4TH IEF OFID SYMPOSIUM ON ENERGY POVERTY

ENERGY ACCESS FINANCING AND POLICY FORMULATION

3RD MAY 2019

MAKING CHANGE HAPPEN
1. How to capitalise on private, public and Development Finance Institutions’ investments strengths?

2. Which financing vehicles are most promising for small-scale energy access projects

With specific reference to the work that the DBSA is doing in the region
CONTENTS

01 Introduction to DBSA
02 DBSA’s Value Proposition
03 Key Financing Considerations
04 Funding Small Scale Projects
MANDATE COVERS THE SUBSAHARAN AFRICA. MAIN FOCUS IS THE SADC REGION AND 14 PRIORITY COUNTRIES OUTSIDE OF SADC

Geographical focus
- DFI owned 100% by RSA Govt
- Mandate – implement RSA Gov’s infrastructure objectives across the African continent

Sector mandate
Core sectors
- Energy
- Transport
- Water
- ICT

Secondary sectors
- Education
- Health
- Housing

Map showing countries in the SSA region with focus on the SADC region and 14 priority countries outside of SADC.
As a DFI, we are able to take early project risk. Provide Integrated solution.
KEY FINANCING CONSIDERATIONS

1. Regulatory and Legal

- Clarity in the regulatory environment
- Transparent procurement system
- Key terms of the PPA
- Understanding of the tariff regime
- Contracting regime
- Security

Clarity in the Regulatory Framework: Enabling Acts Legislation and Licensing Conditions
KEY FINANCING CONSIDERATIONS

2 Commercial

- Government support and commitment
- Strong transaction advisory support
- Strong sponsors and operators
- Committed partners
- Technology
- Resource considerations
- Currency considerations

Strong committed Sponsors, Operators and offtakers
KEY FINANCING CONSIDERATIONS

3 Development Impact

- Environmental and Social Issues
- Improved and affordable access to services
- Job creation
- Local Economic Development
- Skills Development
- Transfer of skills

Improving the livelihood of the people through improved and affordable access to services
FUNDING FOR SMALL PROJECTS

As a DFI our role includes addressing market failure

- Small IPP Programme (1-5MW) – no appetite from commercial banks:
  - Too risky (e.g. track record, financial strength of sponsors)
  - Funding too expensive for the small players

- GEF Accreditation – blended finance
  - Technical studies
  - BEE equity participation

- IIPSA - interest rate subsidy funding

- R2 billion set aside for the Small IPP Programme
FUNDING FOR SMALL PROJECTS – ONGOING INITIATIVES

- Exploring a sustainable funding solution for small projects
  Projects do not fit the traditional profile for project financing

  - Off Grid Club (a group of off grid solar developers/manufacturers)

  - Solar Home System

- We recognise that as a DFI we are not best placed to fund these projects directly. Engaged with companies who are successfully deploying mini-grids and off-grid solutions, with the aim
  - Co-funding some projects
  - Use these companies as financial intermediaries.