DBSA: A 21St Century African Development Finance Institution Supporting the Development of Sub-Saharan Africa Through the Achievement of the Sustainable Development Goals

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Executive Summary
The African continent has made considerable progress in economic growth and human development over the past three decades. However, much more still needs to be done. The Sustainable Development Goals represent a pertinent and timely world partnership through which the development challenges facing the world’s citizens, and Africans in particular, can be tackled. Africa’s infrastructure financing requirements are substantial and implementation capacity is limited. Access to finance for infrastructure is hampered by paucity of bankable projects and the absence of well-developed project and programme plans. The DBSA, working together its global network of international development institutions, seeks to address some of challenges by catalyzing by private investment in infrastructure on the continent through products and services within its value chain.

Introduction
We at the DBSA, live and breathe development finance. However, we don't do it for ourselves. Allow me to quote John C. Maxwell, in his book, “Think on these things”, to help me clarify why I say we don't do it for ourselves.

Unpacking his definition of success, he says, “This is a day when we hear much about success. Books are written almost every day concerning this subject. Clinics, seminars, and rallies motivating others to successful living can be found in every city. We read about it, hear about it, and work hard to achieve it. But what is success? When I consented to God’s call to preach the gospel, I began to save illustrations, quotes, poems, and any other information that I would someday find valuable for speaking. Over the years, I have accumulated a great amount of material concerning various subjects. Especially under the heading of “success” I have gathered many informative thoughts, including the secrets, stories, rules, ingredients, formulas, guidelines, philosophies, measures, keys, science, traits, plans, and steps of success. After spending time studying the subject and mingling with all types of people, allow me to share with you my definition”. “Success”, he says, “is choosing to enter the arena of action, determined to give yourself to the cause that will better humanity and last for eternity”, (Maxwell, 2016: 69).

The Vision and Mission of the DBSA: Advancing Development Impact through Development Finance and Infrastructure Delivery
This definition very much encapsulates what we at the DBSA are all about. The arena of action that we have chosen to enter is the development of economic and social infrastructure in South Africa and the rest of Africa. Our vision is a prosperous and integrated resource efficient region, progressively free of poverty and dependency. Our mission tells you exactly how we see our impact on humanity. We hope to advance the development impact in the region by expanding access to development finance and effectively integrating and implementing sustainable development solutions to:

- Improve the quality of life of people through the development of social infrastructure;
- Support economic growth through investment in economic infrastructure;
- Promote sustainable use of scarce resource.

Africa’s Development Context: Progress but not yet Uhuru
The 2016 Human Development Report lauds the progress that has been made over the 25-year period to 2015, noting encouragingly that the Human Development Index (HDI) value of every region in the world has risen substantially between 1990 and 2015 notwithstanding the slowdown since 2010. This advancement was achieved in the main areas of development, namely income, health and education. What is even more heartwarming is that this improvement was most pronounced in least developed and low human development countries where the HDI values rose 46% and 40% respectively (United Nations, 2016).

The world has seen significant rewards to its efforts to reduce poverty and hunger, decrease mortality, widen and deepen access to basic social services, increase people’s participation, reverse the effect of climate change, and technological advancement. The global extreme poverty rate has fallen from 35% in 1990 to 11% in 2013 with Asia achieving the most progress thanks to China where the proportion of people living in extreme poverty slumped from 66.5% to 1.9% over the 25-year period (United Nations, 2016). Turning to access to basic services, the UNDP reports that between 1990 and 2015, 2.1 billion people gained access to improved sanitation and in excess of 2.6 billion people had their water sources improved. Sub-Saharan Africa and East Asia reported the most significant advances during the period. The proportion of people in Sub-Saharan Africa with access to improved drinking water increased from 48% in 1990 to 68% in 2015; in East Asia, the improvement was from 68% to 96% during the same period (United Nations, 2016).

Despite all these great achievements, a lot more still needs to be done. A number of national, regional and global challenges remain. It is some of these challenges that provide us at the DBSA with our reason for being. The fact that just over 50% of the 766 million people still living in extreme poverty in 2013 were children (United Nations, 2016) is a concern to us. The fact that, despite the improvement in the global relative Gini coefficient from 0.74 in 1975 to 0.63 in 2010 (United Nations, 2016), rising incomes have been accompanied by widening inequality, is a concern to us. What is more concerning to us, however, is that only 57% of African children enrolled in the first grade of primary school remained enrolled until the last grade...
of primary school, substantially below the global average of 72% and the 95% achieved by Europe and Central Asia (United Nations, 2016). The 2018 World Development Report’s focus on learning to realise education’s promise is therefore a welcome development. We hope it will strengthen the foundations that will help achieve the aspirations and hope of the citizens of our continent.

More than 50% of the world’s 7.3 billion people lived in urban areas in 2014. The number of people in the world is expected to reach 9.7 billion in 2050 with more than 66% of them living in towns and cities (United Nations, 2016). This rapid urbanization is expected to increase the pressure on infrastructure with a negative impact on the quality of life of people. Below minimum standard housing, rising demand for new settlements, rising slums, lack of adequate sanitation and safe drinking water, violence, drugs, crime, increased carbon dioxide emissions, and flooding, are some of the highlighted potentially negative consequences of rapid urbanization.

