FairFinance Southern Africa

FINANCING FAIRLY 2024

ARE PUBLIC FINANCE INSTITUTIONS FINANCING A (TRULY) JUST ENERGY TRANSITION IN SOUTHERN AFRICA?

A Sustainability Policy Assessment

November 2024

About This Report

This report forms part of the *Financing Fairly* series and is based on the most recent sustainability policy assessments conducted by Fair Finance Coalition Southern Africa (FFCSA) and Profundo[1] on eight Public Finance Institutions in Southern Africa, using the Fair Finance Guide International Methodology 2023. The findings of those assessments have been published in a report by Profundo, *Evaluating ESG Integration in Public Finance Institutions*, in November 2024. This report draws on the findings of the Profundo report and presents a contextual analysis against the key focus areas of FFCSA.

About FFCSA: FFCSA is a civil society coalition working towards ensuring that public finance institutions invest in a sustainable manner in Southern Africa. The Coalition focuses on issues of climate change, power generation, and transparency & accountability as they relate to public finance institutions operating within the region.

The Coalition currently consists of the following organisations: 350Africa.org[2], Centre for Environmental Rights[3], African Climate Reality Project[4], Centre for Applied Legal Studies[5], Oxfam South Africa[6], Justica Ambiental[7], and Earthlife Africa[8].

Authorship: This report was written by Zahra Omar, Courtney Morgan, Armando Ayala-Robles and Bertha Letsoko, with contributions by Leanne Govindsamy and Concelia Digoro.

Design & layout: Khanya Peacock

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Website: https://www.fairfinancesouthernafrica.org/

Email: info@fairfinancesouthernafrica.org

1 https://www.profundo.nl/en/.
2 https://350africa.org/.
3 https://cer.org.za/.
4 https://climatereality.africa/.
5 https://www.wits.ac.za/cals/.
6 https://www.oxfam.org.za/.
7 https://ja4change.org/.
8 https://earthlife.org.za/.

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Abbreviations

AEB	Africa Energy Bank
AfDB	African Development Bank Group
Afreximbank	African Export-Import Bank
APPO	African Petroleum Producers’ Organisation
CCS	Climate Change Strategy
CO2	Carbon Dioxide
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
ECIC	Export Credit Insurance Corporation
EHS	Environmental, Health, and Safety
EP4	Equator Principles
ESDDF	Environmental and Social Due Diligence FrameworK
ESF	Environmental and Social Framework
ESG	Environmental, Social, and Governance
ESM	Environmental and Social Management
ESMP	Environmental and Social Management Programme
ESS	Environmental and Social Safeguards
ESSS	Environmental and Social Safeguards Standards
FFCSA	Fair Finance Coalition Southern Africa
FFG	Fair Finance Guide
FFGI	Fair Finance Guide International
FFI	Fair Finance International
FFCSA	Fair Finance Coalition Southern Africa
FPIC	Free, prior and informed consent
GHG	Greenhouse Gas
GEPF	Government Employees Pension Fund
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association

IDC	Industrial Development Corporation
IFC	International Finance Corporation
IPCC	Intergovernmental Panel on Climate Change
IPF	Investment Project Financing
ISS	Integrated Safeguards System
JET	Just Energy Transition
LNG	Liquid Natural Gas
MOGS	Mining Oil and Gas Services Holdings Group
MSMEs	Micro, Small, and Medium Enterprises
NDB	New Development Bank
NDC	Nationally Determined Contribution
NDP	National Development Plan
PFI	Public Finance Institution
PIC	Public Investment Corporation
RSB	Roundtable on Sustainable Biomaterials
REIPPPP	Renewable Energy Independent Power Producers Procurement Programme
SADC	Southern African Development Community
SRP	Spill Response Plan
SDGs	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
WB	World Bank
WCD	World Commission on Dams

Introduction

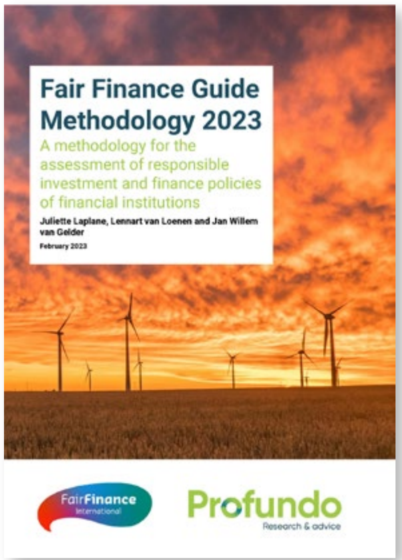
Considered to be the defining crisis of our time, climate change is unfolding on an unprecedent scale. The Intergovernmental Panel on Climate Change (IPCC), just last year, found that global warming is likely to exceed the 1.5 degree increase limit during this century due to greenhouse gas (GHG) emissions, particularly from the burning of fossil fuels, and that the window of opportunity to secure a sustainable future is rapidly closing.[1] Southern Africa is already seeing the impacts of climate change play out in the form of natural disasters[2], and with the African continent warming faster than others, these impacts will only exacerbate the region's existing socio-economic challenges. While the crisis unravels, fossil fuels continue to play a prominent part in energy production in Africa. In 2022, coal, oil and natural gas accounted for 91.5% of energy consumption with energy generation being the second highest source of CO2 emissions on the continent.[3] South Africa, in particular, ranks as Africa's top CO2 emitter from the burning of fossil fuels, and is the 13th top emitter globally.[4] Continuing business as usual would mean that present and future generations of Southern Africans will pay the price in dire environmental, social and economic impacts in the years to come.

Globally and regionally, governments and policymakers have started to acknowledge that in order to contain the impacts of climate change and ensure that development is sustainable, a transition from fossil fuel dependency is inevitable. A Just Transition – a concept familiar among environmental and climate justice movements, and that has been incorporated in global dialogue and international instruments – refers to the transition to a low-carbon economy in a manner that is socially just and inclusive for affected workers and communities.[5] One stream of this concept, the Just Energy Transition (JET), focuses specifically on the transformation of the energy sector –from one that is reliant on fossil fuels, to one that is low-carbon and environmentally sustainable. These JET processes are already underway in Southern Africa. In 2022, South Africa's Just Transition Framework[6] was adopted by the Presidential Climate Commission and sets out a vision for the country's transition to a sustainable economy and society. Alongside this was the publication of a Just Energy Transition Investment Plan – a plan for 2023 to 2027 that sets out the scale of need and the investments required to achieve the decarbonisation commitments in South Africa's Nationally Determined Contribution (NDC). Similarly, in March this year, Mozambique published its Just Energy Transition Strategy[7], the country's official plan to accelerate low-carbon economic development through a transformation of its energy sector. The JET holds a new promise for the Southern African region – the promise of an economy and society that prioritises environmentally and socially sustainable production and consumption practices. A transition of this scale and nature will not be possible without finance.

As Public Finance Institutions (PFIs) operating in Southern Africa serve as the providers of finance for the major energy infrastructure and industrial development projects, these PFIs have a crucial role to play in carrying out the JET in the region. One example is through funding aimed at supporting climate change mitigation and adaptation efforts, also known as 'climate finance'. In these efforts, PFIs serve as the primary channels for public resources in sustainability-focused projects across local, national, and international levels. PFIs are doubly important as they not only directly finance and operate climate-related initiatives but also mobilize private investment through technical exchange, public-private partnerships, risk mitigation, and underwriting capacities. This dual role makes PFIs key contributors to a resilient, sustainable future. However, in *Financing Fairly 2022*, the results of our sustainability policy assessment revealed that PFIs in Southern Africa still have much work to do to ensure transparent public finance that adequately addresses climate crisis. Many of the PFIs have since committed to supporting the transition to a low-carbon economy in the energy sector. In this third iteration of the Financing Fairly series, *Financing Fairly 2024*, FFCSA analyses whether the policies of these PFIs are indicative of a JET that is (truly) just for Southern Africa.

Against this context, this report presents the key findings of FFCSA's 2024 Policy Assessment with a particular focus on how the PFIs ranked under five sustainability themes[8] and makes recommendations on how these PFIs can integrate international ESG standards in their finance and investment policies.

The Policy Assessment



In 2024, FFCSA and Profundo assessed the policies of PFIs operating in Southern Africa. This assessment was conducted using the Fair Finance Guide (FFG) Methodology[9], a rigorous and unique methodology used to benchmark the finance and investment policies of financial institutions based on international sustainability standards in critical focus areas. The FFG Methodology is used by Fair Finance Coalitions across Asia, Latin America, Africa and Europe to assess the financial institutions in their regions on a regular basis. It is updated regularly[10] to reflect the latest international standards and to take into account data from across the Fair Finance global network. The current version of the Methodology refers to over 422 international sustainability standards and criteria and is the 7th update since it was first developed in 2014.

The FFG Methodology is essentially used to assess a PFI's overall approach to sustainability across different themes.

What?
An assessment of the policies of eight Public Finance Institutions operating in Southern Africa.

Why?
To evaluate the extent to which these PFIs have integrated international sustainability standards into their policies and to use the findings of the assessment to urge PFIs to adopt more responsible finance and investment policies and practices.

How?
Using the Fair Finance Guide Methodology, the publicly available policies of each PFI is assessed against standards under particular themes.

When?
May – October 2024

FFCSA conducts FFG policy assessments on PFIs every two years. A previous policy assessment was conducted by FFCSA in 2022 on six PFIs operating in Southern Africa. Prior to that, in 2020, a pilot assessment was conducted on a sample of Development Finance Institutions (DFIs) in Southern Africa. This 2024 Policy Assessment is FFCSA's third round of assessments. It assessed the policies of the same six PFIs assessed in 2022, with two additional PFIs. The group of eight PFIs assessed in the 2024 Policy Assessment comprise of multilateral development banks, regional development banks, national development banks, as well as asset managers and export credit institutions.

THE 8 PUBLIC FINANCE INSTITUTIONS

1. African Development Bank (AfDB)
2. African Export-Import Bank (Afreximbank)
3. Development Bank of Southern Africa (DBSA)
4. Export Credit Insurance Corporation (ECIC)
5. Industrial Development Corporation (IDC)
6. New Development Bank (NDB)
7. Public Investment Corporation (PIC)
8. World Bank (WB): International Bank for Reconstruction & Development and International

Similarly, the themes against which the policies of the PFIs have been assessed follow those of the 2022 assessment, with one additional theme included in this 2024 Policy Assessment.

THE 9 THEMES

1. Power generation
2. Climate change
3. Gender equality
4. Human Rights
5. Transparency & Accountability
6. Oil & Gas (new!)
7. Labour Rights
8. Nature
9. Corruption

Given the particular context of the energy transitions underway in countries in Southern Africa and the critical role that PFIs play in that transition, this report focuses only on the results of the PFIs under first 6 themes: power generation, climate change, gender equality, human rights, transparency & accountability, and oil & gas.

The Policy Assessment process was carried out by FFCSA and Profundo between May and October 2024, with an opportunity given to the PFIs to provide any feedback on the draft Policy Assessment. While the DBSA and WB were responsive to FFCSA's communication, none of the PFIs provided feedback within the given time period.

- The 8 PFIs were notified of the Policy Assessment process and timelines. They were also notified that only publicly available information (published before 21 June 2024) would be considered in the assessment.
- FFCSA shared the draft Policy Assessments with each of the PFIs, allowing them to provide any feedback within one month. A week extension was given to all PFIs.
- A draft version of this report was shared with the PFIs for comments on factual information (e.g. errors in a name, date or reference).

How the Scoring Works

The FFG Methodology only assesses publicly available information (policies, annual reports, press releases, websites) of financial institutions. The mere mention of a policy by a financial institution without actually making the policy publicly available is often not sufficient for a score. The policies of each PFI is assessed against the 9 different themes. Each theme consists of a set of elements (or standards). Based on international standards, initiatives and best practices, these elements are the sustainability principles that the PFI is expected to integrate into its policies in terms of the FFG Methodology. The elements for each theme are grouped under the following categories:

- The financial institution's internal operations
- The financial institution's management of its portfolio
- Policies relating to fossil fuels
- The companies the financial institutions finances or invests in

For each element, the PFI may be granted a content score (whether the content of the policy aligns with the element) and a scope score (whether the policy applies to some or all of the PFI's financial services and investment types or 'products'). The content score is always multiplied by the scope score which is shown as a percentage. The scope score covers four categories:

- Corporate credits
- Project finance
- Equity investments
- Asset management

It is important to note that for certain elements, not all of the scope categories were applicable for PFIs. Furthermore, for some PFIs, certain scope categories as a whole were not applicable to that particular PFI. For example, the Public Investment Corporation (PIC) which is an asset manager, was only assessed for the scope category of asset management.

A score is assigned for each element in the following ways:[11]

- A **full score (1)** is granted if the policy commits to the element and applies to the full scope of the PFI's financial activities.
- A **partial score (0,5 < 1)** is granted if the policy commits to the element but has a limited scope.
- A **basic score (0,5)** is granted if the policy commits to essential parts of the element but not all parts of it.
- All the element scores in a theme are then aggregated into a total theme score that is **expressed as percentage or a scale of 0-10**.
- The PFI's total score is then calculated as the **average score of all assessed themes** and presented as the overall result.

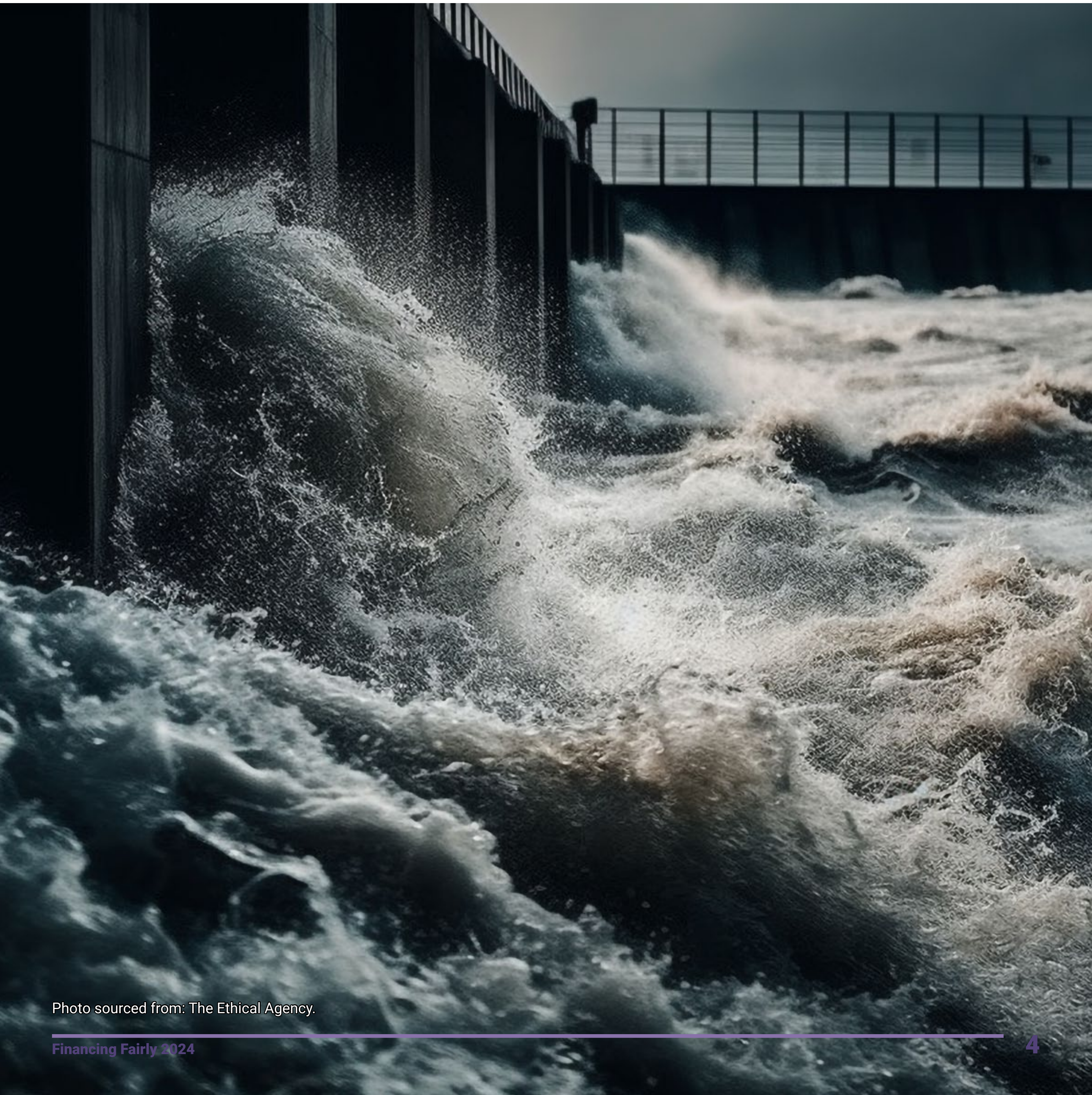


Photo sourced from: The Ethical Agency.

