



# The Green Economy Barometer 2018 South Africa

Cape Town / Pretoria, South Africa, 2018  
[www.greeneconomycoalition.org](http://www.greeneconomycoalition.org)

 Funded by the European Union







# South Africa

## Green Economy Barometer 2018

5 out of 10 for South Africa's transition to a green economy

AM. Amis, G. Montmasson-Clair, S. Lugogo, E. Benson



**The African Centre for a Green Economy**  
P.O. Box 30178, Tokai 7966, Cape Town, South Africa  
**Twitter:** @africege  
**Email:** info@africancentre.org  
**Tel:** +27 (21) 713 4390

[www.africancentre.org](http://www.africancentre.org)



**Trade & Industrial Policy Strategies**  
234 Lange St, Nieuw Muckleneuk, Pretoria, South Africa 0108  
**Email:** info@tips.org.za  
**Tel:** +27 (12) 433 9340/1/2

[www.tips.org.za](http://www.tips.org.za)



**Green Economy Coalition**  
80-86 Grays Inn Rd, London, WC1X 8NH, United Kingdom  
**Twitter:** @Woalition  
**Facebook:** GreenEconomyCoalition

[www.greeneconomycoalition.org](http://www.greeneconomycoalition.org)



This publication has been produced with the assistance of the European Union, DCI-ENV/2016/372-847. The contents of this publication are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union.



## About the authors

**Mao Amis** is the Executive Director of the African Centre for a Green Economy (AfriCGE) and Adjunct Associate Professor at the Graduate School of Business, University of Cape Town.

**Gaylor Montmasson-Clair** is a Senior Economist: Sustainable Growth at Trade & Industrial Policy Strategies.

**Emily Benson** is Head of Engagement for the Green Economy Coalition and Senior Researcher at the International Institute for Environment and Development.

**Sonwabile Lugogo** is a junior researcher at the African Centre.

## About the organisations

This report has been produced by **Trade & Industrial Policy Strategies (TIPS)** and **The African Centre for a Green Economy** (The African Centre), members of the Green Economy Coalition.

**TIPS** is a not-for-profit economic research institute based in Pretoria, South Africa. TIPS has three main focus areas: trade and industrial policy, sustainable growth, and inequality and economic inclusion. TIPS undertakes research and analysis, and facilitates policy development, dialogue and capacity building.

**The African Centre** is a think tank and social innovation hub, working towards the transition to a new economy in Africa. We provide strategic advice to enable businesses mitigate climate risk and mainstream social innovation into their business models.

Together, they lead the Green Economy Coalition South Africa hub, an ongoing initiative to accelerate a national transition to a green economy. For more information, please see The African Centre's and TIPS's websites.

The **Green Economy Coalition (GEC)** is the world's largest civil society movement for green and fair economies. Our 50+ members represent poor people, workers, environmental organisations, faith groups and small businesses as well as international institutions. Together, we are inspiring a movement for change from the ground. [www.greeneconomycoalition.org](http://www.greeneconomycoalition.org)

For more information on GEC, please contact Stuart Worsley: :

[stuart.worsley@greeneconomycoalition.org](mailto:stuart.worsley@greeneconomycoalition.org)

This publication has been produced with the assistance of the **European Union**, DCI-ENV/2016/372-847. The contents of this publication are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union.



Photo: Jurek Vilik / Flickr

## Contents

---

<b>Executive Summary</b>	<b>6</b>
<b>Introduction</b>	<b>8</b>
<b>Valuing nature</b>	<b>10</b>
Nature is still under severe threat	11
Biodiversity rising on the agenda	11
<b>Green must be fair</b>	<b>12</b>
Reviving the Green Economy Accord	13
Pioneering green jobs	13
The invisible majority	14
<b>Greening economic sectors</b>	<b>15</b>
Are we doing enough to protect our food systems?	15
Sustainable farming practices are being encouraged	15
Organic farming is expanding	15
Many hurdles still exist	16
Greening manufacturing	16
Energy gridlock	16
Businesses embrace efficiency innovations	18
Mining still lags behind	18
<b>Reforming Finance</b>	<b>19</b>
Public and private investment	19
Brown economy finance	19
Systemic reform	19
<b>Measuring what matters</b>	<b>20</b>
Aligning national priorities with the SDGs	20
Aligning business and markets with the SDGs	21
<b>Where next for South Africa?</b>	<b>22</b>
Building the transition	22
<b>Endnotes</b>	<b>25</b>



# Executive Summary

## 5 out of 10 for South Africa's transition to a green economy

The **South Africa Green Economy Barometer 2018** provides a snapshot of the transition to a fair, green economy. It is drawn from evidence of policy progress as well as the insights of civil society organisations who are tracking the transition on the ground. One thing is clear: South Africa's brown economic model is struggling.

South Africa's economy is overly reliant on fossil fuel-based energy and transport systems and carbon-intensive industries. These sectors are failing to provide enough jobs, with over 38% of the population currently unemployed.<sup>1</sup>

Credit rating agencies have put the economy at a 'sub-investment' grade. The recent drought in the country has had a severe impact on the country's prospects and are symptomatic of deeper institutional and governance failures.

**South Africa has some robust foundations on which to build a green and fair economy.**

As far back as 2011, the South African Government, together with business, trade unions and civil society organisations adopted the Green Economy Accord. The country's National Development

Plan (NDP) also sets out an ambitious strategy for reforming the economic system through the transition to a low-carbon, climate resilience and just society.

**But the country is failing to grasp the opportunities of a green economy.**

In practice, the opportunities for a greener economic system have yet to be grasped in South Africa. Despite some successes and areas of progress, the economy remains locked into 'brown' energy systems and investments, the benefits of which are not reaching most people - but particularly the poorest.

**Dr Mao Amis**, founder and CEO of the African Centre, says: "South Africa is at a crossroads, where it needs to either fully embrace a green economy trajectory - or continue to grapple with the triple challenge of poverty, inequality and environmental degradation."

"This primarily means adopting a people-centred approach in support of small business and all fringes of society in order to embark on a just transition from fossil fuels to renewable energy and electric mobility," adds **Gaylor Montmasson-Clair**, Senior Economist at TIPS.

“ The benefits of the brown economy are not reaching most people - but particularly the poorest.





# “ South Africa lacks effective measures to address the concerns of marginalised people, small businesses and the informal sector.

## Highlights

### Greening economic sectors

South Africa has made some important efforts to transform key industrial sectors. Urban transport systems and manufacturing are becoming less resource intensive. Sustainable agricultural practices are more widely taken up, and the market for organic farming is starting to emerge. The mining sector has committed to the transition.

However, 90% of the electricity generated in South Africa is still based on coal-fired power plants. Initial successes and progress towards transforming South Africa's brown energy systems have stalled due to a gridlock between the national power utility and independent power producers. The transformation of the key economic sector remains also too superficial to deeply change the patterns of sustainability.

