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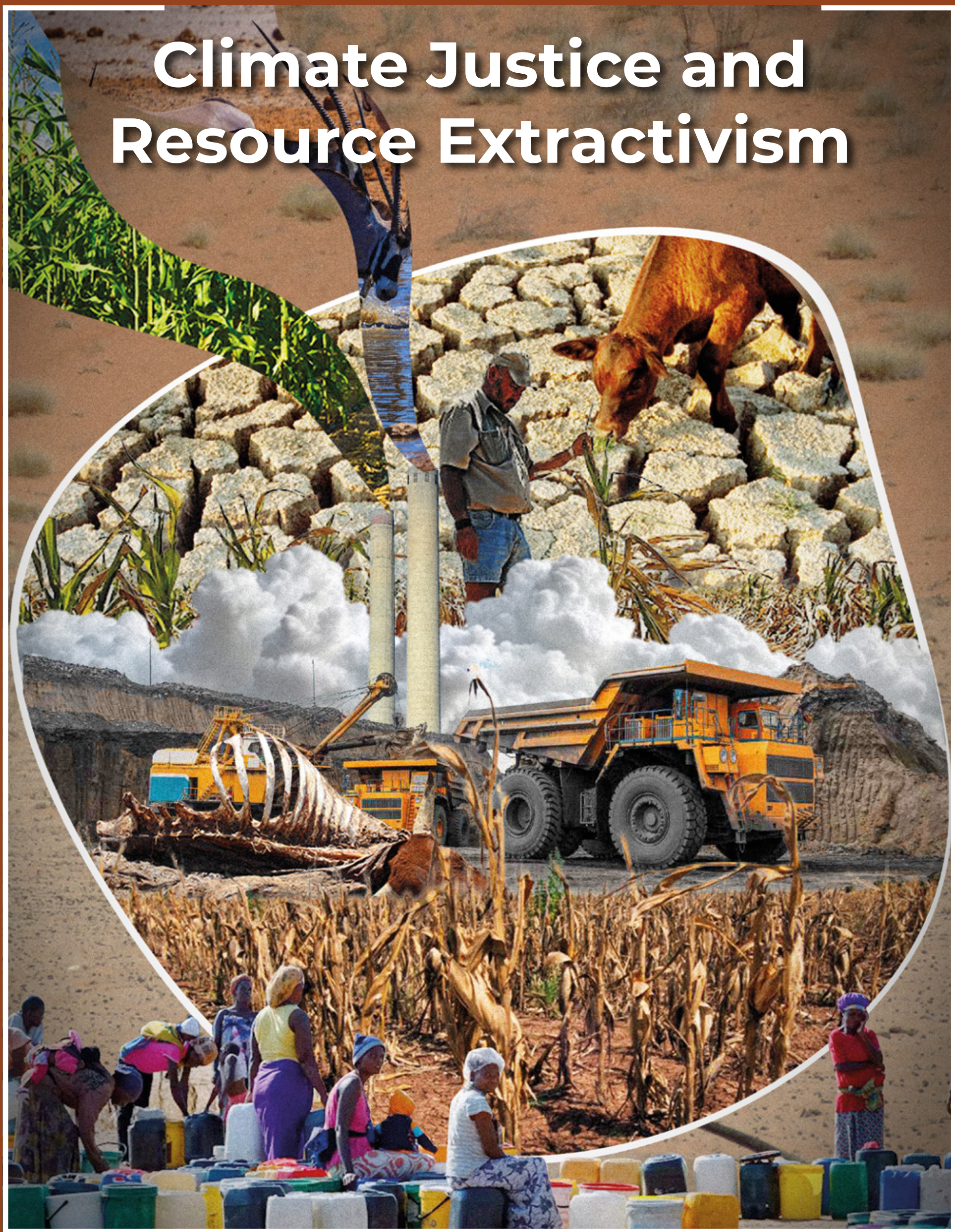


