Synthesis Report
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The Just Transition Agenda Under South Africa's G20 Presidency

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PRESIDENTIAL CLIMATE COMMISSION TOWARDS A JUST TRANSITION

Introduction

On 24 October 2024, the G20 Ministers of Foreign Affairs, Finance, Environment and Climate, as well as central bank governors, met in Washington DC, at the conclusion of the G20 Task Force on a Global Mobilization against Climate Change (TF–CLIMA). The Ministerial Statement issued boldly states that the ministers and central bank governors present are[1]

> determined to lead bold, timely and structural actions in our national economies and in the international financial system with a *view to accelerating and scaling up climate action*, in synergy with sustainable development priorities and efforts to eradicate poverty and hunger.

Paragraph 18 affirms a commitment to[2]

> strong, country-led national transition planning that underpins the ambition and implementation of our respective NDCs [Nationally Determined Contributions], which are and will remain the main vehicle for communicating our countries' efforts to the global fight against climate change. *We support the voluntary use of country platforms* based on strong country ownership, flexible and well adapted to national circumstances as one tool to help translate mitigation, adaptation and resilience-building policies and roadmaps into concrete investment plans supported by both public and private resources, to accelerate action during this critical decade and beyond and to contribute to the Agenda 20 and Sustainable Developments Goals (SDGs) and relevant multilateral agreements.

As the holder of the 2025 presidency of the G20, South Africa is well positioned to provide global leadership with respect to (a) 'accelerating and scaling up climate action' as articulated in South Africa's various commitments to a 'just energy transition' (JET); and (b) 'country-led national transition planning' reflected in its country platform – the Just Energy Transition Investment Plan (JET-IP). Indeed, South Africa was the first to explicitly include the JET in its NDC, embed developmental criteria in renewable energy procurement and publish a country platform.

The aim of this synthesis report is to strengthen the collective commitment of the G20 ministers and central bankers as articulated in the Ministerial Statement referred to above. This includes the focus on what the statement refers to as 'structural actions in our national economies and in the international financial system' as articulated in country platforms.

During the lead-up to the G20 meeting in 2025, three standing working groups of the G20, namely the Environment and Climate Sustainability Working Group, the Sustainable Finance Working Group and the Energy Transitions Working Group, each published issue notes reflecting global perspectives on the main priorities for engagement. While the G20 focuses on global joint action, the Brazilian presidency placed more emphasis on bottom-up country platforms, which provide all countries, but Global South countries in particular, with the opportunity to articulate priority country-level actions that are aligned with – or even go beyond – global priorities. The South African presidency has continued to emphasise country platforms as a methodology for bottom-up forward planning within the overall framework of global priorities.

About 22 countries have either launched or are in the process of drafting their own country platforms for presentation at COP 30. A further 30 countries are considering or preparing their platforms. Not all of these countries are G20 members; nevertheless, the G20 can provide effective leadership in defining the purpose and structure of country platforms. At the centre of these platforms are approaches to financing climate actions and the JET. However, none of the ambitious goals articulated by the G20 working groups in their

[1] Ministerial Statement, The G20 Taskforce on a Global Mobilization against Climate Change (24 October 2024, issued by G20 Brasil 2024) (emphasis added).
[2] Ministerial Statement, G20 Taskforce on Global Mobilization, 24 October 2024 (emphasis added).

respective issue notes can be achieved if the requisite scale and types of finance are unavailable. It is essential to understand country platforms as locally crafted documents that express country priorities and funding requirements.

Country platforms

The 18th G20 Summit in 2024 was hosted by Brazil under the theme *Building a Just World and a Sustainable Planet*. Brazil used its presidency to promote the concept of country platforms, while South Africa is using its G20 presidency to reinforce this commitment. Both countries were early implementers of the idea: in 2022, South Africa announced its JET-IP, and in October 2024, Brazil announced its Brazil Climate and Ecological Transformation Investment Platform. Other countries are now following their example.

Key documents reflecting the country platform concept include the following

- The G20 Eminent Persons Group on Global Financial Governance promoted country platforms as a means to enhance development impact, recommending that international financial institutions and other partners build effective platforms to maximise efforts, unlock investment and align around key standards.
- Under the Saudi presidency, the G20 endorsed the G20 Reference Framework for Effective Country Platforms.
- At COP 26, the concept gained prominence with the launch of South Africa's Just Energy Transition Partnership.
- The country platform concept has also been deployed for sectoral strategies, for example, Egypt's Nexus for Water, Food and Energy programme and Bangladesh's Climate and Development Platform.
- Both the G20 Independent Expert Group and High-Level Expert Group on Climate Finance[3] advocated the use of sectoral country platforms.
- The Viewpoint Note issued by the Heads of MDBs in April 2024 highlights the role of country platforms in accelerating investment at scale.

Although there is no such thing as a 'one-size-fits-all' country platform, the G20 Reference Framework for Effective Country Platforms defines country platforms as 'voluntary country-level mechanisms, set out by governments and designed to foster collaboration among development partners, based on a shared strategic vision and priorities'. The document further provides a 'set of voluntary, non-binding principles for effective country platforms':

- Country platforms should be country-led and country-owned initiatives that reflect country-articulated priorities.
- Country platforms should be customised and adapted to local context, country needs, specificities, priorities and legislation.
- Country platforms should aim to foster a wide mobilisation of development partners.
- Country platforms should foster collaboration and synergies among development partners.

[3] Independent Expert Group, *Strengthening Multilateral Development Banks: The Triple Agenda – Report of the Independent Expert Group* (G20, 2023); High-Level Expert Group on Climate Finance, *A Climate Finance Framework: A Decisive Action to Deliver on the Paris Agreement* (UN Climate Change High-Level Champions, 2023).

- Country platforms should adopt a 'learning by doing' approach, resulting in the constant updating of the platform rather than relying on a single, one-off masterplan.

The main advantages of country platforms are as follows: (a) when mandated at the highest political level, they create opportunities for different government ministries, as well as various non-government stakeholders, to craft a unifying document that expresses a country position rather than a sectoral policy perspective (for example, a narrow focus on the energy transition); (b) they help avoid the tendency of global institutions to define uniform frameworks that are applied at country level to access funding, which can dilute the specificities of each local context and weaken local ownership; (c) they go beyond a narrow focus on the energy transition to mitigate carbon emissions (the focus of South Africa's JET-IP) to include natural capital and biodiversity, and therefore adaptation (with Brazil and other Latin American countries emphasising the importance of this broader approach); (d) they focus on long-term objectives aligned with national development plans; and (e) they are achieved through systemic reforms and integrated investment programmes.

The three working groups

The Sustainable Finance Working Group, Environment and Climate Sustainability Working Group and the Energy Transitions Working Group have each identified their respective priorities in the three issue notes. These priorities are summarised and clustered in Table 1. Five themes emerge from this clustering:

- reforming the global financial system;
- scaling up adaptation, biodiversity, land degradation and oceans;
- increasing financing for the just energy transition, focusing on scale, affordability and carbon markets;
- reducing pollution, including chemicals, waste and air quality; and
- promoting regionalisation with specific reference to the interconnectivity of African energy systems.

