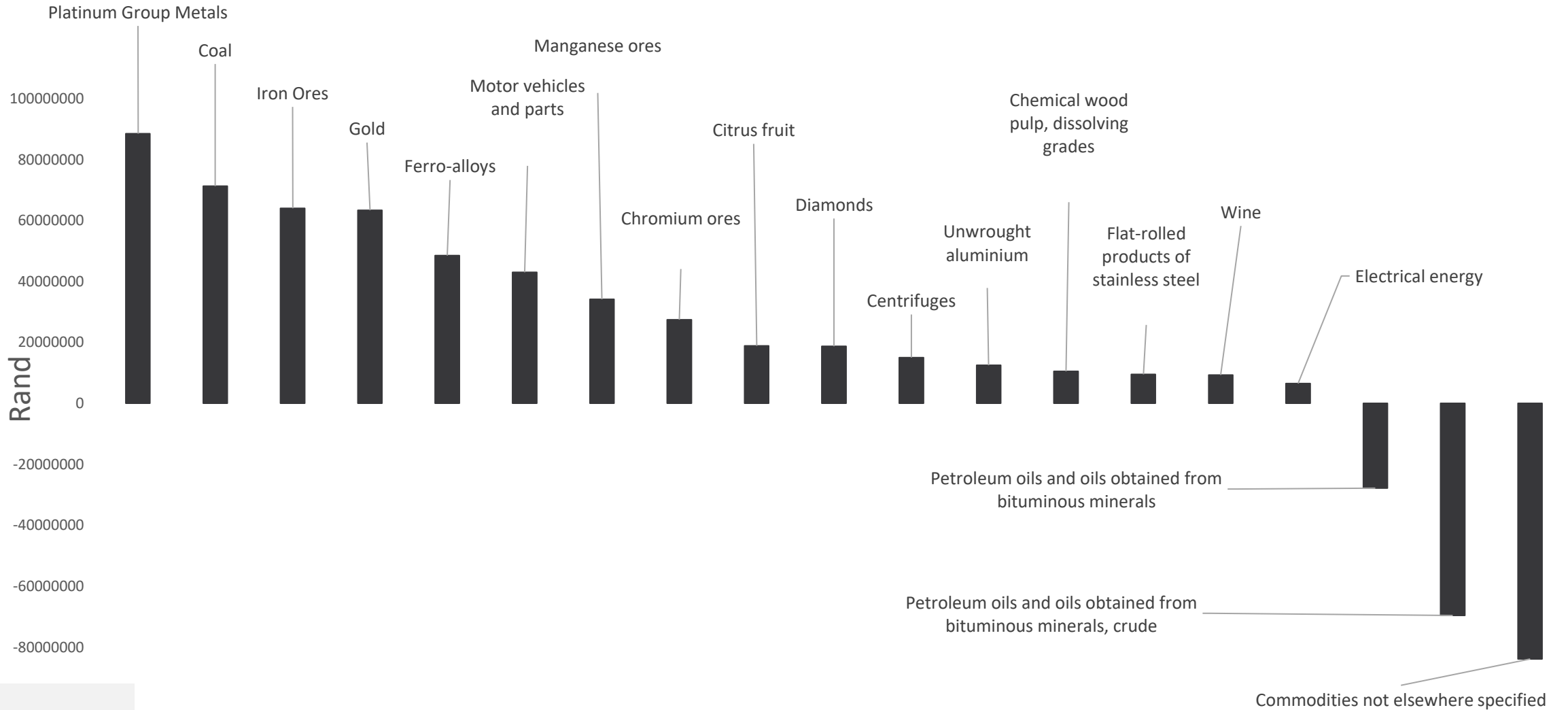


The Green Stimulus Opportunity in South Africa

The role of finance and a green investment
taxonomy



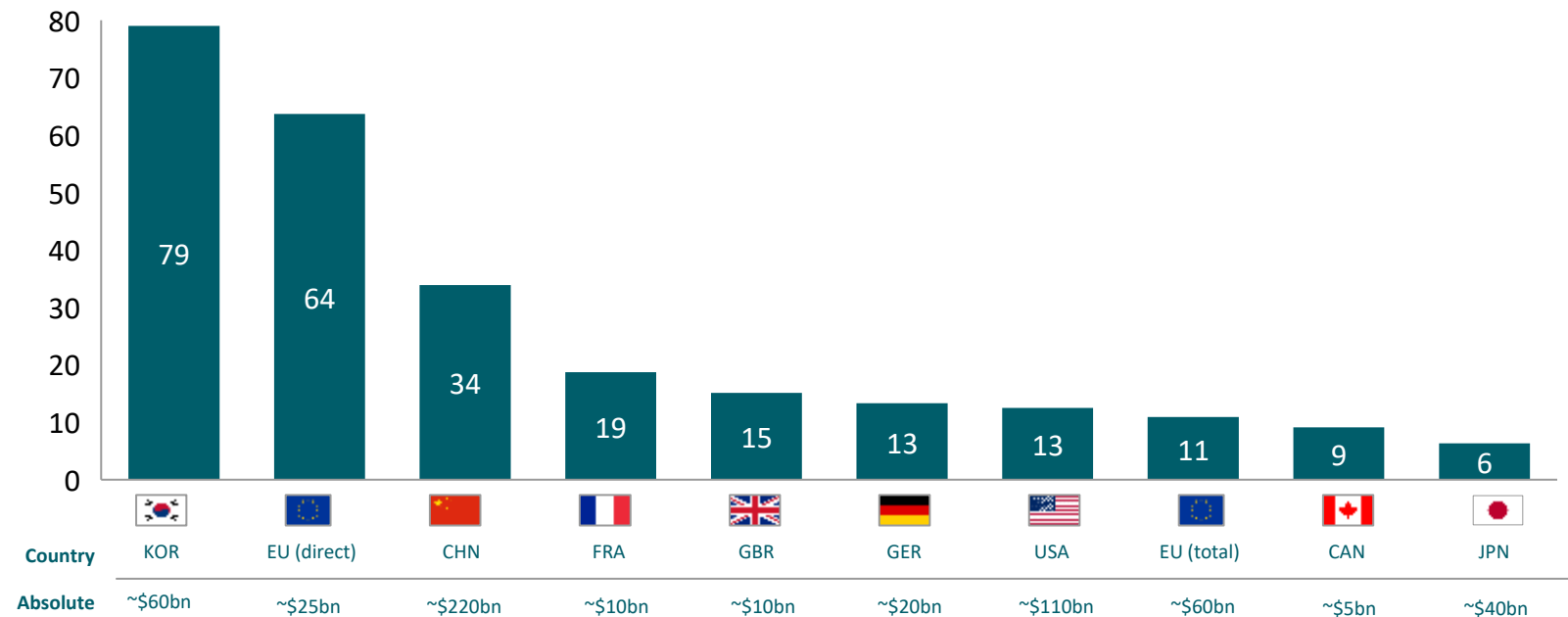
South Africa's trade vulnerability is particularly acute, as reflected by the commodity contribution to our balance of trade and their individual vulnerability to transition risk



A precedent of Green Stimulus set post global financial crisis and entrenched through green stimulus post COVID widens the structural competitiveness gap between those that invest and those that don't

South Korea, European Union, China and many others used Green Stimulus to promote economic recovery post the global financial crisis

