

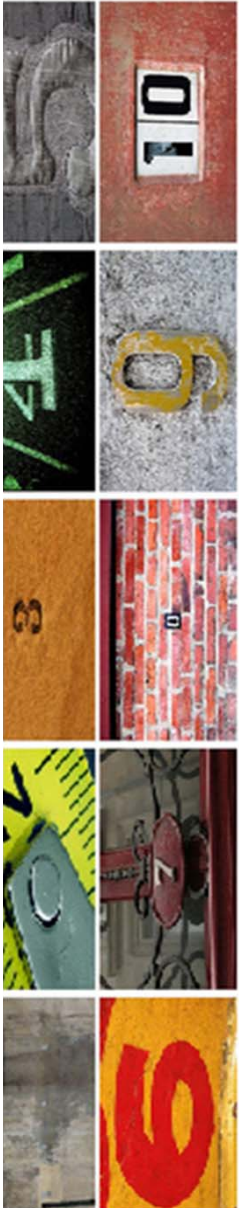


Perspectives of DBSA on Infrastructure Investments in the SADC Region

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Introduction

Background

- The Development Bank of Southern Africa (DBSA) has been in operation since 1983 and has played a key role in infrastructure development both in South Africa and the greater SADC region
- The DBSA is wholly owned by the South African government and reports to the Minister of Finance through National Treasury
- The Bank is self-funding with a mandate to finance infrastructure development in South Africa and the rest of the Southern African Development Community (SADC) region

Sovereign-equivalent credit ratings (as at December 2011)

	Fitch	Moody's	S&P
Long Term	AAA(zaf)	A3	BBB+
Short Term	F1+(zaf)	Not rated	A-2
Outlook	Stable	Negative	Stable

Key Financial Indicators *

	ZARm	USDm
Total assets	47,397	7,006
Total liabilities	29,484	4,358
Total equity	17,913	2,648
Investment in development activities	41,323	6,108
Liquid assets	4,192	620
Operating income	1,384	205
Profit from operations	332	49

* As at FYE2011 (31 March 2011)

Key Ratios

	Five-year average
Capital ratio	43.9%
Long-term debt to equity	127.4%
NPLs as % of total book debt	4.9%
Return on average assets	3.2%
Return on average equity	6.8%

Africa Portfolio

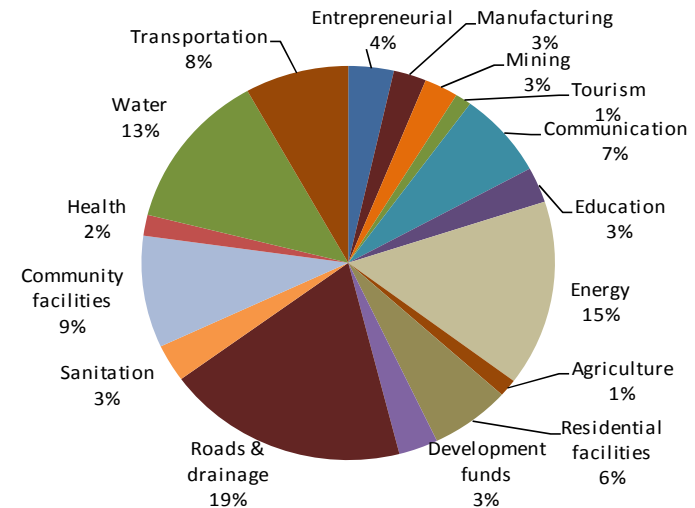
The DBSA's product suite includes:

- Balance sheet loans – fixed and variable rate
- Limited/non-recourse project finance loans – fixed and variable rate
- Structured loans
- Equity and quasi-equity
- Subordinated/mezzanine loans
- Loans available for both short and long term up to 20 years in ZAR, USD, EUR, and SADC currencies which the Bank is able to hedge – eg. ZMK, TZS, etc.

