



INFRASTRUCTURE INDABA

INFRASTRUCTURE INVESTMENT AND DEVELOPMENT



A PROGRAMMATIC AND BLENDED FINANCE APPROACH TO INFRASTRUCTURE DEVELOPMENT



OUTLINE

1

DBSA OVERVIEW

DBSA background, sectors and service offering

2

A PROGRAMMATIC AND BLENDED FINANCE APPROACH

Programme management and blended finance approach

3

INFRASTRUCTURE PROGRAMMES

Programme currently being developed as national infrastructure programmes

4

DBSA's INFRASTRUCTURE DELIVERY SERVICE

Role of an implementing agent, services and value proposition, sector focus and development outputs and outcomes

INTRODUCTION



Preparing, financing and implementing infrastructure projects in Africa

Founded
1983
DBSA
Act 1997

Owned
100%
by SA
Government

Total assets
R82.3bn
(US\$6.2bn)
Equity
R35bn
(US\$2.6bn)

Externally
rated

DBSA foreign
currency rating is
Baa3
(Moody's)

Well
governed

Unqualified audits

A+ rating
from AADFI PSGRS

Globally
accredited

Global Environmental
Facility

Green Climate Fund
EU 6-pillar

SECTORS

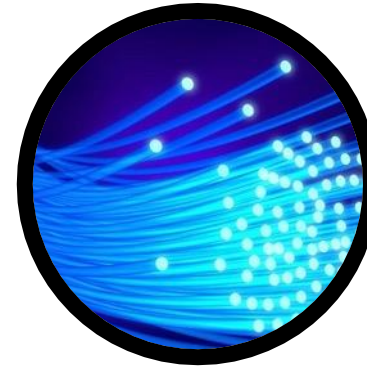
Preparing, financing and implementing infrastructure projects in sub-Saharan Africa



TRANSPORT



ENERGY



ICT



WATER AND SANITATION



HUMAN SETTLEMENTS



EDUCATION



HEALTH

INTEGRATED APPROACH TO INFRASTRUCTURE DEVELOPMENT

1. Plan

- Municipal assessments
- Bulk infrastructure plans
- Infrastructure planning advice

2. Prepare

- Project identification
- Feasibility assessments
- Technical assistance
- Programme development
- Project preparation funds

3. Finance

- Long-term senior and subordinated debt
- Corporate and project finance
- Mezzanine finance
- Structured financing solutions

4. Build

- Managing design and construction of projects in education, health and housing sectors
- Project management support

