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ATT: DBSA Board of Directors

Prof. Mark Swilling, Chairman

Copied to:

Patrick Dlamini, Executive Director,
Boitumelo Mosako, Executive Director,
Martie Janse Van Rensburg, Independent Non-executive Director,
Dr Gaby Magomola, Independent Non-executive Director,
Petrus Matji, Independent Non-executive Director,
Dr Blessing Mudavanhu, Independent Non-executive Director,
Pinkie Nqeto, Independent Non-executive Director,
Bongani Nqwababa, Independent Non-executive Director,
Anuradha Sing, Independent, Non-executive Director

Request for Response: Civil Society Letter on the DBSA's contribution to the Just Transition

1. We refer to our previous correspondence dated 23rd of May 2022, in which we, as the Fair Finance Coalition of Southern Africa¹ (FFCSA or the Coalition) wrote to the Development Bank of Southern Africa (DBSA) expressing concern over the lack of civil society consultation by the bank, and its continued financing of fossil fuel projects. A copy of this letter is attached.
2. We confirm that we have not received a response to our letter nor an acknowledgement of receipt. This is not the first time the DBSA has ignored our attempts to meaningfully engage. Since 2018, members of the Coalition have written regarding public interest concerns over projects ranging from the Thabametsi coal power plant², KarpowershipSA³, Mozambique LNG and the Musina Makhado Special Economic Zone as well as the participation of the DBSA at the Finance in Common Summit beginning in 2020. Our engagements have included open letters, demonstrations at the DBSA, petitions against projects under consideration as well as legal processes through the Promotion of Access to Information (PAIA) Act - while some communications have been acknowledged or petitions physically collected by the bank, requests for detailed project information were refused by the DBSA due to alleged financial and commercial sensitivity.⁴
3. We reiterate our request for the DBSA to develop and publish a fossil fuel exclusion policy and commit to a meaningful process for engaging with civil society and community organisations where transparent project information is vital for the areas affected by projects funded by the Bank and the general public.
4. According to the DBSA Annual Integrated Report⁵ (Page 58-59), stakeholder engagement is embedded in the value creation process. Despite having a high level of

¹ <https://www.fairfinancesouthernafrica.org/>

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<https://350africa.org/south-africas-industrial-development-corporation-and-the-development-bank-of-south-ern-africa-stop-financing-fossil-fuels/>,

<https://350africa.org/the-thabametsi-coal-fired-power-plant-is-cancelled/>

³ <https://350africa.org/stopkarpowershipsa/>

⁴ [Request to the Development Bank of Southern Africa: Information on Climate Change, Powership funding, the Musina-Makhado Special Economic Zone \(MMSEZ\) and financing of the Mozambique LNG Project – PAIA Requests – Centre for Environmental Rights \(cer.org.za\).](#)

⁵

<https://www.dbsa.org/sites/default/files/media/documents/2021-09/DBSA%20Integrated%20Annual%20Report%202021.pdf>

interest in DBSA business, communities are ranked with a low level of influence. Civil society is considered to have a low to medium interest in DBSA business whilst also having a low level of influence.

5. The climate crisis has highly disproportionate impacts on groups and communities who have contributed the least to the crisis. This influences the dynamics within which we all live and operate. Those who are at risk of impact, should be included in processes that affect them and prioritised in decision making in the Just Transition, particularly though infrastructure and climate finance.
6. We recognise the immense role the DBSA and other Development Finance Institutions have in the Just Transition, including as part of the DFI CEO Forum⁶. According to our recent interactions with the Presidential Climate Commission and the Presidential Climate Finance Task Team, DFIs will continue to play an influential role in the Just Energy Transition Partnership as well as involvement in the financing mechanisms for the national response to climate change. We also note the long standing accreditation status of the DBSA by the Green Climate Fund, despite recent challenges referred to in our previous letter to the Bank.
7. The Financing Fairly report and policy assessment conducted by the Centre for Environmental Rights (CER) and Profundo in 2020 suggests that the DBSA is seriously lagging behind other DFIs and Multilateral Development Banks (including the African Development Bank, European Development Bank and the Dutch Entrepreneurial Development Bank) in policies regarding climate change and transparency and accountability.⁷ The Fair Finance Coalition of Southern Africa is conducting a second round of this policy assessment in 2022.
8. Considering CER policy assessment findings, we request that the DBSA adopts greater inclusivity of civil society and community organisations in respect of the DBSA's role in advancing the Just Transition and as the DBSA formulates policies to address

⁶ <https://www.dbsa.org/press-releases/joint-statement-dfi-ceos-forum-collaboration-sa-s-just-transition>

⁷ See <https://cer.org.za/wp-content/uploads/2020/05/Financing-Fairly-Report-and-Assessment-2020.pdf> at page 5. The Fair Finance coalition is currently conducting an update of the Policy Assessment comparing 6 public finance institutions and these results will be published in October 2022." Relevant DBSA officials would have received our correspondence in this regard.

climate-related financial risk. We reiterate our call for the Bank to cease funding for new fossil fuel projects and related infrastructure (such as KarpowershipSA or Mozambique LNG) and to publicly commit to ending existing fossil fuel projects in line with the Bank's Net-Zero by 2050⁸ position.

9. Civil society and community engagement should be influencing the DBSA's operations. Existing and planned projects must ensure that Free Prior and Informed Consent (FPIC⁹) with directly impacted communities is a mandatory practice. Greater inclusivity can enhance and shape high impact development as well as ensure buy-in for projects, ensuring inclusive and sustainable development. All development initiatives must address issues of climate adaptation while advancing a Just Transition in South Africa and the region. To avoid the potential for maladaptation¹⁰, where projects are not suited for a particular community, we suggest that the DBSA commit to consistently engaging with civil society and community organisations in designing a new approach to financing development.
10. We acknowledge the DBSA's openness to participating in research processes such as the Profundo and CER policy assessment. We hereby request engagement on the topics we've raised, such as a fossil fuel funding exclusion policy and great civil society consultation.
11. We are available for a meeting on the above matters.

Sincerely

Fair Finance Coalition of Southern Africa



⁸ <https://www.dbsa.org/press-releases/dbsa-statement-net-zero>

⁹ <https://www.fao.org/indigenous-peoples/our-pillars/fpic/en/>

¹⁰ "Maladaptation is a process through which people become even more vulnerable to climate change" (<https://www.sciencedirect.com/science/article/pii/S2590332220304838>)