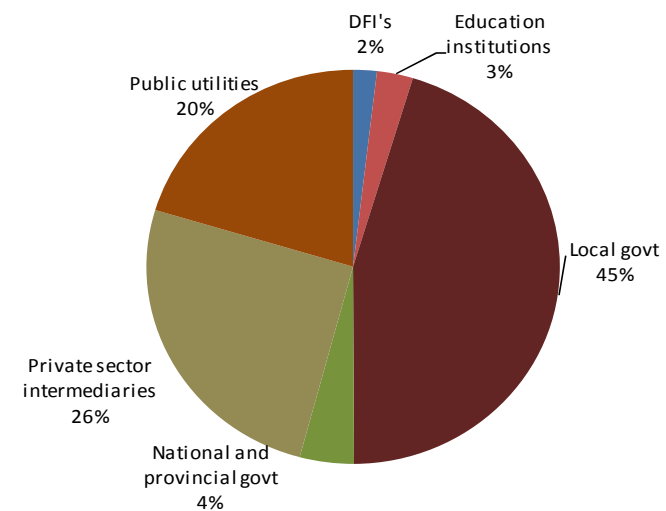
Well-diversified portfolio

- Exposure remains well diversified across a broad spectrum of sectors
- Major support to energy, transportation, ICT and roads & drainage
- Significant portion (70%) of business focused on public sector
- Within South Africa, diversified portfolio with concentrations in the economic hubs of Gauteng, Kwazulu-Natal, and Western Cape

Loan book by sector (FY2011)



Loan book by client (FY2011)



Mandate

Vision and mission

Vision – *A prosperous and integrated region progressively free of poverty and dependency*

Mission – *To advance development impact in the region by expanding access to development finance and effectively integrating and implementing sustainable development*

Strategic objectives

- Catalyse, expand and enable the delivery of basic social services
- Provide and build human and institutional capacity
- Promote broad-based economic growth (job creation, efficiency, fixed capital formation and regional integration)
- Engender sustainability externally (environmental, social and economic) and internally (organisational)

Vision and mission

Financier	Contribute to the delivery of basic services and promote economic growth through infrastructure development
Advisor	Build institutional, financial and knowledge capacity for development
Partner	Leverage private, public and community stakeholders in the development process
Implementer	Mobilize and link stakeholders, resources and initiatives for sustainable development outcomes
Integrator	Originate and facilitate key interventions for building capacity and providing development solutions

Strategy

Primary mandate

The DBSA's primary mandate is infrastructure development finance in South Africa (SA) and the rest of the Southern African Development Community (SADC).