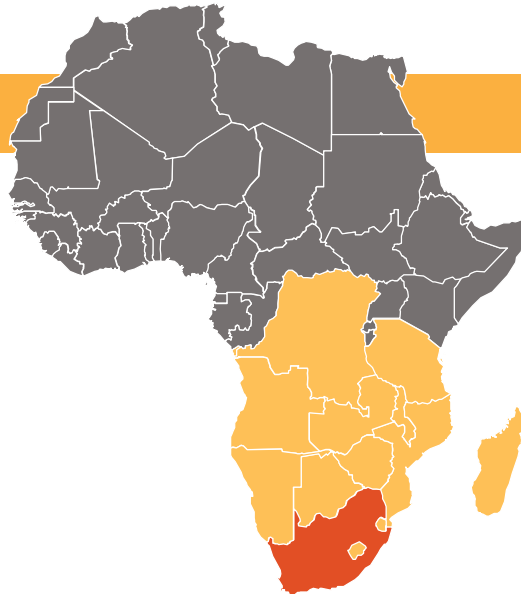
5. Maintain

- Supporting maintenance/ improvement of social infrastructure projects

Clients

Public

- Municipalities
- SOEs
- Sovereigns



Private

- PPPs
- Private sector

OUTLINE

1

DBSA OVERVIEW

DBSA background, sectors and service offering

2

A PROGRAMMATIC AND BLENDED FINANCE APPROACH

Programme management and blended finance approach

3

INFRASTRUCTURE PROGRAMMES

Programme currently being developed as national infrastructure programmes

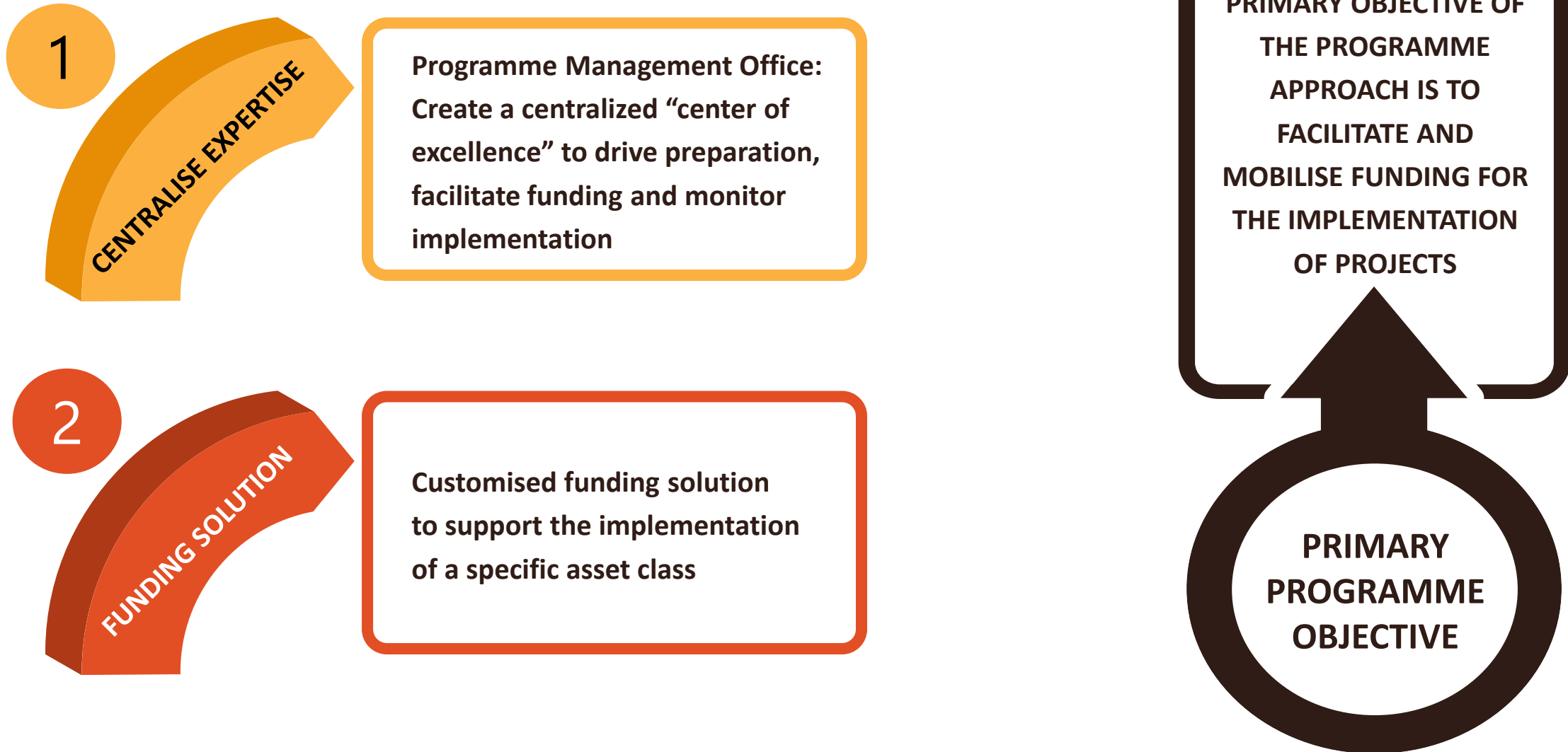
4

DBSA's INFRASTRUCTURE DELIVERY SERVICE

Role of an implementing agent, services and value proposition, sector focus and development outputs and outcomes

