

Bending the arc of history
towards shared prosperity

2018
SUSTAINABILITY REVIEW

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REPORT NAVIGATION

Our reporting suite for 2018 consists of three reports:



The **2018 Integrated Annual Report**, which is our primary communication with our stakeholders.



The **2018 Annual Financial Statements**, which include the directors' report and the independent auditor's report.



The **2018 Sustainability Review**, which provides further information on our sustainability performance.



Indicates a **website reference** where more information can be found.



Indicates a **page reference** for further information which can be found elsewhere in this reporting suite.

OUR STRATEGIC OBJECTIVES



SUSTAINED GROWTH
IN DEVELOPMENTAL
IMPACT



PROVIDING INTEGRATED
INFRASTRUCTURE
SOLUTIONS



MAINTAIN FINANCIAL
SUSTAINABILITY

OUR OPERATIONAL OBJECTIVES



CONTINUOUS
IMPROVEMENT OF
INTERNAL SYSTEMS AND
PROCESSES



CREATE AND MAINTAIN
HIGH-PERFORMANCE
ENVIRONMENT



Refer to page 32 of the **Integrated Annual Report** for further information on our strategy.

WE TARGET INVESTMENTS IN:



ENERGY



TRANSPORT



WATER



ICT

WE PROVIDE SUPPORT TO THESE SECTORS:



HEALTH



EDUCATION



HOUSING



Refer to pages 22 to 23 for further details of the capitals and how we use them to create value for our stakeholders.

ABOUT THIS REVIEW

The DBSA is pleased to present its Sustainability Review for the year ending 31 March 2018. This report focuses on material sustainability areas that affect the long-term success of our business and that relate to any significant impacts we have on the economy, environment or communities in which we operate. It also focuses on issues that are important to our key stakeholders.

The boundary of the review is the DBSA legal entity. There were no significant changes to the scope or aspect boundaries during the reporting period.

We have included a selection of case studies and a view of our estimated development impact to give the reader a sense of what we are seeking to achieve through our investments. While this report may be of interest to all our stakeholders, it deals with issues of particular interest to bond investors and analysts, sustainable development professionals and other parties who may have a specific interest in the DBSA's sustainability performance.

As an organ of the state, it is important that the activities of the organisation are closely aligned to key national imperatives. In this report, we reflect on our contribution to the National Development Plan (NDP) as well as the United Nations' recently adopted 17 Sustainable Development Goals (SDGs).

We produce a full suite of reports to cater for the diverse needs of our stakeholder base. The following reports supplement this Sustainability Review:

Integrated Annual Report Primary report to shareholder and bond investors providing an integrated view of the DBSA's strategy and performance	<ul style="list-style-type: none"> • Overview of strategy and value creation • Performance and outlook • Corporate governance report • Remuneration report
Annual Financial Statements	<ul style="list-style-type: none"> • Directors' report • Statutory Annual Financial Statements

REPORTING FRAMEWORK

Our sustainable development reporting was developed in accordance with the Global Reporting Initiative's (GRI's) G4 Sustainability Reporting Guidelines (Core). A detailed GRI table, providing responses to each of the GRI criteria, can be found in Annexure A to this report. For Specific Standard Disclosures of the GRI 4 guidelines, we provide our management approach for all our material issues. We also disclose in Annexure B our support for the United Nations' Global Compact principles.

MATERIALITY

The Sustainability Review aims to provide an accurate, accessible and balanced overview of the DBSA's strategy, performance and outlook in relation to material economic,

financial, social, environmental and governance issues. It concentrates on items of both a qualitative and quantitative nature that are material to the DBSA's ability to deliver on its mandate and strategy.

The DBSA defines material issues as those that have the potential to substantially impact its ability to create and sustain value for stakeholders. In identifying matters that are material, we consulted a wide range of resources, including:

- The Shareholder's Compact and the DBSA's Corporate Plan
- The DBSA's key risks identified during the risk management process
- The business context of a development finance institution (DFI)

In compiling the Sustainability Review, three specific material areas were identified, including:

1. Our approach to sustainable governance
2. Investment in infrastructure at a project level
3. Our approach to investing in our staff

We have also included selected non-material information about our fund management services in supporting the transitioning to a green economy as well as how we reduce the waste we use. We have also assessed the Financial Service Sector Specific Disclosure requirements and incorporated the material matter of 'product portfolio' in the G4 table in Annexure A.

ASSURANCE

DBSA management has assessed the viability of having the Sustainability Review, other than the elements mentioned hereafter, externally assured, and concluded that the benefits do not exceed the cost of doing so. The disclosures on the GRI tables have, however, been reviewed by the DBSA Internal Audit team. Its findings are indicated in Annexure A. Our external auditor, in addition to providing assurance on the DBSA's Annual Financial Statements, is required to perform certain procedures on our predetermined performance indicators. Its report and findings are reflected in the External Auditor's report in the Annual Financial Statements.

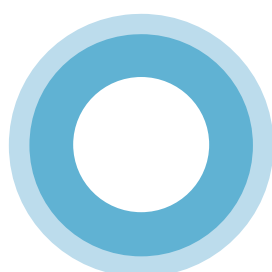
APPROVAL OF THE SUSTAINABILITY REVIEW

This report was prepared under the supervision of the Head: Strategy, Tumi Mphahlele. It was reviewed by the DBSA Audit and Risk Committee and, upon its recommendation, approved by the Board on 3 August 2018. Comments on this report can be sent to The Head: Strategy at corporatestrategy@dbsa.org, or 1258 Lever Road, Headway Hill, Midrand.

SUSTAINABILITY HIGHLIGHTS

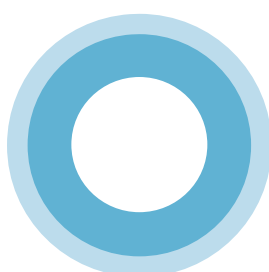
ECONOMIC INFRASTRUCTURE AND GROWTH IN SOUTH AFRICA

Approvals



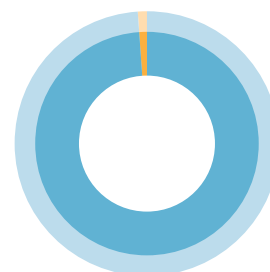
Energy	100
Transport	0
ICT	0

Commitments



Energy	100
Transport	0
ICT	0

Disbursements



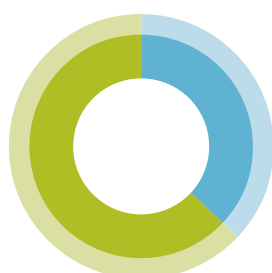
Energy	99
Transport	0
ICT	1

in millions of rand

	2018	2017
Approvals	5 638	3 882
Commitments	4 509	3 622
Disbursements	5 362	2 695

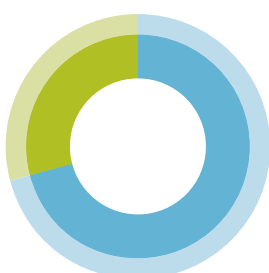
REGIONAL INTEGRATION

Approvals



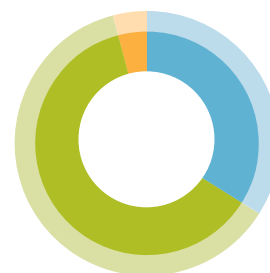
Energy	37
Transport	63

Commitments



Energy	71
Transport	29

Disbursements



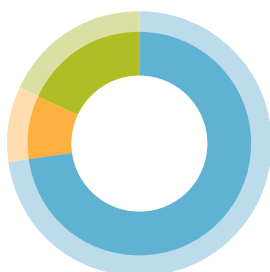
Energy	34
Transport	62
Other	4

in millions of rand

	2018	2017
Approvals	2 420	1 844
SADC (excluding South Africa)	894	870
Rest of Africa (excluding SADC)	1 526	974
Commitments	1 252	3 621
SADC (excluding South Africa)	1 252	1 957
Rest of Africa (excluding SADC)	-	1 664
Disbursements	3 227	3 650
SADC (excluding South Africa)	1 321	1 853
Rest of Africa (excluding SADC)	1 906	1 797

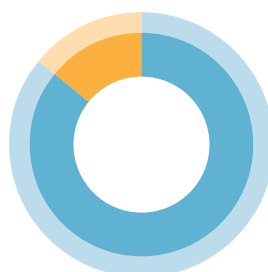
SUPPORTING SOCIAL DEVELOPMENT AND SERVICE DELIVERY

Approvals



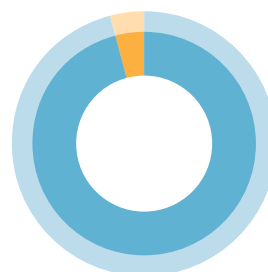
● Municipal **73**
 ● Education **9**
 ● Water **18**

Commitments



● Municipal **86**
 ● Education **14**

Disbursements



● Municipal **96**
 ● Education **4**

in millions of rand

Approvals

Municipal

Other social

Commitments

Municipal

Other social

Disbursements

Municipal

Other social

	2018	2017
Approvals	6 429	9 525
Municipal	6 429	6 974
Other social	-	2 551
Commitments	3 450	6 033
Municipal	3 450	5 182
Other social	-	851
Disbursements	3 520	5 817
Municipal	3 280	5 555
Other social	240	262

SUPPORTING ENVIRONMENTALLY ORIENTATED INFRASTRUCTURE PROGRAMMES

in millions of rand

Electricity consumption in MW

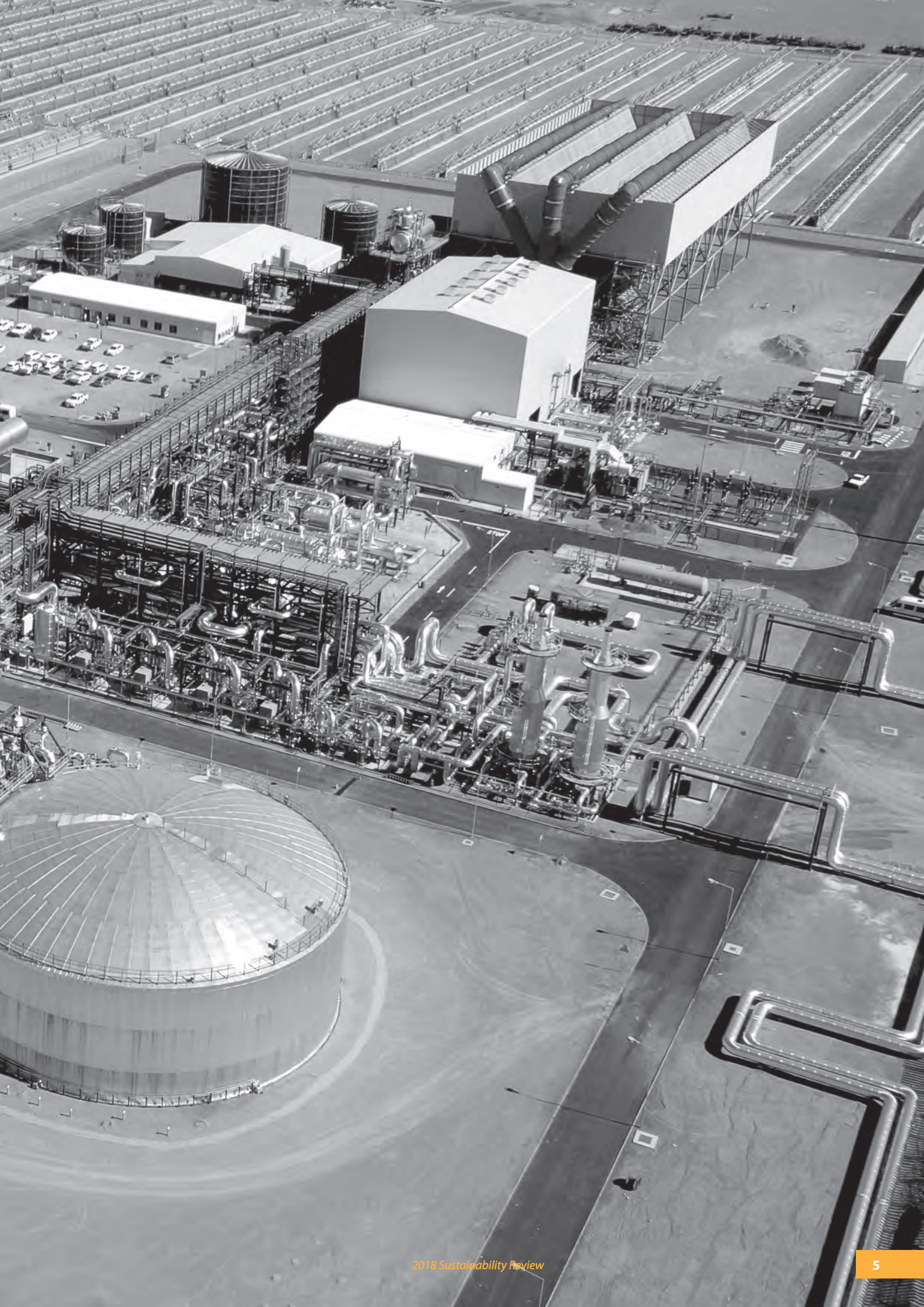
Water consumption in kilolitres

	2018	2017
Electricity consumption in MW	2.7	2.1
Water consumption in kilolitres	10 186	18 456



01

OVERVIEW





CHIEF EXECUTIVE OFFICER'S FOREWORD

Patrick Dlamini
Chief Executive Officer

Our 2018 Sustainability Report shows clearly that the DBSA has made a real contribution to enhancing South Africa's social, economic and ecological environment. I am very proud of what has been achieved this year. At the core of our mandate is the promotion of economic development and growth, human resources development and institutional capacity building by supporting sustainable development programmes and projects. This year, we implemented our revised strategy with the intention of strengthening and expanding our capacity to deliver sustainable infrastructure development.

DBSA has a track record as an African-focused DFI spanning three decades. Our longevity reflects the organisation's agility in adapting and evolving to meet developmental needs in an ever-changing socio-political and macroeconomic environment. It also attests to our sustainability as a business. There is a strong future-focused culture embedded at the Bank, which underpins the DBSA's long-term sustainability and its ability to devise innovative financing solutions. High-quality technical solutions, aligned to the NDP and the United Nations SDGs, are essential to accelerate investments in infrastructure in Africa. Intensifying infrastructure investment in Africa is

imperative for unlocking the potential of the continent. Further, large-scale investment in infrastructure, in energy, transport, water and ICT, as well as in social infrastructure such as education, health and housing, is a critical enabler for promoting economic growth, reducing poverty and improving health and education services. The provision of social infrastructure is also vital to strengthen the social fabric, promoting resilient and productive communities.

The DBSA strives to improve the lives of all South Africans through the investment in infrastructure. Our mandate and strategy are linked to the objectives of South Africa's NDP Vision 2030 and we subscribe to the goals and targets of the United Nation's 'Transforming our World: the 2030 Agenda for Sustainable Development'. In accordance with COP21, we support business innovation and bringing scale to the emerging green economy.

☰ Refer to pages 10 to 11 of the **Integrated Annual Report** for more detailed information on the DBSA's mandate.

☰ Refer to pages 15 to 18 of the **Integrated Annual Report** for more detailed information on the DBSA's role in the implementation of the NDP and support of the SDGs.

The DBSA's role is to support infrastructure development and create value by maximising the efficient use of the resources available. Our

refined strategy is focused on stimulating capital flow towards sustainable infrastructure, with a clear strategic ambition of unlocking R100 billion in sustainable infrastructure development through catalysation. To achieve this, the DBSA has evolved from a traditional financing DFI to a DFI operating across the entire infrastructure-financing value chain. This encompasses engaging in early-stage investment and providing project preparation facilities. In terms of infrastructure financing, the DBSA will act as a catalyst for enhanced third-party participation in infrastructure development to increase the pool of funding for development finance. In addition, our Infrastructure Delivery Division (IDD) supports the government in accelerating the implementation of infrastructure in priority sectors such as education, health and housing and urban infrastructure programmes.

To create value and deliver on our mandate we have implemented a new frontline operating structure to better leverage the DBSA's competitive advantages. The DBSA now operates through the following divisions:


Project Preparation Division, which provides early-stage financial, strategic and technical support, and expertise focused on growing the DBSA project pipeline and delivering sizeable projects with significant economic and developmental impact

Coverage Division, which is building a robust pipeline of projects through catalysing investment by developing relationships, crowding-in third-party investors and tailoring infrastructure financing solutions to best meet clients' needs

Transacting Division, which is at the core of infrastructure financing in the DBSA and is focused on developing funding solutions in order to convert bankable projects into the Bank's lending books

to enable the development of social and economic infrastructure in the local government, energy, water, transport and ICT sectors

Infrastructure Delivery Division, which provides infrastructure delivery implementation support to accelerate development and enhance development impact

 Refer to pages 12 to 14 of the **Integrated Annual Report** for more detailed information on the DBSA's new operating structure.

Broadly, our aim is to:

- Provide our clients with compelling reasons to partner with the DBSA as a DFI of choice
- Provide our people with good reason why they should invest their working lives at the DBSA
- Give communities sound reasons why they should trust and engage with the DBSA
- Assure the government that the DBSA can deliver on its commitments
- Give our investors sound reason why they should invest in the DBSA

As a development finance institution, we strike a balance between financial stability and development impact. We will continue to focus on achieving our mandate by expanding and diversifying our product offering to provide non-traditional balance sheet financing solutions combined with greater support throughout the infrastructure value chain.



Patrick Dlamini
Chief Executive Officer


SUSTAINABLE DEVELOPMENT GOALS

THE DBSA'S ROLE IN SUPPORTING SDG OBJECTIVES

The United Nations adopted 17 SDGs to shape a development agenda until 2030. The DBSA's investments are informed by the SDGs and we have identified six of these goals as our main priorities and have addressed them in the implementation of our strategy. The table below illustrates how the DBSA plays a direct role in achieving the SDGs through its strategic initiatives and in the sectors on which it focuses its attention:

SDG	SDG outcome	The DBSA's role	Strategic initiative	Sector focus
	End poverty in all its forms everywhere			
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture			
	Ensure healthy lives and promote wellbeing for all at all ages	Indirect		 HEALTH
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Indirect		 EDUCATION
	Achieve gender equality and empower all women and girls	Indirect		
	Ensure availability and sustainable management of water and sanitation for all	Direct	 SUSTAINED GROWTH IN DEVELOPMENTAL IMPACT	 WATER
	Ensure access to affordable, reliable, sustainable and modern energy for all	Direct	 SUSTAINED GROWTH IN DEVELOPMENTAL IMPACT	 ENERGY
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all		 SUSTAINED GROWTH IN DEVELOPMENTAL IMPACT	 HEALTH  EDUCATION

SDG	SDG outcome	The DBSA's role	Strategic initiative	Sector focus
	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Direct	 PROVIDING INTEGRATED INFRASTRUCTURE SOLUTIONS	 TRANSPORT
	Reduce inequality within and among countries			
	Make cities and human settlements inclusive, safe, resilient and sustainable	Direct	 SUSTAINED GROWTH IN DEVELOPMENTAL IMPACT	 HOUSING
	Ensure sustainable consumption and production patterns			
	Take urgent action to combat climate change and its impacts	Direct	 SUSTAINED GROWTH IN DEVELOPMENTAL IMPACT	
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development			
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss			
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels			
	Strengthen the means of implementation and revitalise the global partnership for sustainable development	Direct	 MAINTAIN FINANCIAL SUSTAINABILITY	 ICT

 More details regarding the United Nations Sustainable Development Goals can be found online at <https://sustainabledevelopment.un.org/sdgs>.

OUR STRATEGY

The DBSA is a state-owned DFI, which operates across the infrastructure value chain to deliver developmental infrastructure in South Africa and the rest of the African continent. Our primary purpose is to promote economic development and growth, human resource development and institutional capacity building. We strive to achieve this by mobilising financial and other resources from the national and international private and public sectors for sustainable development projects and programmes in South Africa, the SADC region and, more recently, the whole of the African continent.

