

Climate and development: What opportunities, what threats?

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1 | FRAMING AND PRACTICAL MATTERS

The rise of climate change up the international agenda is an opportunity for development and poverty alleviation, but perhaps also a threat. An opportunity because the issues that climate change brings to the fore are similar to those that matter for development. Overlaps, complementarities, and synergies exist between investment and policies for development and those aimed at mitigating and adapting to climate change. A threat because trying to reduce emissions could come at the expense of international and national development efforts, and might be more expensive than traditional development strategies, meaning that funds and political capital are diverted away from development.

Five areas of concern arise. Two are conceptual, around framing, and three are practical.

1.1 | Framing: Fairness and justice

The consequences of climate change are unjust. People on low incomes in the global south are likely to be hit hard by climate change, as they have few resources to adapt to a changed climate. Yet they, and their forebears, have contributed but a tiny fraction of the greenhouse gases that are heating the planet. The damage has been

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overwhelmingly done by people in high-income countries (HICs): yet the price will be paid by all, and disproportionately by people in low-income countries (LICs).

The onus should be on the HICs to cut their emissions forthwith; to compensate the citizens of the rest of the world for the loss and damage that heating is causing and will cause; and to assist emerging economies to lower their emissions. Natural justice demands large flows of finance from the north to the global south, over and above existing aid promises.

1.2 | Framing: Fighting climate change as opportunity—climate-positive development

The transitions in energy and other sectors to (massively) reduce greenhouse gas (GHG) emissions represent an opportunity for the global south, where much of the natural resources and low-cost labour needed to produce clean energy are located. Take, for example, the Sahel. No region on Earth has greater potential to generate solar power. If the world needs energy from renewable sources and sources with minimal emissions, climate funds should finance the solar arrays and power plants that will both meet national and regional needs and potentially produce a surplus for export. Investment could mean that most of Africa might never have to generate another watt of electricity from diesel generators. Investment at scale would transform energy supply, enabling cheap electricity to drive local industries, and so dynamize entire economies and end reliance on fossil fuels (and the subsidies that governments often underwrite).

Similarly, farmers can capture carbon in their fields, using agroforestry to do so. Farmers in the global south can play an important role in decarbonizing the atmosphere. Pay them for carbon stored, promote agricultural development, reduce rural poverty—a triple win.

1.3 | Practical matters: Hard budgets

Whatever political and policy choices are made, public budgets are limited—especially in a world where public debts have mounted and growth is faltering. The here-and-now forces hard choices on the global south: to invest in cleaner electricity or to roll out more health posts in underserved rural areas.

1.4 | Practical matters: Just energy transitions

Energy transitions in the global south can be quite gentle for some countries with low emissions, such as Kenya. Kenya does not have to make painful sacrifices to go carbon neutral. For other countries, however, the changes are formidable. Nigeria and South Africa, for example, where massive incumbent industries—oil and coal, respectively—are heavily invested in carbon. South Africa has 90,000 coal miners. What will they do when, as the government proposes by 2040, the mines are closed (IEA, 2019)?

Some countries confront different issues, such as countries with the option to exploit recently discovered fossil fuels. Should Senegal, for example, be obliged to forego the chance to kick-start its economy with oil and gas when so many other countries have already done so? The dilemma is moral.

1.5 | Practical matters: Diplomacy and global governance

How can governments across the world reach agreement on the changes that need to be made with the detail that applies to each and every country? How can countries commit to change—with costs, at least in the short

term—when their governments and electorates fear that other countries will take a free ride on their abnegation? A narrative of global co-operation, a global compact, is missing. That compact must be fair; the north must be more generous to the global south than it has been. That is a hard question when populists in HICs prosper by denying their country has any obligation to—or interest in being generous to—other countries.

2 | SYNTHESIS

We asked five distinguished scholars and practitioners from the global south to respond to these concerns, those of fairness, those of practical possibilities and obstacles. Contributors to this debate were, in alphabetical order, Adriana Abdenur, Habiba Daggash, Navroz K. Dubash, Jack Kimani, and Carlos Lopes.

Their responses greatly expand the arguments, but they can still be distilled into a dichotomy, even if a different dichotomy to that of the original framing. The five essays tack between norms and hopes, between realities and fears.

Norms and hopes: it is in everyone's interest to contain and arrest global heating; it is only fair that this should not be at the expense of raising the incomes and welfare of many millions, most of them in the global south, who live with poverty and deprivation. These two aims are linked: the consequences of a hotter world will impede growth and development across the world, and probably especially so in the global south.

As the problems are linked, it is not surprising that there are win-win solutions. At the core of limiting global heating is a switch to renewable energy. The global south, Africa in particular, has huge potential to generate solar power; a potential made all the more feasible by the falling cost of photovoltaic panels. The natural resources for the panels and associated batteries exist in Africa: as does low-cost labour. The world needs green energy, Africa needs jobs and economic growth, Africa has the labour, the natural resources, and the sunlight: challenge meets opportunity.

