



Development Bank  
of Southern Africa

# 4<sup>TH</sup> IEF OFID SYMPOSIUM ON ENERGY POVERTY

## ENERGY ACCESS FINANCING AND POLICY FORMULATION

3<sup>RD</sup> MAY 2019

# MAKING CHANGE HAPPEN

WATER

ICT

ENERGY

TRANSPORT



# THE BRIEF

- 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***



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# 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

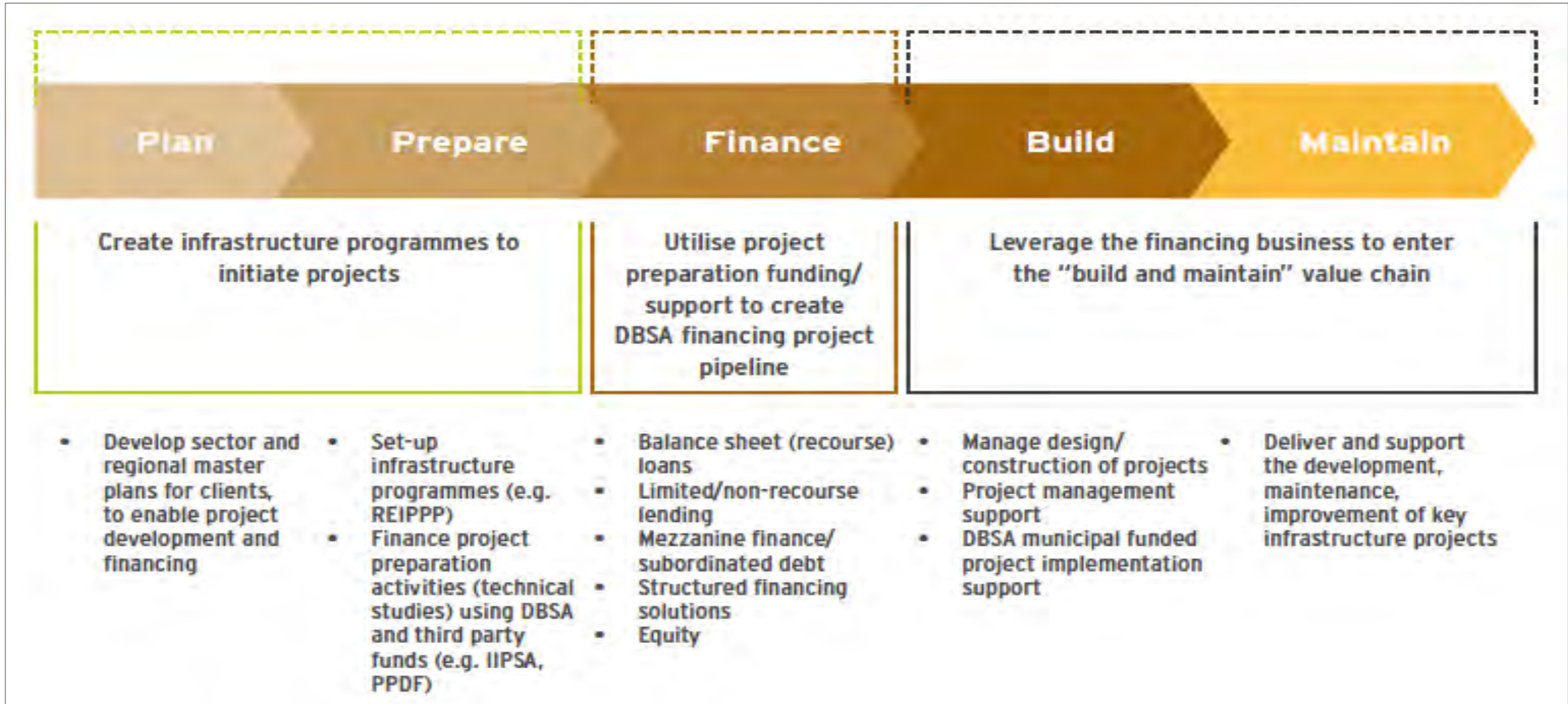


### Secondary sectors





# DBSA'S VALUE PROPOSITION



***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.



**DBSA**

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**THANK YOU**

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