To ensure our sustainability, our business model takes into account our vision, mission and strategy, supported by robust governance structures and processes. The environments in which we operate, as well as our engagement with our stakeholders, play a critical role in identifying risks and opportunities. Our strategy strives to maximise these opportunities and mitigate the risks effectively, and our management structure enables delivery of our strategy.

OUR VISION

A prosperous and integrated resource efficient region, progressively free of poverty and dependency.

OUR MISSION

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 the investment in **economic infrastructure**
- Support **regional integration**
- Promote sustainable use of **scarce resources**

OUR VALUES

High performance: We are enabled, empowered and inspired to deliver consistent quality, effective and efficient results for which we are accountable and rewarded.

Shared vision: We share and keep the sustainability, strategic intent and mandate of the DBSA top of mind in all our decisions and actions.

Integrity: Our deals, interactions and actions are proof

of transparent and ethical behaviour that show respect and care for all our people (employees, stakeholders, shareholders, clients, communities).

Innovation: We challenge ourselves continuously to improve what we do, how we do it and how well we work together.

Service orientation: We deliver responsive and quality service that speaks to the needs of our clients and continuously build relationships that result in win-win outcomes.

THE DBSA'S SUSTAINABILITY APPROACH

In broad and aspirational terms, the DBSA's vision is of a prosperous and integrated resource-efficient region, progressively free of poverty and dependency. More specific to our value proposition and comparative advantages, is our mission 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 the investment in economic infrastructure
- Support regional integration
- Promote the sustainable use of scarce resources.

MANAGEMENT APPROACH TO SUSTAINABLE GOVERNANCE

The various senior governance bodies within the DBSA are responsible for ensuring that sustainability has the priority it deserves across the organisation.

Sustainability considerations are embedded in each of the Board committees.

The DBSA applies sound corporate governance structures and processes, which the Board considers pivotal to delivering sustainable growth in the interests of all stakeholders. The DBSA's values-driven culture and Code of Ethics underpin its governance structures and processes, committing the organisation to high standards of business integrity and ethics in all its activities. Governance structures and processes are reviewed regularly, and adapted to accommodate internal developments and reflect national best practice.

The Board considers corporate governance to be a priority and endeavours to go beyond minimum compliance, where appropriate. The Board will, therefore, consider all new non-statutory corporate governance concepts carefully and will implement them if they are deemed to be in the DBSA's best interests. The application of governance requirements should facilitate, not detract from, the Directors' ability to execute their statutory and fiduciary responsibilities, and their duty of care and skill. The Board and the Human Resources, Remuneration and Nomination Committee (HRNC) continue to review and benchmark the DBSA's governance structures and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainability.

MANAGING SUSTAINABILITY RISK AT A PROJECT INVESTMENT LEVEL

The DBSA applies the DBSA Environmental and Social Safeguards (ESS) to conduct due diligence for investment purposes. The DBSA ESSs are accredited with the Green Climate Change Fund and the Global Environment Facility. These safeguards have been based on the environmental and social safeguards of the African Development Bank and the Environmental and Social Standards of the International Financial Corporation. The DBSA ESSs (available through the DBSA website) inform potential DBSA clients of their obligations in adhering to these safeguards. The safeguards also endorse global good practice standards and guidelines such as those found in:

- The International Financial Corporation Sustainability Framework
- The United Nations Development Programme's Principles of Good Governance
- Global Compact's Principles for Responsible Investment
- The International Organisation for Standardisation (ISO) 26000
- The Integrated Reporting Committee's Framework for Integrated Reporting
- The King IV Report on Corporate Governance for South Africa 2016
- Compliance with relevant country legislation/ regulations
- Mainstreaming of gender and marginalised groups
- World Bank Operational Standard for Safety of Dams, which includes World Commission on Dams


- UNEP Finance Initiative (www.unepfi.org)
- On the classification of pesticides and their specific formulations:
 - World Health Organisation's Recommended Classification of Pesticides by Hazard and Guidelines to Classification (Geneva: WHO 1994-95)
 - United Nations Food and Agriculture Organisation (FAO) International Code of Conduct on the Distribution and Use of Pesticides (Rome, 2003)
 - Rotterdam Convention on the Prior Informed Consent Procedure (PIC) for Certain Hazardous Chemicals and Pesticides in International Trade
 - Vienna Convention on the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer
 - The Stockholm Convention on Persistent Organic Pollutants (POPs).

The DBSA does not report directly against the Code for Responsible Investing in South Africa (CRISA) principles, but these are embedded in multiple DBSA governance principles, safeguards and practices, such as the DBSA ESS and related appraisal guidelines and are applied as applicable.

Post-implementation evaluations are conducted on a sample of projects by the DBSA's operations evaluations team to evaluate the development effectiveness against planned activities.

SUSTAINABILITY FRAMEWORK

The DBSA's sustainability performance is reported in economic, social and environmental dividends. The framework does not only include financial or economic sustainability, but addresses sustainable investment, especially in terms of potential impact on the environment and communities, as well as monitoring sustainable human capital and procurement practices. The DBSA Sustainability Framework reflects the organisation's contribution to economic, social and environmental dividends. Progress on each element is provided in this report.

 Refer to page 34 of the **Integrated Annual Report** for more detailed information on the DBSA's strategy.

STRATEGIC OBJECTIVES

The DBSA has refined its strategic objectives to support its transformation journey:

			METRICS
	SUSTAINED GROWTH IN DEVELOPMENTAL IMPACT	<p>Grow and entrench each of our businesses to maximise developmental impact</p>	<ul style="list-style-type: none"> • Be a catalyst for infrastructure by crowding-in third parties for between R28 billion and R116 billion over the next three years • Disbursements of R16 billion in 2019 and growing annually to R18 billion in 2020 and R20 billion in 2021 • Value of infrastructure unlocked for under-resourced municipalities of R500 million in 2019, R1 billion in 2020 and R1.5 billion in 2021 • IDD value of infrastructure delivered of R3.8 billion in 2019, R3.9 billion in 2020 and R4.3 billion in 2021 • Project preparation - prepare and commit projects to the value of R7 billion in 2019, R8.5 billion in 2020 and R10 billion in 2021 • Value of projects for black-owned entities (51%) approved for project preparation funding of R400 million in 2019, R500 million in 2020 and R600 million in 2021 • Value of projects by black-owned entities (51%) that are committed for lending of R800 million in 2019, R1 billion in 2020 and R1.2 billion in 2021 • Development impact • Maximise the value of infrastructure catalysed or facilitated • Development effectiveness
	PROVIDING INTEGRATED INFRASTRUCTURE SOLUTIONS	<p>Provide integrated infrastructure solutions across the value chain and be the partner of choice for infrastructure solutions</p>	<p>Client satisfaction rating</p>
	MAINTAIN FINANCIAL SUSTAINABILITY	<p>Maintain profitability and operational efficiency to enable growth in equity and fund developmental activities</p>	<ul style="list-style-type: none"> • Return on equity of 4.7% • Cost-to-income ratio < 30% • IDD: 5% profit margin • Non-performing loans <6% of book • Maintain a debt/equity ratio at 200%

STRATEGIC AMBITION

Unlock R100 billion in sustainable infrastructure development annually, which will contribute 2% to the GDP, whilst maintaining financial sustainability¹

PATHS TO VICTORY

Continue core long-term infrastructure lending activities

De-risk project finance structures to crowd-in third party funding

Greater investment in early-stage programme and project development

Develop structured products and funding structures to unlock infrastructure and crowd-in third party funding

Establish project management offices and focus on maintaining of public infrastructure

SOURCES OF COMPETITIVE ADVANTAGE

Strategic partnerships

Greater risk-return trade-off and longer tenors

Integrated infrastructure solutions, including early-stage risk and delivery capability

Access to concessionary financing

¹ The DBSA has unlocked infrastructure to the value of R42.7 billion during 2017/18 financial year

OUR BUSINESS MODEL

The key resources and relationships utilised in our business model:

					
FINANCIAL CAPITAL	INTELLECTUAL CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	HUMAN CAPITAL	NATURAL CAPITAL	MANUFACTURED CAPITAL
Financial capital is our strong balance sheet and position as one of the leading DFI in Africa, which enables crowding-in investment from other sources.	Intellectual capital is our considerable industry-specific expertise and knowhow in infrastructure.	Social and relationship capital is our relationships with our clients, funders, partners, government and society that are central to supporting infrastructure development.	Human capital is the people we employ as well as others with whom we work.	Natural capital is our positive and negative impact on natural resources through our operations and business activities.	Manufactured capital is our business structure and operational processes.

 Refer to pages 22 to 29 of the **Integrated Annual Report** for more detailed information on how we manage our key resources and relationships.

Key outputs from our business activities

FINANCIAL PERFORMANCE



Net profit: R2.3 billion [2017: R2.8 billion]
 Cost-to-income ratio: 21.7% [2016: 18.8%]
 Paid to providers of capital (interest expense): R3.9 billion [2016: R3.7 billion]
 Debt-to-equity ratio (excluding callable capital): 156% [2017: 158%]
 Staff costs: R703 million [2017: R604 million]

PROJECT PREPARATION



Total projects prepared and committed for DBSA funding: R954 million [2017: R0.6 billion]
 Total municipal projects unlocked for funding through planning support: R540 million [2017: nil]
 Total projects prepared and committed by third-party funders: R15.3 billion [2017: nil]
 Total funding mobilised for project preparation cost (including co-financing): R87 million [2017: R163 million]
 Projects prepared for funding approval by DBSA at year-end: R7.6 billion [2017: RNil]

Key outputs from our business activities

INFRASTRUCTURE FINANCING



Total approvals: R14.5 billion [2017: R15.8 billion]
 Total disbursements: R12.2 billion [2017: R12.4 billion]

- Energy 2018: R6.9 billion [2017: R7.2 billion]
- Water 2018: R0.5 billion [2017: R1.5 billion]
- Transport 2018: R1.9 billion [2017: R1.9 billion]
- Communications 2018: R5 million [2017: R143 million]
- Other (secondary sectors) 2018: R1.9 billion [2017: R1.7 billion]

Projects supported: 38 [2017: 62]
 Total commitments: R9.2 billion [2017: R13.3 billion]
 Disbursement to municipalities in South Africa: R3.3 billion [2017: R5.6 billion]

- Number of municipal clients: 113 [2016: 126]
- Book debt to secondary and under-resourced municipalities: R27 billion [2017: R27 billion]

Disbursements to the rest of Africa (excluding RSA): R3.2 billion [2017: R1.9 billion]
 Secondary and under-resourced municipalities

- Planning support to municipalities:
 - Infrastructure master plan and management plan to reduce non-revenue water losses completed: 13 [2017: 4]
- Implementation support to municipalities:
 - Number of municipalities supported: 13 [2017: 21]
 - Projects completed: 12 [2017: 12]

INFRASTRUCTURE IMPLEMENTATION



Value of funds under management: R4.3 billion [2017: R3.3 billion]
 Value of infrastructure delivered: R3.3 billion [2017: R2.8 billion]
 Schools completed: 8 [2017: 12]
 Schools in construction: 21 [2017: 10]
 Storm damaged schools refurbished: 102 [2017: 49]
 Refurbished educational and accommodation facilities completed: 12 [2017: nil]
 Houses built: 112 [2017: 342]
 Health facilities refurbished: 25 [2017: 28]
 Municipal projects completed: 14 [2017: 44]

DEVELOPMENT OUTCOMES

INFRASTRUCTURE FINANCING



Municipal (South Africa)

Energy (includes upgrading of substations and electrification of households) - total households impacted: 11 935 [2017: 182 727]
 Rehabilitation of roads - total households impacted: 39 480 [2016: 842]
 Water (includes reticulation and provision of bulk water) - total households impacted: 16 209 [2017: 22 814]
 Sanitation (includes reticulation, upgrading and construction of wastewater treatment works) - total households impacted: 20 048 [2017: 15 533]

Planning support to municipalities (non-lending)¹:

Estimated number of households to benefit from unlocked infrastructure projects: 776 474 [2017:nil]
 Estimated number of temporary job opportunities to be created: 8 700 [2017: nil]

Implementation support to municipalities (Non-lending)

Number of households that received access to new and improved service in water, sanitation and electricity: 21 780 [2017: 7 545]
 Temporary job opportunities created: 672 [2017: 1 178]

Non-municipal (South Africa)

Renewable [wind independent power producer] energy: 42 MW [2017: 20 MW]
 Total project impact: 140 MW [2017: 860 MW]

Non-municipal (rest of Africa)

Energy generation: total impact of 2 070 MW (DBSA contribution: 111 MW)



INFRASTRUCTURE IMPLEMENTATION



Schools beneficiaries

Scholars enrolled during 2018: 34 376 [2017: 4 254]
 Total number of learners benefiting since inception: 74 630 [2017: 40 254]
 Total number of learners benefited from refurbished storm-damaged schools: 85 007 [2017: 20 183]

Health beneficiaries

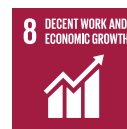
More than 148 000 [2017: >266 000] people gained access to health counselling and testing in newly built clinics

Employment creation

Jobs created: 8 492 [2017: 9 077]

SMME development

Value of funds allocated to SMMEs: R364 million [2017: R493 million]
 SMMEs benefiting: 717 [2017: 500]



¹ Estimated number of households and temporary jobs created from the projects identified from the planning support will be achieved if funding is allocated to the identified projects on a yearly basis until the projects are completed.

OUR STAKEHOLDERS

In all of its activities, the DBSA maintains an open dialogue with stakeholders. We believe that this dialogue and the development of strategic partnerships are not only fundamental sources of information but are important for responsible corporate governance.

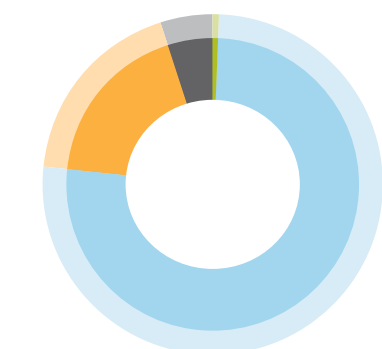
Stakeholder dialogue is also vital for the effective execution of the DBSA's mandate.

☰ Refer to pages 26 to 33 of the **Integrated Annual Report** for more detailed information on the DBSA's management of its stakeholder relationships.

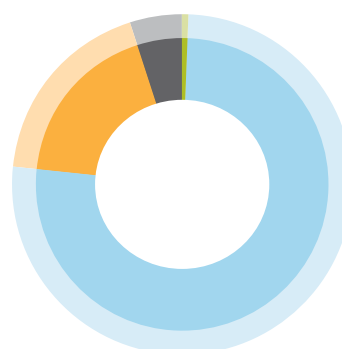
VALUE ADDED STATEMENT

Value added indicates the wealth the DBSA creates through activities for its main stakeholders groups, which are the shareholder, employees, financial institutions (providers of debt capital) and suppliers. It also illustrates how much we re-invest for future growth.

2018 Distribution



2017 Distribution



in thousands of Rand	2018		2017	
	Actual	%	Actual	%
Interest income	7 750 606		7 373 094	
Interest expense	(3 905 259)		(3 703 760)	
Wealth created by trading operations	3 845 347		3 669 334	
Fee income	190 196		318 266	
Foreign exchange gain	(302 057)		(618 649)	
Loss from financial assets and financial liabilities	(131 605)		(43 354)	
Other operating income	242 540		734 090	
Total wealth created	3 844 421		4 059 687	100
Distributed as follows:				
Retained growth	2 931 926		3 191 547	79
Impairment loss on financial assets	623 178		339 449	8
Depreciation and amortisation	25 871		31 249	1
Profit for the year attributable to the shareholder	2 282 877		2 820 849	70
Employees: benefits and remuneration	702 880		603 608	15
Suppliers: expenses	184 695		226 633	6
Social responsibility projects	24 920		37 899	1
Total wealth distributed	3 844 421		4 059 687	100

The DBSA is exempt from normal taxation but is subject to all other South African taxes, including employees' tax and value added tax. The DBSA paid VAT amounting to R36.4million (2017: R36.7 million) during the year.

OUR SIGNIFICANT RISKS

At the DBSA, anticipating and responding to our risks and opportunities are fundamental parts of delivering on our mandate and ensuring that we deliver sustainably. The DBSA Board is ultimately accountable for the effective management of risks and has adopted an enterprise-wide risk management (ERM) framework and approach to managing risk exposures. This approach ensures that the DBSA takes a holistic view of the risks inherent in its strategy, operations and business, and that the management of risks is embedded into the mainstream planning, business and decision-making processes.

KEY ENTERPRISE-WIDE RISKS

The DBSA Board and management team continuously review the top corporate risks to ensure an appropriate understanding of the operating environment.

	RISK	DESCRIPTION	RESIDUAL RISK
1	Macroeconomic	Risk of an uncertain and volatile macroeconomic environment	High
2	Changing operating environment	Failure to innovate and adapt to a changing infrastructure development market	Moderate
3	Credit risk	Ineffective credit default, concentration risk, including ineffective pricing, capital allocation and poor deal selection	Moderate
4	Country and political	Risk of geo-political events in the countries in which the DBSA operates, leading to increase in credit impairments and reduced financing opportunities	Moderate
5	Capital and funding	Risk of inadequate capital levels to sustain the business and execute our strategic growth, including potential increased cost of funding due to external events impacting competitiveness	Low
6	Occupational health and safety	Risk arising from events in the workplace leading to illnesses, accidents, injuries, fatalities and impacting the health and wellbeing of DBSA staff, and partners in projects and operations	Moderate
7	Infrastructure implementation	Failure to deliver on the DBSA's non-financing mandate, including the risks associated with construction-related activities, such as safety, pipeline and contractor management risks	Moderate
8	Development impact	Risk of lower-than-expected development impact and supporting projects that impact society and environment negatively	Low
9	Reputational	Failure to prevent and respond to reputational risk events impacting on the DBSA's goodwill and reputation	Moderate
10	Sustainability	Risk of the DBSA's inability to be a responsible social citizen, preserve and maintain long-term social, economic and environmental balance in fulfilling its mandate and operations	Low
11	Stakeholder management	Risk from failure to identify and build effective relationships with key stakeholders, resulting in expectations not being met and impacting long-term sustainability	Low
12	Human capital	Failure to maintain a high-performance culture, recruit, develop and retain key staff members	Moderate
13	Cyber risk	Risk arising from accidental or malicious breaches of information security, adversely impacting DBSA and clients	Low
14	Governance and conduct	Risk of non-compliance with laws and regulations, and fraud and corruption	Low

Table Legend: The table below summarises the legend used in the top corporate risks table above.

