

HOW THE FINANCE FLOWS:

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SEPTEMBER 2024

CORPORATE CAPTURE OF PUBLIC FINANCE FUELLING THE CLIMATE CRISIS IN THE GLOBAL SOUTH



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GLOSSARY

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| AFOLU - Agriculture, Forestry and other Land Use Agribusiness: | A term to describe the multinational corporations selling the inputs and products of industrial agriculture including seeds, fertilisers, pesticides, machinery or export commodities. |
| Agrochemical: | Chemicals used in industrial agriculture such as synthetic fertilisers or pesticides. |
| Agroecology: | A term to describe sustainable and socially equitable farming practices that work with nature and rely mostly on knowledge instead of purchased chemical or seed inputs. The UN Food and Agriculture Organisation (FAO) has developed a framework of the 10 Elements of Agroecology. ¹ |
| AR6 – Sixth Assessment Report: | A comprehensive report published by the Intergovernmental Panel on Climate Change in 2023 providing an overview of the state of knowledge on the science of climate change, jointly authored by hundreds of scientists drawing on thousands of pieces of research. |
| Carbon Budget: | A term used in climate policy that indicates the maximum total amount of greenhouse gases emissions under a certain target aimed at limiting the level of global warming. In this report, the carbon budget refers to the maximum amount of greenhouse gas emissions under a 1.5-degree scenario in line with the Paris Agreement. |
| CCS: | Carbon Capture and Storage. |
| CFS: | UN Committee on World Food Security. |
| Climate finance: | A term that refers to financial flows aimed at supporting mitigation, adaptation and loss and damage action to address climate change. In this report, climate finance focuses on the responsibility of Global North countries to provide climate finance to Global South countries, who have done the least to contribute to the climate crisis while experiencing its worst impacts. |
| CO₂: | Carbon dioxide. |
| COP29: | 29th UN Framework Convention on Climate Change Conference of the Parties, which will take place in Baku, Azerbaijan in November 2024. |
| Corporate capture: | A term that refers to the dominant control of the private sector of the political, economic and social order. |
| Direct subsidies: | Subsidies that usually take the form of payments from governments to the private sector or to individuals, in the form of cash or tax reductions, in order to incentivise investments, reduce operational costs, or to lower the prices paid by consumers for a commodity or service. This is counted as an explicit subsidy, because the government is explicit about the intention to support the industries and people's use of them. |
| EIB: | European Investment Bank. |
| El Niño: | A term that refers to the weather pattern emerging from variations in winds and warming of sea surface over the Pacific Ocean with significant impacts on the climate of tropics and subtropics. |
| Explicit subsidies: | Subsidies paid for by government that are explicitly designed to support industries and people's use of them. Both direct and indirect subsidies are considered to be explicit subsidies. |
| FAO: | UN Food and Agriculture Organisation. |
| FISP - Farm Input Subsidy Programme: | Government programmes in several sub-Saharan African countries designed to increase farmers' use of fertilisers (usually agrochemical nitrogen fertilisers) and hybrid seeds. |
| Fossil fertilisers: | Synthetic nitrogen fertilisers which are produced using fossil fuels. |
| Gender responsiveness: | A quality of programmes, policies or activities that acknowledge and address the barriers, unique preferences, needs and opportunities of women and girls. |
| GCF: | Green Climate Fund. |
| GHG: | Green House Gas emissions. |
| IFAD: | International Fund for Agricultural Development. |
| IMF: | International Monetary Fund. |

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| Implicit subsidies: | When governments pay the costs of repairing externalised social and environmental harm caused by certain industries, these costs can be counted as implicit subsidies, for example: recovering from climate change impacts, costs of local clean-up and harm to health caused by pollution, economic losses caused by traffic congestion. |
| Indirect subsidies: | When governments cover or contribute to reducing costs in infrastructure or services such as electricity, research or training that would otherwise be paid for by the private sector. This is counted as an explicit subsidy, because the government is explicit about the intention to support the industries and people's use of them. |
| IPCC: | Intergovernmental Panel on Climate Change. |
| LNG: | Liquid Natural Gas. |
| MDBs: | Multilateral Development Banks. |
| MNC - Multinational corporation: | A corporation that has business operations in multiple countries, generating revenue beyond its home country. |
| NCQG - New Collective Quantified Goal: | A new post-2025 global goal on climate finance to be agreed at UNFCCC negotiations. |
| N₂O: | Nitrous Oxide. |
| ODA: | Official Development Assistance. |
| OECD: | Organisation for Economic Cooperation and Development. |
| Public finance: | A term that refers to financial flows stemming from government entities. |
| Public Investment: | A term that refers to investment by public entities, which include: government entities and publicly-owned entities, as well as multilateral and bilateral financial institutions, export credit agencies, and any other institution whose primary purpose is to benefit or promote a specific national interest. |
| Private finance: | A term that refers to financial flows stemming from private entities (e.g., banks, asset managers, insurers). |
| PSE – Producer Support Estimate: | An OECD indicator for subsidies. In agriculture this includes direct support to agriculture producers and subsidies that allow products to be sold at a guaranteed price. |
| Social protection: | Although there is no formal definition of social protection, the United Nations' International Labour Organisation (ILO) defines the concept as a mix of policies and programmes that aim to reduce poverty, vulnerability and inequality throughout the life cycle. ² Policies such as sick pay, parental leave and pensions are all examples of social protection tools that help individuals make ends meet when their ability to earn a living is affected by life events. When applied expansively, the term can also include programmes that support key public services such as healthcare and education, or subsidies for example to food or fuel. Social protection programmes can therefore deliver human rights for individuals, while also supporting the broader economy. |
| Stranded assets: | Assets that have suffered from unanticipated or premature devaluations. Future climate policies could potentially lead to a phase-out or prohibition of future fossil extraction, leaving developing countries with hundreds of billions of dollars' worth of unusable 'stranded assets', while still obliged to pay back debt for many decades into the future for the building of now-irrelevant infrastructure. |
| Subsidies: | A term that refers to financial support given by governments, either as cash through tax mechanisms or providing indirect support such as infrastructure or services, to groups or individuals to either provide economic advantage or to advance social good. |
| UN: | United Nations. |
| UNFCCC: | United Nations Framework Convention on Climate Change. |
| UN Framework Convention on Tax: | A new UN-led process that has the potential to ensure all countries will have an equal voice in setting global tax rules. |
| WB: | World Bank. |
| WFP: | World Food Programme. |

Women farmers in Buzi, Mozambique, stand in their flooded fields.
CREDIT: Daniel Jukes/ActionAid



EXECUTIVE SUMMARY

The world's money is flowing in the wrong direction. The climate crisis is really about money: too much money is fuelling climate change, too little money is going to climate solutions, and extractive money flows are locking economies deeper into climate-destructive spirals that deepen inequality.

New ground-breaking ActionAid research examines the use of public funds in the Global South, and finds that **the same industries that are fuelling the climate crisis are draining public funds from Global South governments.**

ActionAid's new analysis of global data looks into patterns of public financing and finds that:

- Corporate capture of public finance means that each year the **climate-destructive fossil fuel and industrial agriculture sectors are getting US\$ 677 billion in subsidies in the Global South.** This amount could pay for **primary school education for all sub-Saharan African children more than 3.5 times over.**
- **The industrial agriculture sector in the Global South has been receiving an annual average of US\$ 238 billion in public subsidies every year,** in the years between 2016 (when the Paris Agreement was signed) and 2021 (the most recent year with available data). In 2021 this figure came to US\$ 276.4 billion.
- The **fossil fuel sector has been receiving an even more shocking annual average of US\$ 438.6 billion a year in publicly financed subsidies** from Global South countries between 2016 and 2023. Fossil fuel subsidies have steadily risen over this period, and in 2023 this came to US\$ 495.3 billion.
- Climate finance grants from the Global North for climate-hit countries are still grossly insufficient to support climate action and the necessary transitions. **Climate finance grants amount to just 1/20th of the Global South public finance going to fossil fuels and industrial agriculture.**
- The lack of real climate finance for solutions in the Global South means that **renewable energy is receiving 40 times less public finance than the fossil fuel sector.**

- **Renewable energy public investment in the Global South comes to an annual average of just US\$ 10.3 billion each year.** Even more worryingly, renewable energy investment in the Global South has been on a downward trend, more than **halving from US\$ 15 billion in 2016 to US\$ 7 billion in 2021**, likely due to the growing number of countries facing debt distress.
- **Governments in the Global North continue to disproportionately fuel the climate crisis.** Even though the Global North has just one quarter of the world's population, their annual average fossil fuel subsidies came to US\$ 239.7 billion.

These numbers illustrate a deeply worrying pattern about the state of the planet's finance flows, and how corporate capture of public finance is actively undermining the interests of climate-vulnerable countries, as well as global climate commitments.

There is an urgent need for all governments to speed up the transition to green, resilient, democratic and people-led climate solutions for food and energy, such as renewable energy and agroecology. For Global South countries already experiencing the devastating consequences of climate change, the need for global transition is all the more urgent.

But **the fossil fuel and industrial agriculture sectors are exerting an iron grip on the energy and agriculture policies and budgets of the same Global South countries that are bearing the worse climate impacts caused by these industries.** This corporate capture of public finance is locking countries of the Global South into harmful development pathways that drive land grabs, pollute communities, undermine food sovereignty, threaten human rights, devastate ecosystems and compound the injustice of climate change.

While the use of public subsidies to strengthen communities' access to food and energy can often be motivated in the public interest, the unquestioning public financing of climate-destructive fossil fuel and industrial agribusiness instead of people-centred climate solutions for food and energy, is short-sighted and self-defeating.

The accumulating planet-heating greenhouse gases, ecological destruction and land grabs caused by these industries threaten the climate stability, food security, livelihoods, access to water and rights of people – particularly of those already marginalised and living in poverty – in the immediate and mid-term, and are relentlessly pushing our planet to the brink of survival. It is therefore not in the interests of people or nations to use scarce public funds to fuel addiction to the industries that are doing them the most harm.

The fossil fuel and industrial agriculture sectors are extractive in all senses of the word. Not only do they extract fossil fuels from the ground and fertility from soils through monocultures and damaging chemicals, but they are successfully extracting massive amounts of public subsidies from Global South countries. The big corporations involved are simultaneously pushing countries deeper into climate crisis and poverty, while also paying little to no taxes thanks to global rules and tax havens facilitated by Global North governments.

In the meantime, the wealthy countries of the Global North who are most responsible for causing climate change are not only failing to take urgent action to adequately cut their emissions, but are also breaking their climate finance promises to the countries that are experiencing the brunt of climate impacts.

The debt crisis – exacerbated by the escalating costs of dealing with destructive climate change impacts – is also locking many Global South countries into fossil fuel and industrial agriculture pathways. Obligations to earn export dollars for debt repayment to the International Monetary Fund (IMF), and governments and banks based in the Global North, enables the fossil fuel and industrial agriculture sectors to tighten their grip on these economies, preventing climate-vulnerable countries from making rational choices that could otherwise address the climate crisis, and people's food and energy needs.



Rotting corn washed up after heavy rainfall destroyed farmland in Lamego, Mozambique.
CREDIT: Daniel Jukes/ActionAid

The world's finance flows are thus fuelling climate change and failing communities. They are preventing climate-vulnerable countries from making equitable and just transitions to democratic climate solutions that meet people's needs. They are leaving communities, women and marginalised people at the continued mercy of the climate crisis.

A closer look at several countries also reveals that:

- The industrial agriculture sector in Zambia took 80% of the country's national agriculture budget this year, mostly in subsidies for climate-harming synthetic fertilisers and commercial seeds. Meanwhile, only 6% of the Agriculture Ministry's Agricultural Development and Productivity Programme was spent on supporting farmers to adopt agroecological practices that naturally strengthen soil fertility and reduce dependency on agrochemical inputs.
- Zambia's neighbour Zimbabwe has made public policy statements in support of a shift towards agroecology. This shift is starting to show, with 34% of the country's agriculture budget this year estimated to be supporting farmers to adopt practices to help them shift away from climate destructive agrochemicals. However, Zimbabwe is still using approximately 50% of its entire national agriculture budget towards subsidising industrial agribusiness inputs such as fertilisers and hybrid seeds, signalling the industry's continued control over the sector and budget, as well as the potential to free up more public finances for public good.
- Kenya's ambition to be a global leader in renewable energy is borne out by the finding that per capita investment in renewables in the country is outspending public subsidy provision to fossil fuels. However recent protests in Kenya against the government's reduction of fossil fuel subsidies underlines the importance of feminist Just Transition principles. Shifts in public financing must be carefully sequenced to protect the rights of people – especially women – living in poverty. Any reductions in fossil fuel subsidies should target the wealthy corporations first. Only once accessible and democratic alternatives and comprehensive social protections are available to people on low incomes, should progressive policies be shifted.
- The Gambia, Brazil and Senegal were found to be making public investments in renewable energy on a scale that is almost comparable to the per capita public subsidy provision for fossil fuels. In the Gambia, the scale of public investment in renewable energy is more than 4/5^{ths} that of public finance provided to fossil fuels; and in Brazil and Senegal the scale of renewables investment was found to be almost 2/3^{ds} that of fossil fuel subsidies.