Reality, however, suggests that such promise will be hard to realize. International finance, public finance, for both development and fighting climate change has so far been too little: promises of funding made by rich countries have not been met, the little that has been given has often been counted twice. The reform of the global financial architecture has been incremental rather than radical. Private capital might meet the need, but such capital seeks short-term profit, sees green investments as less profitable and riskier than business-as-usual, business that includes developing yet more fossil fuels.

It gets worse. Disappointment with international negotiations and agreements, where warm words hide frigid inaction, fuels nationalist discourse in which short-term domestic priorities prevail, no matter what global problems are mounting. Details can become stumbling blocks: neither development trajectories nor carbon transitions can be one-size-fits-all. Those countries whose natural resources allow for scaling up renewable energy have easier and different policy choices than countries still sitting on large reserves of fossil fuels.

What makes the difference between fond hopes and everyday reality? Imagination is part of the answer. In the UK and some other HICs, there is a widespread belief that green alternatives are somehow more expensive than conventional means that pump out greenhouse gases—despite, for example, International Energy Agency (IEA) estimates showing that electricity from renewables is cheaper than that from coal, diesel, or gas (IEA & NEA, 2020).

Part of being human is wanting a better future for our children and grandchildren: parents make great sacrifices for their offspring. But most of those parents think short term when it comes to what they consume, to what they invest in. Consumers in HICs know that technology can improve their lives; they have become accustomed to next year's model being better than this year's. However, when it comes to green technology, there is no faith that investing in science will yield rewards.

We need better narratives about our long-term collective interests; narratives that are founded on current fact and plausible futures, narratives that reassure us that our combined efforts over the medium to long term will deal with the climate emergency—and deliver development.

3 | FOUR WIDENING GAPS: EQUITY AND EFFECTIVENESS IN THE CLIMATE DEVELOPMENT AGENDA

Adriana E. Abdenur (co-founder of Plataforma CIPÓ)¹

As the climate emergency intensifies, there is a growing push to mainstream climate change considerations across all dimensions of the international development agenda. From reform at multilateral development banks (MDBs) to priority-setting at the International Monetary Fund (IMF); from debates around the need to update the World Trade Organization (WTO) to food security, greater attention is being paid to climate-related challenges and solutions. This is true not only of multilateral spaces, but also of many local, national, and regional initiatives.

Evidence is mounting. The urgency of the climate crisis makes it necessary to take climate change into account in development. The latest reports from the Intergovernmental Panel on Climate Change (IPCC) make it clear that humanity is not on track to meet the goals set by the UN Framework Convention on Climate Change (UNFCCC) and its Paris Agreement. This is why, since COP28, the present troika of COP host countries (the United Arab Emirates, Azerbaijan, and Brazil) have been promoting Mission 1.5°C to limit global temperature increase to 1.5°C above pre-industrial levels.

The issue is not whether to better integrate the climate and development agendas, but how to do it.

At the moment, this push to mainstream climate in international development is skewed, hindering both equity and effectiveness, which should be mutually reinforcing. This is evident in three big gaps: climate finance, development finance, and technology transfer. More broadly, the skew is apparent in debates about reform of the international financial system.

With respect to financing, many advanced economies, which are among those pushing hardest for the integration of climate change into development agendas, have been backsliding on their own climate commitments. This includes the promise made by donor countries at COP16, held in 2009, to provide USD 100 billion annually in new and additional resources.

This is not the only major gap. Advanced economies are lagging even further behind the commitment, set in 1970 at the UN General Assembly, to channel 0.7% of donor countries' gross national income (GNI) annually towards development. Moreover, there is growing double counting between those two resources, as well as other forms of creative accounting, such as including spending on refugees in rich countries as part of official development assistance (ODA).

Technology transfer constitutes a third widening gap. As part of their just transition plans, advanced economies are investing heavily in innovations, but working hard to keep the benefits within their own territories. Unjust intellectual property norms continue to stymie endogenous development of technologies in developing countries. In this context, the failure to transfer technology to developing countries, another point long agreed but almost never acted upon by advanced economies, helps to ensure that the abyss between North and South continues to grow.

Ultimately, these gaps harm everyone. Advanced economies may arrive at some future COP brandishing a shiny medal for implementing the just transition, but what good will it do if most of the world is being left behind or, even worse, getting pushed even further away? That is not how the maths of climate change works.

Not only do the gaps pose considerable difficulties in ensuring the well-being of people and the planet, they are also helping to undermine trust in the multilateral system—a system that we very much need to tackle all these problems, among others.