The Key Findings

Summary of PFIs' scores by themes (/10)

Theme	AfDB	Afrexim	DBSA	ECIC	IDC	NDB	PIC	WB
Climate Change	1.1	0.0	2.7	0.5	0.2	0.9	0.0	4.5
Corruption	5.6	5.0	3.8	1.5	4.6	3.1	3.5	5.0
Gender Equality	2.9	0.0	5.5	2.4	1.3	1.1	1.6	3.4
Human Rights	7.7	0.0	6.7	2.7	0.7	4.7	3.7	4.7
Labour Rights	6.6	0.0	6.6	2.4	0.8	0.8	2.4	6.3
Nature	8.0	0.4	8.0	3.6	0.0	4.3	0.0	5.0
Oil & Gas	2.2	0.0	2.5	0.6	0.6	0.0	0.6	2.8
Power Generation	5.0	0.7	3.0	0.0	0.7	1.7	1.3	2.7
Transparency & Accountability	5.9	0.5	3.5	2.3	1.7	3.4	3.3	9.5
Average score	**5.0**	**0.7**	**4.7**	**1.8**	**1.2**	**2.2**	**1.8**	**4.9**

1. **Overall, the policies of the eight PFIs scored poorly against the FFG Methodology, indicating that there is much room for improvement when it comes to aligning their policies with international sustainability standards.** Only three PFIs, AfDB (5.0), WB (4.9), and DBSA (4.7) realised an average score of around 5 out of 10 for the nine themes. The remaining PFIs scored less than 2.5 out of 10.

2. **Of the nine themes assessed, the PFIs performed relatively well in Corruption and Nature.** The average scores for these themes were 4.0 and 4.1 respectively. However, since these scores are still below 5, there is still significant room for improvement in these themes.

3. **Of the nine themes assessed, the PFIs performed poorly in Oil & Gas, Climate Change** and **Power Generation.** The average scores for these themes were 1.2, 1.2 and 1.8 respectively. This clearly indicates that the PFIs' have zero or weak commitments to move away from fossil fuels and to finance a low-carbon economy.

4. **The policies of the PFIs are inadequate to address the Just Energy Transition in Southern Africa:**

   4.1. **Climate Change**, six out of the eight PFIs disclose no policies that exclude from its financing and investments companies active in or involved in the development of new fossil fuel (coal, oil and gas) exploration, mining and power generation. They also have no time-bound phase-out strategy for fossil fuels that is aligned with a 1.5-degree climate scenario. Only two of the PFIs (NDB and World Bank) have policy commitments to exclude the development of new coal-fired power plants from their investment and financing.

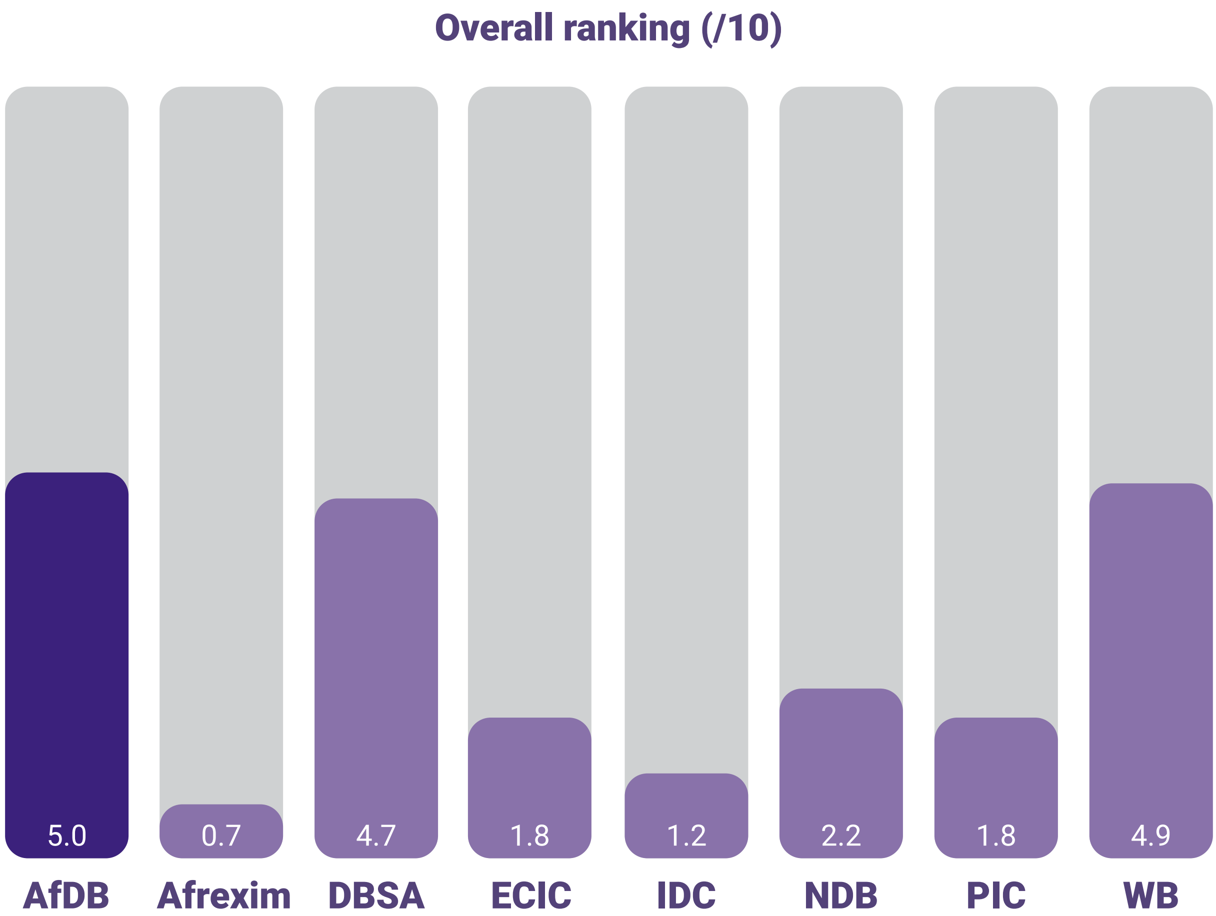
   4.2. Regarding **Power Generation**, although the majority of the PFIs have committed to financing renewable energy resources, none of the eight PFIs disclose policies with a measurable target to reduce either their total amount of finance for fossil fuel-fired power generation, or to reduce their finance for fossil fuel-fired power generation relative to their finance for renewable energy generation.

4.3. Regarding **Oil & Gas**, none of the eight PFIs disclose policies that exclude new oil & gas exploration and development or the construction of new oil and gas pipelines from its financing and investment. The only exception is the World Bank who has made a commitment to exclude the development of new oil projects. In addition none of the PFIs disclose policies that require the companies they invest in or finances to phase out their oil and gas operations in line with a 1.5 degree scenario. In fact, the results indicate that all eight PFIs are actively investing in and financing new gas projects in Southern Africa. Two of the PFIs (DBSA and IDC) have explicitly endorsed the use of natural gas as a 'transition fuel' and have even assisted in developing a Gas Masterplan for the Southern African region, of which they will be the key implementers. One of the PFIs (Afreximbank) has assisted in the creation of a new bank focused solely on the oil & gas industry for financing energy projects in Africa.

4.4. Regarding **Human Rights**, only three of the PFIs disclose policies that require companies they invest in or finance to have processes to enable the remediation of any adverse human rights impact which they cause or to which they contribute. This is particularly concerning for PFIs with a significant footprint in the fossil fuel industry, an industry known for being associated with adverse human rights impacts.

4.5. Regarding **Gender Equality**, only three of the PFIs disclose policies that require the companies they invest in or finance to make a policy commitment to mitigate the human rights risks faced by people as a result of their gender. Again, this is particularly concerning for PFIs with a significant footprint in the fossil fuel industry, an industry known for being associated with adverse human rights impacts that disproportionately affect women.

4.6. Regarding **Transparency & Accountability**, only four out of the eight PFIs have established a grievance mechanism for individuals and communities that may be adversely affected by projects that the PFI is connected to. This is particularly important for all PFIs operating in the fossil fuel industry and in the Southern African region where the majority of energy projects are situated close to indigenous or local communities who bear the brunt of negative environmental and social impacts associated with the projects.



The results of each of the eight PFIs on the key themes (climate change, power generation, human rights, transparency & accountability, gender equality and oil & gas) are unpacked in detail below.

1. Climate Change

Climate change, as the existential threat of this century, is a challenge that does not only require global action and industry change, but also a mobilization of financing that meets the needs of people. It is imperative that those institutions that have been established to advance development in countries play an integral role in this mobilization. In order to understand the link between climate change and public finance, it is important to recognise the role that PFIs have played in supporting the fossil fuel industry over the last few decades, with little to no regard for people and planet. From the financing of new coal fired power stations and oil pipelines across Africa, to fossil fuel subsidies and bailouts for the industry, public finance has been used by governments, corporates and institutions to accelerate economic growth while driving the climate crisis. Now, as the climate crisis not only destroys livelihoods and landscapes, but also has a significant impact on economies, it is important to assess how these very institutions can use their financing to create an enabling environment for a just transition. As civil society and local communities call for climate action, it is clear that the solutions being proposed in the most polluting sectors, such as energy, will need to be adequately funded. It is also clear that adapting to the adverse impacts of climate change that are already wreaking havoc on communities requires significant funding. In order to effectively meet their mandate to support sustainable development, PFIs cannot ignore the role they need to play in efforts to mitigate and adapt to climate change.

The climate change theme of the FFG Methodology assesses whether PFIs deal with climate risk in a proactive way. This requires PFIs to:

- Measure and report the carbon footprint of their financial portfolios and present strategies to make their portfolios consistent with the internationally agreed 1.5°C scenario;
- Have a strategy for the transition to a low-carbon economy, including the switch from using fossil fuel to renewable energy sources;
- Encourage companies which they finance and invest in to measure, disclose, and reduce emissions;
- Phase-out investments in and financing of activities with unacceptably high GHG emissions;
- Have an investment and finance policy regarding climate change that includes criteria on compensation, adaptation and lobbying against governmental climate change regulation.[12]

The Climate Change Elements

The financial institution's internal operations:

1. For its own direct and indirect greenhouse gas emissions, the financial institution establishes measurable reduction objectives that are aligned with limiting the maximum global temperature increase of 1.5°C.
2. For its own internal operations, the financial institution is committed to using only renewable energy sources.

The financial institution's management of its portfolio of corporate loans and investments:

3. The financial institution discloses the absolute Scope 1, 2, and 3 greenhouse gas emissions associated with a share of its finance and investment portfolio.
4. The financial institution discloses the absolute Scope 1, 2, and 3 greenhouse gas emissions associated with its whole finance and investment portfolio.
5. For large scale project financing, the financial institution makes environmental impact assessments that include data on greenhouse gas emissions and climate risks.
6. For its financed and invested greenhouse gas emissions, the financial institution establishes measurable, absolute reduction objectives that are aligned with limiting the maximum global temperature increase to 1.5°C.
7. The financial institution measures and discloses climate-related impacts in line with the recommendations by the Task Force on Climate-related Financial Disclosures.

Fossil fuels:

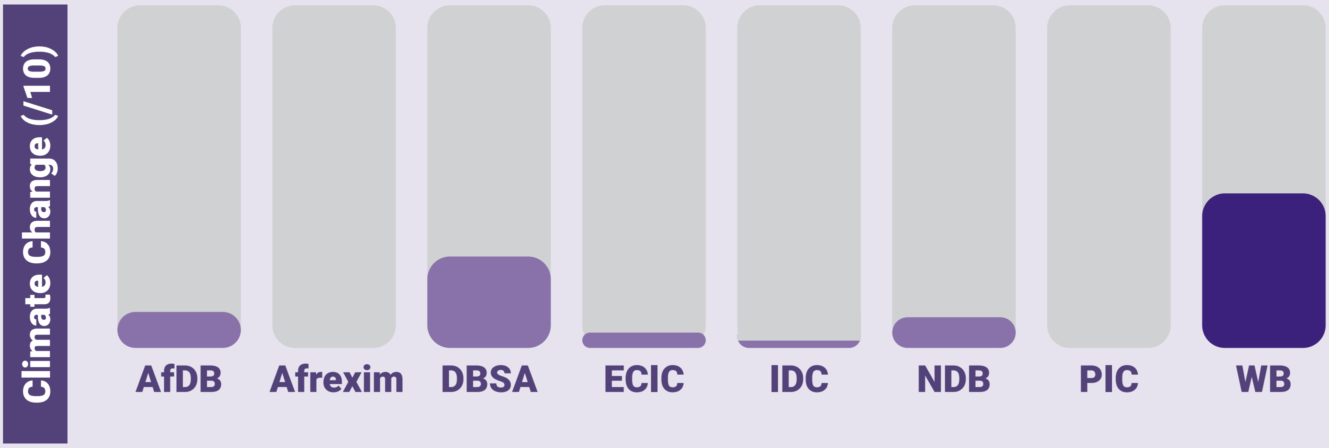
8. Companies involved in the development of new thermal coal mines are excluded from investment and financing.
9. Companies involved in the development of new coal-fired power plants are excluded from investment and financing.
10. The financial institution excludes financing and investing in companies active in thermal coal mining for more than 20% of their activities.
11. The financial institution excludes financing and investing in companies active in coal fired power for more than 20% of their activities.
12. The financial institution excludes financing and investing in companies that produce more than 10Mt of thermal coal per year and/or have more than 5GW in coal power capacity.
13. The financial institution has a time-bound phase-out strategy for coal that is aligned with a 1.5-degree climate scenario.
14. The financial institution fully excludes financing and investing in companies active in thermal coal mining and/or coal fired power generation.
15. Companies engaged in new oil and gas exploration and development are excluded from investment and financing.
16. The financial institution has a time-bound phase-out strategy for oil and gas that is aligned with a 1.5 degree scenario.
17. Companies active in the extraction of oil from tar sands are excluded from investment and financing.
18. The financial institution excludes financing and investing in companies active in oil and gas extraction for more than 30% of their revenues.
19. The financial institution excludes financing and investing in companies active in oil and gas-fired power generation for more than 30% of their electricity generated.
20. The financial institution fully excludes financing and investing in companies active in oil and gas extraction and/or fossil fuel fired power generation.

The companies a financial institution invests in or finances:

21. Companies disclose their scope 1, 2, and 3 greenhouse gas emissions.
22. Companies reduce their scope 1, 2, and 3 emissions in line with a 1.5-degree scenario.
23. Companies switch from using fossil fuels to using renewable energy sources.
24. Companies have a system in place to ensure traceability of their supply chain to ensure that there is zero deforestation of primary forest.
25. Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.
26. The production of biomaterials complies with the 12 principles of the Roundtable on Sustainable Biomaterials (RSB).
27. Companies do not participate in direct or indirect lobbying (attempting to influence decisions made by regulators) aimed at weakening climate policy.
28. Companies integrate criteria on climate change in their procurement and operational policies.
29. Companies include clauses on compliance with criteria on climate change in their contracts with subcontractors and suppliers.

