



# DBSA's PROJECT PREPARATION UNIT

01 August 2017



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## Overview of the DBSA

Infrastructure development value chain

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

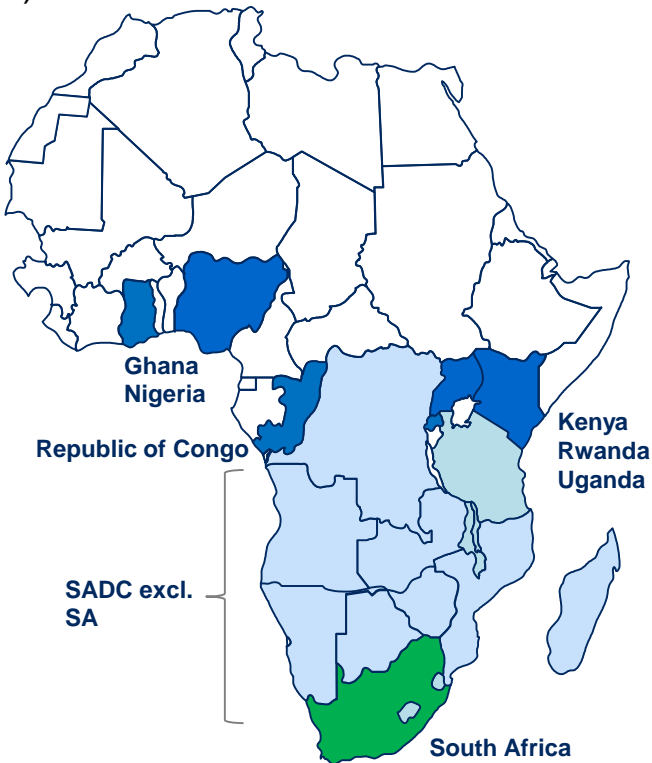
1 Founding year	1983
2 Shareholding structure	100% owned by SA Government through the Ministry of Finance
3 Vision	A prosperous and integrated region, progressively free of poverty and dependence
4 Mission	<ul style="list-style-type: none"><li>▪ To advance the development impact in the region <b>by expanding access to development finance</b> and effectively integrating and implementing <b>sustainable development solutions</b></li><li>– Improve the <b>quality of life</b> of people through the development of <b>social infrastructure</b></li><li>– Support <b>economic growth</b> through investment in <b>economic infrastructure</b></li><li>– Support <b>regional integration</b></li></ul>
5 Strategic objectives	<ul style="list-style-type: none"><li>▪ Sustained growth in development impact</li><li>▪ Integrated infrastructure solutions</li><li>▪ Financial sustainability</li></ul>



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

## Geographical focus

- DBSA mandate was recently expanded to the rest of Africa
- The bank however has a targeted approach beyond SADC with focus on 6 priority countries (Nigeria, Ghana, Kenya, Rwanda, Republic of Congo and Uganda)



