

## Ex-Ante Evaluation

### Private Sector Investment Finance Division 2, Private Sector Partnership and Finance Department, Japan International Cooperation Agency

#### 1. Name of the Project

- ( 1 ) Country: Republic of South Africa (“South Africa”)
- ( 2 ) Project Site / Target Area : Republic of South Africa
- ( 3 ) Project name: Green Finance Promotion Project (“the Project”)
- ( 4 ) Loan Agreement: September 30, 2024

#### 2. Background and Necessity of the Project

##### ( 1 ) Current State and Challenges of the Renewable Energy Sector in South Africa and the Background of the Project

South Africa’s power supply relies heavily on coal-fired power generation, which accounted for over 84% of the country’s energy mix as of 2021. Since the early 2000s, despite increasing demand driven by population and economic growth, electricity generation has not kept pace. As a result, the country has experienced intermittent planned power outages for many years, with outages lasting several hours on some days - significantly impacting daily life.

In response to the dual challenge of power shortages and the urgency of climate change, the South African government is actively promoting a shift to green energy and a more diversified power generation mix. Key initiatives include reforming Eskom (the national power utility) and encouraging private sector investment to enhance generation capacity. In 2019, the government launched the Integrated Resource Plan (IRP), outlining energy policy through to 2030. The IRP sets a target of increasing renewable energy to 39.6% of the generation mix while reducing coal-fired power to 43%. Achieving these targets is estimated to require approximately USD 35.6 billion in investment.

This Project aims to promote green financing that supports infrastructure development - specifically renewable energy power plants - by providing long-term loans to the Development Bank of Southern Africa (DBSA). The initiative is expected to contribute meaningfully to South Africa’s sustainable economic growth.

## **( 2 ) Japan's and JICA's Policy and Operations in Renewable Energy in South Africa**

Japan's Country Development Cooperation Policy for South Africa highlights the importance of accelerating the development of high-quality infrastructure - particularly in the energy, water, and transport sectors - as a means of achieving sustainable economic growth. It emphasises support for project and plan formulation that facilitates the mobilisation of private capital, including from Japanese companies, in addition to public funding. This Project aligns with that policy.

In the context of the Just Energy Transition Partnership (JETP), announced at COP26, South Africa launched the Just Energy Transition Investment Plan (JET-IP) in November 2022. The JET-IP outlines the country's investment strategy for 2023–2027 to support decarbonisation. The power sector - including renewable energy - is listed as a priority area. To support this plan, the European Investment Bank (EIB) extended a loan of €200 million to DBSA, which intends to provide a total of €400 million in loans to renewable energy projects, with part of the funding backed by the EIB.

From 2021 to 2024, JICA dispatched an expert to DBSA to assist in addressing non-revenue water challenges. Since 2024, a new expert has been seconded to support the promotion of green financing. JICA's Global Agenda on Natural Resources and Energy also prioritizes the promotion of renewable energy.

Additionally, the JICA Country Analysis Paper (JCAP) for South Africa, published in March 2024, identifies the power sector as one of the country's key development challenges and highlights the need for renewable energy to meet growing demand. This Project is therefore well aligned with Japan's development cooperation policies, JICA's strategic focus areas, and ongoing initiatives in South Africa.

## **( 3 ) Other Donors' Activities**

N/A

## **3. Project Description**

### **( 1 ) Project Description**

#### **① Project Objective**

The Project aims to promote green financing for renewable energy

projects in South Africa by providing long-term loans to DBSA in order to foster the development of green infrastructure, which is expected to ultimately contribute to the sustainable economic development of the country.

② Project Components

Promotion of DBSA's green financing to renewable energy businesses such as wind / solar power plants and/or BESS by providing long-term loans to DBSA.

③ Project Beneficiaries (Target Group)

Direct Beneficiaries: All users of the power generated or supplied from the plants or equipment financed by DBSA.

