

TRANSPORT

WATER

ICT

HEALTH

ENERGY

EDUCATION

GROWING A FOCUSED, SUSTAINABLE AND DEVELOPMENTAL DBSA



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DBSA AT A GLANCE

- ❑ The DBSA is wholly owned by the SA government, established in 1983 to perform a broad economic development function within the homeland dispensation that prevailed
- ❑ Role of the Bank evolved to accelerate both economic and social infrastructure development for the benefit of all citizens in both South Africa and SADC regions
- ❑ DBSA is uniquely positioned to support the development challenges. Its client facing operations are structured to unlock value across three broad prevailing challenges: social transformation; economic stimulation and institutional capacity building
- ❑ Exempt from SA income tax and raises funds to finance its operations from market sources
- ❑ Self-funding development finance institution raising capital from the following sources:
 - ❑ Internally generated sources
 - ❑ Bond issues, private placements with select investors -domestic and international capital markets
 - ❑ Lines of credit with supranational and major bilateral dfi as well as commercial banks
 - ❑ Increase in callable capital from R5bn to R20bn by National Treasury, Minister of Finance



STRATEGIC OVERVIEW

National imperatives National Development Plan Presidential Infrastructure Co-ordinating Commission

Achieve financial sustainability as foundation for future growth

Provision of development finance and delivery capacity to deliver infrastructure

DBSA to achieve financial sustainability over medium term (grow equity greater than inflation) within acceptable risk framework:

- Revenue maximisation
- NII growth, operational cost and impairments management
- Direct delivery: activities agreed with the shareholder and only undertaken on a full cost recovery basis

Infrastructure funding

- Core sectors: energy, transport, water, ICT
- South Africa (munis, SOEs, other public entities, public-private partnerships, private sector intermediaries)
- SADC

Infrastructure delivery support and programme implementation

Support key government priorities: local government, health, education and regional integration.

- Grow development assets
- Leverage third-party funds
- Diversify product offering in support of infrastructure development



PRIORITY MARKETS AND ACTIVITIES

Project development advisory services	Project finance	Accelerating infrastructure delivery	Programme implementation
<ul style="list-style-type: none"> • Project identification • Feasibility assessments • Technical assistance • Financial structuring • Project preparation funds 	<ul style="list-style-type: none"> • Debt • Mezzanine finance • Limited and non-recourse lending • Guarantees 	<p>Managing the design and construction of key projects in the education, health and housing sectors</p>	<p>Project management support, including to the Jobs and Green Funds</p>
<ul style="list-style-type: none"> • Municipalities • Public-private partnerships • Public-public partnerships • Regional integration 	<p>South Africa</p> <ul style="list-style-type: none"> • SOEs + Municipalities • Public-private partnerships • Private sector Companies <p>Outside South Africa</p> <ul style="list-style-type: none"> • SOEs + PPPs • Private sector Companies 	<p>National and provincial government departments</p>	<p>National government departments</p>

DEVELOPMENT FINANCE FOCUS

Basic Community Services Infrastructure

- Water reticulation
- Sanitation / Waste management
- Electricity reticulation
- Internal road networks

National Economic Infrastructure

- Energy / Power (Generation; Transmission; Distribution)
- Transportation (Roads; Rail ; Ports ; Airports)
- Bulk water
- ICT
- Liquid fuels (oil & gas)

