Exploring the Roles of a Microfinance Beneficiary-Led Development Framework in the SDG and Climate Change Domain

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Abstract
Climate change is a threat to the achievement of the Sustainable Development Goals (SDGs) as it can perpetuate poverty and inequality particularly in Sub-Saharan Africa. Whilst most of the impacts of climate change can be expressed in monetary forms, policy-makers have also got the task of addressing the Non-Economic Loss and Damage (NELD) impacts of change (i.e. negative impacts of climate change that are difficult to measure or quantify). Arguably, addressing the climate change Non-Economic Loss and Damage (NELD) impacts such as negative impacts on identity, agency and intrinsic values, require risk and vulnerability assessments of the side effects of mitigation and adaptation to be undertaken in a decentralised and participatory manner (Serdeczmy et al., 2016).

Some climate change discussions have also emphasised the need for global policy makers to increase funding towards climate change mitigation and adaptation programs and developing the abilities of institutions in developing countries to direct climate finance to the sectors and people most vulnerable to climate change (Bodansky and Diringer, 2014). Consequently, emerging economies like Brazil, China, Russia, India, etc. are now considered as new sources of development finance that can play a prominent role in facilitating development in Africa and facilitate South-South Climate Finance (SSCF) (i.e. be sources of climate finance from within and among developing countries) (Ha, et al., 2015; Ubi, 2014). However, for these new sources of development and climate finance to be able to foster broad based development in Africa, challenges still remain in having African governments to develop good policies and adequate institutional frameworks when strategising for development and engaging with emerging economies (Ubi, 2014). Additionally, another challenge in the climate finance domain is that international development support and allocation of funding streams are determined in a “top-down” manner (Flint and zu Natrup, 2014), which sometimes fail to consider the multiple stressors which many communities have at local level (Coulibaly et al., 2014).

With the aforementioned factors in mind, it can be argued that beneficiary-led aid (BLA) programs can have a significant influence in facilitating sustainable development and reducing various climate change impacts. Beneficiary-led aid (BLA) programs are programs that are shaped and determined by the people affected directly by assistance programs (Flint and zu Natrup, 2014). Moreover, beneficiary-led aid (BLA) programs are also in line with the Sustainable Development Goals (SDGs) that are calling for the participation of local communities in the decision making at all levels and improving human and institutional capacity on climate change mitigation and adaptation.

This paper presents a beneficiary-led aid (BLA) development framework for microfinance which could be used to develop and support beneficiary-led aid (BLA) climate change programs. The Microfinance Beneficiary Led Development Framework (M-BLDF) presents itself as a polycentric governance approach that can develop the capacities of the informal sector and non-state actors to be agents of economic development that can improve climate change risk management at household and community level.

Keywords: Beneficiary Led Aid; Climate Risk Management; Financial Inclusion; South-South Climate Finance (SSCF); Polycentric Governance.

1. Introduction

Remittances, the export of commodities, Foreign Direct Investment (FDI) and Official Development Assistance (ODA)/aid are regarded as sources of Africa's economic growth (Marwan et al., 2013). These financial mechanisms have also been considered as sources of finance to facilitate climate resilient growth and reduce the vulnerability of African communities to climate change when they are integrated with economic growth policies that incorporate investment in skills and access to finance to facilitate pro-poor inclusive growth (Bowen et al 2012). Consequently, the aforementioned financial mechanisms have gained prominence in the climate change policy arena as investments, aid and funding from emerging economies (Brazil, China, Russia, India, etc.) to Africa is increasing. For example, investment commitments in Africa by these emerging financiers jumped from less than US$1 billion per year before 2004 to US$8 billion in 2006, and by 2012 this had exceeded US$20 billion (Ubi, 2014). China has also emerged as Africa's largest trading partner as between 2003 and 2011, FDI from China to Africa increased thirty-fold, from US$491 million to US$14.7 billion (ibid) and as of end-2013, China had more Outward Direct Investment (ODI) in Africa (US$26 billion) than in the United States of America (US$22 billion) (Chen et al., 2015). Since the current levels of climate finance levels to Africa from the Global North are considered inadequate in terms of the size, source and distribution (Yu, 2014), contemporary commentators like Ha and Hale (2016) and Yu (2014) are of the opinion that emerging economies such as China have the potential to become major contributors of climate finance to other developing countries through South-South Climate Finance (SSCF) modalities. According to Ha and Hale (2016) SSCF takes four major forms: (i) developing countries' contributions to established multilateral funds; (ii) bilateral initiatives; (iii) new Southern-led international organisations like the 'BRICS bank' and the Asian Infrastructure Investment Bank; and (iv) private sector investments.