The Results

Overall, the 8 PFIs ranked poorly on climate change, with the highest at 4.5 (World Bank) and the lowest at 0 (PIC and Afreximbank). The result for each PFI is detailed below.



African Development Bank (AfDB)

The AfDB received a low score of 1.1 for climate change.

With regards to the AfDB's management of its portfolio, the AfDB received a score for:

- Conducting environmental and social due diligence on all operations proposed for its support; and
- Having an objective to fully align its new operations with the Paris Agreement.

With regards to the companies the AfDB invests in or finances, the AfDB received scores for:

- Expecting the companies to reduce their GHG emissions (however, the AfDB does not explicitly mention the 1.5-degree scenario); and
- Requiring companies to switch from fossil fuels to using renewable energy sources.

With regards to fossil fuels the AfDB did not receive any scores. While the AfDB's Sustainable Bond Framework outlines that it will identify and categorize all projects and screen those with strong environmental and/or social impacts when it comes to the development of new thermal coal mines, this does not apply to the AfDB's whole portfolio. Similarly, the AfDB only excludes investments in the development of new coal-fired power plants as part of its Sustainable Bond Framework and does not apply this to its entire portfolio of investments and financing. The AfDB does not exclude financing for companies heavily involved in thermal coal mining or coal-fired power generation, lacking a clear time-bound phase-out strategy for coal. There is also no evidence that the AfDB actively prevents financing for companies engaged in oil and gas extraction.

The results indicate that while the AfDB has initiated steps toward integrating climate considerations into its financing practices, significant shortcomings persist, particularly in the context of fossil fuel investments.

African Export–Import Bank (Afreximbank)

The Afreximbank received the lowest score of 0 (together with the PIC) for climate change.

It is clear that Afreximbank has in place an Environmental and Social Management (ESM) System, including an Environmental and Social Risk Management Policy, however, this policy does not appear to be publicly available. Owing to this, it was not possible to assess whether the policy would meet any of the elements regarding the management of its portfolio or the companies it invests in or finances.

It also appears that Afreximbank has in place an Exlusions List, however, this is also not publicly available. As such, it was not possible to assess whether this List would include any of the elements regarding fossil fuel policies.

These results indicate that Afreximbank is not proactively addressing climate change through its policies. On the contrary, Afreximbank continues to offer financial support for the development of new fossil fuel projects, in Southern Africa[13], and on the continent generally.

Afreximbank sets up a 'fossil fuel-focused' Africa Energy Bank[14]

Afreximbank, together with the African Petroleum Producers' Organisation (APPO), have founded a new Africa Energy Bank (AEB). With the stated purpose of striking a 'balance' between the imperative of combatting climate change and promoting industrialisation in Africa, the AEB has been established with a mission to provide more financial resources for the oil and gas sectors on the African continent. The AEB will provide finance for both new and existing oil and gas projects.

"The whole idea is that the Africa Energy Bank will be dedicated to funding the development of fossil fuels of the continent and for the continent," – Director of projects, Afreximbank, Helen Brume

The 18 APPO member states are: Algeria, Angola, Benin, Cameroon, Chad, Congo, DR Congo, Côte d'Ivoire, Egypt, Ghana, Equatorial Guinea, Gabon, Libya, Namibia, Niger, Nigeria, Senegal and South Africa. All of these member states are expected to contribute a minimum of $83 million to the AEB.

"By making this choice, Africa is deciding, not to go as a propitiatory victim to the altar of the energy transition, but to take its destiny into its own hands, prioritising the destiny of the nearly one billion or so Africans who have no access to any form of modern energy."

"If Western countries, after having long taken advantage of the energy sources they now revile to develop, can afford the luxury of abandoning them, this is not the case in Africa. Many economies are still largely dependent on oil and gas revenues."

– APPO Secretary General, Dr Umar Ibrahim (July 2024)

The AEB will be hosted in Nigeria, Africa's top oil producer, and is set to be officially inaugurated in September this year.

While the establishment of the AEB is with good intentions – to mitigate energy poverty and drive economic growth in Africa – the bank's focus on the 'monetisation of Africa's natural resources', and in particular, oil and gas, raises the concern of locking the continent into further fossil fuel dependency and undermining the achievement of

Development Bank of Southern Africa (DBSA)

The DBSA received a low score of 2.7 for climate change.

With regards to the DBSA's management of its portfolio, the DBSA received scores for:

- Having Environmental and Social Safeguards Standards (ESSS) which requires environmental impact assessments that include data on emissions and climate risks when engaging in large scale project finance (e.g. dams, mining, oil & gas, chemical industry, transport or large-scale agricultural projects);
- Having a public statement in which it commits to achieving net zero greenhouse gas emissions by 2050 (however, the DBSA has not disclosed any concrete intermediate targets); and
- Playing an active role to implement the TCFD, which will include measuring and disclosing climate-related impacts.

With regards to the companies the DBSA invests in or finances, the DBSA received scores for:

- Requiring companies to disclose and reduce their GHG emissions;
- Having policies in place (DBSA's Environmental and Social Safeguards Standards and Integrated Just Transition Investment Framework) encouraging companies to switch from fossil fuels to renewable energy;
- Requiring companies to manage living natural resources harvesting projects, production forestry in natural forests and aquatic systems in a sustainable manner, including requiring that the companies clients adopt and implement a sustainable resources procurement policy, procedures and action plan;
- Excluding financing of projects that will significantly convert or degrade critical natural habitats, including forests as well as natural forest harvesting or plantation development that will involve conversion or degradation of critical forest areas; and
- Requiring companies to integrate criteria on climate change in their procurement and operational policies and to include clauses on compliance with climate change criteria in their contracts with subcontractors and suppliers.

The DBSA scored poorly on this theme mainly due to its lack of policies regarding fossil fuels. It has not excluded from its financing and investments companies active in or involved in the development of new thermal coal mines and new coal-fired power plants, or in oil and gas exploration and development. It also has no time-bound phase-out strategy for fossil fuels (coal, oil and gas) that is aligned with a 1.5-degree climate scenario. It must be noted that the DBSA has developed an I***ntegrated Just Transition Investment Framework*** as well as a ***Climate Change Policy Framework*** – however, both of these policies have not yet been made publicly available by the DBSA.

Export Credit Insurance Corporation (ECIC)

The ECIC received a low score of 0.5 for climate change.

The only scores that the ECIC received under this theme were due to having in place an updated ESG Policy. This Policy, however, is not publicly available.

With regards to the ECIC's management of its portfolio, the ECIC received only a basic score as its ESG Policy provides for climate change assessments, disclosure and reporting requirements.
With regards to the companies the ECIC invests in or finances, the ECIC received basic scores for incorporating the key principles of the Equator Principles (EP4) in its ESG Policy, which will guide ECIC in assessing ESG risks on potential transactions or projects to be underwritten and/or underwritten by ECIC.

As the ECIC's ESG Policy is not publicly available, it was not possible to assess whether the policy would meet any of the other climate change elements. The ECIC also has no publicly available policies regarding fossil fuels.

Industrial Development Corporation (IDC)

The IDC received a low score of 0.2 for climate change.

With regards to the IDC's management of its portfolio, the IDC only received a partial score for ensuring that for all projects financed by the IDC, environmental impact assessments are undertaken. However, the IDC does not specify whether these assessments include data on GHG and climate risks.

With regards to fossil fuels and the companies that the IDC invests in or finances, the IDC has no publicly available policies that indicate that it meets any of the climate change elements.

New Development Bank (NDB)

The NDB received a low score of 0.9 for climate change.

With regards to policies on the NDB's management of its portfolio, the NDB received a basic score for its Environmental and Social Framework (ESF) which requires clients to make environmental and social assessments for each proposed activity. This was only a basic score as the NDB does not make its own environmental impact assessments that include data on GHG emissions and climate risks.

With regards to fossil fuels, NDB received a score for its General Strategy (2022 – 2026) in which it commits to not considering financing any new coal-fired capacity for power generation.

With regards to the companies that the NDB invests in or finances, it received scores for its ESF which encourages companies to disclose and reduce their GHG emissions in line with national protocols. These, however, were only basic scores as the ESF includes a technical and financial feasibility clause.

Public Investment Corporation (PIC)

The PIC received the lowest score of 0 (together with Afreximbank) for climate change.

The PIC has no publicly available policies that indicate that it meets any of the climate change elements regarding its own internal operations, the management of its portfolio, fossil fuels, or the companies it invests in and finances.

This low score on climate change is of particular concern as the PIC – South Africa's largest asset manager and that invests funds on behalf of the public sector – has been singled out for its significant exposure to the fossil fuel industry and further contribution to climate change.

The Climate Change Policies of Africa's Largest Investment Manager

The PIC is a state-owned asset manager with a dual mandate: to generate both financial returns for clients, and social returns through sustainable investing. The PIC is the largest investment manager in Africa.

'Asset managers play a vital role in combatting climate change, given their ability to divert capital towards sustainable investments that minimise greenhouse gas emissions and alleviate the effects of climate change. Sustainable assets such as renewable energy, green bonds and sustainable firms should attract investment. Asset managers, thus, have an important role in protecting the planet and building a more sustainable future.' – PIC Integrated Annual Report 2023

The PIC has itself acknowledged the important role that asset managers can play in combatting climate change and building a sustainable future. Yet, while the PIC does have 'green' investments, it continues to utilise public funds to invest in the highly carbon-intensive fossil fuel industry, hindering the advancement of sustainable development in South Africa.

The Investing in Climate Chaos[15] website, published by Urgewald and over 20 NGO partners, recently revealed that the PIC ranks as South Africa's second biggest fossil fuel investor[16]. The PIC holds 2,323 million USD invested in four coal expansionists in South Africa identified through the Global Coal Exit List 2023[17] : Sasol, Exxaro, Thungela and Grindrod. Some of these companies are also active in oil and gas sectors.

Steps in the right direction?

Back in 2021, the PIC had already signalled an intention to develop **Project Climate: Net Zero Action Plan**[18]. The PIC had published a request for proposals for the appointment of a service provider 'to assist the PIC to formulate and develop an implementable Climate Change Strategy (CCS), policies and plans that will aid the PIC to achieve the net zero goals by 2050 or earlier.' The CCS was intended to cover the PIC's investment portfolio as a whole. No mention has been made of this Climate Change Strategy since the request for proposals in 2021.

The PIC has stated that it has in place a **Climate Change Position Paper**[19] with the aim of assisting the PIC to achieve its aim of net zero GHG emissions, and that the draft is awaiting approval by the Board. This draft has not been publicly disclosed by the PIC.

Further, in early 2024, the PIC advertised for two positions in relation to ESG:

- The position of an ESG Associate for its unlisted investments, the duties of which include the development and implementation of an ESG strategy, ESG due diligence on transactions, and training PIC staff and companies on ESG compliance[20]; and
- The position of an ESG Manager: Sustainability, the duties of which include formulating sustainability and climate/biodiversity strategies and developing project proposals in line with the Just Transition[21].

It is unclear whether these positions have been filled at the PIC, but these recent advertisements are an indication that the PIC at least appears to be taking some steps in relation to its ESG policies and processes.

Photo sourced from: The Ethical Agency

World Bank (WB)

The WB received an average score of 4.5 for climate change. This is the highest climate change score out of all the PFIs.

With regards to the WB's management of its Investment Project Financing (IPF) portfolio, the WB received scores for:

- Making environmental impact assessments that include data on greenhouse gas emissions and climate risks for large scale project financing, according to its World Bank Paris Alignment Method for IPF and its Environmental and Social Framework (ESF); and
- Measuring and disclosing its climate-related impacts in accordance with the recommendations set forth by the TCFD.

With regards to fossil fuels, the WB received scores as:

- Companies involved in the development of new thermal coal mines are excluded from investment and financing in line with the WB's Paris Alignment Method for all new operations starting July 1, 2023; and
- Companies involved in the development of new coal-fired power plants are excluded from investment and financing in line with the WB's Climate Change Action Plan 2021-25 and its Paris Alignment Method for IPF.

With regards to the companies the WB invests in or finances, the WB received scores for:

- Requiring the disclosure and reduction of GHG emissions in line with a 1.5-degree scenario according to the WB's ESF;
- Having a Climate Change Action Plan that identifies and prioritizes projects shifting from fossil fuels to renewables and investment in renewables as a key step; and
- Considering peatland conversion as not aligned with its Paris Alignment Method.

The WB's climate change score was negatively impacted primarily by its policies on fossil fuels and its lack of transparency regarding GHG emissions associated with its finance and investment portfolio. While the WB no longer finances new coal mining or coal-fired power projects, it still holds coal-related projects in its portfolio, and the phase-out strategies for these projects remain unclear. Additionally, the WB may finance new gas investments if they are deemed part of a country's national development plan.

The WB has a robust Climate-Related Disclosure framework, a Climate Action Plan, and a Paris Alignment Method. However, these policies allow for special provisions and exclusions based on national circumstances. The criteria for determining, assessing, and processing these exceptions are not publicly disclosed. Moreover, the implementation of these policies depends heavily on country-specific contexts, often deferring to national development plans, which limits their enforceability.

2. Power Generation

Power generation projects are essential for PFIs to enhance energy access in Southern Africa, yet there is also an urgent need to shift financing away from carbon-intensive energy sources. As climate change impacts intensify, continued reliance on coal, gas, and other fossil fuels threatens not only the environment and human health but also the long-term economic viability of energy infrastructure. PFIs must prioritize a Just Energy Transition, focusing on financing projects that provide resilient, clean, energy solutions tailored to the diverse needs of local communities in the region. Supporting new carbon-intensive energy projects risks locking capital into assets that may soon become stranded due to shifting regulatory and market dynamics. Pursuing fossil fuel projects not only jeopardizes public financial returns but also diverts critical funding away from renewable energy alternatives that are increasingly affordable, available and reliable.

PFIs have a responsibility to fund energy initiatives that support the livelihoods and well-being of local communities without repeating the injustices tied to fossil fuel extraction. Moving towards clean energy generation is not only an economically sound choice but also essential for sustainable development across the continent. A Just Energy Transition ensures that energy infrastructure meets immediate power demands while also fostering local development, job creation, and environmental protection. Investing in renewables reduces the risk of stranded assets, helping to future-proof energy investments while supporting long-term job creation, lower emissions, and healthier ecosystems. PFIs have a pivotal role in redirecting capital to power generation projects that deliver sustainable, low-carbon energy, based on equitable financing and community-centered policies, ensuring that Southern Africa's = energy transition is just, inclusive, and rooted in local empowerment.

The power generation theme of the FFG Methodology assesses whether PFIs are moving away from unsustainable sources of energy and moving towards the financing of renewable energy, while also being mindful of its potential impacts on land use, wildlife, and local communities.