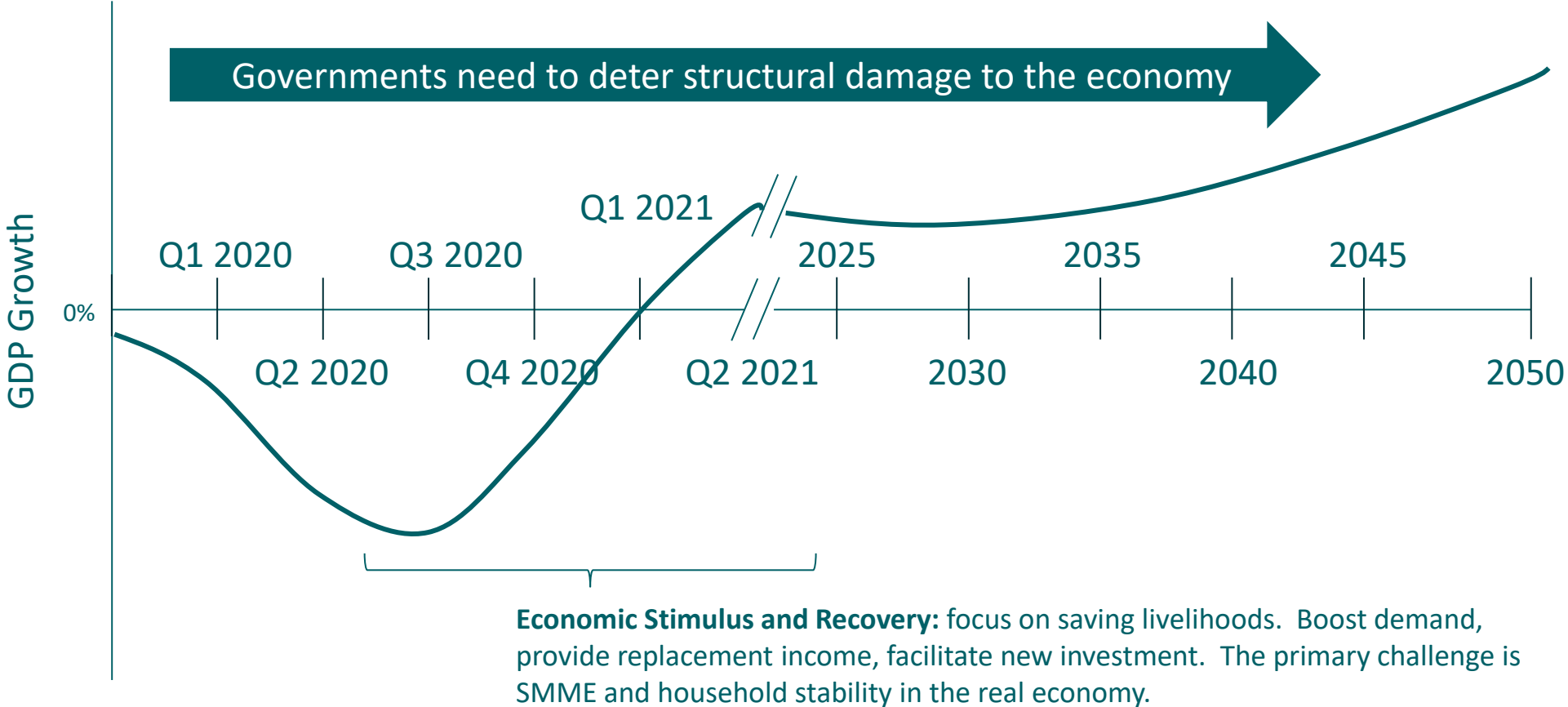
Green stimulus as per cent of total stimulus by the end of 2009 (in %)



Note: EU direct = EU wide package. EU total = including individual EU countries additional stimulus packages | Source: Green Stimulus Measures, ILO (2010)

South Africa will have to borrow in order to incentivize the economy across the short, medium and long term. It is critical that each incentive does not compromise other timelines and that investment maximizes long term competitiveness.

South Africa enters the COVID crisis in a recession, low fiscal space, 62% debt-to-GDP ratio, 29% unemployment, 50% youth unemployment and ratings agencies predicting negative growth and medium-term debt-to-GDP ratio trending to 90%. It is now almost certain that debt-to-GDP ratio will reach 100%.



The immediate health and humanitarian crisis: focus on saving lives. Boost health care capacity, address hunger, protect firms and households from cashflow limitations and evictions

Long-term economic recovery: focus on saving the economy. Grow economic competitiveness through labour and capital productivity, enhance trade balance, reduce input costs. Resilience to future shocks is key.