Climate Change Funding to Namibia

Bernadette Shalumbu-Shivute

Introduction

The United Nations Framework Convention on Climate Change (UNFCCC) (known as the Paris Agreement) includes the goal of limiting global warming to below 2°C (and ideally below 1.5°C) above pre-industrial levels. Current promises of emissions reductions by nations fall short of what is needed to meet this target. Instead, global average temperatures could exceed the 1.5°C warming mark by as early as the next decade, and the 2°C threshold in the decade thereafter (CDKN Global, 2018). For vulnerable countries like Namibia, these seemingly small increments in global temperature can lead to distinct local climatic effects, which can interact with, and exacerbate, existing vulnerabilities. Many communities in Namibia have little capacity to adapt to the impacts of the projected changes at warming of 1.5°C and above, and government-led adaptation often tends to focus on immediate development needs. With its dry and hot climate, Namibia is already vulnerable to climate variability, and without adaptation, climate change will heighten this vulnerability. As global temperature increases by 1.5°C and more, climate models project that Namibia will experience climate extremes with increasing frequency and intensity (CDKN Global, 2018).

Background

The Ministry of Environment, Forestry and Tourism (MEFT) is the focal point of the UNFCCC in Namibia. The ultimate objective of the Convention is to stabilise greenhouse gas concentrations "at a level that would prevent dangerous anthropogenic (human-induced) interference with the climate system" (United Nations, n.d. a). The Namibian government ratified the UNFCCC in May 1995. The objective of the UNFCCC is to stabilise concentrations of greenhouse gas emissions in the atmosphere at a level that would prevent man-made interference with the climate system. As an active Party, Namibia is "resolutely committed to the Paris Agreement, and to taking practical and ambitious action to reduce emissions and ensure a climate-resilient economy" (Republic of Namibia, 2021).

Facilitation of Climate Change Action

Below are the steps that UNFCC mandates to enable action on global climate change goals:

a) Common but differentiated responsibilities

Common but differentiated responsibilities place the onus on developed countries to lead the way in climate change financing due to the fact that they are greatest sources of most past and current greenhouse gas emissions. Industrialised countries are expected to make the greatest cuts to their emissions. They should also contribute most to climate change funding. Put simply, the requirement of common but differentiated responsibilities is based on the polluter-pays principle. The Annex I countries of the UNFCCC belong to the wealthier Organisation for Economic Cooperation and Development (OECD) group (United Nations, n.d. b).

Under the UNFCCC, these wealthier countries agree to support climate change activities in developing countries by providing financial support for action on climate change above and beyond any financial assistance they already provide to these countries. A system of grants and loans set up through the Convention is managed by the Global Environment Facility (GEF), the Green Climate Fund (GCF), and the Adaptation Fund (AF) (Green Climate Fund, n.d.). Industrialised countries also agree to share technology with less advanced nations through the Climate Centre and Technology Network which was purposefully established by the UNFCCC to transfer environmentally sound technologies for low-carbon and climate-resilient development at the request of developing countries (UN Climate Technology Centre & Network, n.d.).

b) Keeping tabs and monitoring progress and commitments

Industrialised countries (Annex I Parties) must report regularly on their climate change policies and measures, including issues governed by the Kyoto Protocol (for countries that have ratified it). They must also submit an annual inventory of their greenhouse gas emissions, including data for their base year (1990) and all subsequent years (United Nations, n.d. b)

Developing countries (non-Annex I Parties) report in more general terms on their actions both to address climate change and to adapt to its impacts – but less regularly than Annex I Parties do, and their reporting is contingent on their acquiring funding for the preparation of the reports, particularly in the case of the Least Developed Countries (United Nations, n.d. b).

c) Charting the beginnings of a path to strike a delicate balance

Economic development is particularly vital to the world's poorer countries. Such progress is difficult to achieve even without the complications added by climate change. The Convention takes this into consideration by accepting that the share of greenhouse gas emissions produced by developing nations will grow in the coming years. Nonetheless, in the interests of fulfilling its ultimate goal, it seeks to help such countries limit emissions in ways that will not hinder their economic progress. One such win-win solution was to emerge later when the Kyoto Protocol to the Convention was formulated (United Nations, n.d. b).

