



DBSA

Development Bank
of Southern Africa

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**Presentation to
MAPUTO CORRIDOR UPDATE EVENT**

18 OCTOBER 2007

Introduction to the DBSA

The DBSA is one of the Development Finance Institutions (DFIs) in South Africa;

Wholly owned by the Government of South Africa;

Shareholder representative is the Minister of Finance, Trevor Manuel.

DBSA's Mandate:

- **Promote development and economic growth in South Africa & the wider region;**
- **Primary focus on infrastructure;**
- **Secondary focus on human resource development;**
- **Regional focus on economic infrastructure and integration; and**
- **Strategic sensitivity to private sector development and participation.**

DBSA's Approach

- Invest in assets, hard (physical) and soft (human & institutional) that serve the poor, directly and indirectly, and that create broad-based wealth creation (physical, productive and institutional capital);
- Mobilise, develop, apply and manage knowledge in support of development effectiveness, innovation & generally an enabling developmental environment.
- Has a multi-pronged approach: financier, advisor, partner, implementer and integrator.

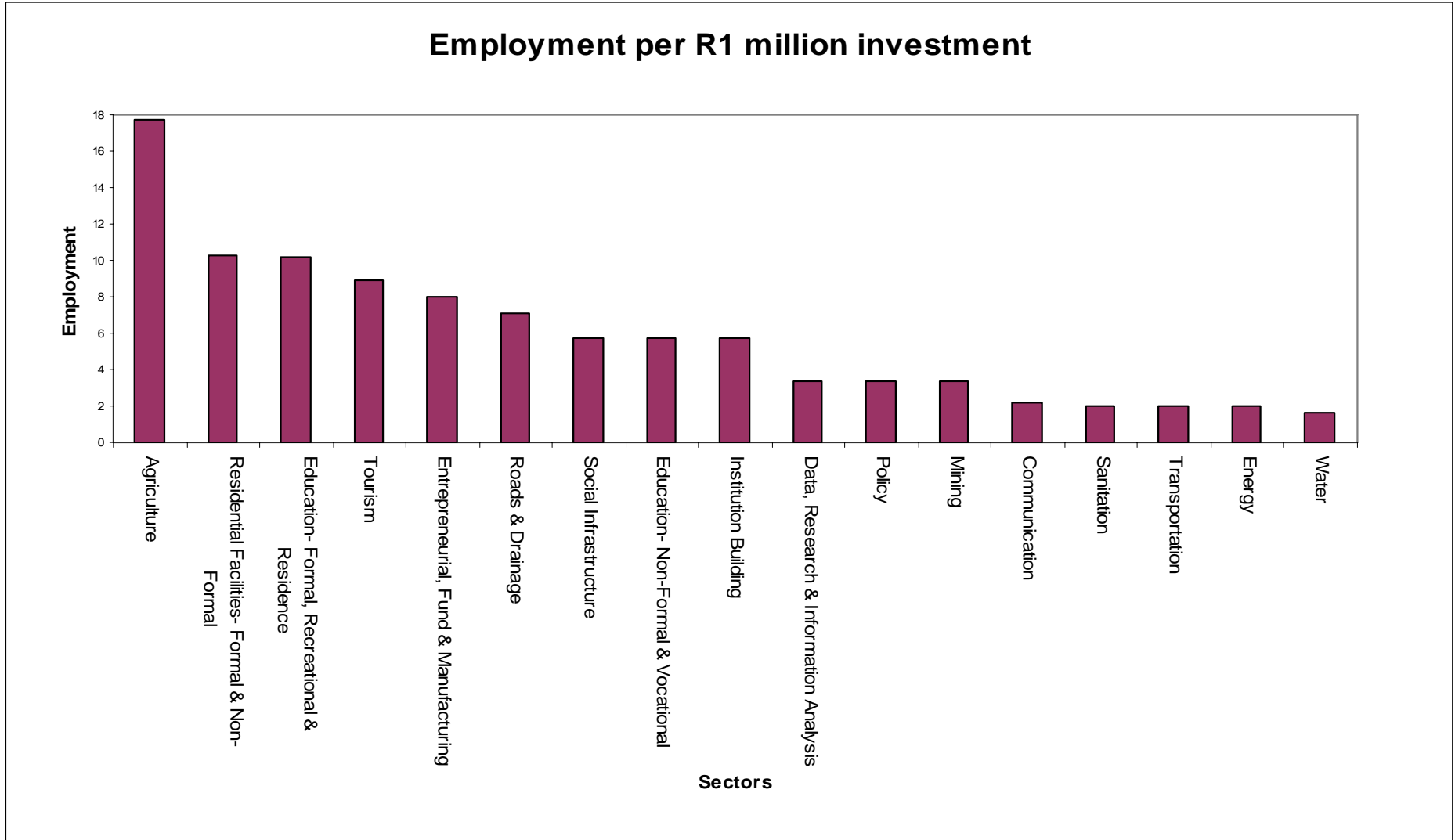
DBSA's Definition of Infrastructure

- **Economic Infrastructure:** capital stock that produces services to facilitate economic production and household consumption = electricity, roads, ports, water & waste, tourism, telecommunications, mining, etc.
- **Social Infrastructure:** provision of services such as health, education, etc. which increases economic activity (direct) and enhances broader developmental outcomes (indirect)