- However, the urgent need for the shift to renewable energy to be governed by feminist Just Transition principles is also highlighted in Brazil, where farmers are not being protected from land grabs driven by the scaling up of wind and solar farms.
- Meanwhile, in fossil fuel producing countries such as South Africa, Bangladesh and Nigeria, the public purse was found to be heavily subsidising the fossil fuel sector. Fossil fuel subsidies in these countries were found to be 22, 30 and 33 times (respectively) the per capita level of annual public investment in renewable energy.

Global South governments are trapped in an exploitative and ultimately self-harming relationship with the fossil fuel and industrial agriculture sectors. Thus instead of being used to address the climate crisis, their public financing is being mis-spent and harming communities.

Governments of the Global South know full well that the cost of the climate crisis is already pushing them into spiralling debt and forcing cuts to vital public services. It is time for them to stand up to the fossil fuel and industrial agriculture industries that are causing climate change, grabbing communities' lands, destroying ecosystems and taking the lion's share of public finances.

It's time to fix the finance flows that are failing us all.

RECOMMENDATIONS

- 1 Public finance:** All countries across Global South and North must accelerate the shift away from climate-destructive fossil fuel and industrial agriculture, towards people-led climate solutions that safeguard people's rights, deliver accountability, and ensure public participation in decision-making processes. In addition to corporate regulation, climate-centred energy and agriculture policies, and just transition approaches, public finance must be redirected away from the causes of climate change towards the real solutions. Priority areas for public financing must include the scaling up of decentralised renewable energy systems to provide energy access, and gender-responsive extension services that offer training in agroecology and support for marketing.
- 2 Climate finance:** Wealthy countries must provide trillions of dollars in grant-based climate finance each year to Global South countries on the front lines of the climate crisis, including by agreeing to an ambitious new climate finance goal at COP29 that reflects this scale.
- 3 Private finance:** Climate transition plans consistent with a 1.5°C climate goal should be mandatory for banks, ending the financing of fossil fuels and harmful industrial agriculture expansion. Governments must regulate the banking and finance sectors to end destructive financing, with regulations that set minimum standards for human rights, social and environmental frameworks.
- 4 Finance system transformation:** Wealthy countries and international financial institutions must implement conditionality-free debt cancellation for countries on the front lines of the climate crisis that need it, and support bold and fair new global tax rules through agreeing a strong UN Framework Convention on Tax.



A woman heads to a deep well to collect water in Somaliland amid the worst drought in decades.
CREDIT: Daniel Jukes/ActionAid

PART 1. THE NEED TO TRANSFORM FOOD AND ENERGY SYSTEMS – FOR PEOPLE AND THE CLIMATE

THE INJUSTICE OF CLIMATE CHANGE

Climate change is now a waking nightmare for millions of people. Intolerable heatwaves, scorching droughts, devastating cyclones and catastrophic flooding events are escalating across the planet.

In June 2024, scientists reported that the average global temperature had been 1.5°C above pre-industrial levels for a full year.³ 2023 was the hottest year since records began,⁴ with unprecedented human-induced climate change further exacerbated by the El Niño effect. But with each month in the first half of 2024 surpassing previous temperature records, it is “increasingly likely” that 2024 will in turn become the warmest year on record.⁵

Communities living in poverty across the Global South continue to experience disproportionately severe impacts, even though they have little responsibility for causing the greenhouse gas emissions that are disrupting the planet’s climate.

Women, girls, marginalised and indigenous peoples are particularly and disproportionately affected by climate change impacts. Women and children are 14 times more likely to die from climate disasters as men,⁶ and 80% of people displaced by climate disasters are women.⁷ The greater the economic and gender inequality, the greater the disparity between women and men’s chances of survival.⁸ Climate change exacerbates existing gender inequalities, such as through expectations that girls will leave school earlier than their brothers when family income is affected by crop failure, that women and girls will walk long distances to fetch water when wells dry up, or that women will skip meals before their husbands when the family is hungry. Girls may be married off by parents when families cannot afford to feed them, exposing them to gender based violence, early pregnancy and depriving them of schooling. And when climate change leaves families hungry, women report higher incidences of domestic violence.⁹

Climate change is exacerbating rural-urban migration, increasing poverty, exploitation, and greater vulnerability of women-headed households. Gender-blind or gender-biased policies which reduce women’s access to land, markets, finance, public services, agricultural extension or climate information also further increase women’s exposure to the effects of climate change.

BOX 1:

RISING TEMPERATURES, BROKEN RECORDS, RUINED LIVES – 2024 TIMELINE OF CLIMATE DISASTERS

Unprecedented global temperatures caused by a devastating combination of climate change exacerbated by El Niño, have led to a relentless succession of extreme weather events, climate chaos and climate disasters across almost every part of the planet through 2024.

Heavy rains that began in 2023 and continued into **January 2024** took the Congo River to its highest level in decades, flooding the Republic of the Congo and the Democratic Republic of the Congo (DRC), causing more than 300 deaths, displacing more than half a million people across the two countries, and leaving multiple billions of dollars' worth of damage.

Meanwhile, Southern Africa recorded the most severe drought during the **January-to-March** agricultural season in more than 100 years, leading to water scarcity, crop failures, food shortages and outbreaks of disease such as cholera. The record mid-season dry spell has led Zambia and Zimbabwe to officially declare states of emergency, and the government of Malawi to declare a state of disaster. Now in the annual lean season, 26 to 30 million people are facing food insecurity.

Exceptional and extreme heatwaves, with widespread and sometimes persistent temperatures above 40°C in **April** across South and Southeast Asia, particularly affected the Philippines, Thailand, Vietnam, Bangladesh and India, causing drought, agricultural losses, heatstroke deaths and disrupting education and daily life for millions.

Around the same time in **April and May**, heavy and relentless floods caused by rare cyclones on the East African coast devastated Tanzania, Kenya, Ethiopia, Burundi and Somalia, causing at least 450 deaths, displacing 480,000, and affecting 1.6m people. The disaster followed several years of severe drought in the region. Also in **April and May**, Brazil's worst flooding disaster for 80 years affected the Southern part of the country, causing 181 deaths, and displacing 580,000 people.

In June, Cyclone Remal was one of the most devastating cyclones to strike Bangladesh in recent years, affecting 4.6 million people, 800,000 of whom were evacuated, and causing damage to more than 170,000 houses.

In late **June and early July** Hurricane Beryl became the earliest Category 5 storm on record in the Atlantic basin, causing particularly catastrophic damage in the Caribbean. On the islands of Saint Vincent and the Grenadines, approximately 36% of the population was affected. The hurricane brought down the electrical grid serving 95% of the island of Grenada, and damaged or destroyed 90% of Barbados' country's fishing fleet. Venezuela and the US state of Texas were also affected.

Deadly heatwaves in **July** around the Mediterranean (particularly Greece, Italy, Spain, Portugal and Morocco), with temperatures surpassing 40°C, has caused wildfires and fatalities. Bouts of both extreme rainfall and extreme temperatures across Europe in 2024 are now expected to put some of the region's expected harvests in jeopardy.

On the heels of the cyclone earlier this year, **August** has now seen Bangladesh hit by severe flooding that has impacted nearly 5.8 million people and displaced more than 502,000 into shelters. Transportation, power and communications have been disrupted, hindering relief efforts. Meanwhile the collapse of sanitation systems and stagnant floodwaters pose major health risks, including through insect- and water-borne diseases.

STORY 1



Tajnahar Begum and her son at the community shelter in Krishnapur, Noakhali. CREDIT: Fahad Kaizer/ActionAid Bangladesh

FLOODING IN BANGLADESH: TAJNAHAR'S STORY

Climate change means that flooding events have become tragically frequent in Bangladesh. Given the country's extensive experience in dealing with repeated crises, Bangladesh is a world leader in adaptation and disaster response strategies.

The country's extensive preparation efforts were nonetheless overwhelmed by the scale of the floods that hit the region in August 2024. Heavy rainfall unleashed massive volumes of water into the country's river systems downstream, affecting nearly 5.8 million people, including in regions that have never experienced flooding before. Hundreds of thousands of people have been stranded, and in desperate need of humanitarian assistance. This tragedy comes only three months after devastation caused by Cyclone Remal.

At the flood shelter in the remote village of Krishnapur, where floodwaters submerged homes and roads, Tajnahar Begum, 24, sits cradling her 5-year old son, tears streaming down her face.

For days, Tajnahar has struggled to find enough food to feed her son. The little dry food they receive at the shelter is not enough, and she worries constantly about how she will nourish him in the days to come. "The water was knee-deep in our home. I had no money, no way to prepare. I left our home with nothing, hoping to find safety here, but now I can't even properly feed my child." For Tajnahar, the pain of seeing her son hungry is unbearable. She wipes away her tears, trying to stay strong for him.

Farah Kabir, director of ActionAid Bangladesh has been working with her humanitarian team to respond to the disaster. "Entire families have lost everything. We are deeply concerned about the impact of the flooding, particularly on women and children who are the most vulnerable in such emergencies. Immediate challenges include access to safe drinking water, medical services and food. Disruption of roads and communications makes it even more difficult for them to reach safety and essential resources. The collapse of the sanitation system in many areas is heightening the public health crisis.

"Countries like Bangladesh with negligible emissions and whose people have shown super resilience deserve immediate funds to address the impacts of climate change and frequent disasters," adds Farah.

"We need to recover from the losses and damage we have faced, as well as build resilience to future impacts and take on green development pathways."

FOSSIL FUELS AND INDUSTRIAL AGRICULTURE: THE ENERGY AND FOOD SYSTEMS THAT ARE FAILING US

The fossil fuel and industrial agriculture industries are the two sectors most responsible for causing the climate change that is devastating lives across the Global South and pushing the planet to the brink.¹⁰

The role of fossil fuels in releasing planet-warming greenhouse gases (GHG) is widely recognised. Their extraction and burning accounts for over 75% of global emissions.¹¹ The contribution of industrial agriculture to the GHGs heating the planet today is less widely known, however.

The Agriculture, Forestry and Other Land Use (AFOLU) sector is calculated by the United Nations' (UN) Intergovernmental Panel on Climate Change (IPCC) to account for up to 21% of global GHGs.¹² This means that agriculture is the second largest contributor to climate change after fossil fuels. The factors identified by the IPCC as the main sources of increased agricultural emissions are characteristic of development driven by industrialised agriculture. This is typified by large-scale plantations; factory-farmed livestock production; widespread application of agrochemical fertilisers; pesticides and herbicides; hybrid or genetically modified seeds sold by corporations and which need to be purchased anew each year; mechanised farming; monocultures of single crop varieties covering hundreds of hectares; and commodity crops destined for export. Large agribusinesses corporations control and profit from almost every step of the process.

A major part of the climate harm caused by industrialised agriculture is due to its heavy reliance on fossil fuels in the production of synthetic nitrogen fertilisers ('fossil fertilisers') and agrochemicals. When these are applied to soils they also cause soil carbon to degrade into atmospheric CO₂, while also triggering highly climate-potent nitrous oxide (N₂O) emissions. Industrialised agriculture, and the unsustainable food system that it supplies, is furthermore the largest driver of deforestation on the planet, destroying the critical ecosystems such as the Amazon and Cerrado which are essential to balancing our planet's atmospheric emissions. Emissions from industrialised livestock production methane released from rice paddies also contribute to industrial agriculture's climate impact.¹³

Communities in the Global South are disproportionately affected by the disrupted weather patterns and disasters caused by these industries' contribution to climate change. Furthermore, it is their lands, their ecosystems, their water bodies and their livelihoods that are most harmed by the aggressive expansion of these industries into their territories. **As industrial agriculture and fossil fuel corporations target more community lands across Africa, Asia and Latin America, the cruel combination of landlessness, deforestation and water pollution is compounding the injustice of climate change on communities in the Global South.**

**THERE ARE REAL
SOLUTIONS THAT
CAN PROTECT
AND RESTORE
OUR WORLD.**

STORY 2

OIL POLLUTION IN THE NIGER DELTA

Erhobaro community in the Niger Delta is host to 27 oil wellheads, from which Shell extracts and sells its oil.

“Oil Well 27 is located right on my mother’s land,” says Finegirl, a 27-year old farmer. “When Shell first came to our community, they approached and negotiated with every landowner whose property they needed. They assured them that if they released their land to Shell, they would be financially taken care of for the rest of their lives. But more than 15 years later, my mother still hasn’t received a single dime from Shell.”

In place of compensation, Shell has brought only problems to the area. Frequent oil spillages pollute the local tap water, poor soils affect the health of their crops, and community members suffer constant diarrhoea. “The relentless noise and powerful vibrations from the oil well don’t allow us to sleep. Years of sleepless nights have led to my high blood pressure, and it’s the same for many others in the community too,” says Finegirl. When the oil well engines start up, people have to shout to be heard over the deafening noise, and communication becomes impossible.”