To sidestep these gaps, some donor countries and institutions hold up market-based solutions and private finance as a cure-all, arguing that “unlocking” private capital will take care of the massive demands of developing

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countries for both climate and development. This is a shaky proposition, especially when we look at areas other than mitigation, where (in contrast to most adaptation) private investment can find returns. Solutions like blended finance and carbon markets come with risks and limitations. The massive demands for green industry and infrastructure in developing countries require the type of long-term investments that private finance, guided by short-term profit, cannot provide. Those investments also need the state to take a guiding role in defining priorities and pathways, as the advanced economies (even the most openly capitalist among them) have finally come to recognize, at least in terms of their domestic interests.

The second major problem with the way that climate is being incorporated into the development agenda is that, beneath the broad rhetoric on breaking silos, developing countries are in practice being pressured to undertake more and more mitigation, well beyond their responsibilities. This pressure often comes across in discourses that focus narrowly on the imperative of decarbonization but seldom reference the problems of hunger, poverty, and inequality.

Many emerging economies and even smaller developing countries have expressed the intent to increase their climate ambitions, including with respect to emissions avoidance—and some are going about it in ingenious ways, such as fighting deforestation and preserving standing forests. But it is neither fair nor realistic to turn to the developing world to lead solutions to problems overwhelmingly created by the donor countries. The concept of Common but Differentiated Responsibilities (CBDR) is there for a reason: it helps to ensure that developing countries will not have to choose between climate action and, say, fighting hunger.

Although developing countries are far more vulnerable to climate change than advanced economies, they face considerable hurdles with respect to capacity, technology, and financing the transition. This is especially true of LICs and small island states—but also of many middle-income countries (MICs), which according to the World Bank are home to 75% of the world's population and 62% of its poor. Some climate action may help to combat poverty and hunger, but overlap should be neither exaggerated nor taken for granted. Some mitigation and adaptation initiatives may actually deepen inequalities and other social ills if implemented without justice.

There is thus a need to ensure that the drive to mainstream climate in economic and development initiatives does not represent a transfer of responsibilities from advanced to developing economies, and that the full gamut of climate change demands—especially adaptation, loss and damage, and more broadly a just transition—are met.

MDBs represent some of the main pool of resources most developing countries can tap into to fund sustainable development—deep structural transformations that will allow them not only to carry out climate action but also fight hunger, poverty, and inequality. This is especially true for developing countries with limited or no capacity to mobilize domestic resources, including the more than 60 MICs and LICs that are seriously indebted.

While MDBs should be encouraged to undertake climate financing, there is a need to open up aggregate figures to identify the type of climate action that they are funding, as well as who is benefitting, and how much of the resources are grants or highly concessional funds. Neither climate nor development finance should contribute to the sovereign debt crisis; over 3.3 billion people live in countries that spend more servicing foreign debt than on health and education. If efforts to link MDBs into an ecology of actors are meant to improve co-ordination and deliver results, they should also carefully unpack these flows because—depending on the road taken—greater co-ordination can either amplify effectiveness or magnify risks.

Finally, the integration of climate change into the institutions of global governance, including the key organizations of the international financial system, should remove rather than create more hurdles to sustainable development. And they should invite and reinforce multilateral co-operation rather than open up more space for short-sighted unilateralism.

A new wave of protectionism by advanced economies is welling up under a thin veil of environmental or climate considerations, such as the European Union's Carbon Border Adjustment Mechanism (CBAM) legislation. These measures reflect not only an incomplete acknowledgement of global supply-chain dynamics and responsibilities, but also a selective take on the concept of sustainable development. In imposing conditionalities based narrowly

on only one aspect of sustainability—the environmental and climate dimensions—they overlook the other two facets: the social and economic. They seek to punish developing countries while contributing little to the reduction of greenhouse gas emissions. And they end up undermining confidence in international co-operation, whether bilateral or in multilateral forums.

Key decision-making spaces such as the G20 and the climate COPs can be used to advance the intersection between the climate and development agendas in ways that are constructive, equitable, and effective. But it is also necessary to acknowledge that there are development needs that will not fall under the rubric of climate initiatives. Climate is only one part of the 2030 Agenda.

Ultimately, lasting solutions to the problems of climate change and sustainable development require amplifying and guaranteeing the voices of developing countries in global governance. The international financial system should not be made “fit for purpose” only for climate mitigation, but also for adaptation, just transition, and all of the available paths for the elimination of poverty, hunger, and other challenges reflected in Agenda 2030, including through industrial policy.

Overcoming the outdated logic of governance of the international financial system and development institutions is not a new imperative; it goes back at least half a century. But the need for effective reform that addresses decision-making spaces has become even more urgent in light of climate backsliding and development failures. Achieving just representation of developing countries in the Bretton Woods institutions, green funds, and relevant UN spaces is an inescapable requirement to ensure that the growing intersection between the climate and development agendas will do more good than harm.