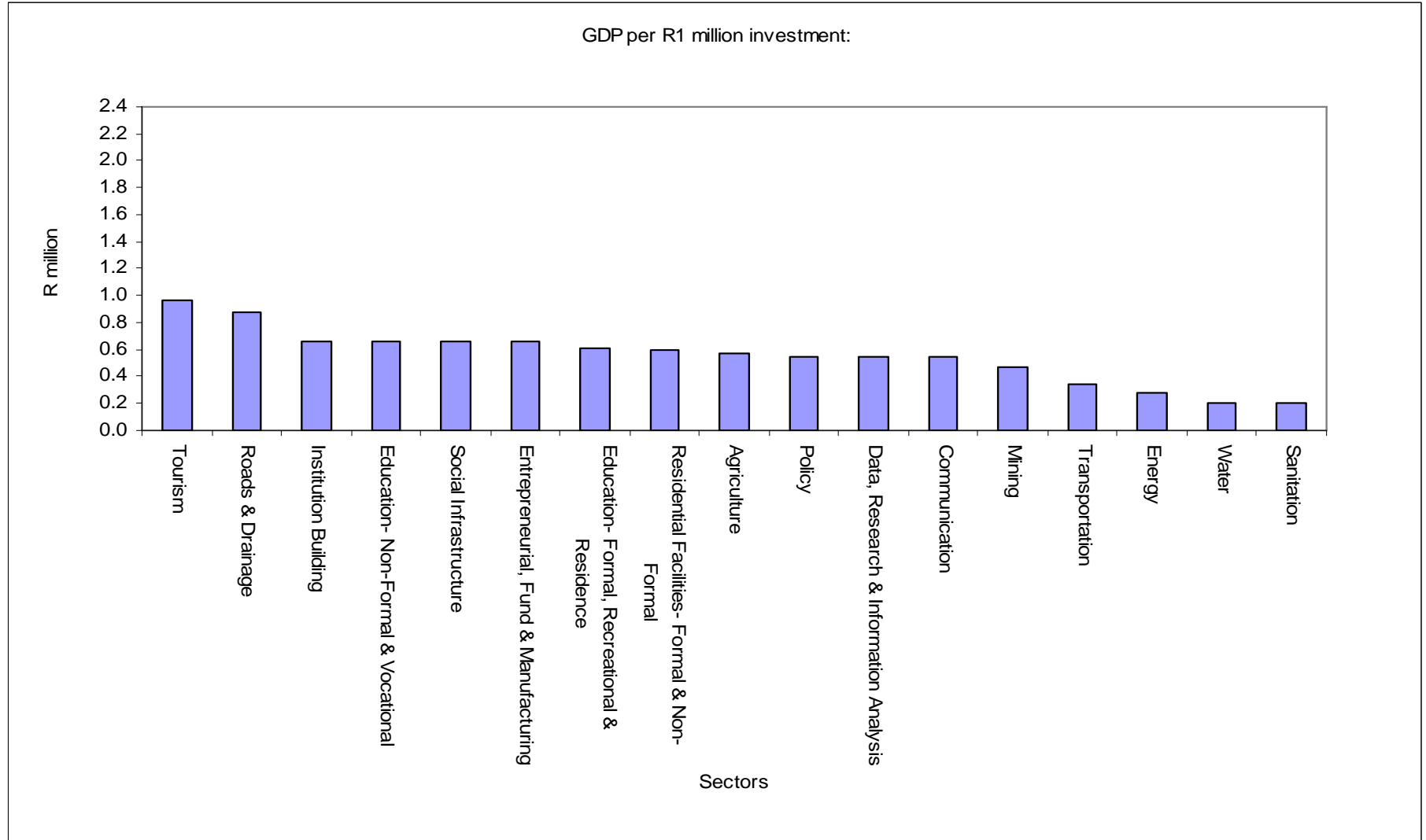
12 x Infrastructure Primary Focus Areas

Water & Waste	Urban Renewal
Social (Health & Education)	Energy
Transportation	Tourism
Financial or Capital Market Development	Information & Communication Technology
Rural, Agriculture, Fisheries & Forestry	Manufacturing, Retail and Commercial
Environmental	Mining

Example : Employment Multipliers



Example : GDP Multipliers



Our Single Over-arching Goal is:

To Improve the quality of life of the people of the region through expanding access to development finance and effectively integrating and implementing sustainable solutions.

Our Five Key Strategic Objectives are:

