (Key Strategic Area 2)	Ecosystems and Global Change
	Water and Agriculture (Key Strategic Area 5)	Climate Change Light House: Flagship Programme (Key Strategic Areas 1 & 2)
South African Weather Service (SAWS)	Climate Change Services Research	<ul style="list-style-type: none"> Climate observations Climatic and atmospheric data analysis and dissemination
Council for Scientific and Industrial Research (CSIR)	Natural Resources and the Environment	Global Change

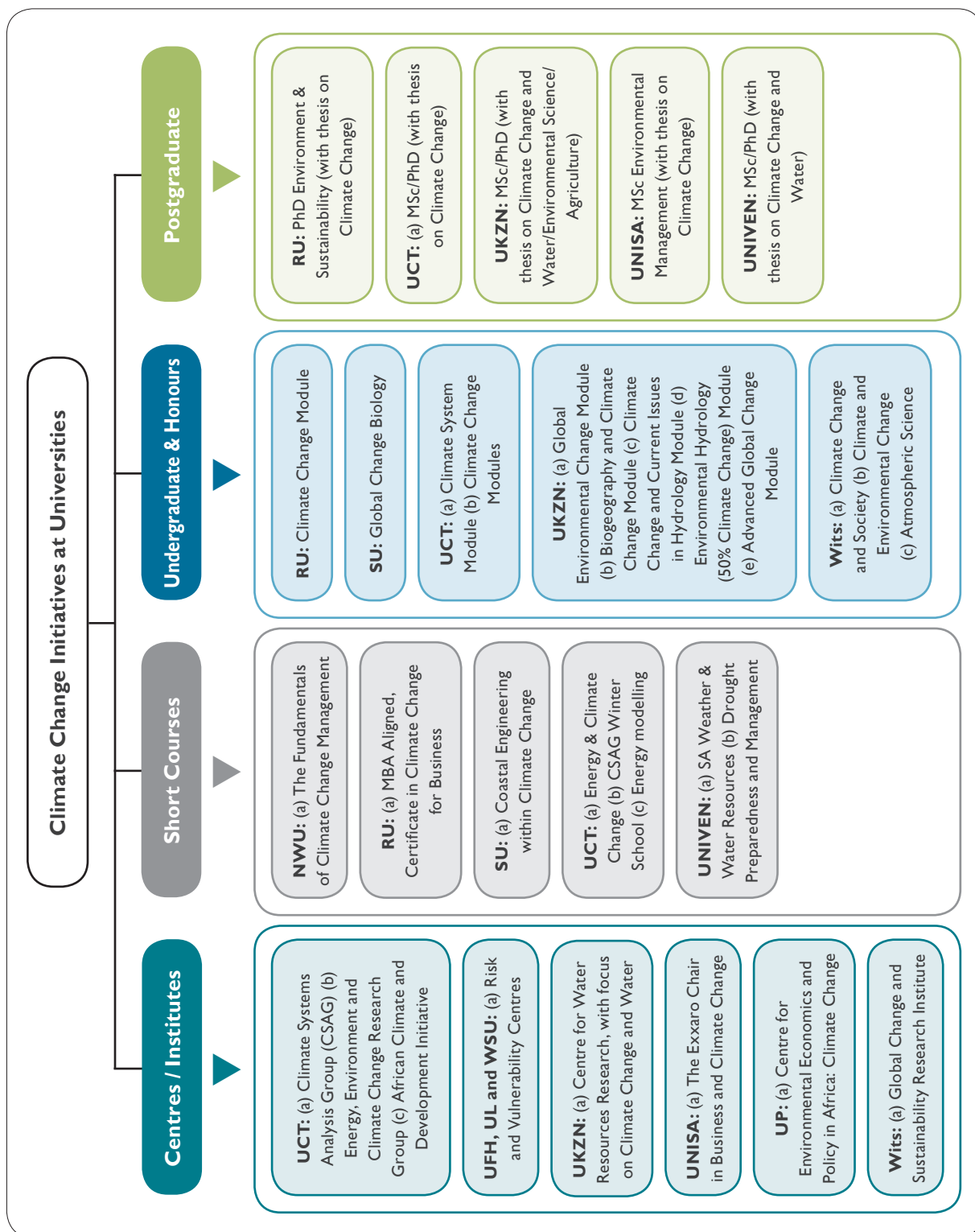


Figure 2.2: Climate change initiatives at South African Universities

2.4 Challenges, Gaps and Key Success Factors on Funding Climate-resilience

The following gaps and challenges on funding climate resilience have been compiled from literature:

- complexity of accessing funding
- uncoordinated global finance architecture
- high upfront costs and long pay back periods of implementing technology changes
- self-financing constraints
- meeting onerous regulatory requirements
- difficulty with obtaining data to support investment
- recognition of the need for a coordination platform to improve the efficacy of international and domestic interventions
- lack of a central repository on donor funding

- lack of articulation and cooperation between funders and receiving entities, to ensure that funding meets South Africa's requirements and priorities, remains problematic and must be addressed
- limited knowledge on the ground of the impact of finance
- capacity challenges.

The following key success factors are also notable from the literature review:

- sound project preparation assisted by support from leadership and community
- using partnerships to mobilise international and local technical assistance to assist with project preparation
- presence of strong policy leadership and skilled champions as a key asset to attract funding
- ensuring project sustainability and mainstreaming outcomes post-completion.



Rea Vaya - the City of Johannesburg's revolutionary Bus Rapid Transit system



3. BILATERAL AND MULTILATERAL CLIMATE FINANCE

The National Climate Change Response Policy clearly notes the important role that international funding resources, whether in the form of multilateral finance, official development assistance or bilateral development support, can play in supporting South Africa's transition towards a climate-resilient and lower-carbon economy and society (DEA 2011).

The sections below summarise the bilateral and multilateral climate-relevant financial instruments and flows received in the period 2000–2014. A total of USD 2 100 million was received by South Africa in this period to support the country's transition to a lower-carbon and climate-resilient economy and society through both multilateral and bilateral funding mechanisms.

3.1 Multilateral Climate Finance

For the period 2000–2014, South Africa received climate finance support through the following major multilateral finance mechanisms:

- **United Nations Framework Convention on Climate Change (UNFCCC) funding mechanisms:** As part of facilitating response to climate change, the UNFCCC has funded South Africa's transition through the following financial mechanisms:
 - **Adaptation Fund:** The mandate of the Adaptation Fund is to assist developing countries to adapt to the negative effects of climate change. The South African National Biodiversity Institute (SANBI) was appointed in 2012 as a National Implementing Entity (NIE) of the Adaptation Fund. Having a NIE for the Adaptation Fund means that South Africa is able to receive direct financial transfers from this fund and is no longer required to work through an international intermediary, which has been the case historically for similar international climate finance mechanisms. This

means that South Africa has the opportunity to demonstrate greater leadership in the design and implementation of its adaptation programmes and projects (Adaptation fund 2016).

- **Green Climate Fund (GCF):** The GCF is an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change. It supports low carbon and climate-resilient projects, programmes, policies and other activities in developing country Parties (GCF 2016). Ongoing developments to operationalise the UNFCCC's GCF are important to consider as it is intended to be the primary source for channelling climate finance from developed to developing countries. In the context of climate resilience, the GCF may serve as a future source of funding for South Africa's programmes. It is anticipated that NIEs will be appointed to channel these funds at national level (GCF 2016).
- **Global Environmental Facility (GEF):** The GEF is one of the financial mechanisms of the UNFCCC and has operated successfully in South Africa for several years through multilateral and UN agencies. The mandate of the GEF is broadly to protect the natural resources that support development and it was established as part of the work underpinning sustainable development (GEF 2015). As part of a pilot project to promote more direct access and greater country leadership in the receipt and application of funds, the Development Bank of Southern Africa (DBSA) has been accredited as a NIE. This further enhances South Africa's ability to use such international environmental and climate specific mechanisms more effectively.