4 | IT'S TIME WE START TREATING EMISSIONS REDUCTION AS A MEANS, NOT AN END

Habiba Ahut Daggash (Associate, Africa Energy Program, Rocky Mountain Institute)

After Nigeria pledged to reach Net Zero emissions by 2060, I argued that many African nations lack the technical, financial, and institutional resources to meet this deadline. Furthermore, I questioned why richer countries promoted Net Zero as a climate solution for poorer countries despite their relatively negligible cumulative emissions. Many African leaders agree that overly restrictive transition pathways would harm the continent's development efforts. However, wealthy countries continue to promote Net Zero, which requires massive investment support that only they can afford, such as the Inflation Reduction Act and the EU Green Deal Industrial Plan (European Commission, [n.d.](#); Wessner & Khemka, [2023](#)). The development financial institutions (DFIs) they fund also align their portfolios with the ambitions of their host countries, prompting a divestment campaign from fossil fuel projects in developing economies (Conley, [2023](#)).

The lack of protection for budding African economies in this divestment push is at odds with the rhetoric around not unfairly burdening poorer countries with the responsibility for climate action. Moreover, the scale and access to financing, technology transfer, and capacity-building for mitigation and adaptation is not at the level required (Guzmán et al., [2022](#)). Africa is the only continent not afforded nuance in energy transition discussions. Double standards are rife in the energy and climate policy decisions of rich countries: they continue to build fossil fuel projects, often on the grounds of guaranteeing energy security and affordability. However, the appeals of African nations to use more natural gas on similar reasons are largely ignored (Gyude Moore & Moss, [2022](#)). The rhetoric of the US and the EU against increased natural gas production only softened after the Russia–Ukraine conflict because the EU needed to diversify its supplies away from Russia.

Even the green opportunities promoted in Africa often serve foreign markets. For example, the German government's push to develop green hydrogen on the continent through the H2Global and Africa Green Hydrogen Alliance initiatives looks to support the EU's target to import 10 million tonnes of it by 2030 despite concerns

about transparency and the local benefits of the deals (AEC, German stakeholders unpack, 2023; Fröhlich, 2022; Rust & Ossenbrink, 2022). Proponents of Net Zero pathways for all fail to recognize the different starting points for industrialized economies and others. Even within Africa, “leapfrogging” narratives ignore different national realities. For example, Kenya has predominantly built clean energy through geothermal and hydro resources, whereas Nigeria and South Africa have relied mainly on fossil fuels for fiscal revenues and power generation. Their varying natural resources and local capacities makes it likely that their optimal decarbonization pathways will differ. Yet, monolithic decarbonization narratives that fail to centre economic development persist.

Africa should have the agency to determine transition pathways that guarantee equal outcomes, not just opportunities, with its more affluent peers. Since the Paris Agreement, there has been a focus on achieving fairness in climate negotiations, as well as mitigation and adaptation costs. However, wealthier nations have failed to commit sufficient climate finance without legal or other repercussions, and the consensus-seeking nature of the COP has allowed some countries to dilute climate action commitments to the point of ineffectiveness (Greenpeace International, 2022; Irfan, 2019).

If the burden of climate action was fairly distributed, the weight of action would fall on richer countries with the means to act imminently, with poorer countries spared the brunt of the costs (Rose et al., 1998). For example, there would be income, emissions, or energy intensity thresholds below which strict climate policies, such as carbon border taxes or fossil fuel divestment, would not apply (PolicyLink & Gulf Coast Center for Law and Policy, 2021). Such a quantification provides a reference point to measure policy fairness while affording developing countries agency and flexibility to balance development and climate needs. Additionally, climate finance should not worsen debt distress for African countries. Currently loans constitute 72% of such, despite many African nations being climate-vulnerable and in or at risk of debt distress (European Network on Debt and Development, n.d.; Mustapha, 2022; Volz, 2022). It is no longer sufficient to provide more climate finance, and how that support is structured is also critical to the fiscal sustainability of the beneficiaries.

Ultimately, emissions reductions are a means, not an end. Climate action is meant to avoid worsening livelihoods. So, when deciding the rate and scale of low-carbon transformation in Africa, economic development and human welfare should be the focal point. The path to industrialization via renewables for the continent remains unclear, and advanced economies have shown no urgency to support realizing that path. Their engagement with the continent shows little commitment to localizing clean technology value chains, which would build African capacity to extract and process critical minerals and manufacture components and systems needed for the energy transition.