The Power Generation Elements

The financial institution's strategy and transparency regarding financings and investments in the power generation sector:

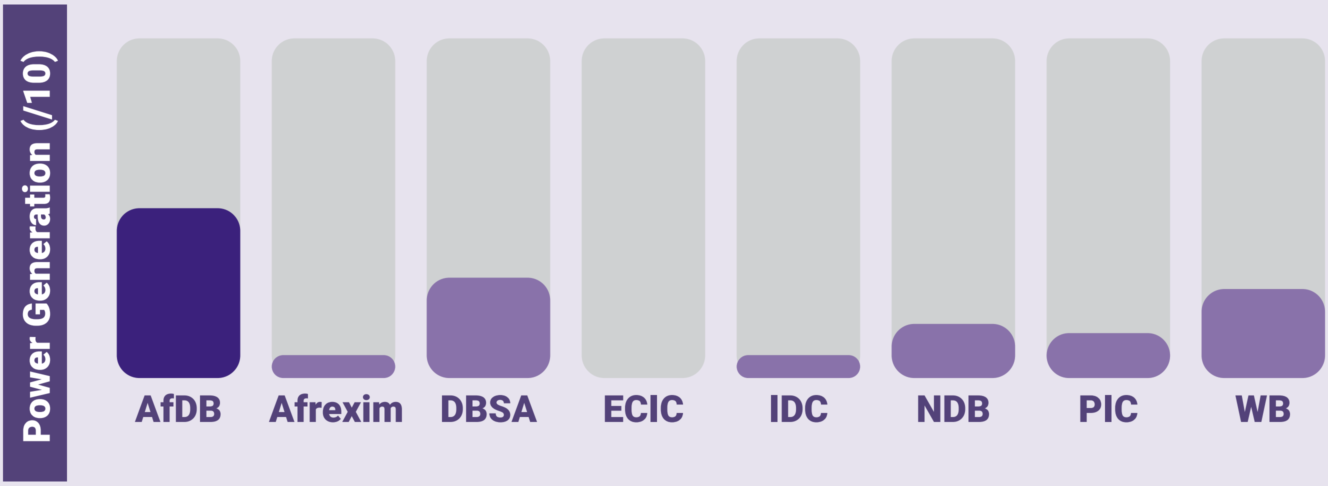
1. The financial institution finances companies involved in renewable energy generation (wind, solar, small and medium scale hydro power, geothermal power, tidal power, etc.).
2. The financial institution has a measurable target to increase its finance for renewable energy generation.
3. The financial institution has a measurable target to reduce either its total amount of finance for fossil fuel-fired power generation, or to reduce finance for fossil fuel-fired power generation, relative to its finance for renewable energy generation.

The companies a financial institution invests in or finances:

4. Companies involved in the development of new coal-fired power plants are excluded from investment and financing.
5. The financial institution excludes financing and investing in companies active in coal fired power for more than 20% of their activities.
6. The financial institution excludes financing and investing in companies active in oil and gas-fired power generation for more than 30% of their electricity generated.
7. Nuclear energy is unacceptable.
8. Large scale hydropower generation is unacceptable.
9. The construction of dams complies with the 7 principles of the World Commission on Dams (WCD) or the Hydropower Sustainability Assessment Protocol.
10. The construction of all water infrastructure projects complies with the 7 principles of the World Commission on Dams (WCD).
11. The production of biomaterials complies with the 12 principles of the Roundtable on Sustainable Biomaterials (RSB).
12. Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
13. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with recognised sustainability reporting frameworks.
14. Companies integrate environmental, social and governance criteria in their procurement and operational policies.
15. Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.

The Results

Overall, the 8 PFIs ranked poorly on power generation, with the highest at 5 (African Development Bank) and the lowest at 0 (Export Credit Insurance Corporation). The result for each PFI is detailed below.



African Development Bank (AfDB)

The AfDB scored an average score of 5 for power generation. This is the highest score out of all the PFIs.

- With regard to the AfDB's strategy and transparency regarding financings and investments in the power generation sector, it received scores for:
- Financing companies involved in renewable energy generation; and
- Having a measurable target to increase its finance for renewable energy generation.

With regard to the companies the AfDB invests in or finances, it received scores for:

- Its Energy Sector Policy which excludes nuclear power plants from its financing;
- Its Integrated Safeguards System (ISS), which requires companies:
    - To comply with the recommendations of the World Commission on Dams (WCD);
    - To publish an annual sustainability report; and
    - To integrate environmental, social and governance criteria in their procurement and operational policies and include such clauses in their contracts with subcontractors and suppliers.

Although the AfDB has a measurable target to increase its finance for renewable energy generation, it does not have a measurable target to reduce either its total amount of finance for fossil fuel-fired power generation, or to reduce finance for fossil fuel-fired power generation, relative to its finance for renewable energy generation. It should be noted that although the President of the AfDB stated in an address in 2023 that "The African Development Bank is spearheading efforts to unlock Africa's vast renewable energy potential. The Bank no longer funds coal energy projects" this is not reflected in any publicly disclosed policy of the AfDB. The AfDB's Energy Sector Policy is dated 2011 and has not been updated yet to reflect the AfDB's public statement on coal.

African Export-Import Bank (Afreximbank)

Afreximbank received a low score of 0.7 for power generation.

With regard to Afreximbank's strategy and transparency regarding financings and investments in the power generation sector, the only score received by Afreximbank is for indicating its support for the development of renewable energy sources.

With regard to the companies that Afreximbank invests in or finances, the bank has no publicly available policies that indicate that it meets any of the power generation elements.

While it is clear that Afreximbank has Environmental and Social Management (ESM) System and an Environmental and Social Risk Management Policy[22], this Policy is not publicly available. It was therefore not possible to assess whether the Policy meets any of the power generation elements. Given Afreximbank's role in the establishment of the Africa Energy Bank (as discussed under the Climate Change theme above) and its fossil fuel energy focus, the lack of policies on power generation by Afreximbank does not come as a surprise.

Development Bank of Southern Africa (DBSA)

The DBSA received a low score of 3 for power generation.

With regards to the DBSA's strategy and transparency regarding financing and investments in the power generation sector, the DBSA scored for financing companies involved in renewable energy generation through its support for South Africa's Renewable Energy Independent Power Producers Procurement Programme (REIPPPP).

With regards to the companies the DBSA invests in or finances, the DBSA received a score for its Environmental and Social Safeguards Standards (ESSS) which requires companies:

- To comply with the Hydropower Sustainability Assessment Protocol for high impact hydro projects; and
- To ensure that their procurement policies as well as all contractors engaged in projects comply with the ESSS.

The DBSA also scored for endorsing the principles of the World Commission on Dams in its ESSS. However, since this was simply an endorsement, the DBSA only received a basic score.

DBSA's Renewable Energy Financing

An upcoming study by FFCSA ***'Building Trust for Transition: DBSA's Impact on Local Community Trusts in South Africa's Renewable Energy Sector'*** will closely examine the DBSA's role in supporting and financing Local Community Trusts (LCTs) as part of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). It aims to explore how DBSA's due diligence and oversight, or absence of it, can significantly impact the success or challenges faced by these trusts. By highlighting both effective and difficult case examples, the study will identify best practices and offers actionable recommendations for DBSA to improve the sustainability and effectiveness of Local Community Trusts.

Export Credit Insurance Corporation (ECIC)

The ECIC received the lowest score of 0 for power generation.

With regards to the ECIC's strategy and transparency regarding financing and investments in the power generation sector as well as the companies that it invests in or finances, the ECIC has no publicly available policies that indicate that it meets any of the power generation elements.

It is clear from the ECIC's Integrated Annual Report 2023[23] that the ECIC has in place an Environmental Social and Governance (ESG) Policy which was recently updated. The ESG Policy also contains an Exclusion List which deals with the list of activities that ECIC may not support. This ESG Policy, however, is not publicly available. It was therefore not possible to assess whether the policy would meet any of the power generation elements.

Industrial Development Corporation (IDC)

The IDC received a low score of 0.7 for power generation.

With regards to the IDC's strategy and transparency regarding financing and investments in the power generation sector, the only score the IDC received was for its Sustainable Industrial Development Pathways strategy which indicates that the IDC is catalysing investments in renewable energy, including through South Africa's REIPPPP.

With regard to the companies that the IDC invests in or finances, the IDC has no publicly available policies that indicate that it meets the power generation elements.

New Development Bank (NDB)

The NDB received a low score of 1.7 for power generation.

With regards to the NDB's strategy and transparency regarding financing and investments in the power generation sector, the NDB received a score for being actively involved in financing renewable energy generation. The NDB also received a score for setting a strategic goal for increasing financing towards the climate change mitigation, adaptation and the energy transition. However, since there are no specific targets set for the renewable energy sector, only a basic score was granted.

With regards to the companies that the NDB invests in or finances, the NDB received a score for making a commitment in its General Strategy (2022 – 2026)[24] to not consider financing for any new coal-fired capacity for power generation. This is a positive step for the NDB.

"In line with its firm commitment to sustainability and climate goals, NDB will not consider financing any new coalfired capacity for power generation" – ***New Development Bank General Strategy for 2022 – 2026: Scaling Up Development Finance for a Sustainable Future***

Public Investment Corporation (PIC)

The PIC received a low score of 1.3 for power generation.

With regards to the PIC's strategy and transparency regarding financing and investments in the power generation sector, the PIC received a score for its existing investments in renewable energy (solar and wind), including its investments in South Africa's REIPPP.

With regards to the companies that the PIC invests in and finances, the PIC received an automatic score for being a signatory to the United Nations Global Compact.

World Bank (WB)

The WB received a low score of 2.7 for power generation.

With regards to the WB's strategy and transparency regarding financing and investments in the power generation sector, the WB received scores for:

- Financing entities and projects involved in renewable energy generation; and
- Identifying the renewable energy sector as a key priority sector, albeit without measurable targets.

With regards to the companies that the WB invests in or finances, the WB received scores for:

- Excluding companies involved in the development of new coal-fired power plants from its investments and financing since 2010, as coal and peat-based power generation is considered misaligned with its Paris Alignment Method; and
- Excluding nuclear energy projects as they fall outside the WB's areas of expertise.

The WB lacks a measurable target to either reduce the total amount of finance directed towards fossil fuel-fired power generation or to reduce such financing relative to its investments in renewable energy generation. Additionally, its policies do not exclude large-scale hydropower projects from financing.

The World Bank's JET Loans

The World Bank has recently provided two loans for South Africa's Just Energy Transition:

1. **Eskom Just Energy Transition Project:**[25] In 2022, the World Bank approved a 497 million USD loan to the national power utility, Eskom, for its Komati coal-fired power plant. The objective of the loan is to decommission the coal-fired power plant, repurpose the project area with renewables, and create opportunities for workers and communities during the transition process.

2. **South Africa Sustainable and Low-Carbon Energy Transition Development Policy Loan:**[26] In 2023, the World Bank approved a 1 billion USD loan to support South Africa's low carbon transition through reforms to privatize the electricity sector, such as encouraging private sector investment in renewable energy.

While the Komati deal seems all well and good, it has drawn criticism for several reasons, particularly concerning the pace and structure of the transition, the adequacy of job creation efforts, and questions about whether the deal effectively addresses energy security or aligns with just transition goals due to the lack of a comprehensive Just Transition Framework.

Meanwhile the South Africa Sustainable and Low-Carbon Energy Transition Development Policy Loan deal is viewed as the World Bank having too much to say over the national energy agenda, which is especially worrisome given the World Bank's tolerance of gas. Moreover, critics suggest that the loan's emphasis on low-carbon policies, without a firm, detailed roadmap for coal decommissioning or rigorous greenhouse gas reduction targets, is insufficient to tackle South Africa's emissions challenges meaningfully.

3. Human Rights

Human rights are increasingly recognized as integral to the discourse surrounding climate finance, as the impacts of climate change disproportionately affect vulnerable populations, including marginalized communities. Climate finance, which aims to support the transition to a low-carbon and climate-resilient economy, must be grounded in a human rights framework to ensure that interventions do not exacerbate existing inequalities or infringe upon the rights of individuals and communities. Protecting human rights in climate finance is essential for promoting social equity, fostering community engagement, and ensuring that the benefits of climate-related investments are equitably distributed.

Moreover, the intersection of human rights and climate finance emphasizes the need for accountability and transparency in funding mechanisms. When climate projects are implemented without considering their social implications, they risk displacing communities, violating land rights, and compromising access to essential resources. By prioritizing human rights in climate finance, public finance institutions can create more inclusive policies that respect the dignity and agency of affected populations, thereby enhancing the effectiveness and sustainability of climate initiatives. Ultimately, integrating human rights into climate finance not only safeguards vulnerable communities but also strengthens the global response to climate change by fostering resilience and promoting justice.

The Human Rights Elements

The financial institution's internal operations:

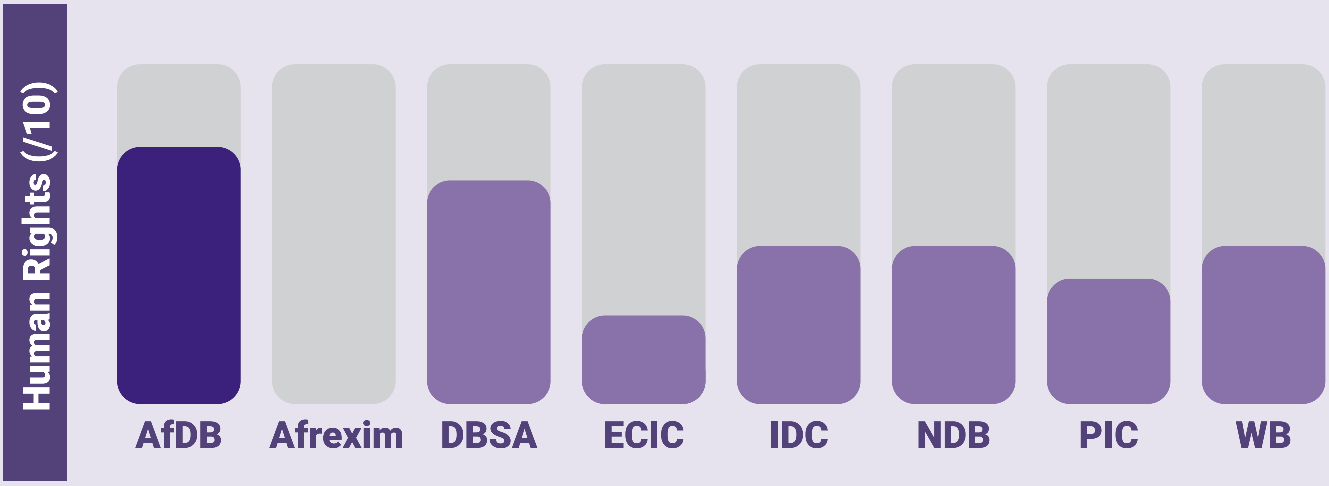
1. The financial institution respects all human rights as described in the United Nations Guiding Principles on Business and Human Rights.
2. The financial institution has a zero-tolerance policy towards all forms of discrimination in employment and occupation, including on the basis of gender, race, ethnicity, sexuality, and physical ability.

The companies a financial institution invests in or finances:

3. Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.
4. Companies have a policy commitment to meet their responsibility to respect human rights.
5. Companies have a human rights due diligence process to identify, prevent, mitigate and account for how they address their impact on human rights.
6. Companies have processes to enable the remediation of any adverse human rights impact which they cause or to which they contribute.
7. Companies establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.
8. Companies respect the rights of indigenous peoples during the course of their operations.
9. Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
10. Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of peoples with customary tenure rights.
11. Companies have special attention for respecting the rights of children.
12. Companies have special attention for respecting the rights of persons with disabilities.
13. Companies do not enable settlements, including their economic activities, in occupied territories in respect of International Humanitarian Law.
14. Companies integrate human rights criteria into their procurement and operational policies.
15. Companies include clauses on compliance with human rights criteria in their contracts with subcontractors and suppliers.

The Results

Overall, the 8 PFIs ranked relatively well on human rights, with the highest at 7.7 (AfDB) and the lowest at 0 (Afreximbank). The result for each PFI is detailed below.



The African Development Bank (AfDB)

The AfDB received the highest score of 7.7 for human rights.

With regards to the AfDB's internal operations, the AfDB received scores for:

- Respecting all human rights expressed in the Universal Declaration of Human Rights, the United Nations Charter, and the African Charter of Human and Peoples' Rights; and
- Having Code of Ethics that contains a zero-tolerance policy towards all forms of discrimination in employment and occupation.

With regards to the companies that the AfDB invests in or finances, the AfDB received scores for its Integrated Safeguards System (ISS) which requires companies:

- to respect all human rights expressed in the Universal Declaration of Human Rights, the United Nations Charter, and the African Charter of Human and Peoples' Rights;
- to observe international human rights norms, standards, and best practices, and to reflect in Bank operations national commitments made under, inter alia, international human rights covenants and the African Charter of Human and Peoples' Rights;
- to align its corporate environmental and social systems with that of the Bank and to prepare an Environmental and Social Management Programme (ESMP) that includes the required due diligence for public projects;
- to report incidents under its risk assessment policy and make provision for such events in the project plan, and also to provide remedial action in the context of land acquisition, involuntary resettlement and vulnerable groups;
- to provide a project-level grievance mechanism;
- to obtain free, prior and informed consent (FPIC) of indigenous peoples and peoples with customary tenure rights.
- to have special attention for respecting the rights of vulnerable groups such as children and persons with disabilities.
- to ensure that all contractors, sub-contractors, and primary suppliers comply with the ESMP.