PROPOSED PROGRAMME COMPONENTS

Underlying success factors



PROGRAMME MANAGEMENT

Centralise capacity and excellence



FUNDING SOLUTION

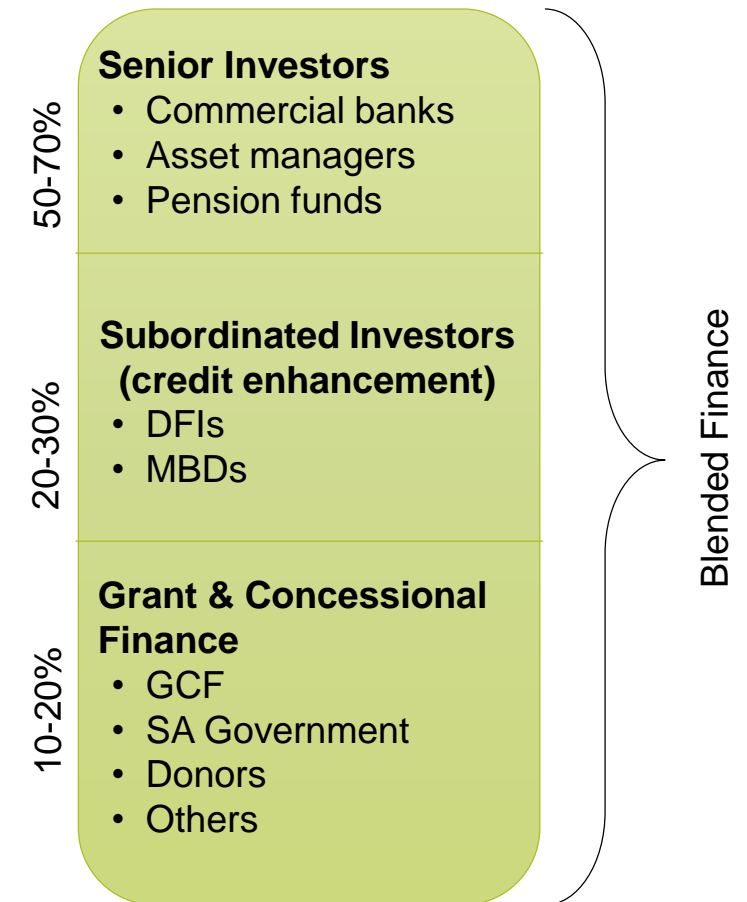
Blended finance approach

Blended finance principles:

- Credit enhancement, concessional & grant funding to crowd in private sector funding making use of debt capital market instruments
- All funding (senior, subordinated, concessional) procured on a competitive basis (example bond auction programme)
- Programmatic approach and finance option used to create specific and dedicated asset classes
- Different programmes will have different funding options, structures and solutions

Role of the DBSA as Development Finance Institution:

- Innovative product and instrument design to address market failure
- Credit enhancement (only if competitive) with other DFIs and MDBs
 - 1st loss / subordinated facilities
 - Tenor extension
 - Guarantee products
- Crowd in private sector investment
- Catalyze infrastructure projects and programmes



APPROACH AND PRINCIPLES

PROGRAMMATIC DESIGN APPROACH AND PRINCIPLES

1

NATIONAL PROGRAMMES

Initiatives to be developed and established as National Programmes and in support of priority programmes such as the DDM, the NWSMP, etc.

2

PRIORITY / PILOT PROJECTS

Identify and implement priority/pilot projects in parallel to establishing the Programmes

3

INFRASTRUCTURE FUND

Initiatives being positioned as Programmes under the Infrastructure Fund

4

INNOVATIVE AND ALTERNATIVE TECHNICAL SOLUTIONS

Consider innovative and alternative technology to respond to climate change and which is more cost effective than conventional technology and service delivery mechanisms

5

PRIVATE SECTOR PARTICIPATION

All Programmes designed to facilitate private sector participation (funding, implementation, etc.)

6

O&M

All programmes designed to address O&M

OUTLINE



1

DBSA OVERVIEW

DBSA background, sectors and service offering

2

A PROGRAMMATIC AND BLENDED FINANCE APPROACH

Programme management and blended finance approach

3

INFRASTRUCTURE PROGRAMMES

Programme currently being developed as national infrastructure programmes

4

DBSA's INFRASTRUCTURE DELIVERY SERVICE

Role of an implementing agent, services and value proposition, sector focus and development outputs and outcomes

STUDENT ACCOMMODATION

STUDENT ACCOMMODATION BLENDED FINANCE SOLUTION

PRIORITY

Initiative	Description
Description	<ul style="list-style-type: none"> A funding solution that will enable the large scale roll-out of student accommodation across the country Significant backlog in student accommodation – estimated at around 300 000 beds Limited funding available to support the provision of student accommodation Students currently living in very difficult circumstance due to limited accommodation available
Potential developmental impact	<ul style="list-style-type: none"> Fast tracked roll out of student accommodation across the country Crowding in of the private sector funders (commercial banks, asset managers, pension funds, etc.) as well as DFIs for potential credit enhancement
Partners	<ul style="list-style-type: none"> DHET NT