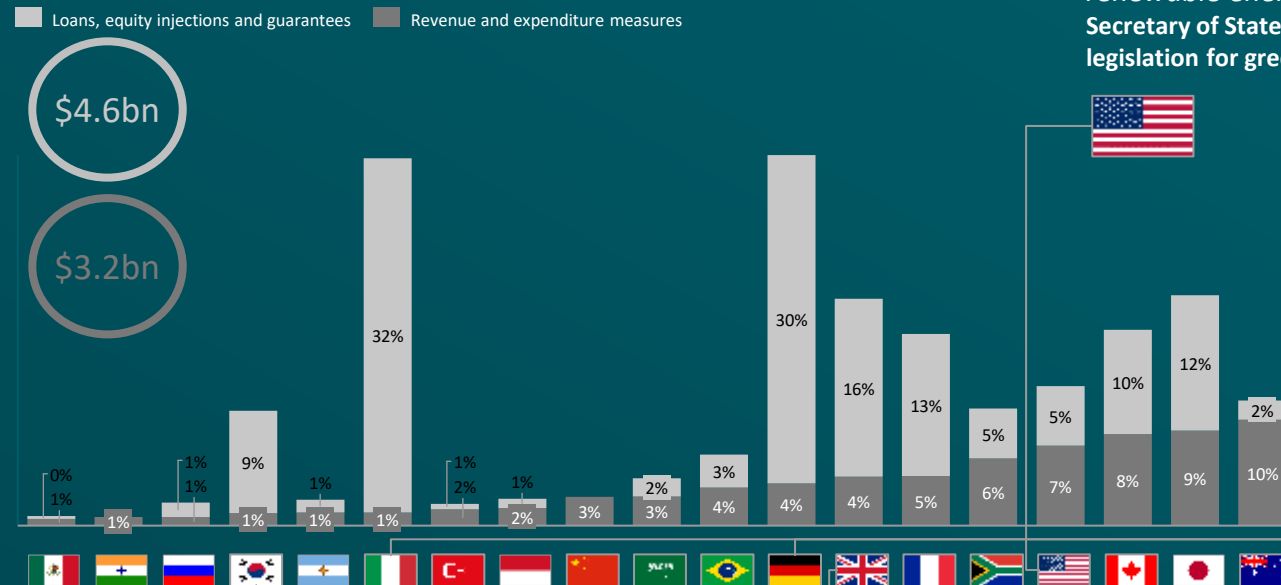
There is already green pressure on COVID related stimulus packages from around the world



"By using the European Green Deal as our compass, we can turn the crisis of this pandemic into an opportunity to rebuild our economies differently and make them more resilient."

European Commission President Ursula von der Leyen (Apr 2020)

Size of stimulus package relative to GDP (%) (as of April 26, 2020)



"[The new legislation] demonstrates how forward-thinking policy can be used to boost the state economy and create jobs while bringing abundant, clean, renewable energy to all New Yorkers."

Secretary of State Rossana Rosado on New York State's new legislation for green recovery (Apr 2020)

Signatories to European green recovery alliance to put EU's Green Deal "[...] central to a resilient recovery after COVID19."

Other signatories: Austria, Denmark, Finland, Latvia, Luxembourg, the Netherlands, Portugal, Spain, Sweden, Greece (Apr 2020)



"When the acute phase of the virus is over we are planning an [additional] stimulus package that advances the nation technologically and helps the economy move towards climate neutrality."

German Finance Minister Olaf Scholz (Apr 2020)



South Korea embraces EU-Style Green Deal for COVID19 recovery (Apr 2020, Forbes)



"The world must work together, as it has to deal with the coronavirus pandemic, to support a green and resilient recovery, which leaves no one behind." Climate Secretary, Alok Sharma (Apr 2020)

Country	MEX	IND	RUS	KOR	ARG	ITA	TUR	IND	CHN	SAU	BRA	DEU	GBR	FRA	ZAF	USA	CAN	JPN	AUS
USD bn	3	-	22	146	5	591	4	10	-	13	55	1036	423	342	11	1169	157	638	21
USD bn	8	23	14	18	5	22	11	18	380	21	64	133	111	120	18	1569	138	448	125

Source: IMF, National Authorities, Oxford Economics

Green stimulus a key opportunity SA must take advantage of

Four reasons why...

