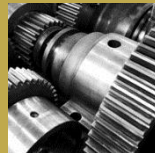


DEVELOPMENT BANK OF NAMIBIA

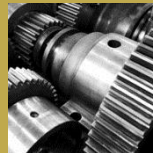
Developing and Funding IPPs

08 December 2016



Content

- ❑ DBN mandate & National development plans
- ❑ Focus industries
- ❑ Case Study: Solar Energy IPP project
- ❑ Benefits of partnering with DBN for project finance



DBN's mandate

□ Mandate of DBN (as per DBN Act 2002, No.8 of 2002):

– To contribute to:

a) Economic growth & social development in Namibia

b) Promote the welfare of Namibians in a sustainable way

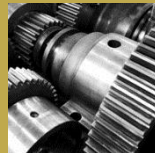
□ Vision Statement

– To play a leading role in the sustainable development of Namibia

□ DBN Financing Focus

– Infrastructure and large scale business projects

annual turnover > N\$ 10 million.



National Development Goals

Vision 2030

Namibia is a prosperous and industrialized country, developed by her human resources, enjoying peace, harmony and political stability by 2030

Goal 1: Prosperity

1. Attain a sustained economic growth
2. Disparity between rural & urban living, in terms of social and economic conditions is at the lowest
3. Namibians are healthy and empowered

Goal 2: Industrialization

1. Namibia's income per capita base has grown
2. Manufacturing and the services sector – GDP (80%)
3. Modern infrastructure (e.g. road, rail, ICT and port facilities) established
4. Unemployment reduced to 4%

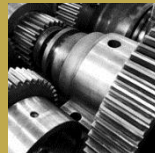
Goal 3: Harmony, peace & political stability

1. An enabling environment for sustainable social and economic advancement
2. A safe and decent living environment (e.g. housing, health and education)



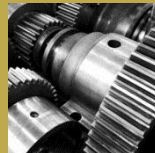
DBN' Strategy

- ❑ Bank' strategy to be aligned with National Policies (NDP4, Industrialization Policy, Growth at Home Strategy and the Harambee Prosperity Plan)
- ❑ To finance projects that build infrastructure and create employment
- ❑ Prioritisation of projects that enhances economic diversification
- ❑ Finance of export oriented activities

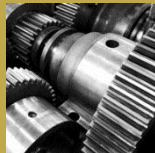


DBN' Strategy

- ❑ Support projects that produce import substitutes
- ❑ Prioritise projects targeted at poverty reduction
- ❑ Finance the servicing of land and residential property development
- ❑ Support economic transformation – bringing PDNs into the mainstream economy.
- ❑ Support decentralisation efforts



FOCUS INDUSTRIES

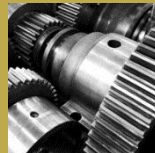


Focus Industries

□ The Bank is targeting to grow the loan book by focusing on activities within the following key economic sectors:

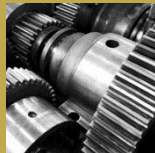
□ **Infrastructure:** Infrastructure development is crucial to Namibia's economic growth and development. The targeted infrastructure will mainly be in rail, roads, water, energy, ports, ICT, education, health and housing including municipal infrastructure.

□ **Manufacturing:** DBN aims to support the manufacturing sector to enhance value addition to local resources.

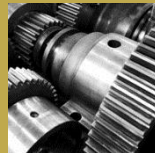


Focus Industries

- ❑ **Transport and Logistics:** The sector includes amongst others, cold storage and warehousing facilities, trucking business operations, bonded warehousing, dry ports etc.
- ❑ **Tourism & Hospitality Industry**

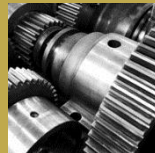


CASE STUDY: IPPs - Solar Energy



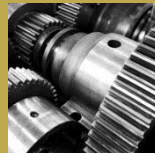
Case Study: Solar Energy

- ❑ Namibia, like some other countries in southern Africa faces severe electricity supply shortages, even though it has access to some of the best renewable energy resources.
- ❑ As a result, DBN not only funded Omburu Sun Energy, the first large scale solar PV plant in Namibia, but approved the funding for a number of other IPP projects under the interim REFIT programme.
- ❑ Projects under the REFIT programme are secured by a long-term power purchase agreement (PPA) with Nampower, which assures the project cash flows.



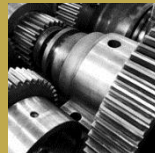
Case Study: Solar Energy

- ❑ Besides addressing the electricity shortage, these projects also reduces the dependence on energy imports.
- ❑ By participating in the funding of Omburu's 4.5MW solar PV park, DBN opened the doors for other financiers to realise the benefits of investing in the sector.
- ❑ The Omburu plant was officially commissioned in May 2015 and to date has been able to deliver the energy required under the PPA and has been servicing its loan to DBN.



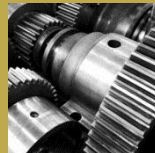
Case Study: Solar Energy

- ❑ As debt providers, DBN placed a lot of reliance on the project's performance.
 - ❑ On account of the fixed electricity tariff, together with power output data for the equipment, the Bank could ascertain the reliability of the projected cash flows provided by the promoters.
 - ❑ The loan was made to the project company (SPV).
 - ❑ DBN funded the construction and long-term funding of the plant
- ❑ A hybrid funding structure was used
 - ❑ Typical project finance arrangements
 - ❑ Holding company guarantees



Case Study: Solar Energy

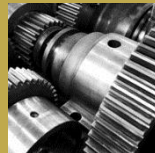
- ❑ Typical due diligence process for a solar energy project:
 - ❑ Assessment of financial model provided by the applicant to determine financial viability
 - ❑ Review of technical specifications of equipment (and verification that this ties into the financial model provided by the client)
 - ❑ Review of project documents (e.g. PPA, Transmission Connection Agreement, Shareholders' Agreement, EPC Contract, O&M Agreement, FIA documentation)
 - ❑ Review of qualifications of contractors, project developers and promoters (the more experienced these individuals are, the better the chances of success for the project)
 - ❑ Assessment of social and environmental aspects
 - ❑ Risk assessment (and verification that these ties into the financial model provided by the client)



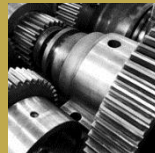
Case Study: Solar Energy

□ Typical funding structure for solar PV projects funded by DBN:

- At least 30% equity contribution – based on projected project cash flows
- Optimal loan repayment time of 12-15 years
- Bonds over land/leasehold and equipment are taken
- Cession over agreements (e.g. PPA, transmission agreements) to ensure repayment of loan
- Creation and cession of debt service reserve accounts
- Covenants related to certain ratios & dividends payments. (e.g. ADSCR to remain at 1.3)

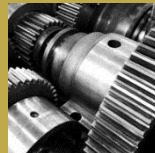


BENEFITS OF PARTNERING WITH DBN FOR PROJECT FINANCE



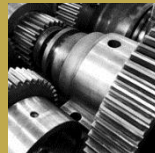
Why DBN?

- ❑ Track record in financing infrastructure development undertaken by local authorities or state-owned enterprises in partnership with private sector within a public-private partnership arrangement
- ❑ In-depth understanding of the needs of both private and public sector
- ❑ Robust due diligence processes, that provide comfort to other financiers and government institutions participating in PPP projects



Why DBN?

- ❑ Ability to provide project-specific tailor-made funding
- ❑ Ability to lead arrange projects or participate in syndications with other banks
- ❑ Creating Namibian funding solutions for Namibian projects
- ❑ Long term finance offered- maximum term of 20 years for infrastructure finance



Thank you