However, for these new sources of development and climate finance to be able to reduce Africa's climate risks, challenges still remain in having African governments to develop good policies and adequate institutional frameworks when strategising for development and engaging with emerging economies (Ubi, 2014). Additionally, most international development support and allocation of funding streams are determined in a "top-down" manner (Flint and zu Natrup, 2014) hence at local level policymaker and development organisations have problems in developing the abilities of institutions in developing countries to direct climate finance to the sectors and people most vulnerable to climate change, and to adequately address the multiple stressors which many communities have at local level (Bodansky and Diringer, 2014; Coulibaly et al., 2014).

2. Microfinance and Climate Risk Management in Africa

Africa faces various challenges in relation to reducing its vulnerability to the impacts of climate change as the continent has weak social policies to improve climate resilience, and has an adaptation deficit caused by a lack of institutional, financial or technological capacity to adapt effectively (Fankhauser and McDermott, 2014). Moreover, whilst most of the impacts of climate change can be expressed in monetary forms, policy-makers have also got the task of addressing the Non-Economic Loss and Damage (NELD) impacts of climate change (i.e. negative impacts of climate change that are difficult to measure or quantify). Arguably, addressing the climate change Non-Economic Loss and Damage (NELD) impacts such as negative impacts on identity, agency and intrinsic values, require risk and vulnerability assessments of the side effects of mitigation and adaptation to be undertaken in a decentralised and participatory manner (Serdeczmy et al., 2016).

The principles of sustainable development as embodied in the Sustainable Development Goals (SDGs) are calling for individuals and institutions to strive to end poverty by 2030. According to the SDGs, key to ensuring that poverty can be eliminated is building the resilience of people in vulnerable situations to climate related economic, social and environmental shocks; and developing policies that promote entrepreneurship and encourage the formalisation of micro, small and medium sized enterprises, including through access to financial services (UN, 2015). Whilst the proximate causes of poverty have been identified, finding the tools and means to address them seems problematic as some reports have indicated that eradicating extreme poverty by 2030, is aspirational and feasible only under very optimistic of scenarios, more particularly for Africa- which is forecasted to continue to have the highest rate and depth of poverty of all regions of the world beyond 2030 (World Bank, 2015).

3. Microfinance Beneficiary Led Development Frameworks (M-BLDF)

Elinor Ostrom, who won the 2009 Nobel Prize in Economic Sciences, was of the view that the major threats to sustainable development such as poverty, climate change and the over exploitation of natural resources can best be addressed through polycentric governance approaches. Polycentric governance approaches are dynamic systems hence enable the experimentation of policies and governance strategies at multiple levels, leading to the development of methods for assessing the benefits and costs of particular strategies adopted in one type of ecosystem to be compared to results obtained in other ecosystems (Ostrom, 2008; 2009; 2010). In order to encourage discourse on the work of Elinor Ostrom, this paper demonstrates the relevance and applicability of a microfinance based polycentric approach to improve climate risk management and attainment of the SDGs in Africa.

