

Brief on climate justice, tax and climate financing for health equity

Regional Network for Equity in Health in east and southern Africa
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Background

Climate justice and equity, is an urgent issue for communities, countries, and the region, and intersects with, impacts on and is intensified by other areas of inequality that the Regional Network for Equity in Health in east and southern Africa (EQUINET) is focused on. Given this, EQUINET aims in 2023 to 2024 to share knowledge, experiences and learning on impacts of climate from voices and expertise at community, local, national and regional levels within East and Southern Africa, as well as from global level actors. Through a series of online dialogues EQUINET seeks to share what this implies for action to expose climate impacts and to identify responses to these impacts, particularly those that are intensifying inequities.

During 2023 and 2024, EQUINET is organising a series of online dialogues to share this knowledge and perspectives from community/local, national, regional and international levels on the impact of climate trends, the intersect with the other drivers/ determinants of inequity, and the implications for policy, research and action that links climate to health equity. These sessions raise wider issues of impacts of climate change on health, health systems, community conditions, production, trade and other areas, captured separately.

This brief provides a rapid review of literature and public evidence from various sources on the interface between financing climate justice, tax justice and health equity¹. Prior [EQUINET webinars on other areas of health equity](#) raised growing concerns on the lack of delivery on commitments made for climate financing in the region. The brief thus complements the work done in previous EQUINET webinars on how climate justice interacts with different facets of health equity, available on the EQUINET website. All briefs from the webinars are being synthesised in a separate discussion document.

This brief summarises key issues related to:

- climate financing in the region and the links to tax and economic justice and health equity;
- actions proposed to address these issues at local, national and regional level and in international/ global level processes;
- issues for further research and discussion.

A demand for resources to address health impacts

There is a glaring gap observed in climate financing for the health sector, with very little of planned resources currently targeting 'health sector adaptation' (Beyeler and Guinto, 2021). Yet climate change directly impacts on health in multiple ways. As identified in previous EQUINET webinars, climate extremes lead to emergencies that lead to injury and disease. Climate change, leads to sustained heat, drought and other impacts that are associated with chronic diseases, malnutrition, an increased risk of infectious diseases and stress and deteriorating mental well-being. The webinars also showed how climate is affecting health determinants, including the living, working, social conditions, food systems and local incomes that are important for health. An estimated 3.6 billion people are noted to face increasing health risks globally due to climate change (Kuzmak, 2023). The [webinar series](#) consistently noted that these impacts are felt most severely by low income communities.

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The [webinar and brief from it on climate and primary health care systems](#) observed that health services are neither adequately prepared nor capacitated to deal with these climate impacts. For highly affected low income communities, when health system deficits are greater in already under-resourced public sector primary care services, this intensifies an inequity between need and response. This inequity raises the question of how far climate financing is meeting these challenges for health equity, in reaching those most affected, in addressing the factors that are affecting their health, and in supporting capacities and responses in the public primary health care health services and other sector actions that those most affected need and use.

How equitable is climate financing for the region?

Under the 2015 Paris Agreement, parties to the United Nations Framework Convention on Climate Change (UNFCCC) committed to providing US\$100 billion annually to the countries least responsible for, and most impacted by, climate change (Development Initiatives, 2022).

The first shortfall that impacts on an equitable response is the absolute shortfall in global financing, and particularly from highest emitting countries to countries with highest impact. In experiencing amongst the most intense impacts of climate change, African leaders have estimated an *annual* financing need of US\$300 billion for the continent to prevent and mitigate the impacts (Euractiv, 2023). Yet it receives only an estimated 12% of this estimated funding (Euractiv, 2023). Africa contributes less than 4% of carbon emissions, but is getting only 3% of climate finance inflows. Within Africa, some countries get a large share of funding disbursed, and more fragile contexts receive less (Development Initiatives, 2022).

While the commitment was made for high income countries to provide US\$100 billion annually in climate financing, as noted earlier actual contributions have fallen far short of this target. Africa received US\$27,8 billion in the three years 2018-2020 inclusive, or under a quarter (24,6%) of the promised *annual commitment* (Development Initiatives, 2022). The financing coming as climate related Official Development Assistance (ODA) depends on the decisions made on funding by high income countries. This makes it less predictable or subject to democratic input from African countries. A doubling of global climate financing to US\$1,3 trillion in 2021-2022 did not translate to gains for Africa, which despite its significant financing gap, received only US\$13 billion (20%) of climate financing in 2021-22 compared to East Asia and Pacific's 45% share of this funding. The basis for these allocations is not clear (Ijjasz-Vasquez et al., 2024).