Oforigbalan community is 40 km away on the River Forçados. Helen, a fisherwoman in her fifties, has also seen the impact of Shell’s oil extraction and frequent spillages on the river ecosystem. “In the past, I would catch many big fish. There were a lot of fishermen and women in the community and fishing was a booming business. But as you can see, I’ve set my net since this morning and I am yet to catch a single fish. It makes me sad when I inspect my net and find it empty.

“The land is no longer fertile for farming, and the river is no longer productive for fishing.”



Oil pollution in the River Forçados has decimated Helen’s fishing livelihood.
CREDIT: Daniel Jukes, ActionAid

Fossil fuel and industrial agriculture expansion in the Global South are not only harming local communities, they are not even meeting people's urgent energy and food needs. We are often told that fossil fuels and industrial agriculture are necessary to address food insecurity and energy poverty, and to provide livelihoods and public revenue in the Global South. But these claims do not stand up to scrutiny.

Approximately half of Africa's population still lacks access to electricity, a fact that has been used as justification for new large-scale fossil fuel developments across the continent.¹⁴ However, most of the coal, oil and gas that is currently targeted for expansion in Africa and many developing countries is either destined for export or intended for use by industrial sectors. These expansion projects rarely meet the immediate energy needs of citizens living in poverty and without access to electricity.¹⁵ Meanwhile, local pollution, land grabs and water consumption from mining often causes devastating harm to local communities' livelihoods, food security and rights, far outweighing any (usually low-paid) employment benefit resulting from the fossil fuel sector expansion.¹⁶

Similarly, claims that industrial agriculture expansion will address countries' food insecurity gaps are clearly untrue when those products are destined for export rather than local markets. Much of the global agricultural commodity market is likely to end up as animal feed (soybeans, maize), biofuels (soybeans, maize, sugar, palm oil) or other commodities (cotton, flowers) rather than to feed people. Meanwhile, millions of smallholder farmers, women in rural areas and Indigenous communities have been outcompeted or violently forced off their land by the aggressive expansion of large-scale plantations.¹⁷

Several studies have shown that 70% of the world's population is fed by food grown on small farms, largely using diversified cropping systems and often agroecological approaches, even though these farms only use about a quarter of the world's agricultural land.¹⁸ Large-scale industrialised agriculture systems are not the farming systems that actually feed people.

The expansion of industrialised agriculture over several decades has seen chemicals and mechanised systems replacing farming livelihoods and labour, causing farms to expand from a few hectares to hundreds or even thousands of hectares, displacing families, providing ever-fewer poorly-paid jobs for labourers, and driving rural-urban migration and joblessness. For most Global South countries, where agriculture tends to form the backbone of the economy, the steady loss of livelihoods due to the industrialisation of agriculture, the disappearance of smallholdings that provide livelihoods and foods for rural people, and lack of alternative economic strategies for rural areas, all exacerbated by climate change impacts, contribute to the present and future jobs crises for young people and future generations.

Fossil fuels and industrial agriculture are simply the easiest ways for Global South governments to produce commodities for export, with which to earn foreign dollars in order to repay their national debts - which themselves have been exacerbated by the spiralling costs of climate disasters. In this way, unjust climate-induced debt in Global South countries is a driver of the expansion of the industries most responsible for causing the climate crisis - a vicious cycle that must be halted.¹⁹

In shaping food and energy systems around industrial agriculture and fossil fuels, governments are ultimately failing to prioritise communities' food security, energy, livelihoods and wellbeing, their ecosystems, and the climate. Instead they are delivering control and profit over food and energy to the corporations and elites that are harming people and planet.

For the sake of countries and communities on the front lines of climate change, there is an urgent need for the world to transition away from the fossil fuels and industrial agriculture that are causing the climate crisis. Moving away from economies based on extractive export-oriented commodities of fossil fuels and industrial agriculture, towards systems that truly meet peoples' food, energy and livelihood needs would still be in the interests of the Global South even if there was no climate crisis. The need to avert the climate crisis simply brings this agenda into sharper and more immediate focus.

In spite of, or perhaps because of, the climate harm they cause, both sectors continue to make concerted efforts to build counter-narratives against policies intended to reduce greenhouse gas emissions. Both sectors have systematically attempted to delay and oppose effective policy, while influencing public narratives through lobbying, PR and disinformation campaigns. This level of influence has grave consequences for Global South countries.

IT'S TIME TO TRANSFORM OUR FOOD AND ENERGY SYSTEMS

All countries must accelerate the transformation towards climate solutions that democratically deliver peoples' rights and secure their access to food, energy and livelihoods.

The wealthy countries of the Global North have been industrialising and polluting for more than a century. They are historically responsible for the emissions that continue to accumulate in the atmosphere, and which continue to heat the planet today. Meanwhile, industrialisation has come far later in Global South countries, who thus have far less historical responsibility for the climate change that is disrupting weather patterns all over the world today. This means that the Global South also has the right to development, and to use the bulk of the planetary carbon budget that is left. It is therefore right and fair that the wealthy polluting countries of the Global North take the most urgent climate action, to cut emissions by moving away from fossil fuels and industrial agriculture, and to provide their fair share of climate finance to the Global South. At the same time, it is also in the interests of the Global South to “leapfrog” over these dead-end climate-destructive industries, and to transition to low-emission development pathways as soon as possible.

Agroecological farming approaches are increasingly recognised as key technical interventions that are required to feed the world in an era of climate change, and which also bring multiple social and ecological benefits. Institutions and reports including the IPCC's Sixth Assessment Report (AR6),²⁰ the IPCC Special Report on Climate Change and Land,²¹ and the UN Food and Agriculture Organisation (FAO) Committee on World Food Security (CFS)²² see agroecology as a necessary step in preventing the climate crisis.

Agroecological farming approaches provide multiple benefits to the planet's climate, farmers, local communities, ecosystems and consumers. Agroecological practices can produce impressive results for farmers, and these are particularly noticeable when climate impacts strike. Millions of farmers are now finding that their soils' improved water-carrying capacity and fertility confer vital resilience to the escalating effects of climate change, without compromising yields.²³ Agroecological approaches mean that farmers are more likely to gain a harvest even in the face of erratic and changing weather patterns such as failed rains, flooding, and pest attacks.²⁴

By avoiding the need to burn fossil fuels to produce synthetic nitrogen fertilisers, as well as averting the emissions and soil loss when fertilisers are applied, and avoiding the aggressive deforestation associated with industrial agriculture and intensive livestock production, agroecological approaches are an important mitigation strategy for the food sector.²⁵

Agroecological approaches work with nature instead of against it, in contrast to industrialised agriculture in which expensive agrochemicals and seeds sold by agribusiness corporations cause harm to soils, biodiversity and the climate. Farmers rely on knowledge instead of purchased inputs, using nutrients in natural local materials, the natural behaviour of plants, birds and insects, the biological functions of beneficial microbes, and a huge diversity of crops, seed varieties and livestock breeds that have been bred and adapted to different environments and purposes. Nutrient-rich compost, manure and leguminous crops such as beans and clover deliver soil fertility for healthy crops, without the need for fossil-fuel dependent nitrogen fertilisers.

Agroecology does not only provide mitigation and adaptation benefits, but is also particularly suited to the needs of smallholder peasant farmers,ⁱ especially women farmers, who do not usually have the deep pockets or access to finance to invest in expensive agribusiness inputs.

Agroecology is also a key strategy for protecting the livelihoods of the 1 in 4 people on the planet who depend on agriculture for their livelihoods. In contrast to the erosion of farming livelihoods being accelerated by the industrialisation of agriculture, land that is host to agroecological and smallholder farming systems provides livelihoods, food security and more thriving rural economies for many more families.



The IPCC's Sixth Assessment Report makes clear that shifting away from fossil fuels and scaling up renewable energy must be at the very heart of our planetary strategy to avoid climate breakdown.²⁶ These findings were underlined in the ground-breaking global agreement at COP28 UN climate negotiations in 2023, to transition away from fossil fuels and triple renewable energy. By reducing energy over-consumption – particularly in the Global North - and improving energy efficiency use of the materials needed for renewables,²⁷ it is possible to achieve universal energy access with renewable energy, while simultaneously addressing the global climate crisis.

Renewable energy – particularly solar, wind and micro-hydro – can and must be scaled up to replace fossil fuels and address energy poverty, while avoiding the climate-devastating emissions associated with fossil fuels. Renewable energy technologies available today are already sufficient to achieve 100% renewable energy.²⁸ The Southern hemisphere is particularly well-placed to harness renewable energy, as abundant sunshine means that relatively little land is required for solar power to meet energy needs.²⁹

i. *The UN General Assembly adopted in 2018 the Declaration on the Rights of Peasants and Other People Working in Rural Areas. The term 'peasant' is used to refer to any person engaging in "small-scale agricultural production for subsistence and/or for the market, and who relies significantly, though not necessarily exclusively, on family or household labour and other non-monetized ways of organizing labour, and who has a special dependency on and attachment to the land". It aims to recognise the contribution of peasants, rural workers and small-scale farmers to global food security, development and environmental conservation. The word 'peasant' holds strong historical significance and a sense of collective identity. As an aftermath of industrialization, the land, culture and ways of living of peasant communities were progressively severed, accompanied by the post-capitalist obliteration of subsistence living and traditional knowledge and practice. Today, the term 'peasant' and its ways of living are being reclaimed by social movements such as La Vía Campesina as a means of resistance to the industrialisation and commodification of the food system. In this report, we use the terms 'peasant' and 'smallholder farmers' interchangeably.*

Renewable energy does not only provide mitigation and energy access benefits, but it can also make a major contribution towards adaptation strategies in a warming world, such as irrigation, food processing and storage, transport and cooling. Distributed renewable energy access can particularly benefit women and girls in communities for example through reducing the burden of care such as fetching and cooking with firewood (roles disproportionately shouldered by women and girls), increasing safety through electrical lighting at night, enabling young people to study after daylight hours, or offering new livelihood opportunities in rural communities thanks to electricity access.

Furthermore, as small-scale and distributed renewable energy systems tend to be owned at the local or national level, profits and taxes are retained and spent within the country, in contrast to multinational corporate profits which all too-often benefit only the headquarters and shareholders in the Global North.

BOX 2:

GENDER INEQUALITY FACED BY WOMEN FARMERS HARMS OUR FOOD SYSTEMS

In many countries agriculture provides the livelihood for 80% to 90% of the population. Women make up the majority of smallholder farmers in most developing countries. Across the Global South, nearly half of the agricultural workforce are women, and in sub-Saharan Africa the proportion is far greater.³⁰ The majority of the food that actually feeds the world is still grown by smallholder farmers.

However, women face multiple barriers in farming, setting back food security and rural communities' wellbeing. Women are often not recognized as farmers by their own families or communities, let alone by governments or donors. Patriarchy, stereotypes about men and women's rights and roles, as well as the current global economic model, all come together to undermine women's equal status in society, nevermind as farmers. This is compounded by policies, legislation and practices on the ground.

While large-scale commercial farms are prioritised for land and access to water, cultural practices or laws mean that women farmers often have insecure access to land and water sources.

Women farmers often focus on producing food for local and household consumption and are thus often not regarded by governments as "economically active". This means they can often be excluded from memberships of farmer groups and cooperatives, as well as denied access to credit. Government-provided extension services often ignore women smallholder farmers, meaning they miss out on key advice that might help them to adapt to climate change impacts.

Meanwhile, women farmers must often work a "triple shift" of household, family care and farming duties.

Policies and practices that assume that men are the only farmers that count are failing the majority of farmers and food systems. In systematically ignoring and failing to address the specific needs and challenges faced by women farmers, food security and local economies are being undermined. In an era of climate change, when food security, farming livelihoods and economies are already threatened, advancing gender-sensitive policies must be key for effective adaptation and essential for securing people's right to food.



A cycle rickshaw pulls a family through flooded streets in Noakhali, Bangladesh, after the devastating floods in August 2024. CREDIT: Fahad Kaizer/ ActionAid, Bangladesh

PART 2. HOW FINANCE FLOWS ARE EXACERBATING THE CLIMATE, FOOD AND ENERGY CRISES

FINANCE FLOWS ARE FAILING THE PLANET

The world's money is flowing in the wrong direction. The climate crisis is really about money: too much money is fuelling the climate crisis, too little money is going to climate solutions, and extractive money flows are locking economies deeper into climate-destructive spirals that deepen inequality.

As the IPCC's Sixth Assessment Report (AR6) found, more finance is flowing to the causes of climate change than to its solutions.³¹

Both private and public financial flows continue to incentivise the growth of the two main industries causing the climate crisis: fossil fuels and industrial agriculture. Although these industries purport to meet people's energy and food needs, they are largely controlled by powerful multinational corporations whose profit-seeking business model concentrates land and wealth into fewer and fewer hands, and all-too-often disenfranchises people instead of serving the public good. These two industries most responsible for causing climate change are aggressively expanding across the Global South, where countries are already disproportionately affected by the impacts of the climate crisis.

Even though the shared global agreement under the UN's 2016 Paris Agreement committed governments to making "finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development"³² the world's money flows continue to accelerate climate change.

