



CESA INFRASTRUCTURE SEMINAR

Fostering infrastructure development - Project Preparation

7 November 2017



GROWING A FOCUSED, SUSTAINABLE AND DEVELOPMENTAL DBSA



Overview of the DBSA

Project Preparation Unit

Project application process



DBSA was created to catalyse economic growth through investment in economic & social infrastructure and supporting regional integration

DBSA mandate

1 Founding year

1983

2 Shareholding structure

100% owned by SA Government through the Ministry of Finance

3 Vision

A prosperous and integrated region, progressively free of poverty and dependence

4 Mission

- To advance the development impact in the region **by expanding access to development finance** and effectively integrating and implementing **sustainable development solutions**
 - Improve the **quality of life** of people through the development of **social infrastructure**
 - Support **economic growth** through investment in **economic infrastructure**
 - Support **regional integration**

5 Strategic objectives

- Sustained growth in development impact
- Integrated infrastructure solutions
- Financial sustainability



Although DBSA's mandate covers the whole of Africa, the bank focuses mainly on South Africa, SADC and priority countries outside of SADC

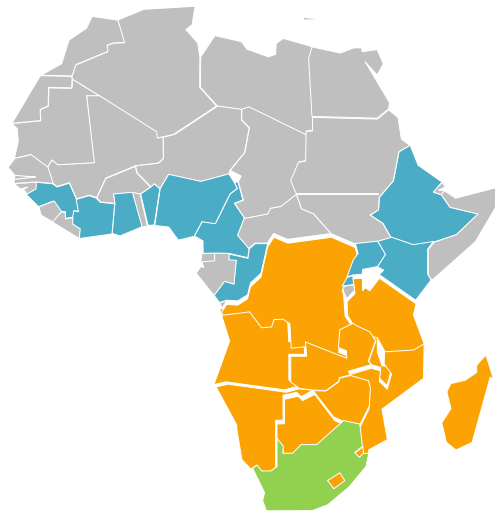
VISION

A prosperous and integrated resource-efficient region, progressively free of poverty and dependencies

MANDATE

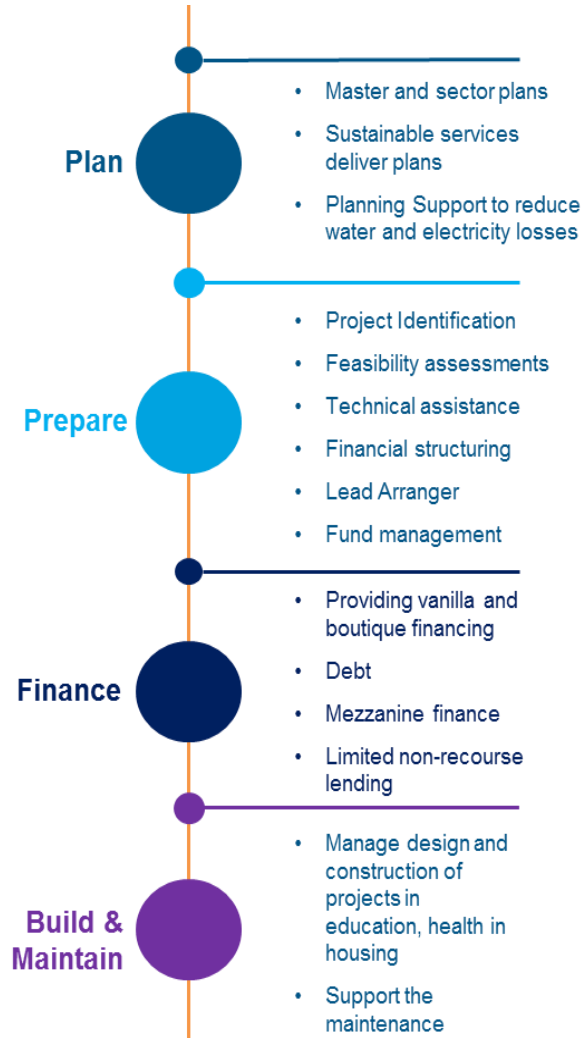
Our primary purpose is to promote economic development and growth, human resource development and institutional capacity building in South Africa and the wider African continent