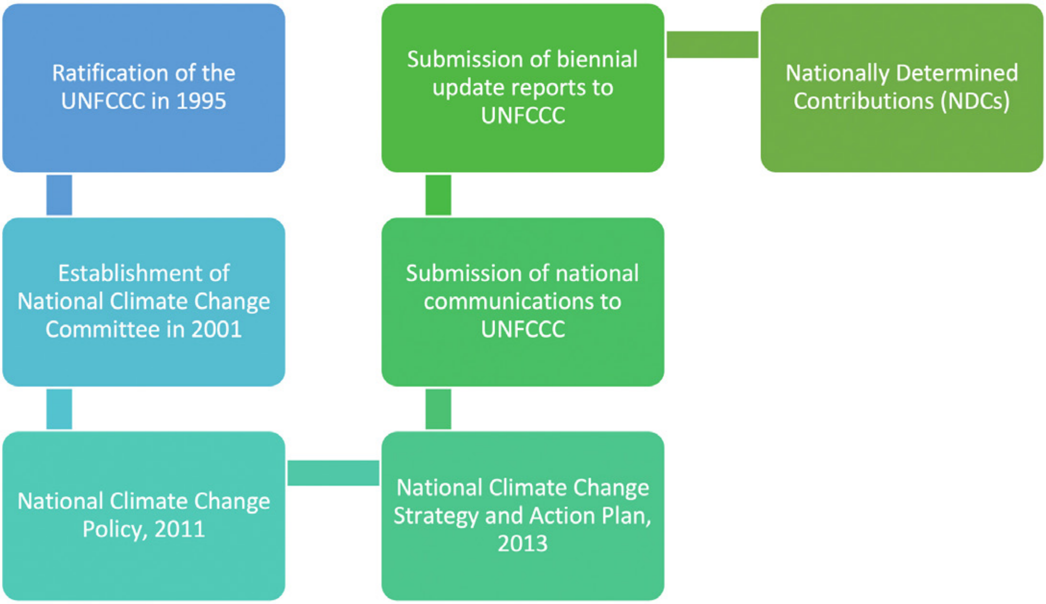
Nationally Determined Contributions

The Paris Agreement requests each country to outline and communicate their post-2020 climate actions, known as their Nationally Determined Contributions (NDCs). NDCs are at the heart of the Paris Agreement and the achievement of these long-term goals. Each climate plan reflects the country's ambitions with respect to reducing emissions, considering its domestic circumstances and capabilities. It is estimated that the total cost of implementing Namibia's NDC will amount to USD 15 billion (Republic of Namibia, 2023), with USD 1.5 billion expected from public resources as unconditional funding (Republic of Namibia, 2024).

The Convention acknowledges the vulnerability of all countries to the effects of climate change and calls for special efforts to ameliorate its consequences, especially in developing countries that lack the resources to do so on their own. In the early years of the Convention, adaptation received less attention than mitigation, as Parties wanted more certainty regarding the impacts of and vulnerability to climate change. When the Intergovernmental Panel on Climate Change released its Third Assessment Report, adaptation gained traction, and Parties agreed on a process to address adverse effects and to establish funding arrangements for such adaptation (DLA Piper, 2023).

Below is a summary of Namibia's efforts as a member of the UNFCCC (Republic of Namibia, 2024):

Namibia's Climate Change Commitments and Efforts



Source: Republic of Namibia (2024)

Namibia's Climate Finance Landscape

Brown and Amutenya (2021) estimate that Namibia's climate finance flows since the initial NDC, for the period 2015–2020, amount to NAD 9.8 billion, or approximately NAD 1.63 billion per year. Most of this funding (63%, or NAD 6.2 billion) came from OECD donors, including bilateral development agencies, climate funds, and multilateral development banks, while 35% was contributed through Namibia's national development budget, primarily through the Ministry of Agriculture, Water and Land Reform, in addition to other ministries.

Only 2% came from the private sector, although this figure is likely to be an underestimate, since data on private sector contributions to climate change mitigation initiatives are sparse. Private sector commercial investments are primarily in the renewable energy sector. They estimate that the funding gap in climate finance amounts to NAD 6.4 billion per year (Brown & Amutenya, 2021).