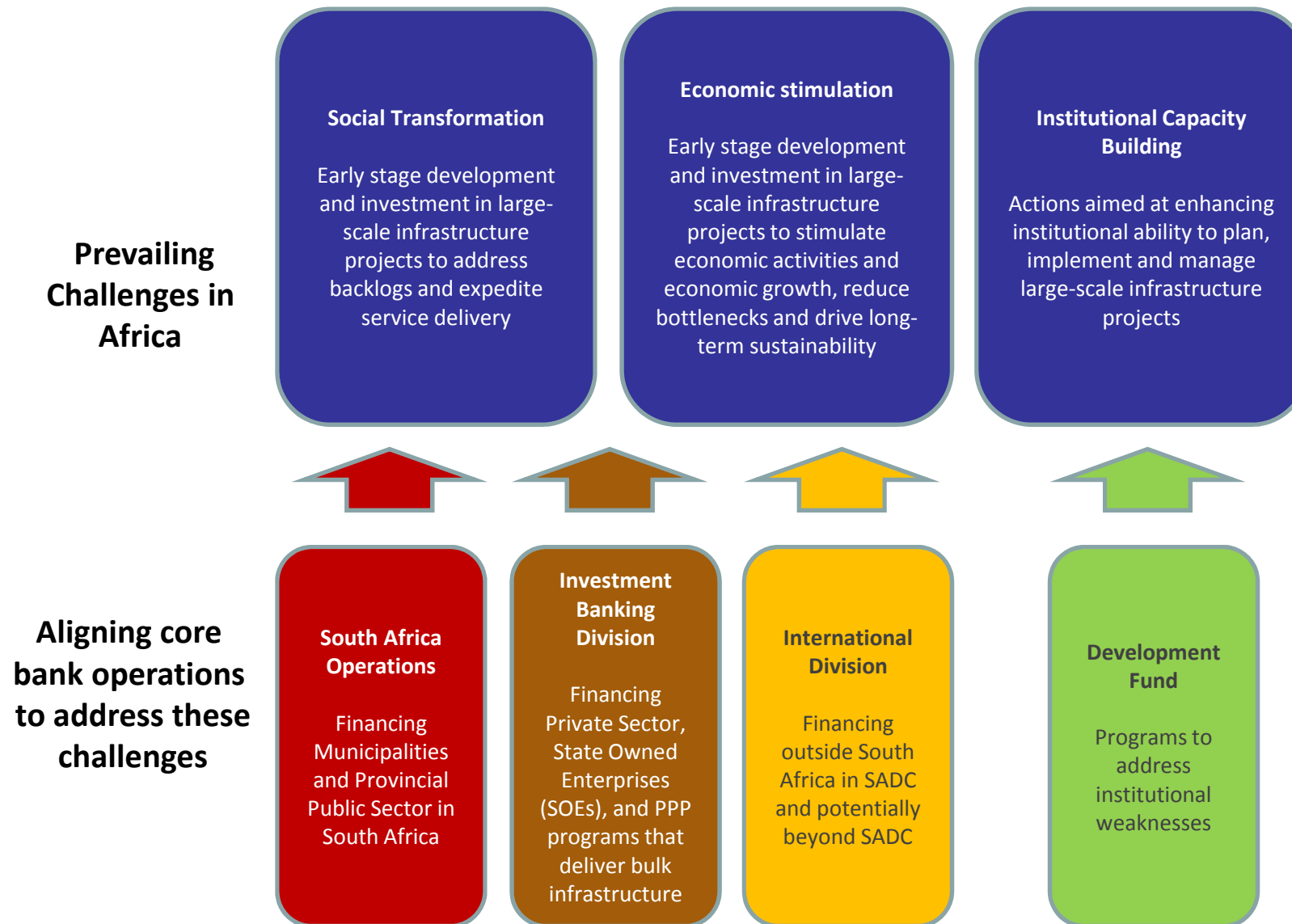
South Africa

- The Bank is mandated by National Treasury in conjunction with other government departments to develop key infrastructure sectors over multi-year periods: water & sanitation, energy, education, health, transport, housing
- Continued support to municipal infrastructure development in underdeveloped areas through: Infrastructure finance; technical assistance; capacity building via the Development Fund; capacity deployment of key planning, management and engineering resources at structurally weak municipalities
- Public-Private Partnerships (PPPs) – advisory, structuring, and finance
- Private sector sponsored economic infrastructure development finance inc. telecoms, energy, mining
- Providing policy development support and research expertise to government departments in key development priority areas inc. the health sector, water, energy, etc. through the Bank's Development Planning Division

Rest of SADC

- Support for key and leading economic growth sectors: Energy, transport, mining, telecommunication, tourism, manufacturing, agri-business
- Focus on public and private sector projects that enhance regional integration
- Development of capital markets to support local currency funding
- Bringing regional focus and local expertise into the development process
- Formation of strategic partnerships and mobilisation of resources
- Securing increased cooperation and support from the Bank's international partners (i.e. bilateral and multilateral development finance institutions), particularly for its role in the broader SADC region

DBSA Corporate Organisation



Geographical Footprint

Going forward, the DBSA will explore and pursue investment opportunities beyond SADC in the rest of Africa as well



1. Angola
2. Botswana
3. DRC
4. Lesotho
5. Malawi
6. Madagascar
7. Mauritius
8. Mozambique
9. Namibia
10. Seychelles
11. South Africa
12. Swaziland
13. Tanzania
14. Zambia
15. Zimbabwe