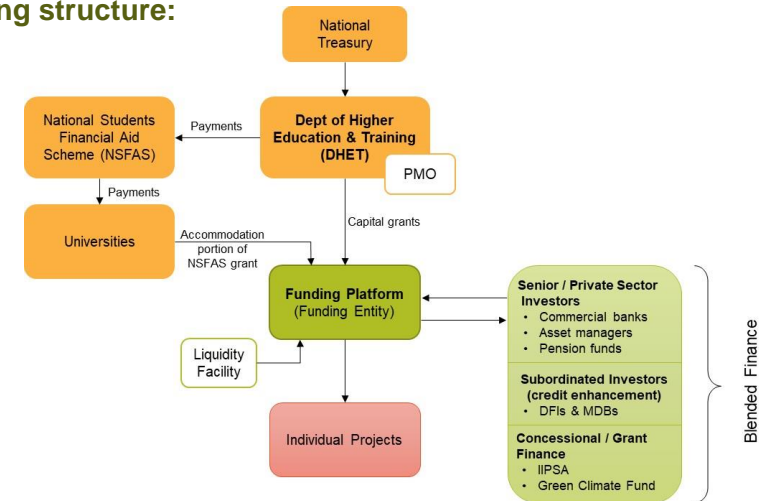
Programme status and key numbers

Status: Concept developed and proposed funding solution presented and discussed with DHET. DHET support obtained. Currently in discussions with the SHIP PMO to operationalize the proposed funding solution

Target areas:
Social infrastructure – student accommodation

Target clients: Universities and TVET colleges

Funding structure:



PRIORITY

Initiative	<ul style="list-style-type: none"> A Mechanism for the Funding and Implementation of Municipal Bulk Infrastructure to Unlock Large Scale Catalytic Property/Housing Developments
Description	<ul style="list-style-type: none"> Metros and intermediate cities are often unable to provide the bulk infrastructure necessary to unlock large scale catalytic property developments (integrated housing projects) The Vumela initiative is both a financing and implementation solution intended to address this gap
Potential developmental impact	<ul style="list-style-type: none"> Catalytic investments Will unlock major development Trigger significant job creation Trigger significant LED opportunities Enhance lives of a significant number of communities through housing, services and amenities Unlock private sector investments Support both greenfield and brownfield developments
Partners	<ul style="list-style-type: none"> Metropolitan Municipalities Intermediate Cities National Treasury Presidency - IIO

Programme status and key numbers

Status: Scoping investigation completed on potential pilot projects to test the concept.

Engaged with NT to test some of the key principles. NT expressed interest and support. Identify potential pilot projects and engage with relevant municipalities to determine interest

Target areas:

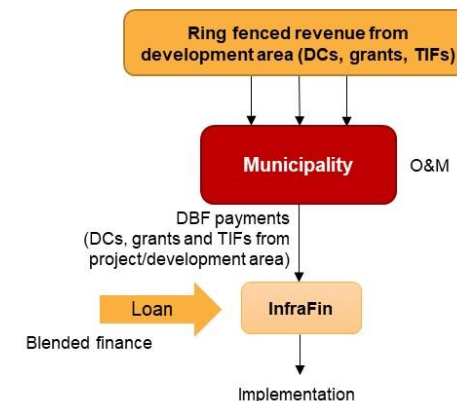
Water, sanitation, roads, electricity, solid waste

Target clients: Metros and intermediate cities

Existing projects: none

Potential projects: Lanseria, various projects in Gauteng

Funding structure:



WATER REUSE PROGRAMME

MUNICIPAL WATER (EFFLUENT) REUSE PROGRAMME

PRIORITY

Initiative	<ul style="list-style-type: none"> A programme and funding solution that will allow municipalities to scale their water reuse projects and enable the creation of a new asset class
Description	<ul style="list-style-type: none"> SA is facing a projected 17% water deficit by 2030 Need to place more value on water as a scarce resource Significant potential to extract maximum value from this scarce resource by using it more than once
Potential developmental impact	<ul style="list-style-type: none"> Creation of a “new” source of water Improved water responsibility Water available to support social and economic development Positive environmental impact Maximise the use of grant and concessional funding through a blended finance solution Crowding in of private sector funding
Partners	<ul style="list-style-type: none"> DHSWS NT COGTA SALGA GCF

Programme status and key numbers

Status: In discussions with Gov to establish a National Water Reuse Programme

Opportunity for the City of uMhlathuze reuse PPP project to be the first project funded by a DCM blended finance solution

Target areas:

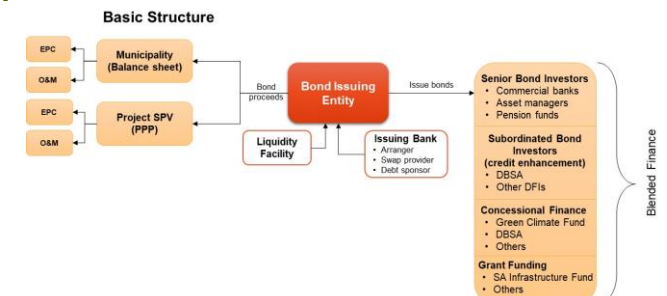
Sanitation – waste water treatment works, bulk sanitation infrastructure