Table 1: Priorities of the issue notes

Working group	Reforming the global financial system	Scaling up adaptation	Increasing financing of JET	Reducing pollution	Promoting regionalisation
Sustainable Finance	1. Strengthening the global sustainable finance architecture	2. Scaling up financing for adaptation and just transitions	3. Unlocking the financing potential of carbon markets		
Environment and Climate Sustainability		1. Biodiversity and conservation		4. Chemicals and waste management	
		2. Land degradation, desertification and drought		5. Climate change and air quality	
		3. Oceans and coasts			
Energy Transitions			1. Energy transition		
			2. Just, affordable and inclusive energy transitions		
					3. African interconnectivity

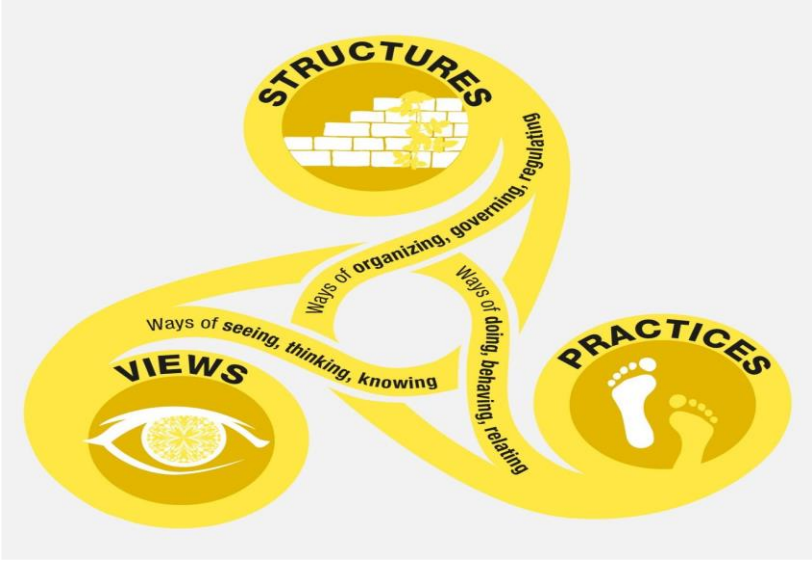
Source: Author's compilation

These five themes can be boiled down to two core challenges: the just energy transition and reforms of the global financial architecture to unlock rapidly expanding pools of climate and sustainability transition finance for mitigation and adaptation. Continued dependence on fossil fuels is the primary driver of biodiversity degradation and pollution. An accelerated energy transition could unlock a new era characterised by a more egalitarian, more ecologically sustainable growth and development pathway.

Much, however, depends on our theory of change. The Ministerial Statement after the October 2024 meeting of the TF-CLIMA cited above echoed the Preamble to the SDGs that refers to a 'transformed' world: '[r]ecognizing the whole of our efforts will be more powerful than the sum of their parts, we will cooperate and join efforts towards a global mobilization against climate change'.[4] This theory of change is referred to in the Ministerial Statement as 'transformational'.

The most rigorous and systematic elaboration of a transformational theory of change was published in 2024 by a multi-country study issued by the Intergovernmental Panel on Biodiversity and Ecosystem Services.[5] This report provides a theory of change that argues that transformative change happens when there are fundamental shifts across three key dimensions: views of the world, structures of society and individual and collective practices. Views refers to 'ways of seeing, thinking and knowing'; structures refers to 'ways of organizing, regulating and governing', in particular policy-making governance structures; and practices refers to 'ways of doing, behaving and relating' including how these practices manifest in institutions that are designed and managed in specific path-dependent ways that reproduce the status quo.

Figure 1: The three interwoven dimensions of transformative change: views, structures and practices



Source: J. Gurung et. al., IPBES, 2024

[4] Ministerial Statement, G20 Taskforce on Global Mobilization, October 24 2024.
[5] J. Gurung, et. al., "Chapter 1: Transformative Change and a Sustainable World," in *Thematic Assessment Report on the Underlying Causes of Biodiversity Loss and the Determinants of Transformative Change and Options for Achieving the 2050 Vision for Biodiversity of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services,* eds. K. O'Brien, L. Garibaldi and A. Agrawal (IPBES Secretariat, 2024), https://doi.org/10.5281/zenodo.11382238.

For this approach, transformational change can be initiated within any of the three dimensions but, once triggered, interactions between them accelerate and the outcome of this complex adaptive system becomes emergent. This means that the result is not easy to control or predict. While several outcomes may be probable, there is little certainty as to which will ultimately materialise. The final outcome depends on the interactions among these dimensions and the leadership exercised by key actors in collectively enabling the most positive trajectory. The G20 provides an ideal forum for fostering this kind of collective leadership response.

Accepting this theory of transformational change, this synthesis report focuses on alternatives to the prevailing views, structures and practices:

- Instead of *views* that underestimate the threat of climate change, the just energy transition must be accelerated in line with the scientific evidence and global commitments to a transformed world.
- Instead of path-dependent financial *structures* and behaviours that constrain the energy transition, greater flows of funding must be unlocked through reforms to the architecture of the global financial system.
- Instead of *practices* that reinforce the status quo, incremental changes must begin to translate the TF-CLIMA commitments into practice.

Current scientific consensus

A 2023 *Financial Times* editorial by Jonathan Derbyshire entitled, 'Year in a Word: Polycrisis', captured the spirit of the times.[6] Polycrisis became a cross-cutting theme at the 2023 World Economic Forum, as it highlights a simultaneous, mutually reinforcing set of nested environmental, geopolitical, social and economic crises.[7] The multiplicity of intersecting challenges has been well documented by several high-level scientific assessments, all of which conclude, in different ways, that transformational change is necessary.[8] These assessments focus on three critical areas of resource and environmental change: climate change (Intergovernmental Panel on Climate Change, or IPCC), biodiversity and ecosystem services (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, or IPBES) and global resource flows (International Resource Panel).

The IPBES Global Assessment[9] concluded that 'urgent and concerted efforts fostering transformative change' are necessary to meet global societal goals, including those related to nature. From a climate perspective, the IPCC Sixth Assessment Report (2023) highlighted a 'rapidly closing window of opportunity

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[6] J. Derbyshire, "Year in a Word: Polycrisis," *Financial Times*, 3 January 2023.
[7] M. Swilling, *Just Transitions: Explorations of Sustainability in an Unfair World* (UN University Press, 2014); UNEP, *Navigating New Horizons: A Global Foresight Report on Planetary Health and Human Wellbeing* (UNEP, 2024), https://wedocs.unep.org/20.500.11822/45890.
[8] IPBES, *Global Assessment Report of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services* (IPBES Secretariat, 2019), https://doi.org/10.5281/zenodo.6417333; H.-C. Pörtner et. al., *Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* (Cambridge University Press, 2022), https://doi.org/10.1017/9781009325844; H.-C. Pörtner et. al., *IPBES-IPCC Co-Sponsored Workshop Report on Biodiversity and Climate Change* (Zenodo, 2021), https://doi.org/10.5281/ZENODO.4782538; The Ocean Panel, *Transformations for a Sustainable Ocean Economy* (2020), https://www.oceanpanel.org/ocean-action/files/transformations-sustainable-ocean-economyeng.pdf; UN Environment (ed.), *Global Environment Outlook – GEO-6: Healthy Planet, Healthy People* 1st ed. (Cambridge University Press, 2019), https://doi.org/10.1017/9781108627146; UNEP, *Making Peace with Nature: A Scientific Blueprint to Tackle the Climate, Biodiversity and Pollution Emergencies* (2021), https://www.unep.org/resources/making-peace-nature; UNEP, *Global Resources Outlook 2024: Bend the Trend – Pathways to a Liveable Planet as Resource Use Spikes* (International Resource Panel, 2024), https://www.unep.org/resources/Global-Resource-Outlook-2024.
[9] IPBES, *Global Assessment Report*, 2019.