The African Development Bank (AfDB) demonstrates a strong commitment to human rights, as evidenced by its top score. However, it is noteworthy that the AfDB's ISS contains no specific requirements for companies to refrain from enabling settlements in occupied territories in accordance with International Humanitarian Law and to integrate human rights criteria into their procurement and operational policies.

African Export-Import Bank (Afreximbank)

Afreximbank has received the lowest score of 0 for human rights.

With regards to internal policies of Afreximbank and the companies that it invests in or finances, Afreximbank has no publicly available policies that indicate that it meets any of the human rights elements. Environmental and Social Management (ESM) System; however, its Environmental and Social Risk Management Policy is not publicly available.

As stated in the power generation theme above, it is clear that Afreximbank has an Environmental and Social Management (ESM) System and an Environmental and Social Risk Management Policy[27], however, that Policy is not publicly available. It was therefore not possible to assess whether the Policy meets any of the human rights elements.

Development Bank of Southern Africa (DBSA)

The DBSA received a high score of 6.7 for human rights.

With regards to the DBSA's internal operations, the DBSA received a score for its Code of Ethics which prohibits discrimination in the workplace. However, since it was not explicitly a zero-tolerance policy towards all forms of discrimination (including physical ability) and only mentions employees (and does not explicitly include applicants in a hiring process), the DBSA only received a partial score for this element. Notably, the DBSA received no score for the element regarding respecting all human rights as described in the UN Guiding Principles on Business and Human Rights. This is because even though the DBSA became a signatory to the UN Global Compact in 2014, the UN Global Compact website indicates that the DBSA has since been delisted as a participant due to its failure to report its progress.

With regards to the companies that the DBSA invests in or finances, the DBSA received scores for its ESSS which meets most of the human rights elements in this category. The received basic scores under its ESSS as it requires companies to:

- have a policy commitment to meet their responsibility to respect human rights (but makes no mention of a specific human rights policy);
- establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted (but makes no mention of the UN Guiding Principles); and
- have special attention for respecting the rights of children (but includes no specific requirement for companies to protect against exploitation of children, except for child labour).

Where the ESSS fall short in this regard is for not including any requirements that companies:

- respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights; and
- do not enable settlements, including their economic activities, in occupied territories in respect of International Humanitarian Law.

Export Credit Insurance Corporation (ECIC)

The ECIC received a low score of 2.7 for human rights.

With regards to its internal operations, the ECIC received a score for its Code of Ethics and Business Conduct which prohibits all forms of discrimination in employment and occupation.

With regards to the companies that the ECIC invests in or finances, the ECIC received basic scores for:

- Requiring that the IFC Performance Standards are complied with for certain projects;
- Indicating that the ECIC will not support projects not compliant with environmental and human rights laws; and
- Requiring, in its ESG Policy, that companies about FPIC of indigenous peoples.

While the ECIC appears to have in place a Corporate Social Investment Policy, this policy is not publicly available. It was therefore not possible to assess whether the policy meets the human rights elements. The ECIC's ESG Policy is also not publicly available.

New Development Bank (NDB)

The NDB received an average score of 4.7 for human rights.

With regards to its internal operations, the NDB received a score for its Diversity Policy (2016) which prohibits all forms of discrimination in employment and occupation.

With regards to the companies that the NDB invests in or finances, the NDB received scores for its Environmental and Social Framework (2016) which requires companies:

- to be responsible for the elements of a human rights due diligence system;
- to establish a fair and effective grievance mechanism at the project level and to receive and facilitate the timely resolution of affected peoples' concerns and grievances about the client's environmental and social performance at project level;
- to consider the rights of indigenous peoples; and
- to conduct meaningful consultation that is tailored to the needs of vulnerable groups including children and persons with disabilities.

PIC

The PIC received a low score of 3.7 for human rights.

With regards to the PIC's internal operations, the PIC received a score for publicly committing to eliminate any form of discrimination in respect of employment and occupation. However, this is only a partial score as the PIC's actual employment equity policies are not publicly available.

With regards to the companies that the PIC invests in or finances, the PIC received scores for elements 3 to 7 by virtue of the PIC being a signatory to the UN Global Compact, as those principles apply to its investments. For the remaining elements, the PIC received no scores. The PIC, for example, has no publicly available policies requiring companies to respect the rights of indigenous peoples, to engage in meaningful consultation with local communities and to obtain free, prior and informed consent (FPIC) when it comes to acquiring natural resources.

As a PFI with significant exposure to the fossil fuel industry in South Africa – an industry known to be associated with adverse human rights impacts – the PIC's low score on human rights leaves much room for improvement.

World Bank (WB)

The WB received an average score of 4.7 for human rights.

With regards to its internal operations, the WB received a score for its Diversity and Inclusion Report (2022 – 2023) which contains a zero-tolerance policy towards all forms of discrimination in employment and occupation.

With regards to the companies that the WB invests in or finances, the WB received scores for its Environmental and Social Framework (ESF) which requires companies:

- to have a policy commitment to meet their responsibility to respect human rights;
- to have a human rights due diligence process to identify, prevent, mitigate and account for how they address their impact on human rights;
- to establish in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted;
- to respect the rights of indigenous peoples during the course of their operations included in the WB's Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities in Environmental and Social Framework;
- to prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of peoples with customary tenure rights; and
- to have special attention for respecting the rights of persons with disabilities.

While institutions within the World Bank Group, such as the International Finance Corporation (IFC), have a Sustainability Framework aligned with the United Nations Guiding Principles on Business and Human Rights, there is no mention in publicly available information that shows that the IBRD and IDA uses the IFC Sustainability Framework in its own operations. Thus, the human right score was hindered as no explicit mention was found in the WB's staff manuals, code of ethics, Diversity, Equity and Inclusion Reports or ESF stating that it or the entities it finances need to respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.

In addition, the WB lacks requirements for entities or projects financed to have processes to enable the remediation of any adverse human rights impact which they cause or to which they contribute. Also noteworthy is that there are no specific requirements to refrain from enabling settlements in occupied territories in accordance with International Humanitarian Law nor no stipulations for safeguarding the rights of children. Lastly, WB policies do not mandate the integration of human rights criteria into the procurement and operational policies of the entities financed nor of their subcontractors and suppliers.

4. Gender Equality

Gender and public finance are intricately linked. Public finance institutions have a mandate to support sustainable development and economic growth, particularly in Africa, this has massive implications on gender dynamics and local experiences. In many local communities, there are patriarchal gender norms which exclude women from land ownership and earning their own money. Practices like this have no place in a climate just future, and thus public finance institutions must not only be aware of local contexts, but also have gender responsive policies which actively work to address gender inequality in accessing financing, specifically for climate solutions.

In addition to this need for gender responsiveness in the bank's external dealings, it is equally important for the internal structures of the bank to follow the principles of representational justice. Gender equity in the leadership and staff would enrich the work of the bank, by uplifting the unique challenges, and needs of women in the space. Policies to ensure gender responsiveness and gender equity should be a central tenet of an institution aimed at economic growth and sustainable development.

The Gender Equality Elements

The financial institution's internal operations:

1. The financial institution has an explicitly gender-sensitive zero tolerance policy commitment towards all forms of gender-based discrimination in employment and occupation.
2. The financial institution has a zero-tolerance policy commitment towards gender-based violence in the workplace, including verbal, physical and sexual harassment.
3. The financial institution provides trainings to address gender-based discrimination and biases in the workplace.
4. The financial institution actively manages equal remuneration.
5. The financial institution has systems in place to prevent and mitigate gender discrimination of its customers.
6. The financial institution guarantees at least 30% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level.
7. The financial institution guarantees at least 40% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level.
8. The financial institution provides targeted professional development for employees to promote equal access for women to senior level positions.

The financial institution's transparency and strategy:

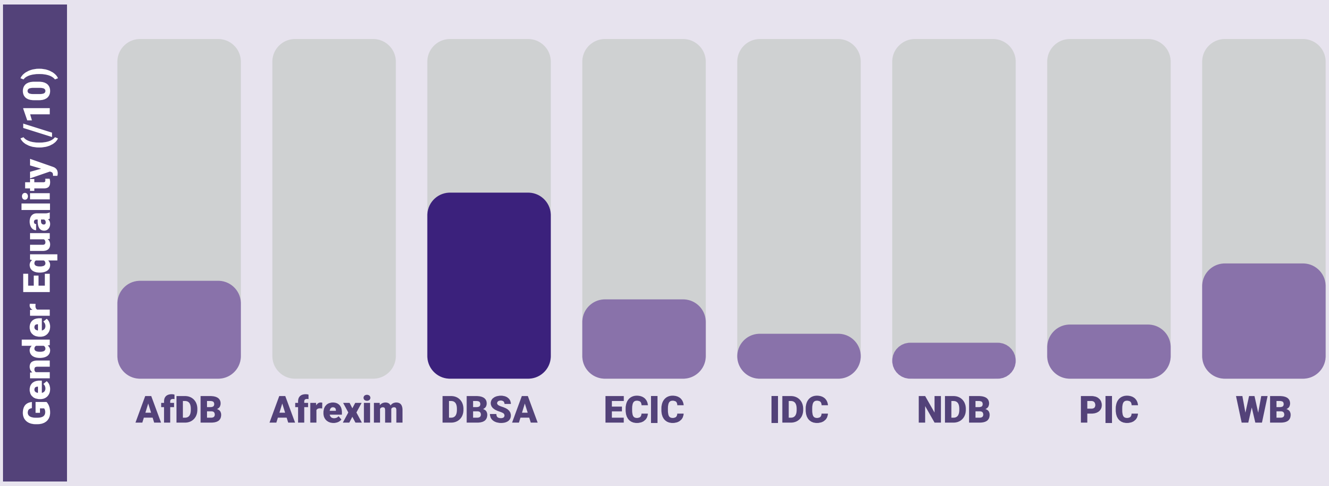
9. The financial institution discloses the % of financing to women-owned businesses OR other vulnerable groups, on the total amount of financing to MSMEs.

The companies a financial institution invests in or finances:

10. Companies have made a policy commitment to mitigate the human rights risks faced by people as a result of their gender.
11. Companies have an explicitly gender-sensitive zero tolerance policy towards all forms of gender-based discrimination in employment and occupation.
12. Companies have a zero-tolerance policy commitment towards gender-based violence in the workplace, including verbal, physical and sexual harassment.
13. Companies provide trainings to address gender-based discrimination and biases in the workplace.
14. Companies actively manage equal remuneration.
15. Companies have systems in place to prevent and mitigate gender discrimination of their customers.
16. Companies guarantee at least 30% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level.
17. Companies guarantee at least 40% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level.
18. Companies provide targeted professional development, and where necessary also education and training, for employees to promote equal access for women to senior level positions.
19. Companies include gender and women's rights criteria in their procurement and operational policies.
20. Companies include clauses on the compliance with gender and women's rights criteria in their contracts with subcontractors and suppliers.

The Results

Overall, the 8 PFIs ranked poorly on gender equality, with the highest at 5.5 (DBSA) and the lowest at 0 (Afreximbank). The result for each PFI is detailed below.



The African Development Bank(AfDB)

The AfDB received a low score of 2.9 out of 10 for gender.

With regards to its internal operations, the AfDB received scores for:

- Having an explicitly gender-sensitive zero tolerance policy commitment towards all forms of gender-based discrimination in employment and occupation;
- Having a zero-tolerance policy commitment towards gender-based violence in the workplace, including verbal, physical and sexual harassment (basic score only as gender-based violence is not mentioned); and
- Actively managing equal remuneration.

With regards to the companies that the AfDB invests in or finances, the AfDB received scores for:

- Requiring in its ISS that companies make a policy commitment to mitigate the human rights risks faced by people as a result of their gender;
- Requiring in its ISS that companies assess and scope risk for gender based violence (basic score only as no mention of zero tolerance policy towards gender discrimination in employment and occupation);
- Requiring that companies include gender and women's rights criteria in their procurement and operational policies (AfDB's Procurement Policy); and
- Requiring that companies include clauses on the compliance with gender and women's rights criteria in their contracts with subcontractors and suppliers (AfDB's Code of Ethics).

African Export–Import Bank (Afreximbank)

Afreximbank received the lowest score of 0 for gender equality.

With regards to its internal operations, transparency and strategy, as well as the companies it invests in and finances, Afreximbank has no publicly available policies that indicate that it meets any of the gender equality elements.

Development Bank of Southern Africa (DBSA)

The DBSA received an average score of 5.5 for gender equality.

With regards to its internal operations, the DBSA received scores for:

- Having an anti-discrimination policy statement in its Code of Ethics (basic score only as this is not a specific gender policy);
- Having a zero-tolerance commitment towards harassment in its Code of Ethics (basic score only because policy addresses harassment but the policy is not specifically about gender);
- Guaranteeing at least 30% and 40% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level (basic scores only as only two of these levels are met); and
- Providing targeted professional development for employees to promote equal access for women to senior level positions.

With regards to the DBSA's transparency and strategy, it received a score for disclosing the percentage of financing to women-owned businesses on the total amount of its financing to MSMEs.

With regards to the companies that the DBSA invests in or finances, it received scores for most of the gender equality elements in this category. Where the DBSA falls short is for not having a requirement that companies:

- Actively manage equal remuneration; and
- Guarantee at least 30% and 40% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level.

Where the DBSA only received basic scores, this was because the DBSA does not have a specific gender policy.

Export Credit Insurance Corporation (ECIC)

The ECIC received a low score of 2.4 for gender equality.

With regards to its internal operations, the ECIC received scores for:

- Having a gender-sensitive zero tolerance policy commitment towards all forms of gender-based discrimination in employment and occupation in its Code of Ethics and Business Conduct;
- Providing trainings to all staff on its Code of Ethics and Business Conduct;
- Actively managing equal remuneration through its Employment Equity Plan (basic score only as this policy is not disclosed);
- Guaranteeing at least 30% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level (basic score only as only two levels are met); and
- Providing targeted professional development for employees to promote equal access to senior level positions (basic score only as no specific mention of women).

With regards to the companies that the ECIC invests in or finances, it received basic scores for requiring that companies have a policy commitment to mitigate human rights risks (basic score only as no specific mention of human rights risks related to gender) and for requiring that companies comply with the IFC Performance Standards for certain projects.

Industrial Development Corporation (IDC)

The IDC received a low score of 1.3 for gender equality.

With regards to its internal operations, the IDC received scores for:

- Guaranteeing at least 30% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level;
- Guaranteeing at least 40% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level (basic score only as only two levels are met); and
- Providing targeted professional development for employees to promote equal access for women to senior level positions in its Employment Equity Plan.

With regards to the IDC's transparency and strategy as well as the companies that it invests in or finances, the IDC has no publicly available policies that indicate that it meets any of the gender equality elements in these categories.

New Development Bank (NDB)

The NDB received a low score of 1.1 for gender equality.

With regards to its internal operations, the NDB received basic scores for:

- Having an explicitly gender-sensitive zero tolerance policy commitment towards all forms of gender-based discrimination in employment and occupation in its Code of Business Conduct and Ethics 2024 (basic score only as it does not seem to apply to hiring practices); and
- Having a zero-tolerance policy commitment towards violence in the workplace, including verbal, physical and sexual harassment in its Code of Business Conduct and Ethics 2024 (basic score only as it explicitly mention gender-based violence or harassment).

With regards to the companies that the NDB invests in or finances, the NDB received a score for requiring in its Environmental and Social Framework Due Diligence Guidance for Clients that companies make a policy commitment to mitigate the human rights risks faced by people as a result of their gender.