“Africa is in the eye of the storm from climate change, accounting for 9 out of the 10 most vulnerable countries to climate change globally,”... “But Africa is not getting what it needs to adapt to climate change. Africa received just \$30 billion per year for climate adaptation, while its needs are \$277 billion per year, leaving a huge financing gap.” J Adesina, African Development Bank, 2024

This has left a gap in climate financing to be met from other sources. For example, at an April 2024 International Monetary Fund and World Bank Spring Meeting, the African Development Bank (AfDB) chairperson lamented the lack of fulfilment of climate financing pledges, noting the ADB itself having to exceed its own targets to meet the gaps. The ADB pledged to devote 40% of its total financing to climate finance, but had to exceed this target consistently in 2020-2023, with 55% of its total funds spent on climate financing in 2023 (ADB, 2024).

There are many variations of the actual level of funds received by African countries. In part this is due to how the climate financing is recorded, utilised and reported. Oxfam (2022) suggest that only about a third of reported climate financing may actually be used for prevention and mitigation of climate-related impacts. Challenging the 2020 statistics of US\$83,3billion proffered by the OECD for climate financing, Oxfam argued that the “actual value of climate assistance provided to developing countries to have been only one-third of that – around \$21–24.5bn.” They attribute this different to accounting overestimates, where projects or programmes that do not have a climate focus are considered, and where loans are also included in climate financing

accounts. This also ignores that the interest paid on such loans may push countries further into debt (Oxfam, 2022).

A large share of climate financing is in the form of loans, worsening an already high debt burden in African countries (Beecher and Bekele, 2022). Linking climate financing to loans adds a further dimension to inequity. African countries are already reeling under a debt burden due in part to inequalities in global trade regimes, the impact of the COVID-19 pandemic, high debt servicing and weak democracy in debt-decision making. The International Monetary Fund (IMF) notes that African countries have a public-debt-GDP ratio of about 56% and that most countries spend their public finance on debt servicing, instead of climate change action (Mohieldin et. al, 2023). The AU is pressing for more action on the Bridgetown Initiative for funds from the US\$100 billion IMF 'Special Drawing Rights' facility to be used to reduce its debt burden (Reuters, 2023). One could question, however, whether any form of climate financing should be as a loan rather than as a grant, if loans further indebt poor countries to address climate burdens that are largely generated outside their borders.

A second form of international climate financing is in the form of carbon credit schemes. It has been heavily promoted as an alternative to bilateral or multilateral financing by high income countries in the World Economic Forum and as a scheme is largely framed by high income countries and transnational corporations (WEF, 2023). The United Nations defines carbon markets as trading systems in which carbon credits are sold and bought. Companies or individuals can use carbon markets to compensate for their greenhouse gas emissions by purchasing carbon credits from entities that remove or reduce greenhouse gas emissions (UNDP, 2022). African countries can negotiate complementary debt-for-swap and debt-for-nature agreements.

However UNDP also note that carbon markets must be conducted transparently to deal with the current challenges of companies and high income countries having the upper hand in the transactions (UNDP, 2022). The carbon credit market place is evidently not an even one. There is a power imbalance between actors, including due to threats of disinvestment that big business may bring to countries that reject deals that may not adequately address African concerns. Carbon credits are further critiqued as a global form of the 'polluter pays' principle that allows the economic drivers of climate change to continue. Carbon credits allow polluters to offset emissions by funding green activities. They thus provide a means for 'big polluters' to keep emitting carbon dioxide (Euractiv, 2023).

These inequities in climate financing and in the processes for decision making on them have been raised by African leaders. At the 2023 Africa Climate Summit, the President of Kenya led an African push back against low levels and unfair forms of climate financing.

There is “unjust configuration of multilateral institutional frameworks that perpetually place African nations on the back foot through costly financing”.
President William Ruto (Kenya) at the Africa Climate Summit, 2023.