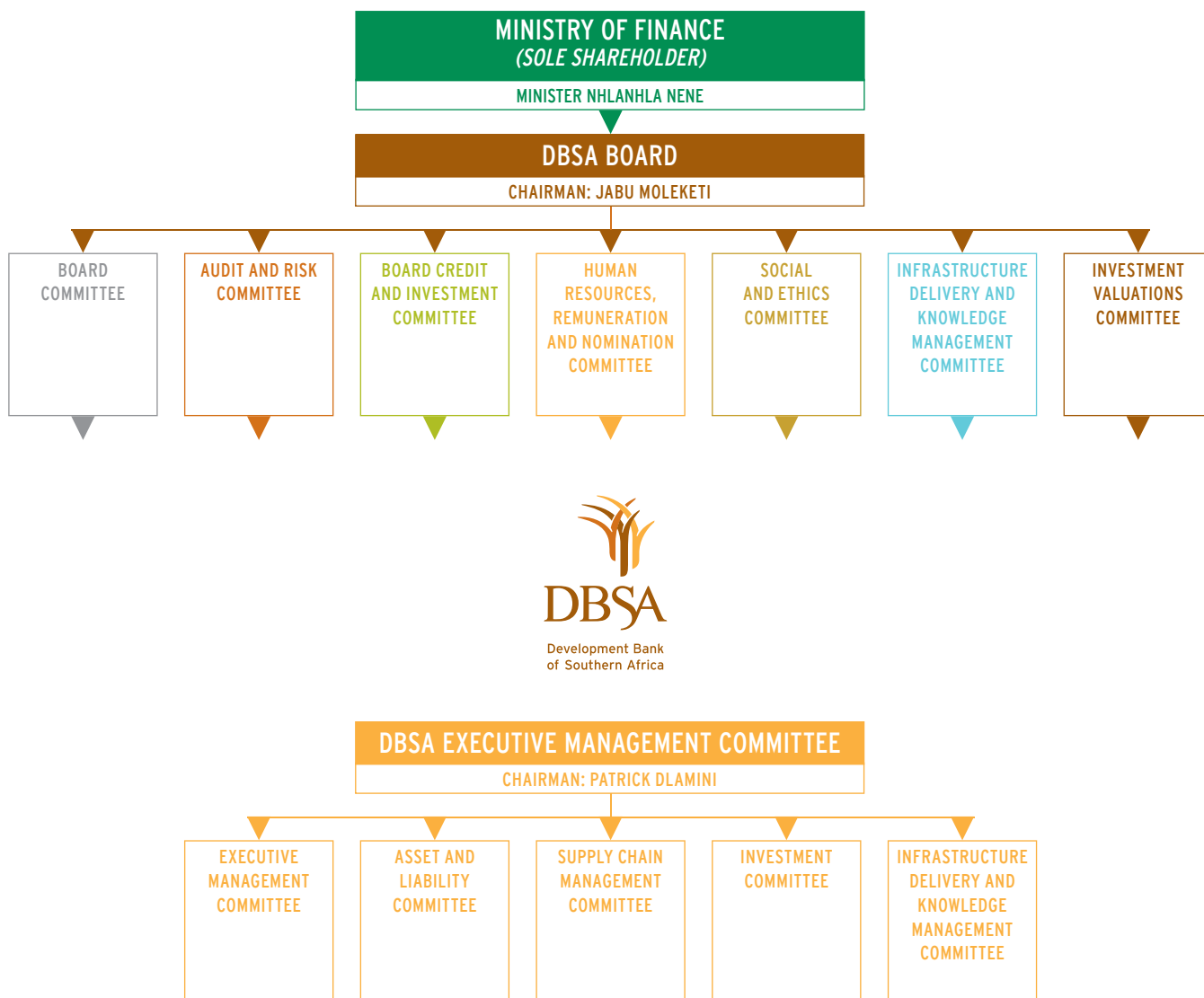
Colour Scheme			
Residual Risk	Low	Moderate	High



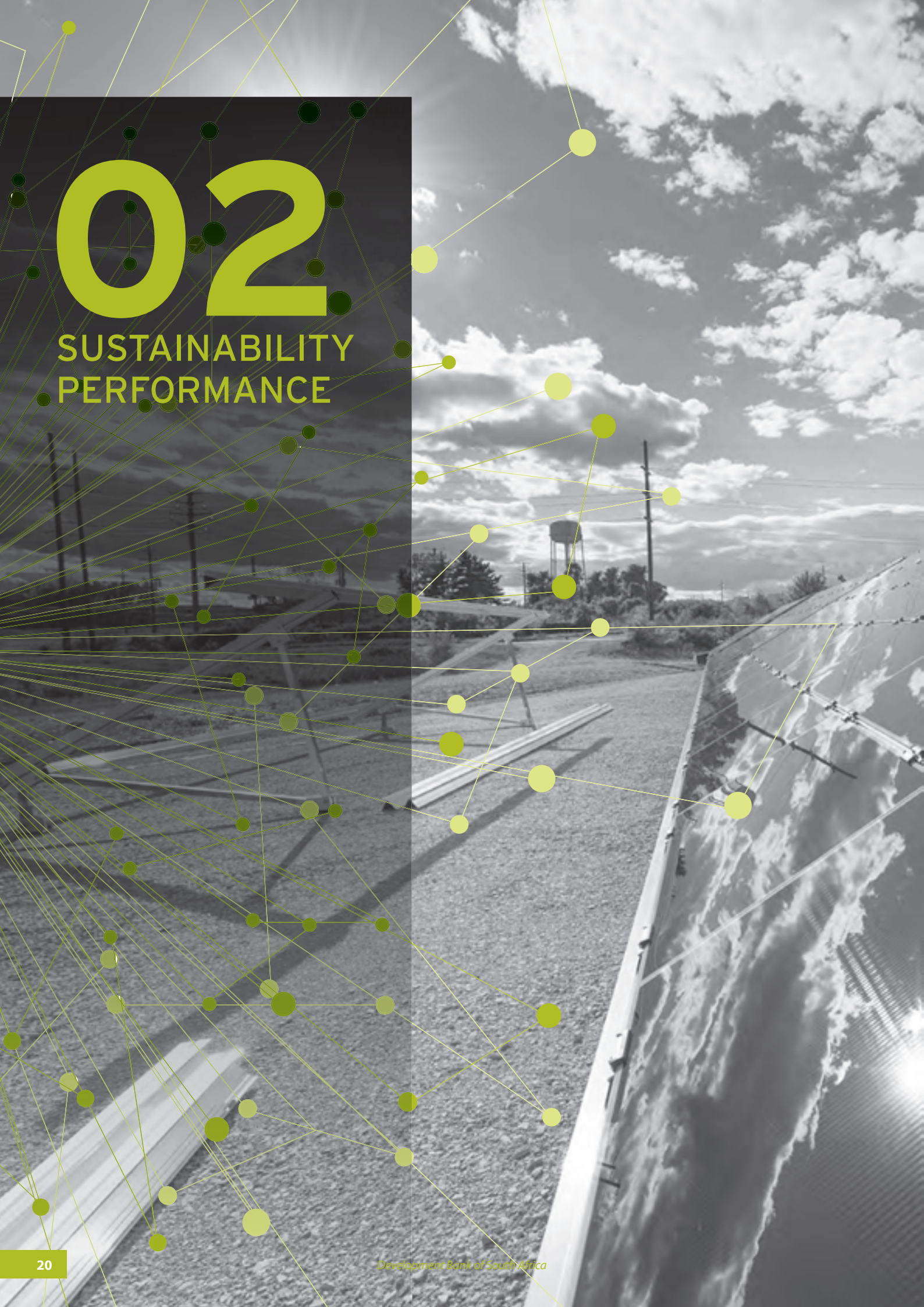
Refer to pages 37 to 39 of the **Integrated Annual Report** for more detailed information on our enterprise risk management.

GOVERNANCE STRUCTURE

The constitution and conduct of the DBSA Board of Directors are primarily governed by the Development Bank of Southern Africa Act, No 13 of 1997 (DBSA Act) as amended and further regulated by the Public Finance Management Act, No 1 of 1999 (PFMA), the principles of the King Code of Governance Principles for South Africa 2016 (King IV). The DBSA's mandate is defined in Section 3 of the DBSA Act.



Refer to page 45 of the **Integrated Annual Report** for more detailed information on the DBSA's corporate governance.



02

SUSTAINABILITY PERFORMANCE



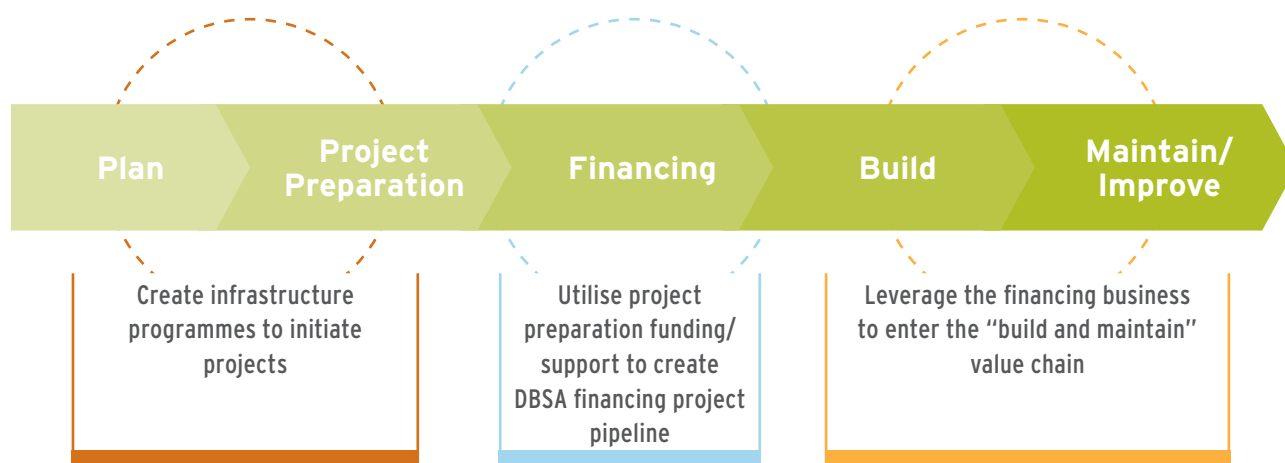
PROJECT PREPARATION

Project Preparation provides financial, strategic and technical support to ensure that a greater number of projects reach financial closure. The division ensures that a proposed project is feasible (the division vigorously investigates the feasibility of projects so that sound and viable projects are invested in), appropriate and ready for implementation. Its mandate includes conducting scoping profiles on projects while still at a conceptual stage, pre-feasibility studies, detailed bankability studies, financial structuring as well as legal, environment and technical assessments on the proposed project. Large-scale infrastructure projects are very complex, with a multitude of risks, and take years to be implemented. Project Preparation alleviates the risks by identifying and eliminating key risks at the earliest possible stage. As a result, the risk of non-completion of projects is reduced, costs are better contained and timeous delivery is facilitated. In addition, Project Preparation analyses the economic impact of the proposed project and ensures the project is compliant environmentally, legislatively, legally and financially. Every project needs to fit into the DBSA's mandate of providing infrastructure development to alleviate poverty and grow the economy.

Services:

- Providing infrastructure planning support services to create project pipeline and to unlock funding for infrastructure development
- Sourcing, funding and preparing projects for funding by the lending division
- Facilitating funding for climate-friendly projects
- A partner of choice for infrastructure development and financing
- Facilitating infrastructure development through providing financing and non-financing support to under-resourced municipalities
- Facilitating the planning and delivery of bulk and connector infrastructure
- Providing technical support and concessional funding facilities to catalyse infrastructure development

In addition, the division manages a number of third-party funds, that provide clients integrated solutions that address their needs across DBSA's infrastructure value chain.



The provision of project preparation funding is based on the following key value offering:

- Strategic partnership capital, provided through third-party funds, by leveraging government-to-government relationships to source concessional and/or grant funding for projects and supporting emerging project sponsors to partner with experienced and strategic partners to develop projects. These funds are key in catalysing and mobilising third-party capital for investment when projects have reached bankability.
- Intellectual capital by assisting in the scoping of projects so that they will be compliant with all relevant licences and procurement practices.
- Financial capital by crowding-in private sector and other DFI capital and resources into infrastructure projects.

STRATEGIC PARTNERSHIPS

In assisting the DBSA to deliver on its overall mandate of funding infrastructure projects across the sub-Saharan continent, the DBSA has entered into following strategic partnerships:

European Union's Infrastructure Investment Programme for South Africa (IIPSA)

IIPSA is a joint European Union and South African government initiative, administered by the DBSA, that seeks to enhance sustainable economic growth and the delivery of key services affecting development by providing funding for infrastructure projects in South Africa and the South African Development Community (SADC) region. In the case of SADC projects, the following qualifying criteria need to be met:

- a regional trans-border project involving two or more countries in the SADC region, or a
- national project in any of the SADC countries with a demonstrable regional impact on one or more other countries in the region

The sectors that IIPSA supports are:

- Energy
- Transport
- Water
- ICT
- Social infrastructure (education and housing)

A total of €100 million in funding was provided to the South African government as, through National Treasury and the DBSA was appointed Fund Manager and Secretariat, to administer and implement the programme, in 2013. To date, R110.8 million in project preparation funding has been disbursed to assist and support the preparation of infrastructure projects.

SADC's Project Preparation and Development Facility (PPDF)

The SADC PPDF is a programme financed by the European Union and the German government, through Kreditanstalt für Wiederaufbau (KfW), with a focus on SADC countries (excluding South Africa). The PPDF seeks to create a conducive investment environment by financing the preparation of projects that enable regional integration. It provides technical assistance for infrastructure project identification, preparation and feasibility studies as well as capacity training with a view to making the projects bankable and attractive to investors.

The funds are limited to projects within SADC that:

- span over two or more SADC countries, or
- if located in one country, facilitate and promote regional integration, and/ or
- will complete a missing link in another regional project

The sectors for which the fund is available include:

- Transport infrastructure
- Energy generation and transmission
- ICT
- Water and sanitation
- Tourism-related infrastructure

The funds have been administered, managed and disbursed by the DBSA's Project Preparation Division on behalf of the SADC Secretariat since 2008.

Agence Française de Développement (AFD) Project Preparation and Feasibility Study (PPFS) Fund

The DBSA and the AFD jointly set up the PPFS Fund to fund the preparation and development of infrastructure projects.

The funds are available for projects in sub-Saharan Africa.

The sectors for which the fund is available include:

- Transport infrastructure
- Energy generation and transmission
- ICT
- Water and sanitation

The funds are administered, managed and disbursed by the DBSA's Project Preparation Division and AFD as co-funders to the PPFS. The DBSA has administered the fund since 2003 and, to date, R93.2 million in project preparation funding has been disbursed.

Green Climate Fund (GCF)

The Green Climate Fund was established by 194 countries party to the UN Framework Convention on Climate Change in 2010. It is designed as an operating entity of the convention's financial mechanism and is headquartered in the Republic of Korea. GCF aims to support a paradigm shift in the global response to climate change and allocates its resources to low-emission and climate-resilient projects and programmes in developing countries. The fund pays particular attention to the needs of societies that are highly vulnerable to the effects of

climate change, in particular least-developed countries, small island developing states and African states. The DBSA became an accredited entity for the GCF in 2016 and, through this role, channels the GCF's resources to support approved GCF projects and programmes.

Green Fund

The Green Fund's objective is to assist with South Africa's transition to a low-carbon, resource-efficient and

climate-resilient development path to deliver high-impact economic, environmental and social benefits. Assistance is provided to projects through grants (recoverable and non-recoverable), loans (concessional rates and terms) and equity. The funding windows are green cities and towns, low-carbon economy and environmental and natural resource management.



STRATEGIC COOPERATION

IPP Office (IPPO)

Project Preparation assisted the IPP Office with capacity support at an administrative and legal level by providing corporate and administrative services, which include the procuring of transaction advisers and office operating requirements, including the contractual appointments of staff required to execute the responsibilities of the IPPO. The IPPO's function is to execute the South African government's energy policy determined by the Department of Energy (DoE). Preferred IPPs are procured as per ministerial determinations for the different energy streams (e.g. renewable, gas, coal). The DBSA has been responsible for internal institutional arrangements for the IPPO, including the adoption of appropriate policies, procedures and structures to give effect to the mandate instructions received from the DoE.

Project Preparation Facility Network (PPN)

The PPN represents a network of project preparation facilities such as the New Partnership for Africa's Development (NEPAD) Infrastructure Project Preparation Facility (IPPF) and the United States Trade and Development Agency (USTDA) that, from time-to-time, collaborate on project preparation activities and experiences in selected sectors across the continent. In June 2016, the DBSA was selected as the PPN Secretariat for the first two years of the network and, through this partnership, the DBSA will participate in project

preparation activities of common interest with all the members and establish co-financing opportunities for implementation.

Economic Community of West African States (ECOWAS) Project Preparation and Development Unit (PPDU)

The DBSA has concluded a memorandum of understanding (MoU) with the ECOWAS PPDU to jointly develop and co-finance infrastructure projects in West Africa. This partnership will enable the parties to jointly conduct due diligence assessments, co-fund infrastructure projects and collaborate on project preparation activities for projects of common interest in the region.

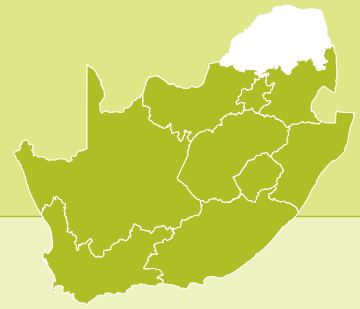
AFD and Proparco

The DBSA has concluded an MoU with AFD and Proparco (a DFI) to collaborate on early-stage financing of programmatic opportunities with specific focus on transport, urban mass transit and renewable energy, and using innovative funding mechanisms such as developing special purpose vehicles focused on designing structured instruments where different investors can carry different levels of risk.





CASE STUDY



POLOKWANE, LIMPOPO: AC PIPES NETWORK REPLACEMENT PROJECT

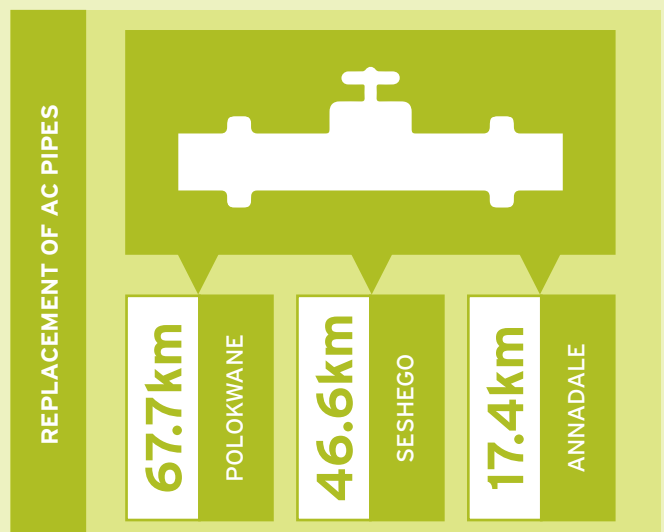
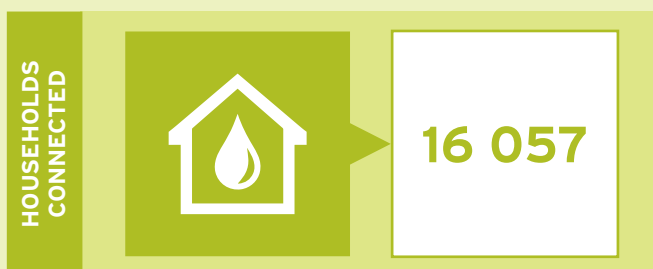
R235 million grant from DBSA Project Preparation and R25 million grant approved by IIPSA for the Polokwane Local Municipality Asbestos-Cement (AC) Pipes Network Replacement Capital Expenditure Programme

The Polokwane AC Pipes Network Replacement project is one of the municipality's key projects in its Integrated Development Plan, as an anchor project to enable its Smart City Vision. The project will increase the municipality's wastewater treatment capacity to handle current and projected sewage flows until 2032. The balance of the required R460 million for the project has been funded by Standard Bank.

Polokwane is the economic hub and capital city of Limpopo province, and is the largest metropolitan complex in the northern region of South Africa. A large percentage of the population live in Polokwane migrated from rural or semi-urban areas to seek for employment opportunities in the city which result to unplanned urban migration, and as a result the city is poorly service. The infrastructure is old and incurs high operating costs and lost revenue.

Development outcomes and measurable impacts

- 16 057 households currently receiving intermittent water services to benefit from reliable water services
- 67.7 km of replacement AC pipes Polokwane CBD
- 45.6 km of replacement AC pipes in Seshego
- 17.4 km of replacement AC pipes in Annadale
- Reduced ad-hoc repair and maintenance and employee overtime cost related to emergency attendance to frequent burst pipes
- Reduction in water losses
- Positive impact on the economy
- Potential creation of employment



SUPPORTING UNDER-RESOURCED MUNICIPALITIES

Recognising infrastructure backlogs of basic services in energy, water and sanitation and access roads to rural and informal settlements, the South African government, through the DBSA's mandate, has increased support to under-resourced municipalities.

