



Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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The Development Bank of Southern Africa Implements Effective Partnerships through Designing and Developing Effective Partnership Models to Implement Strategic Plans and Programmes

Principle

Related Work Stream(s)

<p>PRINCIPLE 3: PROMOTE Climate Smart Objectives</p>	 <p>CLIMATE RISKS: APPROACHES, TOOLS, METHODOLOGIES</p>	 <p>MAPPING REPORTING INITIATIVES AND UNDERSTANDING IMPLEMENTATION CHALLENGES</p>	 <p>CITY-LEVEL CLIMATE SMART APPROACHES AND FINANCIAL INSTRUMENTS</p>	 <p>SPREADING A CLIMATE STRATEGY INTO A WHOLE ORGANISATION</p>
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Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
<p>DBSA as a DFI identifies its role in respect of expectations of its stakeholders and continuously analyses and addresses market failure and public investment weaknesses. It embeds these roles into its Strategy. It translates the strategy into actions. Examples of Strategic Investment Partnership models designed and initiated are:</p> <ul style="list-style-type: none"> The Renewable Energy Independent Power Producer Programme (REIPP) which was initiated in 2011. The Green Fund which was initiated in 2012. The Green Fund: is a national financial mechanism that aims to fund initiatives which are meant to transition South Africa to a green economy. 	<p>DBSA operates as a DFI in terms of the DBSA Act (1997) as amended. As such strategic decisions concerning engagement of the Green Fund and REIPP were made at board level.</p>	<p>DBSA together with its strategic partners formulated a value proposition.</p> <p>Planning and Implementation was done through partnership approaches including national departments and key private and public sectors involved in pursuit of a green economy.</p> <p>REIPP was implemented in line with the IPP policies and using existing DBSA structures and systems. The Green Fund was implemented using a newly established, dedicated Unit comprising of a multidisciplinary team.</p>	<ul style="list-style-type: none"> Identified target priority areas for action such as renewable energy infrastructure. Identified partners and designed partnership arrangements such that efficient and effective delivery of sustainable development pathways and infrastructure value chains would be achieved. Adoption of safeguards and guidelines for operational investments which mainstream climate change and social and environmental risk management into investment decisions. Reviewing reporting systems to increase transparency and accountability. Capacity building of staff members in the green economy. The Green Fund has a full staff complement of twelve and draws additional expertise from a panel of consultants on a need be basis.

Key Lessons

- Visionary leadership** at key levels in the organization speeds up appropriateness of responses to the challenges faced. Strategic Planning at institutional level is key. The value proposition needs to be developed, followed by business models, operational plans that clearly spell out and report against upfront agreed targets.
- DFI's play a key role in influencing the supply chain**, creating and ensuring an enabling environment to reduce risks and open opportunities for other financial institutions and partners to engage in the green economy. Creative and smart partnership arrangements between government, private sector and the Civil Society is needed for successful mainstreaming and implementation at scale.
- Private sector project developers need a clear framework** within which to invest, whilst the procurement programs need consistent, timely, and expert implementation. The REIPP programme is an example of a well-designed and transparent procurement process.

Introduction

The Development Bank of Southern Africa acknowledges its responsibilities to further the objectives of the government of South Africa to reduce its Green House Gas emissions. South Africa is one of the countries in the world most vulnerable to the impacts of climate change, especially concerning land productivity and water scarcity. Climate Change increases the financial risk exposure of bank investments. DBSA therefore continues to significantly invest in mitigating climate change as well as mainstreaming adaptation strategies into infrastructure decisions. This includes investing directly in the integrity of ecosystems in order to achieve a healthier, fair, equitable and resilient society.

The DBSA pathway to addressing the climate change has been characterized by debate, shared learning and incrementalism.

Development and Design

DBSA has identified and engaged in key strategic partnerships to address climate change challenges. DBSA identifies stakeholders, engages them to develop key drivers of sustainability and to formulate and implement, monitor and review responsive strategies.