ActionAid's 2023 report "How the Finance Flows: The banks fuelling the climate crisis" showed that the world's banks had channelled at least US\$ 3.2 trillion in private finance to fossil fuel corporation activities in the Global South since 2016.³³ Meanwhile, bank financing to corporate industrial agriculture operations in the Global South came to US\$ 370 billion in the same period.

The fossil fuel and industrial agriculture corporations carrying out and profiting from these activities in the Global South are largely headquartered in Global North countries. They extract resources from the Global South to be used in high-income, resource-dependent countries in the Global North. Benefiting from low tax rates (thanks to rich nations setting global tax rules to their own advantage),³⁴ profits from these industries also go to their headquarters and shareholders in the Global North, instead of providing tax revenue to strengthen public services in the Global South, or circulating in and strengthening local and national economies.

This pattern in which products and profits flow Northwards, embodies the ongoing extraction and exploitation of the Global South by the Global North, beginning with colonialism and continuing in other forms today. Meanwhile, climate financing provided for the Global South to undertake mitigation and adaptation, and to address loss and damage, is critically lacking.³⁵

For the planet to have a chance of averting runaway climate breakdown, climate financing from the Global North countries that have done the most to cause climate change, to the Global South countries on the front lines of the crisis, is an essential piece of solving the climate challenge. Wealthy countries in the North have a responsibility to provide sufficient climate finance in the form of grants to the Global South countries who have done little to cause the crisis, but are experiencing the disproportional and devastating impacts of climate change.

Rich countries continue to short-change so-called "developing" countries when it comes to climate finance, however. In spite of their claims that they mobilised US\$ 116 billion in climate finance in 2022 – surpassing the US\$ 100 billion a year target, the reality is that the real value of financing fell short by as much as \$88 billion. Nearly 70 per cent of financing was provided as loans, only adding to the indebtedness of Global South countries.³⁶ Grant-based support is essential so that countries and communities who are being pushed deeper into debt by the costs of the escalating climate crisis can recover and rebuild after climate disasters, strengthen resilience to future impacts, and transition towards green and democratic solutions for food and energy. (*More information on climate finance and COP29 climate negotiations can be found in Part 4 "Sourcing and scaling up public finance for climate action".*)

Underlining the point that climate finance flows are failing, and that the world's money is going in the wrong direction, ActionAid's 2023 report found that between 2016 and 2022, the volume of climate finance grants provided by Global North governments was just 1/20th the volume of bank financing provided to climate-harming fossil fuel and industrial agriculture activities in the Global South.³⁷ Whatever limited climate funding is available for solutions, is thus being actively undermined by the banks who continue to finance climate destruction.

As the IPCC clearly states: "there is sufficient global capital to close the global investment gaps but there are barriers to redirect capital to climate action".³⁸

For the subsequent sections of this report, we will focus on the role and magnitude of public financial flows in support of the fossil fuel and industrial agriculture sectors in the Global South, with a general understanding that the North-South dynamics laid out above greatly influence the public financial management across the region.

SPOTLIGHT ON COUNTRIES' PUBLIC FINANCE

In principle, governments should use their domestic public finance to serve the public good, which includes protecting the environment, developing strong social safety nets, and respecting human rights. In practice, however, the picture is often very different.

Evidence suggests, in fact, that **the fossil fuel and industrial agriculture corporations that are pushing our planet to the brink are hoovering up the lion's share of public financing, while climate solutions are still massively underfunded. Indeed, we find that Global South public finance continues to serve the Global North's extraction from, and exploitation of, the Global South.**

Governments have a range of tools through which to use their domestic tax revenue for the public good. The principal mechanisms for public financing are through provision of public services, the development of state institutions and the allocation of subsidies.

The provision of public services to meet basic human rights is an essential part of a government's duty towards people. Examples of public services include: provision of electricity, water and transport infrastructure that ensure access and affordability, health and education services, as well as agricultural extension services to farmers. Many state institutions also benefit from public finance. However, public institutions that are contributing to the climate crisis include state-owned fossil fuel and industrial agriculture corporations, sovereign wealth and public pension funds that own shares in fossil fuels and industrial agriculture corporations, and state-owned banks that leverage public funds into loans or bonds to climate-harming corporations for the expansion of their activities.

Public subsidies are a key component of the public financing toolkit, and a focus of this report's analysis. Subsidy allocations are usually done in the interests of advancing either economic policies or social good. These two agendas are not always aligned, however, especially when subsidies distributed in the name of advancing economic policy cause negative socioeconomic and environmental impacts such as climate change.

When it comes to supporting the energy and agriculture sectors, governments have the opportunity to use their public funds gained through tax revenues to address the climate crisis and safeguard people's rights. But often governments do not decide subsidy allocations in isolation. Corporate interests, both domestic and foreign, as well as international financial institutions and foreign governments, can exert significant pressure on policy-making, as well as decisions about subsidy allocation and reform.

Multinational corporations in particular have a track record of influencing Global South policymakers to adapt policies to their business interests, as reported by InfluenceMap.³⁹ Meanwhile influential multinational financial institutions such as the International Monetary Fund (IMF) frequently pressure Global South countries to invest in fossil fuels⁴⁰ and implement austerity measures by withdrawing progressive subsidies that support people on low incomes,⁴¹ as part of their loan conditionalities.

BOX 3:

EXTERNAL INFLUENCE ON PUBLIC POLICY


The Instituto Penar Agropecuária is considered to be one of the most influential lobbying groups in Brazil,⁴² representing the interests of large multinational companies including JBS, BASF and Cargill. This lobbying group was key in passing legislation undermining Indigenous land rights and opening their territories to mining and agribusiness.⁴³ Lobby groups representing agrochemical companies have also set out to stop the EU from banning the export of dangerous chemicals that are already banned within EU borders.⁴⁴

Japanese and South Korean fossil fuel corporations, meanwhile, have been found to have influenced policy makers in Vietnam to fast-track and approve new LNG infrastructure projects. Japan's industrial strategy to strengthen Japanese influence over energy policy across Southeast Asia⁴⁵ has also seen the Japan International Cooperation Agency (JICA) heavily involved in the drafting of the Bangladesh government's Energy and Power Master Plan, proposing that the country's energy system becomes heavily dependent on fossil fuels as well as debunked approaches such as Hydrogen and Carbon Capture and Storage (CCS) which further delay the transition away from fossil fuels.⁴⁶

Similarly, European fossil fuel companies have tried to secure gas-based energy pathways for development in Africa, while also succeeding in weakening gas reduction policies in the EU.

The IMF has encouraged many countries to expand their fossil fuel extraction as a means to repay their debt, for example Mozambique's expansion of fossil gas in Cabo Delgado.⁴⁷ In Zambia, meanwhile, IMF targets required the government to reduce its expenditure on public services, with many regressive structural benchmarks that disproportionately impact poor households, such as the elimination of subsidies on fuel and electricity tariffs, and the reinstatement of VAT and excise taxes on fuel (removing any protection from volatile and rising fuel prices), which are likely to impact particularly on micro, small and medium enterprises.⁴⁸

The corporate capture of the Global South is frequently facilitated by the influence of multinational corporations, international financial institutions and financial agencies – often working in combination. In many cases, such influence affords protection and power to authoritarian regimes, while also indemnifying the corporations from human rights violations, ecological destruction and climate change caused.



Oil pollution covers rivers after decades of oil spills in the Niger Delta.
CREDIT: Daniel Jukes/ActionAid

BOX 4:

DIRECT, INDIRECT, EXPLICIT AND IMPLICIT SUBSIDIES

“Direct” subsidies usually take the form of payments from governments to the private sector or to individuals, either in the form of cash or tax reductions, to incentivise investments, reduce operational costs, or to lower the prices paid by consumers for a commodity or service. Examples include: tax relief to corporations, or retail subsidies to lower consumer prices of gasoline, agricultural fertilisers or renewable energy.

Governments also often provide “indirect” subsidies by covering or contributing to reduce costs that would otherwise be paid for by the private sector, for example by subsidising services or investment in infrastructure. Examples: electricity, water, training or marketing promotion.

Direct and indirect subsidies are considered to be “explicit” subsidies, because they are explicit about their intention to support the industries and people’s use of them.

In addition, when the costs of repairing “externalised” social and environmental harm caused by certain industries are instead covered by governments, these costs can be counted as “implicit” subsidies. Examples include: recovering from climate change impacts, costs of local clean-up and harm to health caused by pollution, economic losses caused by traffic congestion.

Although countries are carrying a massive and deeply unjust financial burden in dealing with the many harms caused by the fossil fuel and industrial agriculture sectors, this study does NOT include “implicit” subsidies in our calculations. Instead, our calculations are based purely on the financial support explicitly provided to the climate-destructive sectors.

At UN COP26 climate negotiations in 2021, and again at COP27 in 2022, the world’s governments agreed to accelerate efforts to phase-out inefficient fossil fuel subsidies. Furthermore, at COP28 in 2023, countries agreed to transition away from fossil fuels. These commitments remain far from reality, however, with global fossil fuel subsidies increasing every year since the Paris Agreement was signed. In the EU alone, for example, Member States were found to have provided an average of €55 to €58 billion per year of explicit subsidies for fossil fuels, representing more than 10% of global annual fossil fuel subsidies.⁴⁹

This report takes a deeper look at this pattern of public financing in the Global South, the region where the climate crisis is being felt most severely.

ActionAid’s new findings analyse the extent of public subsidies allocated to fossil fuels and agriculture in Global South countries. In this report, we analyse the public subsidy allocation to industrial agriculture of 45 countries in the Global South, and fossil fuel subsidy allocation in 108 Global South countries, with a particular focus on the direct support provided to corporations and those directed at encouraging consumption. Later in the report, we **compare subsidy provision to fossil fuels with THE scale of renewable energy public investment** in a selection of countries. Finally, we look at the willingness of wealthy Global North countries to support climate action in climate-vulnerable countries, by **comparing levels of grant-based climate financing with the scale of public subsidies that the fossil fuel and industrial agriculture sectors are receiving** from countries in the Global South.

PUBLIC FINANCING FOR INDUSTRIAL AGRICULTURE

ActionAid's analysis of industrial agriculture public subsidies in the Global South reveals that:

- **The industrial agriculture sector has received an annual average of at least US\$ 232 billion each year in public finance subsidies** from Global South countries between 2016 (when the Paris Agreement was signed) and 2021.ⁱⁱ
- **This means that every year, the industrial agriculture sector is taking public funds that could provide primary school education to all children in sub-Saharan Africa 1.26 times over.**ⁱⁱⁱ

Table 1: Agriculture subsidies in selected countries

| Selected countries by region | Average annual agriculture subsidy support (2016-2021) /US\$ million | Per capita average annual agriculture subsidy support (2016-2021) US\$ | Per capita % of average annual national public finance budget ⁵⁰ |
|------------------------------|--|--|---|
| AFRICA | | | |
| Zimbabwe | 289.1 | 19.9 | 6.7% |
| South Africa | 644.7 | 11.2 | 0.5% |
| Zambia | 164.8 | 9.5 | 3.1% |
| Malawi | 86.5 | 4.8 | 3.8% |
| Senegal | 112.3 | 7.2 | 2.5% |
| ASIA | | | |
| China | 223,281.7 | 159.1 | 5.8% |
| Indonesia | 24,812.8 | 92.8 | 13.2% |
| Bangladesh | 1,295.8 | 7.8 | 1.9% |
| LATIN AMERICA | | | |
| Brazil | 3,889.9 | 18.5 | 0.5% |
| Boliva | 825.1 | 72.2 | 2.0% |
| Guatemala | 422.5 | 26.3 | 3.5% |

Corporations benefiting from public subsidies include the world's biggest and wealthiest agribusiness corporations such as Yara (the world's largest fertiliser corporation), Bayer Corporation (the parent company of Monsanto), Syngenta, Cargill and JBS. Many of the subsidies provided to farmers also ultimately end up in the pockets of such corporations. One study from Brazil concluded that with 76.1% of the country's soybean supply chain controlled by multinational corporations, subsidies provided to the country's large-scale farmers ended up indirectly financing the multinational corporations, to the detriment of peasant smallholder farmers and the domestic agricultural economy.⁵¹

However, governments in the Global North are providing subsidies to these corporations at a proportionally higher scale. The US has been spending an annual average of US\$ 43.4 billion on agriculture subsidies, the equivalent of US\$ 132 per person each year. The scale of the corporate capture over the years can

ii. This calculation is based on the OECD's calculation of Producer Support Estimate (PSE) for agriculture. For agriculture subsidies, PSE includes support provided to agribusiness corporations through tax relief and benefits (counted as foregone tax revenue); support for farmers to purchase inputs such as agrochemicals and seeds; and subsidies that allow farmers or corporations to sell their produce a guaranteed price.

iii. The average annual cost of primary school education in sub-Saharan Africa is US\$ 306 per child.

be seen through the US-based Good Jobs First Subsidy Tracker. Going back more than a decade, the US government has provided Cargill with more than US\$ 164 million in total, JBS with US\$ 32 million, and Bayer-Monsanto with US\$ 852 million. The issue is rife in Europe as well. According to Friends of the Earth Netherlands, Yara Corporation has been receiving an average of €1.2 billion each year in Dutch subsidies in the form of tax rebates,⁵² in addition to tens of millions in ordinary subsidies.⁵³ These subsidies are directly linked to the climate harm caused by Yara's fertilisers, with tax rebates linked to the natural gas on which fertiliser production depends.