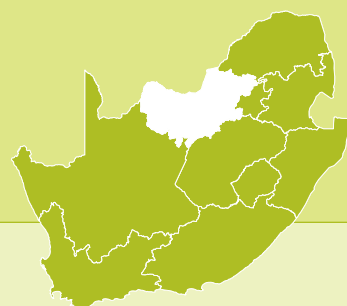
The DBSA provides infrastructure delivery support to M2/ M3 potential loan recipient municipalities through:

- Development finance support such as subsidising the interest costs for under-resourced municipalities with no balance sheet or ability to service interest, but an imperative to address the backlog to access basic service delivery.
- Project implementation support such as infrastructure planning, project planning, procurement and maintenance.

Project Preparation provided infrastructure planning support services to DBSA-client under-resourced municipalities to create a project pipeline for funding and unlocking or catalysing funds for infrastructure development. The municipalities either have taken up loans from the DBSA, or have the potential to take up loans from the DBSA.



CASE STUDY



MORETELE LM MUNICIPALITY, NORTH WEST: ROADS, WATER AND SANITATION PROJECT

R148.84 million loan allocated for the implementation of the Moretele LM Municipal Infrastructure Grant Pledging Programme for roads, water and sanitation infrastructure

Moretele is situated in the Bojanala Platinum District Municipality, north of Pretoria, adjoining four provinces - North West, Gauteng, Mpumalanga and Limpopo. Most people live in villages and traditional areas, with the majority of economic activity in the area coming from platinum mining. To address the infrastructure backlogs faced by the municipalities, subsidisation of interest costs for the under-resourced municipalities was required. The programme encompasses 10 projects that span provision of

sanitation infrastructure, construction of water reticulation infrastructure and construction of paved roads in the municipal area, as well as the construction of sports facilities.

Programme objectives

- Eradicating service delivery backlogs in the water and roads infrastructure sectors
- Improving the health of community members
- Creating temporary employment opportunities
- Alleviating poverty in the local communities

Development outcomes and measurable impacts

- 3 164 households benefited from the project:
 - 1 884 households have access to sanitation services
 - 1 279 households have access to water supply services
- 601 temporary job opportunities created in the implementation of the programme
- 13.4km upgrading and resealing of roads and construction of stormwater drainage facilities
- 6.5km of new paved roads completed

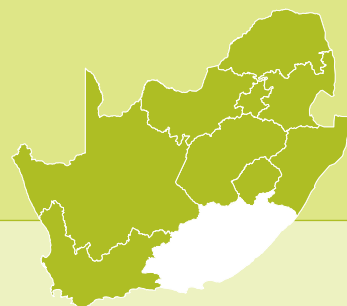
TEMPORARY
JOBS CREATED



601



CASE STUDY



MBIZANA LM MUNICIPALITY, EASTERN CAPE: ELECTRIFICATION PROJECT

R40.4 million loan allocated for the implementation of the Municipal Infrastructure Grant Pledging Programme for the electrification of households in Mbizana Municipality

The electrification of households and provision of bulk infrastructure to ensure a constant supply of electricity in Mbizana Municipality was implemented under the Integrated National Electrification Programme (NEP). The households are in Monti, Ntlozo, Gumzama, Mqonjwana and Lugwijini villages.

Project objectives

- Eradicating the backlogs of unelectrified households
- Providing bulk infrastructure to ensure constant supply of electricity
- Improving the health of community members
- Creating temporary employment opportunities
- Alleviating poverty in the local communities

Development outcomes and measurable impacts

- 2 559 households now have access to electricity services enabled by the Eskom infrastructure
- 71 temporary job opportunities were created.



JOBS
CREATED



TEMPORARY JOBS

71

HOUSEHOLDS
CONNECTED



2 559

TRANSPORT, LOGISTICS AND ICT

MASS TRANSPORTATION SYSTEM STRATEGY

The South African Constitution identifies the legislative responsibilities of different levels of government for airports, roads, traffic management and public transport. Transport is a function that is legislated and executed at all levels of government. The development and maintenance of an efficient and competitive transport system are key objectives of the NDP.

The long-term vision of the National Transport Master Plan (NATMAP) 2050 is to sustain South Africa's projected growth and focus on integrated transport planning to ensure that the different modes of transport complement each other, while the Public Transport Strategy (PTS) aims at migrating transport towards an improved quality, integrated mass rapid public transport network that includes rail, taxi and bus services. Rapid transit systems have been identified by national government as a viable transportation option that can ensure sustainable, equitable and uncongested mobility in the country. The long-term goal is to have 85% of the metropolitan cities' population within 1km of a public transport service.

SIP 7 (Integrated Urban Space and Public Transport Programme) aims to coordinate planning, economic and social infrastructure and location into sustainable urban settlements connected by densified transport corridors. SIP 2 (Durban-Free State-Gauteng Logistics and Industrial Corridor) and SIP 7 have identified the Johannesburg-Durban high-speed passenger rail and Integrated Rapid Public Transport Network (IRPTN) in 12 cities. Phase 1 of the IRPTN entails the rollout of the Bus Rapid Transit (BRT) systems in 12 cities, as well as implementation of

the taxi recapitalisation and accelerated rolling stock recovery plans for rail. To date, Johannesburg (Rea Vaya), Cape Town (MyCiti), Tshwane (A Re Yeng), Durban (GO!Durban), Ekurhuleni (Harambee) and Rustenburg (Yarona) are most advanced in the planning and implementation of their BRT systems.

The National Land Transport Act (NLTA) provides the legal framework for the development and implementation of the IRPTN by the metropolitan cities in South Africa. Furthermore, the NLTA provides the framework for the negotiated 12-year contracts that metropolitan cities can enter into in the implementation of the BRT projects.

The DBSA's participation

To support government's initiatives to provide mass transport to all as encapsulated in NATMAP and PTS, the DBSA is mandated and committed to investing in public transport networks to ensure safe, efficient and green transport systems. The DBSA has, to date, provided and/or committed to provide funding support to the following mass transportation projects:

- Tshwane BRT project (A Re Yeng)
- Ekurhuleni BRT project (Harambee)
- Gautrain rapid passenger rail project and its expansion

The DBSA provides long-term loan facilities (over 10-year tenors) with flexible availability, grace periods and amortisation profile to allow for the development and implementation of projects of this nature. All the South African BRT systems will expand in phases over the next decade and the DBSA will continue to support these until the government's vision is achieved.

AFRICAN
ports
evolution

AFRICAN
rail
evolution



**Best Performing
Institution in Transport**



CASE STUDY



TSHWANE BUS RAPID TRANSIT PROJECT

Financing agreement period: 11 years

The Tshwane Rapid Transit (Pty) Ltd (TRT) required R786 million to procure 171 buses and for driver training required for the first phase of the A Re Yeng BRT project in Tshwane. The TRT signed a R786 million agreement with the DBSA in May 2015 to fund the purchases of 40 Mercedes-Benz compressed natural gas (CNG) buses as well as the local content of 131 Volvo diesel buses. To date, R394 million, which is about half the loan facility amount, has been disbursed.

At the inception of the project, buses will run from Paul Kruger and Nana Sita streets in the Pretoria Central Business District to the Hatfield Gautrain Station in Arcadia Street. The A Re Yeng BRT is forecast to transport about 127 000 passengers a day once phase one is operational.

The DBSA is committed to investing in public transport networks to ensure safe, efficient and green transport systems. Tshwane BRT project is the first of 12 BRT projects across South Africa earmarked for further DBSA support.

Project objectives

South Africa's PTS is aimed at migrating transport towards an improved quality, integrated mass rapid public transport network, which includes rail, taxi and bus services. Rapid transit systems have been identified by national government as a viable transportation option that can ensure sustainable, equitable and

uncongested mobility in the country. The 2020 vision is for 85% of the metropolitan cities' population to be within 1km of a public transport service network line. Through a dedicated trust, the beneficial shareholders of the TRT are taxi and bus operators, on routes serviced by private buses and taxis, known as affected operators, through shareholding equivalent to their market share. TRT is managed as an independent corporate entity. The NLTA provides the legal framework for the development and implementation of the IRPTN by the metropolitan cities in South Africa. The NLTA provides the framework for the negotiated 12-year contracts into which municipalities can enter during the implementation of the BRT projects. City of Tshwane's IRPTN strategy sets out the network plan for BRT corridors and integration with rail services such as the Gautrain and the Passenger Rail Agency of South Africa (PRASA) commuter rail links in the short-, medium- and long-term. Other key strategic objectives are to facilitate the corporatisation of affected operators and to provide them with value-adding opportunities through training, so as to assist them to access sustainable income prospects.

Approach:

City of Tshwane is rolling out the buses in phases, with phased bus delivery in batches over two years. Ownership of the buses vests in TRT, which procured the vehicles and will charge a user fee on a take-or-pay basis using a fee-per-kilometre payment system that guarantees a minimum number of kilometres to cover debt services, all operating costs and a profit element.



Development outcomes and measurable impacts

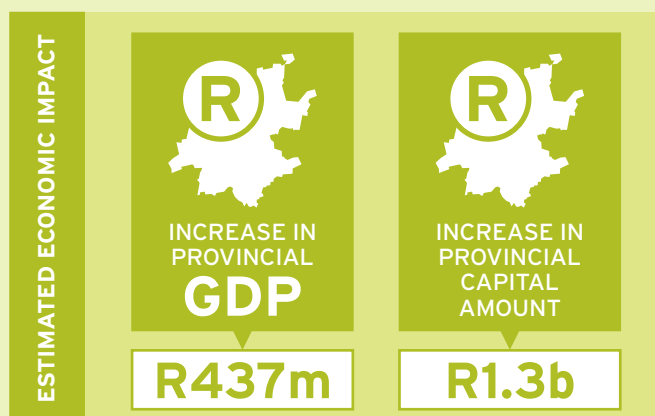
The project, once complete, will have a significant impact on the socio-economic and economic development of the city and its inhabitants as well as Gauteng as a whole, with the following development impact:

- An estimated increase of the provincial GDP by R437 million
- An estimated provincial capital formation of R1.324 billion
- An estimated 1 114 additional employment opportunities, 275 of which will be for unskilled workers
- An estimated additional R259 million in household income, R48 million of which might accrue to low-income households
- A potential additional fiscal impact for government of R125 million
- Improved quality of life through an efficient, safe and affordable transport system
- Empowerment, skills development and local economic development (TRT is 100% owned by a trust whose beneficiaries are the affected taxi and bus operators on the planned BRT routes).

In November 2010, at the launch of the project, Mayor Gwen Ramokgopa expected more than 10 000 jobs to be created during the construction phase, and about 1 000 sustainable jobs once the system was live. These included 529 bus operators and related personnel, 94 employees for the call centre and about 300 workers managing and maintaining the ticketing system.

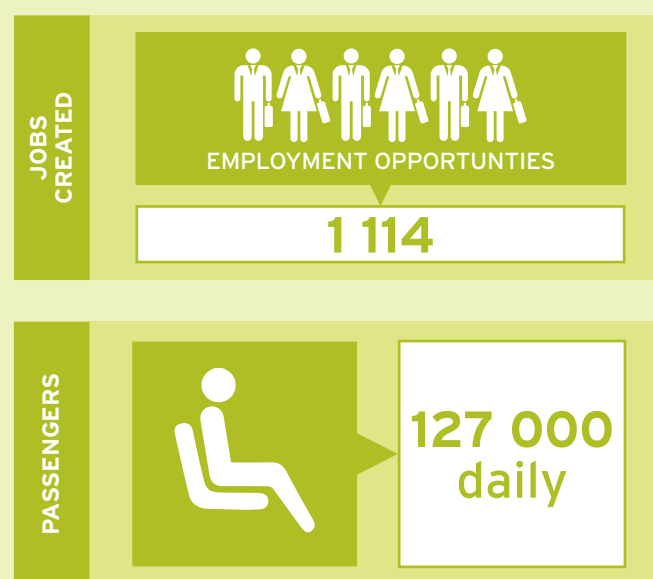
Sustainability

The loan period of 11 years, including availability and grace periods, is in line with typical development finance practice. As a leading metro, City of Tshwane has a good credit rating with a stable outlook, thus the risks associated with this project are mitigated. With 127 000 passengers daily, the BRT will have dedicated income throughout the project's lifespan. The take-or-pay model will also provide sustainable earnings to the company and ensure debt servicing.



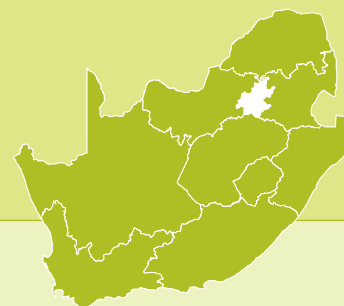
Lessons learnt and critical success factors

Transport is a critical success factor in South Africa's economy, thus this project is important to the country and received the DBSA's full support. The Tshwane project drew lessons from the Rea Vaya and MiCiti projects to avoid repeating earlier mistakes made in Johannesburg and Cape Town, respectively. Government support is key to the success of this project as it allows City of Tshwane to use a portion of its grant income to cover the deficit in initial operating costs and for the A Re Yeng system. The project has the support of the affected operators and has trained a number of taxi drivers to operate the buses. This provides a more sustainable income for the drivers and a buy-in for the taxi industry. The trust will provide capacity building for affected operators, who will become drivers as the project progresses. The critical success factor is a long, complex negotiated settlement through a process involving all stakeholders.





CASE STUDY



GMA GAUTRAIN PHASE 1 EXPANSION

The Gautrain project consists of the Gautrain Rapid Rail Link (Gautrain), which is a state-of-the-art rapid rail network operating in Gauteng. The Gauteng Provincial Government (GPG) undertook the Gautrain project, between 2007 and 2010, starting with partial operation in 2010 and full operation in 2012. The project comprised the construction, operation and financing of approximately 80km of railway lines with 10 stations between Johannesburg and Pretoria, and between Sandton and OR Tambo International Airport (ORTIA), with extensive feeder and distribution services at each station.



The system has been operating for eight years and performance has exceeded expectations, as evidenced by higher-than-projected passenger demand and a standing-to-seated passenger ratio that is now breaching comfort levels during peak hours. The growth experienced to date and that projected by Gautrain Management Agency (GMA) management indicates that Gautrain capacity is stretched to the point that, in the peak periods, the available rolling stock is now close to maximum capacity and, therefore, not able to meet further market demand (current and forecast). Given the current capacity constraints during peak hours and future passenger growth projections made by the GMA, GMA management has determined that the Gautrain system will require 48 new coaches and related infrastructure at an estimated cost of R4 billion, where debt funding requirement is approximately R3.5 billion.

The DBSA's catalytic role

The current concession ends on 31 March 2026. This leaves approximately eight years to fund the additional rolling stock and related infrastructure under the current structure. Given the timeframe left on the current concession, it is not economical

for Bombela Concession Company (BCC) to fund the additional rolling stock and there is no incentive for BCC to encumber itself with further debt.

The GMA, therefore, appointed the DBSA mandated lead arranger (MLA) to develop a funding solution independent of the current concession and that can be funded over 15 years through an SPV that will avail the additional rolling stock and related infrastructure to the system via a lease agreement. This structure will allow for the assets to be funded across concessions, given the constraints noted above.

As the MLA, the DBSA approved a facility of R3.5 billion to meet the full debt requirement of the project, allowing the GMA to implement the procurement process with assurance that the project is fully funded. In addition, the approved facility allows the GMA to perform an independent value-for-money benchmarking exercise (i.e. debt funding competition - DFC) to ensure that the DBSA's funding is priced competitively. The DBSA's funding proposition meets the need for a funding solution that:

- Takes a view on provincial government risk
- Funds across concession periods
- Provides long-dated funding, in this case 15 years

In addition, in November 2016, the DBSA, in its capacity as the Secretariat for IIPSA, further secured a R40 million project preparation grant from IIPSA to:

- Assist the GMA with direct transaction costs for outstanding project preparation activities
- Provide funding for the reimbursement of bidder costs incurred in the design of depot enhancements required as part of the bidder's response to the request for proposal (RFP). The concept of partial bidder reimbursements was used in the original Gautrain project and proved highly effective in accelerating and reducing risk, and improving the quality and pricing of bidder responses. As such, the GMA will do so in return for commitments from bidders to expedite the design process and in return to achieve financial close faster.

Other project support to GMA Gautrain

The DBSA is currently involved in providing project preparation support to GMA on Gautrain expansion phase two, which will entail Gautrain expanding the current rail network into new suburbs/locations in the province.

INFRASTRUCTURE DELIVERY

DBSA established the Infrastructure Delivery Division (IDD) in 2013, to enable the Bank to support government in the effective and efficient implementation and delivery of infrastructure projects. The IDD accelerates the planning, design, construction and maintenance of infrastructure projects, promotes employment creation and ensures projects are delivered on time, quality and within cost.

Services

IDD services are targeted at national, provincial and local government clients, donor agencies and private sector funding providing:

- Implementing agent services focussing on construction, recruitment, maintenance and repairs
- Programme management services that indirectly support infrastructure delivery planning and programme management units
- Capacity building services that promote and build capacity and skills in the infrastructure delivery process



HIV VOLUNTARY COUNSELLING AND TESTING The Power of Knowing franchise model

The DBSA was appointed an implementing agency by the Department of Health (DoH) for the Power of Knowing franchise model, a project aimed at promoting the prevention of HIV and Aids, and encouraging behavioural change.

Developed in 2003 by the DoH in collaboration with German Development Bank, KfW, and the DBSA, the Power of Knowing franchise model is a long-term project aimed at improving access to quality counselling and voluntary HIV testing services in Limpopo and Northern Cape. KfW provided funding to construct private HIV testing rooms in existing clinics. A second component of funding then enabled confidential HIV counselling and testing services at the clinics. Patients who tested positive

are provided with free treatment in line with the National Department of Health's policy on access to free treatment for HIV.

The Power of Knowing franchise model was designed to strengthen public-private relationships among HIV prevention stakeholders, including referral for HIV treatment. It focused on collaboration among the public, private and non-governmental organisation (NGO) sectors, including continuous training and quality control of services. Project design included destigmatising HIV testing and supplementing the public health system's capacity for counselling and testing by building a functional network of implementers, private practitioners,



private pharmacies and local NGOs. To fill the gaps between providers, the model established a functional data reporting system that collated public and private HIV counselling and testing (HCT) data, simultaneously instilling active collaboration among all parties.

The two project components complemented each other, as the public sector element ensured the construction and upgrade of the clinics, whilst the private sector capacitated the districts with practitioners who provided the counselling and testing services.

Operating in the peri-urban and rural communities, the contracted service providers offered high-quality buildings as well as voluntary counselling and testing (VCT) and tuberculosis testing services to underserved populations in identified public clinics in Limpopo and Northern Cape.

Project objectives

- Refurbish and upgrade priority clinics in Limpopo and Northern Cape



Before upgrade: Ga-Semenya Clinic in Limpopo

- Establish a network of 250 private practitioners, including doctors, nurses, pharmacists and NGOs in Limpopo and Northern Cape
- Provide VCT to 322 064 persons
- Capacitate providers to conduct HCT, reporting into the national system
- Increase the testing rate for males to 35%.

Development outcomes and measurable impacts

- 28 clinics refurbished in Limpopo
- 27 clinics refurbished in Northern Cape
- 332 064 people provided with HCT in Limpopo and Northern Cape
- Developed and launched the Power of Knowing franchise model brand
- Established a monitoring system that reports HCT testing data directly to the National DoH
- 260 doctors, nurses, pharmacists and NGOs contracted to perform HCT to at-risk communities in Limpopo and Northern Cape
- Developed a payment and medical commodity procurement and distribution system
- Established a service quality assurance mechanism
- Increased uptake in testing among men
- Refinement of the test-to-treatment pipeline in public health facilities and implementation of the National Health Insurance (NHI) scheme

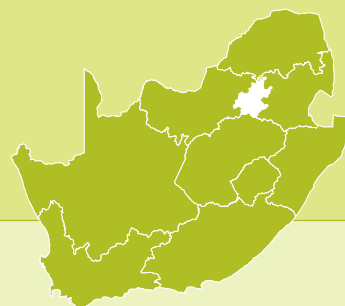
Upgrades - a new consulting room, one storage room, a covered patio, an airconditioner and other minor refurbishments.