### Valuing and restoring nature

There are more protected and conservation areas in South Africa than ever before. There is also a growing recognition amongst public institutions of the value of nature. Even so, the country's ecological footprint continues to exceed the country's biocapacity, and shows no signs of shrinking. Key biodiversity hotspots remain in a dire state.

### Making green fair

The main gap in South Africa's endeavour to build a fair and inclusive economy is the lack of effective measures to address the concerns of marginalised people and the informal sector. Small, micro and informal enterprises are too often forgotten in national efforts to grow and green the economy.

### Shifting financial flows

Both public and private investment is flowing towards the green economy. South Africa has pioneered some key innovations in sustainable finance over the years. However, key 'brown' investments, such as fossil fuel subsidies, are still in place.

### Measuring what matters

South Africa has developed a firm basis for measuring what matters. Government departments and public institutions are alert to measuring social and environmental progress alongside economic measures. However,

natural capital is yet to be internalised in South Africa's policy- and decision-making processes.

For the transition to take off, at scale and at speed, there are three key action areas:

- 1. Resolve the gridlock on energy and transport** in the country, which has ground the renewable energy transition to a halt and enshrined fossil fuels as the basis of energy generation and transportation in the country.
- 2. Prioritise support to small enterprises** focusing on access to finance and capacity. A new approach to understand and work with the informal economy is imperative if the transition is to improve the lives of the majority.
- 3. Step up efforts to conduct full 'wealth accounts'** for South Africa that assess and value the full cultural and societal benefits of the country's stocks of human and natural capital.

“ The country's ecological footprint continues to exceed the country's biocapacity, and shows no signs of shrinking. Key biodiversity hotspots remain in a dire state.

# Introduction

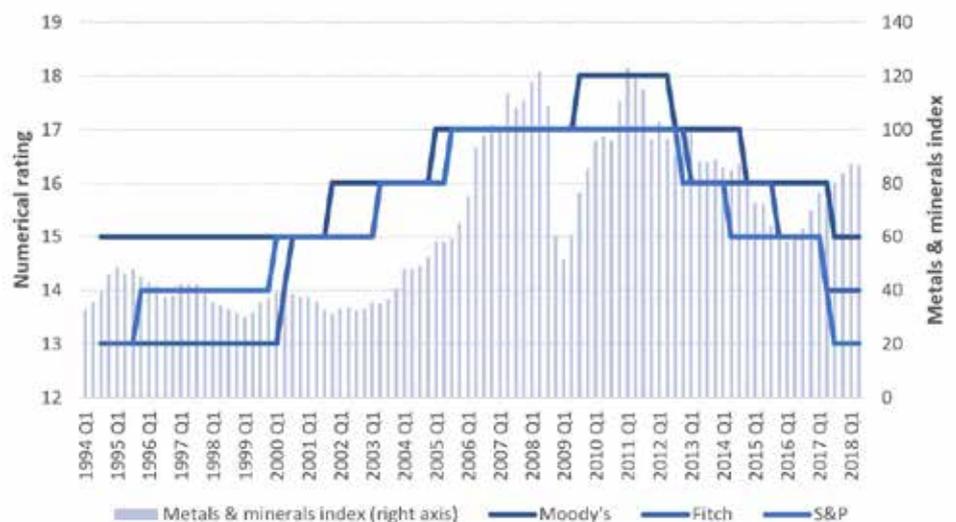
South Africa's economic model is showing signs of severe stress. The country is overly reliant on fossil fuel-based energy and transport systems and carbon-intensive industries, many of which risk becoming stranded assets as global markets move away from brown industries. The economy is also highly sensitive to volatile commodity prices on the global market.

Persistently poor economic performance, led by low commodity prices and further hindered by political turmoil, has resulted in a downgrade of the country's credit ratings to sub-investment grade by leading agencies, such as Standard & Poor's and Fitch (Figure 1).

In March 2018, in a positive turn of events supported by political rejuvenation, the country narrowly avoided also being downgraded to 'junk status' by the third major credit agency Moody's.

At the same time, the economy is leaving too many behind, and South Africa remains one of the most unequal societies in the world. The country is plagued by persistent high levels of unemployment, with the official rate standing at 26.7% in the first quarter of 2018.

**Figure 1: South Africa's credit rating and metal prices, 1994 – 2017**



Source: TIPS; data from Trading Economics & World Bank. Credit ratings on numerical scale (0 - 24)

“ The economy is leaving too many behind, and South Africa remains one of the most unequal societies in the world.

When discouraged jobseekers are included, the unemployment rate is as high as 39.2% for the same quarter. The situation among youth (between the ages of 15 and 24 years old) is even more dramatic, with an official unemployment rate of 52.4%.<sup>2</sup>

The World Bank estimates 600,000 jobs would need to

be created every year to tackle unemployment in South Africa. The economy is producing half that number.<sup>3</sup>

Over the last year, South Africa has faced yet another water crisis with key economic hubs, like Cape Town and the Nelson Mandela Bay municipalities, severely impacted. ‘Day Zero’, the point at which the

“ While the country's strategies are ideally positioned to drive the transition to a low-carbon, climate-resilient economy and a just society, significant challenges persist.

taps run dry, has thus far been deferred but the crisis is far from over.

The water shortages are symptomatic of wider issues, which include a lack of effective leadership at all levels, policy incoherence, inadequate implementation capacity and poor planning.

South Africa’s National Development Plan: Vision 2030 (NDP), which received wide support, does aim to reduce inequality, unemployment and poverty, while simultaneously transitioning to a just society and a low-carbon and climate-resilient economy.<sup>4</sup>

It is well aligned with the United Nations (UN) Sustainable Development Goals (SDGs) and the African Union’s (AU) Agenda 2063, which should provide strong foundational elements to guide the country’s development trajectory.

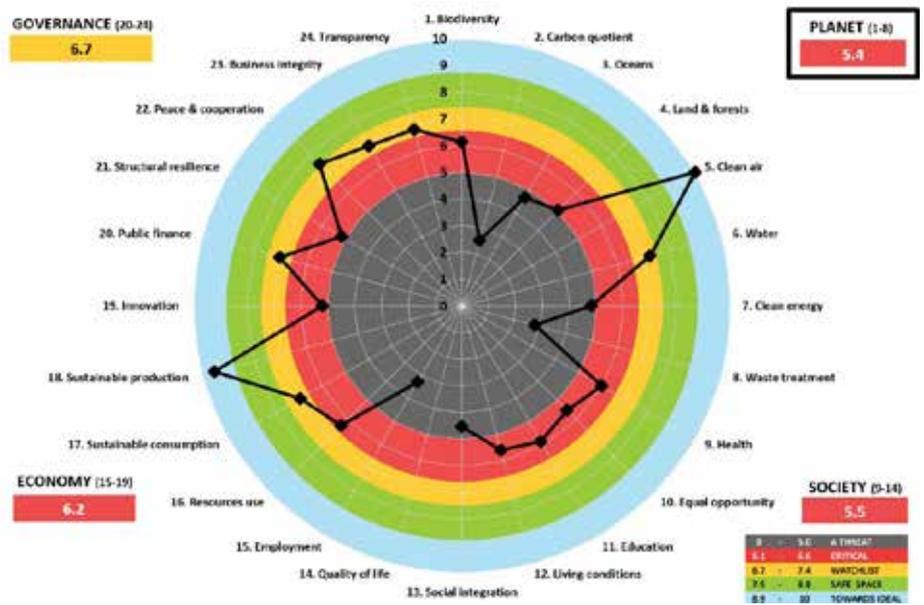
Unfortunately, progress towards its

implementation has been slow at best.