PUBLIC SUBSIDIES FOR FOSSIL FUELS

ActionAid's analysis of public subsidies provided by Global South governments to fossil fuels reveals that:

- **The fossil fuel sector directly benefited from an estimated annual average of US\$ 438.6 billion each year in publicly-financed subsidies** from Global South countries in the years between 2016 and 2023.⁴
- This means that **every year the fossil fuel sector is accessing public funds that could provide primary school education to all children in sub-Saharan Africa more than 2.3 times over.**

(For more information on selected countries' per capita subsidy spending on fossil fuels, see the section "A rocky road for renewable energy investment".)

Fossil fuel corporations such as Shell are benefiting from subsidies (including tax incentives) from countries across the Global South, either as part of economic measures to encourage foreign direct investment or as direct support to the oil and gas sector. In Malaysia, for example, tax exemptions and allowances are targeted at oil and gas industry corporations to encourage upstream activities, while in the Philippines oil and gas companies benefit from corporate tax exemptions designed to attract foreign investment.⁵⁴

However, it is governments in the Global North that continue to disproportionately fuel the climate crisis. **Even though the Global North has just one quarter of the world's population, their annual average fossil fuel subsidies came to US\$ 239.7 billion** in the years between 2016 and 2023. Between 2016-2023, Shell and its subsidiaries received a total of US\$ 500 million in subsidies, federal loans and guarantees in the US.⁵⁵ Contracts for EU grants to Shell and regional subsidiaries came to €300 million in the same period.⁵⁶ Shell has received a further £590 million in tax rebates from the UK government since 2015.⁵⁷

The true cost to the public purse is far greater than the cost of these direct subsidies, however. When the cost of recovering from devastating climate impacts, as well as addressing the extensive environmental and social harm caused by fossil fuels is also included as the "implicit" accounting of fossil fuel subsidies, these total fossil fuel subsidies were found to amount to a staggering US\$7 trillion globally in 2022. Escalating climate impacts mean this figure has increased almost every year since the Paris Agreement, and is expected to rise to US\$8.2 trillion by 2030, according to the latest estimates by the IMF.⁵⁸

Recent evidence also suggests that Global South governments have seen fuel subsidies draining their public budgets, particularly since the invasion of Ukraine in 2022. In Senegal, fuel subsidies amounted to 4% of GDP in 2022, while fuel subsidies in Angola cost the equivalent of 40% of their social programmes.⁵⁹

The volatile costs of fuel subsidies have prompted some countries to re-think their approach. Fuel subsidy phase-out must be done extremely carefully, however. In Nigeria, for example, the sudden removal of fuel subsidies in May 2023 amid a cost-of-living crisis prompted widespread protests,⁶⁰ and eventually their

iv. This calculation is based on "explicit" subsidies, which can include direct support to fossil fuel corporations (e.g. favourable tax treatment for fossil fuel extraction, risk transfer instruments such as loan guarantees, energy-related services provided by governments); as well as contributions to lowering consumer prices of fossil fuels (e.g. rebates to households for energy purchases).

reinstatement.⁶¹ A similar story in Kenya earlier this year also offers important lessons on the need to take a progressive and feminist Just Transition approach to shifting subsidies, that addresses and does not exacerbate inequality. (See more about Kenya's example in the sub-section "Rocky road for renewable energy investment" below, as well as "*Just Transition principles for shifting finance*" in Section 3.)

PUBLIC FUNDS FUELLING PUBLIC HARM

As the evidence shows, the fossil fuel and industrial agriculture sectors have an iron grip on the energy and agriculture policies and budgets of the same Global South countries that suffer the worst impacts of the climate harm wreaked by these industries. UN agencies have found that 87% of agriculture subsidies are environmentally harmful,⁶² while the IMF agrees that fossil fuel subsidies are "fuel to the fire" of the climate crisis.

In the Global South, corporate control over policymaking has resulted in a lack of thriving alternative systems of agroecological farming and renewable energy. Governments thus continue to channel their already-scarce public finances to the influential and ever-present corporations.

Ostensibly, these subsidies are allocated with the aim of lowering prices and improving people's access to food and energy. Indeed, farmers and the public, especially those on lower incomes, often rely on such subsidies (especially those targeted at farmers and consumers) to lower the costs of the agrochemical fertilisers or gasoline on which they are currently dependent.

But while the use of public subsidies to strengthen communities' access to food and energy can often be motivated in the public interest, the **unquestioning public financing of climate-destructive fossil fuel and industrial agribusiness instead of people-centred climate solutions for food and energy, is short-sighted and self-defeating.**

The accumulating planet-heating greenhouse gases, ecological destruction and land grabs caused by these industries threaten the climate stability, food security, livelihoods, access to water and rights of people – particularly of those already marginalised and living in poverty – in the immediate and mid-term, and are relentlessly pushing our planet to the brink of survival. **It is therefore not in the interests of people or nations to use scarce public funds to fuel addiction to the industries that are doing them the most harm.**

Fossil fuel and industrial agriculture corporations are taking the lion's share of available public resources. Public funds are being channelled towards these climate-destructive industries instead of towards alternative and democratic climate solutions such as renewables and agroecology to ensure food security, energy access and livelihoods. This corporate capture of public finance undermines the opportunity for just, feminist transitions to take place. Subsidy allocations are creating dependency on systems that are accelerating the climate crisis and harming communities, amounting to a misuse of public funds.

Furthermore, with subsidies paid for by taxpaying citizens in the Global South boosting the operating environment for multinational corporations, it is mostly corporate shareholders in the Global North who reap the profits. Ultimately scarce public resources in some of the world's poorest nations are enriching elites in the Global North instead of safeguarding people's rights.

A ROCKY ROAD FOR RENEWABLE ENERGY INVESTMENT

New ActionAid analysis also looks at volumes of public renewable energy investment in a number of key countries, and compares this to public subsidy provision for fossil fuels.

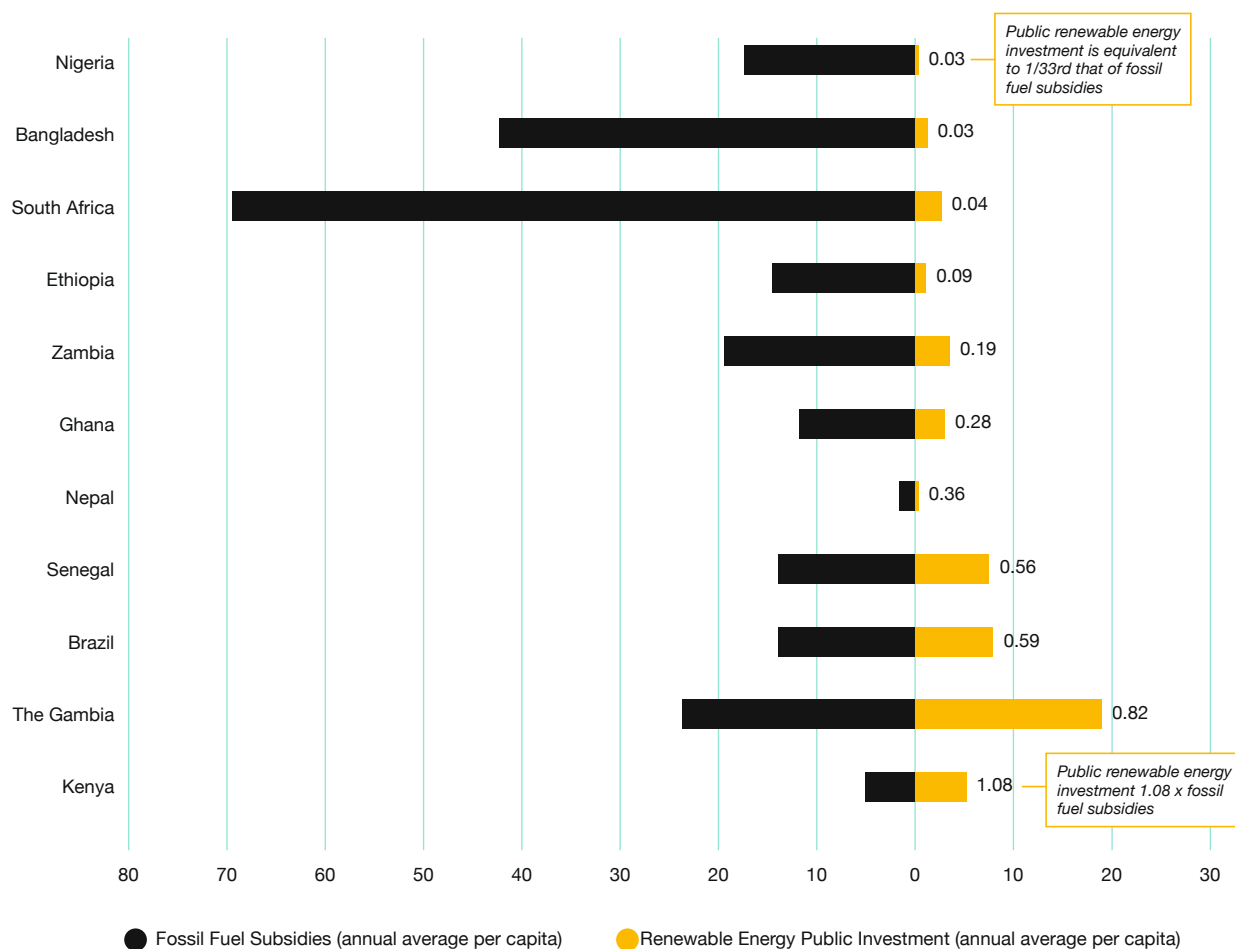
ActionAid's new analysis of data between 2016 and 2021 finds that:

- **Public renewable energy investment in the Global South has come to an average annual of US\$ 10.3 billion each year.^v**
- However renewable energy investment in the Global South has been on a **worrying downward trend, more than halving from US\$ 15 billion in 2016 to \$US 7 billion in 2021**, likely due to the growing number of countries facing debt distress.
- Across the Global South, average annual public **renewable energy investment has been less than 1/40th that of public subsidy financing for fossil fuels.**



v. The available figures for renewable energy investment count government public funds, Official Development Assistance (ODA) and financial flows from multilateral banks and bilateral agreements, while also excluding figures for tax relief. This means that national governments are giving less than the numbers indicated here, and that these figures are not exactly comparable to explicit public subsidy figures that we use to assess public subsidies to fossil fuels. Nonetheless, looking at these numbers side-by-side reveals an interesting and indicative way to assess governments' commitment to scaling up renewable energy, through which we can draw some interesting observations.

Comparing average annual fossil fuel subsidies with per capita public investment in renewable energy (2016-2021)



The figures in the table graphic above spotlight some interesting stories at national level.

In fossil fuel producing countries such as South Africa, Bangladesh and Nigeria, the public purse has been heavily subsidising the fossil fuel sector while showing minimal support for renewables, with annual average fossil fuel subsidies many times the per capita level of investment in renewable energy.

Meanwhile, Kenya’s stated ambition to be a global leader in renewable energy is borne out by the finding that per capita investment in renewables in the country is outspending public subsidy provision to fossil fuels.⁶³ However the Kenyan government’s recent regressive approach to shifting subsidies provides a vital cautionary tale that other countries must heed.

In 2024, the reduction of subsidies for petrol, kerosine and diesel - which were designed to help Kenyan consumers on low incomes to access their fuel needs - has resulted in protests across the country, especially by people living in poverty. When cutting consumer subsidies, the government explicitly stated its intention to prioritise and protect subsidies benefiting fossil fuel producers.⁶⁴ This means that wealthy profit-making corporations continued to receive public financing, while the poorest people in the country suffered the disproportional costs of rising fuel prices. While Kenya has made significant gains in encouraging renewable energy investment, this has not yet resulted in society being able to access and afford clean fossil-free means of transport, cooking and lighting.