to secure a liveable and sustainable future for all'.[10] The International Resource Panel concluded its *Global Resources Outlook 2024* by pointing out that 'bold policy action is critical to phase out unsustainable activities, speed up responsible and innovative ways of meeting human needs, and promote social acceptance of the necessary transitions.'[11]

Despite the widespread scientific consensus across many disciplines that path-dependency is a threat to human existence, there is a growing realisation that not enough is changing fast enough. The upshot is a new literature on tipping points. In essence, this new research shows that climate change and/or biodiversity loss can trigger a cascading set of biophysical tipping points, prompting uncontrolled and sudden shifts that feed back onto one another.[12] Current research shows that several irreversible tipping points are rapidly approaching, including the die-off of low latitude coral reefs, Amazon rainforest destabilisation, the collapse of the Atlantic Meridional Overturning Circulation and loss of the Greenland and West Antarctic ice sheets. Any one of these eventualities could trigger mutually reinforcing feedback loops and cascading negative impacts for humanity and the rest of nature.[13]

There is now a scientific consensus that acting sooner rather than later is both normatively preferable and economically more effective. The influential Stern Report established the principle that addressing climate challenges immediately is cheaper than delaying action.[14] By contrast, postponing measures, even by a decade, could cost twice as much as acting now.[15]

Global energy dynamics

Although energy justice means different things in different contexts, at its simplest, it is when everyone has equal access to affordable and sustainably produced energy. Given that equality is a key theme for the South African G20 presidency, a simple global measure of energy justice is required. Energy is the capacity to do work over a period and is measured in watt-hours (Wh). Power is energy per unit of time, measured in watts. Because energy generated is dependent on the context, power is a better universal measure. The simplest definition of energy justice, therefore, is when everyone has access to 2 kilowatts (kW) of capacity to generate the energy needed at affordable rates.

To achieve this so-called '2kW society', developed world consumers will need to reduce their consumption of primary energy by two-thirds (mainly through energy efficiency plus renewables plus backup), while Africans and Asians will need to triple their consumption (mainly through renewables plus backup).[16] Table

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[10] IPCC, *Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, Core Writing Team, H. Lee and J. Romero (eds.) (IPCC, 2023), https://doi.org/10.59327/IPCC/AR6-9789291691647.
[11] UNEP, *Global Resources Outlook 2024*.
[12] Pörtner et al., *IPBES-IPCC Workshop Report*; T.M. Lenton et. al., eds., *The Global Tipping Points Report 2023* (University of Exeter, 2023).
[13] IAMC, *Global Tipping Points Report* (IIASA, 2023), https://www.iamconsortium.org/resources/publication-resources/global-tipping-points/; D.I.A. McKay et al., "Exceeding 1.5 C Global Warming Could Trigger Multiple Climate Tipping Points," *Science* 377, no. 6611 (2022), https://doi.org/DOI:10.1126/science.abn7950; K. Richardson et. al., "Earth Beyond Six of Nine Planetary Boundaries," *Science Advances* 9, no. 37 (2023), https://doi.org/10.1126/sciadv.adh2458; R.M. van Westen, M. Kliphuis and H.A. Dijkstra, "Physics-based Early Warning Signal Shows That AMOC Is on Tipping Course," *Science Advances* 10, no. 6 (2024), eadk1189, https://doi.org/10.1126/sciadv.adk1189.
[14] N. Stern, *Why Are We Waiting?: The Logic, Urgency, and Promise of Tackling Climate Change* (MIT Press, 2015).
[15] Vivid Economics Limited, *The Urgency of Biodiversity Action* (Vivid Economics Limited, 2021), https://www.naturefinance.net/wp-content/uploads/2022/09/the_urgency_of_biodiversity_action.pdf.
[16] F. Marechal, D. Favrat and J. Eberhard, "Energy in the Perspective of the Sustainable Development: The 2000 W Society Challenge," *Resources, Conservation and Recycling* 44 (2005): 245–262.

2 reveals the disparities in access to power: the US was at 11 050 watts per capita in 2001, the EU at 5 228, China at 1 115 and Africa at 833. These amounts have changed, but the overall pattern remains the same.

Table 2: Energy intensity indicators in selected countries in (Watts per capita, W/cap)

Country	W/cap	Population (million inhabitants)	CO_2 (tco_2/cap)
US	11 050	273	20.5
OECD	6 210	1 116	11.0
Japan	5 401	127	9.14
EU	5 228	379.4	8.46
Switzerland	4 966	7.2	5.60
Former USSR	4 178	290	7.90
Middle East	2 820	162	5.50
World (total)	2 192	5 921	3.90
Latin America	1 450	408	2.10
China	1 115	1 260	2.40
Africa	833	775	0.90
Asia (average)	731	1 850	1.00
Bangladesh	183	127	0.22

Source: F. Marechal, D. Favrat and J. Eberhard, Energy in the Perspective of Sustainable Development: The 2000 W Society Challenge, *Resources, Conservation and Recycling*, 44 (2005): 245–262

If everyone lived an 11kW life like the average citizen of the US, where the bulk of energy is generated from fossil fuels, the CO_2 emissions per capita would be 10 times higher than what is required for a carbon-neutral world. Europe's consumption is roughly half. Africans and Asians have a long way to go to living a 2kW life. Latin Americans come closer to the 2kW mark. The amount of energy Latin Americans need to achieve a Human Development Index like Europeans is roughly half the European average, which is a quarter of the North American average or 2 500kW. Significantly, the renewable energy component of European and North American consumption is rising steadily to between 20% and 50%.