## Sector mandate

### Core sectors


- Energy
- Transport
- ICT
- Water

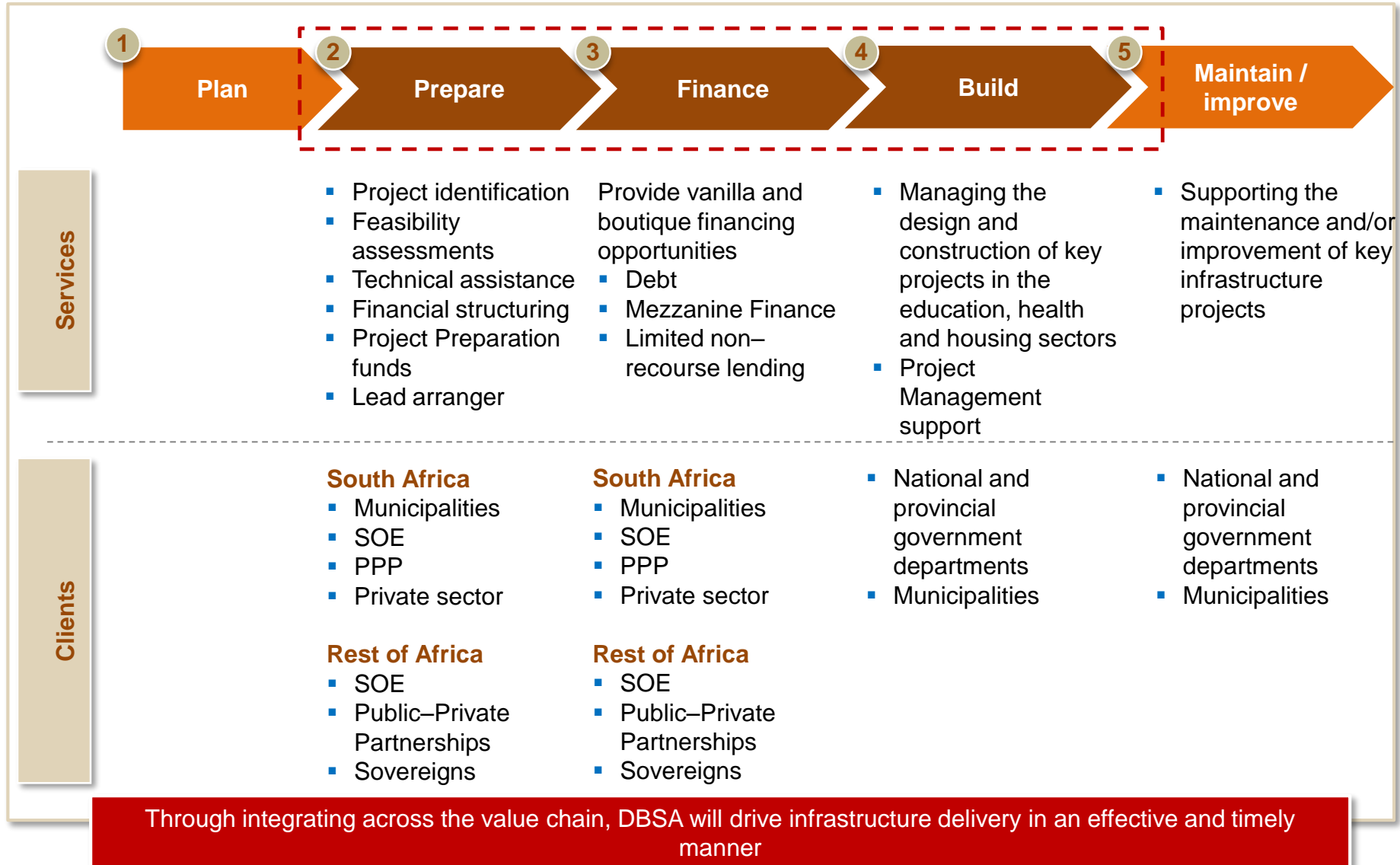
### Secondary sectors (SA only)

- Health
- Education
- Housing



# DBSA offers a unique value propositions along the value chain; playing a leading role in project preparation, funding and implementation

 DBSA's primary focus





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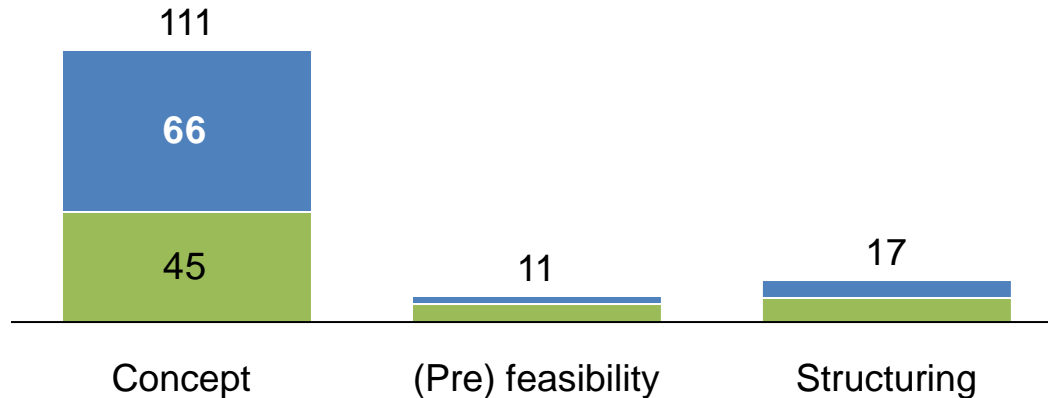
# Africa has infrastructure funding needs of ~\$120bn with ~95% of the initiatives still in concept & pre-feasibility development stage