After upgrade



CASE STUDY



TEMBISA PEDESTRIAN CYCLE RAIL UNDERPASS BRIDGES

The DBSA's IDD is currently supporting City of Ekurhuleni with infrastructure programmes. One project is the Tembisa pedestrian underpass bridges, which is a collaboration between the city and Passenger Rail Agency of South Africa (PRASA). It was identified in response to the high number of pedestrian fatalities on the railway line. A study conducted by National Treasury in 2016 recorded between 7 000 and 10 000 people crossing of the railway line over a 12-hour period, in Isithame/Kopanong and Ibazelo/Temong sections and surrounding areas.

Project objectives

- Reduce the number of fatalities on the route
- Provide attractive safe and user-friendly pedestrian and cycle underpass
- Improve mobility of pedestrians
- Improve safety and security of pedestrians and residents of the area.

The project is implemented under the current MoA signed between the City of Ekurhuleni and the DBSA, mandating IDD to procure and supervise the management contractor to do the following:

- Design permanent and temporary works
- Supply details necessary to assist the engineer in the compilation of as-built drawings
- Construct two underpass bridges.

IDD is overseeing the engineering design of the bridge and supervision of the contractor during the entire construction stage. A contractor was appointed to fulfil the day-to-day project implementation role, including supervision of the work of sub-contractors. To ensure minimum disruptions, the project is being implemented in two phases:

Phase one

Phase one has been successfully completed, with the two bridges having been constructed and rail services installed in January 2018. The project involved temporary disruption of rail services between 8 December 2017 and 7 January 2018. A communication campaign with all stakeholders was used to ensure adequate buy-in. The construction team worked during weekends and over the December construction break to achieve the tight timeframe set by PRASA.

Phase two

Phase two is underway and scheduled for completion by July 2018. It includes electrical lighting, supply and installation of the CCTV, and landscaping, grassing and interlocking brick paving on the ramps.

Lessons learnt

This project has affirmed that comprehensive community engagement throughout the project life cycle is crucial to avoid protests, even where the project requires temporary disruptions of an essential service such as rail transport.



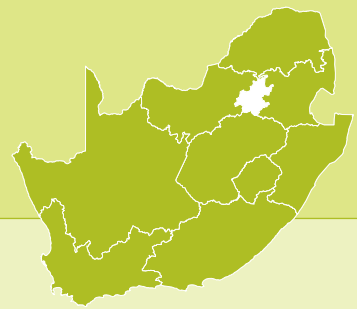
Pedestrian crossing the railway line before the construction of the underpass bridges



Underpass crossing bridge at the end of phase one



CASE STUDY



DELVILLE EXTENSION 9 SOCIAL HOUSING PROJECT

The DBSA was appointed as an implementing agent for this social housing project as part of the umbrella MoA signed with City of Ekurhuleni in 2015. The project is part of the Germiston Urban Renewal Programme, which aims to develop the urban settlement into sustainable human settlement and Germiston into an administrative capital for the city. The DBSA was responsible for implementing the project, including design, construction and contract management.

The project is managed by the Ekurhuleni Housing Company, a social and rental housing company responsible for scaling up the delivery of social housing. It comprises the construction of 112 rental units, which provide accommodation to low- and middle-income households.

Project objectives

- Create development zones within priority precincts identified in the city's development plans
- Interventions in housing through project-driven development
- Phased hierarchy development
- Focus on flagship/catalytic projects followed by support projects
- Start with state-owned land and public spaces
- Development through partnerships
- Shared facilities - mixed developments, vertically and horizontally.

Development outcomes and measurable impacts

- 112 units have been completed to meet social and rental housing demand
- Scaling up delivery of social housing in City of Ekurhuleni by the Ekurhuleni Housing Company.

Lessons learned

- Regular communication is critical among stakeholders to ensure that everyone has the same understanding and expectations
- Stakeholder engagement assists people in understanding their roles in the project
- Public participation was key for the successful delivery of this project. The role of ward councillors and ward committees was vital in relaying critical information to the public, and included use of local labour around the ward.





CASE STUDY



TRANSFRONTIER PROJECTS: SADC WATER AND SANITATION FUND

SADC, KfW and the DBSA entered into a financing and project agreement on 18 December 2012, mandating the DBSA to serve as project executing agency responsible for managing its Regional Fund for Water. SADC and the DBSA further entered into an agency agreement on 5 May 2014, which mandates the DBSA to manage and implement the start-up phase of the Regional Fund for Water infrastructure and basic sanitation. The fund was established to strengthen the water sector coordination function of SADC and create an instrument to channel international cooperating partner contributions to the SADC water sector. Its objective is to develop regional water and sanitation infrastructure. Through IDD, the DBSA is responsible for overall programme management and implementation of the fund. This responsibility entails the establishment and supervision of the project implementing unit, procurement, provision of back-office support, reviewing regional investment project proposals, and concluding financing agreements with the governments of the relevant countries and the project sponsor.

Project objectives

- Facilitate the implementation of integrated water resources management and develop related infrastructure in SADC
- Improve collaboration of member states on joint water sources
- Provide affordable, economically viable and socially sustainable access to safe water supply to the poor in SADC member states.

At the end of 2017, the programme identified and approved two projects - one in the Zambian border town of Kazungula, and a cross-border project in the border towns of Lomahasha in Swaziland and Namaacha in Mozambique.

The criteria used to select these projects included:

- Pro-poor impact
- 10% co-contribution from member states
- Projects that are part of an integrated national or regional water masterplan
- Projects that are aligned with the integrated water resources management concept
- Environmental and social impact assessment aspects
- Economic viability.

Kazungula Water Supply Project

Kazungula Water Supply Project is situated in the small border town of Kazungula in Southern Province of Zambia where Zambia, Botswana, Zimbabwe and Namibia converge. The project comprises the construction of water treatment works, bulk water supply works and a water reticulation network. The current water and sanitation infrastructure is not adequately serving the town's population of about 5 500 people. The project is expected to benefit approximately 12 500 people by 2024. The geographic location of the project is significant, as the construction of a new cross-border bridge over the Zambezi River will connect Zambia and Botswana, opening a regional trade corridor. The project will ensure that the town is able to cope with the demand for water and sanitation services by locals and people in transit. A feasibility study was prepared in March 2018 and will be updated with the assistance of the Climate Resilient Infrastructure Development Facility of the Department for International Development UK.



Lomahasha-Namaacha cross-border water supply project

Located in the mountainous region between Swaziland and Mozambique, the project will provide water services to both Lomahasha in Swaziland and Namaacha in Mozambique as well as the population in transit between the two countries. Both border towns are located on the top of a mountain range, making water supply difficult and expensive. The project will comprise the installation of rising mains from Simunye to Namaacha Reservoir in Mozambique and Lomahasha Reservoir in Swaziland, and includes construction of two booster-pumping stations along the pumping main, construction of a reservoir in each town and the rehabilitation of the distribution systems in each town.

Review of progress

The project management board established with KfW agreed to finance phase one of the project to the value of €8 million. A financing agreement between the DBSA and the governments of Mozambique and Swaziland is currently being finalised. Due to the complexity of implementing a regional project with cross-border and international stakeholders, the SADC Regional Fund for Water Infrastructure has put in place comprehensive implementation and oversight structures. SADC established a project steering committee to supervise the fund and provide strategic oversight. Funds are channelled to the DBSA as project executing agency. The DBSA established a programme implementation unit (PIU) to oversee day-to-day coordination, implementation and management responsibilities. Over the past four years, IDD has packaged the projects and facilitated signing of the funding agreements with member countries.

Progress in identifying quality projects that meet the SADC fund's criteria has been very slow due to inadequate technical capacity at implementing agent and utility levels in the countries concerned, and complexities associated with cross-border stakeholders' mobilisation. However, although the projects are still in initiation and implementation, progress achieved to date indicates the fund's objectives are most likely to be met. Going forward, to ensure the success of this programme, the fund will intensify stakeholder mobilisation to sensitise member states, emphasising the benefits of the fund and their role in accessing the benefits.

Lessons learnt

- Implementation of regional projects requires the commitment of national governments and country contributions in the form of staff, finances and tax exemptions, which are achieved through negotiations and signing of formal cooperation agreements such as financing, implementation and water sharing
- Financing through a fund structure allows for collaboration and harmonisation of standards and benefits across the region as opposed to a project-financing approach
- The coordination of cooperation and collaboration in a transfrontier project requires an executing agency to be sensitive to the dynamics of individual member states.

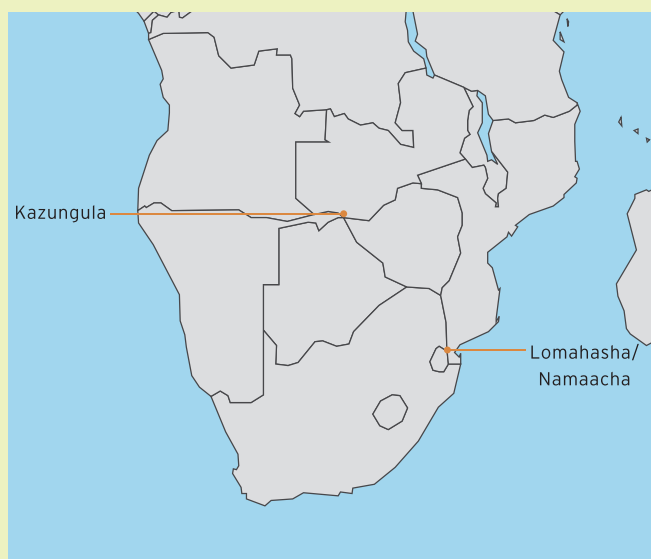
**PHASE ONE
INVESTMENT**

€8 million



Map data: ©2018 AfriGIS (PTY) Ltd, Google

Lomahasha-Namaacha (LoNa) cross-border water supply project



Locations of the Lomahasha-Namaacha (LoNa) and Kazungula projects

ENERGY

The DBSA has played a key role as a funder in the various projects under the Renewable Energy Independent Power Producer Procurement (REIPPP) programme. More specifically, the Bank has enabled black economic empowerment parties and local community trusts to 'own' the projects. Nationally, the DBSA has played its role in transforming the energy sector and added much-needed clean energy supply into the national grid for the benefit of all South African citizens.

REIPPP

In 2010, the DoE, National Treasury and the DBSA collaborated in setting up the IPP Office and formulating the REIPPP. The REIPPP, which opened up the market for renewable energy in South Africa, has been widely acclaimed internationally as a success and has been running in a series of rounds. To date, the DoE has issued requests for proposals for rounds 1, 2, 3, 3.5, 4 and an expedited round. The technology profile has been onshore wind, solar photovoltaic (PV), concentrated solar power (CSP), biomass, biogas, landfill gas and small hydro. To date, the REIPPP programme has procured 6.3GW (91 projects) from independent power producers.

The DBSA has been instrumental in financing renewable energy projects under the REIPPP. Its support for the programme includes:

- Programme management support to assist the DoE
- Acting as a joint mandated lead arranger and underwriter for the projects in which the DBSA has been involved
- Acting as a leading financier of broad-based black economic empowerment (BBBEE) parties and local community trusts.

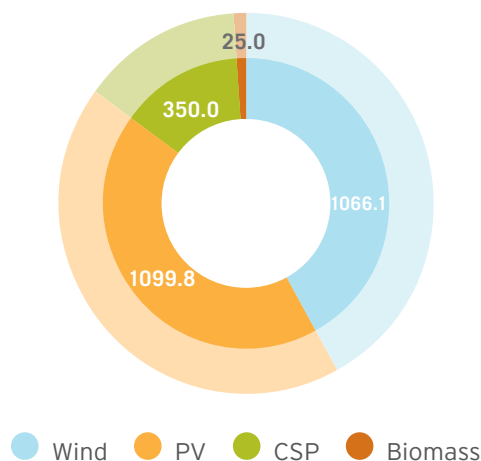
To date, the DBSA has a committed portfolio of 33 renewable energy projects and has invested approximately R15 billion with a total of approximately 2 541 MW across the various renewable technologies. The DBSA's lending commitments are in the form of senior debt and support for local empowerment parties and local communities.



	Round 1	Round 2	Round 3 and 3.5	Round 4	Total # of projects
Wind	1	1	3	4	9
PV	8	1	-	9	18
CSP	2	-	3	-	5
Biomass	-	-	-	1	1
Total	11	2	6	14	33

REIPPP programme portfolio overview (MW per RE technology)-BW 1-BW 4

BW1 - BW4



The projects supported by the DBSA are located across various South African provinces, including Northern Cape, Mpumalanga, North West, Eastern Cape and Western Cape. In addition to providing much-needed energy supply for the country, this has stimulated the economy, created jobs and improved livelihoods in communities in the areas surrounding the projects. Under bid window (BW) 4 of the REIPPP programme, the DBSA supported projects including Copperton wind farm (102MW) and Roggeveld wind farm (140MW). The DBSA also finalised its blended financing mechanism for the small IPP programme during the financial year under review.

COPPERTON PROJECT

This is a 102MW wind farm located near Copperton in Northern Cape. The project was named preferred bidder under the BW4 of the REIPPP in June 2015. The shareholders in the project are Gestamp Wind (59%), and BEE shareholders, Pele Green Energy (Pty) Ltd (31%), Copperton Local Community Trust (5%) and Veld Renewables (Pty) Ltd (5%).

The DBSA was appointed a mandated lead arranger for the financing of the project, estimated at R2.5 billion. The Bank's approved funding for the project is R1 billion, comprising senior debt facility and empowerment funding, which will enable Copperton Local Community Trust to acquire equity stake in the project. Construction and commissioning will take 40 months and, thereafter, operations will start under a 20-year power purchase agreement with Eskom.

Development outcome and measurable impact

Copperton Local Community Trust will represent the interests of the local communities in and around Copperton. Its primary purpose is financial support for education and training, and support of health facilities. Its secondary purpose is community development for poor and needy persons and anti-poverty initiatives, as well as the provision of training, assistance and support to small and medium-sized businesses and community-based empowerment projects.

Community benefits from the project will be through the distribution of dividends, socio-economic development (SED) and enterprise development (ED). The ED and SED contributions are calculated at 0.81% and 2.025% respectively of total project revenue per year over the life of the project.

Further positive socio-economic impacts of the project include the creation of jobs opportunities, transfer of skills and contributions to the local, regional and national economies. Approximately 295 jobs and 1 707 jobs will be created during construction and operation phases, respectively. The project has committed a local spend during construction of no less than 32% of project costs, which equates to R862 million.



On completion, the project will connect about 70 000 average South African households and contribute approximately 318,020MWh a year of clean energy to the national grid. It will also contribute to the reduction of greenhouse gases of 306 000 CO₂ a year and 6 120 000 CO₂ over the project's lifetime.

ROGGEVELD WIND FARM

The Roggeveld project is a 147MW wind farm to be implement approximately 20km north of Matjiesfontein, in Ward 4 of Laingsburg Local Municipality and Ward 1 of Karoo Hoogland Local Municipality. It straddles Northern Cape and Western Cape. The project was awarded preferred bidder status in 2015 under round 4 of REIPPP.

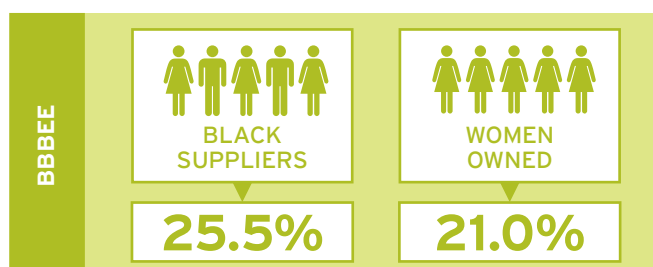
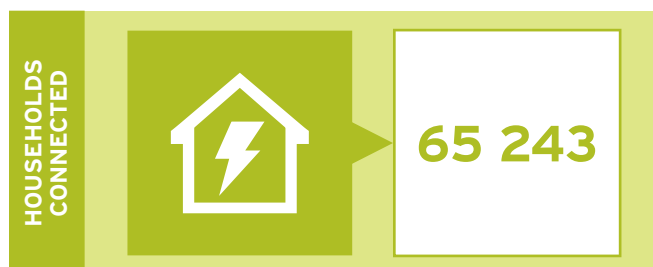
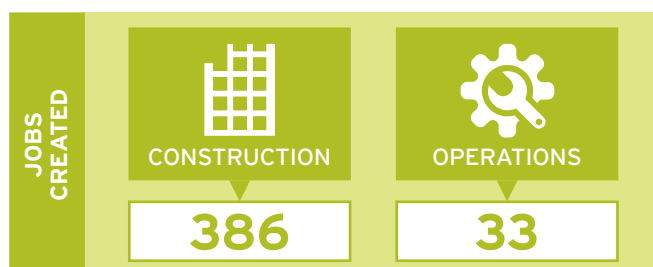
The total project cost is estimated at R4.4 billion. The DBSA's exposure under the project is approximately R909.1 million, comprising R648.5 million of a senior Consumer Price Index (CPI)-linked facility, R131.6 million of a junior debt facility and R129.1 million of a BEE debt

facility. The junior and BEE facilities are provided to enable the BEE shareholder, H1 Holdings, to acquire its 23.25% shareholding in the project.

Development outcomes and measurable impacts

Positive socio-economic impacts include the creation of job opportunities, transfer of skills and contributions to the local, regional and national economies. Approximately 386 jobs and 33 jobs will be created during the construction and operation phases, respectively. The project has committed a local spend during construction of no less than 48% of project costs, which equates to about R2.1 billion.

The local communities also stand to benefit from the dividend flows to the Building Energy Opportunity Trust, through the development of poor communities, the promotion of community-based projects, the provision of training, the promotion of micro-enterprises, the building and equipping of educational facilities, scholarships and other community-based programmes. On completion, the project will contribute approximately 555 000 MWh a year of clean energy to the national grid.



ENERGY SECTOR ACCOLADES

A memoir of DBSA's journey through the RIPP programme is documented in the recently launched coffee table book.



SMALL INDEPENDENT POWER PRODUCERS (IPP) PROGRAMME



The DoE established the Small Projects Independent Power Producer Procurement Programme (SPIPPP) to offer opportunities for small-scale renewable energy producers and to stimulate participation by small and medium- enterprises (SMEs). The targeted plant capacity for the projects is between 1MW and 5MW.

Projects participating in the SPIPPP have had difficulty raising the required capital for the following reason:

- Access to funding: Difficulty in the targeted SMEs accessing debt funding from financial institutions, owing to their limited financial and technical track record in the renewable energy sector and the magnitude of the required capital investment
- High cost of funding: The average high cost of capital is an impediment to SMEs earning commercial related returns on equity (ROEs)
- Limited balance sheet capacity: SMEs have limited financial resources to contribute own equity into projects.

An intervention was required to ensure that BW 1 and 2 projects of the SPIPPP could secure the required funding to enable the projects to reach financial close successfully.

DBSA INTERVENTIONS

IIPSA interest rate subsidy

To address the funding constraints faced by SPIPPP SMEs, the DBSA formulated an interest rate subsidy funding mechanism for consideration by IIPSA. A subsidy of R80 million in the form of a grant was approved and reserved by IIPSA to cover a maximum of 10 projects



under SPIPPP BW 1 and 2. The subsidy will reduce funding costs for the SPIPPP projects and will also be used to crowd-in other qualifying financial institutions such as commercial banks or fund managers to co-fund the senior debt of SPIPPP projects with the DBSA.