GEOGRAPHIC FOOTPRINT



- DBSA's primary market
- DBSA's main focus outside of SA
- DBSA's secondary (and recent) focus outside of SA

PRODUCTS & SERVICES



SECTORS

Primary:

- Energy
- Transport
- ICT
- Water & Sanitation

Secondary (only in SA):

- Education,
- Housing
- Health



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The DBSA's Project Preparation Unit (PPU) was created in 2013 to identify and prepare projects to bankability stage

1 Established

2013 as a specialised and dedicated Unit within the DBSA

2 Purpose

- To prepare sustainable priority projects within DBSA's mandate to bankability
- To provide project preparation facilities and skills to prepare bankable projects

3 Services

Our core services are:

- Funding of PP activities;
- Mobilising advisors to prepare bankable projects
- Facilitating and managing project preparation activities

4 Footprint

- South Africa;
- SADC;
- Selected African countries (Nigeria, Kenya, Tanzania, Ghana, Ethiopia and DRC)
- Other African countries

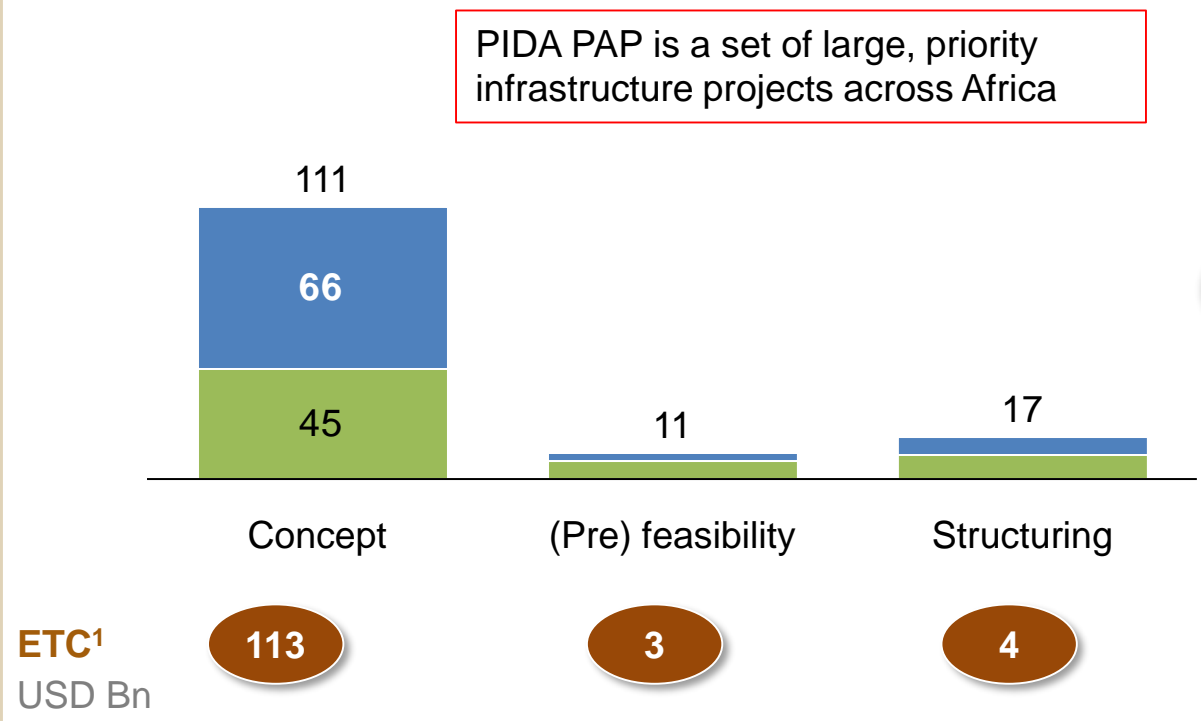


Africa has infrastructure funding needs of ~\$120bn with ~95% of the initiatives still in concept & pre-feasibility development stage