- Co-deliver social & economic infrastructure;
- Build human & institutional capacity;
- Promote broad-based economic growth, job creation, cooperation, integration & prosperity;
- Serve as a centre of excellence from development financing, innovation & effectiveness; and
- Ensure internal financial sustainability.

DBSA's Products & Services

Investments loans

- Senior and subordinated debt funding;
- Targeted infrastructure programme (soft loans);
- Guarantees;
- Equity through third party managed funds;
- BEE financing; and
- Public Private Partnerships (PPP).

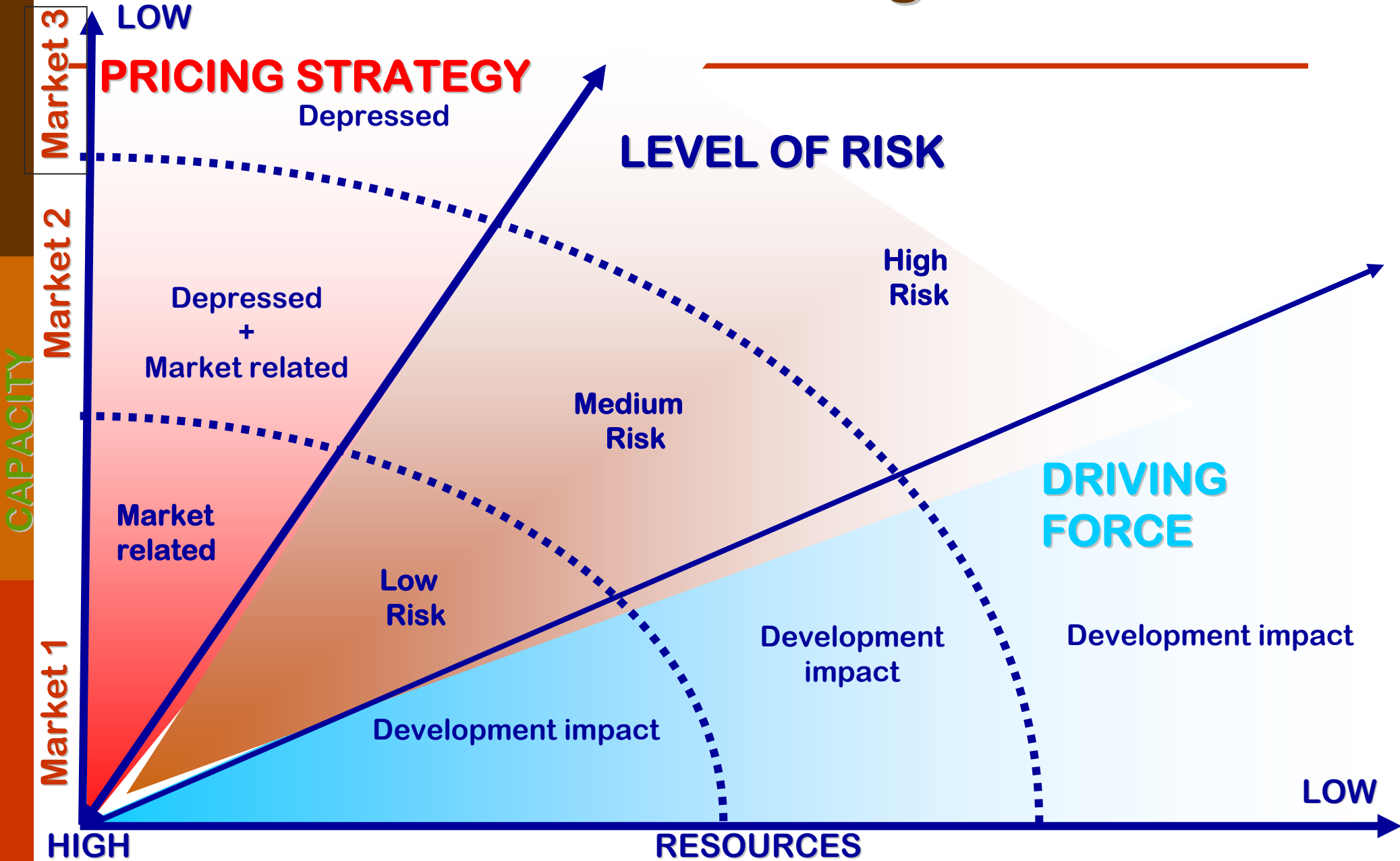
Technical assistance and other non-lending products

