



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

ENERGY BOUNCE BACK LOAN GUARANTEE SCHEME

In the February 2023 State of the Nation Address, President Cyril Ramaphosa, committed to “adjust the bounce-back loan scheme (BBS) to enable small businesses to invest in solar equipment”. During the 2023 Budget Speech, Minister of Finance, Mr Enoch Godongwana, provided detail on the adjustment of the Bounce-Back Loan Scheme that the “government will guarantee solar-related loans for small and medium enterprises on a 20 percent first-loss basis”.

The National Treasury has launched the Energy Bounce Back Loan Guarantee Scheme (EBB) today, an initiative aimed at alleviating the impact of continuing difficulties resulting from unreliable power supply for small businesses and households. The EBB aims to generate 1000MW in additional generation capacity as well as facilitate resilience to loadshedding for micro and informal businesses. Resilience measures include power storage assets without generating capacity, like batteries and inverters. The EBB is a complementary intervention to the tax measures announced in the 2023 Budget Speech. Applicants may therefore apply for both tax and EBB measures.

MEASURES

To facilitate investments government will, through a government guarantee administered by the South African Reserve Bank, assume the initial losses (20%) with finance providers assuming the risk for remaining losses for Small and Medium Enterprises (SME's) and households' rooftop photovoltaic solar investments (rooftop solar). The EBB will operate through 3 mechanisms.

Mechanism 1:

Loan guarantee for rooftop solar for SMEs and households' investment.

This mechanism will facilitate loans to SMEs and households for investments related to rooftop solar generated energy. This investment includes solar panels, batteries, inverters, and other installation related costs.

Mechanism 2:

Loan guarantee for rooftop solar for Energy Service Companies (ESCOs).

This mechanism will facilitate loans to ESCOs who provide leasing, instalment sale, and power purchase contracts to SMEs and households. This mechanism will allow businesses and households to switch to ESCO service providers for more reliable and cleaner energy without the need for loans to finance the full upfront costs of rooftop solar equipment themselves. Support from the EBB, which will be provided to the ESCOs to enable them to scale up and expand leasing services to households and small businesses, will require ESCOs to assess the individual need of households or



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businesses, the implementation of a suitable solution, and the conclusion of a leasing, instalment sale, and power purchase contract between the ESCO and applicant.

Mechanism 3:

Working capital loans for businesses in rooftop solar supply chain.

This mechanism will facilitate working capital loans for those businesses that supply rooftop solar to meet increased demand. This mechanism will increase the supply of rooftop solar solutions allowing businesses to source rooftop solar equipment with minimum delays.

An additional mechanism will be concluded with the Industrial Development Corporation (IDC) to facilitate new ESCO entrants, as well as scale up existing ESCO's through a mezzanine finance instrument. The IDC and National Treasury will provide details of this instrument once concluded.

Participation in the EBB will be facilitated through commercial banks on an opt-in basis. Non-bank finance providers, including wholesale retailers who provide lending products to SMEs for EBB eligible related loans, can access the scheme through participating commercial banks. Participation through commercial banks will be subject to basic requirements, such as tax compliance and adherence to other legal and regulatory requirements.

Any business borrowing under the EBB will be expected to meet the participating bank's specific requirements, be registered with the Companies and Intellectual Property Commission or be registered for Value Added Tax in terms of the Value Added Tax Act, 89 of 1991 with the South African Revenue Service.

ELIGIBILITY

Eligible businesses must have a maximum turnover of R300 million. DFI's and non-bank lenders, which include wholesale retailers offering credit products servicing informal traders, can also access the scheme through a commercial bank up to a maximum of R300 million per entity. The maximum amount a business can borrow is R10 million. Businesses can also borrow a maximum of R30 000 through the scheme, for resilience measures. This is to enable access for micro, informal businesses that may require portable batteries or similar equipment to these assets.

For households, a maximum loan amount, for the purchasing of rooftop solar, will be R300 000 per household.

For the leasing mechanism, prospective customers would also need to comply with the requirements set out by participating banks and the ESCO providing the leasing service.



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Businesses in the rooftop solar supply chain, those importing batteries, investors and panels will be able to borrow up to R100 million for working capital to ensure that wait times are reduced. Installers can borrow a maximum of R100 million.

COST

Pricing of the loans will be capped at the repo rate (at the commencement of the loan) plus a maximum of 6%. Households and SMEs will have the option of approaching any participating bank. Participating banks, Development Finance Institutions and non-bank SME finance providers will compete subject to the product terms, conditions, and pricing cap.

The EBB will be available until 30 August 2024.

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