

## DO BANKS AND INSURANCE COMPANIES HAVE PRODUCTS AND SERVICES TO ENCOURAGE A GREENER ECONOMY?

Green growth in context of the economy through the support of the financial industry is a top priority in G20 countries and emerging economies such as South Africa, China, India and Brazil. The focus is to offer products and services that creates a beneficial balance between nature, profit and people.

In March 2015, South Africa joined the Partnership for Action on Green Economy (PAGE), an inter-agency United Nations (UN) programme which brings together the expertise of five UN agencies (PAGE, 2017):

- United Nations Environment Programme (UNEP)
- International Labour Organization (ILO)
- United Nations Industrial Development Organization (UNIDO)
- United Nations Development Programme (UNDP)
- and United Nations Institute for Training and Research (UNITAR), to support countries and regions to put sustainability at the heart of economic policies and practices. Hence, the Green Economy Inventory for South Africa (GEISA) was established by Page (Partnership for Action on Green Economy (PAGE))

Unfortunately, in South Africa green projects are still largely funded by the government, Non-Governmental Organisations (NGOs) and international agencies.

However, the South African financial sector has initiated interest in green projects and aligns its green investments, products and services to South Africa's green economy policy framework which focuses mainly on funding renewable energy and energy efficiency, sustainable waste management, biodiversity and ecosystem services and sustainable human settlements.

Online Services Contributes To A Greener Economy

In South Africa within the last decade consumers have more frequently used online services in the financial sector especially with banks and insurance companies without realizing the important benefits for both customer and the financial institutions. Slobodan and Petar. (2012) outlined how online processes provide the following green benefits:

- a) Saves time for both customer and institution.
- b) No driving to the institution is required therefore, there is no pollutant emissions
- c) No paperwork is required hence, the costs of fees that the institution charges for different transactions tends to be lower.
- d) Reduces costs in decentralized branches such as the need to employ more staff, the decreased need to use paper, mailing fees decline and overall administrative costs declines.
- e) Due to the convenient, cost effective and user-friendly services that is accessible online from the customer's home, clients and profits increases.

### Examples Of The Financial Sector's Green Economy Initiatives

#### ABSA - Together we can find renewable energy solutions

- The Enel Green Power Wind Projects
- 25MW Ngodwana Biomass Power Project
- The Old Mutual & Partners Solar PV Projects
- Mozambique liquefied natural gas (LNG) projects

Source: <https://www.absa.co.za/corporate-and-investment-banking/news-and-events/events/africaenergyforum2019/>

#### Nedbank - Nedbank and DBSA'S Green Fund to make affordable green housing possible:

Nedbank Corporate and Investment Banking (NCIB) and

the Green Fund which is managed by the Development Bank of Southern Africa (DBSA) on behalf of the National Department of Environmental Affairs (DEA), jointly funded the development of approximately 400 affordable green housing units in the Western Cape and Gauteng Provinces. Source: <https://www.absa.co.za/corporate-and-investment-banking/news-and-events/events/africaenergyforum2019/>

#### **WWF Nedbank Green Trust application for funding**

The WWF Nedbank Green Trust provides all organisations doing work in the environmental outcomes sector of South Africa to partner with the Green Trust so that the trust can achieve its vision of igniting new ways for people and nature to thrive.

Source: [https://www.wwf.org.za/wwf\\_nedbank\\_gt\\_funding.cfm](https://www.wwf.org.za/wwf_nedbank_gt_funding.cfm)

#### **Standard Bank - The Africa Carbon Asset Development (ACAD)**

partnered with United Nations Environment Programme (UNEP), the German government and Standard Bank to develop a new carbon project as part of the fight against climate change. ACAD boosts the African carbon market and supports continental projects through a combination of technical assistance, grants and preferential access to corporate finance and transactional guidance.

Source: New green African financing projects .10 November2010. <https://www.bizcommunity.com/Article/196/163/53998.html>

#### **First National Bank (FNB) - ecoEnergy Loan**

provided for Clients that invest in upgrading their premises to make them more energy efficient, to reduce their operating costs with flexible payment plans and low interest.