Overall, while the country’s strategies and plans are ideally positioned to drive the transition to a low-carbon, climate-resilient economy and a just society, significant challenges persist.

“ Wider issues include a lack of leadership at all levels, policy incoherence, poor implementation capacity and poor planning.

Figure 2: South Africa’s sustainability gapframe



Source: Swiss Sustainability Hub, gapframe.org



# Valuing nature



Some key regulations aiming to curb environmental loss are now in place. The South African Government has implemented National Greenhouse Gas Emission Reporting Regulations as well as National Pollution Prevention Plans Regulations, requiring large GHG emitters to report on their emissions and develop mitigation strategies. The Government is also piloting voluntary carbon budgets. These are due to become mandatory in the near future, in line with the implementation of a carbon tax in the country.

The country's ground-breaking public employment programmes, such as Working for Water, Working for Wetlands, Working for Forestry, have been tackling poverty, unemployment and ecological degradation simultaneously, though these are still low-skilled, low-paid jobs for the most part.

## Healthy forests, soils, water systems and wetlands are the bedrock of the South African economy.

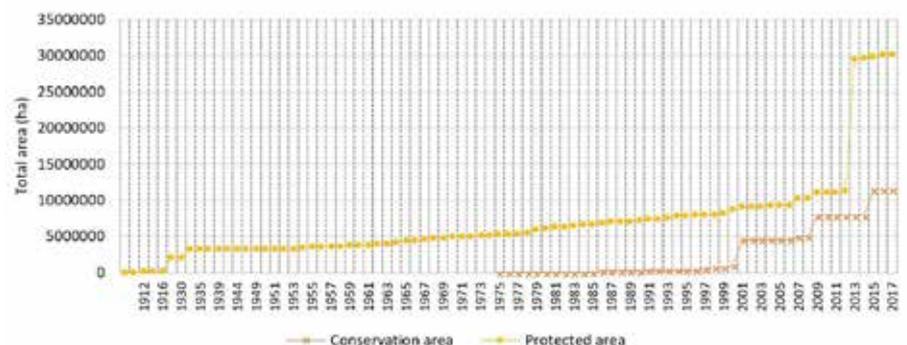
South Africa is one of the most biologically rich countries on Earth. Ranging from desert to grassland to subtropical swamps, the country is home to diverse animals, flora, plant life and up to one-sixth of the world's marine species. Healthy ecosystems are also critical for the South African economy, contributing an estimated 7% of the country's GDP.<sup>5</sup>

In recent years, there has been a significant shift as key institutions have started to recognise the economy's dependence on the environment. The NDP explicitly acknowledges that economic growth is dependent on the environmental sustainability of the country's development pathway. Amongst other initiatives, South Africa has

played an active role in the 2012 Gaborone Declaration for Sustainability in Africa, and its efforts to integrate the value of natural capital into national accounting and reporting processes.

“ South Africa is one of the most biologically rich countries on Earth, home up to one-sixth of the world's marine species.

**Figure 3: Growth in protected & conservation areas in South Africa**



Source: TIPS, based on data from South Africa Conservation Areas Database (DEA, 2017a) and South Africa Protected Areas Database (DEA, 2017a)

## But nature is still under severe threat

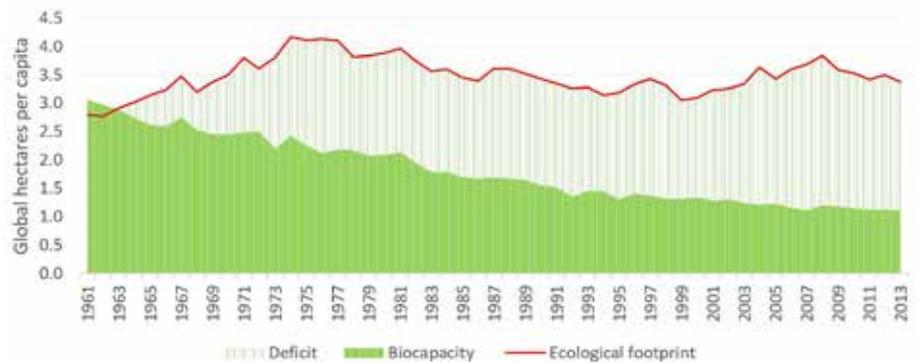
There are more conservation and protected areas in South Africa than ever before (see figure 3). However, many of the country’s wetlands, water systems, soils and air are showing sharp signs of decline. Overall, 21 terrestrial ecosystems (5%) are critically endangered, while 58 (13%) are endangered and 70 (16%) are vulnerable.<sup>6</sup> South Africa’s ecological footprint far outstrips its biocapacity per capita.

The degradation of the environment poses severe risks to people’s lives as well as to the economy. 7.4% of deaths in South Africa result from the chronic exposure to fine particulate matter, a form of air pollution originating from mining activities.<sup>7</sup>

## Biodiversity is rising on the agenda

Over the past few years, the value and importance of biodiversity has been at the forefront of public dialogue in South Africa. The government, civil society organisations (CSOs) and businesses are engaging in various biodiversity initiatives to ensure that the services of

Figure 4: South Africa’s ecological footprint and biocapacity per capita



Source: TIPS, based on data from Global Footprint Network (2017)

nature are valued.

Events, such as the Biodiversity Economy Indaba and Business and Biodiversity Indaba, are held across the country’s provinces to provide an interfacing platform between various stakeholders on the importance of a biodiversity economy.

For instance, in 2017, various stakeholders from all over South Africa gathered for the first Cape Town Business and Biodiversity Indaba, where the discussion was centred on the importance of biodiversity and natural capital for businesses and growing the country’s economy.

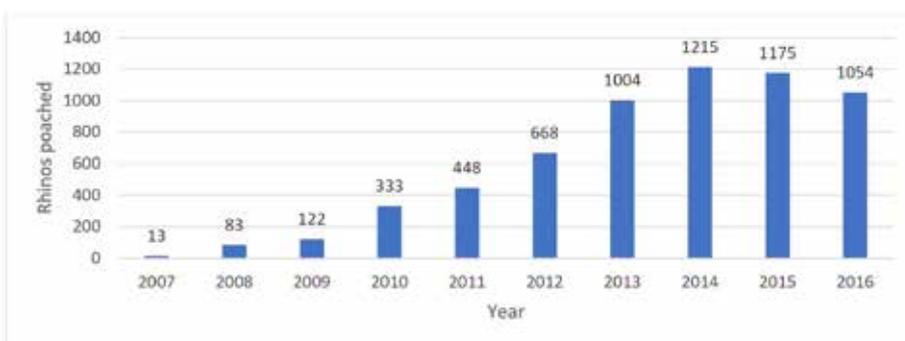
Public demonstrations have been undertaken by various CSOs across

“Healthy ecosystems are also critical for the South African economy, contributing an estimated 7% of the country’s GDP.”

the country in attempts to protect the environment. For example, several CSOs have been active in speaking against rhino poaching in the country. Also, the Department of Environmental Affairs, provincial conservation authorities, South African National Parks and national government departments within the Security Cluster have collaborated to fight rhino poaching.