Target clients: Metros and Intermediate Cities

Existing projects: none

Potential projects: City of uMhlathuze, eThekweni Metro, City of Tshwane, Ekurhuleni Metro (ERWAT), City of Johannesburg, Mangaung, Emfuleni, Polokwane

Funding structure:



NON-REVENUE WATER PROGRAMME

WATER CONSERVATION, WATER DEMAND MANAGEMENT & COST RECOVERY PROGRAMME

PRIORITY

Initiative	<ul style="list-style-type: none"> Water conservation and water demand management and cost recovery programme
Description	<p>Municipal water services turn around strategy focussing on:</p> <ul style="list-style-type: none"> Reducing Losses Reducing Over Consumption Improving Cost Recovery
Potential developmental impact	<ul style="list-style-type: none"> Reduction in physical losses Reducing excessive water consumption (over consumption) Enhancing and improving cost recovery A holistic WCWDM programme will defer for a considerable period investment(s) in water supply bulk infrastructure and new water resource(s) requirements
Partners	<ul style="list-style-type: none"> SALGA Dept. of Water and Sanitation COGTA and MISA National Treasury

Programme status and key numbers

Status: Commenced with the establishment of a **National NRW Programme**

Various projects being considered and to be implemented in parallel with the establishment of a National NRW Programme

Target areas:
Water – bulk and reticulation

Target clients: All municipalities

Existing projects: City of Tshwane

Potential projects: eThekwin Metro, Polokwane, Sol Plaatje, others

Funding structure:



PSP MODEL

PRIVATE SECTOR PARTICIPATION MODEL

PRIORITY

Initiative	Description
	<ul style="list-style-type: none"> An interventionist model to allow private sector participation (PSP) in the provision of municipal water and sanitation services
Description	<ul style="list-style-type: none"> Many under-resourced municipalities and some intermediate cities are struggling with the provision of water and sanitation services The PSP Model aims to (i) make use of private sector skills and expertise in the provision of services and (ii) access private sector funding for such projects
Potential developmental impact	<ul style="list-style-type: none"> Unlocking major infrastructure projects and investments in the water sector in Intermediate Cities and under-resourced municipalities Improved service delivery in constrained municipalities Efficient use and gearing of government grants Access private sector expertise and capital Capacity building, skills development and transfer to municipal officials Proper operation and maintenance of infrastructure created to maximise the life of the assets
Partners	<ul style="list-style-type: none"> NT, COGTA, MISA, DWS, SALGA, BBC, ASISA, BASA, NBI

Programme status and key numbers

Status: Position Paper prepared and discussed with NT. Agreement reached on key principles of the PSP Model. Agreed to test the principles on pilot projects. A long shortlist of 17 potential pilot projects identified which includes Alfred Nzo DM (Mbizana), OR Tambo DM, Ugu DM (uMzombe & Hibiscus Coast), Harry Gwala DM, Sekhukhune DM, Mopani DM, Giyani, Umgungundlovu DM, Maluti-a-Phofung, Madibeng LM, Emfuleni, Emalahleni LM, City of Matlosana, Polokwane, Rustenburg, George, Mangaung and Lekwa. The team is preparing to meet with provinces and the short listed munis after which 3-5 pilot projects will be selected

Target areas:

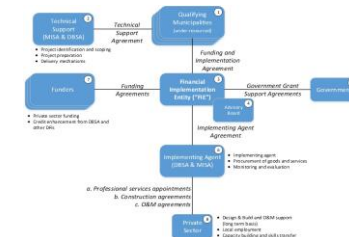
Water – bulk and reticulation
Sanitation – bulk and reticulation

Target clients: Certain ICMs and under-resourced municipalities

Existing projects: none

Potential projects: Pilots identified above incl ORT and Waterberg districts as part of the DDM

Funding structure:



OFF-GRID SANITATION

NON-SEWERED SANITATION PROGRAMME

	Description
Initiative	<ul style="list-style-type: none"> Off-grid / non-sewered sanitation provision to communities
Description	<ul style="list-style-type: none"> Provision of alternative and innovative sanitation technology in support of the Sanitation Economy ... toilet economy + circular sanitation economy + smart sanitation economy A transformational vision for business engagement in sanitation in SA
Potential developmental impact	<ul style="list-style-type: none"> Sanitation solutions for climate change Sanitation solutions for water security Sanitation solutions for food security Sanitation solutions for the health sector Sanitation solutions for female health and empowerment Sanitation solutions for smart city infrastructure Small business development Job creation – women and youth employment Opportunity for Government to deliver sanitation services faster & at a lower cost to approx. 2.8 million households
Partners	<ul style="list-style-type: none"> COGTA & DHSWS WRC SASTEP Bill & Melinda Gates Foundation