1

Additional funding



Up to

\$83Bn more

in international funding
accessible

2

Cheaper funding



On average

18bps cheaper

for Green Bonds vs. Vanilla
Bonds

3

Positive job impact



Up to

500k direct jobs

unlocked in green
investments

4

Long term economic prosperity

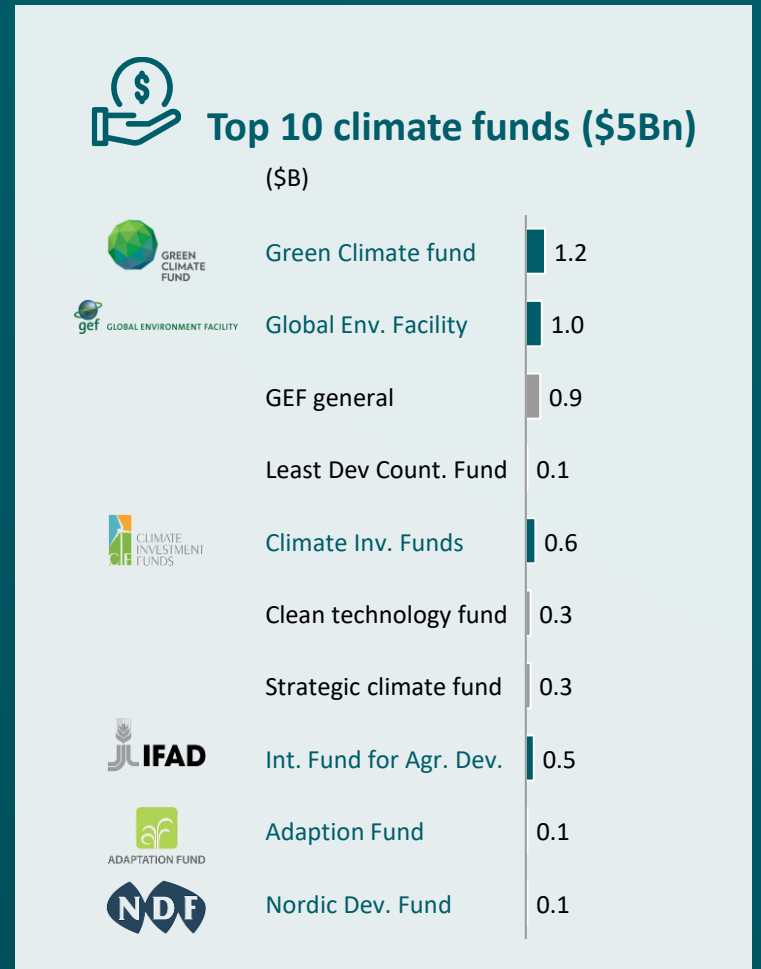
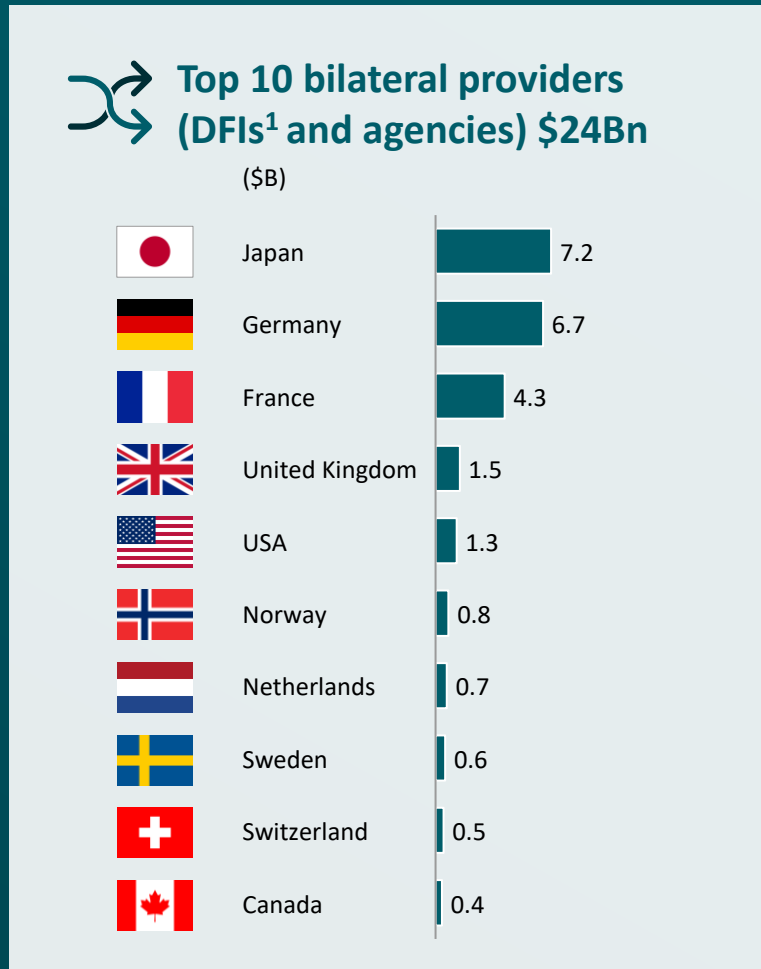


