TJNA's Position on Climate Finance, Fiscal Sovereignty and Africa's Just Transition

Introduction

Climate change represents one of the greatest development, fiscal, and governance challenges facing African countries. Although Africa contributes less than 4 per cent of global greenhouse gas emissions, it remains among the regions most vulnerable to climate-related shocks, which threaten economic growth, public health, livelihoods, infrastructure, and broader development aspirations across the continent[1]. African governments also face increasing costs associated with adaptation, disaster response, loss and damage, resilient infrastructure, sustainable agriculture, energy access, and economic transformation. The resources required to respond to these challenges far exceed current climate finance flows. The African Development Bank estimates that Africa requires approximately US$277 billion annually to implement its Nationally Determined Contributions (NDCs) by 203[2] yet actual climate finance flows [3] significantly below these needs[4].

Despite repeated commitments under the United Nations Framework Convention on Climate Change (UNFCCC), climate finance remains inadequate, difficult to access, and heavily reliant on debt-creating instruments. Many African countries continue to spend more on debt servicing than on climate adaptation[5] and resilience-building[6], while simultaneously losing billions through illicit financial flows[7], aggressive tax avoidance, harmful tax incentives, and inequitable international financial rules[8].

This raises a fundamental question of climate justice, fiscal justice, economic sovereignty, and structural transformation. Addressing Africa's climate finance challenge requires moving beyond narrow discussions of financial transfers and confronting the structural drivers of fiscal vulnerability, inequality, and underdevelopment.

Climate Finance as a Matter of Justice, Not Charity

Climate finance should not be understood as development assistance or charitable support from developed countries to developing countries. Rather, it is grounded in principles of historical responsibility and climate justice. The IPCC highlights that industrialisation pathways pursued by developed countries generated the majority of historical greenhouse gas emissions responsible for the current climate crisis, yet countries that have contributed least to climate change continue to experience some of its most severe impacts. This asymmetry is reflected in the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC), enshrined in the UNFCCC and reaffirmed in the Paris Agreement.

Recent developments in international law, including the International Court of Justice's advisory opinion on States' obligations in respect of climate change[9], further underscore that States have binding duties to prevent significant harm to the climate system and to cooperate to protect the rights of present and future generations, with legal consequences where they fail to do so, particularly for countries and communities that are most vulnerable to climate impacts.

Climate finance commitments therefore represent obligations under international climate agreements rather than discretionary acts of generosity. Failure to meet these commitments not only undermines climate action but also deepens existing inequalities between countries.

Climate Finance and Fiscal Sovereignty

Many African countries face significant constraints in mobilising and retaining resources needed to finance climate adaptation, mitigation, and just transition priorities. These constraints include debt burdens, harmful tax competition, illicit financial flows, unfair allocation of taxing rights, unequal trade relationships, and international financial rules that disproportionately favour wealthier countries. In addition, many African governments devote a significant proportion of public revenues to debt servicing[10], undermining their ability to finance development priorities and respond to climate change.

Climate resilience cannot be achieved without strengthening countries' ability to mobilise domestic resources, retain public revenues, and exercise greater control over development pathways. TJNA therefore rejects approaches that seek to address climate finance needs solely through additional borrowing. Climate vulnerable countries should not be forced to accumulate new debt to address a crisis they did not create. Climate finance discussions must therefore address broader structural inequities within the international financial architecture. This includes addressing fair allocation of taxing rights, expanding access to concessional finance, reforming multilateral development banks, addressing debt vulnerabilities, and strengthening developing country representation.

Climate Finance, Critical Minerals and Structural Transformation

The global transition towards low carbon technologies has significantly increased demand for critical minerals such as cobalt, lithium, copper, graphite, nickel, manganese, and rare earth elements[11]. Africa possesses substantial reserves of these resources[12] and has become increasingly central to global energy transition supply chains[13].

This presents both opportunities and risks. While critical minerals can drive industrialisation, employment, and domestic resource mobilisation, there is also a risk of reproducing historical extractive patterns characterised by unequal value distribution, illicit financial flows, environmental degradation, and limited local beneficiation.