■ Unknown value ■ Known value

Number and value of projects in PIDA PAP lists

#



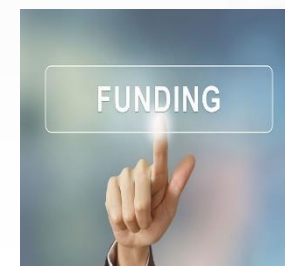
- Most DFIs in Africa currently participate **in later stages** of the project life cycle
- A growing number of DFIs are increasingly expanding their scope of operations and venturing into **project preparation**
- PIDA PAP lists 139 projects, of which **95% by value are in concept and pre-feasibility stage** and 55% are so ill-defined no capital value has been estimated



¹ Estimated total cost; extrapolated proportionately where values are unknown
SOURCE: PIDA PAP list

Project preparation in context


- 1 Project Preparation (PP) is defined as the activities required to progress projects through its development stages up to **bankability**
- 2 Preparation of projects is required to **de-risk** projects and to prepare good quality **bankable** projects
- 3 Projects have **long lead times** and require intensive management and guidance to progress to financial close
- 4 Preparation of projects require **funding and skills** to prepare bankable projects



The DBSA PPU uses different channels and sources to access funding for project preparation

	Type of funding	Funding partners
<div>1</div> <div>DBSA sponsored</div>	<ul style="list-style-type: none"> Project preparation own funding Based on cost recovery and return (self-sustaining model) 	<ul style="list-style-type: none"> DBSA own funding Co-funding with sponsor/owner and other funders
<div>2</div> <div>3rd party funding</div>	<div>a</div> <div>PPDF</div>	<ul style="list-style-type: none"> Project preparation funding Grants <ul style="list-style-type: none"> KfW European Union
	<div>b</div> <div>IIPSA</div>	<ul style="list-style-type: none"> Project preparation grants & direct capital grants with loans Grants <ul style="list-style-type: none"> European Union (participating DFIs: KfW, DBSA, AFD, EIB)
	<div>c</div> <div>PPFS</div>	<ul style="list-style-type: none"> Project preparation funding Grants <ul style="list-style-type: none"> AFD
	<div>d</div> <div>Global Environment Facility (GEF)</div>	<ul style="list-style-type: none"> Project preparation grants Capital grants Concession loans Interest rate subsidies Guarantees
	<div>e</div> <div>Green Climate Fund (GCF)</div>	
	<div>f</div> <div>Other Project Prep facilities</div>	<ul style="list-style-type: none"> On project by project basis: <ul style="list-style-type: none"> Equity Mezzanine Grants <ul style="list-style-type: none"> Electra, Africa50, InfraCo, Harith – Progeny

