

EVALUATION LENS

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THEMATIC EVALUATION

SOUTH AFRICA: NDB FINANCING AND ACTIVITIES IN THE ENERGY SECTOR

The Independent Evaluation Office (IEO) conducted a thematic evaluation in 2025 of New Development Bank (NDB) investments and support to the energy sector in South Africa. This is the first such evaluation undertaken by IEO, with the broad aim of assessing the results of NDB's support and generating lessons and recommendations for the way forward. This LENS provides an overview of the main outcomes from the independent evaluation.

NDB financed five sovereign and non-sovereign operations in the energy sector in South Africa between 2016 and 2024, worth USD 972.8 million. The main project partners were Eskom, the state-owned power company, the Development Bank of Southern Africa (DBSA) and the Industrial Development Corporation (IDC). NDB financing was used for various energy types including solar photovoltaic panels, biomass, onshore wind and concentrated solar power; and for substation, transformer and circuit line construction.

PROJECTS EVALUATED	SUB-PROJECTS	BORROWER	APPROVED (USD MILLION)
Renewable Energy Integration and Transmission Augmentation Project*	6	Eskom	180.00
Greenhouse Gas Emissions Reduction and Energy Sector Development Project**	15	DBSA	300.00
Renewable Energy Sector Development Project**	4	IDC	63.18
Battery Energy Storage Project*	12	Eskom	329.62
Sustainable Infrastructure Project **	2	DBSA	100.00
	39		972.80

* Sovereign / ** Non-sovereign.

MAIN FINDINGS

- NDB energy sector investments were aligned with national policy priorities and contributed to addressing core sectoral constraints.** The projects supported electricity generation, transmission and its availability during peak demand hours – directly targeting South Africa's systemic constraints such as heavy coal dependency, energy transmission infrastructure limitations and a power supply deficit of 4-6 gigawatts (GW).
- Projects financed by NDB have generally achieved successful results and supported the energy sector value chain.** The installed capacity of the NDB energy projects is about 1,600 megawatts (MW),

providing 7,503 GWh/year in electricity supply; and carbon dioxide emissions reductions are 7,162,480 tonnes which is 1.6 times the planned level and represents almost 12% of the reduction required for South Africa to achieve its Nationally Determined Contributions.

- NDB financing benefits from a supportive investment framework.** The success of the government's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) has resulted in a very competitive market, allowing financial institutions to participate and implement projects through a variety of institutions.

- **NDB investments have been appreciated by the borrowers and stakeholders concerned.** However, while the Bank has made some good choices in its investment decisions, these investments may appear to be ad hoc in the absence of an NDB country strategy for South Africa to frame them.
- **NDB has shown interest in the credit guarantee vehicle (CGV)** which provides an opportunity for the Bank to participate in private sector interventions in the energy sector, like transmission.
- **NDB has mobilised a healthy amount of co-financing, which is positive.** Yet, it has not fully utilised its own instruments – such as the project preparation fund (PPF) – to engage with and shape projects at an early stage.
- **Key partnerships have been established** with core government institutions (for example, the National Treasury, the Department of Electricity and Energy, DBSA, IDC and Eskom) and the private sector. However, the evaluation found insufficient engagement with international players involved in the energy sector in South Africa.
- **Social and economic aspects were not systematically incorporated in the projects financed by the Bank.** The REIPPPP requires projects to incorporate criteria such as Black Economic Empowerment shareholding. While some NDB projects include such aspects, they are not systematically included, monitored and reported on as part of the Design and Monitoring Frameworks (DMFs) of projects across the portfolio.
- **The evaluation found that NDB could have been more thoroughly involved in provision of knowledge management, technical assistance and capacity-building in South Africa,** especially given the demand by stakeholders and the volumes of NDB's financing to the sector.
- **NDB's own supervision and monitoring have been insufficient,** especially with regards to measuring social or economic development metrics, or as tools for mid-course adjustments, etc.

RECOMMENDATIONS

STRATEGIC RECOMMENDATIONS

- 1 **Develop an NDB country level strategy for South Africa aligned with the country's development needs and NDB's general strategies.** This would clarify NDB's energy-sector value proposition and assist in framing and prioritising NDB activities (lending and non-lending) in the country.
- 2 **NDB should enhance its investment areas and product mix** by: (i) broadening the scope of projects and the technologies used to better align with the government's Integrated Resource Plan; and (ii) reflecting how it can add attractiveness to clients through mechanisms such as guarantees, blended finance, grants, etc., and build its appetite for instruments such as equity via funds, mezzanine finance, etc.
- 3 **Develop an energy sector knowledge management framework in South Africa.** NDB can play a key role as a generator, curator and disseminator of knowledge on the country's energy sector.

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TECHNICAL RECOMMENDATIONS

- 4 **NDB should prioritise strengthening South Africa's transmission capacity and leverage the CGV to mobilise private investment.** This will enable the country to better address its capacity and resource constraints.

- 5 **Utilise the PPF and technical assistance for bankable energy projects as well as use it for implementation support, monitoring and evaluation, and capacity-building.** First step is to enhance awareness about the PPF among key stakeholders.

OPERATIONAL RECOMMENDATIONS

- 6 **Use the DMF as a more strategic instrument to monitor and measure socio-and economic aspects of energy projects.** Incorporating, for example, skills development and job creation into its DMF would underline the Bank's strong social and transformative agenda.

- 7 **NDB needs to better structure its supervision and project completion reporting processes and reports.**

NDB should work with borrowers to improve their data collection, analysis and reporting formats.

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