Olstrom (2010) suggested that climate change was a complex multi-level problem that would adequately be addressed by complex multi-level systems that are adaptable. This follow that enhanced risk management requires flexible and varied responses; and policy measures that address specific local level needs (Padgham et al., 2015, Dumenu and Obeng, 2016) thereby avoiding one-size-fit-all measures that fail to assign the correct responsibilities to various climate change actors such as government agencies, non-governmental organisations, (formal and informal) businesses and households at various levels. To add to the complexity, is the problem of climate change impacts having temporal and spatial dimensions and generating dynamic risks whereby past data and trends may not be able to provide an accurate guide to the future (World

Bank, 2010). Arguably, the great challenge that Africa faces to attain sustainable development, and to reduce poverty, climate change risks, and the over exploitation of natural resources is in developing tools, models, institutions, frameworks or governance systems that can simultaneously (i) understand specific, local, risk contexts and trends; (ii) provide appropriate information and finances to businesses/the informal sector, households and communities; and (iii) be adaptable to constantly change to address errors and cope with new developments.

A Microfinance Beneficiary Led Development Framework (M-BLDF) (figure 1) is a "bottom up" and inclusive approach to development as the starting point of the framework is at the base with the beneficiaries whereby the type of aid/support that the beneficiaries ask for the most is what determines how the microfinance institution allocates its resources and strategies higher up in the framework. Within the framework, community boundaries, and political or social units can be a country's constituencies or similar demarcations. Due to the low levels of financial inclusion in Africa, we can assume that in each constituency the microfinance institution either has agents (i.e. branches) or affiliates (i.e. third party organisations be it other microfinance institution or any institution not necessarily in the microfinance sector) who assist it with monitoring of loans, communicating with beneficiaries and training beneficiaries on the use of mobile money services. The information that the beneficiaries provide to the agents/affiliates is what the microfinance institution and other stakeholders can utilise higher up in the framework to improve the formulation of climate change policies, agricultural policies, and urban/rural planning or urban/rural resilience-building and adaptation-planning efforts.

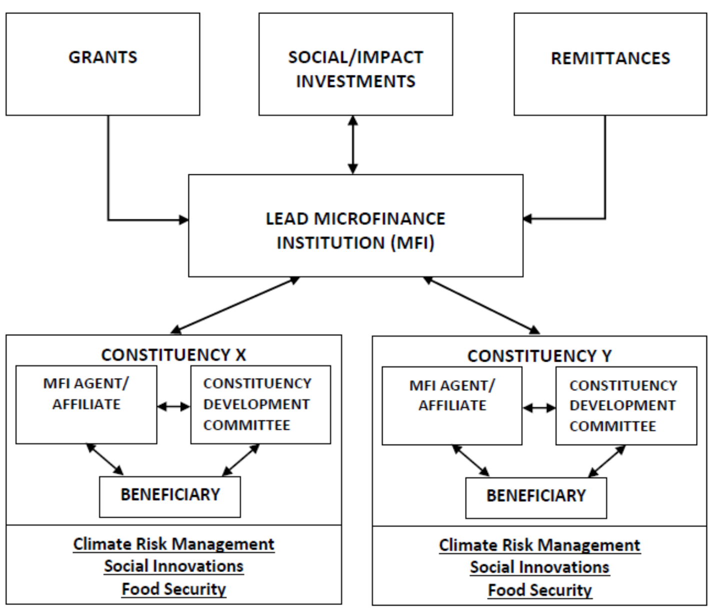

Figure 1. Microfinance Beneficiary Led Development Framework (M-BLDF).
Source: Author

4. Concluding Remarks

The M-BLDF mainly serves as a means to provide a sustained systematic collaboration between various development actors and beneficiaries, by creating mutually reinforcing relationships at various levels. The framework therefore improves the disbursement of climate finance to communities, and the generation and dissemination of information and responses not only of climate threats and risks but also on informal sector based needs and responses. The M-BLDF can have various systems/levels that are polycentric hence are not isolated from each other but all work in an integrated manner with some overlaps. This improves both the governance of climate change activities and initiatives through a microfinance institution, and more importantly the approach focuses on developing the capacities of the informal sector and non-state actors to be agents of economic development that can improve climate change risk management at household and community level.

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