

Project Summary for Public Disclosure

Project Overview	
Project Name	Renewable Energy Sector Development Project
Country	The Republic of South Africa
Sector	Energy
Approval Date (by the Board)	31 March 2019
Total Project Cost	ZAR 11.85 billion
Loan Amount	ZAR 1.15 billion
Borrower	Industrial Development Corporation of South Africa Limited (IDC)
Implementation Agency	Industrial Development Corporation of South Africa Limited (IDC)

I. Introduction

South Africa is on the trajectory of greener and more sustainable development, transitioning away from fossil fuel based energy sources. In particular, South Africa has committed to reduction in greenhouse gas emissions from its emissions growth trend by 34% in 2020, and by 42% in 2025, under the United Nations Framework Convention on Climate Change. Industrial Development Corporation of South Africa Limited (IDC), a National Financial Intermediary (NFI) in South Africa, has been an important player towards realizing these goals, being a significant financing provider in South Africa's energy sector and facilitating private sector participation in the sector. In this context, the Renewable Energy Sector Development Project is designed to help the economy shift towards a more sustainable energy path, through facilitating investments in renewable energy that will contribute to power generation mix and avoidance of carbon dioxide emissions in South Africa.

II. Project Description

The objective of the Project is to facilitate investments in renewable energy that will contribute to power generation mix and avoidance of carbon dioxide emissions in South Africa, in line with the South African Government's Integrated Resource Plan, and its target of reducing greenhouse gas emissions as articulated in the National Development Plan 2030.

The proposed NDB loan through the modality of a two-step loan will be used by IDC for on-lending to its identified sub-projects including solar, biomass and wind energy sectors.

III. Environmental and Social Aspects

The positive impacts of the Project include increase in generation capacity from renewable energy sources leading to avoidance of CO₂ emissions. After successful implementation of the Project, electricity of no less than 500 GWh will be generated annually from renewable sources leading to savings in CO₂ emissions of around 480,000 tons annually. The development impacts of the Project also include an overall increase of the efficiency of the energy sector in South Africa, which is now heavily reliant on coal. In addition, the Project is expected to contribute to unlocking private sector investment, and increasing availability of long-term local currency (ZAR) funds for energy sector projects in South Africa.

The Project has been classified as Category “FI-B”, in accordance with NDB Environment and Social Framework (ESF), as funding will be through a financial intermediary. The individual sub-projects are likely to be Category “B”, in accordance with the NDB ESF. NDB will have the right to review the environmental and social categorization of sub-projects by IDC, and if a sub-project is categorized as Category “A” in accordance with the NDB ESF, it will require NDB’s approval. The sub-projects to be supported are required to comply with the requirements of the environmental and social framework in South Africa.

IV. Financials

NDB will provide a loan without sovereign guarantee to the NFI, IDC, with an amount up to ZAR 1.15 billion. NDB’s financing may not exceed 50% of sub-project costs, unless otherwise agreed by NDB.



V. Implementation

The Project is estimated to be implemented between 2019 and 2023. Suppliers for the Project will be selected through competitive and transparent bidding processes.