- **Clean Technology Fund (CTF):** The Clean Technology Fund (CTF) is a concessional financing window of the Climate Investment Fund channelled through partner multilateral development banks. It aims to empower transformation in middle income and developing countries by providing resources to scale up the demonstration, deployment, and transfer of low carbon technologies with a significant potential for long-term greenhouse gas emissions savings. Every CTF country has tailored its CTF investment plan to align with national development goals and to serve as a framework to coordinate activities across institutions and stakeholder groups (Climate Investment Funds 2015).
- **World Bank:** Established in 1944, the goal of the World Bank Group is to end extreme poverty within a generation and boost shared prosperity. It is a unique partnership of five institutions that renders financial and technical assistance to developing countries, including low-interest loans, zero to low interest credits as well as grants. It also provides or facilitates financing through trust fund partnerships with bilateral and multilateral donors (World Bank 2015). The International Finance Corporation (IFC), one of the members of the World Bank Group, focuses exclusively on supporting the private sector in developing countries. The IFC applies its financial resources, technical expertise, global experience, and innovative thinking to help its partners overcome financial, operational, and political challenges (IFC 2016).
- **Renewable Energy and Energy Efficiency Partnership (REEEP):** Founded during the Johannesburg UN Conference on Sustainable Development in 2002, REEEP is an international non-profit organisation that advances markets for clean energy in developing countries. It invests in clean energy markets in developing countries to reduce CO₂ emissions and build prosperity, including generating energy access, improving lives and economic opportunities, as well as building sustainable markets (REEEP 2016).
- **New Partnership for Africa's Development (NEPAD) Climate Change Fund:** The NEPAD Climate Change Fund was established in 2014 by the NEPAD Planning and Coordinating Agency with support from the Government of Germany. The fund offers technical and financial assistance to African Union member states, regional economic communities and institutions that meet the eligibility criteria and the clearly defined targeted areas of support of the fund. The current fund will run for an initial period of two years (2014–2015). The target areas are:
 - adaptation of agriculture to climate change
 - biodiversity
 - access and benefit sharing
 - development and implementation support to National Adaptation Plans
 - mainstreaming of climate change into the National Agricultural Investment Plans Plans (NEPAD 2016)
- **Other civil society multilateral funding mechanisms:** There are several internationally supported non-governmental organisations in South Africa that broadly support the protection and resilience of natural resources in South Africa, including the World Wide Fund for Nature and Conservation International, as well as local groups such as the Endangered Wildlife Trust and others.

Figure 3.1 provides a quantitative summary of the direct multilateral support that South Africa has received for the period between 2000 and 2014. There are regional and global climate programmes that are funded multilaterally to which South Africa is also party, however, it was not possible to isolate the fraction of financial support specific to South Africa, therefore they have not been included in this report.

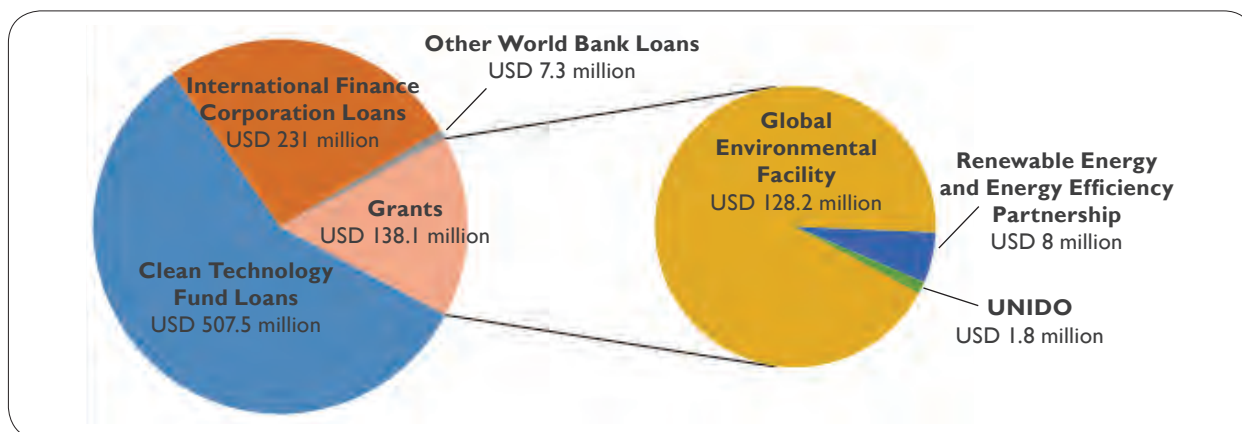


Figure 3.1: International multilateral finance for the period 2000–2014

Figure 3.1 shows that 84% of the funding that has been received through multilateral mechanisms has been in the form of loans, with the Clean Technology Fund and the World Bank Group (especially the International Finance Corporation) being the largest contributors, at 57% and 27% respectively, of all multilateral finance received. Some 93% of all the multilateral grants have come through the Global Environmental Facility.

loans and 6% grants), followed by France with USD 294 million (99% loans and 1% grants). Germany has also been the largest source of bilateral climate finance grants. Overall, loans received over this period are estimated at USD 1 099 million, making up 90% of all bilateral climate finance received.