Priority Social Services Infrastructure

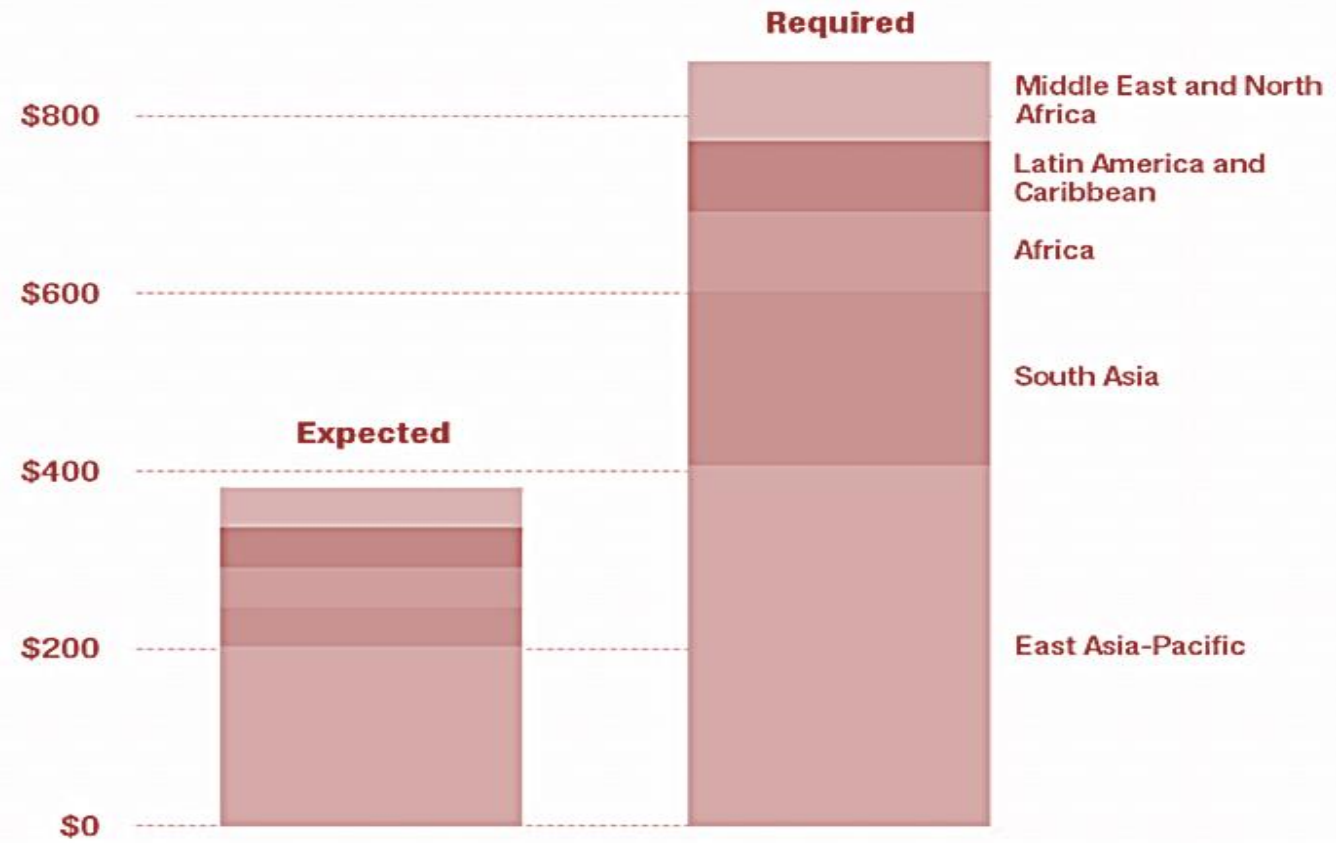
- Education
- Health



GLOBAL INFRASTRUCTURE FUNDING GAP

Investment Gap

Expected and required annual infrastructure investment in emerging regions, as of May 2011



Note: Data for Europe and Central Asia unavailable

Source: World Bank & The Wall Street Journal

SA INFRASTRUCTURE FUNDING GAP

Strategic Infrastructure Projects – SIP 1 – 18

R billion	Project stage								Total	Per- cent of total
	Con- cept	Pre- feasi- bility	Feasi- bility	Finan- cing	Detailed design	Tender	Con- struc- tion	Ongoing pro- grammes ¹		
Water	–	–	20	47	22	7	15	20	131	3.6
Transport	383	–	130	19	52	88	25	126	823	22.9
Electricity	300	53	550	–	98	464	385	152	2 002	55.7
Liquid fuels	–	3	209	8	–	–	23	–	243	6.8
Education	12	–	–	68	–	–	18	34	133	3.6
Health	–	–	50	29	–	–	–	37	116	3.2
Telecommunication	12	–	–	0	4	16	3	–	36	1.0
Human settlement	–	–	–	84	–	–	26	–	110	3.2
Total	707	56	958	256	176	575	496	8	3 592	
% total expenditure	19.7%	1.6%	26.7%	7.1%	4.9%	16.0%	13.8%	10.2%	100.0%	