However, to protect the environment, more concerted action is still required from the government and the private sector. Despite the existing regulations, implementation has been somewhat lacking, with continuous cases of degradation and wildlife poaching being reported across the country and some evidence of illegal mining activities in protected areas, such as coal mining in Mpumalanga, being witnessed.<sup>8</sup>

Figure 5: Rhinos poached per year in South Africa



Source: TIPS, based on Save the Rhino International (2017)



# Green must be fair



“ Environmental awareness has grown significantly amongst South African citizens, the government, and the private sector.

place, lifting a large share of the population out of extreme poverty.

At the same time, environmental awareness has grown significantly amongst South African citizens, the government, private sector, non-government organisations (NGOs) and local communities, which have started to understand their ecological impact.

However, South Africa’s current ‘brown’ economy is leaving too many behind. The World Bank estimates that 600,000 jobs would need to be created every year to tackle unemployment in South Africa. The economy is producing half that number.

Most of the new jobs are in the services sector, while low-skill agriculture and manufacturing jobs are on the decline. Unemployment disproportionately affects black South Africans, perpetuating apartheid’s inequality. The South African society is also one of the world’s most unequal, with the country having the highest Palma ratio in the world over the 2005-2013 period.<sup>10</sup>

South Africa’s Human Development Index (HDI) remains low

**More equal economies are not only more resilient to financial or climatic shocks, they also have a smaller environmental impact.**

Through developmental policies and programmes, the South African Government has managed to widen access to key public services to millions of citizens, notably education, health, housing and electricity. Enrolment in primary

school has become universal for both boys and girls. In 2016, 84% of households had access to piped water and 90.3% had access to electricity.

The number of households with access to improved sanitation services has increased from 62% in 2002 to 80% in 2015.<sup>9</sup>

An ambitious policy of redistributive grants has also been put in

“ In 2016, 84% of households had access to piped water and 90.3% had access to electricity.



“ Unfortunately, the Green Economy Accord has not helped unlock change in areas which were needed.

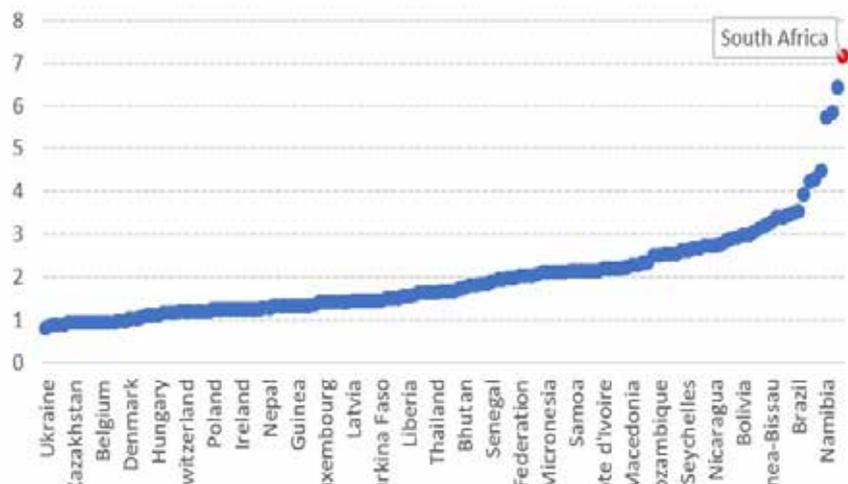
compared to other developing countries. The country’s HDI stood at 0.67 in 2017, placing the country at 119 out of 188 countries.<sup>11</sup>

High poverty, inequality and unemployment, inefficient service delivery, dual health care and education systems, and crime have become persistent features. 10% of the population own 90%-95% of all South Africa’s wealth.<sup>12</sup>

### Reviving the Green Economy Accord

The South African government together with social partners signed and adopted the Green Economy Accord in 2011. Reiterating the 2009 New Growth Path, which identified green activities as a key employment driver, the Accord targeted the creation of 300,000

Figure 6: Palma ratio of income distribution



Source: TIPS, based on UNDP data

additional jobs by 2020 through activities that contribute to greening the economy.<sup>13</sup>

The Accord was characterised as “one of the most comprehensive social partnerships on the green economy anywhere in the world” by South African President Jacob Zuma and “groundbreaking” by leading trade unionist Zwelinzima Vavi.<sup>14</sup>

Unfortunately, the Green Economy Accord has not helped un-

lock change in areas which were needed. In the end, it was more a public relations exercise than the creation of a social compact on the transition.

### Pioneering green jobs

Some progress has been made in providing green jobs and employment. For example, the government-led Expanded Public Work Programme (EPWP) creates temporary and/or part-time oppor-





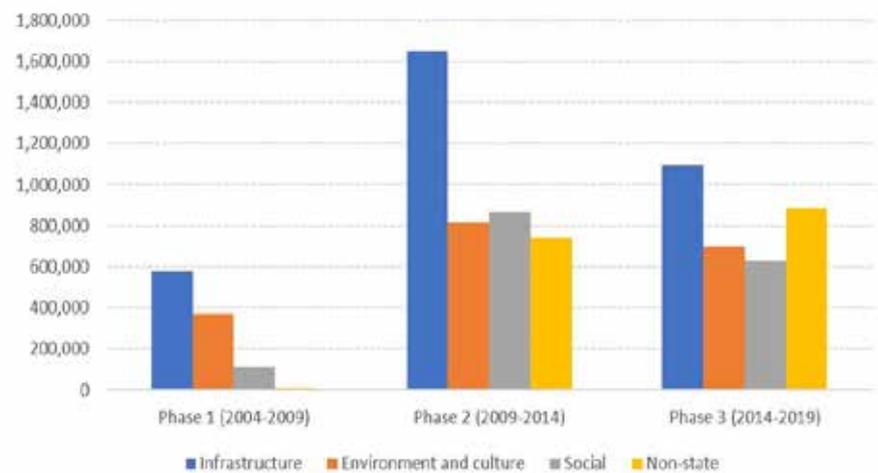
tunities for unemployed and poor households as a labour absorption and income transfer strategy.

Approximately 13% of all work opportunities created by the EPWP, i.e. almost 1 million work opportunities over the 2004-2017 period (defined as paid work for an individual for any period of time) are located in the environmental sector, through programmes which centre on ecosystem restoration, maintenance and rehabilitation, such as Working for Water, Working on Waste and Working for Forests.<sup>15</sup>

Despite the role of the EPWP programme in the transition to a low-carbon, climate resilient and a just society, major challenges remain. For example, so called ‘green jobs’ are often far from being decent jobs, as the EPWP pays low wages and does not offer job security and reasonable career prospects.