Climate change partnership initiatives in DBSA are driven by the office of the CEO. The CEO implements

initiatives through various units in the DBSA. The Green Fund Unit was originally created to implement a national financial mechanism intended to transition South Africa to a green economy. The unit has subsequently been restructured to champion climate change operations. The DBSA has recently refined its safeguard policies and guidelines for mainstreaming climate change in all investment due diligence procedures to ensure benchmarking with international standards and best practice. These standards are applied in due diligence on all investment decisions.

DBSA supports the South African Governments National Development Plan to achieve outcomes such as:

- transforming society and uniting the country and
- creating an environmentally sustainable and resilient transition to a low carbon economy

Key initiatives that have been supported by DBSA including the Principles for Climate Reporting include:

i) The Climate Change Atlas which was developed by the Department of Science and Technology and the Centre for Scientific and Industrial Research

ii) Climate Change Response Strategies Capacity Building Support for Local Government

iii) Mobilization of climate finance; including accreditation to the Global Environment Facility and recommendation for accreditation to the Green Climate Fund

iv) The Green Fund of South Africa

v) South Africa's Renewable Energy Independent Power Producer Programme (REIPPP).

vi) Technical and capacity building support for investments in the green economy throughout Africa for example cross border and African partnership fund such as the Regional Water Infrastructure and Basic Sanitation Fund and the Pan African Capacity Building Programme (PACBP).

Implementation

DBSA has implemented climate change several initiatives responding to national strategies and programmes across South Africa. Key initiatives to highlight include implementation of the Green Fund and investments in the large scale Renewable Energy Independent Power Producer (REIPP) programme.

In the financial year 2014/15, DBSA exceeded expectations in extending debt finance to the REIPP programme. The objectives of REIPP include creating an enabling environment for private sector investment

in biomass, solar, wind, hydro and small scale energy generation facilities. The DBSA and other financiers assisted in designing and procuring at least 3 625 MW of renewable energy from independent power producers. Additional to debt, the DBSA has financed the equity portion required by Broad Based Black Economic Empowerment (BBBEE) entities as well as providing administrative support to community trusts involved in the projects.

Experience and Impact

DBSA has achieved executive management support to address climate change in all fields of investment and has mainstreamed climate change mitigation and adaptation due diligence measures into all initiatives. Going forward it is focusing on detailing out its safeguards and guidelines and sharing best practices.

The Green Fund has provided support to initiatives contributing to South Africa's transition to a low carbon resource efficient and climate resilient development path, delivering high impact economic and environmental social benefits. The Fund has responded to market weaknesses currently hampering the transition to a green economy by:

- Promoting innovative and high impact green programmes and projects
- Reinforcing sustainable development objectives through green interventions
- Building evidence base for the expansion of the green economy and attracting additional resources to support South Africa's green economy development. The Green Fund has approved several projects, including the Climate Innovation Centre which provides technical support in the form of business incubation to green small and medium micro industries.

Lessons Learnt

1. Visionary leadership at key levels in the organization speeds up appropriateness of responses to the challenges faced. Strategic Planning at institutional level is key. The value proposition needs to be developed, followed by business models, operational and plans that clearly spell out and report against upfront agreed targets;

2. Climate change initiatives are integral to all development plans and projects. All initiatives require climate analysis and responses appropriate to responsi-

bilities and opportunities;

3. DFI's play a key role in influencing the supply chain, creating and ensuring an enabling environment to reduce risks and open opportunities for other financial institutions and partners to engage in the green economy;

4. Contributing towards a green economy requires a reinvention of existing financial tools and approaches and an increased level of risk sharing to new technology developments and partnership arrangements;

5. Creative and smart partnership arrangements between government, private sector and the Civil Society is needed for successful mainstreaming and implementation at scale;

6. National Strategic planning support is essential to streamline effective decision making;

7. Investment packages should not only target large projects but also the small and medium sized projects; and

8. Private sector project developers need a clear framework within which to invest, whilst the procurement programs need consistent, timely, and expert implementation. The REIPP programme is an example of a well-designed and transparent procurement process.