- (“SOC”) critical roles to play in the roll out of SIPs
- Strategic financial and regulatory support
- Over stressed SOC balance sheet
- Quantum to be funded is large requires re-think of funding models
- Huge focus on transport and energy sectors

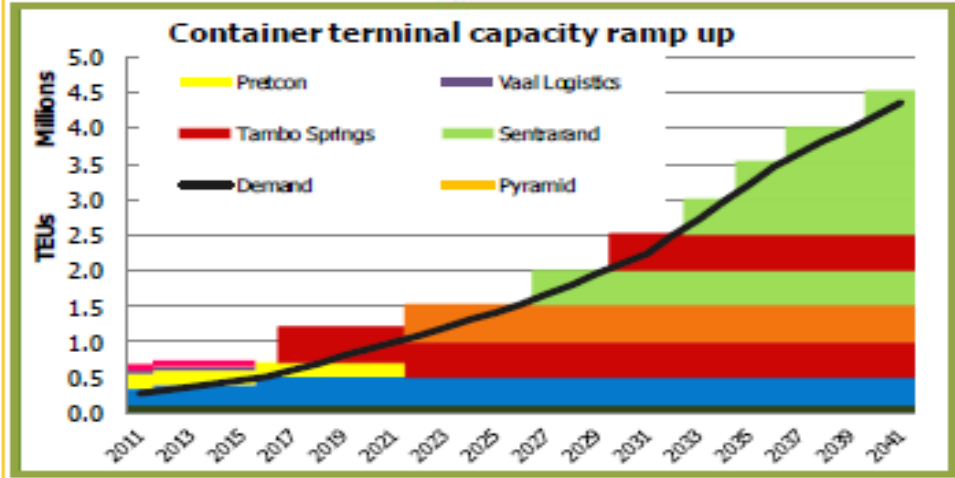
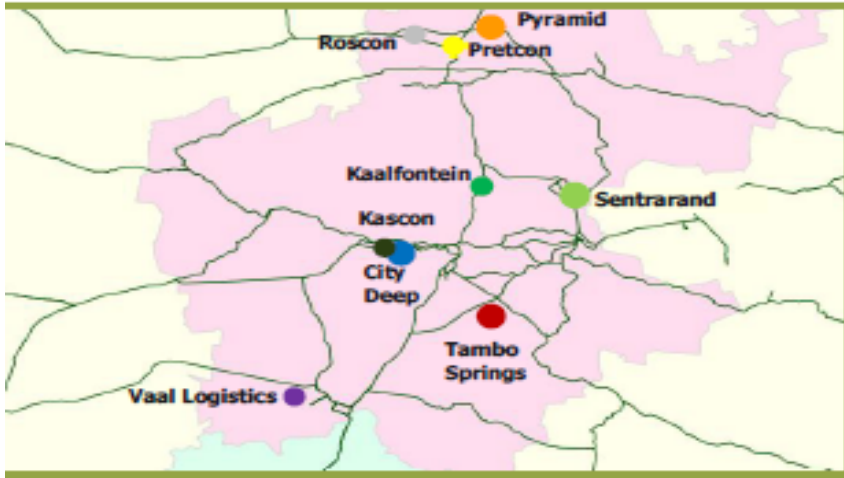
1. Ongoing programmes include multiple projects at different stages of development, such as universal access to electricity and school building programme