The backlash generated by Kenya’s approach to shifting subsidies (which was finally reversed after months of protest) underlines the critical importance of progressive and feminist Just Transition principles when re-allocating subsidies. Shifts in public financing must be carefully sequenced to protect the rights of people – especially women – living in poverty. Any reductions in fossil fuel subsidies should target the wealthy corporations first. Accessible and democratic alternatives (such as renewable energy) and social protection measures must be implemented to help people on low incomes. Only once these are in place should progressive policies be shifted. *(More information on the just transition principles needed to govern just transition financing shifts can be found in “Part 3: Shifting finance flows: Ensuring a just transition.”)*

The Gambia, Brazil and Senegal were found to be encouraging renewable energy investment on a scale that is almost comparable to the per capita public subsidy provision for fossil fuels. However the urgent need for the shift to renewable energy to be governed by feminist Just Transition principles is also highlighted in Brazil, where famers’ rights are at risk from land grabs caused by the scaling up of wind farms. *(See also Part 3.)*



Despite a multi-season drought in Somaliland that has had affected food security across the Horn of Africa region, Habiiba Mohamed Ahmed, 52, is successfully able to harvest fruit and other crops thanks to solar-powered irrigation on her farm in Ceel-Hume. CREDIT: ActionAid Somaliland



LACK OF PUBLIC FINANCING FOR AGROECOLOGY

Even though agroecology has been proven to be a transformative approach of the food system, financing to the Global South channelled through ODA towards agroecology is completely insufficient in both quantity and quality. Green Climate Fund (GCF) projects dedicated to transformative agroecology only accounted for 10.6% of the total invested in agricultural projects, while support towards agroecology by the EU channelled through the Food and Agriculture Organisation (FAO), the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP) between 2016 and 2018 accounted for just 2.7%.⁶⁵

ActionAid's recent 2024 analysis of the European Investment Bank (EIB) – the world's largest multilateral bank – indicates a strong bias towards the climate-harming industrial agribusiness sector. At the end of 2023, the EIB had €5 billion outstanding loans to the agriculture and forestry sector, with an estimated €800 million of these loans going to agribusiness projects outside the EU.⁶⁶ A number of case studies demonstrate that the EIB does not seem to prioritise support for sustainable agriculture, instead financing projects in support of export commodities, unsustainable agricultural and industrial practices, and large opaque companies. Meanwhile the EIB fails to ensure adequate environmental and human rights impacts assessments and prefers to trust in financial intermediaries that lack accountability or clear public development and environmental mandates.

These trends suggest that there is a systemic lack of support for agroecological approaches through international and multilateral finance, which is likely to be mirrored at the national level through domestic public financial support.

ZAMBIA AND ZIMBABWE: A TALE OF TWO COUNTRIES

Global data on public financing of agroecology is not available, as very few countries have made this information public. However a look at two particular countries where ActionAid has undertaken national level research into public financing of agroecology and industrial agriculture can provide insights into the financial implications of contrasting policy choices.

The rising costs of fossil-fuel based fertilisers in recent years, the ineffectiveness of expensive agrochemical inputs in the face of climate change impacts, and advocacy by farmers' movements on the front lines of the climate crisis, have led several African governments to increasingly recognise the value of agroecological practices in ensuring adaptation and food security.

Unfortunately, policy support for agroecology is not usually matched with the finance required to scale up practices on the ground. It is often undermined by contradictory budgeting that reflects a systemic bias towards subsidising climate-harming industrial agriculture inputs.

After many years of commitment to industrial agriculture and high levels of public spending on fertilisers, Zimbabwe has recently become a pioneer in adopting progressive agroecology policies. Rising fertiliser prices tied to high fossil fuel costs triggered by the war in Ukraine, along with currency devaluations that created further barriers to imports, have contributed to this shift in direction. Combined with rising temperatures and lower rainfall, this has spurred the country to recently take proactive measures based on agroecology that can give farmers the alternative tools and knowledge to secure their food security and farming livelihoods without relying on expensive fertilisers that increase crops' vulnerability to climate change.

Indeed, when it comes to subsidy allocations, there is a noticeable difference between the agricultural budget practices of Zimbabwe and its neighbour in Southern Africa, Zambia. Like many African countries, Zambia continues to commit the vast bulk of its agricultural budget to subsidising climate-harming fossil fuel fertilisers. Meanwhile, Zimbabwe's stronger policy commitment to agroecology is also starting to be reflected

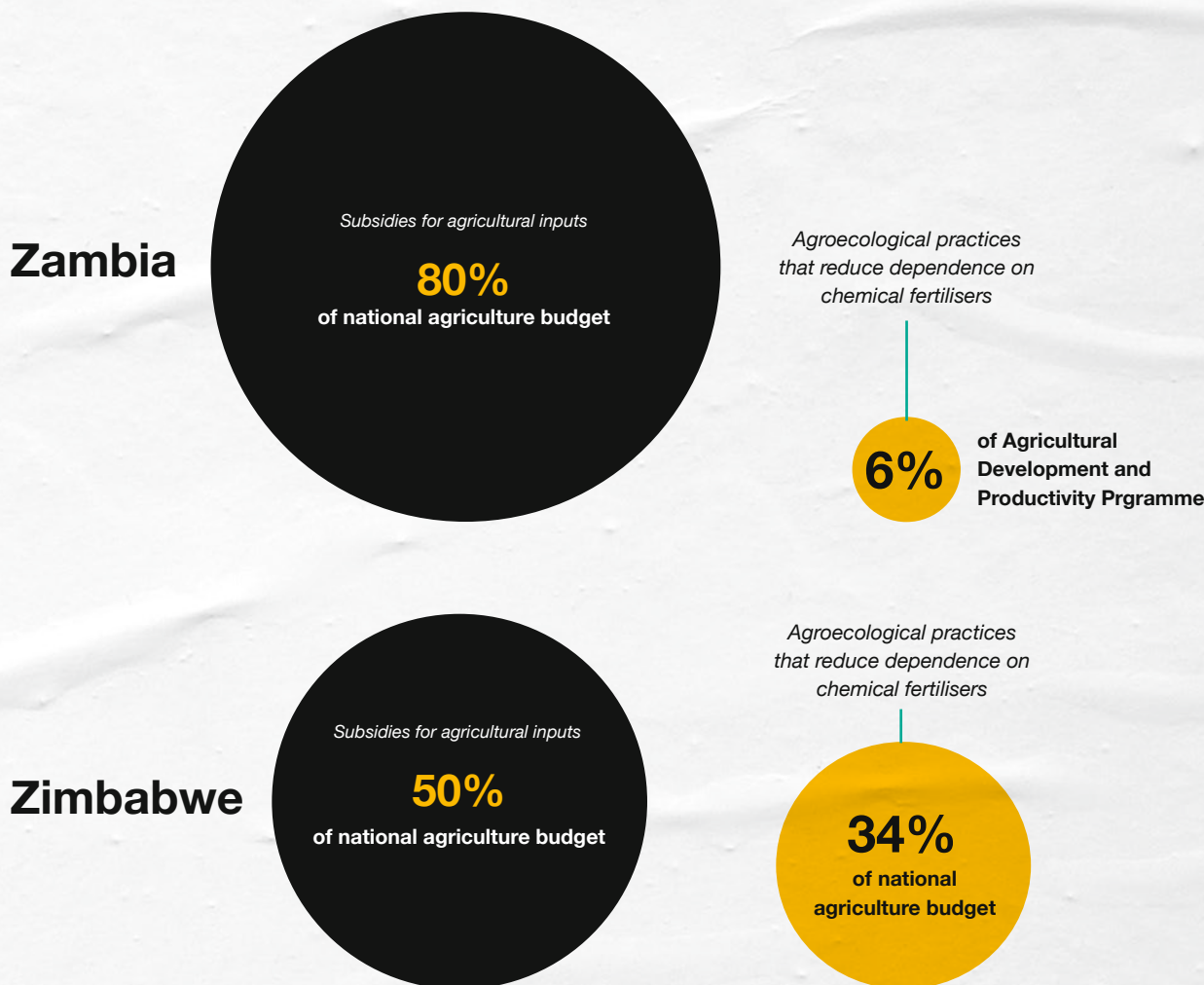
in its budget allocation, although there is still some way to go. Nonetheless, Zimbabwe is almost certainly a global outlier when it comes to its level of investment in agroecology.

Zambia:

- **80% of Zambia’s national agriculture budget was allocated to the input supply programme for the year 2023-24, largely providing synthetic fertilisers and commercial seeds** for farmers.
- Only **6% of Zambia’s Agriculture Ministry’s Agricultural Development and Productivity Programme could be considered to be spent on supporting farmers to adopt the agroecological practices** that strengthen soil fertility, which enable them to shift away from dependence on agrochemical inputs.^{vi}

Zimbabwe:

- An estimated **50% of Zimbabwe’s national agriculture budget was allocated towards subsidising industrial agribusiness inputs such as fertilisers and seeds in the year 2023-24.**
- Meanwhile, **34% of Zimbabwe’s agriculture budget is likely to be supporting farmers to adopt the key agroecological practices** that can help farmers to shift away from climate-destructive agrochemicals.



vi. This data is drawn from the findings and underlying data used to develop the report “Agroecology in Southern Africa: Financing the Transition”. Here we spotlight the report’s assessment of government allocation of finance to the HLPE principles of “reducing inputs”, “recycling” and “soil health”, as well as the report’s findings on subsidy allocation to agricultural inputs.

The corpse of a camel that succumbed to the elements in Somaliland amid the worst drought in decades.
CREDIT: ActionAid

PART 3. SHIFTING FINANCE FLOWS: ENSURING A JUST TRANSITION

The current scale of public subsidies for climate destructive industries presents both worrying concerns and exciting opportunities. The potential good news is that subsidy reform to shift public financing away from the two biggest causes of climate change – fossil fuels and agribusiness - can free up huge amounts of public finance to scale up public investment in urgent climate, food and energy solutions such as agroecology and renewable energy.

The transition to new forms of energy and food systems, and any accompanying re-allocations in public finance will affect a diverse range of stakeholders, however.

If not carried out with appropriate care and justice, the transition can disproportionately affect marginalised communities, threaten already-precarious livelihoods, and trigger understandable resistance. People living in poverty already spend a disproportionately large share of their income on food and energy. Communities dependent on farming and fossil fuel extraction labour, low-income communities, and communities on the front lines of the climate crisis, are likely to be affected by shifts in policy and public financing. They can be particularly vulnerable to price rises and often lack access to decision-making and information.

Key lessons must be learned from previous experiences which have failed to take sufficient “Just Transition” measures. In 2019, for example, Ecuador’s government tried to remove diesel and gasoline subsidies, resulting in political insurgency that swept the country. Similar attempts to remove subsidies in India, Indonesia, Egypt and Jordan over the past 15 years have also been faced with mass protests and riots,⁶⁷ in addition to the examples of Kenya and Nigeria which have already been referenced in this report. (See sections above on “Public financing for fossil fuels” and “a rocky road for renewable energy investment”.)

It is therefore essential to understand the political and social implications of shifting policies and subsidies from fossil fuels and industrial agriculture, and to take careful measures to smooth the transition and address potential challenges in ways that are socially and economically fair.⁶⁸ Shifting finance is part of the Just Transition and must therefore also be governed by Just Transition principles.

Feminist Just Transitions must follow the following four principles, as defined by ActionAid in the 2020 briefing “Principles for Just Transitions in Extractives and Agriculture.”⁶⁹

- Addressing and not exacerbating inequalities;
- Transforming systems to work for people, nature and the climate;
- Ensuring inclusiveness and participation;
- Developing comprehensive plans and policy frameworks.

In doing so, marginalised communities, particularly women, must be at the centre of plans and planning, to ensure a clear **feminist analysis of potential impacts**, and to avoid exacerbating gender inequalities. Relevant community organisations and unions should actively participate in policy development to ensure that perspectives are properly listened to and addressed, for example through collective bargaining. Subsidy reform to phase out support for fossil fuels and harmful industrial agriculture must be paired with supportive mechanisms that prioritise the needs of potentially affected communities, especially workers, low-income communities, women and youth. Social movements can and must play a key role in ensuring governments’ accountability, and their **participation** in shaping just transitions is crucial.

Careful sequencing must ensure that negative impacts, how they are distributed, and who will be most affected are mapped first, before any potentially risky shifts are initiated. Phasing out fossil fuel subsidies which are aimed at encouraging fossil fuel production and consumption are likely to have an impact on the employment and livelihoods of many workers in the sector. At the same time, they may also affect the disposable income of low-income households, who tend to rely on such subsidies the most.

Similarly, shifting farming systems away from intensive production must avoid creating new risks for workers and farmers in terms of wages or working conditions, and must take into account the concerns of marginalised and young people so that they can get into and stay in farming.

The plan to phase out climate-damaging subsidies must therefore ensure alternatives and protection mechanisms are in place first, beginning with initial investment and support for programmes that deliver climate-friendly and people-centred **food and energy systems** (such as agroecology and renewable energy), as well as clear plans for **economic diversification** based on sustainable options, through strategies such as **capacity building**, marketing support, and employment provision.

Strengthened social protection systems, safety nets and compensation schemes that can scale up as required must also be in place, along with **effective communication** and strategies to engage **stakeholders**, particularly those most at risk.

Climate finance provided by wealthy countries in the Global North can and must play a key part in setting up the foundations so that these finance shifts can take place.

Once these foundational elements for a just transition are in place, corporate subsidies should be targeted for reductions first, particularly those directly benefitting fossil fuel producers, agricultural input producers, or commodity traders. To complement this process, governments should aim to regulate corporate power and implement progressive taxation so that companies are paying fair taxes on their profits, thereby contributing to the public purse that can then support social protection and other initiatives to ensure a just transition. At present, too often, the largest fossil fuel and industrial agriculture companies are able to export their profits to tax havens and pay little or no tax.