- For planning and project preparation; and
- Advisory services and a range of knowledge products.

Capacity building support

- Offered through the Development Fund, Knowledge Division and Operations Divisions; and
For general capacity needs of institutions.

The DBSA's Market Segmentation



DBSA's Value Proposition

- **Partnership approach**
 - Development impact enhancement
- **Technical assistance**
 - Planning/programming/packaging
 - Project preparation
 - Feasibility and research studies
- **Long term horizon**
 - Integrated approach
 - Finance with capacity building
- **Catalytic role**
 - Facilitate private sector participation
 - Co-funding
 - Arranging role

Funding Options

- **Term loan**
- **Bridging finance**
- **Bonds, e.g. City of Joburg**
- **Private Public Partnership**
- **Structured Finance**
- **Project Finance**

LOAN REPAYMENT PERIOD

- ❑ Linked to economic life of asset
- ❑ Structured to optimize positive impact on cash flow
- ❑ Normally from 5 years to a maximum of 20 years

INTEREST RATE OPTIONS

□ Option 1: Fixed interest rate

Interest is calculated in arrears on the daily balance of the loan and compounded semi annually.

Option 2: Floating interest rate

Interest is calculated on the daily balance of the loan and compounded quarterly.

Interest payments are made semi-annually in march and September.

Options to convert the floating rate under certain conditions to a fixed rate only once during loan period.

Borrowing – Lender's Concerns

- 1. Sound borrower:**
 - Balance sheet, municipal accounts
 - Human & institutional capacity
- 2. Sound project fundamentals:**
 - Certainty of throughput & income
- 3. Predictable regulatory framework:**
 - Non-interference from central Govt or council
 - Clear remedies for default by any party.
- 4. Achievable plans:**
 - Clear affordable LOS roll-out plan for all
 - A plan for the very poor (integrity, stability, votes)
 - Appropriate quality specification

Borrowing – Lender's Concerns (cont)

5. Financial modeling:

- Investment needs, Projected income
- Cash flow projection, Debt servicing (& dividends)
- Test Sensitivity - be clear on assumptions, what if too optimistic?
- Build in security for when things go wrong.

Constraints for Infrastructure Delivery

- Immense political pressure to deliver services;
- Constant battle for resources;
- Trade offs between political promises and available finance;
- External funding required to compliment available resources;
- Need for careful planning and integrated asset management (operations & maintenance)
- Limited institutional and capacity to plan, budget and deliver infrastructure