Value Proposition

Debt

- Long term debt, up to 20 years

Mezzanine Debt

- Various subordinated debt products

Equity

- Direct equity in select projects to further enhance an institution's development role

Guarantees

- Partial credit enhancement of capital market issues

Project Preparation Funding

- Technical Assistance Loans applied towards project preparation with the aim of increasing the bankability of the project

Capacity building

- Assist institutions in identifying, developing and managing investment opportunities that the Bank can fund

Advisory

- Fee-based advisory work

Arranging & Underwriting

- Lead and co-arrange and underwrite where DBSA is Lead Arranger



Funding Criteria

Funding Criteria

- A project must be consistent with the **DBSA's sectoral and geographic mandate** (i.e. infrastructure development within the region).
- Projects must be **financially and economically viable** and must benefit the economy of the host country.
- Project must be socially **responsible**, environmentally sustainable, technically appropriate and legally and contractually sound.
- The implementing agency must have **the institutional capacity** to plan, implement and manage the project.
- Overall, the **development impact** of the project should be maximized and be sustainable.

Pricing

- Pricing is **risk-based and market-related**.
- **Both fixed and variable interest rates** based on JIBAR, LIBOR
- In addition to the interest charged on loans, **financing fees** such as front -end, commitment and pre-payment fees are charged
- When the client mandates the DBSA to proceed with the detailed appraisal of a project, the **client is required to share certain costs associated with the appraisal process**.



Africa in Context

AFRICA IN CONTEXT

Increased **political stability**
Improved **fiscal discipline**
Policies to stimulate **economic activity**



Rise of **African middle class**
Increasing **consumer consumption**
World **demand for African commodities**

ECONOMIC GROWTH

Skills capacity gap
Agricultural development gap

INFRASTRUCTURE GAP
FUNDING GAP



Growth Potential in Africa

AFRICA TODAY

\$1.7 trillion

Africa's collective GDP

500 million

People of working age (15- 64 years old)

860 billion

Africa's combined consumer spending

60%

Africa's share of world's total amount of uncultivated land

52

Number of African cities with more than 1 million people each

AFRICA TOMORROW

\$2.6 trillion

Africa's collective GDP in 2020

1.1 billion

People of working age (15- 64 years old) by 2040, the largest in the world

\$1.4 trillion

Africa's combined consumer spending in 2020

128 Million

Number of African households with discretionary income in 2020

50%

Proportion of Africans living in cities by 2030

Sources: McKinsey, IMF

Infrastructure Project Opportunities in South Africa

- The South Government is investing on a large-scale to provide water, transport, electricity, telecommunications, housing and other infrastructure.
- These investments will remove critical bottlenecks and allow the economy and employment to grow at a more rapid pace; they will facilitate intraregional and international trade; and they will allow South Africans to enjoy a better quality of life.
- Improved planning and management of infrastructure projects are critical if these outcomes are to be achieved, alongside accelerated private-sector investment.
- The implementation agents responsible for this delivery will be various State Owned Enterprises fully supported and backed by the South African government.

Sector	Government implementing agent SOE	Focus Business Areas
Water	TCTA	Bulk raw water infrastructure
Energy	Eskom	Generation, transmission and distr
Transport (Eco.)	Transnet	Freight rail, ports and pipelines
Transport (Pas.)	PRASA	Passenger rail and bus services
Transport (Roads)	SANRAL	National roads
Transport (Air)	ASCA	Airports
ICT	Infraco	Broadband fibre optic and marine cable