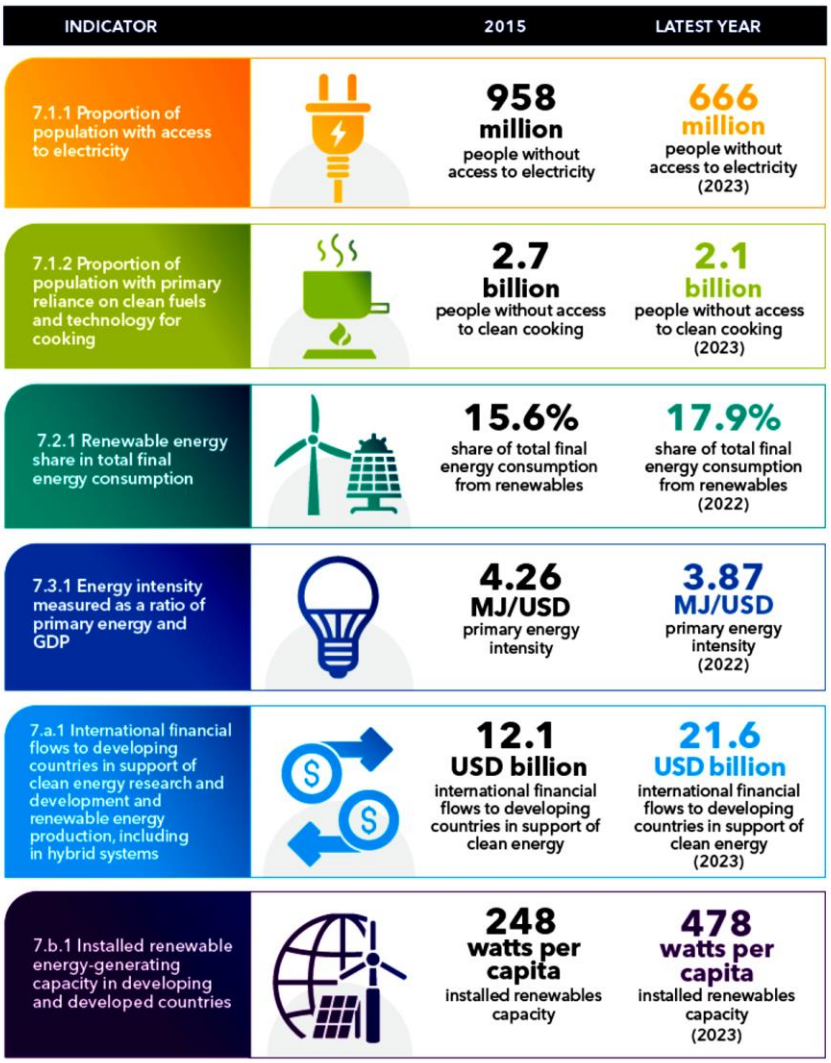
However, even if renewable energy reached 100%, a sustainable zero-carbon society cannot be achieved if energy efficiency is ignored. It is not simply about replacing fossil fuel-generated energy with renewables. Drastic improvements in energy efficiency ('doing more with less') is just as important as energy sufficiency ('doing less with less for some, while others do more with more').

From 2018 to 2023, global renewable energy capacity per capita in watts grew on average on a global basis by 9.4%.[17] The compound annual growth rate of renewables per capita (in Watts) in developed countries was slower than in developing countries during this period, at 7.7% and 17% respectively. Nevertheless, while renewables per capita in developed countries was on average 1162W by 2023 (10% of North American total consumption, and 20% of European consumption), it was 341W in developing countries (comprising 20-40% of total consumption), and only 40W on average across sub-Saharan Africa (less than 10% of total consumption). In short, there is a long way to go to achieve a 2KW society for all: for some, sufficiency means using less energy generated from sustainable sources, while for others it means using more low-carbon energy.

The joint report (see Figure 2) towards achieving SDG 7 (energy for all) by the International Energy Agency (IEA) and partners[18] shows that by 2024, 92% of the world's population had electricity, up from 87% in 2010. The number of people without electricity fell from 958 million in 2015 to 666 million in 2024, mostly in Africa. Access to clean cooking, however, declined slightly. Renewable energy's share of total energy use rose from 15.6% to 17.9% in 2022. Energy efficiency improved using less energy per unit of value created, but progress needs to speed up. Watts per capita of renewable energy increased globally from 248 to 478, albeit highly unevenly, as pointed out above.

[17] IEA, IRENA, UNSD, World Bank, and WHO, *Tracking SDG 7: The Energy Progress Report* (World Bank, 2025).
[18] IEA et al., *Tracking SDG 7*, 2025.

Figure 2: Primary indicators of global progress toward the SDG 7 targets



Source: IEA, the International Renewable Energy Agency, Tracking SDG 7: The Energy Progress Report (World Bank, 2025).

According to the report by IEA and partners,[19] financial flows to developing countries for energy-related research and development, as well as renewable energy production, reached $21.6 billion in 2023 – a 29% increase compared to 2022. However, this was lower than the high of $28.4 billion in 2016. Country commitments remain heavily concentrated, although they are gradually diversifying. The developing countries that received the highest levels of international public investment in 2023 were India ($3 billion), Türkiye ($1.4 billion), Uzbekistan ($1.2 billion), South Africa ($935 million) and Nigeria ($829 million). A broader range of countries is benefitting from increased renewable energy investments, rising from 19 countries in 2021, which collectively received 80% of the investments, to 29 countries in 2023. Investments in least developed countries are increasing significantly.

[19] IEA et al., *Tracking SDG 7*, 2025.

Reforming global finance to unlock funding for the JET, just adaptation and climate resilience

In a pathbreaking report by the Inter-Agency Task Force on Finance for Development entitled *Financing for Sustainable Development Report 2023,*[20] it is clearly argued that[21] current international financial architecture – the governance arrangements for both safeguarding the functioning of the global monetary and financial systems and ensuring that the system is aligned with sustainable development – has not kept pace with the changing global landscape. … Some have used the term 'non-system' to describe the existing set of international financial frameworks and rules, institutions and markets that have evolved with different phases of economic globalisation, often in ad hoc fashion and in response to economic and financial shocks. Even in a narrow economic context, capital is not allocated to its most productive uses, and the architecture fails to avert boom-and-bust cycles.

This echoes the *Green Economy Report* issued by the UN Environment Programme in 2011:[22]

> The causes of these crises vary, but at a fundamental level they all share a common feature: the gross misallocation of capital. During the last two decades, much capital was poured into property, fossil fuels and structured financial assets with embedded derivatives. However, relatively little in comparison was invested in renewable energy, energy efficiency, public transportation, sustainable agriculture, ecosystem and biodiversity protection, and land and water conservation.

The Fourth Finance for Development Summit (FfD4), held in July 2025 in Seville, Spain, reaffirmed the global commitment to reforming the architecture of the international financial system. The *Sustainable Development Report 2025* echoed the above reports when it noted that the FfD4 Agenda includes addressing the following challenge:[23]

> UN member states must agree on critical reforms of the international financial markets to ensure that the world's savings flow to countries with the highest investment returns and the highest growth prospects – which are the poorer countries. This is not the case today. The international financial markets are led by faulty regulations and policies to favour countries that use the major international currencies, notably the US dollar and the euro, as well as countries already favoured by the US Federal Reserve and the European Central Bank. The rest of the world, especially the poorer countries, is largely cut off from international capital by low credit ratings that punish poor countries as a matter of formula rather than economic logic, and by a maze of unilateral economic sanctions imposed by the key-currency countries. The IMF and the World Bank also fail to recognize the crucial positive role of long-term debt financing for development, instead favouring a debt sustainability system that discourages or even bars the long-term financing of infrastructure and human capital in poorer countries.

It is unsurprising that calls to reform the global financial system to address the pressing challenges humanity faces are gaining traction and being translated into commitments. Over the past two years, several African leaders, including the president of South Africa, have reinforced the need for fundamental changes to the global financial architecture. The Africa Climate Summit held in Kenya, in September 2023, resulted in the Nairobi Declaration,[24] which clearly reiterated this call. The UN secretary-general has repeatedly

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[20] Coordinated by the UN Department of Economic and Social Affairs, this Inter-Agency Task Team included the World Bank Group, International Monetary Fund, World Trade Organization, UN Conference on Trade and Development and the UN Development Programme, plus all five regional UN economic commissions, 52 specialised UN agencies and a set of related influential global research institutions.