Likewise, many jobs in sectors, such as construction, renewable energy and public transport, are mostly temporary and/or low skilled, only offering unsustainable employment.

**Figure 7: Number of gross work opportunities created by EPWPs**



Source: TIPS, based on EPWP data. Phase 3 runs until 2018/19. Data only covers until Q3 of 2017/18.

### The invisible majority

The main gap in South Africa’s push to build an inclusive economy is the lack of effective measures to address the concerns of the informal sector. There is a need to drive entrepreneurial activity on the ground to enable small enterprises to thrive, as they present the best opportunity for job creation.

Unfortunately, the informal sector in South Africa is poorly supported, despite its significant role in sustaining livelihoods of the poor and

creating a buffer between employment and unemployment.

One of the main challenges facing the informal sector is that its economic activities are unrecorded, therefore it remains difficult to measure. However, its contribution to the country’s GDP, employment and poverty alleviation remain substantial.





# Greening economic sectors

## The transition to a sustainable development pathway is an all-encompassing endeavour.

It is not only an environmental issue but a socio-economic challenge which has consequences at all levels of economic and industrial development.

## Are we doing enough to protect our food systems?

The agriculture sector plays a critical role in job creation, poverty alleviation and food security, especially in rural areas where there are minimal economic opportunities available. It is also a critical stakeholder in the management of natural resources.

The South African population is projected to reach 82 million by 2035, therefore it is vital to ensure that the food supply is adequate to provide for population growth.<sup>16</sup>

The agriculture sector was severely impacted by the long-running drought in the country, only starting to recover in 2017. The adoption of farming practices that protect long-term productivity of the land, ensure profitability and the well-being of citizens are critically needed.

“Organic farming is gaining traction in the middle of South African cities.



“The agriculture sector plays a critical role in job creation, poverty alleviation and food security, especially in rural areas.

## Sustainable farming practices are being encouraged

To improve the performance of the agriculture sector and address the challenges it faces, sustainable agricultural practices are being encouraged across the country. Grain SA, a well-established voluntary association of farmers, now promotes the use of conservation agriculture for sustainable crop production throughout South Africa, targeting both commercial and smallholder farmers.

Similarly, in 2016, the Western Cape government launched the SmartAgri programme, which set out a roadmap to fight the impacts of extreme weather conditions on the province's agriculture sector.

## Organic farming is expanding

Organic farming is gaining traction in the middle of South African cities. Organic farmers, such as the Wenselydale Farm in Gauteng, the Oranjezicht City Farm in the Western Cape and the Umgibe Farming



“Financial constraints, technological barriers and a lack of information remain key hindering factors to mainstreaming Green Economy practices in South Africa.



towards transforming road public transport. However, despite the government spending around ZAR15 billion, the BRT systems has not enjoyed as much success as was envisaged during its initiation. Numbers reveal that commuters are shunning the BRT in favour of minibus taxis and conventional buses. The lack of adequate public transport in the country is also leading to an increase in private car ownership.<sup>19</sup>

At the same time, plans are under way to promote the uptake of electric vehicles (EVs) in the country, with government notably committing to convert 5% of its vehicle fleets to EVs. The country however lacks a clear strategy to move the sector, including manufacturing, to clean transportation.

In terms of aviation, government plans to power all South African airports with solar energy, with the George and Kimberly airports already equipped. In 2014, Project Solaris was launched in South Africa to develop an energy-rich crop for use as a feedstock for producing aviation biofuel.

## Greening manufacturing

Over the last decade, the number of companies manufacturing green goods and/or adopting green technologies has increased materially.

“The country lacks a clear strategy to move the transport sector, including manufacturing, to clean transportation.

Organics and Training Institute in KwaZulu-Natal are expanding their capacity by empowering and offering training to other aspiring organic farmers.

## Many hurdles still exist

Financial constraints, technological barriers and a lack of information remain key hindering factors to mainstreaming Green Economy practices in South Africa's agriculture. Agriculture also consumes more than two-thirds of South Africa's water and more effort is required to roll out water-efficient technologies and practices in the sector.<sup>17</sup>

## What is the Future of Transport?

The transport sector is a key driver of the economy and social activities in South Africa, but it is also the second largest sector (after energy) in terms of GHG emissions. In the past few years, the government has directed public funds towards improving road transport, with the aim of reducing GHG emissions and road congestion, and convincing more private car users to make use of public transportation.<sup>18</sup>

The rollout of Bus Rapid Transit (BRT) systems in the country's major economic hubs, such as Johannesburg, Cape Town, eThek-wini, Tshwane and Nelson Mandela Bay, have been a significant step



“ About 90% of the electricity generated in South Africa comes from coal power.

Numerous initiatives to promote the rise of green manufacturing have been launched in South Africa. The National Cleaner Production Centre actively promotes resource efficiency in industries. Tax incentives are also available to companies aiming to invest in renewable energy, energy efficiency, research and development, and state-of-the-art technologies.

The country’s industrial symbiosis programmes, which connect companies in order to explore business opportunities using residual resources, enhance business profitability and sustainability, have facilitated sustainable waste management at the industrial level. The planned Atlantis Special Economic Zone (SEZ) in the Western Cape, focused on green technologies, is envisaged to further contribute to the uptake of green manufacturing technologies in the country.



Some progress has been made. The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), established in 2011, has been a significant step towards driving the transition from a coal-based energy towards renewable energy technologies. Significant investment has been made in renewable energy, with more than ZAR 200 billion of investment over the 2011-2017 pe-

riod.<sup>21</sup> This is a clear demonstration that, with commitment, the country can successfully transition onto a clean energy trajectory.

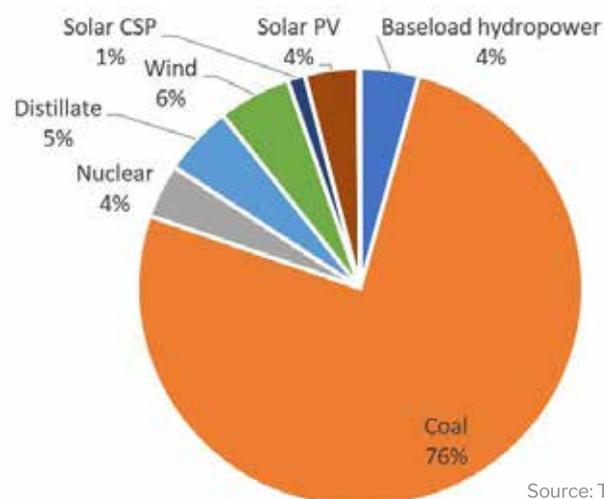
Over the 2011-2016 period, the REIPPPP achieved tremendous success. Since then, the programme has been in limbo with the national utility Eskom delaying the signature of power purchase agreements for new REIPPPP

Photo credit: Dominik Vanyi / Unsplash

### Energy gridlock

About 90% of the electricity generated in South Africa comes from coal-fired power plants.<sup>20</sup> The electricity sector requires an on-going shift towards renewable energy to meet the country’s commitment of reducing national GHG emissions. In order to achieve this, concerted effort and coordination from the government and business is required.