Meanwhile, some fossil fuels offer more benefits for industrialization, jobs, and energy affordability. Yet, highlighting carbon-intensive development gains is taboo. Higher incomes are essential to provide climate-resilient infrastructure and gain access to decent health, education, and employment. Consequently, we should advocate for a new paradigm of climate justice that prioritizes developmental impact and wealth creation, not just emissions reduction or avoidance. The continent's co-ordination with global climate action should be conditional upon the following:

- Foreign direct investment (FDI) and development finance for fossil fuel projects that clearly support local industrialization, poverty reduction, and energy security, appropriately weighted against the impact of emissions, must continue.
- Where necessary, divestments from fossil fuel projects should be redirected and massively scaled into renewable energy projects in the same investment destinations.
- Doubling the continent's energy-related emissions would make a modest contribution to the global carbon stock. Thus, African nations can promote the adoption of an energy consumption, carbon intensity, or gross domestic product (GDP) per capita threshold below which stricter climate policies should not apply.
- Any carbon budget left between the near term and 2050 should be allocated to poorer nations to achieve development and other SDG goals.

To encourage low-carbon transformation in Africa, the onus is on the countries most responsible for emissions to foster an ecosystem where the continent can rapidly address development challenges alongside climate concerns. Unless Africa is treated not just as a source of natural resources but also as a destination for investment to build and scale clean technology industries, African countries have little incentive to support or pursue climate action.

5 | CLIMATE AND DEVELOPMENT: FROM A GRAND BARGAIN TO THE HARD REALITY OF NATIONAL STRATEGIES

Navroz K. Dubash (Visiting Senior Fellow, Sustainable Futures Collaborative and Professor of Public and International Affairs and the High Meadows Environmental Institute, Princeton University)

The prospects for a substantive and actionable grand bargain around climate and development are slim. More likely are messy country-by-country approaches to low-carbon development transitions, and a rearguard effort at global co-operation to safeguard the most vulnerable.

The challenge to a global compact starts with the two oppositional framings suggested by the editors of this collection, fairness and justice on the one hand, and opportunity on the other. Both capture important elements of the challenge of climate and development. But because they align and support different sets of national interests and negotiation positions, they tend to be viewed as entirely oppositional, with little emphasis placed on their potential complementarities.

The fairness and justice framing—emissions have come disproportionately from HICs while impacts are disproportionately borne by the poor—is ethically irrefutable. For countries in the global south, fairness is critical to staving off the burden of mitigation and making a case for support in adjusting to climate harms. The implications for a climate response include deep emission reductions in HICs, obligations to support resilience and compensate against harms, and ensuring the financial and social costs of adjustment to low-carbon futures are not borne by the world's poor.

The opportunity story—declines in low-carbon technology costs combined with favourable natural resource endowments in the global south (such as high insolation) provide opportunities for development—has gained resonance with declining technology costs; renewable energy is indeed now among the cheaper energy sources. And the potential for co-benefits across development and climate provides another opportunity: many (but not all) low-carbon choices (such as public transport) and climate-resilient approaches (such as enhanced water efficiency) bring development benefits.

But there are limits to each narrative viewed in isolation and political possibilities in considering them together. It goes too far to use fairness arguments, for example, to suggest a strict separation between climate considerations and development choices, an argument that only developed countries must adjust to climate change in order to insulate developing countries from doing so. Rather, it is in the interests of developing countries to do development differently by avoiding high-carbon lock-in, which will enhance future competitiveness, and by making development choices that actively encourage resilience.

Similarly, the existence of opportunities cannot and should not be taken to mean that these are universal or that the conditions for their realization are easily satisfied. Differing natural resource endowments shape opportunities; Ethiopia, with considerable hydro endowments, is in a different situation to gas-rich Nigeria. Realizing opportunities is also conditional on being able to unlock political economy tangles, ranging from political lock-ins to fossil fuel rents, institutional lock-ins such as around India's electricity distribution companies, and limits on state capacity to manage complex transitions—not forgetting the necessary condition of making available finance

for what are capital-intensive transitions. The technological fact of falling renewable energy technology costs by no means implies a post-equity climate politics.

Bringing these narratives—with an acknowledgement of their limits—into conversation with each other may hold the potential for a narrative around which a global compact can be constructed. To limit climate harms, HICs must lead on emissions reductions. But there is a strong case for MICs and LICs to also do development differently, by shifting development pathways in context-specific ways that internalize both low-carbon opportunities and the need for climate resilience. Global support is an essential enabler of such shifts, particularly to ensure adequate low-cost capital for the physical and social dimensions of capital-intensive energy transitions, but also to ensure adaptation support and provide for losses and damages.

But at least two considerations work against realizing such a compact. First, the speed of decarbonization required to limit warming to 1.5°C re-injects zero-sum politics around emissions shares. Emissions in HICs have peaked and are declining, but far too slowly to meet the required global pathways. Developing countries, starting from low levels of energy use, face the daunting challenge of increasing energy use even while decarbonizing. Because transitioning to renewable energy takes time, without deeper cuts in HICs, models suggest that enforcing lower global emissions in the short term will probably require already energy-poor countries to curtail energy demand growth—with unacceptable development costs (Semieniuk et al., 2021). The brutal trade-off, then, lies between pressuring populism-freighted rich world polities for faster reductions, or condemning energy-scarce poor economies to forego development through an energy squeeze, or accepting higher, and potentially devastating, climate impacts. Second, winning national political support for decarbonization is increasingly built on an inward-looking vision of green job creation at home through industrial policy, rather than acting on a more globalist view of mobilizing capital for low-carbon development abroad and accelerating diffusion of low-carbon technologies. Populism-stoked projects of national carbon competitiveness rather than global co-operation around global public goods are the narrative of the day.