Public Investment Corporation (PIC)

The PIC received a low score of 1.6 for gender equality.

With regards to its internal operations, the PIC received a score for guaranteeing at least 30% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level.

With regards to the PIC's transparency and strategy, it received a score for disclosing the percentage of financing to women-owned businesses or other vulnerable groups, on the total amount of financing to MSMEs.

With regards to the companies that the PIC invests in or finances, it received scores for requiring companies to guarantee at least 30% and at least 40% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level.

Notably, the PIC does not have a publicly available policy which requires companies to have made a policy commitment to mitigate the human rights risks faced by people as a result of their gender. As a PFI heavily invested in the fossil fuel sector which often has adverse impacts for local communities and particularly women, this is a big gap in the PIC's policies.

The World Bank (WB)

The WB received a low score of 3.4 for gender equality.

With regards to its internal operations, the WB received scores for:

- Having a gender-sensitive, zero-tolerance policy against all forms of gender-based discrimination in its Group Statement of Commitment to Diversity, Equity, and Inclusion;
- Having a Code of Ethics that commits to zero tolerance for violence or harassment in the workplace (a partial score only as it doesn't specify types of harassment or gender-based violence);
- Providing trainings to address gender-based discrimination and biases in the workplace (partial score only as this training is through courses, websites and sources for staff);
- Actively managing equal remuneration (partial score only as the steps taken to ensure pay equity are not disclosed); and
- Guaranteeing at least 30% and 40% participation and equal access of women and men at Board of Directors, Executive positions, and Senior management level (partial score only as only two of these levels are met).

With regards to the companies it invests in or finances, the WB received scores for:

- Requiring companies to make a commitment to mitigate human rights risks as a result of gender (basic score only as human rights risks are not explicitly mentioned in its Environmental and Social Framework);
- Requiring companies to have gender-sensitive, zero-tolerance policies against discrimination in employment and occupation; and
- Encouraging zero-tolerance policies for gender-based violence in the workplace (basic score only as its Guidance Notes (non-mandatory) are the only place where such commitments are mentioned).

5. Transparency & Accountability

Transparency and accountability are fundamental for the engagement, review, and oversight of PFIs. These institutions hold a responsibility not only to finance developmental projects but also to ensure that investments benefit society equitably, from local communities to industries and the environment. Without transparency, stakeholders cannot adequately assess a PFI's operations or navigate the complexities of initiatives that impact diverse populations. Similarly, without accountability, negative effects or unforeseen collateral damage cannot be properly addressed or corrected. Transparency without accountability is an empty gesture, and accountability without transparency is impossible.

PFIs are intended to support inclusive, transformative change that leads to more equitable and sustainable outcomes. To build legitimacy, PFIs must earn public trust, which is only gained through a combination of transparency and accountability. Transparency clarifies decision-making and ensures that information on project goals, progress, and impacts is accessible to all. This openness enables communities to meaningfully engage in discussions about projects that will shape their futures, aligning financial goals with societal needs, while facilitating independent review and ensuring responsible allocation of public resources. Accountability mechanisms within PFIs serve as safeguards to protect the rights and interests of those affected by public investments, empowering communities to raise concerns and seek redress if projects lead to negative social or environmental outcomes. Accountability is crucial in preventing projects from displacing communities, harming ecosystems, or deepening social inequalities. Ultimately, transparency and accountability within PFIs not only uphold good governance principles but also ensure that key priorities, including climate, gender, human rights, and power generation, are properly addressed, promoting trust, resilience and social justice.

The Transparency & Accountability Elements

The financial institution's internal operations:

1. The financial institution describes its finance and investment framework regarding environmental and social issues and provides insight into how the financial institution ensures that investments meet the conditions set in its policies.
2. The financial institution publishes the names of governments in which it invests.
3. For its investments in equities, the financial institution publishes the names of companies in which it invests.
4. The financial institution mentions and describes all companies (on its website) to which it grants new credit.
5. The financial institution mentions and describes all companies (on its website) to which it has granted credit.
6. The financial institution discloses the names of all outstanding project finance transactions and project-related corporate loans, including the information required by the Equator Principles 4.
7. The financial institution publishes a breakdown of its portfolio by region, size and industry (in line with GRIs FSSD FS6).
8. The financial institution publishes a breakdown of its portfolio in a cross table, combining industry and region data.
9. The financial institution publishes a sufficiently detailed breakdown of its portfolio, for example based on the first two digits of NACE and ISIC.
10. The financial institution publishes a sufficiently detailed breakdown of its portfolio, for example based on the first four digits of NACE and ISIC.
11. The financial institution publishes the number of companies with which it has engaged on social and environmental topics.
12. The financial institution publishes the names of companies with which it has engaged on social and environmental topics.
13. The financial institution publishes the results of engagement on social and environmental topics, including the topics, goals and deadlines.
14. The financial institution publishes the names of companies that are excluded from investment and financing due to sustainability issues, including the reasons for this exclusion.
15. The financial institution discloses a voting policy which includes guidelines on how to vote on shareholder resolutions related to environmental, social, and governance issues. (Not relevant for Development Finance Institutions)
16. The financial institution publishes its voting record. (Not relevant for Development Finance Institutions)
17. The financial institution publishes a sustainability report.
18. The financial institution publishes a sustainability report that is set up in accordance with the General Disclosures requirement of the GRI Universal Standard 2021 or in accordance with another recognised sustainability reporting framework.
19. The financial institution's sustainability report has been verified externally.
20. The financial institution reports on the consultation with civil society organisations and other stakeholders.
21. The financial institution provides a breakdown of the volume of assets that are managed internally and/or externally. (Not relevant for Development Finance Institutions)
22. The financial institution discloses the names of external asset managers. (Not relevant for Development Finance Institutions)
23. The financial institution has set up mechanisms to ensure engagement and voting practices of external asset managers or service providers comply with their sustainability policies. (Not relevant for Development Finance Institutions)
24. The financial institution has a complaint mechanism for individuals and communities that may be adversely affected by activities that it is connected to, and the scope of the complaint mechanism covers financed activities.
25. The financial institution has set up a grievance mechanism that is accessible, and clearly explains its process for managing complaints.
26. The financial institution reports on the progress and performance of its grievance mechanism.
27. The financial institution commits to respecting and cooperating in good faith with State-based non-judicial and judicial mechanisms when cases that it is connected to are brought to such a mechanism.

The Results

Overall, the 8 PFIs ranked relatively well on transparency & accountability, with the highest at 9.5 (World Bank) and the lowest at 0.5 (Afreximbank). The result for each PFI is detailed below.

African Development Bank (AfDB)

The AfDB received a high score of 5.9 for transparency & accountability.

With regards to its internal operations, the AfDB received scores for most of the transparency & accountability elements. Where the AfDB's policies fall short is for not:

- Publishing a sufficiently detailed breakdown of its portfolio, for example based on the first two and first four digits of NACE and ISIC;
- Publishing the number and names of companies with which it has engaged on social and environmental topics;
- Publishing the results of engagement on social and environmental topics, including the topics, goals and deadlines;
- Publishing a sustainability report and verifying it externally; and
- Committing to respecting and cooperating in good faith with State-based non-judicial and judicial mechanisms when cases that it is connected to are brought to such a mechanism.

Africa Export-Import Bank (Afreximbank)

Afreximbank received the lowest score of 0.5 for transparency & accountability.

With regards to its internal operations, Afreximbank only received scores for:

- Describing its finance and investment framework regarding environmental and social issues and provides insight into how the financial institution ensures that investments meet the conditions set in its policies. However, this is only a basic score as Afrexumbank does not disclose its Environmental Management System or Exclusion List; and
- Publishing a breakdown of its credit portfolio by geographical sector and industry sector.

Afreximbank has no publicly available policies that indicates that it meets any of the other transparency & accountability elements.

Development Bank of Southern Africa (DBSA)

The DBSA received a low score of 3.5 for transparency & accountability.

With regards to its internal operations, the DBSA received scores for:

- Describing its environmental and social appraisal process;
- Publishing a breakdown of its portfolio by region, size and industry (in line with the GRI);
- Publishing a sufficiently detailed breakdown of its portfolio, for example based on the first two digits of NACE and ISIC.
- Publishing a sustainability review (DBSA Sustainability Review 2023);
- Ensuring that its sustainability review is verified externally;
- Having a complaint mechanism for individuals and communities that may be adversely affected by activities that it is connected to (DBSA Independent Grievance and Redress Mechanism);
- Setting up a grievance mechanism that is accessible, and clearly explains its process for managing complaints (DBSA Independent Grievance and Redress Mechanism);
- Reporting on the progress and performance of its grievance mechanism; and
- Committing to respecting judicial or administrative remedies.

Export Credit Insurance Corporation (ECIC)

The ECIC received a low score of 2.3 for transparency & accountability.

With regards to its internal operations, the ECIC received scores for:

- Describing its ESG Policy (this was only a basic score as the ESG Policy is not disclosed);
- Publishing the names of governments in which it invests;
- Mentioning and describing all companies (on its website) to which it grants new credit;
- Disclosing the names of all outstanding project finance transactions and project-related corporate loans (however, this was only a basic score as the ECIC's list has not been recently updated);
- Publishing a breakdown of its portfolio by region, size and industry;
- Publishing a sustainability report (this was only a partial score as the report is not disclosed); and
- Having a complaint mechanism for individuals and communities that may be adversely affected by activities that it is connected to (this was only a partial score as the ECIC's Complaints Resolution Policy is not disclosed).

Industrial Development Corporation (IDC)

The IDC received a low score of 1.7 for transparency & accountability.

With regards to its internal operations, the IDC received scores for:

- Describing its Environmental and Social Policy and Due Diligence Framework;
- Publishing the names of companies in which it invests for its investments in equities;
- Publishing a breakdown of its portfolio by region, size and industry; and
- Publishing the number of companies with which it has engaged on social and environmental topics.

New Development Bank (NDB)

The NDB received a low score of 3.4 for transparency & accountability.

With regards to its internal operations, the NDB received scores for:

- Describing its Environmental and Social Risk Management Framework;
- Mentioning and describing all companies (on its website) to which it grants credit and new credit;
- Disclosing the names of all outstanding project finance transactions and project-related corporate loans (this was only a basic score as the database does not indicate whether an independent review has taken place);
- Publishing sufficiently detailed breakdowns of its portfolio; and
- Having a complaint mechanism for individuals and communities that may be adversely affected by activities that it is connected to (the NDB's Whistleblower Procedures covers both internal operations and its financed projects. This was only a basic score it is unclear whether the mechanism is open to externally affected individuals or communities).

Public Investment Corporation (PIC)

The PIC received a low score of 3.3 for transparency & accountability.

With regards to its internal operations, the PIC received scores for:

- Describing its investment process regarding ESG issues (this was a basic score only as the ESG screening criteria are not disclosed);
- Publishing the names of companies in which it invests for its investments in equities;
- Publishing the number of companies with which it has engaged on social and environmental topics;
- Publishing the results of engagement on social and environmental topics (this was a basic score only because the PIC only discloses broad engagement pillars);
- Publishing its voting record;
- Publishing a sustainability report;
- Reporting on the consultation with civil society organisations and other stakeholders (this was a partial score only as civil society is not mentioned by the PIC);
- Providing a breakdown of the volume of assets that are managed internally and/or externally;
- Disclosing the names of its external asset managers;
- Setting up mechanisms to ensure engagement and voting practices of external asset managers or service providers comply with their sustainability policies; and
- Having a complaint mechanism for individuals and communities that may be adversely affected by activities that it is connected to (PIC's whistleblower hotline – only a basic score was given as the hotline does not cover environmental or social issues).

The World Bank (WB)

The WB received the highest score of 9.5 for transparency & accountability

With regards to its internal operations, the WB received scores for all but one of the transparency & accountability elements. The only element the WB does not meet is for not having a policy on externally verifying (auditing) its sustainability review.

The WB obtained a very high score in Transparency and Accountability due to its robust disclosure policies and the quality of the information made publicly available regarding its operations, investments and environmental and social processes, goals and results. The WB also has several complaint and grievance mechanisms which are accessible, and explain its process for managing complaints while reporting on progress and performance of such.

Africa Day protest 2022. Photographer Joze Sprang

6. Oil & Gas

Due to political tensions across the world and the energy crisis across Europe, the re-emergence of a reliance on fossil fuels threatens gains in global climate action. As the Global North returns to Africa for its energy needs, the dash for gas on the continent has become an important aspect of finance.

Not only does the oil & gas industry have processes which harm the environment, but the social consequences of the industry can be extremely detrimental, affecting the economic, social, and cultural rights of local communities[28]. The experience of oil & gas exploration in Southern Africa has brought widespread displacement, violence and socioeconomic challenges, in addition to ecological impacts. In particularly destructive cases such as the TotalEnergies Liquid Natural Gas (LNG) project in northern Mozambique[29] , public finance institutions have played an integral role in the financing, despite push back from communities and climate justice activists. While many governments scramble to market gas as a clean energy source that is more sustainable, there is evidence to prove that transitioning directly to renewable energy without the use of a 'transition fuel' will be more effective, and more affordable in the long run. It is also not true that gas is a clean energy source, but rather has long term impacts on people and the environment, due to emissions as well as methane leaks along the value chain which contribute to climate change. Therefore, the biggest challenge for PFIs is to phase down its financing and investments in the oil & gas industry in line with the climate goals of the Paris Agreement. PFIs should be promoting a pathway to a Just Energy Transition that does not recreate the destructive and exclusionary nature of previous energy production sources, but rather one that ensures a truly just transition to a truly low carbon economy, with fair and equitable financing.

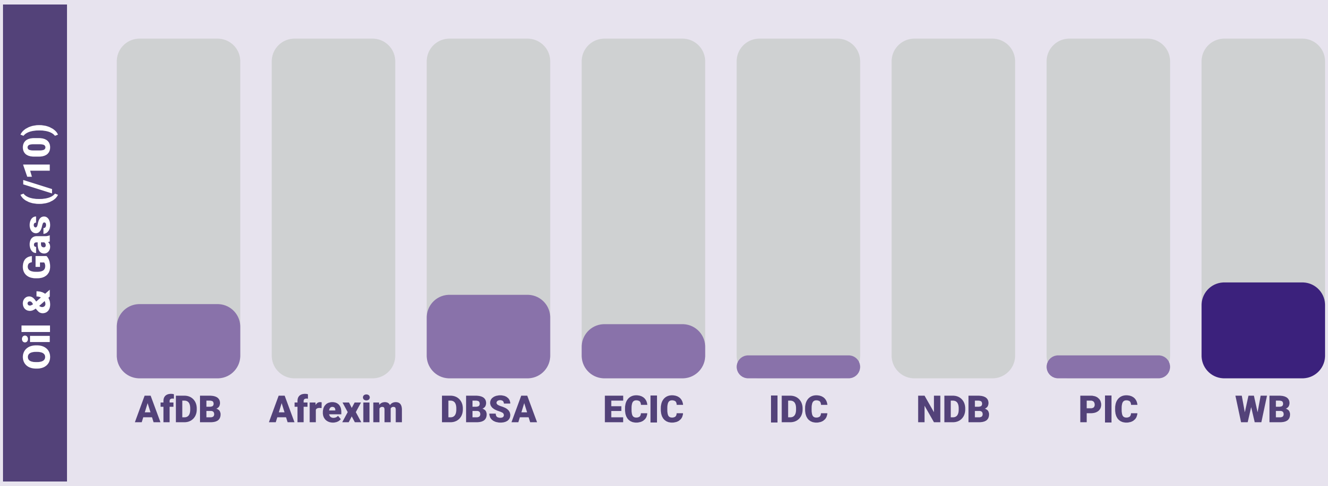
The oil & gas theme of the FFG Methodology assesses whether PFIs' approach to the oil & gas industry aligns with international standards and addresses a Just Energy Transition.

