

Project Summary

Project Overview	
Project Name	Project Finance Facility for Eskom
Country	The Republic of South Africa
Sector	Renewable Energy; Sustainable Development
Approval Date (by the Board)	13 April 2016
Closing Date	–
Total Project Cost	Rand 3.60 billion (USD 225 million)
Loan Amount	Rand 2.88 billion (USD 180 million)
Borrower	Eskom Holdings State-Owned-Company Limited
Implementation Agency	Eskom Holdings State-Owned-Company Limited

I. Introduction

The Republic of South Africa is the most developed economy in sub-Saharan Africa, yet it is facing strong headwinds from slowing growth. Frequent electricity shortages complicate the challenge for the economy from the supply side. According to the country's National Treasury, GDP growth will increase by roughly 2% if the issue of electricity shortage is addressed. Securing energy supply and developing renewable energy are therefore the government's main policy concerns. Coupled with electricity shortage, grid facilities are getting outdated. In Soweto, a township in South Africa, electricity constraint is severe, with aging electricity infrastructure reaching the end of its usage life. Any outage of one circuit can put down the entire electricity network. In this context, the New Development Bank's (NDB) Project Finance Facility (PFF) is proposed to support the development of grid connection infrastructure, which is vital for the development of renewable energy projects. The project will also help increase electricity supply to the Soweto area for the town's sustainable development.

II. Project Description

With the objective to develop grid connection infrastructure, the NDB will provide a PFF loan of USD 180.0 million to Eskom Holdings State-Owned-Company Limited (Eskom). The PFF will support renewable energy development and reduce the country's reliance on fossil fuels. The grid connection infrastructure will be used for renewable energy projects and augmentation of the Eskom transmission network to the Soweto area.

The PFF project will be divided into sub-projects. Current sub-projects include integration of 7 renewable energy projects of independent power producers, integration of expedited independent power producer project for Upington, construction of transmission lines and substation for Soweto area, and construction of transmission lines for Ankerlig-Sterrekus. Future sub-projects will be proposed by Eskom, subject to selection criteria and approval from the NDB, to ensure alignment with the overall development objective of the project.

III. Environmental and Social Aspects

The project contributes to the reduction of the country's reliance on fossil fuels. It will enhance the country's capacity for renewable energy while achieving sustainable growth. It also aligns with NDB's focus to support projects that aim at developing renewable energy sources. The project will integrate a total of 670 MW of renewable energy to the grid by Eskom. This accounts for 10% of the national target for renewable energy capacity from 2020 to 2021. The transmission lines, once developed, will help meet the demand for electricity in the implementation regions and lay a foundation for future renewable energy development.

The environmental and social impacts of the project are contained in the Environmental Management Plan (EMP) which includes proposed mitigations to ensure minimal residual risk. Eskom shall monitor and ensure implementation of the EMP while ensuring full compliance with the South African legislative requirements and the NDB's ESF.

IV. Financials

The overall cost of the project is estimated to be Rand 3.60 billion. The proposed financing plan includes a term loan of USD 180.0 million (Rand 2.88 billion) from NDB and Rand 0.72 billion financed by Eskom.

Financier	Amount (Rand billion)
New Development Bank	2.88
Eskom	0.72



V. Implementation

The project will be implemented by Eskom. Eskom has full-fledged functions for generation, transmission and distribution. Future sub-projects can be proposed to NDB by Eskom up to a total term loan of USD 180.0 million. The selection of the sub-projects will be based on criteria including technical, environmental, social, developmental, economic and financial dimensions.

VI. Contact

New Development Bank: projects@ndb.int