There have also been efforts to develop a global loss and damage fund. The United Nations Environment Programme (UNEP) defined 'Loss and Damage' as “the negative effects of climate change that occur despite mitigation and adaptation efforts”. The fund would thus be disbursed to those who experience the greatest damage from the failures to prevent climate change impacts. The idea of a Loss and Damage Fund was mooted in COP27, and in COP28. Pledges were made of US\$793 million to kickstart this fund. As with other global fund commitments, the pledges are far less than the US\$440 billion that Africa is estimated to need need between 2020 and 2030 to manage the loss and damage it is experiencing due to climate change alone (Shirley et al., 2023), let alone the *annual* financing need of US\$300 billion noted earlier for the continent to prevent and mitigate climate impacts (Euractiv, 2023).

Addressing the global economic inequalities and damage leading to climate impacts through voluntary commitments from high emitting high income countries embeds unpredictability and potential inequity, including in democratic accountability.

African countries have thus in a September 2023 Nairobi Declaration called for a global carbon taxation regime that includes a carbon tax on fossil fuel trade, maritime transport and aviation, that may also be augmented by a global financial transaction tax, to shift financing towards more predictable, equitable forms (Euractiv, 2023). Notably African countries have also in 2022 and 2023 led a successful initiative at the UN to adopt in December 2022 a resolution for dialogue on global tax matters to be brought under the UN, rather than its current location at the largely high income country dominated Organisation of Economic Cooperation and Development (OECD) where Africa countries do not have a seat at the table (Loewenson and Mukumba, 2023).

Would a taxation approach to climate financing better address the inequity in the current system and push polluters to prevent drivers of climate change?

Embedding climate financing in taxes and economic activities

In 2023, a multi-actor commission was organised by the Lancet journal, named the Lancet Countdown, with members listed in the reference cited. This commission advocated for a people-centred transformative approach where health is at the centre of climate action, backed by meaningful financing on health and confronting the lead polluters and the economic interests of fossil fuels. In the absence of that support, the authors argued that climate emergencies and impacts will continue to raise health challenges (Romabello et al., 2023).

The resources to fund the response to climate challenges should come from domestic and international sources. For equity, it should be contributed by those with greatest ability and greater contribution to drivers of climate change, such as more highly industrialised countries and polluting corporates, and be provided to countries bearing the greatest burdens with least means to respond, amongst whom are low income Africa countries. The forms of financing should be just, in mechanisms that are both efficient and equitable. Yet the previous section notes the voluntary international aid contributions to be neither adequate, nor equitable.

As noted earlier, one proposal for this is thus to apply a global carbon taxation regime including a carbon tax on fossil fuel trade, maritime transport and aviation. This may also be augmented by a global financial transaction tax. Given the high level of polluting extractive activities in the region, using taxes as a source of climate financing may require a wider and justified change in the global tax system. SSA countries have weak tax capacity to monitor and collect revenues from TNCs, who are able to use accounting and other practices to limit information on real levels of extraction. Many TNCs also pay taxes in the current global tax system in high income countries where they process the minerals extracted as raw materials from the region, or apply the profits in havens where tax rates are low (Loewenson and Mukumba, 2023). Many ESA countries also give significant tax concessions to extractive sector TNCs, including exemptions on value added tax on imports or export sales; no customs duties on imports or exports; lower corporate income tax rates; lower withholding tax rates and reductions on taxes on profits and on royalties (Lambrechts et al., 2009). There is a justifiable claim to use tax financing to both shift away from polluting behaviours and damage and to provide funding for the transitions needed for this. This requires a shift in both global, regional and African country tax systems and capacities. Tax financing has impact beyond climate issues and is important for equity.

Fair financing for climate action also needs to address investment in health promoting and climate promoting production and infrastructures. For example, in relation to investment in clean energy, the United Nations Economic Commission for Africa (UN ECA) highlights that Africa needs an investment of US\$2,8 trillion by 2030 to meet clean energy needs. As it receives only 2% of global investments in clean energy, it faces a shortfall of US\$2,5 trillion by 2030 (Chingono, 2024).