The Oil & Gas Elements

The companies a financial institution invests in or finances:

1. Companies mitigate the chance of accidents (oil spills, leakages) by making use of the best available techniques and have a solid road map for crisis situations (a so-called 'contingency plan').
2. Companies reduce waste from oil and gas extraction and mining, especially the flaring of natural gas, and manage and process this in a responsible way.
3. Companies reduce the effects of seismological research on whales and other marine mammals.
4. Companies follow the Voluntary Principles on Security and Human Rights for the protection of their employees and de company sites.
5. Companies only operate in weak governance zone or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses.
6. Companies active in the extraction of oil from tar sands are excluded from investment and financing.
7. Extracting oil from oil shale is unacceptable.
8. Extracting shale gas in unacceptable.
9. Arctic drilling for oil and gas is unacceptable.
10. Companies engaged in new oil and gas exploration and development are excluded from investment and financing.
11. Construction of new oil and gas pipelines is unacceptable.
12. Companies phase out their oil and gas operations in line with a 1.5-degrees scenario.
13. Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
14. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with recognised sustainability reporting frameworks.
15. Companies integrate environmental, social and governance criteria in their procurement and operational policies.
16. Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.

Results



African Development Bank (AfDB)

The AfDB received a low score of 2.2 for oil and gas.

With regards to the companies that the AfDB invests in or finances, the AfDB received scores for its Integrated Safeguards System (ISS) which requires or suggests that companies:

- follow the Voluntary principles on Security and Human Rights for the protection of their employees and company sites;
- only operate in weak governance zone or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses (requires a social and conflict analysis);
- publish a sustainability report; and
- include clauses on the compliance with the ESMP in their contracts with subcontractors and suppliers.

It is important to note that the AfDB does not require but only suggests that the companies it invests in or finances only operate in weak governance zones or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses. This is particularly relevant for the contentious Mozambique LNG[30] project which the AfDB has financed.

Further, it must be noted that the AfDB does not exclude new oil and gas exploration and development nor the construction of new oil and gas pipelines from its financing and investment. It also does not require the companies it invests in or finances to phase out their oil and gas operations in line with a 1.5 degree scenario.

African Export-Import Bank (Afreximbank)

Afreximbank received the lowest score of 0 (together with the NDB) for oil & gas.

With regards to the companies that Afreximbank invests in or finances, Afreximbank has no publicly available policies that indicate that it meets any of the oil & gas elements. Since Afreximbank's Environmental and Social Risk Management Policy is not publicly available, it was not possible to assess whether the policy would meet any of the oil & gas elements.

It is clear from Afreximbank's involvement in the creation of the Africa Energy Bank – a bank "created to address the impending funding crisis in the African oil and gas industry, triggered by the global energy transition"[31] – that it does not exclude companies engaged in new oil and gas exploration and development from its investment and financing.

Development Bank of Southern Africa (DBSA)

The DBSA received a low score of 2.5 for oil & gas.

With regards to the companies that the DBSA invests in and finances, the DBSA received scores for its Environmental and Social Safeguards (ESS) which requires that companies:

- Mitigate the chance of accidents (oil spills, leakages) by making use of the best available techniques and have a solid road map for crisis situations (a so called 'contingency plan'). (The DBSA's clients must provide the DBSA with a detailed ESMP (or similar) and all supporting documentation, setting out the project mitigation measures, and depending on the scope of the project, an Emergency Preparedness Plan);
- Reduce waste from oil and gas extraction and mining and manage and process this in a responsible way (basic score only because the ESS is not specific to waste from oil and gas extraction);
- Only operate in weak governance zone or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses (basic score only as ESS does not specify human rights abuses); and
- Integrate the ESS in their procurement and operational policies and include such clauses on compliance in their contracts with subcontractors and suppliers.

It is clear from the DBSA's publicly available policies that it continues to support gas projects in Southern Africa. **What is notable is that the DBSA played an instrumental role in the development of the Southern African Development Community (SADC) Regional Gas Masterplan[32] , a plan to unlock gas reserves and develop the natural gas market in the region, and will be a lead implementer together with the IDC[33].**

Export Credit Insurance Corporation (ECIC)

The ECIC received a low score of 0.6 for oil & gas.

With regards to the companies that the ECIC invests in or finances, the ECIC received basic scores for applying the IFC Performance Standards (which include the IFC Environmental Health & Safety Guidelines) to certain of its projects. This means that companies would be required to:

- Mitigate the chance of accidents (oil spills, leakages) by making use of the best available techniques and have a solid road map for crisis situations (a so called 'contingency plan'); and
- Reduce waste from oil and gas extraction and mining, especially the flaring of natural gas, and manage and process this in a responsible way.

ECIC's Finger in the LNG Pie

A recent summary published by Friends of the Earth lists all the financial institutions involved in the Mozambique LNG project and indicates that, as at 8 February 2024, the ECIC had contributed 800 million USD (approximately 14 billion ZAR) to support the project.[34] This support continues despite a call by a coalition of 124 civil society organisations to the various financial institutions (including ECIC) to withdraw their support due to a myriad of concerns such as ongoing insurgent attacks, human rights violations, lack of benefits for local communities, and critical impacts on local ecosystems and the global climate.[35]

Industrial Development Corporation (IDC)

The IDC received a low score of 0.6 for oil & gas.

With regards to the companies that the IDC invests in or finances, the IDC only received a score for its Environmental and Social Due Diligence Framework (ESDDF) which requires that companies mitigate the chance of accidents (oil spills, leakages) by making use of the best available techniques and have a solid road map for crisis situations (a so called 'contingency plan'). The ESDDF requires clients to develop and maintain emergency preparedness and response plans for emergency incidents.

The IDC's Integrated Annual Report 2023[36] makes it clear that the IDC regards natural gas as a transition fuel and an 'emerging value chain'[37] as part of its strategy to find decarbonization options. With regard to fossil fuels in general, the IDC states that it 'maintains a responsible approach to fossil-fuel-based value chains such as coal, natural gas and liquid fuels'[38]. The IDC's latest Integrated Annual Report 2024 (which was not taken into account in this Policy Assessment) reflects this view[39]. The IDC's Energy Strategic Business Unit which was set up to fund 'clean energy solutions' lists gas-to-power projects as an example of an 'energy generation and efficiency opportunity' that the IDC will consider funding. **Furthermore, it is notable that the IDC co-sponsored the SADC Regional Gas Masterplan[40]. The IDC will be a lead implementer of the Masterplan, together with the DBSA.**

The IDC's Support for New Gas Projects in South Africa

In October 2024, a report on The Financing of Onshore Gas in South Africa[41] revealed that the IDC is a financier of two new gas projects in the country: the Mpumalanga Gas Project and the Virginia Gas Project.

Kinetiko Energy, an Australian company, is actively exploring and developing a gas project in the Mpumalanga province of South Africa. In 2023, a joint-development agreement was entered into between the IDC and Afro Energy (a subsidiary of Kinetiko Energy) to secure funding for the gas project. The Mpumalanga area already suffers from one of the highest air pollution problems in the world – so much so that a South African court has ordered that the levels of pollution in this area are in breach of the residents' constitutional environmental right[42]. Toxic pollutants from coal-fired power stations and coal-to-liquid facilities are prevalent in the area, leading to various health conditions. To add to this toxic atmospheric load with emissions from new sources would compromise a situation that can already be thought of as a health and socio-economic crisis caused by humans. Both concerns about transparency and adherence to environmental regulations in relation to the project have been raised by civil society. Attempts by member organisations of FFCSA to access more information about the project's environmental impact and financial agreements have been met with resistance by the IDC, citing confidentiality agreements.

The second is a project by Renergen/Tetra4 for the exploration and production of natural gas near Virginia in the Free State province of South Africa. A loan agreement between Renergen/Tetra4 and the IDC has been entered into to fund the project. Significant environmental concerns have been raised by community-based organisations in relation to the expansion of the natural gas field in Virginia, particularly regarding potential groundwater contamination and the project's contribution to climate change. An expert critique[43] of the project highlights that the assumed efficiency of gas processing flaring is considered unrealistic, further contributing to an underestimation of methane emissions.[44] In light of the above finding that the IDC's Environmental and Social Due Diligence Framework has no clause requiring companies to reduce and manage the flaring of natural gas in a responsible way, coupled with the IDC's low score on the climate change theme, this is particularly concerning.

The FFCSA will soon be publishing a case study on **'Evaluating Development Finance: The Industrial Development Corporation's Role in the Kinetiko Gas Project in South Africa'.**

New Development Bank (NDB)

The NDB received the lowest score of 0 (together with Afreximbank) for oil & gas.

With regards to the companies that NDB invests in or finances, NDB has no publicly available policies that indicate that it meets any of the oil & gas elements.

Public Investment Corporation (PIC)

The PIC received a low score of 0.6 for oil & gas.

With regards to the companies that the PIC invests in or finances, the PIC only received a score for being a signatory to the UN Global Compact, which would require that companies publish a sustainability report.

The PIC's Oil & Gas Investments

To date, the PIC has not excluded from its investments the development of new oil and gas infrastructure.

i. The PIC holds unlisted investments in the Mining Oil and Gas Services Holdings (MOGS) Group whose business invests in pipelines, storage and related infrastructure in Africa to enable market access to fuel and energy.[45] The PIC's rational behind this investment is to support the development of infrastructure in the oil and gas sector as a 'vital contributor to economic development'. As at March 2018, the PIC had committed to investing over 2 billion ZAR in MOGS. The biggest shareholder of MOGS is the South African Government Employees Pension Fund (GEPF), a public sector entity on whose behalf the PIC invests.

ii. The PIC holds equity in the Kuvaninga Energia gas-fired power plant project in Mozambique, with the rationale of 'expanding the energy capacity of Mozambique, facilitating economic development' and to reduce pollution.[46]

iii. The PIC is one of the top ten investors in gas producer, Renergen, with a 7.8 million USD shareholding as of December 2023.[47]

The World Bank (WB)

The WB received a score of 2.8 for oil & gas. This was the highest score out of all the PFIs on this theme.

With regards to the companies that the WB invests in or finances, the WB received scores for its Environmental, Health, and Safety (EHS) Guidelines for Offshore Oil and Gas Development which requires that companies:

- Mitigate the chance of accidents (oil spills, leakages) by making use of the best available techniques and have a solid road map for crisis situations (a so called 'contingency plan'). The EHS Guidelines requires a Spill Response Plan (SRP);
- Reduce waste from oil and gas extraction and mining, especially the flaring of natural gas, and manage and process this in a responsible way. The EHS Guidelines contains specific clauses on venting and flaring; and
- Reduce the effects of seismological research on whales and other marine mammals. The EHS Guidelines contains specific clauses on seismic activities.

The WB also received basic scores for its Climate Change Action Plan (2021 – 2025) excludes finance and investments for new oil projects. These were basic scores only as gas is not excluded. According to the WB, natural gas investments may be considered aligned in countries where there are urgent energy demands and no short-term renewable alternatives to reliably serve such demand, but details on how such projects avoid long-term carbon lock-in are not disclosed. Further, the WB's Paris Alignment Method does not exclude fossil fuels, instead assessing projects based on country-specific factors like income level and reliance on fossil fuels. However, the lack of transparency on how these assessments are conducted weakens its approach.

Public Finance Institutions and the Role of Gas in the Just Energy Transition

The 'Transition Fuel'

As countries begin to transition to cleaner economies, alternatives to using coal as a source of energy are being explored in order to reduce carbon emissions and air pollutants. One such alternative that has gained traction globally is the use of gas as a bridge from coal to renewable energy sources. Natural gas has long been touted as a 'transition fuel' by economies dependent on coal for energy, as an alternative that is 'cleaner', quicker to build, and that promotes energy and economic growth.[48] In Europe, the disruptions to the supply of gas caused by the Russia-Ukraine war have spurred massive investments in liquified natural gas (LNG) terminals, paving the way for easy trade of the resource.[49] In Africa, the abundance of natural gas reserves are regarded as the continent's 'sleeping giant', with substantial new discoveries having been made in the last decade.[50] Zooming into Southern Africa, many countries are already in the emerging production phase (Mozambique) or exploratory phase (South Africa and Namibia) of gas production.[51] Natural gas has been positioned as a transition fuel in South Africa's public policy, including in the country's latest electricity plan[52] and national Gas Master Plan.[53] In Mozambique, the third largest holder of natural gas on the continent, there was a recent major discovery of gas reserves in the north which have already fallen prey to multinational energy giants for LNG projects, exacerbating ongoing conflict in the region.[54]

Is Natural Gas Really a Good Option as a Transition Fuel?

Proponents of gas, usually fossil fuel lobbyists and foreign gas companies, argue that gas can serve as a pragmatic solution due to its rapid deployment and flexibility. They argue that gas plants can be built faster than renewable energy projects, providing immediate relief from energy shortages, while also being able to ramp up quickly to meet peak demand, balancing the grid as renewable energy capacity grows.

However, scientists, environmental groups, and civil society organizations emphasize that a combination of renewable energy sources, when paired with advanced energy storage solutions, can easily dispel the misconception that renewables are unreliable. Technological advancements in battery storage and energy efficiency are rapidly reducing the need for gas to balance the grid. Moreover, growing international pressure to meet net-zero commitments, alongside the increasing cost competitiveness of renewable energy technologies, casts significant doubt on the long-term compatibility of gas with decarbonization goals. Finally, the volatility of gas prices, coupled with its susceptibility to geopolitical tensions, makes it far less reliable than domestically produced renewable energy sources.

Africa Day protest 2022. Photographer Joze Sprang

Public Finance Institutions in Southern Africa have followed suit. While many of the PFIs have made policy commitments and statements to supporting a Just Energy Transition and a gradual move away from fossil fuels, they simultaneously position gas-to-power projects as an emerging or evolving energy generation opportunity alongside the region's potential for renewable energy generation. This has generally been positioned in the context of balancing the monetization of the region's natural resources to meet energy demand and promote industrialisation (economic growth), against the risks associated with climate change and the transition (environmental sustainability).

It is no surprise, then, that the eight PFIs assessed received the lowest scores for their policies (or lack thereof) on Oil & Gas. South Africa's four state-owned PFIs – Development Bank of Southern Africa (DBSA), Industrial Development Corporation (IDC), Public Investment Corporation (PIC) and Export Credit Insurance Corporation (ECIC) – all actively play a role in the financing of and investment in new gas projects in the region. The IDC has clearly positioned natural gas as an 'emerging value chain' (along with green hydrogen, new energy vehicles and energy storage)[55] and gas-to-power projects as an energy generation and efficiency opportunity as part of development funding for the JET. The IDC's focus for the upcoming year will be on 'unlocking natural gas investments … given its importance as a transition energy source.'[56] In its latest Annual Report (2024)[57], however, the IDC makes mention that it does have in place sustainability screening tools that are applied on all fossil-fuel-sector-based transactions and funding activities (including coal, natural gas, liquid fuels and nuclear). The DBSA, on the other hand, has had in place since 2021 an Integrated Just Transition Framework[58] which acknowledges that '[a]s the costs associated with renewable energy reduce, renewables will increasingly be provided as the most cost- effective business solution to meet growing energy demand.'[59] It also acknowledges the impending transition, reputational and stranded asset risks associated with investments in 'transition fuels' such as gas.'[60] Nonetheless, the DBSA has gone onto play an instrumental role in the the development of the Southern African Development Community (SADC) Regional Gas Masterplan, along with support from the IDC, and both PFIs will be the lead implementers of this plan to unlock the region's natural gas reserves. With regards to the last two South African PFIs, the PIC and ECIC, they both actively finance the development of new oil and gas infrastructure in the region, both in South Africa and in Mozambique.[61]

By virtue of being state-owned institutions, their financing of gas is in line with their mandate to finance projects that are aligned with South Africa's development and energy policy. South Africa's National Development Plan (NDP)[62] (which was published in 2012 and is now significantly outdated) positions coal as 'the dominant fuel in South Africa for the next 20 years' with gas as a 'transition fuel'.

While these PFIs fund a mix of energy projects, its financing and investments in gas—though positioned as temporary or transitional—redirects capital away from renewables.