Infrastructure Project Opportunities in South Africa

2010/11 – 2014/15

R billion	2010/11 Budget	2010/11 Actual	2011/12	2012/13	2013/14	2014/15	MTEF Total	Percentage of total
Economic services	218.0	147.1	184.0	211.7	228.3	237.1	677.1	80.2%
Energy	102.8	52.2	73.1	91.7	100.2	104.3	296.2	35.1%
Water and sanitation	21.0	14.9	22.0	25.5	24.7	25.0	75.2	8.9%
Transport and logistics	80.5	68.6	75.3	81.2	88.6	92.3	262.0	31.0%
Other economic services ¹	13.7	11.3	13.6	13.3	14.8	15.5	43.6	5.2%
Social services	36.9	25.6	34.9	38.6	48.5	53.1	140.2	16.6%
Health	8.5	6.7	7.7	8.1	13.1	14.8	36.0	4.3%
Education	6.8	6.1	8.1	10.9	14.5	15.3	40.7	4.8%
Community facilities	16.7	11.6	17.5	17.7	18.9	21.0	57.6	6.8%
Other social services ²	4.9	1.1	1.7	1.9	1.9	2.0	5.9	0.7%
Justice and protection services	3.1	3.0	3.2	3.4	3.5	3.7	10.6	1.3%
Central government and administrative services	2.0	1.7	3.8	7.9	3.5	2.8	14.2	1.7%
Financial services	0.1	0.3	0.7	0.7	0.7	0.9	2.4	0.3%
Total	260.1	177.8	226.6	262.3	284.6	297.6	844.5	100.0%
% of GDP	9.4%	6.5%	7.6%	7.9%	7.9%	7.4%		

1. Other economic services includes agriculture and environmental infrastructure, telecommunications etc

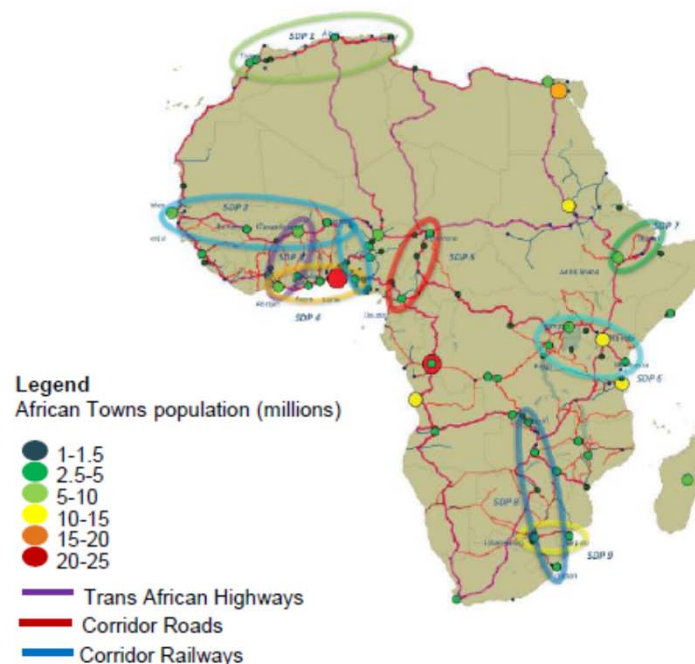
2. Other social services includes infrastructure such as labour centres, heritage institutions, national libraries, etc

Raising finance

Options to raise debt or equity for infrastructure include commercial banks, capital markets and development finance institutions.

Infrastructure Project Opportunities in Africa

Spatial Development Programmes (2040)



Some of the major hydroelectric and "green energy" projects:

- Kariba North and South
- Congo River- Inga projects
- Nile River Basin: Ethiopia
- Zambezi River: responsible for Cahora Bassa
- Kariba: Mozambique, Zambia, Zimbabwe
- Kafue: Zambia
- Orange River Project: Namibia and SA
- Itzhi Tezhi: Zambia

Sources: AfDB, "Study on the Programme for Infrastructure Development (PIDA)" (Phase 1 draft report, 2011)

Examples of major corridor developments

Corridor Developments linked to Ports by 2030

Djibouti Addis Corridor
Northern Corridor
Dakar Bamako Corridor

Rail corridors by 2020 and 2030

Djibouti Addis Ababa (2020)
Beira Corridor (2020)
Abijan Ouagadougou (2030)
Northern Corridor (2030)
North South Corridor (2030)