Financial Planning for Municipal Infrastructure

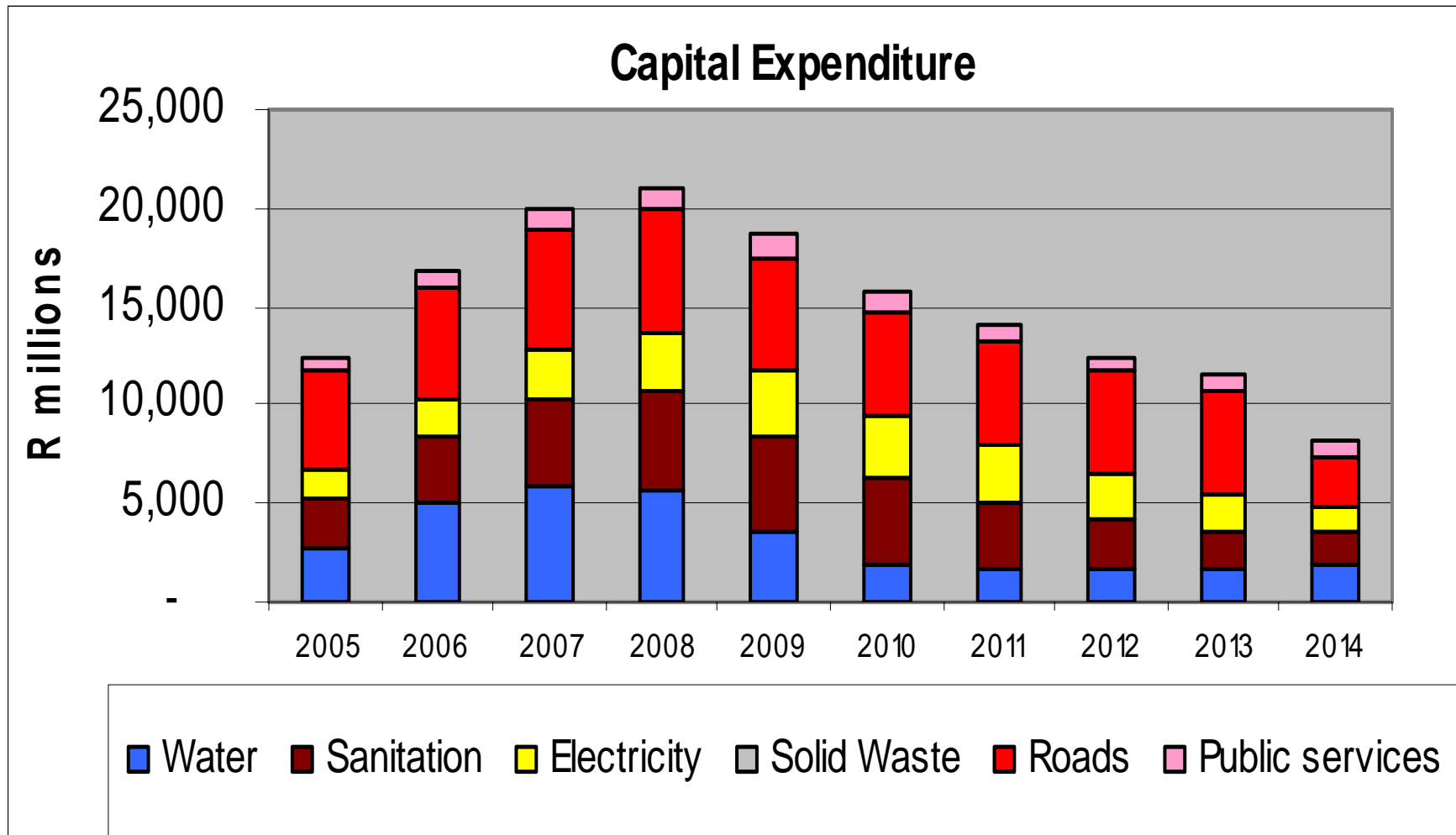
Two Biggest Challenges:

Rolling Out New Quality Services to Reduce the Backlog

and

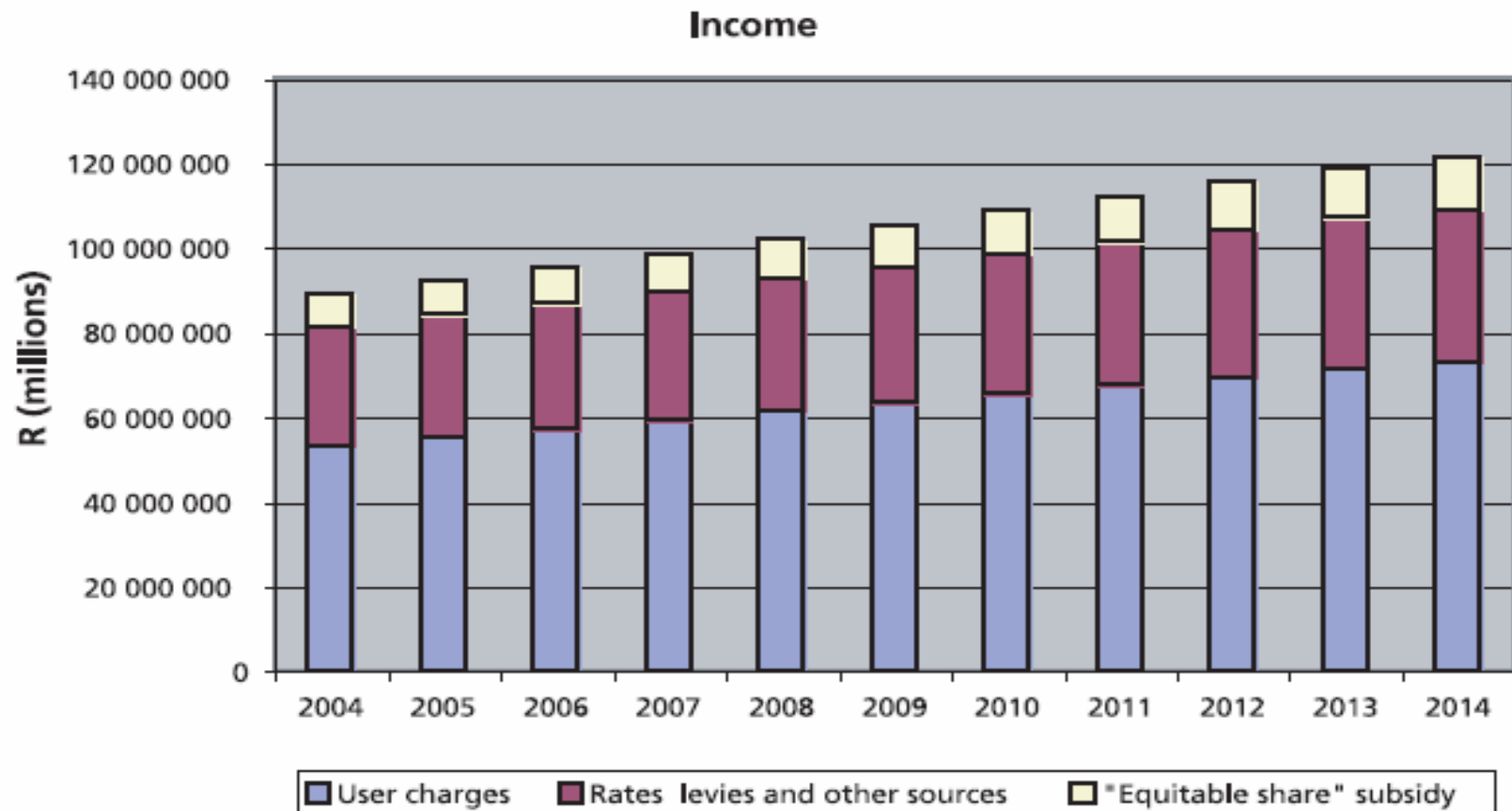
Keeping Them Running – Delivering Sustainable Services

Municipal Infrastructure (DBSA Barometer 2006)