What then is to be done? On the mitigation front, the story is not all gloomy. Large developing countries are exploring green industrial policy approaches to seize low-carbon opportunities, even while, quite sensibly, but-tressing the equity story at climate negotiations to keep pressure on HICs for accelerated emissions reductions and provision of financial support. Indonesia, for example, is seeking to leverage its nickel resources to move down the value chain of electric vehicle manufacturing. While the global conversation is focused on mobilizing the trillions required to enable such visions, in practice doing so will also rest on the attractiveness and credibility of domestic policies in recipient countries and on their ability to mobilize domestic capital.

However, this is a much harder pathway to development for smaller and poorer countries. Successful green industrial policy requires deep pockets for subsidies, a technology innovation infrastructure, large domestic markets, suitable national champions, and substantial state capacity. A global low-carbon economy tending towards ring-fenced economic benefits and friend-shoring—whereby supply-chain networks are focused on countries seen as political and economic allies—is likely to leave only crumbs from the green economy table for most of the developing world.

Nationally focused approaches alone are even more limiting for a climate-resilient development agenda and for providing for loss and damage (although the creation of a loss and damage mechanism, against the political odds, is one bright spark worth celebrating). Promoting the larger task of climate resilience, where private finance is far less likely to be interested, is where the geopolitics of fragmentation and the circling of populist wagons is likely to most stymie progress. However, not all adaptation and resilience measures depend entirely on finance, and there are gains to be had from institutional and planning measures to internalize resilience within development decisions.

In brief, the centre of gravity for climate politics is increasingly shifting to national scales, particularly for mitigation. The potential upside is that some emerging economies with the necessary capacities have greater agency in defining their development future. But the decline in meaningful opportunities for global co-operation has considerable downsides, in particular for LICs and for serious financing of adaptation.

6 | CLIMATE CHANGE AND DEVELOPMENT: OPPORTUNITIES AND POTENTIAL FOR AFRICA TO BE PART OF THE CLIMATE SOLUTION

Jack Kimani (Founding CEO of the Climate Action Platform for Africa—CAP-A)

Climate change is the single greatest challenge facing humanity and the single biggest threat to all life on Earth. It demands urgent and concerted action by all nations to lower emissions and reduce the concentration of greenhouse gas emissions in the atmosphere. To date, however, global emphasis in dealing with climate change has been on decarbonizing high-income, high-emission countries and supporting MICs with rapidly growing emissions to transition onto a more sustainable, greener growth path, for which the Just Energy Transition Partnership (JET-P) has been developed. LICs with low current emissions (typically linked to low levels of industrialization) are generally seen and approached as climate victims: they did little to cause climate change, are often bearing the brunt of the burden, and have limited buffers to deal with that burden, leading to individual and collective economic disruption. For these countries, the global focus so far has been on both adaptation and discussions on loss and damage.

However, limiting the role of these countries in the climate dialogue to just loss, damage, adaptation, and resilience does a huge disservice to their potential to play a crucial role in the planet's climate future. These countries can be a massive and crucial part of the global action that helps avoid a climate catastrophe, and this very role can be the path for them to achieve stable and dignified livelihoods for their populations. This is especially critical as, if we are to remain within global planetary boundaries, the traditional economic growth trajectory, which involves growing emissions as wealth increases, would be unavailable to these low-emission countries. The global carbon budget simply does not allow for it. Many global actors skirt around this difficult truth. The implicit message from the global north to these low-income, low-emission countries is “our solution for you is to adapt to the change and keep your emissions as low as they are,” which actually means just stay poor so that your emissions remain irrelevant and if there is time, money, and attention left once the “polluters” have dealt with climate change, we can help you survive.

This frame is obviously problematic. Not only is it morally reprehensible, but it is simply not tenable in practice. Nobody can stop countries from pursuing their growth, and if the world cannot provide a credible alternative for these countries they may not only present a threat to achieving global climate goals, but also prove to be a source of instability, conflict, and unwanted migration; a humanitarian disaster and a geopolitical powder keg in the making.