TJNA maintains that climate finance discussions must recognise Africa's critical role in enabling the global energy transition and support value retention, industrialisation, and economic diversification. It should act as a catalyst for structural transformation, supporting productive capacity development and sustainable development pathways. Resources should go towards strengthening of African productive capacity rather than reinforce dependency on imported technologies, external expertise, and extractive economic models. Africa's critical minerals should contribute to financing the continent's own development through industrialisation, rather than merely supporting the energy security and industrial competitiveness of other regions. A just transition requires that Africa moves beyond its traditional role as a supplier of raw materials and secures a fair share of the economic, technological, and developmental benefits associated with the global transition to a low-carbon future.

This position is consistent with the Paris Agreement, particularly provisions relating to climate finance (Article 9 and 2), technology transfer (Article 10), capacity-building (Article 11), and adaptation (Article 7)[14]. It also aligns with ongoing discussions under the UNFCCC Just Transition Work Programme and Climate Finance Work Programme currently under development.

Caution Regarding False Solutions

TJNA recognises the growing interest in innovative climate finance instruments, including carbon markets, debt-for-climate swaps, green bonds, and blended finance mechanisms. While these instruments may provide additional resources, they are not without risks to environmental integrity, accountability, and equity[15]. Carbon markets in particular raise concerns regarding environmental integrity, community rights, accountability, and equitable distribution of benefits. In some cases, they allow major emitters to continue polluting while shifting responsibility elsewhere. In addition, they may increase opportunities for illicit financial flows. Similarly, debt-for-climate swaps often generate limited fiscal benefits and may leave decision making power in the hands of creditors rather than recipient countries.

TJNA therefore cautions against presenting market-based mechanisms as substitutes for adequate public climate finance. Climate finance solutions should be designed to support equitable and sustainable development outcomes by respecting national sovereignty, protecting the rights and interests of affected communities, and delivering genuine and measurable emissions reductions. They should strengthen public accountability and transparency in the mobilisation and use of climate finance. Ultimately, climate finance mechanisms should empower countries and communities to pursue climate-resilient and just development pathways that are aligned with national priorities and the public interest.

TJNA's Policy Positions

1. **Advance a fair global tax system:** TJNA supports the establishment of a fair and inclusive international tax architecture under the United Nations that strengthens African countries' participation in global tax rulemaking, promotes more equitable taxing rights, and fosters international cooperation to address cross-border tax abuse, harmful tax competition, and illicit financial flows.

2. **Deliver adequate grant-based climate finance:** Developed countries must fulfil and exceed existing climate finance commitments, with a particular focus on adaptation and loss and damage finance delivered primarily through grants rather than loans.

3. **Address debt as a climate finance issue**: Debt relief, restructuring, and reform of the global debt architecture should be recognised as essential components of climate finance and climate justice.

4. **Support structural transformation:** Climate finance should support industrialisation, economic diversification, energy access, productive capacity development, and decent work, rather than narrowly focused project financing.

5. **Promote responsible governance of critical minerals:** Critical mineral governance should prioritise value retention, local beneficiation, transparency, community participation, and environmental sustainability.

6. **Explore progressive sources of climate finance:** TJNA supports exploration of innovative financing mechanisms including taxes on fossil fuel windfall profits, wealth taxes, financial transaction taxes, and solidarity taxes linked to climate responsibility. These measures should be guided by the polluter pays principle and the principle of common but differentiated responsibilities.

The climate crisis presents significant challenges for Africa, but it also offers an opportunity to reshape development pathways, strengthen economic resilience, and advance more equitable and sustainable societies. Achieving these outcomes requires climate finance systems that are fair, accountable, and responsive to African realities.

TJNA therefore calls for a climate finance agenda that goes beyond resource transfers and addresses the structural drivers of vulnerability, inequality, and fiscal injustice. Only through such an approach can climate finance contribute meaningfully to both climate resilience and sustainable development across the continent.

Tax Justice Network Africa
Jaflo Limited, Block 3 - 106
Brookside Drive, Westlands

Tel: +254 728 279378
Email: info@taxjusticeafrica.net
Website: taxjusticeafrica.net