Action in this area can include policy reprioritisation away from export commodity crops which generate limited economic or food security for communities, or halting support for new fossil fuel infrastructure projects that risk locking Global South countries into building expensive and debt-dependent infrastructure that may well become outdated and unusable ‘stranded assets’.

Progressive subsidies that support low -income communities to afford fossil fuels and industrial agriculture products can then be phased out once communities have access to climate-friendly alternatives.

There is no single strategy for reforming fossil fuels and industrial agriculture subsidies, but measures to cope with the adverse impacts of subsidy policy reform and provision of the necessary resources to encourage participation in the alternatives will be essential.

Specific measures for shifting subsidies from industrial agriculture and fossil fuels can include:

- **Social protection:** Ensuring social protection enables people to access compensation for increased costs of rising prices, or to diversify their income and take gainful risks if their livelihoods are affected. e.g. Cash transfers to compensate for higher costs or loss of income, unemployment protection, social health protection, pension continuity and coverage, options for early retirement, food transfers, job guarantees, public employment programmes, cash or food for work, minimum crop price guarantees.
- **Access to alternatives:** Putting in place measures that mean people are no longer dependent on fossil fuels, fertilisers, pesticides and hybrid seeds and can access democratic and affordable climate solutions for food and energy in their place. E.g. composting, organic fertilisers; bio-pesticides; diverse local seed varieties; expanded public transport; access to renewable energy-based sources (including mini-grids and access points for households and communities) for electricity, lighting, cooking and small businesses; and thriving local economies that reduce travel distances.
- **Training and reskilling:** e.g. Providing capacity building in alternatives such as agroecology and farming inputs in line with agroecological principles, progressively eliminating synthetic chemical fertilisers and pesticides, encouraging techniques including natural soil fertility, bio-pesticides, participatory seed breeding; training in use, maintenance and repair of renewable energy infrastructure.
- **Gender responsiveness:** e.g. Assess the gendered impacts of reforms (e.g. impact of subsidies reform on women smallholder farmers; or impact of reforming subsidies for cooking gas which is predominantly used by women). Gender-responsive employment support, gender-responsive extension services that value women as smallholder farmers, their food production and their indigenous knowledge, and respect and ease their domestic and family roles and responsibilities. Guaranteeing land tenure and access to land, especially for women.
- **Support for economic diversification and access to new markets:** Supporting farmers to access markets and undertake marketing, provision of reliable information about markets and competitive pricing, including training, marketing and managing cooperatives. Strong market linkages within communities and between rural and urban areas; information management systems that allow farmers to plan their production, agro-processing, commercialisation and marketing; associations (co-operatives) of small-holder farmers that facilitate economies of scale, better access to markets and greater bargaining power. Development of local post-harvesting technologies, especially agro-processing and storage technologies that guarantee value addition locally and food availability throughout the year.
- **Public procurement:** Leveraging the considerable purchasing power of public institutions to consolidate economic alternatives, e.g. requiring a percentage of food to be grown using agroecological techniques and produced in local farming cooperatives, or for electricity to be supplied by local renewable energy cooperatives.
- Facilitating **community collaboration:** e.g. Supporting complementary specialisms, sharing infrastructure and machinery for value addition
- **Regulating corporate power** to ensure accountability for harm caused and to loosen corporate control over subsidies, taxes and policies.
- Ensuring **progressive taxation** on income and wealth to raise funds while ensuring that those with the most responsibility for GHG emissions (Polluter Pays Principle) or those with the greatest ability to pay, are contributing the most.
- Effective **communication and participation** that reaches and helps those most likely to be affected, so they can be fully prepared and informed about alternative strategies they can access.

BOX 5:

A JUST AND DEMOCRATIC ENERGY REVOLUTION

The deployment of renewable energy infrastructure must be done with just transition principles front and centre.

Certain renewable energy technologies, such as wind or solar farms, can require large areas of land. If not planned carefully, these dynamics risk reproducing or aggravating extractive and colonial systems that put the interests of international corporations before the needs of local communities.

In Brazil, privatisation of land for renewable energy infrastructure is leading to land grabbing from public and common lands.⁷⁰ The renewable energy sector risks reproducing the playbook of big agribusiness, which have a long history of land grabbing for cattle ranching and soybean production in Brazil.

Scaling up of renewable energy must therefore be accompanied by strong social and environmental safeguards that particularly consider the risk of impacts on women and girls.

The jump to renewable energy also raises concerns related to the mining of critical minerals. These risk perpetuating resource dependence, while intensifying environmental and social impact on vulnerable communities, predominantly in the Global South.

The mineral extraction that is so closely tied to the scaling up of renewable energy, must therefore be paired with an equitable and feminist just transition that prioritises safeguarding affected communities and ecosystems, that adds value domestically and does not reproduce the extractive dynamics of the fossil fuel mining industry.⁷¹

If done correctly, renewable energy can lend itself to a democratic approach that meets communities' needs. Diversified production can deliver energy as a common good, in contrast to the profit priorities of fossil fuel corporations.

Unlike the necessarily centralised and large-scale infrastructure associated with fossil fuels, energy from the sun, wind and water can instead be harnessed virtually everywhere. Rooftop solar panels, small-scale wind farms and micro-hydro generators mean that energy can be generated, controlled, used and potentially sold by communities, cooperatives – even individual households. Public buildings such as schools, hospitals and universities can also become producers of energy. Control and ownership over electricity in the hands of households, small and medium-size enterprises, communities and public institutions, in a mosaic of connected or island mini-grids, has profound and exciting implications.

This “energy democracy” revolution is a step that can and must take place alongside the renewable energy revolution⁷² and a reduction in energy consumption in the Global North (i.e., modal shift from private towards public transportation). Before roll-out of these technologies, we need social programmes to ensure equitable and feminist just transitions, through inclusive participation, education, training and empowerment of communities. Communities must be able to effectively participate in, shape, control and sustain this energy revolution.



A woman navigates her flooded community in the Niger Delta.
CREDIT: Nora Awolowo/ActionAid

PART 4. SOURCING AND SCALING-UP PUBLIC FINANCE FOR CLIMATE ACTION

National subsidy reform presents an exciting opportunity to unleash financing for democratic climate solutions that meet people’s food and energy needs, while also being essential for leaving behind the climate-destructive activities that are pushing our planet to the brink and harming communities. For Global South countries, redirecting public funding away from multinational corporations and instead channelling this towards people-led solutions also offers clear additional economic advantages.

Given the historical and disproportional responsibility of wealthy countries in the Global North for causing climate change, however, the question of financing climate action is clearly a global issue that goes beyond the borders of climate-impacted countries.

Even though most Global South countries have done very little to contribute to the climate crisis, the spiralling costs of climate destruction continue to push them deeper into poverty and debt. Given that many lack the necessary resources to recover from and prepare for disasters, the additional costs of cutting emissions to help cool the planet are beyond the reach of most countries. Unless real climate finance for climate action is scaled up urgently, action needed simply can’t happen at the scale needed to avert runaway climate breakdown.

By any fair logic, the costs of climate action should not be the burden of those most harmed and least responsible. Wealthy countries therefore not only have the obligation to cut their own outsized emissions as rapidly as possible, but also to provide far more real financial support to developing countries to both cope with climate change and be part of the solution.

The already-industrialised Global North continues to expand its climate-destructive activities and pollute the planet business-as-usual, however, while repeatedly breaking its promises to provide climate finance.

Of the climate finance that so called “developed” Global North countries have provided to so-called “developing” countries of the Global South, most of this has been in the form of loans rather than grants.⁷³ This is in the form of both concessional (low-interest rate) loans and higher interest loans which opportunistically and cynically generate profits for rich countries. Oxfam has estimated that of the climate finance provided by rich countries in 2022, more than two-thirds was in the form of loans, and that grant finance amounted to only between \$28 billion and \$35 billion.⁷⁴

Previous ActionAid analysis has found that 93% of all climate-vulnerable countries are facing debt traps, with debt repayments taking a large piece of their national budgets.⁷⁵ As a result, external debt acts as an accelerator of the climate crisis – forcing climate vulnerable countries to raise dollars or other foreign currencies – which in the present global economy is most easily delivered through supporting extractive industries such as fossil fuels and harmful industrial agriculture, which contribute massively to climate change and undermine local ecosystems, rights, food systems, livelihoods and access to water.

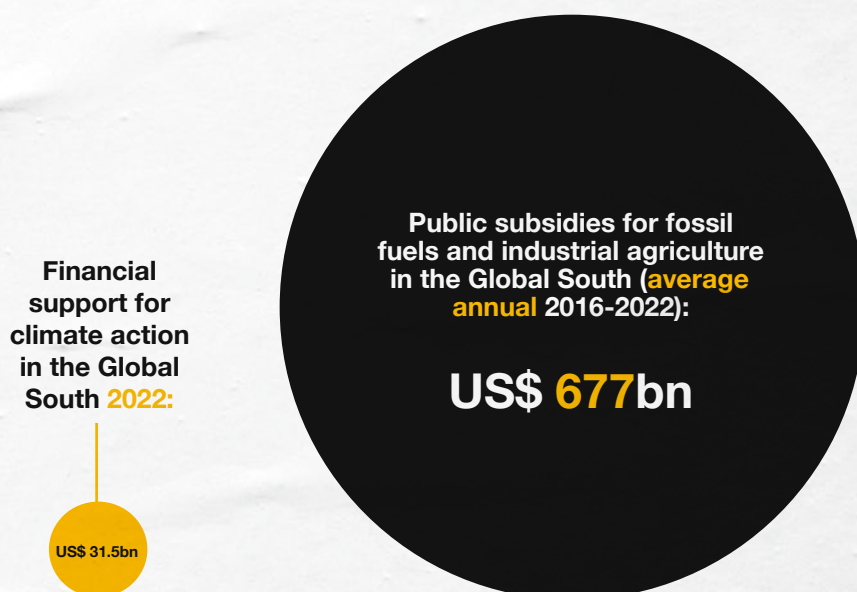
Debt-distressed countries are effectively blocked from becoming part of the solution to the climate crisis. Debt forces them into the hands of the IMF who impose austerity policies, so that governments are unable to invest in mitigation, adaptation or loss and damage, and are unable to provide basic public services such as health and education. This then takes a particular toll on women and girls, who are most disadvantaged by austerity and cuts in public service and disproportionately impacted by climate change.

Comparing climate finance provided to the Global South, to the public financing received by climate-destructive sectors in the Global South, reveals some worrying trends.

New ActionAid analysis reveals that:

- **Climate finance grants provided by Global North countries to help Global South countries address climate change are so minimal that they still only come to less than 1/20th of public financing going to fossil fuel and industrial agriculture industries in the Global South.** Climate finance is essential to help countries transition away from these climate-destructive sectors.^{vii}

In spite of wealthy countries’ climate rhetoric, their climate finance flows are failing to provide sufficient support for Global South countries to transition to alternatives. As a result, the fossil fuel and industrial agriculture sectors continue to exert a stranglehold on the economies, policies and budgets of the countries on the front lines of the climate crisis.



vii. In this calculation we have compared the mid-point of Oxfam’s grant-based climate finance numbers for 2022 (US\$ 31.5 billion) with the annual average public finance provided to the fossil fuel and industrial agriculture sectors in the Global South over the years 2016-2022. We have chosen to use the most recent and highest available climate finance figures for this comparison, in part because data is not available for the years 2016-2018. We note that grant-based climate finance has moderately increased over the years, so a true comparison would show an even greater contrast. Oxfam defines the “real value” of climate finance as Climate Specific Net Assistance (CSNA), and does not include non-concessional loans.

As a way to address this disparity, governments convening under the United Nations Framework Convention on Climate Change (UNFCCC) will meet at COP29 in Baku, Azerbaijan in November this year, to agree a New Collective Quantified Goal (NCQG) on climate finance.

Even if the world takes urgent and sufficient action to limit warming to an average 1.5°C, fair reparations for the costs to the Global South caused by past decades of excessive pollution in the Global North, combined with projected escalating impacts, have been calculated to come to US\$ 192 trillion by 2050.⁷⁶ As an annual average, this would come to US\$ 5trillion owed to the Global South every year by wealthy countries of the Global North. The NCQG target must be considered in the light of this climate debt, and viewed as an opportunity to reset the planet's future through a new commitment for climate ambition based on trillions of dollars per year, not the meagre billions currently provided.