**Figure 8: Electricity generation capacity in MW in 2015/2016**



Source: TIPS, based on SAPP data



projects. While the stalemate was recently resolved, the energy sector still lacks a level playing field and the country remains far from achieving a strong and long-term commitment to developing renewable energy technologies.

### **Businesses embrace efficiency innovations**

The construction sector was used as a primary avenue to improve South Africa's energy efficiency performance. The energy efficiency in building standard (SANS 204), initially drawn up in 2009 as a voluntary scheme, was made binding in November 2011, targeting new buildings. Municipalities have responsibility to approve plans for new buildings and are required to enforce the SANS 204 standards.

There is a growing number of eco-friendly hotels and lodges in the tourism sector, such as the Peech in Johannesburg, the Hotel Verde in Cape Town, the Phantom Forest Eco Lodge in Knysna Forest and the Umlani Bushcamp in the Kruger National Park.

“The country remains far from achieving a strong and long-term commitment to developing renewable energy technologies.”

The property industry is also showing positive signs in adopting the concept of green buildings. For example, companies, such as Growthpoint, have intensified their focus on saving energy and water in their buildings across South Africa.

However, despite the long-term financial benefits triggered by energy savings and the reduction of GHG emissions, some players still see the new energy efficiency regulations as expensive, since they might increase building costs.

### **Mining still lags behind**

South Africa's mining operations and downstream activities continue to result in pollution, degradation or complete loss of ecosystems, species' habitat and biodiversity, with detrimental consequences on local economic structures, such as agriculture and

tourism and communities (from a health perspective).

Some mining and linked manufacturing companies have embarked on a journey to curb the sector's GHG emissions and energy consumption as well as its carbon intensity.

For example, incentivised by the National Energy Efficiency Strategy, many mining companies, such as Anglo American, AngloGold Ashanti, De Beers and Exxaro, have signed an Energy Efficiency Accord with the Department of Energy and Eskom.

Unfortunately, these changes in behaviour and processes have been insufficient so far to meaningfully change the energy/carbon profile of the sector. While many companies are already investing in the green economy, most prospects remain underexploited or untapped.





# Reforming Finance

**Financial systems that are alert to environmental and societal risks are less prone to boom-bust cycles which hit the poorest the hardest.**

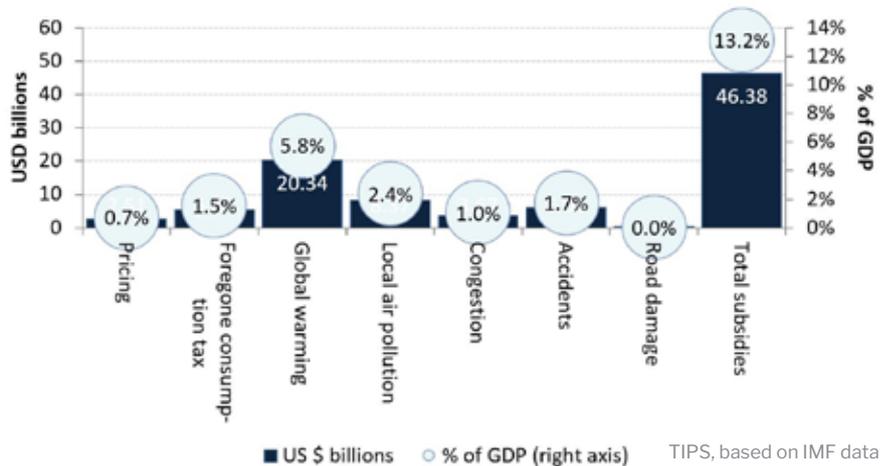
South Africa has a stable and well-regulated financial sector. It also has a long history of pioneering sustainable finance policy innovations, ranging from the Financial Sector Charter that focuses on black economic empowerment to the Johannesburg Stock Exchange’s mandate that listed companies should conduct ‘integrated reports’ on how the company creates and distributes value. The reform of financial markets to support green economy initiatives and programmes is being prioritised in South Africa.

## Public and private investment

The South African government is financing approximately 50% of green economy initiatives in the country. In 2012, South Africa’s Green Fund earmarked ZAR1.1 billion to support the country’s transition to a green economy over a period of four years.<sup>22</sup>

Other funds, such as the Jobs Fund, the National Empowerment Fund, the Green Energy Efficiency Fund, and incentives, such as for renewable energy, energy efficiency and R&D, are also supporting South Africa’s transition to a green economy.

**Figure 9: Fossil fuel subsidies in South Africa in 2015**



“ Coal-related subsidies have been significantly reduced in recent years.

At the provincial level, the City of Johannesburg released the first green bond in 2014 for ZAR1.5 billion to finance sustainability-related activities, while the City of Cape Town also launched its own green bond in 2017 and managed to raise ZAR4.3 billion.<sup>23</sup>

The private sector has been a significant participant in funding the REIPPPP programme, unlocking more than ZAR200 billion of investment. International funds, such as Global Environment Facility (GEF) and the Adaption Fund, are also supporting green initiatives in the country.<sup>24</sup>

## Brown economy finance

Although coal-related subsidies have been significantly reduced in the country over the past few

years, notably through the increase in electricity prices, and include a share for the support of low-income households, substantial support is still directed to the development of fossil fuels.

## Systemic reform

In January 2017, South Africa’s National Treasury convened a Working Group of financial sector regulatory agencies and industry associations to develop a framework on sustainable finance. The Working Group is tasked with incorporating perspectives from all parts of the financial sector, including banking, pension funds, insurance and capital markets, and to provide recommendations for the role of regulatory agencies and industry stakeholders.



# Measuring what matters

**For institutions to be prepared for the opportunities and risks of the future, they need to be aligned to broader societal and environmental goals.**

South Africa has long recognised the need to measure progress in the transition towards a green economy. The National Strategy for Sustainable Development and Action Plan 2011-2014 (NSDD1) warns that a development path based “primarily on maximising economic growth as measured by gross domestic product (GDP) has resulted in an energy-intensive economy and an erosion of the resource base: a situation that is clearly unsustainable”.<sup>25</sup>

Since then, the Government and social partners have broadened Monitoring and Evaluation frameworks and corporate

reporting systems to incorporate social and environmental dimensions, and sought to convene national statistical bodies, businesses, civil society organisations to explore the relevance and applicability of the SDGs at different levels of operation.