Fortunately, this is not the only potential outlook. The things that the world needs to prevent a climate catastrophe and reverse climate change—green everything we consume, remove carbon from the air, and protect existing carbon sinks—countries with low existing emissions are uniquely positioned to supply cost-competitively. For each of these, the technical feasibility and commercial viability is driven by a combination of three production factors: untapped renewable energy potential with limited competing use, labour capacity, and relevant natural assets and resources, all of which are abundantly available, at low cost, in much of sub-Saharan Africa. By rapidly scaling these activities, Africa can provide immediate, diverse, and lasting climate benefits for humanity. And, unlike most other global locations, this does not require complex trade-offs or big and painful transformations and clean-up. In fact, it can provide much-needed jobs for African youth, energy access, and sustainable economic growth. Importantly, in many African countries, solar energy can provide year-round electricity with storage for as little as a few days' electricity consumption. That makes solar a viable energy source even for industrial applications, which is not the case in temperate climates when seasonal energy storage is unaffordable.

Africa can therefore become a green industrial hub, producing low-emission goods and services to meet African and global demand. Opportunities abound across a wide range of sectors, including energy-intensive industries such as mineral smelting, the production of green fuels and energy carriers such as green hydrogen and all its downstream products, such as green fertilizer. Moreover, climate-smart agriculture can contribute to feeding Africa and the world.

Protecting and expanding our natural carbon sinks, and deploying novel approaches to carbon removal, will grow the global carbon budget and begin to undo the damage done. Of course, this needs investment, especially given that the costs for renewable energy solutions come almost fully upfront. Yet, we also know that those are smart investment opportunities that offer climate, social, and financial returns. Developing its renewable potential for on-continent use, Africa can generate reliable electricity access for all Africans by 2030, including the nearly 600 million people currently without any energy access, while reducing total emissions associated with energy production by 80% and with 30% lower costs—but it does require 40% more upfront investment.

It is time for the world to appreciate the immense opportunities and potential of Africa to be part of the climate solution and not just a victim waiting for help. And it is time for Africa to fully embrace its agency in driving economic growth and job creation through global climate action. For us to realize this climate-positive growth trajectory and contribute to global goals, Africa needs fair and equitable financing mechanisms, equitable market access, and solutions that provide liquidity and debt relief. In conclusion, climate-positive growth will enable Africa's growth trajectory to middle-income status and beyond by providing essential solutions for a Net Zero world. This will allow African countries to address energy poverty, strengthen stability, reduce conflict and migration, and secure dignified livelihoods and a viable future for all.

7 | THE END OF CONCESSIONAL LENDING AND ODA CENTRALITY: A PARADIGM SHIFT IN CLIMATE FINANCE

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In the realm of climate finance, a seismic shift is underway, one that challenges the long-established reliance on concessional lending and ODA as the primary means of addressing the colossal climate finance gaps. This shift is driven by the realization that trust in traditional mechanisms developed to support developing countries, such as ODA and concessional lending by international financial institution (IFIs), has eroded drastically, and the current geopolitical context pitting Western countries against China and Russia threatens to exacerbate an already dire situation. Instead of witnessing an increase in the flows of funding to support the most vulnerable countries in their fight against climate change, we are experiencing a disheartening process of double counting, which leaves us far from bridging the financial chasm that climate change presents.

Promises made in various climate forums that have not been kept amount to almost a trillion dollars (Lopes, 2022). The time has come to admit that the real issue is not just about financial pledges and commitments but, more crucially, how we mobilize substantial funding in light of the pressing climate urgency.

While we are currently experiencing a peak in concessional lending, closer examination reveals a worrying trend. Despite the substantial increase in concessional lending, its relative contribution to economies has diminished in percentage terms over the last two decades, especially in Africa, due to the doubling of the continent's GDP (OECD, 2024). This situation is further exacerbated by the vulnerability of countries that have already depleted their fiscal capacity due to the twin challenges of the pandemic and the repercussions of the conflict in Ukraine. Regrettably, Africa received a mere 5% of the financial support that was approved by the IMF for the pandemic response. This raises pressing questions about how countries can effectively respond to the impacts of climate change.

The realization is stark—we can no longer rely on goodwill and polite discussions to combat climate change. The enormity of the challenge requires substantial private–corporate engagements that extend beyond goodwill and philanthropy and venture into the realm of true sustainable investment. However, it is unrealistic to expect major investment mechanisms to willingly devalue their portfolios identified as carbon intensive. This is why regulatory changes are imperative.

These changes should not just encourage, but incentivize, scale up, and speed up the necessary shift towards carbon-neutral investments. This shift requires us to cast aside the artificial divide between climate and development priorities.

Climate change, with its extensive impacts, is now a primary obstacle to development, exacerbating poverty, food insecurity, water scarcity, and energy shortages. Failure to effectively address the climate crisis would undermine any progress in global development efforts. Climate finance and development financing must be viewed as interconnected.

We must acknowledge that climate-centric investments need not sacrifice profitability. To achieve this, we must create accessible, liquid, and profitable climate investment mechanisms that allow all investors to participate in the fight against climate change. Creating a prudent, profitable, and long-term investment strategy that aligns with climate goals and is accessible to a broad range of investors requires the construction of a portfolio of projects that takes into account a wide range of interests.