20 year Infrastructure plan – R 3 600 billion Project funding required

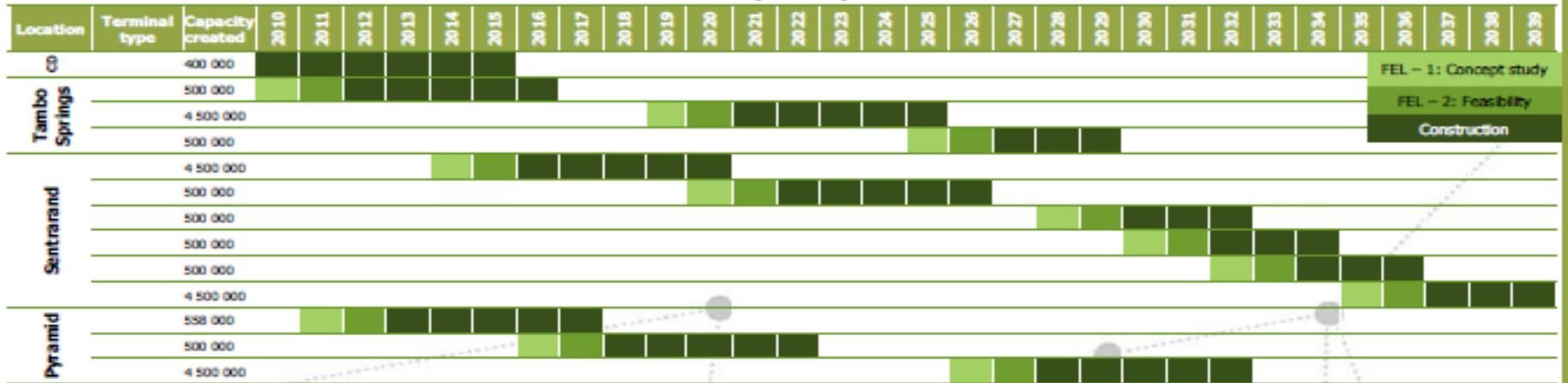
Source: 2013 Budget Review - National Treasury



SECTOR PROJECTS – LOGISTICS HUBS



Development plan



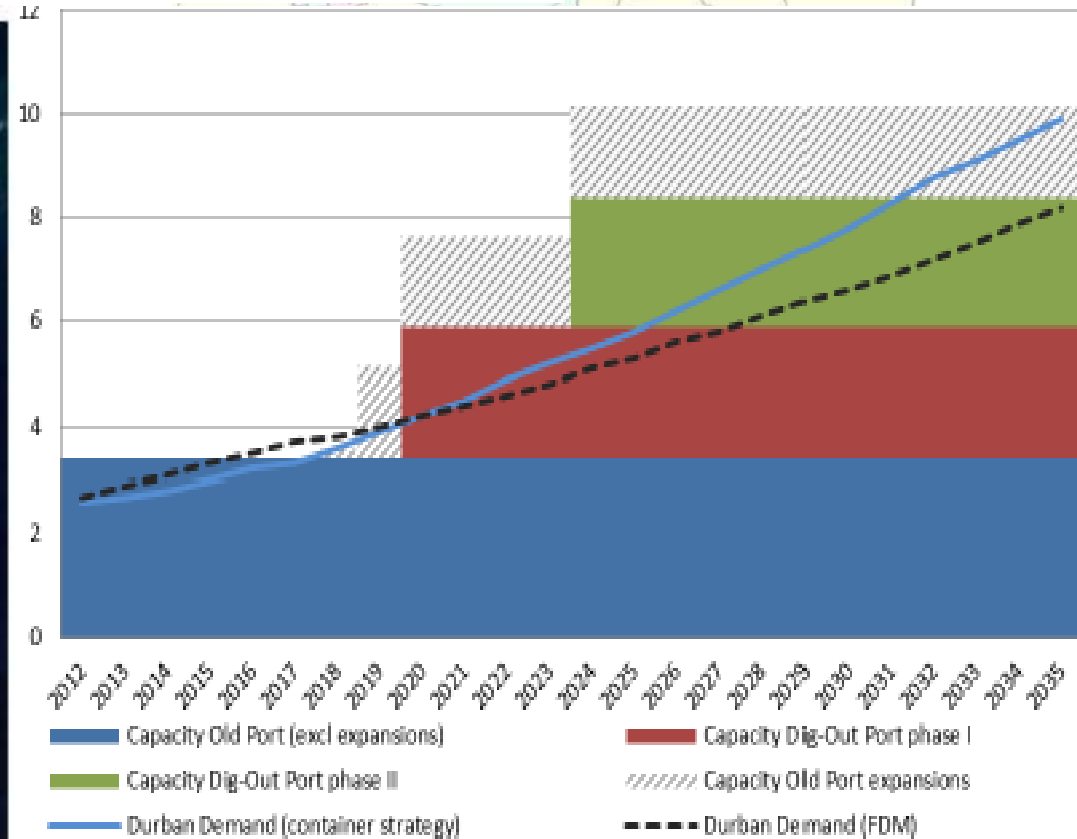
- Tambo Springs - R 11bn project to be funded off-balance sheet
- Needs to be operational by 2016 as part of PSP portfolio