3.2 Bilateral Finance

Figure 3.2 provides a summary of the bilateral financial resources that South Africa has received in the period 2000–2014. The largest bilateral climate finance has come from Germany at a total of about USD 863 million (94%

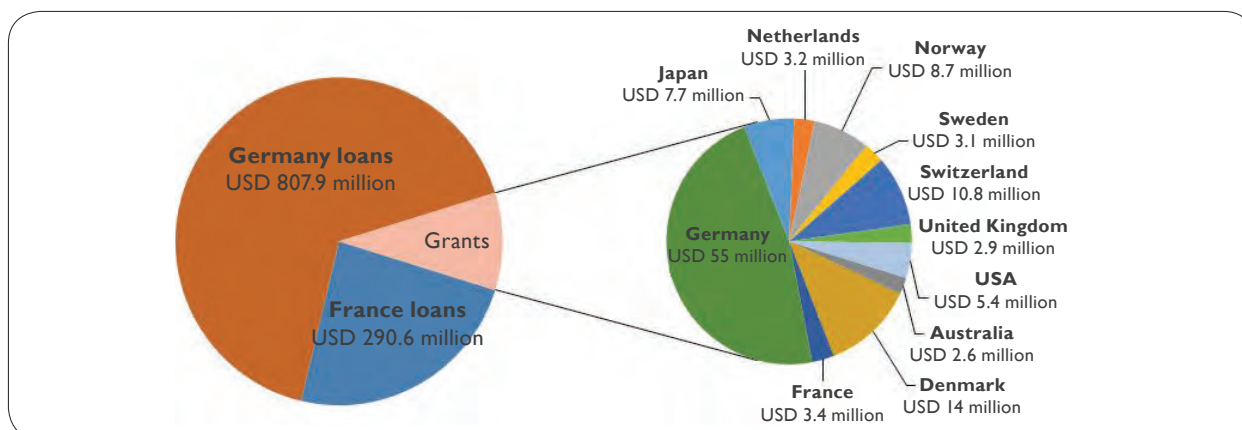


Figure 3.2: International bilateral finance for the period 2000–2014

4. PRIVATE CLIMATE FINANCE

Private climate finance plays a significant and important role in the country's response to climate change. Apart from unilateral investments in energy efficiency, co-generation and own renewable energy to reduce energy costs, many companies have also taken advantage of national government or industry association programmes and incentives to invest in lower-carbon technologies, thereby contributing to the country's response to climate change. Notable programmes through which the South African private sector has participated in financing climate change response include the following:

- **The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP):** Under this bidding programme aimed at supplying renewable energy at the most economical prices to the national grid, the private sector has contributed in excess of ZAR 192 billion, sourced either in the form of loans, corporate finance, early revenue or pure equity.
- **Public Private Partnerships (PPP):** Partnerships between the public and private sectors have also played a significant role in financing large scale green projects in the country, including green buildings, transport infrastructure and waste-to-energy infrastructure.
- **Private Sector Energy Efficiency Programme (PSEE):** This is a project of the National Business Initiative (NBI) which works in partnership with business to build a better, more efficient and secure energy future for South Africa. Under the programme, companies receive subsidised technical energy efficiency support and energy assessments after which they are expected to fund the implementation of energy efficiency measures.

Unfortunately there was not enough information to quantify the extent to which private finance has supported the country's transition towards the envisaged lower-carbon and climate-resilient economy and society.



5. CIVIL SOCIETY CLIMATE FINANCE

There are several non-governmental organisations in South Africa that have contributed financially to the protection and resilience of natural resources in South Africa and to the transition to a lower-carbon economy, either by way of their own funds or through mobilising funds from elsewhere. These include the World Wide Fund for Nature, Conservation International, the Endangered Wildlife Trust and others. Unfortunately, for this report there was not enough information to allow a quantitative analysis of this financial contribution.



