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Current Trends

Just Financing
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Background

Given the recent global direction to accelerate the transition to low-carbon and climate-resilient development pathways, there is little debate about the importance and urgency of acting swiftly and collectively. Considering the development trajectories of developing countries, the possibility of advancing a transformative Agenda that ensures equitable access to financial and technological resources is important.

Therefore, the Concept of “Just Financing” was raised, and was elaborated into the Sharm El-Sheikh Guidebook for Just Financing in COP27. The book brings the idea of 'Justice' to climate finance with the objective of translating commitments into implementable projects while capturing opportunities to leverage and catalyze needed finance and investments to support the climate agenda.

The Guidebook concludes with an actionable agenda for each stakeholder that lists the roles they could play to achieve just financing outcomes, and maximize the effectiveness and efficiency of the existing climate finance system in the short-run, while rethinking the international architecture in the medium and long-term.

Concept and Definition

“Just Financing” defines as financing that accounts for historical responsibility for climate change while ensuring equitable access to quality and quantity climate financing that supports resilient development pathways, leaving no one behind.

The concept of addressing justice within the context of climate finance is not new. Several activist movements, civil society organizations, climate negotiators, academics, think tanks and large multilateral institutional actors, such as the International Monetary Fund (IMF) have conceptualized justice in climate finance through two separate but related approaches where specifics differ widely.

Just Financing is distinct from concepts such as climate justice and just transition in terms of its scope but similar in terms of its intended purpose.

Climate justice seeks an equitable sharing of the benefits and burdens derived from the climate crisis, considering the inequitable balance between responsibility and impacts of

| Importance

climate events, in addition to the historical and present disparity of decisionmaking power between industrialized societies and marginalized and vulnerable peoples (Macquarie, 2022).

Just transition narrows the scope of climate justice to focus on workers' rights and livelihoods when economies shift from carbon-intensive to low-carbon industries to ensure no one is left behind (International Labour Organisation, 2016), as emphasized by the COP24 Silesia Declaration (COP24 Presidency, 2018) and the COP26 Just Transition Declaration (International Labour Organisation, 2021).

Just Financing is a process-oriented concept nestled within climate justice that aims to account for the broader economic, social, and environmental opportunities and costs of limiting global warming and to steer transition pathways to sustainable economic growth and development, while anticipating and avoiding negative distributional, equity and climate impacts, particularly for poor and historically marginalized communities.

The importance of the concept is shown in the guidebook, which translates commitments into implementable projects and captures opportunities to leverage and catalyze finances to support the climate agenda, especially in Africa, with the key objective of maximizing the effectiveness and efficiency of existing climate finance architecture through proposing an actionable roadmap for all the stakeholders to achieve just financing outcomes.

The guide offers a practical roadmap to unlock innovative financing mechanisms through multi-stakeholder participation, information sharing, and strengthening technical capabilities to create a pipeline of bankable climate-friendly projects. In the short-term, it aims to increase efficiency and equity in global climate finance structures. Long-term, it seeks to catalyze a rethink of these structures.

How to use

Guidebook for Just Finance is based on 12 key principles, serving as a framework for stimulating partnerships between all relevant parties, particularly the public and private sectors, to drive the transition towards a sustainable green economy:

- Support for developing countries' right to development and industrialization through equitable pathways within the framework of the Paris Climate Agreement.
- Ensuring coherence between global climate action goals and national development goals on both the mitigation and adaptation sides.
- Supporting governments' efforts to create an enabling environment by providing funding and raising technical and institutional competencies and capacities in line with the achievement of climate goals.
- Ensuring the right of all States to develop under the principle of common but differentiated responsibility.
- Include the concept of equitable financing in the international climate finance structure and ensure that there is an implementation mechanism.
- The right to access climate finance is guaranteed, especially in countries and regions most in need.
- Climate finance should not be considered a substitute for development financing but should be in addition to available funding.
- Support developing countries to provide funding to strengthen their resilience to climate change.
- Establishing an effective governance system and establishing regulations for green markets, and activating an efficient monitoring and evaluation system.
- Ensuring harmonization of climate finance across sectors in the light of balancing mitigation and adaptation efforts.
- Strengthening transparency and accountability systems through the development of common standards for climate finance.
- Enhancing coordination among all parties involved in financing, which contributes to the launching of investment opportunities in developing countries.

Practices Worldwide

Egypt's Country Platform for the Nexus of Water, Food and Energy (NWFE فيون) Program offers another practical and replicable model of the concept of Platforms to mobilize climate investments based on country priorities. It integrates a set of high priority projects for adaptation and mitigation, bundled around the nexus of the three main pillars of Water, Food, and Energy and selected through a prioritization process led by the Government. NWFE فيون aims at providing opportunities to mobilize finance, avail technical assistance, and catalyze private investment, through innovative financing modalities including blended finance to support the country's green transition, reflecting the interlinkages and complementarity between climate action and development efforts.

The case studies presented below provide insight into the different ways that public and private sources of capital can engage in financing structures for Just Financing outcomes :

- **Establishing the World's Largest Concentrated Solar Power (CSP) Plant in Morocco.**
- **Demonstrating the Bankability of Community Forest Enterprises in Mexico Through Climate Investment Funds' Forest Investment Program (FIP).**
- **IGREENFIN by IFAD.** The programme supports Public Development Banks in five African countries to finance the transition toward a greener financial system for increased investment in low carbon emission and climate resilient smallholder agriculture.
- **WaterCredit Investment Fund 3.** Tiered blended finance fund that provides debt financing to financial institutions and enterprises serving the water and sanitation needs of families living in poverty in Asia.
- **Danish Climate Investment Fund.** Tiered blended finance fund that invests in low-carbon and climate-resilient projects in developing countries.
- **Al-Gabal Al-Asfar Wastewater Treatment Plant Project.** Aims to accelerate the capacity of wastewater treatment of

El Gabal El Asfar Wastewater Treatment Plant in the northeast of greater Cairo, the center of the population in Egypt, thereby contributing to improving the environment of water and sanitation in greater Cairo.

- **Luxembourg Climate Finance Platform (LCFP).** The LCFP makes junior tranche equity investments in climate-focused equity funds to reduce the risk of investment in senior tranches for private sector players.

- **Poland Green Bond.** 30-year green bond issued by the Republic of Poland to fund renewable energy generation and green infrastructure.

- **Arab Republic of Egypt Green Bond.** First Green Bond issued by a MENA sovereign, to finance or refinance renewable energy, clean transport, energy efficiency and climate change adaptation projects.

- **West Alexandria Wastewater Treatment Plant Extension and Upgrade.** Concessional loan, grant and guarantee to finance the capacity increase and treatment level upgrade of the existing Alexandria West Wastewater Treatment Plant (WWTP).

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