

## SOUTH AFRICA: PROJECT PERFORMANCE EVALUATION RENEWABLE ENERGY SECTOR DEVELOPMENT PROJECT

*The project aimed to facilitate investments in renewable energy which would contribute to the power generation mix and reduction in CO<sub>2</sub> emissions in South Africa – including adding at least 120 MW of new renewable energy generation capacity, generating approximately 512.2 GWh annually from clean energy sources, and avoiding over 480,000 tonnes of CO<sub>2</sub> emissions annually. Did the project results match such expectations?*

The Project Performance Evaluation by the Independent Evaluation Office (IEO) of NDB assesses these questions and more.



Scatec Solar Photovoltaic and Battery Storage sub-project in the Northern Cape Province of South Africa

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### PROJECT DATA

Approval date:	<b>March 31, 2019</b>
Loan closing date:	<b>December 6, 2023</b>
Estimated project cost at completion:	<b>ZAR 27.8 billion</b>
NDB financing:	<b>ZAR 1.150 billion*</b>
Renewable energy plants financed:	<b>4 plants in the Northern Cape Province</b>

\*Approx. 4% of total project cost

**What worked well...** The project provided strong support to the institutional arrangements that South Africa has put in place to strengthen the renewable energy sector and increase the percentage of renewable energy in the country's energy mix.

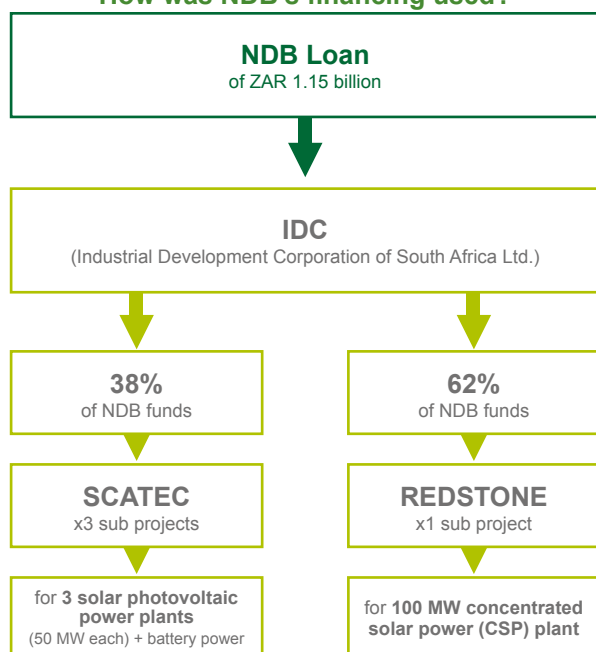
The choice of the government-owned Industrial Development Corporation of South Africa was appropriate, given its strong mandate to support private sector entities in achieving the country's

ambitious energy mix targets and assisting in the transition to a more sustainable path, reducing South Africa's reliance on fossil fuels.

**The overall outputs and outcomes expected from the project are delayed but are expected to be achieved once all plants become fully operational.** NDB co-financing is expected to generate twice the installed capacity as well as the associated outcomes at the Redstone and Scatec sub-projects as shown in the box below:

	What the project hoped to achieve	Expected results?
Installed capacity	120 MW	640 MW
Renewable energy generation	Over 512.2 GWh annually	1,340 GWh annually
CO <sub>2</sub> emissions reduction	Over 481,436 tonnes annually	1,298,000 tonnes annually

## How was NDB's financing used?



**What could have been improved...** The NDB-financed sub-projects all introduced state of the art technology in their capacity to store excess electricity. But such innovations were not sufficiently highlighted or disseminated as a mechanism for learning and the potential for replication.

**The social innovations that the South Africa Government has incorporated in its local procurement in the renewable energy sector were** not fully incorporated into the monitoring and design framework of the project. This includes directing project procurement expenditure towards local content and priority groups of black people, women, and small and emerging enterprises and seeking to direct funding towards projects that have a positive socio-economic impact through job creation, community initiatives and shareholding for Black Economic Empowerment (BEE) partners and local communities.

### THE INDEPENDENT EVALUATION OFFICE

The NDB Independent Evaluation Office was established in April 2022. The Director General of IEO reports directly and exclusively to the NDB Board of Directors. The main objective of IEO is to promote accountability and learning for enhancing the Bank's performance. IEO conducts a range of independent evaluations at different levels: evaluations of projects and programmes as well as of policies, strategies, instruments, and corporate processes.

## RECOMMENDATIONS

**Recommendation 1:** NDB's investment should be guided more strategically by its position as a development bank for emerging markets and developing countries.

NDB should carefully review how it can best add value as a development bank in South Africa, where there is significant commercial interest in the renewable energy sector.

**Recommendation 2:** Highlight the lessons learnt from its experience and develop knowledge products.

NDB should partner with technical institutions in South Africa to help develop and communicate the lessons and good practices from its investments regarding the choice of technology, the experience with the CSP and how to address the challenges that this promising technology presents.

**Recommendation 3:** NDB should use the opportunity provided by its investments to build relations and enhance its visibility in South Africa and the region.

The project provided a strong platform for building relationships with a wide range of country stakeholders in the renewable energy space, such as commercial banks, BEE partners, etc. NDB should in the future seize the opportunity to leverage its position and highlight its role.

**Recommendation 4:** Incorporate transformative equity as a key aspect of NDB investments and integrate it into project design and monitoring and supervision frameworks.

These aspects should be incorporated as a key element in all key processes and documents.

**Recommendation 5:** Track key parameters.

Assign clear responsibility for tracking some of the parameters stipulated in the loan agreement to ensure they are properly followed up on and reported.

**Recommendation 6:** Build structured flexibility into loan agreements in terms of specifying the time frame and other conditions to avoid frequent amendments in loan agreements.

Energy sector projects are typically much more complex than projects in other sectors which do not require such a range of extensive partnerships and coordination among them. It would therefore be prudent to allow adequate time for their implementation and provide flexibility in the loan agreements to avoid frequent amendments and renegotiations.

### Want to find out more?



Evaluation Lens' provides a short summary of evaluations conducted by IEO. The full evaluation report and related documentation may be accessed through the IEO web pages.

◀ Scan to access the full report.

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