Zebras and Springboks

6. KEY MESSAGES

- South Africa defines climate finance as all resources that finance the cost of South Africa's transition to a lower-carbon and climate-resilient economy and society.
- There are a number of financial tools that government has been using to fund the country's transition to a lower-carbon and climate-resilient economy and society. While most of them have an indirect impact on climate change adaptation and mitigation, there are a number of quantifiable grants that have a direct climate change mitigation impact.
- The main public climate finance grants that have a direct climate change impact include the Municipal Energy Efficiency Demand Side Management (EEDSM) grants, the Extended Public Works Programme (EPWP) grants, the Eskom Integrated Demand Management (IDM) grants, the Department of Environmental Affairs' Green Fund and funding for carbon capture and sequestration. Government has disbursed over R21 billion through these grants from 2009/10 to 2013/14.
- Public funding to support climate resilience has been largely through funding of observatories and research in universities and government research institutions.
- An estimated USD 2.1 billion has been received by South Africa in the period 2000–2014 to support the country's transition to a lower-carbon and climate-resilient economy and society through both multilateral and bilateral funding mechanisms
- Private sector and non-governmental organisations have also made significant financial contributions to South Africa's lower-carbon and climate change transition, but quantifying the value of this contribution has not been possible for this report. Government plans to work with both of these types of stakeholders in the next years towards quantitatively estimating their contribution to the country's climate finance.




Rooftop PV - Lourensford Wine Estate, Somerset West



REFERENCES

- Adaptation Fund, 2016.
Available at: <https://www.adaptation-fund.org>
- Climate Investment Funds, 2015. "Clean Technology Fund."
Available at: <https://www-cif.climateinvestmentfunds.org/fund/clean-technology-fund>
- DEA, 2011 "National Climate Change Response White Paper." 2011 Pretoria: DEA.
Available at: https://www.environment.gov.za/sites/default/files/legislations/national_climatechange_response_whitepaper.pdf
- DEA, 2014. "South Africa's 1st Biennial Update Report." Pretoria, RSA.
Available at: https://www.environment.gov.za/sites/default/files/docs/publications/southafrica_1stbiennial_updatereport2014.pdf
- Gesellschaft für Internationale Zusammenarbeit (GIZ), 2015. "GIZ in South Africa: Programmes and Projects." Pretoria, GIZ, August 2015.
Available at: <https://www.giz.de/en/downloads/giz2015-en-programmes-projects-south-africa.pdf>
- Global Environmental Facility (GEF), 2015. "GEF Projects."
Available at: https://www.thegef.org/gef/gef_projects_funding
- Government Technical Advisory Centre (GTAC), 2014. "Draft Public Environmental Expenditure Review and Framework Policy Paper." National Treasury, Pretoria, RSA.
- Green Climate Fund (GCF), 2016.
Available at: <http://gcfund.org/home.html>
- Industrial Development Corporation, 2015. "Green Energy Efficiency Fund." Sandton, Johannesburg: IDC.
Available at: <http://www.idc.co.za/home/idc-products/special-schemes/geef.html>
- International Finance Corporation (IFC), 2016. Washington DC: IFC.
Available at: <http://www.ifc.org/>
- National Business Initiative, 2015. "Private Sector Energy Efficiency Programme."
Available at: www.psee.org.za
- New Partnership for Africa's Development (NEPAD), 2016. "Climate Change Fund."
Available at: <http://www.nepad.org/resource/nepad-climate-change-fund>
- South African Centre for Carbon Capture and Storage (SACCS), 2015. Sandton, Johannesburg: SACCS.
Available at: <http://www.sacccs.org.za/>
- Renewable Energy and Energy Efficiency Partnership (REEEP), 2016.
Available at: <http://www.reeep.org/>
- The World Bank, 2015. Washington DC: World Bank.
Available at: <http://www.worldbank.org/>





Environment House
473 Steve Biko
cnr Steve Biko and Soutpansberg Road
Arcadia
Pretoria, 0083
South Africa

Postal Address
Department of Environmental Affairs
P O Box 447
Pretoria
0001

Publishing date: August 2016

www.environment.gov.za