The national electricity plan, the Integrated Resource Plan, is informed by the NDP and makes provision for new fossil fuel capacity (both coal and gas) in the country's energy mix until 2030. While the NDP acknowledges the need to move to less carbon-intensive electricity and to leverage renewable energy sources, it also includes the opposing objectives of ensuring domestic security of coal supply for existing power stations, enabling gas exploration and fast-tracking gas-to-power projects, and incorporating a greater share of gas in South Africa's energy mix.[63] This was premised on the fact that, at the time of publication of the NDP, the costs of storage and transmission of renewable energy were still comparatively higher than that of fossil fuel-based energy. South Africa now gets the benefit of renewable energy at some of the lowest tariffs in the world[64], making the continued case for gas as a 'cheaper' alternative indefensible.

'South Africa must leverage its solar resource and regional hydropower opportunities as competitive advantages, in parallel with the responsible exploitation of fossil fuels and minerals … South Africa has extensive coal resources that have not yet been developed, as well as shale gas resources in the Karoo that, while not fully explored, are believed to be substantial. ***The exploitation of these resources would contribute to environmental damage and the national carbon footprint****, but could potentially create jobs and be a source of foreign exchange and investment, providing a level of energy security. It could also provide a lower-carbon fuel source that allows the economy to make a transition from its dependence on coal.'*

– National Development Plan, 2012[65]

What do the eight PFIs say about natural gas?

African Development Bank

"Africa must be given time to transition and be allowed to use its natural gas resources as a transition fuel, just like it is the case in Germany, as well as Europe …. Natural gas is therefore a key part of the energy mix for assuring security of supply and critical for Africa."[66]

– AfDB Group President (2023)

Africa Export-Import Bank

"Under its climate mitigation commitments, Afreximbank is committed to reducing carbon emissions and supporting a "Just Transition" for Africa's energy sector. The bank emphasizes optimizing Africa's natural gas potential and supports the development of renewable energy sources and battery mineral resources"[67]

– Afreximbank African Trade and Development Finance Brief (2024)

"The African Energy Transition Bank is born under the recognition that Africa needs to monetise our natural resources if we can achieve our industrialisation target … The whole idea is that the Africa Energy Bank will be dedicated to funding the development of fossil fuels of the continent and for the continent"[68]

– Director of Projects, Afreximbank (2023)

Development Bank of Southern Africa

"The DBSA shareholder and partners on the continent have identified gas and LNG options as a relatively small component of national and regional energy plans that aimed to deliver a net zero carbon outcome by 2050. While gas remains essential for the provision of reliable power supply to support Africa's industrialization and business demands, global demand will fall as economies move away from fossil fuel, and the oil and gas majors shift their investment portfolios to consider more sustainable options. Infrastructure investments are typically long-term investments, requiring that investments in "transition fuels" such as gas are assessed and priced for transition risk."[69]

– DBSA Integrated Just Transition Investment Framework (2021)

But also…

"Following the huge gas resource discovery in Mozambique, the DBSA teams, working with the national gas utility Empresa Nacional de Hidrocarbonetos (ENH), and the SADC Secretariat, embarked on developing a SADC Gas Master Plan. The plan evaluates opportunities for regional gas trade, as well as domestic gas monetisation opportunities. It is therefore important for the region to look beyond national borders and identify potential demand and uses for natural gas throughout the SADC region. The plan will be implemented in two phases, with the Industrial Development Corporation (IDC) and the DBSA as lead partners."[70]

– DBSA Integrated Annual Report (2023)

Export Credit Insurance Corporation

"We have seen some very important projects taking place on the continent. What is on everybody's lips at the moment is the Mozambique LNG discovery and the developments that are taking place presently there. We are very much involved in those projects and looking at providing insurance cover against both commercial and political risks in Mozambique to the tune roughly of about 20 billion rands. That should enable about 10 billion rands worth of South African goods and services being deployed in Mozambique."[71]

– Chief Executive Officer of ECIC (2020)

Industrial Development Corporation

"Supporting green growth and low-carbon transitions: In 2024/25, focus will be on unlocking natural gas investments to avoid the pending 'gas cliff' given its importance as a transition energy source, making progress with transitioning hard-to-abate sectors and implementing the commercial industrial portfolio offtake model … The Corporation is encouraged that SADC member states have adopted the Regional Gas Masterplan, which was partly IDC-sponsored."[72]

– IDC Integrated Annual Report (2024)

New Development Bank

"We are also exploring the potential of natural gas as a transition fuel, recognising its role in providing flexible, dispatchable power to complement our growing renewable energy fleet."[73]

– South Africa's Deputy President, NDB High-Level Energy Seminar (2024)

Public Investment Corporation

"The investment supports the development of infrastructure in the oil and gas sector, which is a vital contributor to economic development."[74]

"As the cleanest fossil fuel, natural gas is also important for the reduction of pollution."[75]

– Public Investment Corporation Unlisted Investments (2018)

World Bank

"Natural gas investments may be considered aligned in countries where there are urgent energy demands and no short-term renewable alternatives to reliably serve such demand. Accounting for unique national circumstances, all WBG investments in new gas infrastructure will be assessed for consistency with NDCs, LTSs, or other national development strategies, and will aim to ensure they do not lead to long-term carbon lock-in, among other considerations. … In specific cases, natural gas may be useful in accelerating the transition away from coal—depending on country circumstances. However, the long-lived nature of new gas infrastructure means that it is not always consistent with the need to decarbonize economies within this timescale. All investment in new gas infrastructure will be assessed for consistency with NDCs and LTSs."[76]

– World Bank Climate Change Action Plan 2021 – 2025 (2021)

PFIs play a crucial role in financing energy projects that align with national and international development goals and obligations, including with the JET. In the context of South Africa's JET in particular, natural gas is considered a transition fuel—a bridge between the country's reliance on coal and its goal of achieving a low-carbon based economy. South Africa's Just Transition Framework focuses on gradually phasing out coal while ensuring economic sustainability, social inclusion, and energy security. Gas is seen as a potential intermediary because it has lower carbon emissions and is perceived as more reliable than intermittent renewable energy sources, therefore aligning with the JET's focus on minimizing negative social impacts. However, this line of reasoning is outdated and neglects to highlight the real cost of continuing to depend on fossil fuels relative to the cost of renewables today. The role of gas as a transition fuel should be strictly questioned in terms of its real contribution to reducing GHG emissions, its alignment with a socially just transition, and its financial risks.[77]

As public institutions, PFIs have an overarching mandate to advance socio-economic development in the countries in which they operate and, in the era of a climate crisis, should be the drivers of a decarbonized economy. A lack of transparency across these institutions makes it difficult to accurately assess the true scale of capital allocated to fossil fuel projects, raising concerns that public funds—potentially amounting to millions or even billions—may become locked into assets at risk of becoming stranded as the world moves away from carbon intensive resources. PFIs are generally too quick to support gas projects in the name of energy security and a gradual transition. Instead, they need to prioritize renewable energy over gas in the medium and long run. By investing and financing in gas energy projects, one must question whether these institutions are prioritizing profit and economic prosperity over climate mitigation, environmental protection and social development.

The Risks of Gas

i. Methane, a greenhouse gas at least 20 times more potent than CO2, can leak during extraction, transportation and storage, undermining the climate benefits of switching to gas.

ii. Long-term lock-in — developing natural gas infrastructure might lock the country into fossil fuel use for decades, potentially slowing the adoption of renewable energy.

iii. (iii) High cost and investment risks related to gas infrastructure, especially import infrastructure and pipelines that divert funds away from renewable energy projects, delaying full and real

Grassroots groups across the continent under the Africa Vuka banner will hold coordinated actions and events to mark Africa day and highlight the need for a just transition to renewable energy in Africa.

Recommendations

Based on the findings of the 2024 Policy Assessment, the Fair Finance Coalition of Southern Africa recommends that the eight assessed PFIs:

1. Develop and strengthen their sustainability policies to align with international standards, including the Paris Agreement's 1.5 degree target:

- While there is room for improvement across the nine themes, PFIs should pay particular attention to how their policies fall behind in terms of the standards under Climate Change, Oil & Gas, and Power Generation. The FFG Methodology can be used by PFIs as a guidance for developing their policies and best practices.
- PFIs that act as intermediaries for climate finance should have robust policies that enable a truly Just Transition (including a Just Energy Transition). With an increased need for climate finance to support climate action in Southern Africa, policies regarding climate change, energy and human rights should be updated to meet current climate needs.

2. Improve transparency regarding their due diligence frameworks and processes:

- Some of the PFIs have ESG policies that guide their internal operations and financing activities but have not publicly disclosed those policies. This is not sufficient. PFIs must make those policies publicly available, together with clear objectives, strategies, and metrics for accountability.
- Overall, there is a need for more accessible information from PFIs to enable greater transparency regarding climate finance deals and the basic operations of the financial institutions.

3. Establish a fossil fuel finance exclusion plan or policy:

- In the face of the accelerating climate crisis and the Just Energy Transition underway, it is important for PFIs to have in place a policy or plan that explicitly excludes fossil fuels from their finance and investment portfolios.
- The policy or plan should explicitly cover a) the phasing out of existing finance and investment in fossil fuel extraction and power generation projects and b) the exclusion of any new finance and investment in fossil fuel extraction and power generation projects, including: thermal coal mining, coal-fired power generation, oil & gas extraction (both offshore and onshore) and oil & gas power generation.
- The policy or plan should include clear timelines and targets for an equitable phasing out of finance for and investments in fossil fuels.

4. Align their policies with the latest climate science and reject false solutions:

- In the age of false solutions where gas is being promoted as a 'transition fuel', PFIs should align their investments with climate science which says that in order for global climate action to remain on the 1.5 pathway, the transition to renewable energy must be the priority. Commitment to oil and gas exploration in Africa will not only plunge the continent into further climate collapse, but will also delay a truly just transition.

5. Engage with the Fair Finance Coalition Southern Africa (FFCSA):

- PFIs should seek to understand the expectations of FFCSA and other civil society organisations and to consult with project-affected communities regarding the social and environmental responsibilities of PFIs. Given the Just Energy Transition, this is particularly important with regard to civil society organisations and local communities working in the environmental, climate, social and economic justice sectors.
- One way that PFIs can do this is by engaging with FFCSA on the FFG Methodology and how it can be used to develop and improve their policies and practices.

Conclusion

The International Energy Agency warned us in 2021 that no new fossil fuel projects should be developed if we are to meet the Paris Agreement's goal of net zero emissions by 2050. We failed to heed this warning: UNEP's latest Emissions Gap Report[78] just revealed that our current climate policy commitments are insufficient, and if continued, would put the world on track for a best-case global warming of 2.6°C over the course of the century; and that could go up to 3.8°C. The Just Transition has been described as the 'connective tissue' needed to achieve both national and global commitments such as the Paris Agreement and Sustainable Development Goals (SDGs) in a timely fashion.[79] It is our small window of opportunity to secure a sustainable future, and the importance of this opportunity cannot be understated for a region such as Southern Africa that will be disproportionately affected by the impacts of climate change.

Public Finance Institutions (PFIs), as the financial enablers of development, need to be at the centre of arresting this situation. The findings of the 2024 Policy Assessment reveal that PFIs operating in Southern Africa are far from demonstrating the policy commitments necessary to enable a Just Energy Transition in the region. PFIs can do more to align their policies with international sustainability standards, particularly in relation to climate change, oil and gas and the energy sector; and these policies should be publicly disclosed. PFI policies should be aligned with the Paris Agreement's overarching goals of holding the temperature increase limit to 1.5°C and making finance flows consistent with a pathway to low greenhouse gas emissions and climate-resilient development. This means establishing and disclosing measurable targets to reduce greenhouse gas emissions in PFI's finance and investment portfolios, excluding any new fossil fuel projects (including newly discovered reserves of gas), and furthermore, excluding any unsustainable 'green' projects. This should be coupled with credible Net Zero strategies.

The decisions that our PFIs make today will determine whether or not we achieve development and a society that is environmentally, socially and economically sustainable. The way in which PFIs allocate their financial resources can either be a pathway or a significant barrier to achieving a (truly) Just Energy Transition for Southern Africa. A significant change is required to change the current status quo in the region – and policy reform is just the first step that Public Finance Institutions can take to drive this change.

Africa Day 2022. Photographer Joze Sprang

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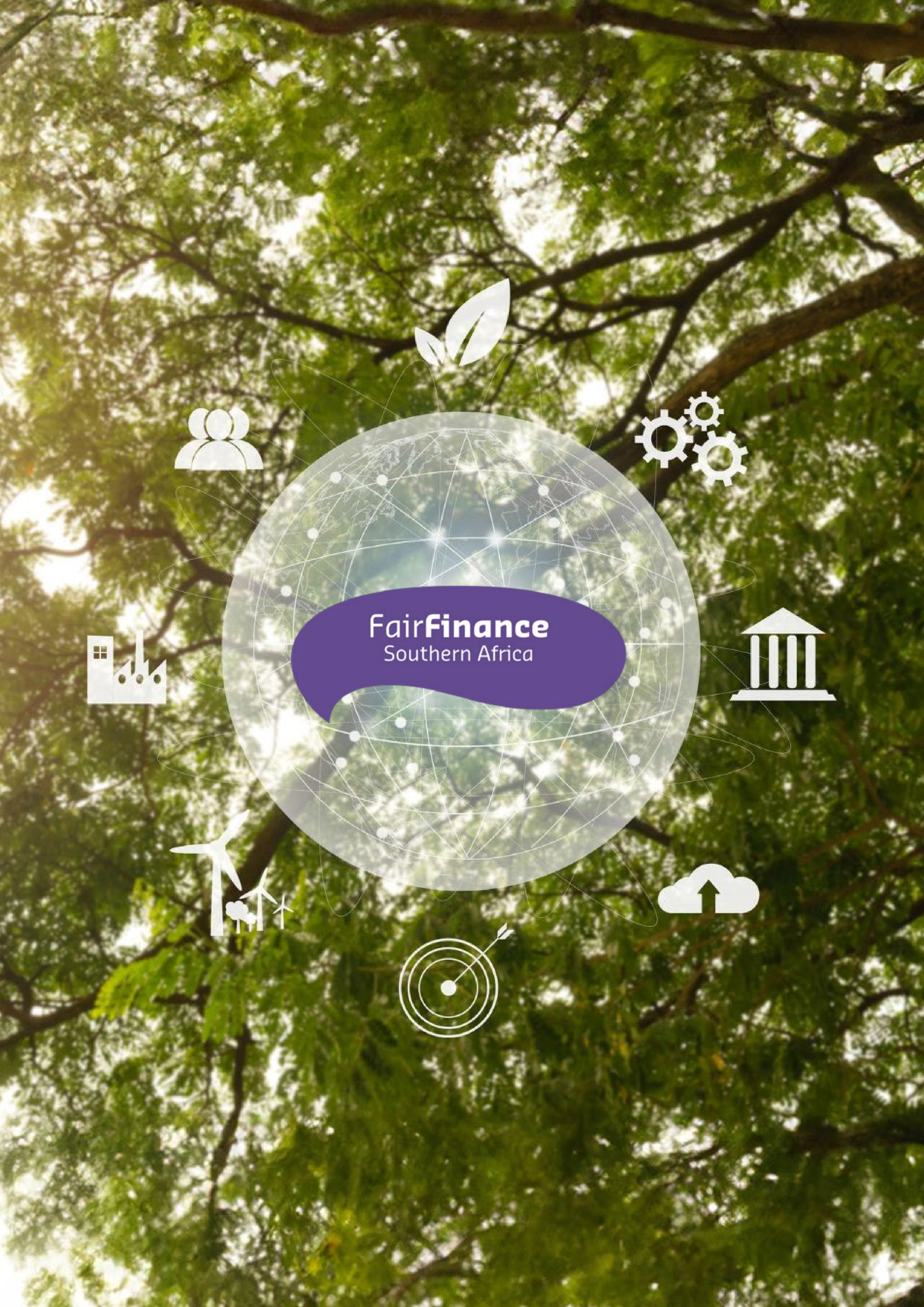
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