Programme status and key numbers
<p>Status: DBSA is in the process of conceptualising the Programme.</p> <p>In parallel to formulating a National Off-Grid Sanitation Programme, will pilot projects to test various alternative and innovative commercial models</p>
<p>Target areas: Sanitation</p>
<p>Target clients: Rural and peri-urban communities + informal settlements</p>

COMMUNITY / RURAL WATER SUPPLY

COMMUNITY / RURAL WATER SUPPLY INITIATIVE

	Description
Initiative	<ul style="list-style-type: none"> A product solution that will enable quality water to be provided to rural and peri-urban communities
Description	<ul style="list-style-type: none"> Rural and peri-urban communities exposed to poor quality and unreliable water supply Consumption of contaminated water leads to chronic diarrhoea, rashes, cholera, etc. and babies and young children are particularly at risk
Potential developmental impact	<ul style="list-style-type: none"> Provision of good quality water to poor rural and peri-urban communities Improved health of people (children) living in poor communities Potential for small business development (youth and women owned) Job creation Economic empowerment Support innovative and locally developed point of use technology
Partners	<ul style="list-style-type: none"> DBSA Water Research Commission IWMI

Programme status and key numbers
<p>Status: Concept identified. Product and potential business model (social franchising model) being investigated</p> <ul style="list-style-type: none"> Workshop held with WRC to discuss product-, business case-, technology- and other options Investigating social franchising model to potentially serve as business model
<p>Target areas: Water – purification</p>
<p>Target clients: Rural and peri-urban communities Targeting community owned and managed solutions</p> <p>Pilot Project</p> <ul style="list-style-type: none"> To be identified

DISTRIBUTION ASSET MANAGEMENT

APPROACH TO DISTRIBUTION ASSET MANAGEMENT (ADAM)

PRIORITY

Initiative

Description

- A Programmatic funding and implementation approach towards improved reliability and system sustainability in municipal electricity distribution assets
- Current state of Electricity Distribution Infrastructure poses a significant risk to sustainability and economic growth, especially in urban growth centers
- Electricity distribution grid is suffering from a lack of investment and recapitalisation of its ageing infrastructure and the condition of aging and poorly maintained distribution infrastructure has steadily worsened
- A significant and meaningful national intervention is required to halt the asset deterioration process and bring the network back into full working order

Description

Potential developmental impact

- ADAM Programme targeted at municipal electricity distribution networks, specifically:
 - asset maintenance
 - strengthening of networks
 - refurbishment

Partners

- DMRE

Programme status and key numbers

Status: Concept being formulated with the DMRE

Target areas:

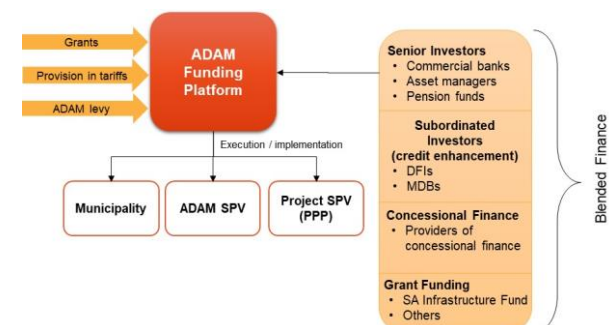
Electricity distribution infrastructure

Target clients: Municipalities

Existing projects: none

Potential projects: To be identified

Funding structure:



PROVINCIAL ROADS FUNDING PRODUCT

PROVINCIAL ROADS FUNDING AND IMPLEMENTATION MECHANISM

Initiative	Description
	<ul style="list-style-type: none"> An innovative Product to assist provincial governments to finance and implement provincial roads infrastructure projects
Description	<ul style="list-style-type: none"> Most provinces are struggling to cope with the demands of upgrading, rehabilitating, refurbishing and maintaining their road networks due to: <ul style="list-style-type: none"> Budget and funding constraints – forced short term prioritisation Capacity constraints This results in most provinces experiencing: <ul style="list-style-type: none"> Rapidly deteriorating road networks Reduced ability to stop and turn around the deterioration Exponentially increasing capital and maintenance costs
Potential developmental impact	<ul style="list-style-type: none"> A comprehensive and targeted roads capital and maintenance programme will result in: <ul style="list-style-type: none"> Significant benefits to road users and the larger economy Cost savings to all spheres of government and contractors
Partners	<ul style="list-style-type: none"> To be identified

Programme status and key numbers

Status: Concept identified and scoping investigation completed in the NW Province. To obtain Government support. Need for the identification of a pilot project – NW Province as a proposal