Ultimate Beneficiaries: All users of the power grid in South Africa

( 2 ) Project Cost: 150 million US dollars (for JICA portion, 100 million US dollars)

( 3 ) Schedule: The loans will be fully repaid in September 2034 when the Project completion

( 4 ) Project Implementation Structure

1 ) Borrower: DBSA

2 ) Guarantor: N/A

3 ) Implementing Agency: DBSA

( 5 ) Collaboration and Sharing of Roles with Other Donors: N/A

( 6 ) Environmental and Social Consideration

① Category: FI

② Reason for Categorisation: This is according to the "Japan International Cooperation Agency Environmental and Social Consideration Guidelines" (announced in January 2022, and hereinafter referred to as JICA Environmental Guidelines), as in this project the subprojects could not be specified before JICA's financing agreement, but those types of subprojects are assumed to have an impact on the environment.

③ Others/Monitoring: In this Project, DBSA is supposed to review each sub-project and determine its category in accordance with DBSA's Environmental and Social Safeguard Standards and JICA Environmental Guidelines and will take necessary actions according to the category. DBSA agreed not to utilise any funds from JICA to category A projects. Use of proceeds is on-lending to renewable projects such as solar power plants.

- ( 7 ) Cross-Sectoral Issues: This Project aims to promote financing for renewable energy projects in South Africa through loans to the DBSA, and it has the potential to contribute to the improvement of environmental and social issues, as well as to the mitigation of climate change through the reduction of greenhouse gases.
- ( 8 ) Gender Category:  
 [Not applicable] ☐ GI (Gender mainstreaming needs investigation and analysis items)  
 <Details of Activities/Reason for Categorisation> Although gender mainstreaming needs were investigated, the project stopped short of planning any initiatives that included specific indicators and were helpful to gender mainstreaming.
- ( 9 ) Other Important Issues: NA

#### 4 . Targeted Outcomes

##### ( 1 ) Quantitative Effects

##### 1 ) Outcomes (Operation and Effect Indicators)

Indicator	Baseline	Target (2027) [3 years after the end of the Availability Period]
Total amount disbursed of Sub-Project funded by the JICA Facility (USD million)	0	100
Number of sub-projects financed under the JICA Facility	0	3

- ( 2 ) Qualitative Effects: Strengthening DBSA's capacity for green finance assessment and implementation
- ( 3 ) Internal Rate of Return: Since this is a bank loan project, neither the Economic Internal Rate of Return (EIRR) nor the Financial Internal Rate of Return (FIRR) cannot be calculated.

#### 5 . External Factors and Risk Control

N/A

#### 6 . Lessons Learned from Past Projects

Ex-post evaluations of past concessional yen loan projects to India (FY2011–FY2016), which aimed to support the development of the new and renewable

energy sectors, highlighted the need for intermediary financial institutions to establish monitoring systems for the projects they finance. This is because renewable energy projects are particularly vulnerable to changes in policy, economic conditions, and natural factors - even after completion and during operation.

At DBSA, a framework for corporate risk management is in place under the oversight of the Audit and Risk Committee. It has been confirmed that risk categories are clearly classified, responsibilities are well allocated to the relevant departments, and that project management is being implemented in accordance with these structures.

## **7 . Evaluation Results**

The Project aligns with South Africa's development priorities, as well as Japan's and JICA's assistance policies and strategic analyses. By enhancing financial access for renewable energy businesses, it will help address the country's environmental and social challenges, contributing directly to the achievement of Sustainable Development Goals (SDGs) - specifically Goal 7 (Affordable and Clean Energy) and Goal 13 (Climate Action). Given its strategic relevance and potential impact, it is highly appropriate for JICA to support the Project through a Private Sector Investment Finance (PSIF) loan.

## **8 . Plan for Future Evaluation**

### **( 1 ) Indicators to be Used**

As indicated in Sections 4.

### **( 2 ) Future Evaluation Schedule**

Ex-post evaluation is expected 3 years after the end of the Availability Period (i.e., December 2024).

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