



FAIR SHARE: HOW MUCH, AND HOW IT'S STRUCTURED

GOVERNING PRIVATE FINANCE AND MOBILISING DOMESTIC REVENUE

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AJTN Finance Webinar, July 2026*

HOW MUCH, AND HOW IT'S STRUCTURED

The premise

This series asks how Africa secures her fair share of global climate finance. That is only half the question.

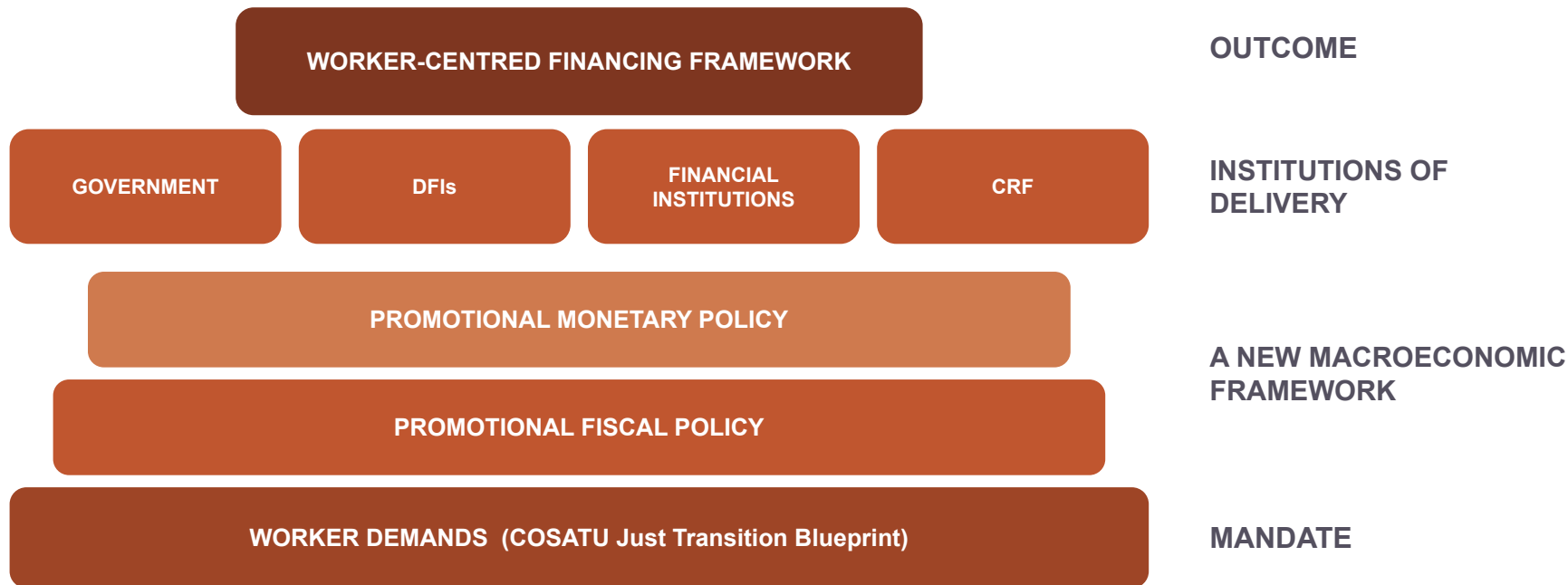
- How much flows in: the volume, terms, and accessibility of international climate finance.
- How it is structured: who owns the resulting assets, who carries the risk, and who pays.

Why it matters

A country can win more inflows and still lose the transition if the finance arrives as private debt that transfers public assets and loads the public balance sheet.

Grounded in the IEJ Worker-Centred Framework for Financing the Just Transition (2025).

AN ALTERNATIVE FINANCING FRAMEWORK



HOW CLIMATE FINANCE ARRIVES TODAY

The landscape: South Africa, 2025

- Tracked climate finance reached a record R188bn a year, up from R131bn in the previous tracking period.
- Private sources and debt instruments still dominate the mix. Grants and development finance institutions remain marginal.
- Energy absorbed 74% of the flows. Adaptation drew only 11%, against an African average of 34%.

The gap

Annual need may reach R499bn, leaving a shortfall of up to R311bn every year.

The problem is not only scale. It is the form the finance takes.

THE COST AND TERMS OF CLIMATE FINANCE

Not only how much, but on what terms

- Africa faces the highest cost of capital in the world, carrying a risk premium of one to three percentage points above what its default record justifies.
- Projects earn revenue in rand but borrow in hard currency. Hedging that mismatch is expensive, and often simply unavailable.
- Financing costs are invisible in most needs estimates, yet they can more than double the lifetime cost of an infrastructure project.

What the JETP shows

Of the \$8.5bn first pledged under the Just Energy Transition Partnership, only about 4% arrived as grants. The rest came as loans.

Concessional still means repayable. Terms, not headline totals, decide who pays for the transition



PART ONE

Governing private and blended finance

Regulation, not just incentives.