Global Environment Facility

The DBSA is an accredited Global Environment Facility (GEF) institution. GEF is a facility and financial mechanism that provides funding to developing countries and small island developing states for the implementation of environmental and climate change projects and programmes, assisting them to meet their obligations under several multilateral environmental agreements (MEAs). Through its accreditation, the DBSA submitted a funding proposal to GEF for an equity funding facility that will provide equity funding to SMEs that are preferred bidders under the SPIPPP to unlock equity funding constraints under this programme. The GEF capitalised equity facility will target BBBEE SME shareholders under the SPIPPP that have controlling ownership in the projects of more than 50%. Following the funding proposal submitted by the DBSA, GEF approved a non-grant concessionary facility of US\$15 million for funding the equity requirements of BBBEE shareholders under the SPIPPP. The GEF equity funding facility will further catalyse the small-scale renewable energy market in South Africa.



Development objectives

The IIPSA interest rate subsidy and the GEF equity funding facility are interventions that will contribute to South Africa's commitment to transition to a low-carbon economy and allow for SME participation in the renewable energy sector. The low-carbon economy commitment is guided by the country's strategic policy priorities, such as the NDP, National Climate Change Response White Paper and the Intended Nationally Determined

Contribution that was submitted to the United Nations Framework Convention on Climate Change in 2015. SPIPPP funding interventions put in place by the DBSA supports wider economic development criteria such as job creation, South African participation, SME participation, management control, preferential procurement and enterprise and socio-economic development contributions.



ENVIRONMENTAL SUSTAINABILITY

Environmental and social decision making in DBSA

The DBSA reviewed its environmental management policy and practices and developed new products to support environmental and social sustainability within the context of all the Sustainable Development Goals, in particular:

SDG	SDG outcome
	Ensure availability and sustainable management of water and sanitation for all
	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
	Ensure sustainable consumption and production patterns
	Take urgent action to combat climate change and its impacts
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss

The DBSA seeks to provide innovative and structured financing solutions to meet project needs that match environmental and social safeguards principles with financial solutions to address development challenges. The DBSA adopts an integrated approach, assessing environmental, social, economic, financial and sector considerations of each proposed investment project. All potential investments undergo an appropriate environmental and social appraisal as part of the broader investment appraisal process, underscoring the DBSA's commitment to sustainable and equitable development. This enables the DBSA to embed sustainability principles into every step of the investment value chain.

The DBSA proactively complies with the principles of the King IV Report by reporting quarterly to the Social and Ethics Committee (HRNSEC) on how the Bank addresses and positively influences social, environmental and

governance considerations within businesses operations. This supports the HRNSEC in its oversight role with regards to meeting Good International Industry Practice (GIIP) in respect of sustainable infrastructure financing.

The DBSA's social and environmental management framework and Environmental and Social Safeguard Standards (E&SSS) align with the DBSA's credit policy and disclosure policy and collectively ensure that the DBSA's operations, programmes and projects are socially responsible and environmentally sound.

The DBSA currently reports on environmental and social matters to DFI's such as the KfW, AfDB, MIGA, and World Bank regarding numerous partnership arrangements.

Climate Change

DBSA climate change policy framework

Icon Goal 13 – take urgent action to combat climate change and its impacts

The SDGs identify climate action as central to advancing long-term development objectives. The Paris Accord requires public, private sector and finance institutions that service them to focus on achieving a goal of zero net emissions by the end of the century. These international agreements require DFI's such as the DBSA to align country, stakeholder and sector development and financing models to support climate change interventions.

The DBSA acknowledges climate change is central to addressing all SDGs and meeting the DBSA's mission, vision and mandate. The report identifies the physical, transition, litigation and affordability risks of climate change to the DBSA financial stability and return on investments. The DBSA as an organ of state requires a cohesive, measurable and accountable climate change response grounded on the organisations mandate, structures, policies, and practices. The Climate Change Policy Framework outlines the key opportunities, baselines indicators, targets and reporting frameworks to track the DBSA progress in responding to climate change. It further provides a basis for developing the tools for the DBSA to report on achievements in respect of climate change associated development results.

The DBSA has identified three key levers to drive interventions to address climate change. Each lever

has performance indicators and targets with progress monitored through a climate change dashboard. Annual green climate mapping enables the DBSA to assess progress and report on achievements in meeting its commitments to climate change. The levers of the DBSA Climate Change Policy Framework include:

- Financial Commitment: Promote leadership and increase volumes of climate finance
- Continuous improvement: Enhance due diligence to embed low carbon and resilient trajectories of countries in potential investments
- Selectivity of operations: contribute to upscaling financial and investment flows in support of climate change interventions.



OPERATIONS OUTSIDE SOUTH AFRICA

DFIs play an integral role as impact investors and supporting structures to African governments to grow their struggling economies and drive the implementation of infrastructure projects. Research found that lower-income countries may experience up to 1.3% positive growth from a 10% increase by multilateral DFI commitments, whereas higher-income countries with the same commitment will experience only up to 0.9% growth increase. Regional and national DFIs, such as the DBSA, capitalise on strategic partnerships with multilateral DFIs, governments and the private sector to ensure that African countries achieve their infrastructure and economic development goals.

Mandate and objective

The DBSA operates in African countries outside South Africa with the mandate to invest in infrastructure projects in its four main sectors, namely water, energy, transport and ICT. The main objective of the IF is to support South Africa and the DBSA's regional development and integration strategy, aimed at facilitating trade in Africa by investing in infrastructure projects outside of South Africa. In essence, the Bank's aim is to address the continent's catalytic infrastructure needs through:

- Facilitating regional integration
- Supporting commodity-led industrialisation

- Promoting inclusive economic growth
- Strengthening its value-added linkages into the global economy.

To achieve these objectives, the Bank identifies projects that matter, prepares them in collaboration with supporting divisions and then finances them. These projects align to the regional infrastructure corridors and regional masterplans and to projects linked to a country's national strategic infrastructure plans.

Financing

The Bank provides vanilla and boutique financing services through:

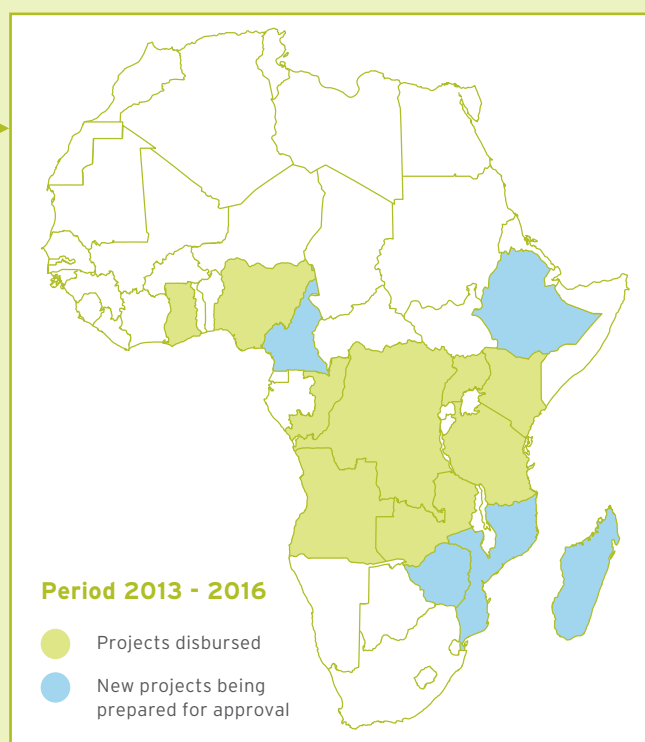
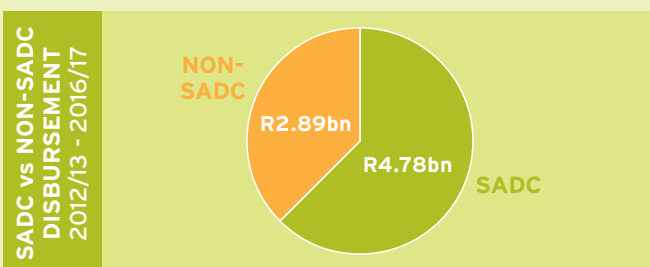
- Debt
- Supporting project planning and development, advocacy and partnership for resource mobilisation
- Promoting inter-regional integration and cooperation between SADC and the adjoining regional economic communities in Africa.

DBSA's footprint

The Bank initially operated only in the SADC region. The investment impact from 1998 to 2015 in the different sectors, which included non-core sectors, is evident in the graph below:

DBSA's development impact has been significant and AWARD WINNING across the continent

120MW	Hydropower
225MW	Ghana Powership
450km	of Petroleum Pipeline in Kenya
300MW	Coal Power plant in Zambia
340MW	Combined Cycle Gas Fired Plant in Ghana
Angola	Transport Infrastructure Financing



The Bank has further expanded its investments in SADC by investing in both the energy and ICT sectors.

The DBSA's geographic investment mandate was amended by National Treasury as per Government Notice No R. 1026, published on 18 December 2013. In terms of the notice, the definition of region was amended to include all countries in Africa.

One-stop border post

Infrastructure development is central to facilitating intraregional trade and the promotion of regional integration. Working with partners such as the World Bank, Japanese International Cooperation Agency, NEPAD, Border Access Alliance and regional economic communities (RECs), the DBSA has collaborated on the development of the One-stop Border Posts Sourcebook.

One-stop border posts are central to the implementation of transport projects in the Programme for Infrastructure Development in Africa (PIDA) and its associated Priority Action Plan (PAP).



Central corridor diagnostic

The central corridor diagnostic study was undertaken in collaboration with different partners. The Africa Strategic Infrastructure Initiative of the World Economic Forum (WEF) and partners such as African Union Commission, NEPAD Planning and Coordination Agency, African Development Bank (AfDB) and the DBSA undertook a diagnostic study to accelerate the implementation of infrastructure projects in the central corridor. Four interventions were used to raise finance for the implantation of infrastructure projects in the following way:

- Private finance opportunities
- Private finance opportunities (project development/project preparation)
- Development finance opportunities
- Other sources of finance.



North-south corridor

Working with the Boston Consulting Group (BCG) and the Presidency of South Africa, the DBSA is exploring the acceleration of key projects on the north-south corridor (NSC). The objective of the acceleration is to release the NSC projects' potential impact. Flagship projects include Inga 3 low-head project, Beitbridge border post and Chirundu Road, and the Lesotho Highlands Water Project phase II. The diagnostic study was intended to solve bottlenecks and challenges by proposing actions to accelerate a short list of projects.



Energy sector

The development impact of the DBSA's investments in 2017 was felt by the energy sector. Energy constraints in the Rest of the African Continent have become a common denominator for most African countries. The Bank contributed an additional 111MW to energy production in the Rest of the African Continent and disbursed more than R1.1 billion to energy sector in 2018. Investments were split between two major energy projects in Angola and Ghana.

Outlook

Over the past few years, the Bank has made inroads in infrastructure by investing in the right projects and reaping the rewards. The outlook for the DBSA's

operations outside South Africa is positive, with more projects reaching financial closure, especially in the energy sector.

The Bank will not be able to develop the infrastructure economy of Africa alone. Thus, we will strengthen our partnership with other African DFIs, the African Union, NEPAD Planning and Coordination Agency, RECs, global institutions such as the WEF and USAID, Power Africa and leading multilateral development banks such as AfDB.

The Bank will continue to support South Africa's regional development and integration strategy and drive the SA Inc agenda in Africa, while simultaneously capacitating the local skills base by creating more employment through infrastructure development.



CASE STUDY



ITHEZI-THEZI (ITT) HYDROPOWER GENERATION PROJECT EXPANSION

In 2010, the Zambia Power System Development Plan (PSDP) approved the hydropower generation project on Kafue River in Zambia, an expansion of the Ithezi-Thezi (ITT). This is a critical energy generation project that will assist with the country's targeted projected annual growth of 4.4% in electricity demand for the coming 25 years.

The expansion of the ITT project will not only have a significant impact on Zambia's economy, but will provide more cost-effective and reliable electricity to the consumers of member countries of the Southern Africa Power Pool (SAPP).

It is estimated that 550 people will be employed during the construction phase, 100 of whom will be skilled expatriates. About 60% of those employed are Zambians.

The DBSA has contributed US\$23 million (of the US\$35 million facility) to ITT independent power producers for the generation

of 120MW from a hydropower plant. The plant is already fully operational, with commercial operation debt reached in March 2016, and had a total final cost of US\$244 million. ITT is a SPV owned by Tata Africa Holdings (SA) Pty Limited and ZESCO Limited in a 50:50 share ownership.



ESTIMATED
JOBS



EMPLOYMENT OPPORTUNITIES

550



CASE STUDY



COAL POWER IPP IN MAAMBA

Approximately 1 850MW of the 1 860MW of Zambia's generation capacity is hydro-based. The country's short-term generation expansion plans to 2020 include about 1 280MW to be generated from hydropower and 300MW from thermal power. Due to its reliance on hydropower, Zambia had to consider alternative generation capacity. As heavy fuel oil is too expensive and gas and oil are not viable options for Zambia, coal power was the next most viable option.

Maamba Collieries Limited is jointly owned by Nava Bharat Singapore (NBS) and Zambian Consolidated Copper Mines (ZCCM). NBS is a wholly owned subsidiary of Indian Nava Bharat Ventures (NBV), while the government of Republic of Zambia (GRZ) owns 88% of ZCCM, with the remaining 12% listed on Lusaka Stock Exchange.

The project entails the construction of a 300MW base load coal-fired power plant at Maamba, Sinazongwe, in Zambia on the site of an existing coal mine.

The Maamba project was identified as one of the priority projects for Zambia, as it will assist ZESCO, and the Zambian economy, to diversify the energy mix and reduce reliance on hydrogeneration. This project will contribute to ZESCO's power portfolio and will ensure future supply that can be sold to Eskom in South Africa, as part of its approved resource plan.

Awards

The Maamba project won two international awards:

- IJ Global Award in March 2016 for excellence in project finance in energy. These awards are considered to be one of the most prestigious in the global project finance industry
- Global Trade Review 2015 Best Deal award

Other project finance awards presented to Maamba Collieries Limited (MCL)

- Power Deal of the Year for Middle East and Africa awarded by Project Finance International of Thompson Reuters
- Project Finance Deal of the Year 2016 awarded by World Finance
- Middle East and North Africa - Deal of the Year awarded by Trade Finance of Euromoney
- Best Natural Resources Deal: Africa awarded by EMEA Finance

- Environmental Award for Overall Contribution to Sound Management Practices in Industry 2016 from Zambia Environmental Management Agency (ZEMA), awarded for a history of sustained regulatory compliance over two to three years and demonstrated MCL's commitment to continuous environmental improvement
- Environmental Award 2012 from ZEMA in recognition of positive improvements towards sound environmental management practices adopted by MCL with modern, eco-friendly mining and processing facilities

WINNING FORMULA



AWARDS FROM 2012 - 2016

8





CASE STUDY



ZESCO

ZESCO, the electricity utility of Zambia, is involved in an aggressive capital five-year expansion programme, which included building new power stations (generation), transmission lines, electrification of selected settlements and improving distribution and supply networks in Zambia.

The DBSA was mandated by ZESCO to arrange US\$250 million to finance four projects, namely Mungwi rural electrification, Kariba Lake shore transmission line, Lusaka transmission and distribution rehabilitation project and distribution backlog dismantling.

The DBSA's ZESCO participation amount was approved at US\$100 million, with the balance of US\$150 million funded through a club or syndicate.



ZESCO



CASE STUDY

ICT sector: SADC



THE SMILE TELECOMS

The Smile Telecoms project is a regional project spanning Tanzania, the Democratic Republic of Congo (DRC), Uganda and Nigeria. It includes a three- to four-year network rollout programme that provides affordable high-quality broadband and voice services to its consumers via internet protocol technology.

The project's cost was estimated at US\$945 million, US\$315 million of which was raised in senior debt. The DBSA participated in the non-ECA tranches with an exposure of US\$50 million with the Industrial Development Corporation, and the Public Investment Corporation adding an additional US\$70 million. The Smile Telecoms projects was awarded the Global Trade

Review best deal status to industry newcomers, as the transaction helped finance a groundbreaking project by supporting a relatively young and inexperienced company to compete in a market heavily dominated by a handful of industry giants.



smile



CASE STUDY

Roads sector: SADC



MINISTRY OF FINANCE, ANGOLA

The DBSA was mandated by the Ministry of Finance of the government of Angola to lead arrange a 10-year US\$700 million loan facility needed for road projects across the country to repair roads destroyed during the civil war. The DBSA directly contributed US\$150 million of the US\$700 million in 2014, which has been fully used in the upgrading and rehabilitation of several national roads in the eastern part of the country. The roads are part of Angola's integration of the country after the brutal civil war, as well as part of its strategy to decentralise the economy, expanding from Luanda, by building infrastructure that will facilitate investment and trade across the country.



A road through Benguela, Angola

THE NATIONAL ROAD FUND AGENCY ZAMBIA

The National Road Fund Agency (NRFA) is responsible for administering and managing all financial resources in the Zambian road sector. Its functions include the administration and management of the Road Fund and recommendations to the Minister on fuel levy and road user charges and tariffs.

The Road Fund is an umbrella fund that holds all roads levies, licensing fees, fuel levies, loans, grants and donations for roads and all monies appropriated by Parliament for the roads in Zambia. The NRFA may raise money through loans to discharge its functions.

The DBSA granted a loan of UD\$262 million in December 2010 for a rehabilitation programme of five roads, namely Kabompo-Chavuma, Chipata-Lundazi, Senanga-Sesheke, Mumbwa-Landless and Kalulushi-Lufwanyama. The government of Zambia contributed US\$90 million. The project is now complete.

Zambia is a key transit country in the NSC, as it borders eight other countries. The rehabilitation of the western corridor will fit into the wider corridor network programme for the region, which will help to unlock vast unrealised economic potential inland and attract the necessary investment.

The Road Development Agency (RDA) is responsible for the care, maintenance and construction of public roads in Zambia.

It plans, manages and coordinates road networks in Zambia, including maintenance, preparation and award of contracts for construction and maintenance of the roads, certification of roads, and review of design standards and classification of roads and traffic signs. It manages the core road network (CRN) stretching approximately 40 500km.

The RDA implemented the highway management system (HMS) in 2009 based on the World Bank highway design and maintenance model standards. Of the CRN, 35 163km were surveyed (86.8%), with the balance of 4 406 km unsurveyed due to impassability. The results are tabled below:

Condition	% of Network 2007	% of Network 2008	% of Network 2009	% of Network 2011	% of Network 2013	% of Network 2014
Good	19	33	18	33	83	87
Fair	17	61	76	55	12	7
Poor	10	6	6	12	5	6

Source: RDA

The road status is dependent on a roughness index for paved roads and gravel thickness for unpaved roads as per the HMS model. Some 828km of truck roads were funded by the DBSA as part of the paved truck, main and district roads. In 2007, 8% of paved truck roads was in poor condition, but this was reduced to 1% by 2014, as a result of the DBSA loan.



CASE STUDY

Energy sector: SADC



FINANCING CENPOWER KPONE 340MW IPP: GHANA

The Kpone Independent Power Plan (KIPP) project will be the largest private IPP in Ghana when it comes on stream in 2018, accounting for some 10% of Ghana's total installed capacity and about 20% of its available thermal generation capacity. As a combined cycle gas turbine (CCGT) plant, it will be among Ghana's most fuel-efficient thermal power stations. Once in production, KIPP will become a critical base-load component in meeting Ghana's growing electricity demand.

The DBSA's inaugural investment in a country outside of SADC was into a 340MW combined CCGT that is also able to use light crude oil in Kpone, Ghana.

The Infrastructure Consortium for Africa defined the project as a landmark energy project.

The project also received four international awards:

- African Banker Award: African Banker's 2015 Infrastructure Deal of the Year
- EMEA Finance Magazine: Best Power Deal in EMEA
- Pan-African Africa Investor (AI) Award: AI Best Power Deal of the Year 2015
- Thomson Reuters PFI Award (London): Africa's Power Deal of the Year 2014.

Financial close of the required US\$900 million of project finance to develop KIPP in the Tema industrial zone, close to Ghana's capital, Accra, was in October 2014. The DBSA committed to US\$53 million of the total project cost. The financing was part of the senior debt portion that was led by the Dutch development bank, Nederlandse Financierings-Maatschappij voor Ontwikkelings Landen NV (FMO).