[21] Inter-Agency Task Force on Financing for Development, *Financing for Sustainable Development Report 2023* (UN, 2023), https://desapublications.un.org/publications/financing-sustainable-development-report-2023.

[22] UNEP, *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication* (UNEP, 2011): 14.

[23] J. Sachs et al., *Sustainable Development Report 2025: Financing Sustainable Development to 2030 and Mid-Century* (PICA Press, 2025), https://s3.amazonaws.com/sustainabledevelopment.report/2025/sustainable-development-report-2025.pdf.

[24] Africa Climate Summit 2023, *The Nairobi Declaration* (ACS2023, 2023), https://africaclimatesummit.org/.

emphasised the necessity of global financial reform,[25] and the Pact for the Future, held in September 2024, included sections (Actions 48–53) that echoed the Nairobi Declaration.[26]

The Bank for International Settlements, the global hub of the world's central banks, calls climate change a 'green swan event'.[27] Unlike a black swan, which is unpredictable, a green swan can be anticipated, and inaction could be even more devastating. Climate change threatens the stability of the global financial system. In response, the Network for Greening the Financial System was established. With 140 members, it is the leading central bank network on climate, aiming to develop tools to integrate climate-related risks into supervision and monetary policy.

There are numerous initiatives underway that could result in fundamental changes to the way the global financial system works. These include the Bridgetown Initiative,[28] launched by the prime minister of Barbados, Mia Motley, which calls for a major overhaul with far-reaching implications for how developing countries gain access to more and cheaper finance.

The UN secretary-general's *SDG Stimulus to Deliver Agenda 2030 Report* (2023)[29] makes a similar argument, supported by alarming data on global financial flows and debt. The Paris Summit on New Global Financing,[30] hosted in 2025 by President Emmanuel Macron, reinforced calls to reform the global financial system, and particularly the World Bank. This reform has now become an explicit commitment in the World Bank's Evolution Roadmap.

Other initiatives include the G20's Capital Adequacy Framework,[31] aimed at increasing lending by multilateral development banks (MDBs); growing pressure, particularly from the African Development Bank, on the International Monetary Fund (IMF) to redirect Special Drawing Rights (SDRs) in favour of developing countries; and India's efforts under its G20 presidency to strengthen the Global Sovereign Debt Roundtable, a joint initiative of the IMF, World Bank and the current G20 presidency, which is South Africa.

Egypt, as host of COP 27, launched the Sustainable Debt Coalition, while the V20 (originally the 20 most vulnerable countries, now expanded to 58, including 24 African countries) has proposed the Emergency Coalition for Debt Sustainability and Climate Prosperity.

The most comprehensive set of proposals for reforming the global financial system from an African perspective was articulated by Carlos Lopez, former secretary-general of the UN Economic Commission for Africa. Building on the seminal work by UN Economic Commission for Africa-coordinated High-Level Working Group on the Global Financial Architecture, he authored a 2023 report published by the Africa Climate Foundation, entitled *Priorities for an Equitable Reform of the Global Financial System: Unlocking*

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[25] UN Department of Economic and Social Affairs, United Nations, *UN Chief Outlines Strategy to Reshape Global Finance for Sustainable Development* (2025), https://www.un.org/sw/desa/un-chief-outlines-strategy-reshape-global-finance-sustainable-development.
[26] UN, *Pact for the Future, Global Digital Compact and Declaration on Future Generations* (2024), https://www.un.org/en/summit-of-the-future/pact-for-the-future.
[27] P. Bolton et al., *The Green Swan: Central Banking and Financial Stability in the Age of Climate Change* (Bank for International Settlements, 2020), https://www.bis.org/publ/othp31.pdf.
[28] World Economic Forum, *The Bridgetown Initiative: Here's Everything You Need to Know (*World Economic Forum, 13 January 2023), https://www.weforum.org/stories/2023/01/barbados-bridgetown-initiative-climate-change/.
[29] UN, *United Nations Secretary-General's SDG Stimulus to Deliver Agenda 2030* (UN, 2023) https://digitallibrary.un.org/record/4005810?ln=en&v=pdf.
[30] Climate Chance, *A Summit for a 'New Global Financial Pact': Towards More Commitments to Achieve the 2030 Agenda? (*Climate Chance, 22 June 2023), https://www.climate-chance.org/en/event-calendar/summit-financial-pact-international-aid-fund/.
[31] Indonesian and Italian G20 Presidencies, *Boosting MDBs' Investing Capacity: An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks* (2022), https://www.dt.mef.gov.it/en/news/2022/news_caf.html.

Climate Investment and Sustainable Development in Africa.[32] The report proposes a roadmap for Africa with 15 far-reaching recommendations.

In addition to emphasising the need to reform the World Bank, the report addresses key challenges. These include the extraordinarily high cost of capital, outward flows of capital from Africa, the absence of an African voice in global financial governance and the rising indebtedness of African governments as they borrow increasingly to manage costly climate catastrophes. Lopez calls for Africa to take its rightful place in global financial institutions such as the IMF Board, the G20 and other recommended institutional reconfigurations.

The Africa Climate Foundation report authored by Lopez reinforced the AU's Presidential Dialogue on AU Financial Institutions, Reforms of the Global Financial Architecture and the Launch of the Africa Club held in Addis Ababa on 17 February 2024. This dialogue confirmed and reinforced the position articulated in the Nairobi Declaration and emphasised the critical 'cost of capital' challenge.

The starting point for any discussion on the reform of the global financial system should be the global estimates of what will be required to achieve the SDGs – estimates that have increased over the years:

- In 2014, the UN's Conference on Trade and Development's *World Investment Report*[33] estimated that $2.5 trillion per year would be required by countries in the Global South.
- By 2023, estimates had risen: according to the High-Level Advisory Board on Effective Multilateralism,[34] the annual cost of achieving the SDGs was estimated at $3.9–$5 trillion.

When we ask about the challenge of mobilising finance for sustainable transformation, these numbers mark out the territory. What they suggest is a massive expansion of the balance sheets of the world to accommodate the construction of large swathes of new climate-resilient infrastructure, but also mechanisms for managing the looming threat of stranded assets and large-scale devaluations.

According to the Climate Policy Initiative,[35] global climate finance hit an all-time high of $1.9 trillion in 2023, more than double what it was in 2019. If this rate of increase continues, meeting the target of $6 trillion – the most conservative estimate of required annual climate investment – may be reachable by 2028. The IMF estimated that environmental, social and governance-related debt issuance reached $1.6 trillion in 2021, a 116% increase over 2020. About 4 000 organisations have signed the Principles for Responsible Investment, and 450 major financial institutions from 45 countries have joined the GFANZ initiative (Glasgow Financial Alliance for Net Zero).[36]

And yet, there are many contradictions

[32] The African Climate Foundation, *Priorities for an Equitable Reform of the Global Financial System: Unlocking Climate Investment and Sustainable Development in Africa,* (The African Climate Foundation, 2023) https://africanclimatefoundation.org/research-article/priorities-for-an-equitable-reform-of-the-global-financial-system/.
[33] UN Conference on Trade and Development, *World Investment Report 2014: Investing in the SDGs – An Action Plan* (UNCTAD, 2014), https://unctad.org/system/files/official-document/wir2014_en.pdf.
[34] High-Level Advisory Board on Effective Multilateralism, *A Breakthrough for People and Planet* (UN University Centre for Policy Research, 2023), https://unu.edu/cpr/project/high-level-advisory-board-effective-multilateralism.
[35] Climate Policy Initiative, *Global Landscape of Climate Finance* (2025), https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2025/.
[36] Global Financial Alliance for Net Zero, *Mobilizing Capital and Driven Transition Finance Opportunities and Solutions,* https://www.gfanzero.com/, accessed August 17, 2025.