Mitigate transition risk of

>R1.8Tr

to ensure long term
economic prosperity

30 providers cover ~ 80% of \$83bn of green stimulus funding in 2017, which indicates the orientation of some of South Africa's biggest trade partners and multilateral funders



\$67Bn (80%) of total committed green stimulus funding in 2017

1. Development finance institutions 2. Includes the international bank for reconstruction and development (IRBD) and the international development Association (IDA) 3. Includes commission of the European communities and the European development Fund | Source: OECD 2016–2017 Climate related development finance database



A green taxonomy helps put
some structure on the
conversation

Lagarde puts green targets top of ECB agenda in bond buying

◆ First big climate pledge ◆ Strategic review tests options ◆ EU recovery fund 'a game changer'

ROULA KHALAF — LONDON
MARTIN ARNOLD — FRANKFURT

Christine Lagarde, the European Central Bank's president, has opened the door to using its €2.8tn asset purchase scheme to pursue green objectives, promising to examine changes to all of its operations in the fight against climate change.

It is the first time the ECB president has committed the central bank to examining "greener" changes to its operations, including asset purchases.

"I want to explore every avenue available in order to combat climate change," she told the Financial Times in a video interview. "This is something that I hold very strongly."

The move would make the ECB the first main central bank to use a flagship bond-buying programme to pursue



I have grandchildren. I just don't want to face those beautiful eyes, asking me: what have you done?

Christine Lagarde

Briefing

► **Two African women in race for WTO job**
Kenyan ex-minister Amina Mohamed has emerged as a last-minute candidate for the helm. She joins Nigerian ex-finance minister Ngozi Okonjo-Iweala and Britain's Liam Fox in the running.— PAGE 2

► **KKR to buy former Goldman life unit**
The buyout group plans to buy Global Atlantic in a \$4.4bn deal that underscores the way private equity has assumed the role of financial institutions as lenders to ordinary Americans.— PAGE 5; LEX, PAGE 18

► **Top court clears contraception opt-out**
The US Supreme Court has ruled that employers with moral objections to covering contraception for their staff do not have to follow a requirement to do so under the "Obamacare" health act.— PAGE 2

► **Files show Ghosn payments before flight**
Court documents have shown the former Nissan boss made \$862,000 in transfers to a group linked to the ex-Green Beret held for an alleged role in helping him flee Japan.— PAGE 6



► **China tightens meat import restrictions**
Customs checks on incoming frozen food at ports have been stepped up and imports from foreign processors halted over virus fears, facing shoppers with shortages and higher prices.— PAGE 4