The project finance comprises two components: a US\$650 million debt tranche and a US\$250 million equity tranche. The debt is being funded under export credit cover by a consortium of South African commercial banks and international DFIs. Rand Merchant Bank acted as the global lead bank and mandated lead arranger for the commercial banking tranche. Other South African banks involved as mandated lead arrangers were Nedbank and Standard Bank. FMO was the mandated arranger for the DFI tranche.

Via the equity raising, three leading investment groups have joined the equity consortium, whilst InfraCo, the principal project co-developer since inception, will be exiting. The new investors

are Sumitomo Corporation of Japan, African Infrastructure Investment Fund II and its co-investors (via an investment vehicle called Mercury Power) and FMO. Post-financial close, the equity holders in Cenpower are:

31.85%	AFC Equity Investments Limited (a wholly owned subsidiary of the Africa Finance Corporation (AFC))
21%	Cenpower Holdings Limited
21%	a consortium of Ghanaian investors
28%	Sumitomo Corporation
15%	Mercury Power
4.15%	FMO



EXPECTED
NATIONAL SUPPLY



10%

WINNING FORMULA



INTERNATIONAL AWARDS

4





CASE STUDY

Roads sector: Outside SADC



KENYA PIPELINE COMPANY

The DBSA made its first investment in Kenya through a loan facility to the Kenya Pipeline Company (KPC). KPC is using the funding to replace an existing, but very old 450km multi-product fuel pipeline running from Mombasa to Nairobi, which is the main artery feeding all imported fuel delivered at Mombasa inland to Nairobi for further distribution. The DBSA provided US\$35 million of the US\$350 million syndicated loan facility.

KPC operates approximately 84% of the fuel transportation market in Kenya and is also the primary transporter of refined fuel products to Kenya's landlocked neighbouring countries Uganda, Rwanda and Burundi, as well as northern Tanzania, DRC and South Sudan. As such, this first investment in Kenya not only provides the DBSA with a footprint in this strategic East African market, but meets its objective of supporting critical infrastructure that enhances regional integration on the continent.



CASE STUDY

ICT sector: Outside SADC



O3b NETWORKS LIMITED (O3b)

O3b Networks Limited (O3b) is a global satellite service provider operating a constellation of 12 medium earth orbit (MEO) satellites, servicing telecommunications operators, internet service providers, and enterprise and government customers in emerging markets. O3b is short for the 'other 3 billion' people who do not have ready access to the internet. As it is 8000km above the earth versus geostationary orbit at about 36 000 km, O3b's system combines the global reach of satellite with the speed of a fibre-optic network to provide low-cost, low-latency, high-throughput internet and mobile connectivity to its customers.

In November 2010, the company secured a debt and equity funding package of US\$1180 million to finance the procurement and launch of eight satellites. The funding was sourced from

a diverse mix of investors, including strategic shareholders, commercial banks and DFIs, including the DBSA.

The DBSA participated in both the debt and the equity funding packages with a total facility of US\$76 million (US\$40 million debt and US\$36 million equity).

Following the successful fundraising for the procurement and launch of the eight satellites, the company successfully raised additional senior debt funding amounting to US\$85 million in 2011 for four additional satellites.

On 25 June 2013, O3b successfully launched the first four satellites and, on 10 July 2014, the next four, bringing the

	Commitment	Exposure
Senior Term Loan	US\$ 29.6 million	US\$ 29.6 million
Standby Senior Facility	US\$ 10.4 million	US\$ 10.4 million
Equity	US\$ 36 million	US\$ 36 million
Total (US\$)	US\$ 76 million	US\$ 76 million

constellation to eight in-orbit satellites (five operational satellites and three in-orbit spares). In September 2014, the company began full commercial operations. On 18 December 2014, it launched satellites nine to 12, which went into service on 15 March 2015, bringing the constellation to 12 (nine operational satellites and three in-orbit spares).

To date, there are nine revenue-generating satellites and more than 40 customers in commercial service on O3b's satellite network operating across 31 countries. In December 2015, O3b secured additional funding (US\$215 million debt and US\$143 million equity) to finance the procurement of eight additional satellites (satellites 13 to 20) and the launch of satellites 13 to 16. The additional eight satellites will enable O3b to meet expected future demand and provide the company with the economies of scale required to generate sufficient revenue and cash flows to service debt and replace the constellation at the end of its life.

Development outcome

In terms of developmental impact in Africa, O3b has been particularly successful. Most of Africa's fibre optic cable internet solutions are centred on large population centres, which are typically the coastal areas. However, large tracts of land on the continent that are sparsely populated lack internet services. O3b, with its satellite solution, has provided fast broadband services where historically nothing existed. Internet connectivity/broadband enablement is now recognised as a GDP growth driver, leading to governments enforcing rollouts and service levels to ensure availability for the population. In addition, increasing economic interconnectedness between nations continues to drive investments in international capacity links between them.

Mobile broadband is gaining momentum in emerging markets, as 3G/4G networks are being rolled out, whilst increasing smartphone penetration, lower smartphone costs, and video usage over mobile devices and ecommerce are driving new applications and consumption.

The volume of mobile data has exceeded forecasts in most geographies and is expected to maintain its trajectory. However, this explosion in traffic may not lead to the expected increase in backhaul capacity if alternate technologies such as wi-fi offload are used to direct traffic away from mobile networks. Wi-fi offload is expected to carry 60% of all mobile data traffic by 2019.

Digitisation, regulation, remoteness and crew welfare are driving increased connectivity needs in the ICT sector. However, recent low oil price levels have squeezed profitability and postponed investments in new offshore assets by oil majors.

Maritime industry trends suggest a steady increase in demand for connectivity from very large and large ships driven by cruise industry growth, requirements for real-time connectivity by both passengers and crew and the need for high reliability of connectivity.

There are three ways to deliver bandwidth via satellite, each with advantages and disadvantages. These are:

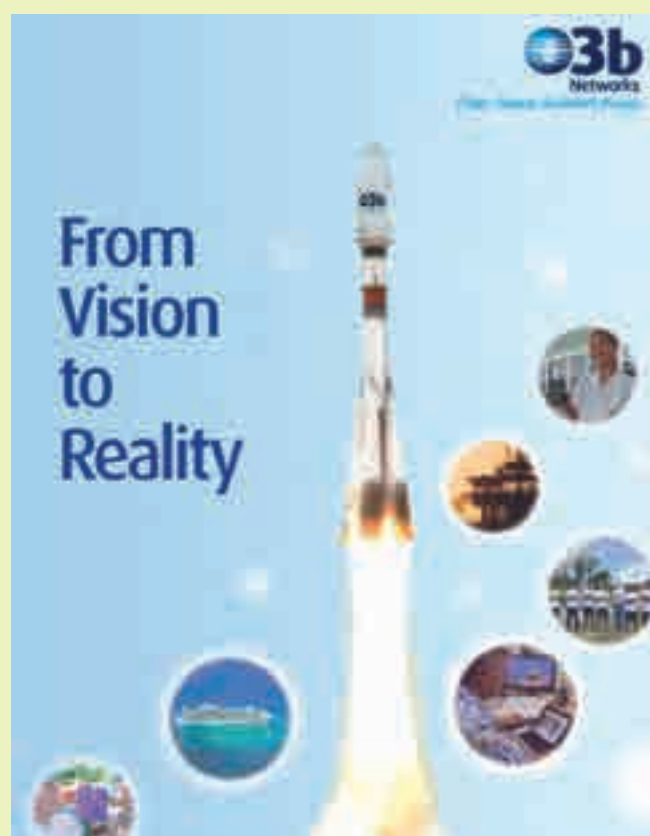
- Geostationary earth orbit (GEO) satellites
- MEO satellites
- Low earth orbit (LEO) satellites

Alternative delivery mechanisms by drone and balloons are being investigated.

O3b's satellites operate in the MEO space, where the company enjoys at least a five-year lead time.

GEO satellites have low equipment capital expenditure and a large choice of equipment compared to O3b's business model, which is highly capital intensive. GEO satellites are, however, characterised by high latency, high operating expenses and lower throughput when compared to O3b's satellites.

Three new LEO ventures were announced in the last 12 months, but none has progressed beyond the design stage. If delivered, these projects would represent a threat in all of O3b's verticals, except trunk in the 2020+ timeframe, as LEO satellites also promise low latency and global coverage. The first LEO systems are expected to be operational by 2021 and to exert pressure on prices, particularly in the cellular backhaul market. When



compared to O3b's satellites, LEO satellites are expected to result in high inefficiencies, lower throughput, very large number of satellites and gateways, large network of distributors required and refurbishing costs. In addition, venture projects have significant financing and execution risks as their time to market is uncertain.

Key success factors

- Low latency compared to GEO satellites
- High availability compared to many fibre networks
- High throughput
- Low operating expenditure
- Beams are steerable to provide near global uniform coverage
- Optimum orbit for maximum efficiency of the fleet
- The satellite configuration is easily scalable to address growing demand
- O3b's technology is inherently less susceptible to unfavourable climate interference compared to GEO/MW
- Short deployment times. Together with other satellite offerings, O3b still leads the market in ease of deployment.

O3b services enable operators to extend networks without long lead times

- O3b's technology is referred to as fibre in the sky. The technology is considered to have the speed of fibre with the global reach of satellite.

Outlook

In the short- to medium-term, O3b's right-to-win and the already captured market appear secure and protected from competition. The business case is fully supported by industry growth and positive industry trends, and the company's technology appears unparalleled to that of existing competitors. The addressable demand appears significant enough to accommodate both O3b and existing satellite technologies. However, in the long term, the company is likely to face significant competition from rivalling new technologies and continued rollout of fibre. O3b will, however, benefit to some extent from first mover advantage. Based on the above, O3b's business risk profile is considered medium and stable.



HUMAN CAPITAL

INVESTING IN OUR MAJOR ASSET - OUR EMPLOYEES

Employees are a critical driver of the DBSA's business performance and sustainability, and the high calibre of current management at senior operational level is instrumental in creating value and long-term sustainability for the organisation. However, there is a supply shortage of many of business-critical skills required to deliver on our strategy. As a result, we have undertaken initiatives to attract the best talent and make the DBSA an attractive place for our staff to work and develop their careers.

Post the restructuring in 2013, we recognised the need to implement a culture improvement project as one of our key strategic initiatives. It aims to build a new culture as a prerequisite to foster high performance in the organisation. Although implementation started slowly, significant work has been done in recent months, including management coaching sessions, chemistry of wellness and performance workshops. These efforts are starting to yield significant improvements. The DBSA culture themes were integrated into the operating model and implementation plan.

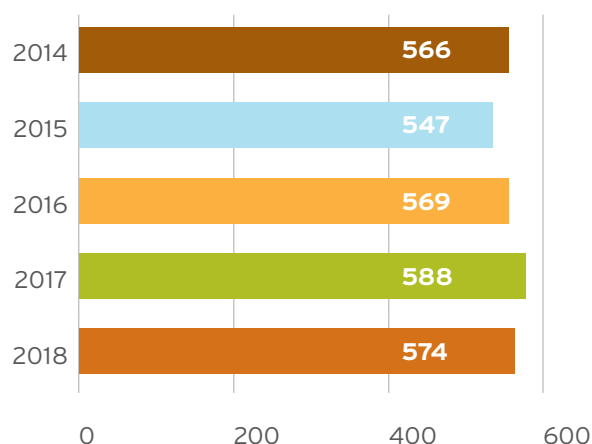
EMPLOYMENT

The DBSA has an employment policy that informs and regulates the management of people within the organisation. The policy outlines employee benefits, general working conditions, and learning and development opportunities. The management of discipline is guided by the disciplinary code and procedures. All employee-related policies are available on the DBSA's internal portal. Policies are reviewed from time to time to ensure compliance with legislation and to accommodate a flexible working environment. Decision-making on human capital policies is informed by a structured consultation process via internal committees, such as the Human Capital Management Committee (which has employee representation across the various business units) and the Employment Equity and Skills Development Committee.

At year-end, the DBSA employed 476 (2017: 461) permanent and fixed-term contract people, and 98 (2017: 97) fixed-term contractors for selected programmes and agencies. Staff retention remains a crucial focus area and the Board approved various retention incentives for critical skills in the year. The retention rate of critical skills was 93% (2017: 89%) at the end of March 2018 against a target of 95%.



Headcount

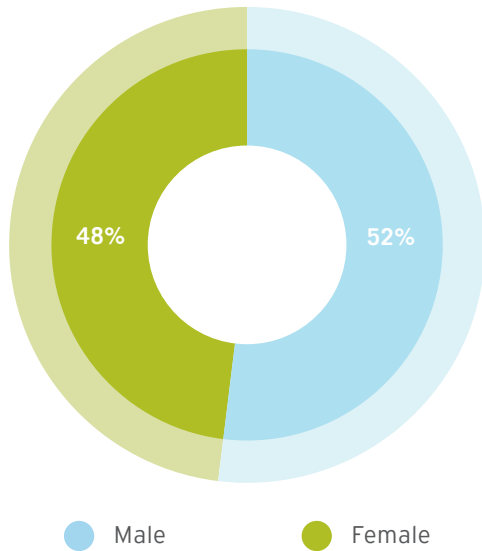


DIVERSITY AND EQUAL OPPORTUNITY

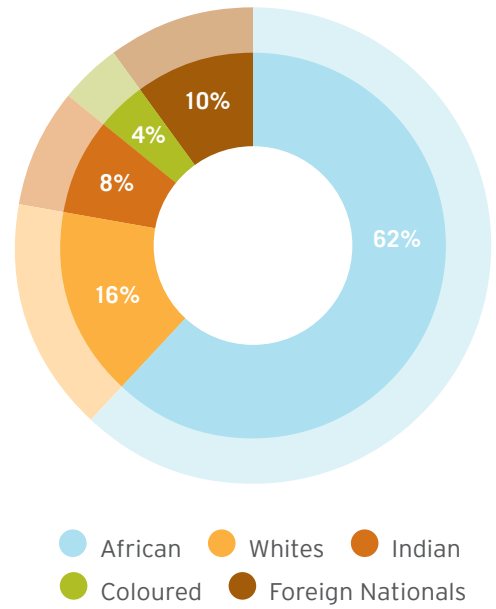
The DBSA is committed to creating and maintaining an environment that provides equal opportunities for all employees, with special consideration given to previously disadvantaged groups. The formal company Employment Equity Policy codifies this commitment and stipulates the promotion of equal opportunity, the elimination of unfair discrimination and the implementation of positive measures to redress disadvantages previously experienced by designated groups.

In establishing the numerical employment equity goals for the DBSA, the methodology, key challenges, lessons learnt, potential growth rate of the DBSA, benchmarks and the BBBEE scorecard have been taken into consideration in setting the target for 2018. The key focus is to improve or set realistic targets to ensure that the DBSA has a representative workforce.

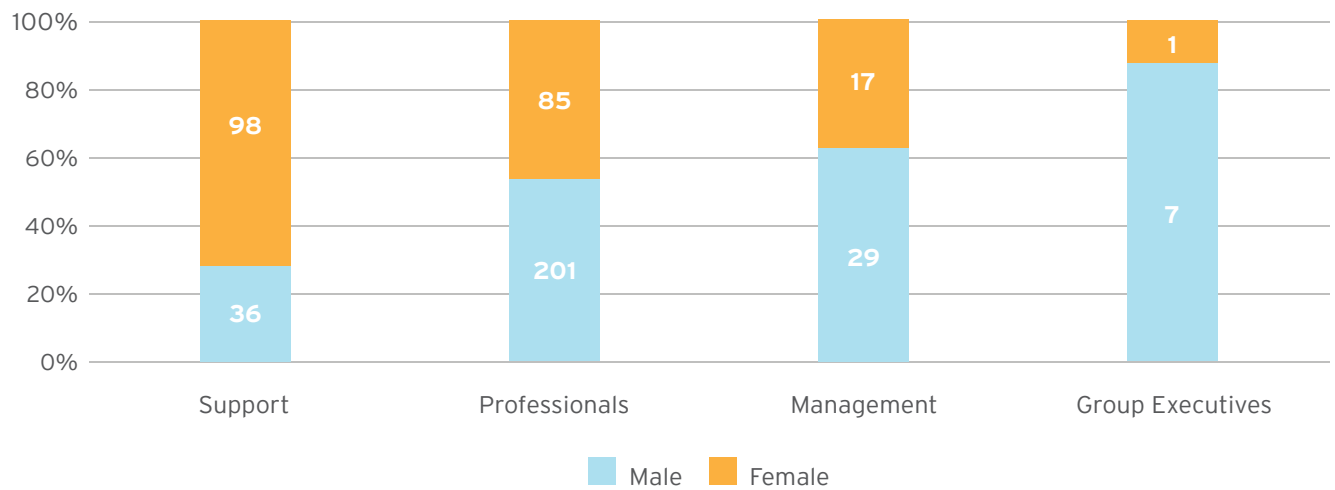
Employment diversity (gender %)



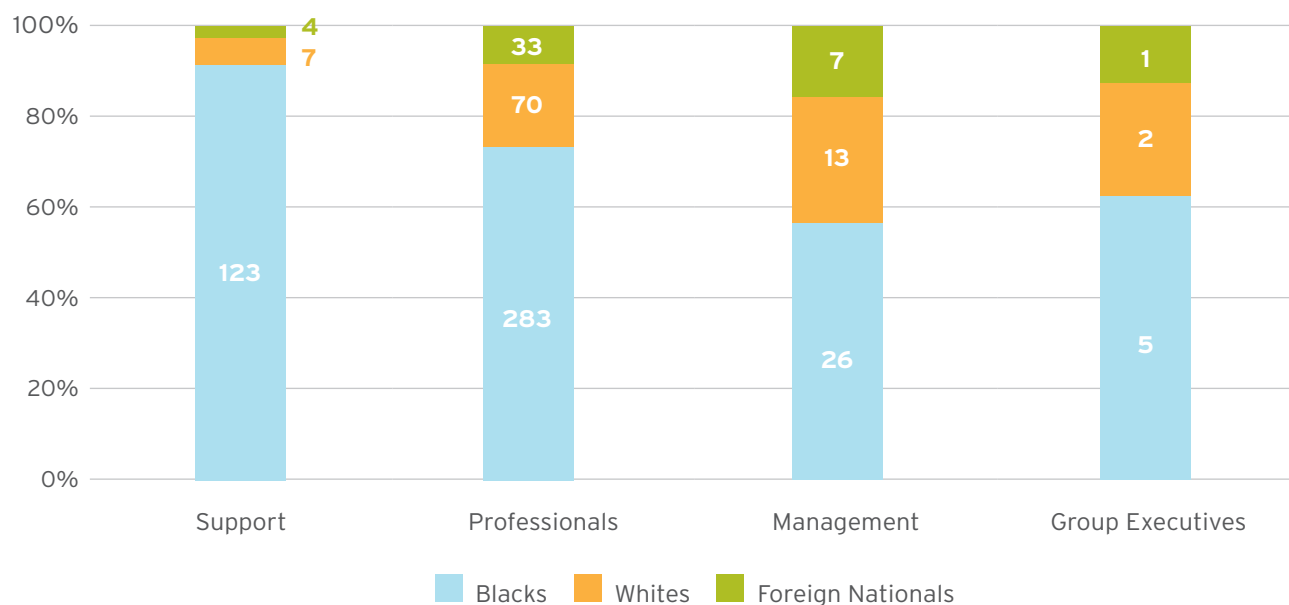
Training spend by ethnic group



Gender diversity per job category



Employment Statistics per job category



EQUAL REMUNERATION FOR WOMEN AND MEN

Remuneration and employee benefits are attractive, well-structured, competitive and are aligned with legislation. Remuneration practices are regularly reviewed and the DBSA is committed to removing discrimination in pay scales.

Pay differentials are disclosed in terms of employment equity legislation. The income levels of men and women are continually reviewed and any possibly unfair anomalies are addressed.