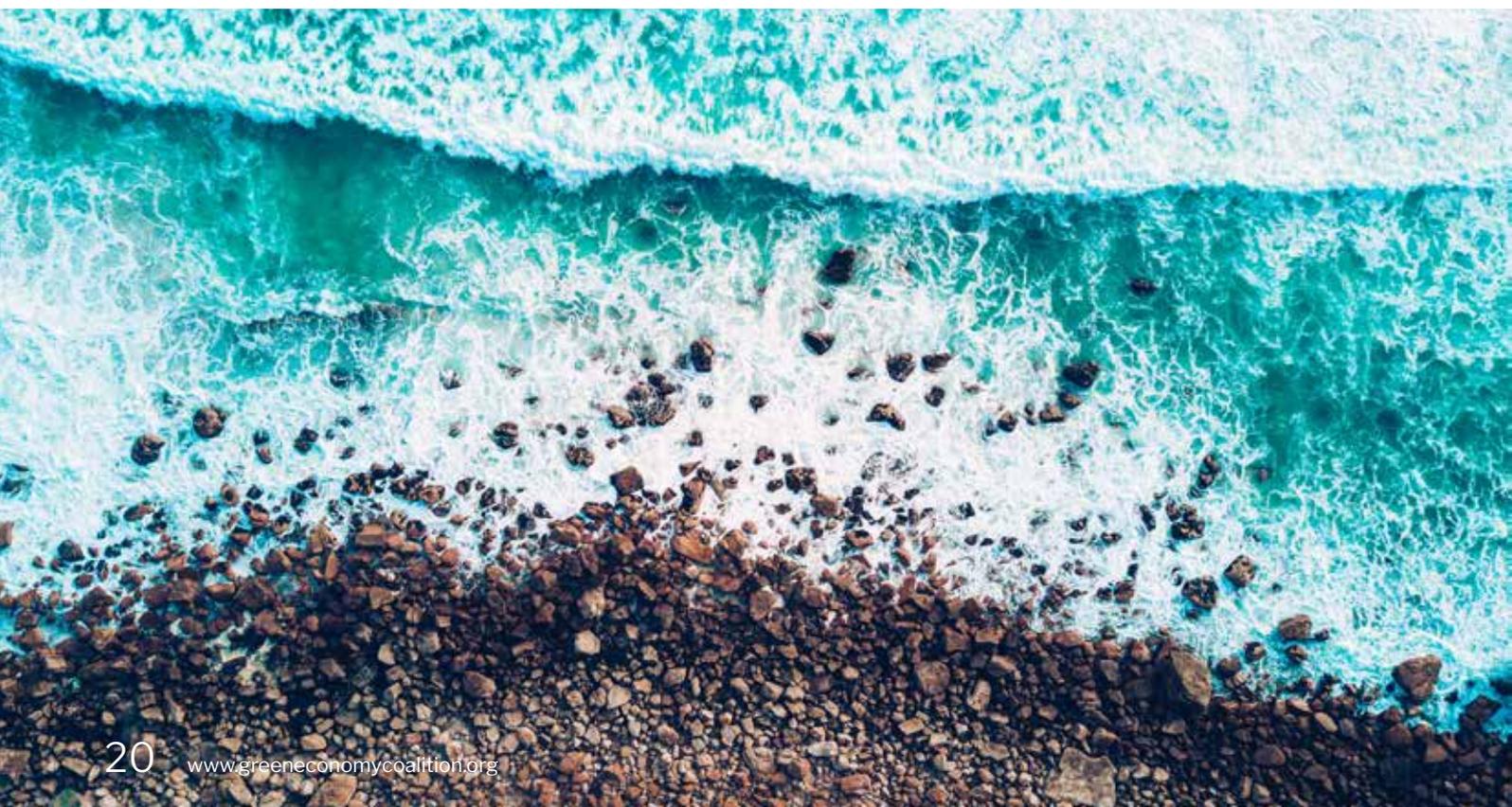
The Government has also adopted the Socio-Economic Impact Assessment System (SEIAS) since 2015, with the objective of strengthening policymaking processes. The SEIAS provides the framework to assess new policies and regulations in South Africa, requiring that the impacts

of a proposed legislation and its alternatives on different stakeholders are considered, through five broad criteria, namely social cohesion, security, economic inclusion (employment creation and equity), economic growth and investment, and environmental sustainability.

## **Aligning national priorities with the SDGs**

Although the NDP is aligned to the aspirations of the AU's Agenda 2063 and SDGs, there are still areas of the NDP that are less focused and require further

“ South Africa recognises that development based on maximising GDP is energy intensive and clearly unsustainable.





“ A third of companies have indicated that they planned to use SDGs to adjust their corporate social investment.

capacity building and work. These include food security, sustainable agriculture, gender, green industrialisation, labour rights, working conditions and other issues related to social, political, economic inclusion and equality of access to opportunities.<sup>26</sup>

South Africa's NDP, approved in 2012, is the most advanced vision in the country, providing an overarching perspective on the future of the nation. The NDP, however, falls short of integrating the sustainability transition in its vision, connecting the various elements of sustainable development, and addressing inevitable trade-offs.<sup>27</sup>

To ensure effective measurement of SDGs, Statistics South Africa has been tasked by the SDGs Secretariat to provide a progress report on the impacts of the programmes implemented by international organisations, state departments, businesses and CSOs on ending poverty, inequality, building a just and inclusive societies while also protecting the environment and its natural resources in the country. The first full SDGs report for South Africa is expected to be published in 2019.

The country is also participating



“ The National Development Plan, however, falls short of integrating the sustainability transition in its vision of the future.

in a global project on Advancing System of Environmental Economic Accounting (SEEA) - Experimental Ecosystem Accounting (EEA), which seeks to enhance the valuation of nature in the country.

### Aligning business and markets with the SDGs

In South Africa, the King Codes on Corporate Governance compile international principles and good practices in governance.

The third edition, King III, has been in effect since 2010 and recommends that organisations produce an integrated report in place of an annual financial

report and sustainability report. Integrated reporting is becoming part of the unique culture and reporting context in South Africa.

From the start, the JSE has worked to support this by incorporating the King Codes into listing requirements on a comply-or-explain basis.

A third of companies have indicated that they planned to use SDGs to adjust their corporate social investment (CSI) strategies. Eskom, Rand Water and Johnson and Johnson are examples of companies that have mapped their CSI programmes against SDGs, while most companies are yet to do so.



# Where next for South Africa?



“ At the moment, national plans are focused on economic growth rather than social development.

reaching poor local communities at large.

In conclusion, the existing policy framework falls short of integrating the sustainability transition in its vision, connecting the various elements of sustainable development, and addressing the inevitable trade-offs. Many of the necessary building blocks are nonetheless present in the country, laying the ground for a successful transition to a low-carbon, climate-resilient and just society.

## Building the transition

TIPs and the African Centre are members of the Green Economy Coalition, the world's largest movement working to accelerate the transition to green and fair economies. Together, they are building a South Africa network of civil society activists, researchers, small businesses and institutions focused supporting a transition to a new economic system.

all social partners, is well placed to drive the transition, innovative ways to measure the progress and the impact of green economy initiatives on the poor and marginalised South Africans are needed.

At the moment, national plans are focused on economic growth rather than social development, despite many policies mentioning the importance of aligning social well-being, environmental protection and economic development. The country needs to ensure that green technologies are

“ Much more needs to be done to ensure that the transition to a green economy is fair and inclusive.