■ Unknown value   ■ Known value

## Number and value of projects in PIDA PAP lists

#

PIDA PAP is a set of large, priority infrastructure projects across Africa



ETC<sup>1</sup>  
USD Bn

113

3

4



- 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

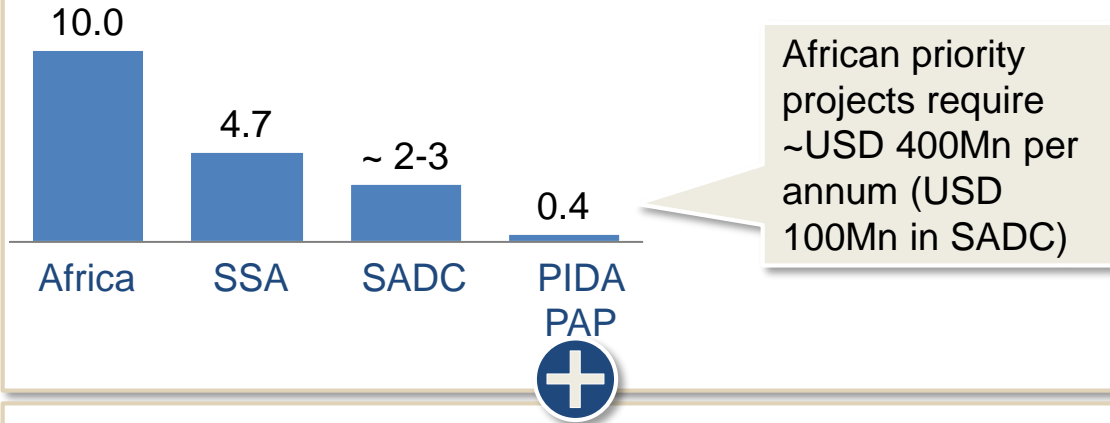


<sup>1</sup> Estimated total cost; extrapolated proportionately where values are unknown  
SOURCE: PIDA PAP list

# To move potentially impactful projects to bankable stage requires increase in project preparation investments

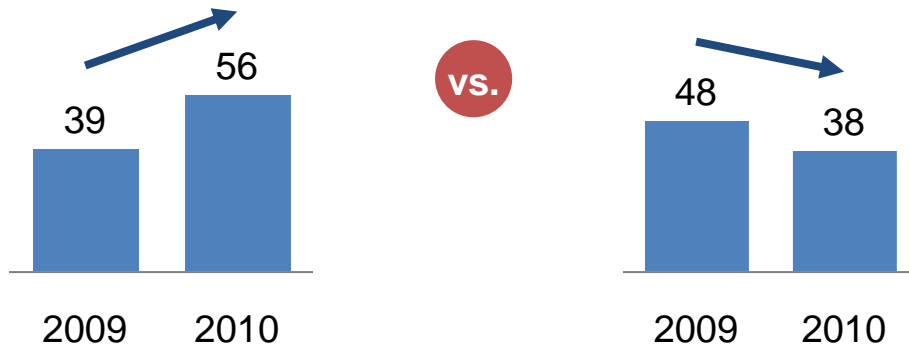
## Estimated project development and preparation costs<sup>1</sup>

USD Bn per annum



**... yet decreased disbursements due to lack of bankable projects**  
% of committed funds disbursed

**Increased Commitments...**  
Infrastructure Commitments, USD Bn



## Why this is not addressed at scale today

- Commercial vehicles focus on assets/ sectors where commercial returns are good
- Most PPFs only solve for one part of the equation (funding), or for only part of the project lifecycle (technical assistance)
- No credible/ independent entity with active long-term interest in supporting governments' infrastructure development