There is growing evidence of greenwashing.[37] Eleven of the biggest European banks own fossil fuel assets worth 95% of their equity. Similarly, 65 of the world's largest banks invested $7.9 trillion in fossil fuel assets between the signing of the Paris Agreement in 2015 and 2024. In 2024 alone, these banks invested $869 billion in fossil fuel companies, which included $429 billion in companies that expanded their fossil fuel production and infrastructure in 2024. The biggest fossil fuel banks are JP Morgan Chase, Bank of America, Citigroup, Mizuho Financial and Wells Fargo.[38]

It has been estimated that $2 trillion flowed illegally out of Africa into international tax havens between 1970 and 2014, with $600 billion of that amount leaving the continent after 2000. Including interest, the total is estimated at $2.4 trillion.[39] This is three times higher than Africa's total accumulated debt by 2018. By comparison, total official development assistance for the period 1990 to 2015 amounted to $2.6 trillion.

According to the UN secretary-general's *SDG Stimulus to Deliver Agenda 2030 Report*,[40] a key global challenge is the high cost of capital faced by developing countries. The report notes that the average cost of capital in least developed countries was 5% to 8% before interest rates started to rise, compared with 1% to 2% in developed countries. Some African countries pay up to 15% interest on the debt they can access, even though the African region has the lowest default rate for infrastructure projects worldwide at 5.5%.[41]

According to Professor Ghosh, 113 countries pay more on debt than they spend on health and education combined.[42] Thirty-seven of 69 of the poorest countries are in debt distress – most of them are in Africa.[43] Most of these countries would not be in debt distress if they could borrow at 1%.

If African countries are required to borrow at 5% to 15% to fund climate actions aimed at achieving climate goals that benefit all of humanity, then what that means is that they are being asked to become more indebted, with detrimental socio-economic implications for their own populations, in order to mitigate climate change that they did not create.

Despite the efforts of South Africa and other countries with country platforms, debt remains the bulk of international financing for renewable energy in developing countries. According to the *Report of the Independent High-Level Expert Group on Climate Finance*, by 2021 63% of climate finance from all sources was debt, of which only 16% was low-cost or concessional. Equity financing comprised 32%, while grants accounted for just 5%.[44]

The IEA report estimate that in 2023, debt represented 83% of international public financial flows into developing countries, up from 70% in 2022. Grants declined by nearly 40%, making up only 9.8% of flows,

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[37] G. Giraud et. al., *Fossil Assets: The New Subprimes?* (Institut Rousseau, Les Amis de la Terre France, Reclaim Finance, 2021), https://reclaimfinance.org/site/wp-content/uploads/2021/06/Report-Fossil-Assets-the-new-subprimes.pdf.
[38] Banking on Climate Chaos, *Banking on Climate Chaos: Fossil Fuel Finance Report 2025*, url:https://www.bankingonclimatechaos.org/?bank=JPMorgan%20Chase#fulldata-panel, accessed August 17, 2025.
[39] L. Ndikumana, and J. Boyce, *On the Trail of Capital Flight from Africa: The Takers and the Enablers* (Oxford University Press, 2022).
[40] UN, *United Nations Secretary-General's SDG Stimulus to Deliver Agenda 2030* (UN, 2023) https://digitallibrary.un.org/record/4005810?ln=en&v=pdf.
[41] African Climate Foundation, *Priorities for an Equitable Reform of the Global Financial System* (2023).
[42] J. Ghosh, *Schizophrenia at the IMF*, (Project Syndicate, 19 April 2023), https://www.project-syndicate.org/commentary/imf-acknowledges-austerity-does-not-lead-to-debt-reduction-by-jayati-ghosh-2023-04.
[43] International Monetary Fund, List of LIC-DSAs (IMF, 2025) https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.
[44] V. Songwe, N. Stern and A. Bhattacharya, *Finance for Climate Action: Scaling Up Investment For Climate and Development* (Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science, 2022), https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action-1.pdf.

while equity financing accounted for just 3.7%. In other words, public funding reinforces rather than offsets the overall composition of total funding flows.

Africa as low priority

According to the African Development Bank,[45] only 2% of the $2.8 trillion invested in renewable energy between 2000 and 2020 was directed to Africa. It is a scientific certainty that if Africa relies on fossil fuels for its energy needs, the Paris Agreement targets will not be met. Africa's generation capacity for a population of over 1 billion, measured in terawatt-hours, is roughly equal to that of France and Germany combined, despite their population totalling only 140 million. With a rapidly growing population, Africa needs massive quantities of energy. Given this scientific certainty, one might have expected significantly greater investment in Africa to support a low-carbon development pathway, but this is not the case. Indeed, since 2020, climate finance into Africa has not exceeded 2%.[46] This is woefully inadequate for a continent that is home to 12 of the 20 countries on the IMF's list of the fastest growing economies in the world in 2024.

African countries are falling ever deeper into debt, with debt levels now the highest in a decade.[47] Debt comprises a quarter of the African region's gross domestic product (GDP). By 2025, the combined debt of all African countries was over $1.8 trillion – 170% higher than in 2010. This creates increasingly serious refinancing risks for the continent, which could evolve into a full-blown liquidity crisis. Servicing this debt is further complicated by the low tax-to-GDP ratio, averaging at about 16% – the result of decades of neoliberal advice to lower taxes as a growth catalyst.

The bottom line is that the global financial architecture enables the systematic flow of capital out of African economies. This is exacerbated by climate change, which catalyses a vicious circle of rising climate costs and debt distress. It is estimated that African countries spend 3% to 5% of their GDP on climate change-related responses. Climate change could lower African GDP by 2% to 4% by 2040 in a business-as-usual scenario.[48]

The African challenge

There are various estimates of the scale of the African financing challenge.

According to the African Development Bank, achieving the continent's NDCs requires $127 billion annually. However, current investment levels are only about $30 billion per year, leaving an annual funding gap of about $97 billion.[49]

The Climate Policy Initiative estimates that the annual requirement is $277 billion, while current investment levels are $37 billion, leaving an annual funding gap of $240 billion.[50]

Yet another authoritative estimate is provided by the Columbia Center on Sustainable Development at Columbia University, which estimated that $136 billion is required annually to fund an economy-wide low-

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[45] African Development Bank, *African Economic Outlook 2022,* (African Development Bank, 2022), https://www.afdb.org/en/documents/african-economic-outlook-2022 [Accessed 17 August 2025]
[46] African Development Bank, *African Economic Outlook 2022*.
[47] African Climate Foundation, *Priorities for an Equitable Reform of the Global Financial System* (2023).
[48] African Climate Foundation, *Priorities for an Equitable Reform of the Global Financial System* (2023).
[49] African Development Bank, *African Economic Outlook 2022*.
[50] Climate Policy Initiative, *Landscape of Climate Finance in Africa (Climate Policy Initiative, 2022)* *https://www.climatepolicyinitiative.org/publication/landscape-of-climate-finance-in-africa/*.

carbon energisation programme, compared with an estimated annual investment of only $4 billion, leaving an annual funding gap of $132 billion.[51]

In short, according to these estimates, the funding gap is between $97 billion and $240 billion every year.