SECTOR PROJECTS - DURBAN DIG OUT PORT – PPP?

New port location



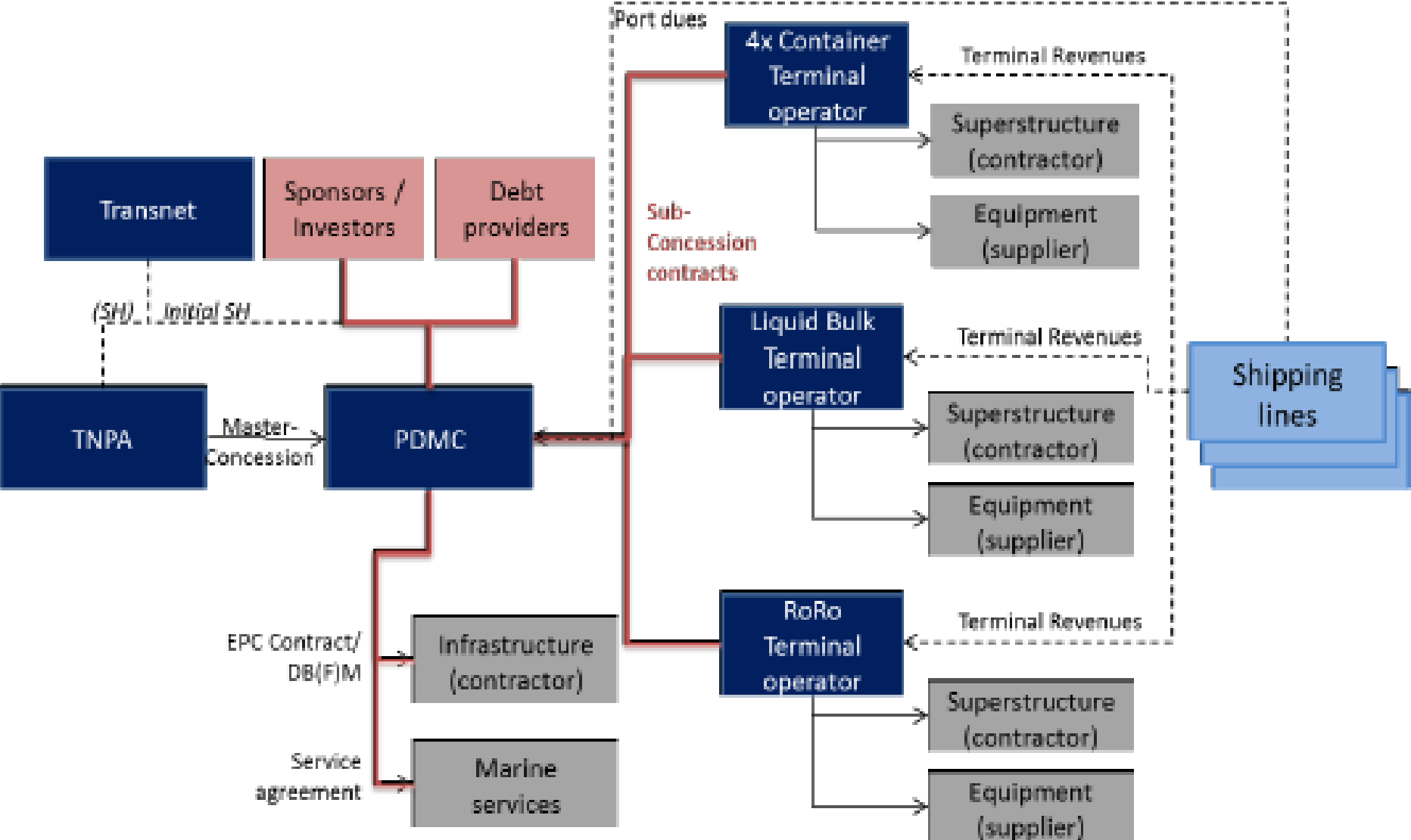
Demand and Capacity



Current rail routes

- 9.6 million TEU (twenty-foot equivalent unit)
- R 30bn project to be funded off-balance sheet
- Construction commence 2016 and operational by 2020 as part of PSP portfolio

DURBAN DIG OUT PORT: ENVISAGED PPP STRUCTURE



- **PDMC designs, builds, finances, maintains & operates**
- **PDMC obliged to procure the EPC-contract for the development of the port infrastructure and to organize operations such as towage, mooring, pilotage, etc.**



