

06 September ~~24 August~~ 2022

Ms. Alia Kajee  
Fair Finance Coalition of Southern Africa  
87 De Korte Street  
Johannesburg

Dear Ms. Kajee,

Your correspondence dated 4 August 2022, addressed to myself in my capacity as Chairperson of the Development Bank of Southern Africa (DBSA) Board of Directors refers.

Over the years, the DBSA has made a concerted effort to address climate change and contribute to the broader low-carbon aspirations of South Africa and the rest of Africa by supporting and investing in initiatives aimed at climate change mitigation and adaptation.

#### *Fossil Fuel Exclusion*

Our efforts have also taken the form of developing new policies and frameworks that guide the work of the Bank that the Bank does. These efforts seek to reduce climate transition risk in a way that limits potential economy-damaging risk concentrations (responsible transition) and in so doing, contribute to the reduction of costs associated with the decarbonisation of the economy. In this regard the DBSA's net zero pathway excludes fossil fuel investments except in rare situations where there may be a developer who is still producing carbon-intensive energy but has a clear, credible and unambiguous plan to transition into a low-carbon production space (e.g. an oil producer switching to gas as an interim step towards renewables) is in place. We believe that certain incumbents need to be supported through the transition. Our funding can incentivise the transition.

In 2021, the DBSA adopted an Integrated Just Transition Investment Framework which is aimed at ensuring that the energy transition is just, equitable and underpinned by a purposeful shift from an extractive economy to a regenerative economy. This also seeks to ensure that the negative impact of the transition on communities that depend on these energy producing assets is minimised.

Furthermore, the Bank is currently working on developing a comprehensive long-term DBSA Integrated Just Transition Strategy which will enhance and extend our commitment ~~provide more clarity on our~~ to a Just Transition pathway to achieve Net Zero Emissions by 2050.

It needs to be noted that the DBSA played a key role in establishing the IPP Office, including the provision of R80 million to cover start-up costs. DBSA has invested nearly R20 billion in the renewables programme, and



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is currently working with 25 projects who submitted bids for Rounds 5 and 6. This means that 20% of DBSA's investments are in renewables which has, in turn, made it possible to construct nearly half the total quantity of renewables currently connected to the grid (2.9 GW). It is also worth mentioning that the DBSA's CEO, Patrick Dlamini, has been requested by the PCC to chair a forum of development finance institutions, including the PIC/GEPI. The aim is to support the PCC to develop a coherent long-term climate finance programme. This includes assisting the Presidential Climate Finance Task Team that is addressing the challenge of accessing the \$8.5 billion promised by the donor countries. Finally, it is worth mentioning that DBSA is currently in discussions with the NPC and National Treasury regarding support for long-term planning for investments in the just energy transition. Finally, the DBSA has established a formal partnership with the Department of Water and Sanitation with respect to South Africa's water resources. Given that water issues cannot be separated from climate change impacts in a water scarce country like ours, it is inevitable that this new partnership will draw the DBSA into funding climate change adaptation as a way of building a long-term resilient water system.

### *Stakeholder Engagement*

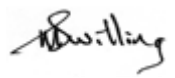
Stakeholder engagement is embedded in the DBSA's value creation process, and we encourage and value input and participation from our diverse group of stakeholders, including civil society.

In October 2019, the DBSA hosted a Civil Society forum which was attended by over 20 organisations from across the country. Plans for similar engagements in 2020 and 2021 did not take place because of the pandemic, but we anticipate hosting another such engagement before the end of the 2022/23 financial year. As the DBSA, we believe that infrastructure-led economic growth, which responds to the socio-economic needs of citizens and simultaneously addresses the threat of climate change is vital to improving the lives of all Africans across the continent.

We welcome your suggestion for a meeting where we can further unpack the issues you have raised in your letter. Mr. Olympus Manthata, who is Head of Climate Finance at the DBSA, will be in contact with you to schedule a meeting.

I am more than happy to engage with you and your colleagues directly at your convenience.

Sincerely,




Prof M Swilling (Board Chairman),  
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Mark Swilling~~Patrick Dlamini~~

Chairperson of the Board

~~Chief Executive Officer~~

Development Bank of Southern Africa



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