

DOES MSD HAVE A ROLE TO PLAY IN ADDRESSING CLIMATE CHANGE?

At the end of 2024, a delegation of the great and the good met urgently (for the 29th time) to discuss climate change. It was agreed to triple climate finance to USD 3bn annually, but the word on the street was that COP's ending was anything but happy. Well before the jamboree in Azerbaijan, the MSD community was wrestling with how MSD might make a difference to an increasingly hot and wet planet, e.g. guidance on [greening the MSD approach for agricultural programs](#) and [a policy brief on how MSD can contribute to a just transition](#). [Julian Hamilton-Peach](#), a friend of Springfield, argued provocatively that MSD is inadequate for a just transition because it only prioritises the grubby aims of commerce and growth. This prompted us to reflect on the potential of any aid instrument to realistically respond to the climate challenge.

Aid is aid, not a panacea for all the things wrong on the third rock from the sun. Anyone who thinks that MSD – or any development approach – can solve the climate crisis or deliver a just transition is likely smoking something green. Why stop at climate change? MSD won't be much help when it comes to preventing meteor strikes or advancing nuclear arms reduction either. Let's remind ourselves what aid is, rather than hate it for what it wasn't designed to do. Aid is a resource transfer from one country to another. A finite project, with defined objectives (not always clear or realistic!) is a core modality of development assistance, be that governance reform, civil society capacity building or landscape initiatives. Aid can only do so much.

All development approaches are imperfect but some are more imperfect than others. Critiques of aid are as old as aid itself. Can alternatives to MSD do better? Aid focused on government, civil society, governance, democracy and rights have been at the centre of development since 1945. Perhaps it's these approaches that need a re-think. Budget support didn't go swimmingly well. Multilaterals? Meh. Direct cash transfers? De rigueur, especially if you want to bypass the conventional aid architecture... but do they build local institutions?

MSD was founded on the recognition that aid is a limited instrument and can only ever be a catalyst. The real drivers of change are and have always been 'local' actors, even before localisation was a 'thing.' Sustainable change occurs beyond the life of any single project. Hence, MSD's ethos of working with the incentives of these actors, to build on their ownership and achieve their aims. MSD is positively gymnastic in its efforts to work around aid's limitations, but it is still only development assistance, not a magic wand.

Addressing a global public bad: what is a realistic role for development assistance? The human contribution to climate change has largely been a consequence of the (bad) behaviour of supposedly well-governed advanced, industrialised economies over two centuries. Development assistance of any hue will not address that root cause. Slowing climate change starts with change in advanced economies. 'Degrowth' might be needed in richer nations, but it is likely to be politically unpalatable and economically unfeasible. The appetite of wealthy countries to act is waning¹. Aid is falling out of favour. Geopolitical fragmentation and a lurch away from the international rules-based system² suggest that coherent leadership is not on the horizon. These are forces well beyond the scope of the development profession.

Meanwhile, developing economies still need to 'develop' whilst now coping with climate change. That's going to take more resources, not a dollop of doughnut economics or a prescription for the climate medication needed in richer countries. Some argue that aid budgets are being re-purposed to meet international climate finance goals, reducing resources available for conventional development assistance. A virtue-signalling fig

¹ 'Climate politics could be about to go into reverse'; Pilita Clark; Financial Times (18/12/2024)

² What Ian Bremmer calls 'a GZero World' and 'the age of impunity' <https://www.gzeromedia.com>

leaf. Developing countries point to a hypocritical kicking away of the ladder³, preventing them from climbing to prosperity. If poorer nations want healthier and happier citizens they will need hospitals, medicines, schools, infrastructure and livelihoods that don't rely on subsistence agriculture. That will require economic growth. Less environmentally deleterious growth, certainly, but growth, nonetheless.

So, is there somewhere for the MSD practitioner to operate between utopia and damnation? Yes, focus on the practical and do what MSD does best, push out the innovation frontier.

Be practical: Climate adaptation is needed now in developing countries. MSD can introduce and scale up solutions: e.g. drought resistant seeds and soil health solutions; technologies to conserve scarce resources or respond to extreme weather events; resilient infrastructure; climate-related insurance. Climate mitigation is creating opportunities that MSD can unlock: e.g. solar energy that makes power more reliable, affordable and less dependent on imported diesel; shifting environmental preferences and regulations that alter the competitive landscape for small countries, allowing them to enter niche premium markets, such as carbon neutral coffee.

Support pioneer investors to demonstrate the feasibility of change: MSD has been most effective when it acts like a trailblazer. It starts with micro-level entry points, usually supporting firms to innovate successfully, and then builds on this demonstration effect to trigger wider meso-level change, e.g. amongst other firms and industry bodies. This in turn creates a momentum that can influence macro-level policy, regulation and state support. For example, interventions in organic fertiliser have affected government policy on fertiliser subsidies; interventions in rooftop solar systems have stimulated new financial products for households and adjustments in electricity buy-back tariffs.

Some might argue this is fiddling whilst Rome – or LA – burns. If an MSD intervention doesn't reduce poverty *and* get us to net zero tomorrow, then it's not worth getting out of bed for. Let's get real, people. The humble aid professional must work with what's in front of them.

Markets ain't going to disappear⁴. They're integral to poor people's lives, for better or for worse. Climate change is a market failure, which means it's also a government failure... and a citizen and consumer failure. A genuinely systemic problem. All markets require guardrails (think finance, transport, education or pharmaceuticals). That's the whole point of MSD: better systemic outcomes require innovation in a variety of functions and actors. That's how MSD can contribute. Stay focused on the feasible, be catalytic, take climate action – and avoid climate distraction.

³ Friedrich List, a 19th century economist, used the phrase 'kicking away the ladder' to describe how developed countries impose solutions on developing countries unsuited to their economic conditions.

⁴ And what would a non-market response look like? Command economies have not been beacons of sustainable environmental behaviour or efficient resource utilisation.