Implications of private finance in South Africa

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BACKGROUND

JETP:

- Established at COP 26 (2021)
- SA and the IPG [France, Germany, the UK, the US, and the EU. [US left in Feb 2025]
- JET-IP (2023 - 2027) - released for comment November 2022.
- Currently only 42% of pledges ($14.4 bn of total est cost of $90bn) allocated
  - 6% grants

Existing JET-IP:

- Myopic focus on energy transition
- Favours profit over people
- Relies heavily on private sector and international funding.

Instead it should…

- Centre workers and people
- Prioritise an economy wide transition - including transport, food, energy, agriculture and so on.
- Centre the transition as a public good
- Focus on supporting the deep structural transformation required to move the economy towards a climate-resilient and green growth path.

MACROECONOMIC LANDSCAPE: FISCAL POLICY

- **Austerity** since 2015 has gutted essential and basic services and investment in climate and human capital.
  - This underlines focus on private sector financing for JET
- **What does this mean?**
  - Private ownership of infrastructure built for the transition - not the people of South Africa
  - No guarantee investment in the green economy will be linked with social and economic justice
  - Private sector will recoup the costs through high user fees - to recover costs and make profits.
- **Government may have to take on debt to entice private sector and/or subsidise user costs**
  - Previous experience with PPPs indicates this model will likely increase debt and the cost of providing services to the public.

Policies like the White Paper on Energy Policy (1998), the Renewable Energy Independent Power Producers Plan (REIPPP) (2011) and Operation Vulindlela (2021) have worked in tandem with loans from IFI policy conditionalities, and neoliberal macroeconomic policies to reinforce the push for private financing.

MACROECONOMIC LANDSCAPE: MONETARY POLICY

Current situation underpinned by existing structure of SA economy - mineral, energy and financial sectors

- sustained investment in the capital-intensive minerals and energy sectors
- under investment in other industries
- limited spillover effects through job creation and development outcomes
- reinforced patterns of inequality in the country.

Central bank **policy independence pursued over the mandate of cooperation** and thus a more developmental growth path. Neoliberal macroeconomic policy has also meant that it is mainly monetary policy that drives the economy with a limited role for fiscal policy. Without adequate financial regulation, this is has also led to increasing financialisation of the economy.

Inflation targeting - adopted 2000 and maintained price stability post volatility of 70s, 80s and 90s and recently lowered to between 2% and 4% in November 2025... BUT

- Inflation imported not demand driven
- it has supported speculative investment in financial assets at the expense of job creation, industrial productivity and development
- AND climate change will lead to rising prices and financial instability.

The mandate of the SA Reserve Bank therefore needs to be amended to ensure improved policy coordination and a more balanced approach to ensuring employment creation, poverty reduction, and support for green structural transformation, alongside price stability.

THE ROLE OF DFIS

- In 2023 DFIs only contributed R10 billion to climate finance in South Africa - less than 1% of total climate financing
- The JET-FM emphasises the role of public finance in de-risking and for government and DFIs like the Industrial Development Corporation (IDC), Development Bank of southern Africa (DBSA) and National Empowerment Fund (NEF) to work in concert together.

- **IDC and DBSA**
  - 2 largest DFIs in South Africa
  - IDC specifically tasked with industrialisation, localisation, job creation and skills development
  - DBSA specifically tasked with promoting economic growth, human resource development, and regional integration by funding sustainable infrastructure projects
  - best entry points for a national DFI to support the JET
  - PFMA (1999) established IDC and DBSA as self-sustaining
    - Profit driven
    - No capitalisation or revenue injection from government
    - Behave like a commercial banks
    - Fail in their mandate of providing long-term patient capital in riskier and socially beneficial sectors/projects
  - Board representation currently reflective of market concentration in mining, energy and private finance. Needs to be more varied.

Conclusion

- 2026 holds many competing agendas
  - Penultimate year of JET-IP with no indication of what the next phase will be
  - A changing multilateral space
  - Multipolarity in the global economy with uncertainty and risk
- Paramount the country's, and its peoples' domestic goals are not misplaced, silenced or ignored
- Existing levels of finance, and instruments are failing to meet expectations and requirements.

- The IEJ and COSATU framework is a living document that can be amended and expanded
  - Providing public finance as the primary driver of the transition
  - Centring people over profit
  - Ensuring the transition remains publicly owned
  - Regulating private finance and loans from IFIs to ensure transparency, accountability and social justice outcomes
  - Incorporating climate and gender responsive budgeting
  - Capturing the impacts of changing adaptation and mitigation requirements on financial stability and funding
  - Guiding industrial policy and investment in infrastructure and energy while addressing the social risks associated with the transition to build a new growth trajectory.

THANK YOU!

The Institute for Economic Justice (IEJ) is a progressive economic policy think tank committed to advancing economic justice, systemic change, and the equitable distribution of resources to ensure rights realisation and planetary wellbeing.

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