With Africa's population growing faster than anticipated and its GDP growth rates remaining relatively high, the world is starting to realise its invested interest in ensuring that Africa does not rely on fossil fuels for energisation if the Paris Agreement targets are to be met. This realisation could translate into greater attention and effort to increase climate finance flows into African countries.

The Bridgetown Initiative, endorsed in the Nairobi Declaration, is a platform of reforms that, if implemented, would result in a fundamental global restructuring and re-alignment of the world's balance sheets. Five clusters of reforms are envisaged:

- Make the global financial system more shock-absorbent and flexible by incorporating 'pause clauses' into all debt agreements, allowing for two-year suspensions of payments in the event of climate-related shocks. While many MDBs have accepted this idea, most debt is held by the private sector and there is not much appetite there for such an idea.
- Promote greater and more flexible global liquidity by ensuring that the IMF issues more SDRs in a predictable and consistent manner, until the total volume of SDRs reaches 20% of global reserves, and is adjusted regularly thereafter to maintain this proportion.
- Unblock the flow of private capital. Private capital does not flow in sufficient quantities to developing countries because of the asymmetrical structure of the financial system that defines certain currencies as stable and the rest as risky, driving up borrowing costs. A systemic global guarantee mechanism should be aimed at unlocking private flows of capital. Guarantees are nothing more than using one set of balance sheets to underwrite the expansion of another set for the sake of raising the total levels of investment in so-called 'risky' jurisdictions.
- Triple the size of the MDBs, with expanded lending capacity focused on building resilience in vulnerable parts of the world. This can be achieved by sweating the existing balance sheets[52] (as advocated by the G20 *Capital Adequacy Report*) plus new capital injections from member states equal to $100 billion over 10 years.
- Establish a Loss and Damage Fund to provide financial support to countries affected by environmental catastrophes, reducing their need to rely on debt for recovery. One option would be to use revenues from (the anti-developmental) Carbon Border Adjustment Mechanism taxes for this purpose or to seed the fund with SDRs in some way.

As head of the G20 presidency, South Africa's president has placed key African issues on the G20 Agenda for 2025, with the rising 'cost of capital' as the top priority. To address this, he has appointed the G20 Africa Expert Panel on Cost of Capital and Financing. This move underscores the absolute centrality of the cost of capital challenge for African development and reflects the African position, articulated in the Nairobi Declaration and the AU's Presidential Dialogue, that the problem can only be resolved through reforms to the global financial system.

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[51] Columbia Center on Sustainable Investment, *Roadmap to Zero-Carbon Electrification of Africa by 2050: The Green Energy Transition and the Role of the Natural Resources Sector (Minerals, Fossil Fuels, and Land)* (Columbia University, 2022) https://ccsi.columbia.edu/content/roadmap-zero-carbon-electrification-africa.

[52] Maximising their existing financial capacity to increase lending and mobilise more private investment for development projects, without requiring significant new capital from shareholder countries.

The increasing number of African countries that have followed the South African example of formulating a JET platform is a positive sign that African governments are recognising the need to be proactive. They all have NDCs, but these must be turned into country platforms that connect the just energy transition, nature-based solutions and climate resilience.

The South African JET-IP is significant not only because it was one of the first country platforms but also because it was formulated by a task team of South African experts appointed by the president. The JET-IP estimates that R1.5 trillion will be required to fund the energy transition over the next five years. Only 10% of this is expected to come from international donors, including the $8.5 billion pledge announced at COP 26, which has grown with subsequent commitments. The rest will have to be sourced from South Africa's domestic financial resources. There is no doubt that this is possible, but only if the appropriate institutional mechanisms are put in place to unlock what is largely private sector funding.

Role of public development banks

The Bridgetown Initiative, however, has under-emphasised the potential of the world's public development bank (PDBs), otherwise known as development finance institutions (DFIs). Recent research shows that there are now 522 PDBs across all world regions. They currently hold $23 trillion worth of assets and invest $2.5 trillion annually, which is equal to 10%–12% of total investment.[53] Furthermore, the assets of these PDBs have tripled since the 2008 global financial crisis and have now gained an identity they never had before as a result of the five annual Finance in Common Summits that have taken place since 2019. The Finance in Common Summits is now the most significant global network of DFIs.

If the principle of a three-fold increase in the investments made by MDBs (as advocated by the Bridgetown Initiative) is applied to all PDBs, that would increase the investments made by these institutions from $2.5 trillion to $7.5 trillion annually. Even if only half of this is achieved, and most of the investments were SDG-oriented, it could bring the global annual target of $3.9 trillion to $5 trillion within reach.

Where will the money come from? Time for new thinking?

It may be the right time for African countries, and the Global South more broadly, to start thinking creatively about how they can massively scale up the funding required to achieve the SDGs and climate goals. Despite the many initiatives and expert reports referred to above, it remains unclear what debt-distressed African governments should be considering. The three dominant strategies for raising and allocating additional capital are market-oriented approaches, fiscal expansion and quantitative easing (QE).

As far as the market-oriented approach is concerned, the much-favoured solution is 'blended finance', which requires the state to step back to let private capital fill the gap. This has been colloquially referred to as the 'billions to trillions' approach. As Mazzucato has observed, there is little evidence that this strategy has been successful.[54] In practice, the market approach boils down to pricing in carbon, reinforcing carbon markets and giving central banks a watching brief to ensure banks do what is necessary to ensure

[53] J. Xu et al., "What are Public Development Banks and Development Financing Institutions? – Qualification Criteria, Stylized Facts and Development Trends", *China Economic Quarterly International,* 1(2021): 271–294.
[54] M. Mazzucato and R. Vieira de Sá, *Not the Gap: Rethinking Blended Finance for Public Purpose* (Institute for Innovation and Public Purpose, Working Paper WP2025-09, 2025).

what the Bank for International Settlements calls climate resilience. In a speech at Nelson Mandela University in October 2024, the South African Reserve Bank governor articulated this position.[55]

The second strategy involves fiscal expansion, in other words, 'increase taxes, borrow more and spend more'. This Keynesian approach focuses on injecting cash into green infrastructure. For proponents, reasuries are central to managing higher taxes, more borrowing and targeted spending. However, in countries with limited fiscal space due to high debt, increasing unmet demands and low growth, it is difficult to see how this approach could be effectively implemented.

The less conventional monetary approach, QE, has been used by central banks in recent years to counteract recessionary conditions when fiscal policy is ineffectual. Some have proposed a 'green QE'.[56] Once again, in debt- and capacity-constrained environments, it is difficult to see how printing money could meaningfully stimulate green growth.