“Africa is blessed with the largest sources of renewable energy in the world, renewables from solar, hydro, wind and geothermal. But we cannot power Africa with potential. We must fully unlock Africa’s renewable energy potential...” President Adesina (Africa Development Bank) at the Africa Climate Summit, August 2023

This shortfall in financing is noted to keep African countries locked up in a vicious cycle of investment shortfalls, risk and worsening impact. Hence while climate finance must be drawn from international and domestic public finances, it must also be funded from private corporates, not simply as a matter of voluntary social responsibility, but as part of their legal duties. For this policy actors need to improve the policy and legal frameworks for the mix of incentives and penalties to harness private finance (FSD Africa, 2022).

As a further example, taxation of waste disposal or waste management is common in high income countries but faces challenges in the region. For example, the usual flat rate taxation on waste management from companies may inequitably burden low income informal sector activities and promote default or waste dumping (Ochialli, 2023). Burning waste in dumps produces greenhouse gases and further exacerbates climate risks and generates respiratory disease. Applying a progressive taxation approach that taxes larger businesses and spreads the burden is suggested, including to fund innovations and local research and development for clean energy technologies and for waste recycling and reuse. Equally, taxation to contain carbon emissions from private vehicles could use these revenues to build stronger public transport systems in ESA countries (Ochialli, 2023).

Tax-based approaches have the possibility of more embedded and less voluntary approaches. They need, however, to address existing challenges of evasion, illicit financial flows and corporate tax abuse that already limit public revenues. The public information duties, improvements in tax administrations and collections, and other measures to prevent these losses are important, albeit beyond the scope of this brief. The need to link the response to climate impacts to both global and country tax justice, including to adequately fund public services, adds further impetus to address these losses (Nsenduluka and Etter-Phoya, 2023). Equally within ESA countries, progressive forms of tax revenue need to overcome the power imbalances between states and transnational corporations, and to avoid adding a further burden on more easily taxed small scale producers. How tax revenue is spent to generate health promoting economic and climate-proofed activities is critical for health equity.

National Action Plans are supposed to articulate mitigation and adaption measures. While the shortfalls in overall climate financing disbursed have been discussed earlier, it is important to track who receives and uses the funds disbursed, such as in relation to the tax measures or indeed the internal funding resources discussed earlier. This is essential as climate financing has the potential to reduce poverty and inequalities within countries (Mohieldin et al., 2023). Climate change is expected to push more people into poverty in SSA than in other global regions, with a high climate change scenario estimated to push 39.7 million Africans into extreme poverty, and a rise in extreme poverty translates into a larger share of the population vulnerable to climate change impacts (Jafino et al., 2020).

Moving forward on health equity and climate financing

There are many technical issues in climate-proofing health services and addressing the health impact of emergencies and climate impacts on health. These are discussed in other webinars and their briefs. A Declaration on Climate and Health signed by 159 countries in 2023, including 34 African countries, seeks to integrate health issues into climate policy frameworks, including food security issues (Shirley et al., 2023). Making the evidence on the damage in the region clearer, including on the shortfalls on essential health system responses, is essential to widen awareness and to move to implementation modalities to operationalise these declarations.

In preparation for COP28, the African Group of Negotiators on Climate Change and ADB identified six priorities. They put climate finance first, followed by; ii. a global stock take; iii. strengthening adaptation actions; iv. operationalising the Loss and Damage fund; v. a just energy transition; and vi. Africa's quest to be granted the special needs and circumstances status (Kabukuru, 2023). As noted earlier, the COP28 did operationalise the Loss and Damage Fund, although its funding levels and disbursements are yet to flow.

As discussed in this brief, debates on climate financing, whether on development aid financing, or tax based systems, cannot be delinked from wider debates on the socio-economic liabilities of those extracting non-renewable resources from the continent, nor from those generating the major drivers of climate change. This includes, for example how far investments are being made in climate-proofed adaptation (UNEP 2023), and how far principles of common but differentiated responsibilities and respective capabilities are embedded in systems given the diversity in national contexts (AU, 2023).

Protecting African interests in global negotiations needs to be linked to protecting public interests and those of vulnerable groups within countries. The AU established the African Risk Capacity Group in 2021, for example, to strengthen its strategies in global mechanisms. The Africa group of diplomats and other forums can support the unity needed for stronger voice and alliances in negotiations in global forums or with powerful transnational corporates. Equally ESA countries need to use and redistribute their revenue to facilitate greater equity in opportunities to produce, access and use technologies and processes that prevent or manage climate impacts. This includes ensuring democratic accountability and community voice in decisions made on climate financing, within countries and globally.

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