Turning to Africa and Sub-Saharan Africa specifically, it is disconcerting that, despite the considerable progress made on many aspects of human development, we still lag all the other developing regions of the world. The HDI value of Africa of 0.524 in 2014, which had risen from 0.426 in 1990, was the lowest of the five developing regions of East Asia and the Pacific, Eastern Europe and Central Asia, Latin America and the Caribbean, South Asia and Africa (United Nations, 2016).

**DBSA and the Sustainable Development Goals**

Looking deeply at the 17 Sustainable Development Goals, it looks like the United Nations had the DBSA in mind when it adopted the 2030 Agenda for Sustainable Development in September 2015. All of the goals directly impact and are impacted by our activities in the DBSA value chain of planning, preparing, financing, building and maintaining infrastructure projects and programmes throughout Sub-Saharan African, with particular focus on South Africa and the SADC region.

**DBSA Value Chain: Addressing Challenges Faced by our Clients**

In seeking to realise our vision and achieve our mission, the DBSA focuses on four primary and three secondary infrastructure sectors. Our four primary sectors are energy, transport, ICT and Water. Our secondary sectors are education, housing and health. Through this value offering we hope to help address numerous challenges faced by many of our clients, which challenges include but are not restricted to the following:

1. Lack of financial resources and other capabilities to develop sector master plans including in key bulk infrastructure services such as roads and stormwater, electricity, water and sanitation.

   Through our planning capability, working with and appointing private sector service providers, we have helped some of these clients, particularly those municipalities with limited own revenue sources, unlock third party infrastructure funding from, for example, national and provincial governments by jointly and/or solely funding the development of their bulk infrastructure master plans.

2. A substantial requirement for funding but limited number of bankable projects. As result of this constraint, many worthy and potentially high impact projects never see the light of day because no lender or investor, DFIs included, is willing to finance projects that are unlikely to recover the investment funds provided. Exceptions are funds provided in the form of grants.

   Through our project preparation offering, by mobilising DBSA’s own funds as well as third party financial resources, we have helped set up infrastructure programmes and bring many projects to bankability. It is a little known fact that the IPP office in the Department of Energy was set up with seed funding from the DBSA. We are proud of the fact that, through this seed funding, we have helped bring in much needed foreign direct investment into our country, catalyzed private finance, and contributed to curtail, if not reversing, some of the effects of climate change through the development of sustainable, renewable energy.

   According to a 2014 WWF report on the Renewable Energy Independent Power Producer Programme (REIPPPP), South Africa has attracted in excess of R100 billion in renewable energy investments mainly from the private sector.

   The DBSA is accredited to the Global Climate Fund which enables our clients and stakeholders access to the US$10 billion committed to the Fund to support low emission and climate resilient projects. Projects in energy, water and transport sectors are eligible to benefit from this concessional funding in both development and implementation.

3. Debt finance. Using our varied financing and capital raising product offering, which includes balance sheet loans, limited/non-recourse project financing, mezzanine or subordinated debt, structured financing solutions, BBBEE-equity financing, Mandated Lead Arranging, and guarantees, we continue to enable our numerous clients to access infrastructure finance.

4. Accelerated and cost-effective infrastructure delivery. Our infrastructure delivery division (IDD), on a fully-funded and/or cost-recovery basis, supports national and provincial government departments in South Africa accelerate the implementation of agreed infrastructure projects and programmes. Client departments include, the National Department of Health, National Department of Basic Education (DBE), and the Eastern Cape Department of Human Settlements. For more information, please the 2016/2017 Annual Report.

5. Maintenance and Refurbishment of infrastructure. Through IDD, we help state clients increase and improve the maintenance and refurbishment of infrastructure and thereby increase the useful life of state physical assets and, in the process, hopefully minimize expenditure on replacement infrastructure.

   Between 2013 and 2016, the National Department of Health (NDoH) allocated to the DBSA 136 clinics for maintenance and refurbishment and 102 clinics for the construction of doctors’ consulting rooms. Based on the success of this programme, the NDoH in 2016 awarded to the DBSA further projects amounting to R816 million. These projects include the construction of 44 clinics, addressing the backlog maintenance of 65 clinics, emergency works to 2 hospitals, revitalization of 12 clinics and construction of a new nursing college.

**DBSA in the Rest of Africa**

In the rest of Sub-Saharan Africa, we have part funded the 120MW Ithezi-Ithezi Hydropower plant in Zambia costing $35 million; the 225MW Ghana Powership project; the 450 kilometer Petroleum Pipeline in Kenya costing $350 million; the 300MW Maamba Coal power project in Zambia; 340MW Cenpower Kpone Combined Cycle Gas Fired Plant in Ghana costing $900 million; The $945 million Smile Telecom regional ICT project spanning across Tanzania, DRC, Uganda and Nigeria; the $700 million road project in Angola; the $1.2 billion O3B networks global satellite project; and the $352 million National Road Agency of Zambia road rehabilitation (DBSA Annual Report, 2017).
Conclusion: the Future of the DBSA – Financing Development Through Partnerships

As a result of all these activities in both South Africa and the rest of Sub-Sahara, nearly a million households have benefited from increased and improved access to social and economic infrastructure services.

Looking ahead, our strategic objective is to mobilise R100 billion in annual infrastructure investments in Sub-Saharan Africa in our chosen sectors by 2019/20 in partnerships with global DFIs, local commercial banks and institutional investors. We will do this through the various products available in our value chain of planning, preparing, financing, building and maintaining social and economic infrastructure.

References