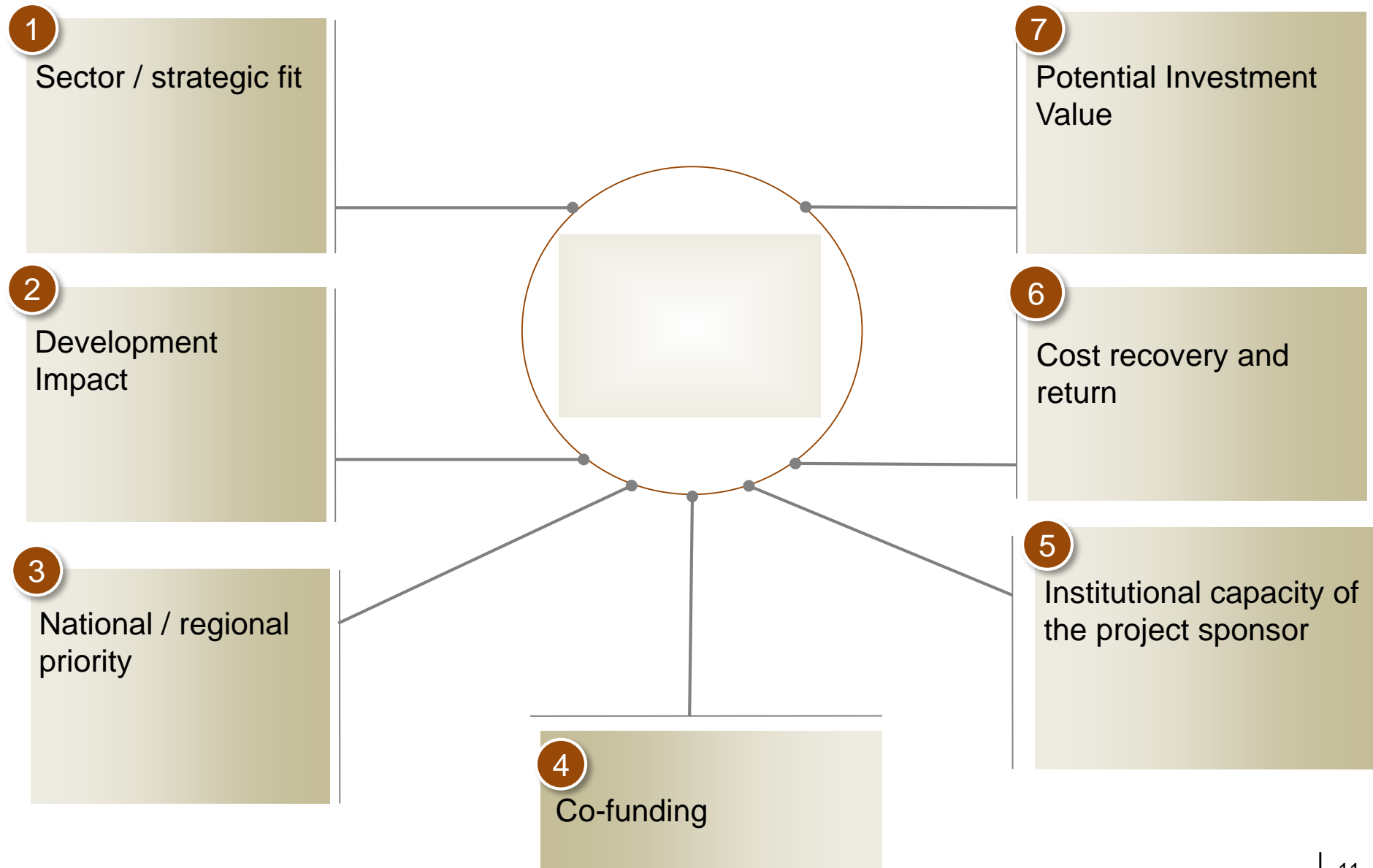
PPU's project preparation principles are guided by the DBSA's strategic objectives



Key project preparation principles

1. The **principle of co-funding** shall apply – sponsors are required to contribute towards the funding of the PP activities and stages
2. The DBSA's **PP funding** is provided on commercial terms – expect recovery of PP funding invested as well as a return for the risk taken (DBSA PP funding provided is **not a grant**). Grant funding for project preparation however available through programmes such as IIPSA, GEF and GCF
3. The DBSA would aim to obtain a **Mandated Lead Arranger** role on a competitive basis
4. The DBSA would aim to participate in the **debt funding** of the project on a competitive basis

PPU Project selection criteria



Infrastructure Investment Programme for Southern Africa (IIPSA)

Objective

The overall objective of IIPSA is to contribute to the implementation of the Republic of South Africa's Medium Term Strategic Framework (MTSF) and the National Development Plan, as well as contribute to enhancing regional economic integration in the SADC Region

Geographic coverage

The geographical coverage for an eligible project must be either a **South African project** or a **regional project**, being a trans-border project involving **two or more countries in the SADC Region** or; a national (South African) project with a demonstrable regional impact on one or more other country/ies in the SADC Region.