BLENDED FINANCE: PROMISE AND REALITY

The promise

- Public money de-risks, private capital crowds in, and a small outlay is said to leverage a much larger private pool.

The reality the framework flags

- The public balance sheet carries the risk while returns accrue privately.
- Infrastructure ends up privately owned, not owned by the people it serves.
- Costs are recovered through user fees, with a profit mark-up.
- Government takes on debt to entice investors, then subsidises use. Past public-private partnerships show this raises debt and the cost of services.

Blended finance is a tool which should not be mistaken for a strategy.



PROMOTIONAL MONETARY POLICY: REGULATION

Regulation, governance and ways of working

- Broaden the SARB mandate to include employment, poverty reduction, and green structural transformation, alongside price stability.
- Define green finance and strengthen the South African Green Finance Taxonomy so terms and methods are consistent.
- Prevent regulatory arbitrage by carbon capital through holistic regulation of all institutions, including non-banks.
- Improve measurement of climate risk: stress testing and mandatory disclosure of firm-level emissions and transition plans.

PROMOTIONAL MONETARY POLICY: CREDIT ALLOCATION

Countering the risk-averseness of financial institutions

- Green-differentiated capital requirements: lower for green lending, higher for harmful assets. Both must run together.
- Interest-rate tools: cheaper refinancing and asset-backed loans for transition-compliant sectors, with no relief for dirty assets.
- Asset-based rules: prescribe green investment. Cutting the retirement offshore limit from 45% to 30% shifts about R2.2trn to R2.8trn onshore.

SAFEGUARDS AND INCLUSION

The worker-centred test

- Labour impact: assess jobs created, lost, and needing reskilling, with the workforce consulted before decisions, not after.
- Community benefit: value that stays local, judged against COSATU's worker demands, people over profit.
- Gender-responsive design: finance structured so women are not last in line for jobs, land, and energy.

PART TWO

Mobilising domestic revenue

The lever an African state actually controls.



PROMOTIONAL FISCAL POLICY: THE CLIMATE RESPONSE FUND

Instrument	Detail	Estimate
Carbon tax (50%)	Raise the effective rate from R7 to R500 per ton by 2040	R22bn
General Fuel Levy (30%)	Ring-fence a share of existing revenue	R33bn
Mineral and petroleum royalties (100%)	Existing revenue, no increase	R13bn
Restructuring savings (50%)	Government restructuring and consolidation	R13.2bn
Retirement reform	Reduce the tax-free allowance; impacts incomes of R750k and over	R20bn

Climate Response Fund (CRF), about R100bn per year: a standing pseudo-sovereign wealth fund that smooths the lumpiness of private and blended flows and funds public goods directly.

Source: IEJ Worker-Centred Framework (2025), Table 1.

CARBON PRICING AND FAIRNESS

A credible price does two jobs: revenue and signal

- The headline rate rose 31% to R308/ton in January 2026, on a legislated path to R462 by 2030.
- Tax-free allowances of 60% to 95% still hold the effective rate near R7/ton, against a Paris-aligned R1 000. The proposed pathway lifts the effective price to R500/ton by 2040, changing behaviour and funding the CRF.

Fairness measures

- Polluter pays; a wealth tax on extractive-linked wealth; a lower retirement deduction cap.

Raise revenue in a way that shifts the burden upward, not onto the households the transition should protect.



INSTITUTIONS OF DELIVERY: DFIs AND THE IDC

The problem

- In 2023 development finance institutions supplied under R10bn, less than 1% of tracked climate finance.
- A public bank run like a commercial one cannot offer the patient capital a transition needs.

The reform (Industrial Development Corporation)

- Recapitalise using the fiscal and monetary tools above; reclassify it from self-financing.
- Fund 20 to 30 year projects, lend below prime, and allow five-year grace periods.
- Democratisate the board away from minerals, energy and finance interests toward labour and civil society.



BRINGING IT TOGETHER

Restructure: govern private and blended finance as a tool inside firm rules, rather than letting de-risking set the terms.

- Redistribute: raise revenue at home through the Climate Response Fund, a credible carbon price, and fair taxes, channelled through reformed public banks.

A fair share means both: more finance from outside and on better terms, and finance structured at home so that workers, not investors, own the transition.

WHAT THIS MEANS ACROSS AFRICA

Transferable principles

- Governments: price carbon credibly and ring-fence it, build a standing climate fund, and free DFIs to lend patient capital.
- Finance institutions: adopt green-differentiated capital rules, disclose and stress-test climate risk, and close arbitrage through the non-bank sector.
- International partners: back grants and concessional finance rather than only de-risking, support direct access and regional aggregation, and respect public ownership of assets.

CONCLUSION

A living framework for a contested moment

- Existing levels of finance, and the instruments delivering it, are failing to meet the need.
- The framework is a living document: regulating private finance, climate and gender-responsive budgeting, and green industrialisation.
- It extends beyond the energy transition, guiding industrial policy and investment toward a new, worker-centred growth path.





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