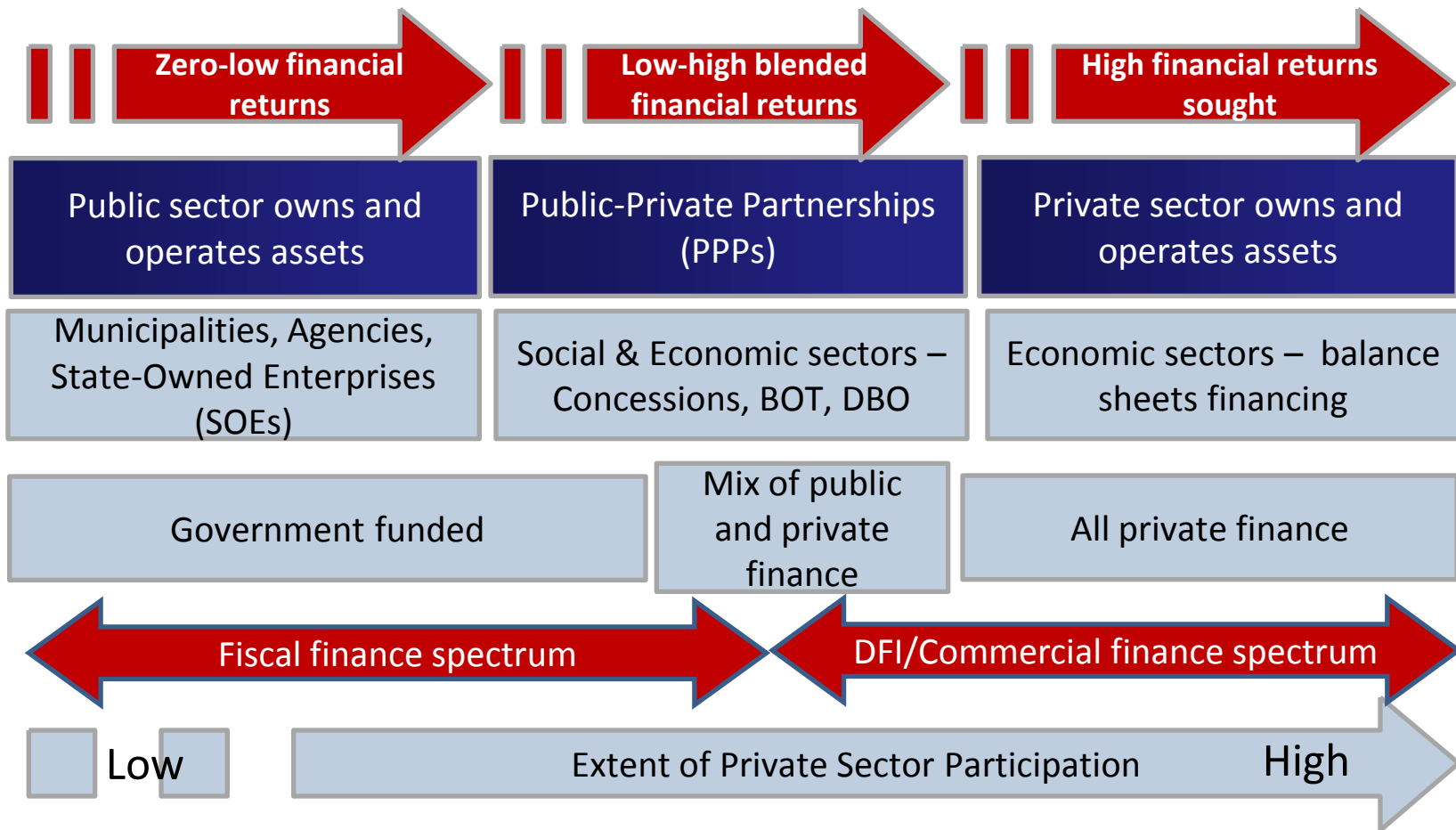
DFIs THE CATALYST IN FINANCE SPECTRUM



Party	Investment focus	Areas of investment	Returns expectations
Government	Social investing for development impact	Social sectors	<ul style="list-style-type: none"> No financial return Maximise development impact
DFIs	Social and economic investing to support financial sustainability	Areas of market failure in both social and economic sectors	<ul style="list-style-type: none"> Development impact Marginal financial return to support sustainability
Private Sector	Economic investing for maximising shareholder returns	Mainly economic sectors	<ul style="list-style-type: none"> Pure commercial return



THE CASE FOR INVESTING IN PPPs





ROLE OF DFIs IN FAST TRACKING PPPs

Early stage project development funding to accelerate infrastructure projects and to provide an entry point for DFIs to participate

Initial financing

Equity investors

- Project sponsors
- Fund managers
- Institutional investors

Equity instruments

- Sponsor equity
- Private equity
- Infrastructure funds (greenfields)

Refinancing/exit

Equity refinancing or exit

- Pension funds
- Infrastructure funds (brownfields)
- Insurance firms
- Sovereign wealth funds
- Initial Public Offering (IPOs)

Debt investors

- **DFIs/ECA/MDBs**
- Commercial banks
- Capital markets

Debt instruments

- Project finance
- Senior/subordinated bank loans
- Mezzanine finance
- BBBEE loans (local ownership)
- Export credit finance
- Loan guarantees

Debt refinancing or exit

- Infrastructure bond issue
- Bank refinancing
- Pension fund refinancing



CONCLUSION

- **DBSA to participate in PPPs to deliver core infrastructure (transport and energy sectors) to relieve public sector balance sheet limitations**
- **DFIs must partner with relevant public authorities, and capitalise on early-stage project development and capacity building in order to procure subsequent project funding on a commercial basis**
- **Economics of value add (ROIC > Cost of Capital) at a project/programme level must be considered to justify the economic rationale**
- **Value stream mapping across project value chain can create new opportunities for direct financing opportunities to suppliers and other private party in PPPs**
- **Select equity participation should be considered in projects where risk-return profile justify a share in the upside**
- **Structured Finance should be used to enhance returns, and not at the expense of economic profit**
- **Continue to secure dedicated funding sources from other DFIs to complement existing capacity building, project development, and financing activities**
- **Focus on key sectors and infrastructure assets as per mandate of national priority**
- **Partnerships with funders should be mutually beneficial, to access new funding opportunities**



Development Bank
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