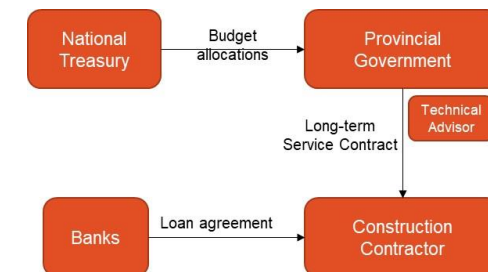
Target areas:
Provincial road infrastructure

Target clients: Provincial Governments

Existing projects: none

Potential projects: NW Province, Gauteng Province, WC Province

Funding structure:



Initiative	Description
	<ul style="list-style-type: none"> A programmatic approach to provide broadband to government facilities
Description	<ul style="list-style-type: none"> SA Connect is the programme to roll out broadband to government facilities i.e. schools, hospitals, police stations, Thusong Centres, etc. in South Africa. This programme is undertaken by the Department of Telecommunications and Postal Services (DTPS) in collaboration with the NT and DBSA through an MOU
Potential developmental impact	<ul style="list-style-type: none"> This programme will provide affordable and universal access to broadband nationally and ensure efficient public sector delivery, including e-government services, e-health, e-education etc. It will also create job opportunities and stimulate investment
Partners	<ul style="list-style-type: none"> DTPS NT

Programme status and key numbers
<p>Status: Implementation of Phase 1A is underway which consists of approximately 500 sites. The project entails the following:</p> <ul style="list-style-type: none"> Appointment of consultants to undertake the feasibility study of Phase 2 Submission of request for funding for implementation of Phase 1B and 2 to National Treasury BFI
<p>Target areas: Broadband infrastructure</p>
<p>Target clients: Approximately 44,000 sites in 44 District Municipalities were identified to be part of SA Connect</p>

CLIMATE FINANCE FACILITY

IN PARTNERSHIP WITH THE GCF

Initiative	Description
	<ul style="list-style-type: none">A credit enhancement facility to support private sector climate resilient and adaptation projects
Description	<ul style="list-style-type: none">The CFF will use its capital to fill market gaps and crowd-in private investment, targeting commercially viable technologies that cannot currently attract market-rate capital at scaleIt will focus on infrastructure projects that mitigate or adapt to climate change and utilise two main instruments: subordinated debt/first-loss and credit enhancements such as tenor extension to projects that are commercially viable but not currently being financed by the private sector banks
Potential developmental impact	<ul style="list-style-type: none">Shift to low-emission sustainable development pathwaysReduced CO2 emissionsEconomic growth through climate resilienceIncreased capacity within region for climate mitigation, adaptation and resilience
Partners	<ul style="list-style-type: none">GCFCommercial banks

Programme status and key numbers
<p>Status: Currently contracting. Approved by GCF board in October 2018</p>
<p>Target areas: Climate mitigation and adaptation infrastructure. Covers energy generation, energy efficiency, water, sustainable transport and waste management</p>
<p>Target clients: Private sector Existing projects: Projects being screened for consideration</p>

OTHER PROGRAMMES

TO BE CONSIDERED AND CONCEPTUALISED

Other programmes that are being considered and/or conceptualized:

1. Water
 - i. Groundwater
 - ii. Desalination
 - iii. AMD
 - iv. (Independent Water Production – IWP)
2. Embedded generation
3. Social Housing
4. Health Infrastructure
5. Education
 - i. New school build
 - ii. Maintenance
6. eMobility (electric busses)
7. Municipal solid waste programme
8. Energy Efficiency programme



OUTLINE

1

DBSA OVERVIEW

DBSA background, sectors and service offering

2

A PROGRAMMATIC AND BLENDED FINANCE APPROACH

Programme management and blended finance approach

3

INFRASTRUCTURE PROGRAMMES

Programme currently being developed as national infrastructure programmes

4

DBSA's INFRASTRUCTURE DELIVERY SERVICE

Role of an implementing agent, services and value proposition, sector focus and development outputs and outcomes

DBSA

```

graph LR
    GC[Government Client] --> BC[Backlogs  
Capacity challenges]
    BC --> DBSA[DBSA]
    DBSA --> RSG[DBSA resources,  
systems, procurement,  
governance]
    RSG --> PBT[Project Budget &  
Tranche Payments  
to DBSA from client]
    PBT --> DE[DBSA procures  
Design engineers &  
contractors]
    DE --> P[Payment of  
service providers  
by DBSA from  
Tranche funds]
    P --> PMR[Project monitoring &  
reports to client]
    PMR --> CP[Completed project]
    CP --> RB[Repeat business]
  
```

The diagram illustrates the DBSA project cycle, showing the flow from client engagement to project completion and repeat business.