Key principles

- Financial leverage – **co-funding of EU grants together with loans from participating DFIs** – leverage effect of at least 5 to 10 times
- Additionality – no replacement of existing funds
- Added value
- Procurement

Products

- Project preparation grant
- Direct capital grant
- Interest rate subsidies
- Loan guarantee

Eligible sectors

- Energy
- Transport
- Water and environment
- ICT
- Social

Eligibility criteria

- Sector or strategic fit
- Development impact
- National / regional priority
- Institutional capacity

SADC Project Preparation and Development Facility (PPDF)

Objective

Financing the preparation of infrastructure projects based in at least one SADC Member State or those with a direct and positive impact on another Member State. The PPDF will concentrate on those projects that will be considered as **enablers of regional integration**

Geographic coverage

The projects should span over two or more SADC countries or if located in one country should facilitate and promote regional integration

Key principles

- Projects must form part of the SADC Regional Infrastructure Development Master Plan
- A grant facility will be made available for 95% of the required amount. A 5% monetary value of the grant is required from the recipient

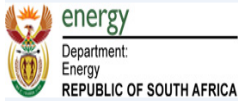
Products

- Project preparation grant

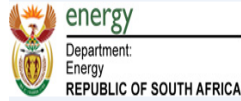
Eligible sectors

- Energy
- Transport
- Water and sanitation
- ICT
- Tourism related
- Other - Infrastructure Sector Plans and the RIDMP

Completed and current projects and initiatives



Renewable Energy IPP Program



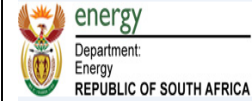
Development of IPP Base Load Programme



Gautrain extension and expansions



Student Accommodation



Small IPP Programme



Tshwane WCWDM Programme



CoJ Alternative Waste to Energy



Western and Northern Aqueducts



Polokwane AC Pipe Replacement



Polokwane Regional Waste Water PPP Project



uMhlathuze Wastewater Re-use



IIPSA M2/M3 Preparation and Credit Enhancement



Municipal Long Term Financial Planning



Mulembo Lelya Hydro Electric Power



Luapula Hydro Power Development



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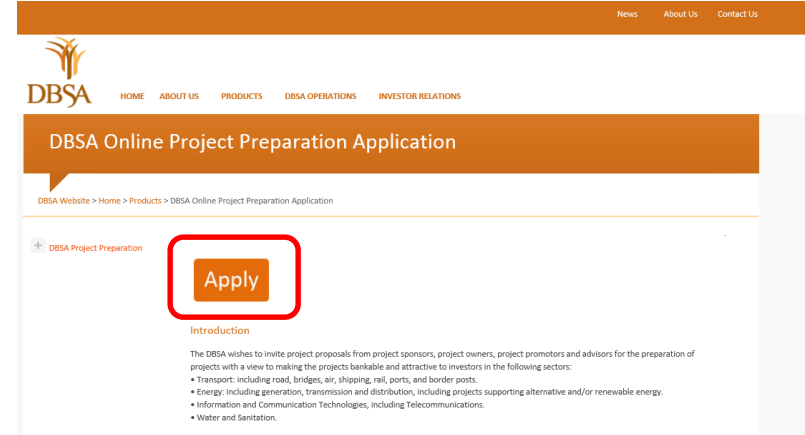
Project Preparation Unit

Project application process



PPU Project application process

- 1 PPU has recently launched an online project application system. The system can be accessed through the DBSA website www.dbsa.org



- 2 The application typically requires the following information:

- **Applicant contact details**
- **Summary project information:** title, description, sector, geographic location, development impact, current project stage, stage for which funding is applied for, proposed project structure
- **Project funding:** breakdown of various funding sources for all the different project stages (source and application of funding)
- **Detailed project information:** technical, financial, economic, institutional, environmental – attach supporting documentation such as scoping/pre-feasibility reports, feasibility reports, etc.
- **Supporting documentation:** application letter, letter confirming mandate / concession (for private sector applicants), project reports, programme, financing strategy, budget and financial model, organogram, terms of reference for the next level of studies, etc.

CONTACT DETAILS

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