Source: <https://www.fnb.co.za/business-banking/business-loan/ecoEnergyLoan.html>

**African Development Bank (AfDB) - The AfDB Green Bond program** finances eligible climate change projects on the continent such as:

- Greenfield Renewable Energy Generation
- Vehicle Energy Efficiency Fleet Retrofit
- Biosphere Conservation Projects
- Solid Waste Management
- Fugitive Emissions
- Carbon Capture
- Water Supply And Access

Source: <https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bonds-program>

**Old Mutual - Agri-Life** is a consortium of emerging black farmers based in Wolsely, Western Cape who, in partnership with strategic farming partners, have set up a multi-million-rand fruit-packing operation creating almost

80 jobs. The Old Mutual Foundation has invested R2 million towards this project, in conjunction with additional loan funding from Masisizane Fund.

Source: <https://www.oldmutual.co.za/about-us/corporate-social-responsibility/old-mutual-foundation/enterprise-development/projects>

#### **Sanlam - Sanlam-Dutch venture to combat climate change tops expectations, closes at \$850m**

Cooperatief Climate Fund Managers U.A. (CFM) announced the final close of Climate Investor One's Stichting Development Fund and Cooperatief Construction Equity Fund U.A. at a combined USD 850 million. Climate Fund Managers is a joint venture between Sanlam Infra Works and the Dutch Development Bank FMO and invests in climate-related projects in emerging markets.

Source: <https://www.fanews.co.za/article/company-news-results/1/sanlam/1055/sanlam-dutch-venture-to-combat-climate-change-tops-expectations-closes-at-850m/27036>

#### **Liberty Life -Renewable Wind And Solar Energy Projects:**

Liberty Life invested R4.3 billion.

#### **Managing Resource Consumption:**

In 2018 Liberty Life installed solar PV panels on the roofs of the head office and parkade in Braamfontein, introduced a grey water and rainwater capture project, and successfully recycled 35% of waste.

Report to society: Our journey to shared value 2018 pdf [www.libertyholdings.co.za](http://www.libertyholdings.co.za)

#### **Transition to a Green Economy must be Fair and Inclusive**

Environmental awareness has grown significantly amongst South African citizens, the government, and the private sector. Below are some of the key findings provided by the Green Economy Barometer (2018:10-22):

- South Africa's transition to a green economy was rated 5 out of 10
- Effective measures are required to address the concerns of marginalised people, small businesses and the informal sector
- Key biodiversity hotspots remain in a terrible state
- Strategies are ideally positioned to drive the green transition to a low-carbon, climate-resilient economy and a just society, however, significant challenges persist
- Healthy ecosystems are also critical for the economy, which contributes an estimated 7% of the country's GDP
- The country remains far from achieving a strong and long-term commitment to developing renewable energy technologies
- Financial constraints, technological barriers and a lack of information remain key hindering factors to main-

- streaming Green Economy practices in South Africa
- Much more needs to be done to ensure that the transition to a greener economy is fair and inclusive

The Green Economy Barometer (2018) a well-researched report provides a realistic insight that the business and financial sectors initiatives to encourage a greener economy is not enough.

The South African financial sector is making some progress in the transition to a greener economy. However, there is a great need to increase awareness, revisit policies, skill and re-skill stakeholders in the financial sector about the benefits of green products and services. This will encourage more participation in the green economy especially with financial institutions that have not invested a serious interest in green finance.

Some of the benefits financial institutions can harvest from green economy initiatives are as follows:

- Improved market share
- Increased profits
- Customer attainment and loyalty
- Higher employee satisfaction and retention
- Improved brand image or a caring reputation
- Positive media attention that reinforces customers trust
- Environmental awareness that benefits the country
- Reinforced relationships and investor partnerships with external stakeholders

The latter benefits will encourage more financial institutions to participate in the transition of the green economy which gives them a fair and inclusive opportunity to become leaders in green finance.

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