<sup>1</sup> Estimated at 5% of total estimated cost (ETC)



# 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



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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:

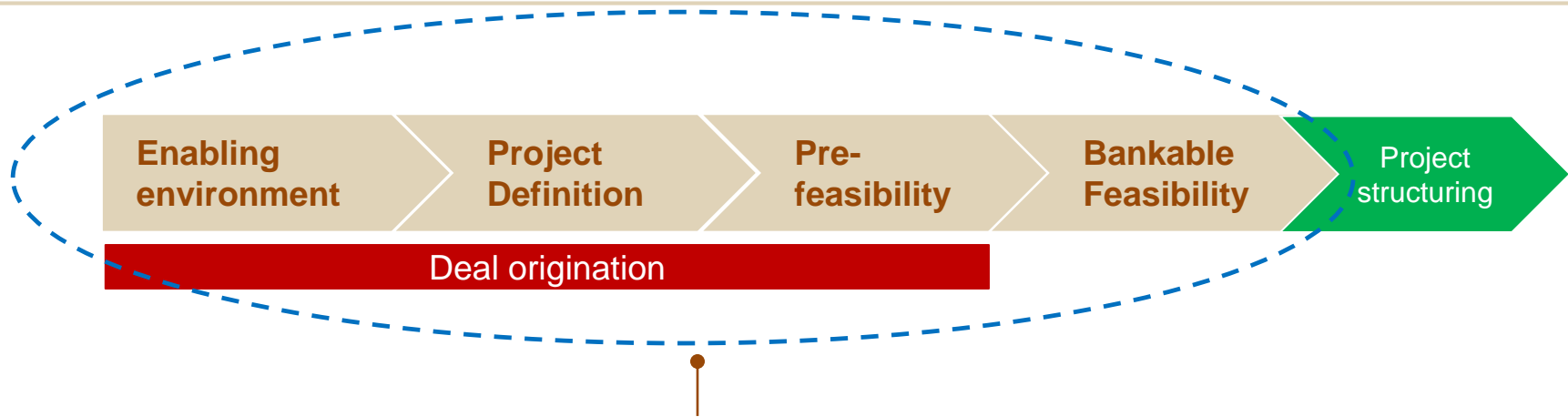
- Funding of PP activities;
- Mobilising advisors to prepare bankable projects
- Facilitating and managing project preparation activities

## 4 Footprint

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



# PPU unit provides a comprehensive project developing solution to its clients



- PPU covers the entire cycle of project preparation
- It maintains a balanced portfolio of projects at different stages of preparation

## Key activities

- Actively originating deals by:
  - Identifying project opportunities from a project developer/sponsor perspective
  - Define project concept and scope
- Engage with clients and obtain a mandate to act as project developer / sponsor / owner

# Where PPU plays is guided by the DBSA mandate

## Geographic

- South Africa: NDP and sectoral plans e.g. IRP
- SADC: Regional Infrastructure Master Plan
- Africa: PIDA

## Sectors


- Core sectors
  - Transport
  - Water and sanitation
  - Energy
  - ICT
- Secondary sectors (SA only)
  - Social

## Customers

- Municipalities
- SOCs
- Government Departments
- Private companies (projects with a public good)



# 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 (PP funding provided is not a grant)
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

1  
Sector / strategic fit

2  
Development  
Impact

3  
National / regional  
priority

4  
Co-funding

7  
Potential Investment  
Value

6  
Cost recovery and  
return

5  
Institutional capacity of  
the project sponsor

# PPU is working on a number of initiatives with strategic partners



**Renewable  
Energy IPP  
Program**



**Establishment of  
Small IPPs  
(<5MW)**



**Development of  
IPP Base Load  
Programme**



**Gautrain  
extension and  
expansions**



**IIPSA**

R1.5 bn fund  
value



**SADC PPDF**

R100 m  
fund value



**MOU with  
Transnet to  
develop PSP  
Projects**



**Develop Student  
Accommodation  
Funding Models**





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# PPU Project application process

1 PPU is in the process of developing an online project application

2 In the interim, the following project information can be e-mailed to any of the Project Preparation Specialists:

- **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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