Road linkages in corridor (highway construction) by 2040

Trans Maghreb
Abijan-Lagos-Douala

Energy demand projections by 2040

COMELEC- 551 GW additional capacity
SADC/SAPP – 346 GW additional capacity
ECOWAS / WAPP – 141 GW additional capacity
ECCAS /CAPP – 29 GW capacity
COMESA/EAPP – 273 GW additional capacity

Infrastructure Project Opportunities in Africa



Source: Africa Infrastructure Country Diagnostic Report 2009

Infrastructure sector	Funding requirements			Current Spending					Gap
	Capex	O&M	Total requirements	Capex			O&M	Total Spending	
				Public sector and other	Private sector	Total Capex	Public sector		
ICT	7.0	2.0	9.0	1.3	5.7	7.0	2.0	9.0	0
Irrigation	2.9	0.6	3.5	0.3	0	0.3	0.6	0.9	2.6
Power	26.7	14.1	40.8	4.2	0.5	4.6	7.0	11.6	29.2
Transport	8.8	9.4	18.2	7.4	1.1	8.4	7.8	16.2	2.0
Water supply & sanitation	14.9	7.0	21.9	2.5	2.1	4.6	3.1	7.6	14.3
Total	60.3	33.1	93.4	15.7	9.4	24.9	9.4	45.3	48.1

Source: Africa Infrastructure Country Diagnostic Report 2009

Infrastructure development is critical to growth

The African Infrastructure Country Diagnostic Report, published in 2009 highlighted the following:

- Africa's infrastructure gap is widening relative to other developing regions
- Transforming Africa's infrastructure will require an additional \$31bn a year
- Africa's infrastructure services are several times more expensive than elsewhere
- Climate change requirements add an additional complexity to development and funding requirements
- **Strong institutions are the key to tackling infrastructure development on the continent**

➡ The pipeline of identified projects in the region is substantial. It is imperative that development partners mobilize sufficient funds to fill the funding gaps.

➡ DBSA International lends itself as a perfect investment partner for the co-ordination and implementation of such developing funding initiatives in the region.

Select Project Highlights

**ESKOM, POWER
UTILITY,
South Africa
ZAR15,000m**



**NEOTEL TELECOMS,
South Africa
ZAR2,700m**



**KONKOLA COPPER
MINE,
Zambia
USD100m**



**O3b SATELLITE,
SADC Regional
USD76m**



**DURBAN METRO
SOCIAL
INFRASTRUCTURE,
South Africa,
ZAR2,700m**



**HIDROELECTRICA
CAHORRA BASSA,
Mozambique,
USD200m**



**ZAMBIA ROADS
REHABILITATION,
Zambia, USD262m**



**KARIBA NORTH BANK
HYDROPOWER,
Zambia, USD106m**



**AIRPORTS COMPANY
SA, South Africa,
ZAR1,500m**



**LESOTHO HOSPITAL
PPP, Lesotho,
ZAR740m**



Conclusions

The DBSA continues to serve as a key and strategic player for delivery on South Africa and the SADC Region's development imperatives, offering investors and partners the opportunity to contribute to the region's growth through an investment-grade and renowned vehicle

To lenders, investors, co-financiers and other partners in development of the sub-continent, the DBSA offers:

- ✓ Well capitalised and resourced – poised for leading infrastructure development role and steep growth trajectory
- ✓ Solid shareholder support demonstrated by increased callable capital and guarantee; public sector infrastructure mandates
- ✓ Pivotal vehicle to channel the South African government's developmental goals
- ✓ A solid track record of delivery
- ✓ Investment-grade credit rating
- ✓ Sound risk management practices and structures
- ✓ Strong corporate governance & operational independence
- ✓ Excellent advisory capacity supporting policy development and planning
- ✓ International partnerships
- ✓ **Access to infrastructure investment and development opportunities in Africa**



Taking on the infrastructure development task is an enormous challenge. It is only with the support of competent and willing partnerships within both the public and private sector that we are able to rise to this challenge.

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