The risks of all three strategies make them questionable: market-centred strategies may be too slow; green Keynesian fiscal expansion has serious limitations in a world burdened by high sovereign debt, especially in Africa; and 'green QE' carries potentially devastating inflationary consequences, especially if the funds are directed to unproductive economic activities.[57]

A fourth strategy, proposed in a report prepared for South Africa's National Planning Commission, is the so-called 'monetary architecture' approach.[58]

If we are serious about mobilising the finance required to address the challenges, we will have to go beyond the paradigms that dominated 20th century thinking. A Keynesian solution may have been appropriate when the value of financial assets was 30% of GDP (in the 1950s), but not today, when financial assets total 620% of GDP.[59] The balance of power is not aligned with global needs, hence the proliferation of calls for reforms of the global financial system. Similarly, a market-centred solution rests on the assumption that economies tend towards equilibrium and therefore state intervention is irrational. The empirical and theoretical justification for equilibrium economics can no longer be sustained. Even some of the most prominent economists who once defended general equilibrium models have questioned their usefulness.[60]

The monetary architecture approach is a systems-based strategy that assumes the credit-based dollar-dominated financial ecosystem is a web of interlocking balance sheets.[61] Everyone's liability is someone else's asset, and vice versa. Once this monetary landscape has been mapped, it becomes possible to identify what the National Planning Commission report refers to as 'elasticity spaces' – combinations of balance sheets that could be most effectively expanded to generate the capital required to finance the green transformation. Making a distinction between 'fire fighters' and 'heavy lifters', the report argues that

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[55] L. Kganyago, "Climate Change and Policy Coordination: What Can Central Banks Do?", talk presented at Nelson Mandela University, Gqeberha, 19 October 2023, South African Reserve Bank, https://www.resbank.co.za/content/dam/sarb/publications/speeches/speeches-by-governors/2023/gov-kganyago/Speech%20by%20Governor%20Lesetja%20Kganyago%20at%20the%20Nelson%20Mandela%20University.pdf.

[56] R. Abiry et al., *Climate Change Mitigation: How Effective Is Green Quantitative Easing?* (European Central Bank, Working Paper Series No. 2701, 2022), https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2701~72d8bfaa67.en.pdf.

[57] S. Murau, A. Haas and A. Guter-Sandu, "Monetary Architecture and the Green Transition", *Environment and Planning A: Economy and Space* 56 No. 2 (27 September 2023): 382–401.

[58] To be published in October 2025.

[59] Financial Stability Board, *Global Monitoring Report on Non-Bank Financial Intermediation* (Financial Stability Board, 2022), https://www.fsb.org/2022/12/global-monitoring-report-on-non-bank-financial-intermediation-2022/.

[60] M. Swilling, and G. Giraud, "Why Microeconomic Policies Cannot Work If Macroeconomic Policies Are Wrong", *Daily Maverick,* 5 September 2019, https://www.dailymaverick.co.za/article/2019-09-05-why-microeconomic-policies-cannot-work-if-macroeconomic-policies-are-wrong/.

[61] Murau, Haas and Guter-Sandu, "Monetary Architecture and the Green Transition," 382–401.

the central bank should be left sufficiently unencumbered to act as a fire fighter when inevitable bubbles and crises hit. To some extent, the same principle applies to the National Treasury.

The heavy lifters could be a combination of state-owned enterprises, DFIs, various special purpose vehicles, pension and insurance funds, and other non-banking financial institutions, such as asset managers and smaller financial intermediaries. In the African context, the heavy lifters would have to include international agencies involved in the transfer of concessional debt and grants to African countries, supported by regular allocations of SDRs. The growth in African pension and insurance funds, plus the many sovereign wealth funds, also has a role. The result would be a massive expansion of the heavy lifters' balance sheets, within a system where fire fighters are empowered to intervene and restore balance when crises occur, which they inevitably will. For this approach to succeed, states would have to develop the capacity for this kind of macro-financial governance.

Herewith, three examples to illustrate the advantage of a balance sheet perspective: since 2022, rooftop solar installations in South Africa have reached the 6gW mark. This equals a financial investment of at least R90 billion. Without anyone planning it, this was achieved because the balance sheets of households and businesses were leveraged, financed mainly by commercial banks.

Another example would be the positive impact of transferring the prudential authority of the Development Bank of Southern Africa (DBSA) from the National Treasury to the South African Reserve Bank so that the former is seen by the South African capital markets to be regulated like all other banks. The DBSA has articulated this option publicly and the minister of finance has supported it. This move would re-establish trust and allow the DBSA to possibly quadruple the size of its R110 billion book. The 14 largest South African DFIs account for over 95% of all DFI assets, worth over R300 billion. They remain, however, a fraction of commercial bank assets of over R6 trillion.

A third example is Creation Capital Investments (Pty) Ltd, which provides pension funds (under pressure to adhere to Regulation 28) with a mechanism to invest in a listed note, on the condition that the funds are directed into infrastructure projects, which are unlisted assets.

All three are balance sheet reconfigurations that unlock capital without increasing pressure on the fiscus. We need hundreds of these innovations as soon as possible.

Recommendations

Returning to the theory of change, the following broad-based recommendations are proposed for consideration.

Views

Connect climate change, an accelerated energy transition, and the need for reforms of the global financial system. The good work by the three G20 working groups discussed in this report needs to be integrated into a reconceptualised, action-oriented framework that connects climate change, the energy transition and reforms of the global financial system. The need for such an integrated approach was re-emphasised at the Finance for Development Summit in July 2025. This is what the Nairobi Declaration and the Pact for the Future have called for, and it is a necessary condition for implementing the TF-CLIMA approach.

Find creative ways to unlock new financial flows. Given that many countries in the Global South do not have the fiscal space to increase taxes, debt and spending, or can risk relaxing monetary policies,

alternatives are needed that go beyond relying only on market mechanisms. Following the example of South Africa's National Planning Commission, this will mean re-imagining the architecture of every national financial system. A monetary architecture approach will make it possible for governments and stakeholders to identify potential pools of capital that can be unlocked by reconfiguring the relationships between a multiplicity of private and public balance sheets.

Structures

Reinforce the implementation of the UN Framework Convention on Climate Change's Global Stocktake recommendations for ratcheting up the ambition of every country's NDC.

Reinforce the resolutions of the FfD4, which in turn reinforce various G20 commitments to accelerate the just energy transition (including TF-CLIMA). The G20 should consider establishing a High-Level Committee aimed at reinforcing the implementation of these resolutions.

Reinforce the two most significant public banking networks, namely the Network for Greening the Financial System and the Finance in Common network of DFIs. Public-owned financial institutions have a key role to play in guiding the reforms of the global financial system. A structure is required to align these networks with one another and with the work of the G20.

Practices

Provide support for national-level processes aimed at formulating (or updating) country platforms. Country platforms are a new set of innovative practices that enable cross-sectoral and multi-level governance planning to accelerate the energy transition. Because they are country-led, their respective financial recommendations reflect country-level priorities rather than the priorities of international agencies and investors. This is where the integration of climate targets (based on more ambitious NDCs), just energy transition ambitions and financial investment requirements comes together. Reforms to the global financial system should take their lead from the patterns that emerge from this global movement of bottom-up energy and financial planning.

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About SAIIA

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