Government Client (represented by a person icon with a building) initiates the process, facing **Backlogs** and **Capacity challenges** (represented by a person icon with a large arrow pointing up).

The client engages **DBSA** (represented by a handshake icon and the DBSA logo). DBSA provides **resources, systems, procurement, governance** (represented by a group of people and a gear icon).

The client provides the **Project Budget & Tranche Payments to DBSA from client** (represented by a piggy bank icon).

DBSA **procures Design engineers & contractors** (represented by a person icon with a hard hat and a wrench).

The client makes the **Payment of service providers by DBSA from Tranche funds** (represented by a wallet icon).

DBSA provides **Project monitoring & reports to client** (represented by a document icon with a pie chart and bar graph).

The project is **Completed** (represented by a photo of a school building), leading to **Repeat business** (represented by a circular arrow icon).

DBSA'S INFRASTRUCTURE DELIVERY AGENT



Services and Value Proposition

Services	Description	Focus	Value Proposition
Implementing Agent Services	Management of the planning, design, construction, upgrades, refurbishment, maintenance of social infrastructure projects using innovative, turnkey solutions to drive greater value for money, asset sustainability and full functionality	<ul style="list-style-type: none">▪ Refurbishment/ upgrades/ minor repairs▪ New Builds construction▪ Operations & Maintenance▪ Facilities Management	DBSA's Infrastructure Delivery Division is an implementing agent of excellence that augments the capacity of clients to deliver infrastructure by: <ul style="list-style-type: none">▪ Providing efficient and effective planning and procurement to enable accelerated programme/project initiation and execution▪ Providing client-centric infrastructure delivery, including planning, design, construction and maintenance solutions through a multi-disciplinary team of professionals and technical specialists▪ Exercising effective project controls, monitoring and reporting in line with applicable norms and standards.
Programme Management Services	Provision of programme management and specialist expertise to support medium to long-term planning, and delivery of infrastructure	<ul style="list-style-type: none">▪ Spatial Planning▪ Programme Management Office Support▪ Infrastructure Delivery Management▪ Revenue Enhancement initiatives▪ Infrastructure Sector Coordination▪ Infrastructure/Asset Conditional Assessments	
Capacity Building Services	Provision of innovative infrastructure delivery learning solutions that deliver measurable improvements in individual and business performance as well as developmental impact	<ul style="list-style-type: none">▪ Capacity building initiatives▪ Skills development▪ Artisan development▪ Enterprise development	

DBSA'S INFRASTRUCTURE DELIVERY AGENT



Sector Focus Areas



Education Infrastructure

- Storm-damaged schools
- School maintenance
- New school building
- School upgrades and additions
- University student accommodation refurbishment and building



Human Settlements

- New housing development
- Urban housing precincts and social housing
- Housing feasibilities & township establishment



Health Infrastructure

- Hospital and clinic revitalisation
- Emergency repairs & maintenance
- New hospital and clinics building
- Nursing colleges new build



National State Buildings

- Upgrades, refurbishment and maintenance of state buildings
- Upgrades to green building status
- Total facilities management



Water and Sanitation

- Water infrastructure refurbishment
- Water purification plants
- Waste water treatment works
- Water leaks
- Water conservation and demand management



Roads

- Rehabilitation and upgrading of roads
- Routine road maintenance



Industrial Parks

- Revitalisation and refurbishment of industrial parks

DBSA'S INFRASTRUCTURE DELIVERY AGENT



Development Outputs and Outcomes 2013 - 2019



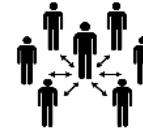
R15.2 billion
infrastructure delivered



4 618 practical
completed projects



45 287 employment
opportunities created



65% of infrastructure delivered by BBBEE
suppliers
3 700 SMMEs and subcontractors benefitted



125 new schools built
304 schools refurbished
177 414 learner enrolment in schools
built/ refurbished



395 new/ refurbished health facilities
delivered
511 875 people tested on VCT II
centres, built onto existing clinics in
Limpopo and Northern Cape



3 468 new houses built in rural
community in the Eastern Cape
256 social housing units built in the
City of Ekurhuleni



304 municipal projects completed:
water reticulation, bulk water network, urban parks, roads, town libraries, town
halls, new clinics, business hubs, municipal depots cemetery upgrades, town
planning feasibilities, revenue water enhancement



43 facilities condition assessments
undertaken
4 State buildings refurbished
4 State owned game reserves and parks



10 industrial parks
refurbished

THANK YOU

Johann Lübke Pr Eng
Product Development Specialist
Product Innovation Unit
johannl@dbsa.org