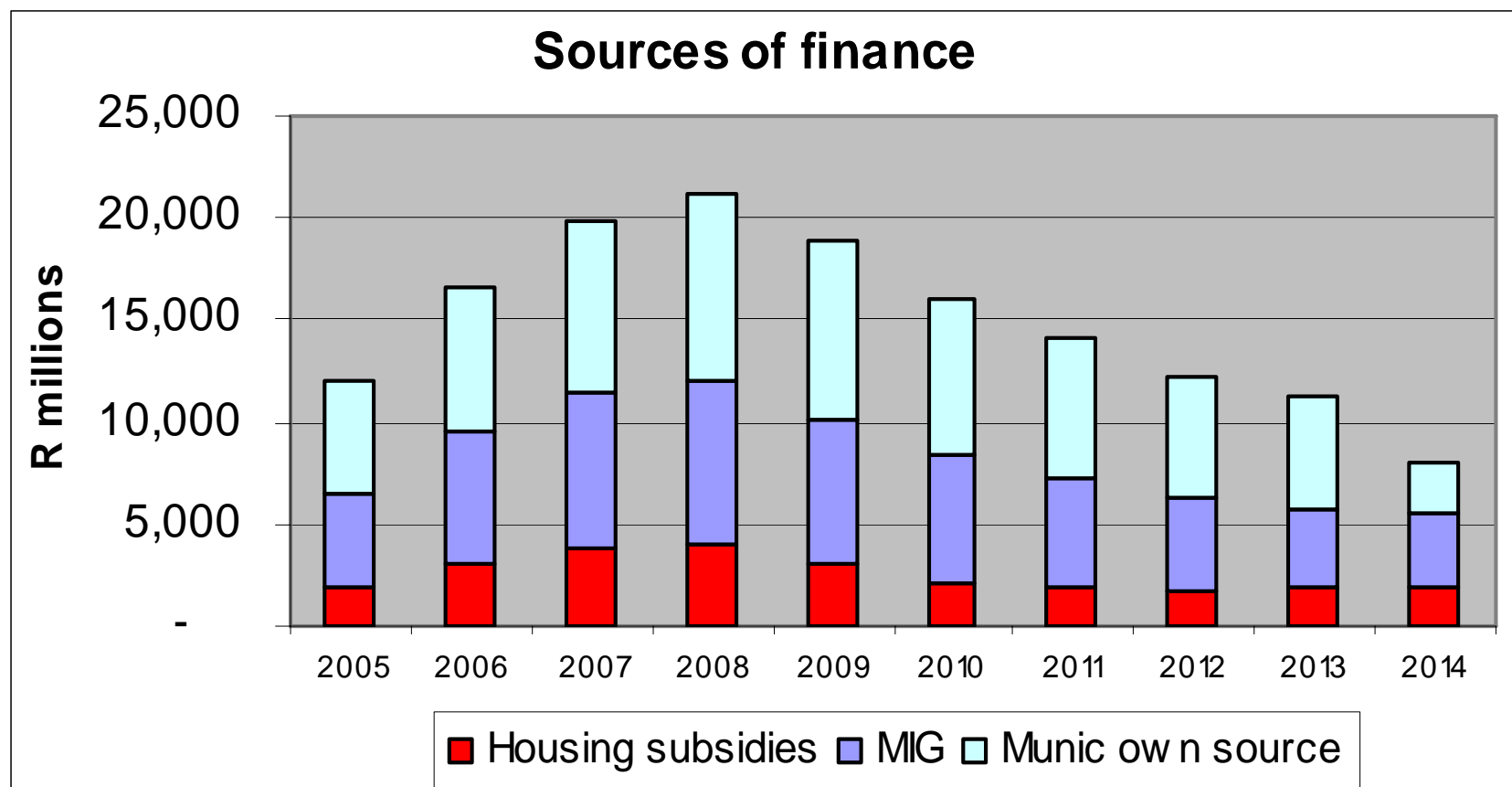


Municipal Infrastructure (DBSA Barometer 2006)

Figure 61: Predicted sources of revenue for chosen scenario (constant 2004/05 prices)



Municipal Infrastructure (DBSA Barometer 2006)



Going Forward – Key Strategic Initiatives

- Support the province and its municipalities towards the implementation of the Growth & Development Strategies;
- Support the 2010 Soccer World Cup infrastructure;
- Fulfilling the DBSA mandate of addressing infrastructure backlogs;
- Support the implementation of the Flagship projects;
- Develop funding instruments to encourage investment in infrastructure (Growth Fund).

Provincial Priority projects

- ❑ Flagships: Moloto rail, Maputo corridor
- ❑ 2010 world Cup infrastructure: Stadium
- ❑ Road network rehabilitation (Coal haulage)
- ❑ Establishment of the Growth Fund
- ❑ Establishment of IDZ around the KMIA
- ❑ Tourism support (Loskop and Songivelo)
- ❑ Nkomazi 24 hour border post
- ❑ Municipal infrastructure support for water provision

WHOM TO CONTACT

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DBSA

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**Deepening and broadening
development impact**

Thank You