



The Intricacies of Financing Renewable Energy Projects

in 2014 as a majority Namibian-owned and led investment house which focuses on unlisted/private markets investments. Mergence Namibia aims to acquire assets that result in sound financial returns, while supporting the development of both social and economic infrastructure growth needs.

Our funds focus on mezzanine debt, equity financing of Previously Disadvantaged Namibians (PDN) and equity investments to support and enhance infrastructure development within Namibia. The aim is to address and support the outcome objectives of the Harambe Prosperity Plan and the NDP4, in line with Vision 2030. We invest across a wide range of infrastructure sectors such as renewable energy, land servicing, transport, water, communication, education, and healthcare.

Our investments in Fund I were largely focused on renewable energy projects and made on behalf of the GIPF through the Mergence Namibia Infrastructure Fund Trust. The projects are based in areas with favourable solar irradiation and the Fund has taken up majority stakes to enhance localisation of the industry in line with the Fund's broader strategy to position itself as a strategic partner focused on addressing the acute power shortage and other infrastructure deficits in Namibia as far as possible.

In Mergence's experience, arranging finance for a renewable energy project is not a task to be underestimated by the developer, especially those with no previous experience in raising finance or establishing successful power generation projects. It is important that the developers bear in mind that:

- The process of arranging financing is time consuming
- The technical, contractual and consent aspects of the projects all affect the financing
- Problems will emerge that require determination and often creativity to overcome
- Financiers will carefully scrutinise every aspect of the project. Attention to detail and anticipation of lender concerns are very important.
- For small projects, it may be difficult to attract the attention of lenders or investors. A developer may believe that the project will "sell itself" based on its own merits, but in reality, the developer will have to adhere to the strict terms and conditions applied to project financing.
- Project lenders will have priority access to a project's cash flow, and the shareholders may not receive much of a return on investment until the project debt is substantially reduced.

Mergence believes that the technical difficulties of a project, which in themselves may appear daunting, are often exceeded by the complexities of raising the necessary finance. With the launch of our Fund II we will continue to participate in renewables and provide practical approach to private funding options for renewable energy projects which were limited in the past, but which have now changed.

- Written by Hileni Nghinaunye, Portfolio Manager - Mergence



POWERING A BRIGHT NAMIBIAN FUTURE

Project by project, since 2018, Mergence Unlisted Investment Managers (Namibia) has been dedicated to enhancing the country's renewable energy capacity.

We actively involve local investors to drive the growth of Namibian infrastructure, create job opportunities, and evaluate the positive impacts of our projects on local communities.

For more information visit www.mergence.com.na

