

The Potential of Taxonomies to Contribute to the Economic Transformation towards Sustainability

The Case of South Africa

The Project

In recent years, several countries have developed sustainability taxonomies that aim at redirecting capital flows to sustainable economic activities. The implementation of these taxonomies, however, is still in a very early stage and there is hardly any research on their potential impacts. To fill this research gap, the project team conducts a case study on the South African Green Finance Taxonomy.

The potential of taxonomies to contribute to the economic transformation towards sustainability depends on their adoption by stakeholders and their ability to attract the kind of investments required for this transformation.

To interrogate these expectations, the project will first address the question of what factors influence the adoption of the South African taxonomy by potential users. The research will focus, among others, on the role of the following factors: regulations and incentives, international interoperability, usability considerations, and the availability of supporting services.

Secondly, the project addresses the question of whether the South African taxonomy has the potential to attract additional public and private capital for sustainable investments. Since it is too early to evaluate how the taxonomy affects real capital flows, the research team will rely on interviewees' perceptions of how the taxonomy might influence their institution's investment decisions. The project also assesses to what extent the kind of capital flows that the taxonomy incentivises match the investments needed for the sustainability transformation in South Africa.

Due to the high carbon intensity of the South African economy, high unemployment rates, and extreme economic inequality, the sustainability transformation is particularly challenging for the country. This is reflected by increasing political attention of the South African government and donor countries on achieving a just transition; including in the context of the newly established Just Energy Transition Partnership (JETP).

Research on the potential role of the South African taxonomy in supporting the transformation towards

sustainability thus carries the promise of making a highly relevant and timely contribution. However, the research findings will not only provide insights into the South African case but also generate lessons learnt for the operationalisation of sustainable finance taxonomies in other countries.

Research Questions

1. What factors influence the adoption of the South African Green Finance Taxonomy by potential users?
2. To what extent does the South African Green Finance Taxonomy have the potential to attract additional capital for sustainable investments?

Methodological Approach

To account for the exploratory nature of the research, a qualitative single case study is applied. The data collection relies on semi-structured expert interviews and the analysis of selected policy documents.

The research team will interview persons from different stakeholder groups, such as South African financial market participants, international investors, real economy enterprises, regulators, development finance institutions, business associations, civil society organisations, and researchers.

Calendar

11/2022 - 2/2023	Development of the research design, preparation of data collection
2/2023 - 3/2023	Interviews in Johannesburg, Pretoria and Cape Town
04/2023	Presentation of results at workshops in Cape Town and Johannesburg
05/2023	Preparation and presentation of a final research report

IDOS research team



Giovanna Artmann
giovanna.artmann@idos-research.de



Theresa Herbold
theresa.herbold@idos-research.de



Steffen Lötters-Viehof
steffen.loetters-viehof@idos-research.de



Agnese Monti
agnese.monti@idos-research.de



Felix Paffhausen
felix.paffhausen@idos-research.de



Stephanie Roigk
stephanie.roigk@idos-research.de

Team lead



Dr Kathrin Berensmann
kathrin.berensmann@idos-research.de



Sören Hilbrich
soeren.hilbrich@idos-research.de

Research Partners

Prof Samantha Ashman
University of Johannesburg
sashman@uj.ac.za



Dr Lee-Ann Steenkamp
University of Stellenbosch
leeanns@sun.ac.za

Rudolf du Plessis and Tahnee Rossiter

Carbon Trust
Rudolf.duPlessis@carbontrust.com
Tahnee.Rossiter@carbontrust.com



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The research is theory-based, empirically driven and application-oriented. It provides the basis for the activities in policy advice of the Institute. We develop policy-relevant concepts, advise ministries, governments and international organisations, and refer to current policy issues. The training programmes of the Institute for university graduates and young professionals are integrated into the research and advisory process.

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