## South Africa is making some progress in the transition to a green economy.

However, much more needs to be done to ensure that it is fair and inclusive. Although the country has taken substantial steps in developing Green Economy policies and strategies, the lives of the poor have not been significantly transformed, and the over-dependence on fossil fuels is still a major concern.

There is a great need for increased awareness, shift in practice, and skilling and re-skilling to follow through the commitments made in government strategies and policies.

While the South African government, in collaboration with



The Green Economy Coalition South Africa hub is supporting numerous initiatives in order to fast-track South Africa's transition to a green and fair society.

TIPS is spearheading the development and alignment of economic policy with socio-environmental considerations and fostering social dialogue between all stakeholders, notably within the South African Government.

TIPS is at the forefront of understanding the implications of the transition for the South African economy and society and is actively working on strategies to address the short-term trade-offs necessary to reap long-term benefits.

“ TIPS is at the forefront of understanding the implications of the transition for the South African economy.

“ The African Centre supports governments, business and civil society across Africa to develop strategies to achieve sustainable development.

TIPS is also supporting the emergence of green, social initiatives and entrepreneurs in the country, with the idea of bringing the gap between economic development, social welfare and environmental preservation.

In line with its work in the green economy sector, the African Centre supports governments, business and civil society across Africa to develop strategies to achieve their sustainable development objectives. It's core services consists of value chain innovations, skills development, and data intelligence.

The African Centre also works directly with green entrepreneurs by providing business incubation, mentorship and eco-inclusive

business modelling, for high impact green start-ups.

In addition, they mobilise climate financing geared towards green enterprises through its impact investment fund, and keeps track of investments trends to inform decision-makers and investors.

Through the work of the Green Economy Coalition South Africa Hub, it aims to champion green economy thought leadership in South Africa, and to identify innovative mechanisms through which South Africa and the African continent can achieve a truly fair and inclusive green economy.

Photo credit: Christian Perner / Unsplash





# The next frontier

The Green Economy Coalition South Africa hub is part of a network of 50 international organisations championing the role of civil society in the shift to green and fair economies. The Green Economy Coalition is committed to ensuring that the transition leaves no one behind and restores the natural world.

Together, its members champion the voices of marginalised communities, particularly poor groups, small enterprises and informal workers, in national economic policy development.

Our vision of green, fair economies offers a positive agenda for cooperation. It offers hope to communities and sectors that have been left behind by globalisation. The green transition is already happening around the world, but we must ensure it is rooted in local economies, brings real investment to the ground, and is owned and shaped by the people.

The **Green Economy Coalition's** global response to the state of the green economy agenda:

- ✓ **We have launched a 7 year programme - Economics for Nature – to ensure economic policymaking recognises natural capital.**
- ✓ **We are driving new research into natural capital and valuing our ecosystems.**
- ✓ **We are tracking the ongoing transition towards fairer, greener economies, across governments, industries and societies.**
- ✓ **We're looking to expand our base of 7 GEC national hubs across the world, pioneering community action.**
- ✓ **We are stepping up our focus on small and informal green economies.**
- ✓ **We are championing the voices of civil society and communities in the development of green economy national plans.**



## Endnotes

- 1 *Quarterly Labour Force Survey Q1 2018*. (Pretoria: Statistics South Africa, 2018)
- 2 Ibid.
- 3 *South Africa economic update: private investment for jobs*. (New York: World Bank, 2017)
- 4 *National Development Plan 2030: Our Future - Make it Work*. (Pretoria: South Africa National Planning Commission, 2012)
- 5 Pali Lehohla, *Environmental Economic Accounts Compendium*, (Pretoria: Department of Environmental Affairs, 2014).
- 6 *South Africa's Fifth National Report to the Convention on Biological Diversity*, Department of Environmental Affairs (Pretoria, 2014)
- 7 Altieri, Katye and Keen, Samantha. *The cost of air pollution in South Africa*. (International Growth Centre, 2016)
- 8 Montmasson-Clair, G., Ryan, G., Gulati, M., Davies, E, *Mining and the Environment: Understanding the impacts to prioritise the efforts* (Pretoria: Trade & Industrial Policy Strategies, 2015).
- 9 *Community Survey 2016*, Statistics South Africa, Pretoria, 2016
- 10 Palma, J. G. *Do nations just get the inequality they deserve? The 'Palma Ratio' re-examined*. (Cambridge University Press, 2016) <https://doi.org/10.17863/CAM.1089>
- 11 *Human Development Report 2016: South Africa*. (New York: United Nations Development Programme, 2017)
- 12 Orthofer, A. *Wealth inequality in South Africa: Evidence from survey and tax data*. (Stellenbosch University, 2016)
- 13 *New Growth Path: Accord 4 - Green Economy*, (Pretoria: Economic Development Department of South Africa, 2011)
- 14 Montmasson-Clair, G. *Electricity supply in South Africa: Path dependency or decarbonisation?* (Pretoria, Trade & Industrial Policy Strategies, 2017)
- 15 Mohamed, M. *The State Of The Expanded Public Works Programme In South African Cities* (Pretoria: South African Cities Network, 2017)
- 16 Cilliers, Jakkie. *South African Futures 2035: Can Bafana still score?* (Pretoria: Institute for Security Studies, 2015)
- 17 Donnenfield, Zachary. *A Delicate Balance: Water scarcity in South Africa*. (Pretoria: Institute for Security Studies, 2018)
- 18 *GHG Inventory for South Africa*. (Pretoria: Environmental Affairs South Africa, 2013)
- 19 *National Household Travel Survey in South Africa* (Pretoria: Statistics South Africa, 2014)
- 20 Fisher, Nikki. *South Africa: The role of coal in energy security*. (Cape Town: International Energy Agency, 2015)
- 21 Montmasson-Clair, G. *Electricity supply in South Africa: Path dependency or decarbonisation?* (Pretoria, Trade & Industrial Policy Strategies, 2017)
- 22 *Green Economy Inventory for South Africa: An overview*. (Pretoria: Partnership for Action on Green Economy, 2017)
- 23 Dettlinger, L. *City Of CT Raises R4.3bn With 'Green Bond'*. (Eyewitness News, 2017)
- 24 Mangondo, L. *The South African Renewable Energy Independent Power Producers Procurement Programme (REIPPPP) – Lessons Learned*. (Abu Dhabi: International Renewable Energy Agency, 2017)
- 25 *National Strategy for Sustainable Development & Action Plan*. (Pretoria: Department for Environmental Affairs, 2011)
- 26 Fitzgerald, P. *Building a capable State: Implementing the NDP*. (Johannesburg: Wits School of Governance, 2016)
- 27 Montmasson-Clair, G. *Governance for South Africa's sustainability transition: A critical review*. (Pretoria: Trade & Industrial Policy Strategies, 2017)



[www.greeneconomycoalition.org](http://www.greeneconomycoalition.org)  
Photo: Dibert Theron / Unsplash



Download a digital PDF  
of this Barometer