To address these challenges, many argue that there is a need to hasten global financial architecture reforms. However, current discussions are taking a rather cautious approach to addressing the pressing challenges at hand. There is a tendency to place excessive emphasis on incremental changes for critical IFIs, such as the IMF and the World Bank.

These changes often revolve around making these institutions more “fit for purpose,” which would enhance their responsiveness to climate imperatives. However, it is crucial to recognize that these proposals, while important, do not effectively address the underlying power imbalances that have contributed to some countries being confined to the category of aid recipients, obliging them to follow the rulebook, while others enjoy ample monetary policy flexibility.

The foundational elements for reshaping the global financial architecture have been identified through extensive consultations involving policy-makers, the private sector, policy experts, and civil society. To illustrate, Africa is grappling with a complex set of challenges, including the need for affordable, reliable, and adequate access to liquidity, compounded by a debt crisis in some countries.

The prevailing financial system disproportionately channels funding towards mitigation efforts while disregarding crucial adaptation needs, thereby relegating vulnerable countries to restricted and meagre funding sources dependent on concessional lending and ODA.

Countries with adaptation needs often struggle to access these meagre resources, and frequently find themselves compelled to participate in carbon markets characterized by unethical practices. These markets are rooted in the “polluter pays” principle. However, they fail to emphasize the more fundamental idea that polluters must first cease their pollution.

Without addressing these structural power imbalances and regulatory systems, the evaluation of risk by investors and major economic actors will continue to follow a business-as-usual approach. This means that endeavours focusing on environmental and climate sustainability are often perceived as in need of “de-risking,” implying that they are riskier and less attractive for investment. On the contrary, activities that are deemed “risk-acceptable” tend to receive more support and attention. This approach perpetuates the status quo and hinders meaningful progress in addressing climate and environmental concerns.

Volunteering, pledging, and proclaiming solidarity through aid is not going to address climate change just as it has not addressed development. Instead, we must prioritize concrete actions that lead to meaningful progress in addressing both climate change and development challenges.

Regulatory changes must be implemented to incentivize private sector. Such a paradigm shift requires a holistic approach, encompassing regulatory changes, integration of climate and development priorities, creation of climate-friendly investment project portfolios, global financial architecture reforms, a shift in investor perception, and addressing structural power imbalances within the financial system.

First, regulatory changes, such as disincentivizing fossil fuel investments, introducing transparent and equitable carbon markets, or taxing the shipping industry, are crucial to encourage private sector engagement in

sustainable investments. These changes should aim to scale up and speed up the transition towards sustainable investment practices, particularly towards carbon-neutral investments. By implementing policies that reward sustainability and penalize carbon-intensive activities, we can steer investment flows towards more environmentally friendly options.

Second, the integration of climate and development priorities is essential. Recognizing that climate change is a primary obstacle to development, we must break the artificial divide between these two agendas. Climate finance and development finance should be viewed as interconnected, with investments directed towards addressing both climate change and development challenges simultaneously.

Third, the development of accessible investment options is essential to mobilize private capital for climate action. By creating liquid and profitable climate investment opportunities, it is possible for a wide range of investors to contribute to the fight against climate change. These investment options should align with climate goals while providing attractive returns to investors and ensuring broad participation in sustainable initiatives.

Fourth, global financial architecture reforms are necessary to address underlying power imbalances and ensure fair access to financing for vulnerable countries. Reforms should go beyond incremental changes and address structural issues that perpetuate reliance on concessional lending and ODA. This includes reshaping IFIs to better serve the needs of developing countries and providing equitable access to finance for climate adaptation and mitigation efforts.

Fifth, there needs to be a shift in investor perception towards environmental and climate sustainability initiatives. By challenging the business-as-usual approach to evaluating risk, we can de-risk sustainable investments and redirect capital towards activities that effectively address climate and environmental concerns. This may involve changing the behaviour of credit rating agencies towards certain categories of countries, highlighting the importance of sustainability criteria in investment decision-making.

Finally, addressing structural power imbalances within the financial system is crucial. This includes ensuring fair access to funding for adaptation efforts, challenging unethical practices in carbon markets, and advocating for a more equitable distribution of financial resources. By addressing these structural issues, we can create a more inclusive and sustainable financial system that supports climate action and promotes global development.

In conclusion, the paradigm shift in climate finance requires a comprehensive approach that encompasses regulatory changes, integration of climate and development priorities, creation of accessible investment vehicles, global financial architecture reforms, a shift in investor perception, and addressing structural power imbalances within the financial system. Only through concerted and co-ordinated efforts can we mobilize the necessary resources to effectively combat climate change and promote sustainable development globally.

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ETHICS STATEMENT

This paper reports analysis of secondary sources.

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