Having committed financing support to 22 projects under the Department of Energy’s renewable energy programme, the Development Bank of Southern Africa (DBSA) played a pivotal role in contributing to its success, in line with its mandate to drive infrastructure development and accelerate socioeconomic development.

The Renewable Energy Independent Power Producers Procurement Programme (REIPPPP), as it is officially known, has been lauded far and wide as one of SA’s most successful public-private partnership programmes. And rightly so.

Apart from the considerable long-term benefits of contributing 6,327MW of zero-carbon energy to the electricity grid, the programme has demonstrated that the country is a viable and reliable destination for international and local consortia willing to participate in infrastructure projects.

Chege says one of the important lessons that DBSA has taken from the programme and processes over the past five years is the importance of working closely with many different partners and stakeholders. “All of our partners have different requirements and different perspectives, so we have always tried to develop alignment and synergies between these partners and stakeholders. Especially at the beginning, we would not have been able to do this without having these partnerships and their commitment to making it work. For us it was new technologies and for them it was a new country, so we had to help each other to understand either the technologies or local dynamics.

At the heart of the DBSA’s involvement as a development finance institution is its ability to provide financing for infrastructure programmes such as this. Due to the nature and structure of REIPPPP this was not a straightforward matter. For instance, apart from providing finance for the project itself, the bank financed the equity contribution for the project sponsors’ BEE partners, as well as the local community to enable them to subscribe for their equity.
stakes in the project. This last element was one that had never been attempted before and required considerable effort to pull off. And even though funding of BEE shareholding had been undertaken before, the scale of the project and financing involved was new territory for Chege’s unit.

“This has helped us to refine the model of BEE financing quite a lot,” she says.

With approximately R1.5bn provided to BEE groups and local community trusts under the REIPPPP, this is not an insignificant contribution, although it is but a fraction of the approximately R14bn committed thus far in project finance to the renewable projects.

While the scale of the project financing might have been within the bounds of the bank’s previous experience of funding infrastructure programmes, the novelty of new technologies was a different matter.

“We had to gain knowledge through training and involving experts who had global experience from similar projects,” Chege explains. “It was a steep learning curve in the beginning, but it was a very good experience and the country can now say it is one of the leaders in the renewable energy industry, particularly in Africa.”

The Africa angle is important as sub-Saharan Africa’s infrastructure development falls squarely within the DBSA’s mandate. This involvement places the bank’s experience in public-private partnership financing through REIPPPP into perspective as it will undoubtedly be able to contribute that expertise to major infrastructure projects across sub-Saharan Africa.

The DBSA has financed numerous gas-fired power plants and infrastructure projects across the continent as part of regional integration efforts to address the continent’s power deficit, with notable projects including Cenpower, the Ghana powership project and the Bulk Oil Storage Terminal in Ghana.

The involvement of communities through local trusts and ensuring their part-ownership of these projects is undoubtedly one legacy the renewable energy programme will proudly leave behind.

The way communities have been guaranteed ownership and long-term financial flows from these projects is an aspect that excites Mpho Mokwele most. He is a manager within DBSA’s energy unit who has been involved in the structuring and financing of community trusts to ensure they receive the benefits due to them.

“From my point of view, apart from the clean energy perspective, a key highlight for me was making sure the projects involved local communities in and around the projects,” he says.

Ownership in the projects through community trusts that were set up to house the shares is but one of the ways in which benefits flow under the REIPPPP. Project owners have also made commitments to promote socioeconomic and local economic development.

“The communities don’t want to wait for 10 years before seeing the benefits from the projects, so we are ensuring that the people see the benefits by accelerating development in those communities,” he says.

This is an imperative as, although renewable energy projects are able to reach operational readiness rather quickly, the cash flows from dividends are not immediately forthcoming.

Mokwele says the DBSA is looking at ways to ensure the expectations of local communities are met through the implementation of various financing mechanisms that are under consideration at the bank. “Commercial banks would tend to look at their return on investment, but the highlight for me as an officer of a development finance institution is that the project ensures local community development,” he says.

As has Chege noted, these are important lessons that the DBSA is able to use in other infrastructure projects it funds, and to share with its partners within and outside the country’s borders.

Mokwele says the lessons from the renewable energy programme could easily be applied to other infrastructure projects such as transport and water.

“We are trying to replicate the programme-type approach used in REIPPPP to ensure that infrastructure can be rolled out on a massive scale. Going forward we would like to replicate this into other sectors in SA and are also working on a similar REIPPPP model outside SA to help countries like Botswana to roll out an IPP programme.”

The experience and lessons picked up as a result of the REIPPPP cannot be denied. One measure of the value to the country will be how well that knowledge informs future infrastructure projects.

DBSA business development professional Tsitsi Musasike says it is essential that these lessons be shared, particularly in the context of the developmental impact of such infrastructure projects.

More importantly, the success of the REIPPPP has invigorated DBSA’s appetite for undertaking more projects of the same nature, and to do so in other sectors. “A lot still needs to be done in the country and the rest of continent if we are going to achieve higher economic growth and catch up with the developed world,” she says.

In the immediate future, DBSA already has its eyes on participating in the recently announced programme to produce power from liquefied natural gas, where plants will be developed at Richards Bay and Coega.

“The REIPPPP programme is unique in that it is clean energy and generated a lot of excitement. I expect we will see the same high levels of excitement as we saw with REIPPPP and a lot of international players under this programme,” she says.

The benefits of having been so involved in the renewable energy programme can therefore be expected to be brought to bear on gas-to-power programme. Some of these benefits include applying due diligence and analysis experience, project assessment and management skills and drawing on partnerships to ensure the long term success of such a major undertaking.

Chege says that the three main technologies applied in the renewables programme — wind, photovoltaic (PV) solar and concentrated solar (CSP) — are each very different, requiring different success factors.

“We have come to a point now where we know how to assess a wind project. These projects can be fairly challenging to assess accurately due to the potential variability in output. You have to look at many technical aspects and assumptions to understand and conclude whether it will produce sufficient power over the projected period.

“With PV power, on the other hand, given that the country has significant solar resources, it is easier to determine with a higher level of confidence how much power will be produced.”

The experience gained from understanding the complexities of concentrated solar projects is one that excites Chege. These projects tend to allow for much higher energy production projects and are able to feed into the grid after dark due to the thermal energy storage capabilities.

The DBSA’s legacy in terms of infrastructure development could easily be overshadowed by the outstanding success of the REIPPPP, but that would be at the cost of recognising the work it does in helping to build more modest but equally essential infrastructure.

The bank’s role in building capacity and infrastructure, however, can certainly be enhanced by applying the lessons it has learnt from the renewable energy programme. The physical infrastructure, the lower carbon footprint and the benefits to local communities will be evident for all to see for many years to come. But the true measure of this programme’s success will be in the untold stories of mega infrastructure projects that have been able to apply the methodologies and principles developed in getting REIPPPP off the ground successfully. It is also a resounding success for public-private partnerships that will serve the continent well in the face of its substantial infrastructure deficit.