For domestic public finance, integrating climate change into the national planning and budgeting process and introducing climate budget tagging would enable Namibia to use the national budget more strategically to simultaneously advance both development and climate change goals.

The strategic role of national development finance institutions such as the Development Bank of Namibia, Agribank, and the Environmental Investment Fund is critical, as these institutions can bring together multiple funders with different objectives to create blended finance structures that will enable investment in climate adaptation and mitigation, while also advancing key development objectives. They could also provide support for project preparation for the private sector (Brown & Amutenya, 2021). In recognition of having diverse development finance institutions accredited to the GCF, readiness funding support for accreditation of direct access entities in Namibia (NAM-RS006) valued at USD 326.542 million was approved by the GCF in March 2023. This readiness project will strengthen capacities of nominated entities, namely Agribank (the Agricultural Bank of Namibia), Bank Windhoek, the Development Bank of Namibia, and the Namibia Nature Foundation, and accelerate their accreditation process (Green Climate Fund, (n.d.))

Objective 5 of the National Policy on Climate Change for Namibia – 2011 (Republic of Namibia, 2011) aims to provide secure and adequate funding resources for effective adaptation and mitigation investments in climate change. As a signatory to the UNFCCC, Namibia continues to work closely through the MEFT with various multilateral and development partners to secure climate financing to enable the implementation of the climate change agenda in the country.

The table below summarises the climate financing secured from the three largest climate funds to date:

Table 1 *Climate funding sources for Namibia to date*

Financing mechanism	No. of projects	Value (USD millions)
Global Environmental Facility	8	29.3
Green Climate Fund	10	125.1
Adaptation Fund	2	National project: 5 Transboundary project: 11
Total funding		170.4

Sources: GCF (n.d.); GEF (2024); *AF (n.d.)*

To date, the three largest climate funds have contributed approximately USD 170.4 million (approximately NAD 3 billion) towards Namibia's climate ambitions. The MEFT has estimated the total cost of implementing the country's NDC at USD 15 billion, with USD 1.5 billion expected to come from public resources as unconditional funding. These figures clearly illustrate the significant funding gaps that are still required to realise the country's climate ambitions (Republic of Namibia, 2023).

Challenges

According to the United Nations (n.d. b), key challenges related to accessing climate financing are:

Processes involved with accreditation

The big three climate funds (GEF, GCF and AF) only work through accredited entities, and attaining accreditation is not an easy process for institutions to undertake. Even once accreditation has been attained, the success of funding applications is not guaranteed. It is recommended that to scale up international finance, the number of national institutions accredited to the GCF be increased, and that a national development bank which can access funding on a larger scale for strategic projects such as renewable energy, water infrastructure and technology be accredited (United Nations, n.d. b).

Development status of the country

Namibia's classification as an upper middle-income country disproportionately affects the county's access to some of the development partners, who only provide funding support to countries classified as least developed, or those that fall within a particular vulnerability index or GDP bracket. As a result, the funding opportunities that Namibia has access to are mostly limited to the GEF, GCF and AF (United Nations, n.d. b).

Grant funding and blended financing

As Namibia is a developing country, its NDC has prioritised access to grant funding as a condition for the attainment of the country's climate goals. However, accessing of grant funding is becoming more challenging for Namibia. The GCF has recommended that Namibia consider the blended finance approach, especially for those projects which promise economic returns. However, with the application of the "common but differentiated responsibilities" (CBDR) principle, Namibia should be able to access grants, which are more favourable, as they require no repayment, securities, guarantees or repayment schedules.

Project approval and implementation time lags

The bureaucratic processes from project origination to approval, contracting/awarding and eventual disbursement of funds ultimately delay project implementation and response to the real needs on the ground. In some cases, there are such time lags between funding request submissions and final approvals, so that by the time project funds are transferred, the situation on the ground has changed.

Budget tagging

For domestic public finance, integrating climate change into the national planning and budgeting process and introducing climate budget tagging would enable Namibia to use the national budget more strategically to simultaneously advance both development and climate change goals (Brown & Amutenya, 2021).

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