At an international level, discussions about climate finance are often reduced to “*How do we pay for it?*” But truthfully, this is a **question of distribution, not a challenge of availability**. There is a wealth of resources available - particularly in the rich economies of the Global North – to redirect towards climate action. Sources of finance can include both shifting public money away from fossil fuels and other harmful activities, as well as taking measures based on tax justice principles.⁷⁷

Potential sources of finance for a **New Collective Quantified Goal on climate finance include:**

- Rich polluting countries with the greatest historic responsibility for the climate crisis could raise at least US\$539 billion, and up to US\$2.15 trillion every year by **increasing tax-to-GDP ratios by 1 to 4 percentage points**. These increases in tax revenue would have to be delivered through progressive, gender responsive and climate sensitive tax measures, and channelled through financial entities governed by the UNFCCC, so it is accounted for under the NCQG and focused on supporting the most climate-vulnerable countries.
- Coordinated **global action on tax** could also raise trillions of dollars more in public finance. All of this bold and progressive action on tax justice depends in part on a reform to global tax rules. It will be important to ensure that there is a strong gender equality and climate justice perspective integrated into the UN Framework Convention on Tax which is presently being developed.
- Other approaches to progressive taxation might include: **windfall taxes** to large global corporations; **wealth taxes** of 3-5% on the world's wealthiest elites – which could raise US\$1.7 trillion a year; **higher income tax on the Top 1%** - taxing the richest individuals at 60% on their incomes, which would generate US\$6.4 trillion a year; **financial transactions taxes**, levied globally at 0.05% could generate an estimated \$650bn a year; up to US\$392 billion could be generated annually from a combination of **shipping and aviation** levies as estimated the UN Special Rapporteur on Human Rights and the Environment.
- Reallocating **military spending**: As an example, the G7 allocates US\$1.2 trillion per year on military spending, which could be rechannelled towards climate finance.⁷⁸

Furthermore, if current exploitative international policies relating to taxes and debt are reversed through work on the new UN Framework Convention on Tax, this would enable Global South countries to generate additional domestic revenue for climate action and public services.

If the IMF, the World Bank and Global North governments and banks were to finally cancel the unfair and exploitative debt arrangements in which they currently bind much of the Global South, this would free up massive amounts of public revenue in Global South countries. **Debt cancellation** would then allow governments to make rational decisions to pursue climate-friendly solutions to meeting people's food and energy needs, no longer burdened by the need to pursue commodity-based economies for the sake of earning foreign currency to meet debt repayments.

Many Global South countries would prefer to leverage fairer rates of taxation on multinational corporations - not least, the fossil fuel and industrial agriculture corporations. If the top-third most climate vulnerable countries increased their tax-to-GDP ratios by five percentage points they could raise an additional US\$341 billion every year.⁷⁹ This should become more realistic in the coming years as the unfair global tax rules set over the past 60 years by the Organisation for Economic Cooperation and Development (OECD) are replaced by the new UN Framework Convention on Tax, which African countries have particularly fought for. This new UN framework is still being developed but should come into force in 2027, offering a ray of hope as it should enable Global South countries to make their own decisions about taxation, and secure a fairer share of the global profits made by big multinationals. Global North countries must stop attempting to block the development of this UN Framework Convention on Tax, however.⁸⁰

Scaling up financial resources for climate action must be framed under a wider finance system transformation. The overall global financial architecture is clearly outdated, dominated by colonial institutions such as the IMF that were set up after the Second World War, and before the independence of most African countries. The 2025 UN Financing for Development process offers an opportunity to overhaul this architecture, with campaigners calling for an end to the IMF's power over debt and austerity, and the creation of a new UN mechanism for addressing debt crises. These wider system reforms are essential if we are to deliver on the goals of the Paris Agreement through equitable and feminist just transitions.

A gas flare rages near the community of Iwhrekan in the Niger Delta.
CREDIT: Nora Awolowo/ActionAid





Finagirl at the Shell oil well on her family's land in Ehrobaro, Nigeria. The local community suffer from the pollution and noise caused by oil drilling.
CREDIT: Daniel Jukes, ActionAid

PART 5. CONCLUSIONS AND RECOMMENDATIONS

Fixing the world's finance flows will be key to addressing the climate crisis. The corporate capture of public finance is deepening inequality, failing to deliver benefits for society and worsening the climate crisis.

As a result, the Global South is dealing with endless and repeated droughts, floods, rising sea levels, unbearable heatwaves, devastating cyclones, landslides, erratic weather patterns that lead to crop failures and more. And it is always the people living in poverty, who have done so little to cause climate change, who pay for it with their loss of livelihoods, their lands, their hunger and their lives.

Addressing the climate crisis will take far more honesty, vision and courage than our leaders are showing.

Current draft recommendations to the UN's Summit for the Future, being held in New York this September, only pay lip service to reforming the international financial architecture and raising finance for climate action. The recommendations talk of mobilising more private finance and loans, instead of calling for the real solutions of grant-based climate finance, debt cancellation, tax justice reforms, regulation of private finance, and re-allocation of public subsidies.

In November, COP29 UN climate negotiations in Baku, Azerbaijan will be a critical fork in the road for the planet's future. The wealthy countries of the Global North must end the façade of talking about climate action, while being unwilling to pay to make it happen. It is in the interest of all countries – South and North - for the Global North to contribute enough grant-based climate finance to help climate-vulnerable countries to cope with climate impacts, leapfrog past fossil fuel and industrial agriculture-based economies, and adopt low-emission development pathways. COP29's NCQG goal for climate finance must come to the multiple trillions of dollars each year in grant form.

Governments of the Global South know full well that the cost of the climate crisis is already pushing them into spiralling debt and cuts to public services. **It is time for them to stand up to the fossil fuel and industrial agriculture industries that are causing climate change, grabbing communities' lands, destroying ecosystems and taking the lion's share of public finances.**

It's time to fix the finance flows that are failing us all.

RECOMMENDATIONS TO SHIFT THE FINANCE AND FUND OUR FUTURE:

- 1 Public finance:** All countries across Global South and North must accelerate the shift away from climate-destructive fossil fuel and industrial agriculture, towards people-led climate solutions that safeguard people's rights, deliver accountability, and ensure public participation in decision-making processes. In addition to corporate regulation, climate-centred energy and agriculture policies, and just transition approaches, public finance must be redirected away from the causes of climate change towards the real solutions. Priority areas for public financing must include the scaling up of decentralised renewable energy systems to provide energy access, and gender-responsive extension services that offer training in agroecology and support for marketing.
- 2 Climate finance:** Wealthy countries must provide trillions of dollars in grant-based climate finance each year to Global South countries on the front lines of the climate crisis, including by agreeing to an ambitious new climate finance goal at COP29 that reflects this scale.
- 3 Private finance:** Climate transition plans consistent with a 1.5°C climate goal should be mandatory for banks, ending the financing of fossil fuels and harmful industrial agriculture expansion. Governments must regulate the banking and finance sectors to end destructive financing, with regulations that set minimum standards for human rights, social and environmental frameworks.
- 4 Finance system transformation:** Wealthy countries and international financial institutions must implement conditionality-free debt cancellation for countries on the front lines of the climate crisis that need it, and support bold and fair new global tax rules through agreeing a strong UN Framework Convention on Tax.



Children navigate their flooded community in the Niger Delta.
CREDIT: Nora Awolowo/ActionAid

METHODOLOGY

ActionAid’s new analysis, seen for the first time in this report, uses the following data sources, definitions and methodologies:

Agriculture subsidies: Data was compiled from three sources: the Inter-American Development Bank (IADB) Agrimonitor data,⁸¹ the Organisation for Economic Co-operation and Development (OECD) Agriculture Statistics,⁸² and the United Nation’s Food and Agriculture Organisation (FAO) Monitoring and Analysing Food and Agricultural Policies (MAPAP) programme.⁸³ This report bases calculations of agriculture subsidies on the OECD’s definition of producer support estimate (PSE), chosen as the indicator most representative of direct support to the agribusiness sector. PSE estimates monetary support from payments, tax rebates or other transfers to agricultural producers such as agribusiness corporations and farmers. These measures include support to farmers or corporations so that farmers can purchase agricultural inputs such as fertilisers and seeds at a lower price.

In this report, data was selected for Global South countries where data was available, between 2016 (the year the Paris Agreement was ratified) and 2021 (the last year that data was available.) For some countries, data was missing for some years. Our methodology adjusts for this by using annual averages of available data.

Fossil fuel subsidies: Data was compiled from the International Monetary Fund (IMF) annual reports and datasets of fossil fuel subsidies. This report bases calculations of fossil fuel subsidies on the IMF’s definition of “explicit” subsidies. Explicit subsidies can include direct support to fossil fuel corporations (e.g. favourable tax treatment for fossil fuel extraction, risk transfer instruments such as loan guarantees, energy-related services provided by governments); as well as contributions to lowering consumer prices of fossil fuels (e.g. rebates to households for energy purchases).⁸⁴ We have chosen explicit subsidies as the indicator most representative of support to the fossil fuel sector as an estimation of fiscal costs.

In this report, data was selected for Global South countries between 2016 (the year the Paris Agreement was ratified) and 2023 (the last year that data was available.) For some countries, data was missing for some years. Our methodology adjusts for this by using annual averages of available data.

Public investment in renewable energy is drawn from the International Renewable Energy Agency (IRENA) database on Renewable Energy Statistics. The coverage of renewable investment covers a wider range of financial flows to the renewable sector beyond direct government subsidies. In particular, the data covers financial flows from development finance institutions (DFIs) (i.e., multilateral, bilateral and non-domestic national institutions); export credit agencies (ECAs); governments and their agencies (i.e., central, state and local); public funds (i.e., national and multilateral climate funds); state-owned enterprises (SOEs) and state-owned financial institutions (SOFIs).

As such, finance flows for “public investments in renewable energy” are not precisely identical in definition to the “fossil fuel subsidy” finance flows used in this report. However, comparing these can still be usefully indicative of the level of government support for the renewable energy sector, compared to the fossil fuel sector.

$$\text{Annual Average per Country} = \frac{\sum \text{of all available subsidy values}}{\text{Number of years where data is available}}$$

Global South Annual Average = sum of all **Annual Average per Country** in the Global South

$$\text{Subsidies Per Capita per Country} = \frac{\sum \frac{\text{Subsidy value for year } i}{\text{Population at year } i}}{\text{Number of years where data is available}}$$

Analysis of agriculture budgets allocated to agribusiness input supply in Zambia and Zimbabwe draws on data published in the report “Agroecology in Southern Africa: Financing the Transition”⁸⁵ published in August 2024 by the Partnership for Social Accountability Alliance (PSA), a consortium including ActionAid, the East African Small Scale Farmers Forum (ESSAFF), Public Service Accountability Monitor (PSAM) and the Southern Africa AIDS Information Dissemination Service (SAfAIDS).

Analysis of agroecology financing in Zambia and Zimbabwe draws on underlying data gathered for the PSA “Agroecology in Southern Africa: Financing the Transition” report. This report uses the Agroecology Financing Analysis Toolkit (AFAT)⁸⁶ methodology to access and analyse government documents detailing agriculture projects and programmes and their budget allocation, in four countries. Financed agriculture activities were scored according to the agreed FAO HLPE 13 principles of agroecology⁸⁷ to assess the budgetary support being provided to agroecological principles. Although the PSA analysis shows that progress is being made to integrate some agroecological principles into agriculture programming (particularly “fairness”, “participation”, “co-creation of knowledge” and “economic diversification”), there is still low budget allocation to the fundamental agricultural practices (“reducing inputs”, “recycling” and “soil health”) that signify a real shift from industrialised agriculture towards a real and comprehensive approach to agroecology.

ActionAid has therefore undertaken additional analysis of the underlying data from Zambia and Zimbabwe to assess the extent to which national agriculture budgets are being allocated to the principles of “recycling,” “reducing inputs”, and “soil health,” the most essential actions for shifting away from dependence on the climate-harming agrochemical fertilisers.

For both countries, the percentage scores on each of the three indicators were added up and divided by three, to identify the agricultural budget allocation towards the agroecological practices that enable farmers to shift away from dependence on agrochemical inputs, by naturally strengthening soil fertility.

Table 2: Percentage of budget scores for key agroecology indicators

| HLPE Agroecology Principle | Practice | Zambia score (%) | Zimbabwe score (%) |
|----------------------------|---|---------------------------------------|--------------------|
| Recycling | Recycling nutrients and biomass, preferentially using local renewable resources (e.g. application of compost, manure or mulching) | 0 | 22 |
| Reducing inputs | Reduce or eliminate dependency on purchased inputs (eg agrochemical fertilisers, pesticides and herbicides, and corporate hybrid seeds) and increase self-sufficiency | 0 | 32 |
| Soil health | Secure and enhance soil health and functioning for improved plant growth, particularly by managing organic matter and enhancing soil biological activity (e.g. legumes, intercropping, cover crops, crop rotations, compost and organic manure) | 17 | 48 |
| | | (0+0+17) /3 | (22+32+48) / 3 |
| | | 5.6 (round up to 6%) | 34% |

Figure 1: HLPE 13 agroecology principles



Source: <https://www.adaptationcommunity.net/wp-content/uploads/2021/03/topic-agroecology-en.jpg>

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AUTHORS: TERESA ANDERSON AND PAULA CASTRO

DATA ANALYSIS: WARD WARMERDAM / PROFUNDO

DESIGNER: WWW.NICKPURSERDESIGN.COM

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International Registration number: 27264198

Website: www.actionaid.org
Telephone: +27 11 731 4500
Fax: +27 11 880 8082
Email: mailjhb@actionaid.org

ActionAid International Secretariat,
Postnet Suite 248, Private Bag X31, Saxonwold 2132,
Johannesburg, South Africa.

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