Positions are evaluated and graded in terms of job outputs - race and gender are not considered in the evaluation process. This ensures a like-for-like comparison in the marketplace. The DBSA has only one pay scale, based on job contribution and market comparisons.

SKILLS DEVELOPMENT INVESTMENT

Research consistently highlights the importance of talent management to the success of an organisation. It has become one of the key focal points for executive teams. Success, though, depends on the degree to which an organisation's policies and processes support one another and the single goal of talent management. To

this end, the DBSA has critically reviewed and updated policies associated with talent management, including the employee and development policies.

In addition, a particular focus has been placed on executive and leadership development, with the creation of a behavioural competency framework for leadership and an associated development strategy.

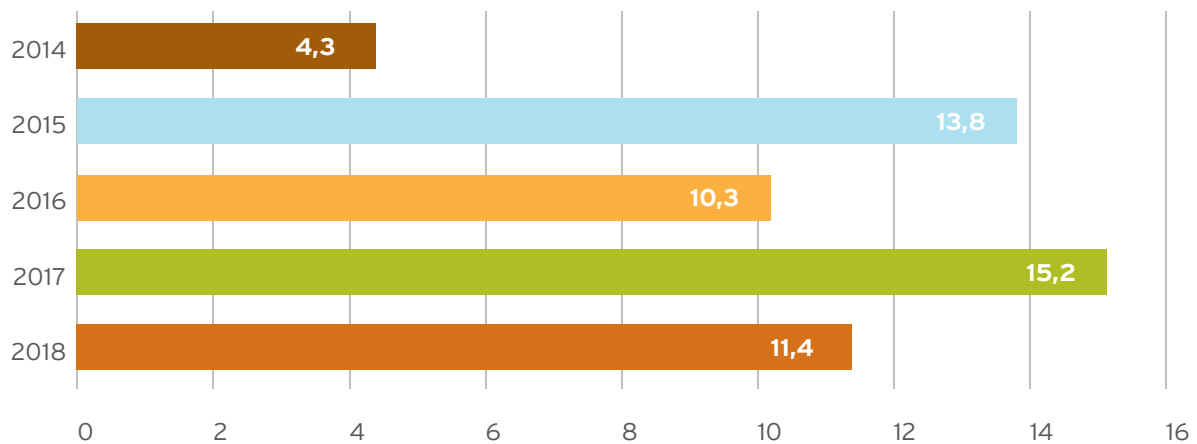
The DBSA is firmly committed to the development of its employees. It invests heavily in developing an internal skills pipeline and resourcing from the external talent base to combat the skills shortage in development finance.

At least 3% of the DBSA's payroll is set aside for training and development of staff.

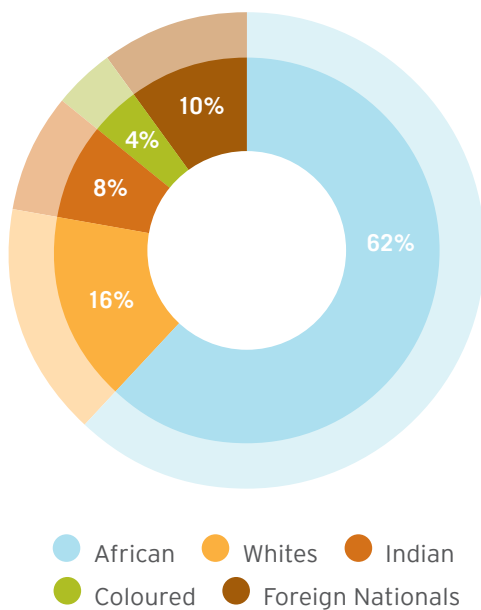
All employees are encouraged to take ownership of their development journey. Employees, with their managers, are expected to complete annual individual development plans. This is to ensure that they consistently stay relevant in their field of expertise, close any skills gaps and build their careers accordingly.

During the year, R11.4 million (2017: R15.2 million) was invested in staff training.

Training spend (R million)



Training spend by ethnic group



EMPLOYEE WELLBEING

The DBSA wellness programme helps reduce costs related to healthcare, productivity and absenteeism.

It helps encourage healthy behaviour among employees in both the workplace and at home to improve not only the DBSA's financial performance, but the health and sustainability of communities in the long term.

The DBSA will continue to increase the level of participation in these offerings and is currently reviewing its wellness programme, in which it invested R406 000 (2017: R154 000) in the year.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety standards are covered by legislation. The DBSA's operations conform to the principles of the International Labour Organisation's Guidelines on Occupational Health and Safety. Occupational health and safety concerns are the direct responsibility of the Chief Executive Officer. The corporate health and safety policy statement outlines intentions and principles of the DBSA's safety and health performance.

The policy statement provides the basis for the framework for action during the year. Formal health and safety committees with management and worker representatives cover all staff.

To provide an operational forum for the management and governance of health and safety in the workplace, the DBSA implemented an Occupational Health and Safety Committee, to which all divisions were required to nominate a representative. In total, 35 staff members formed part of the committee, whilst 28 trained emergency response team members support the DBSA. Three lost-time injuries were reported to the commissioner and 21 minor injuries were reported and treated by our onsite occupational nurse. These injuries all occurred at the DBSA premises in Midrand. The table below summarises these incidents and their impact.

Occupational health and safety incidents during the year include:

	2018		2017	
	Number of incidents	Impact	Number of incidents	Impact
First aid (minor)	21	0 workdays lost	19	5 workdays lost
Lost-time injury (disabling)	3	12 workdays lost	12	No workdays lost

A civilian who gained unauthorised access to the construction site drowned. In a separate incident, a contractor was injured when he fell from a height.

Broad-Based Black Economic Empowerment

The DBSA is committed to playing a role in driving inclusive growth and transformation in the South African economy in line with BBBEE and other policy frameworks. The DBSA achieved a Level 2 BBBEE contributor status (2017: Level 4, generic scorecard) as measured against the Financial Services Charter Scorecard. The Amended Financial Sector Code that was gazette on 01 December 2017, brought the DBSA and other Development Finance Institutions into the scope of the financial services code for the first time. Previously, the DBSA and other DFIs were measured against the generic scorecard.

BBBEE scorecard

	Target	Score
Management control	20	16.89
Skills development	25	22.17
Enterprise and supplier development	50	47.93
Socio-economic development	5	2.69
Total	100	89.68

GENDER MAINSTREAMING IN THE DBSA

In June 2017, the DBSA Infrastructure Delivery and Knowledge Management Committee approved a programmatic approach to mainstream gender into the business, which includes the following four programmatic pillars:

- Building financial products to promote gendered financing solutions**

The team held a series of Women and Finance Workshops with women entrepreneurs and women from the financial services sector, including DFIs, investment houses and commercial banks, to facilitate the DBSA's in playing a proactive role by developing a targeted strategy for its gender-lens financing. These workshops aimed to identify unmet financing and other needs of women-led companies and develop specific solutions to address these needs to support the expansion of female-led businesses. The intention

is to work internally to structure product solutions, which the DBSA may provide to women entrepreneurs.

One of the main entry points for women-led projects is through our Project Preparation Division. The DBSA is currently piloting a project owned by a young entrepreneur hoping to provide food security and jobs through an innovative agricultural process. In the interest of mainstreaming gender, the DBSA is adopting a business-unusual approach to financing this project.

- Embedding Gender Mainstreaming into loan approval processes**

As a key Global Environmental Facility (GEF) and Green Climate Fund (GCF) partner, the DBSA ensures that all its projects prepared and executed with GEF and GCF financing address gender considerations at all stages of project development (from project concept to project execution phase). Over the last three years, the

DBSA has expanded the relevant teams' due diligence expertise to produce gender mainstreaming reports and oversight support for the GEF and GCF pipeline. In support of this requirement, the DBSA has produced a Gender Mainstreaming Environmental and Social Safeguard Standard, and undertaken staff training (team and professional training).

Based on achievements in building gender considerations into the GEF and GCF project cycle, the Investment Support Team is working on a project to embed gender considerations in the DBSA investment value chain. The project will pilot at least two investment projects in the 2018/19 financial year, where gender will be addressed in the project appraisal. Recommendations for addressing gender mainstreaming in the DBSA loan approval decision making will be made on the basis of these two pilots.

- **Entrenching Gender Mainstreaming into the DBSA operational culture**

The DBSA conducted the annual Barrett Culture Change Survey for 2018/19 and, for the first time, disaggregated findings on a gender basis. A cross-divisional team will unpack the findings and propose interventions to address any gender barriers as part of an integrated approach to gender mainstreaming in the bank as a whole.

The Learning and Development team has been working towards identifying suitable middle management women for training. Through the Bank's membership to the 30% Club and Business Engage, professional, middle management and senior women are exposed to people and topics relevant to management best practice. The intention is to create a pipeline of women who could move up in professional, management and senior executive positions. The DBSA's gender programme is tied to national initiatives and targets.

The IDD has explored sources of finance in Government that would provide training for targeted

skills development. For example, the Unemployment Insurance Fund has identified funds for the training of women engineers and quantity surveyors. To date, 625 out of 1250 women learners are benefiting from practical learning experiences on all currently active IDD sites. The DBSA is also developing mentorship programmes for professional women and facilitating their registration at relevant professional bodies.

- **Building Partnerships to promote gender equity and catalyse gendered finance solutions**

The DBSA continues to participate actively in all GEF gender mainstreaming activities, including the 2018/19 review and update of the GEF Gender Implementation Strategy, which outlines principles and requirements to mainstream gender in GEF program and project design, implementation, and evaluation. At the recent 54th GEF Council and Assembly, where the DBSA participated in a side event entitled Gender responsive approach for greater impacts in GEF-7, a shift from a gender-aware "do no harm" approach to a gender-responsive "do good" approach focusing on gender as an asset, was launched. Our partnerships are important, especially those with commercial banks, other DFIs and investment institutions. We aim to develop a suite of products to address the needs of women-owned companies and to create a value-chain of products that will be offered by various partners, including the DBSA.

The gender-mainstreaming initiatives have taken root across the DBSA, where staff have 'domesticated' the processes in their normal infrastructure financing processes. As the DBSA completes its first year of gender-mainstreaming, it enters a period of implementation, monitoring and evaluation. The Bank's commitment to the programme continues through the valued support of the Executive and Board and will be strengthened by adoption by middle management and professional levels.

CORPORATE SOCIAL INVESTMENT

SUPPORTING ENVIRONMENTALLY ORIENTATED INFRASTRUCTURE PROGRAMMES



GREEN FUND

The Green Fund is an R800 million national fund aimed at supporting South Africa's transition to a green economy. The vision of the Green Fund is to 'provide catalytic finance to facilitate investment in green initiatives'. The DBSA manages the Green Fund on behalf of the Department of Environmental Affairs (DEA) on a full cost-recovery basis.

The United Nations Environmental Programme (UNEP) defines the green economy as one that results in 'improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities'. The South African government has initiated a range of strategic policy imperatives to accelerate the entrenchment of green approaches in the development process and thus aid South Africa in transitioning to a green economy. The Green Fund is one of the key initiatives of this national policy framework.

The Green Fund aims to support initiatives contributing to South Africa's transition to a low-carbon, resource-efficient and climate-resilient development path delivering high-impact economic, environmental and social benefits.

The fund responds to market weaknesses currently hampering the transition to a green economy by:

- Promoting innovative and high-impact green programmes and projects
- Reinforcing sustainable development objectives through green interventions
- Building an evidence base for the expansion of the green economy
- Attracting additional resources to support South Africa's green economy development

The focus area of the Green Fund is defined through three thematic windows. The window design reflects the policy priorities in the NDP, the New Growth Path and the National Strategy on Sustainable Development. Funding Windows, through which project proposals are solicited.

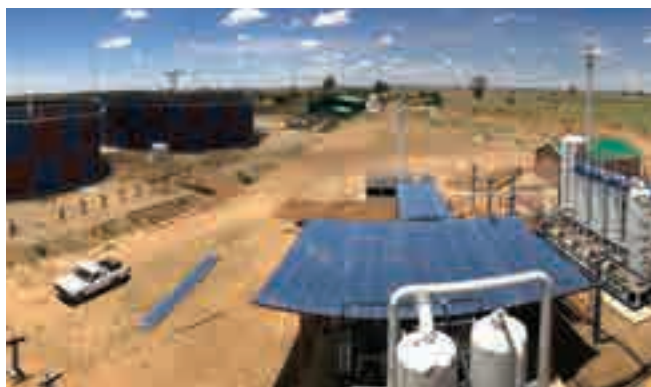
The windows are:

- Green cities and towns - strive for well-run, compact and efficient cities and towns that deliver

essential services to their residents, using available natural resources efficiently and sustainably

- Low-carbon economy - strive for a low-carbon growth trajectory in line with national climate change policy principles
- Natural resource management - strive for protected and conserved resources for sustained development.

Since the Green Fund was established in April 2013, its funding activities have progressed significantly. To date, R782 million worth of projects have been approved. During 2018, the Fund disbursed R21.6 million (2017: R151 million), bringing the total value of disbursement since inception to R779 million in areas such as waste management, biodiversity and renewable energy.



On the back of the successes achieved to date, the Fund is starting to attract additional resources through engagements with strategic partners from European and local DFIs as well as various local financial institutions. Going forward, the Fund will continue to build partnerships to accelerate and increase the development outcomes sought.

The Green Fund also plays a key co-ordinating role in the DBSA's accreditation to the Global Environment Fund (GEF) and the Green Climate Fund (GCF), which are global funding mechanisms to support sustainable economic growth and development, a key DBSA mandate.

REDUCING THE WASTE WE GENERATE

Recycling

An important aspect of the DBSA's waste management strategy is the extensive recycling of various types of waste, including cans and tins, cardboard, newspapers and magazines, plastic and paper. During the year, we used 16.1 tons of printing paper and generated 20.7 tons of unrecyclable waste. In addition, 2.8 tons of paper-based items, 1.5 tons of plastic-based items, 246 kilograms of glass and 290 kilograms of cans were recycled.

Energy

The DBSA focuses on reducing its consumption of energy, mainly electricity. We have implemented initiatives to reduce consumption, including installing timers on light switches and on circuits to control air-conditioning. During 2018, energy consumption increased marginally from 2.1MW to 2.7MW. As a responsible corporate citizen, aligned with global imperatives, we have set an aspirational target to improve our non-renewable energy efficiency by 10% in the short- to medium-term.

Water

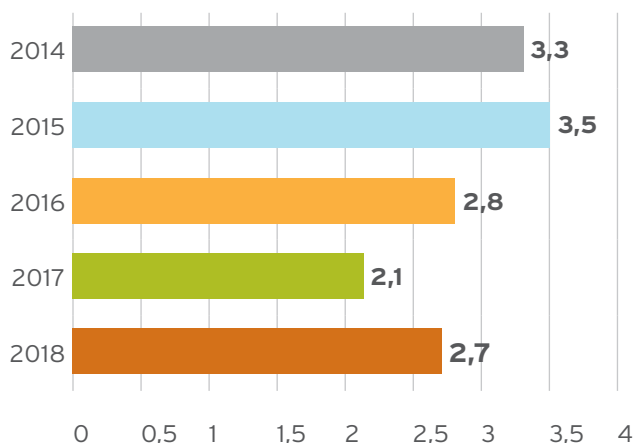
The DBSA is committed to being a responsible custodian of water by measuring, monitoring, managing and reporting its water use as standard business practice and, where possible, proactively conserving water. The DBSA recognises that water is an increasingly scarce and critical global resource, and considers the drought currently being experienced in some parts of our country. Although our operations are not particularly water-intensive, we are committed to more efficient water consumption through reduced consumption on our campus. We also support various projects that enhance the capacity of the population to adapt to water scarcity, as well as water management solutions.

Total water used on the DBSA campus from municipal water sources is reflected in the graph below. During the year, we noticed a marked decrease in the average monthly water consumption. The underground water leakages of the prior year were fixed by the end of that year and consumption was normal during this financial year.

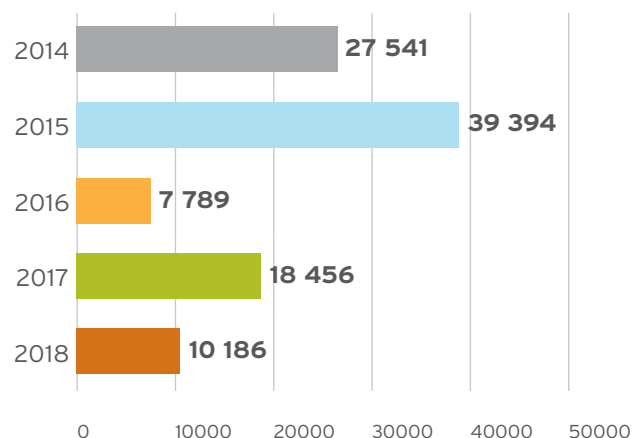
Emissions, effluents and waste

We have implemented a wide range of energy-reduction initiatives to lower our greenhouse gas emissions. These include communication, monitoring and reporting, as well as operational initiatives such as efficient maintenance and the use of environmentally friendly cleaning products. Effluents emanate mainly from routine cleaning and maintenance of the campus. All effluents are cleaned of pollutants and grey water is discharged into municipal reticulation systems. Waste material is disposed of through legitimate contractors at certified waste disposal facilities. Although the DBSA does not generate significant volumes of waste, it recycles as much as possible.

Electricity consumption in MW



Water consumption in kilolitres



OVERVIEW OF OUR CORPORATE SOCIAL RESPONSIBILITY

The DBSA is committed to contributing to the economic and social upliftment of the communities in which it operates. The Corporate social responsibility (CSR) strategy and implementation plan outlines the DBSA's CSR objectives and includes its commitment to compliance with legislation and regulatory requirements, such as:

- The Development Bank of Southern Africa Act, 1997, Act No 13 of 1997 as amended
- King IV Report on Corporate Governance for Southern Africa 2016, which states that the governing body should ensure that the organisation is a responsible corporate citizen
- Department of Trade and industry's Broad Based Black Economic Empowerment Codes as amended
- Companies Act (No 71 of 2008), as well as the Companies Amendment Act (No 3 of 2011), which states that it is mandatory for the DBSA, as a state-owned company to have a social and ethics committee

The DBSA CSR function was established by a DBSA Board-approved policy in July 2015.

DBSA'S CSR FOCUS

- Development programmes for women, youth, people with disabilities, people living in rural areas
- Support of healthcare and HIV/Aids programmes
- Support for education programmes, resources and materials at primary, secondary and tertiary education levels as well as bursaries and scholarships
- Community training, skills development for unemployed people and adult basic education and training
- Support of arts, cultural or sporting development programmes

CSR HIGHLIGHTS

DBSA CSR activities are proactively focused on education and health, while legislatively covering different components of community, enterprise development and skills development.

Highlights of projects undertaken during the year are outlined below:

Early childhood development programme

The DBSA sponsors an early childhood development programme, which includes educational infrastructure, comprising modified shipping containers, and learning equipment. Every year, the DBSA's staff participate in events where nutritious meals are packaged and delivered to the children and the centres. The programme promotes food security for children who attend the centres, which are situated in communities in which the DBSA's development projects have been realised.

Skills and enterprise development programmes

- An enterprise development project for women previously employed by a contractor that provided refreshments to the DBSA. The project promotes socio-economic development and entrepreneurship and includes training, mentorship and coaching through an incubation provider sponsored by the DBSA. Fourteen young black women entrepreneurs have benefited and now own and manage their own businesses, which have the potential to grow, create more employment and become financially independent with the support of the DBSA
- A skills and enterprise development programme in partnership with the Deaf Empowerment Firm, an organisation that connects deaf people with empowerment opportunities that will enable them to lead self-sustainable lives. The programme promotes socio-economic development by increasing the DBSA's impact in developing skills that promote employability of people with disabilities. Eight unemployed hard-of-hearing learners are on a DBSA learnership programme aimed at youth development

Socio-economic development projects

These programmes are targeted at improving the standard of living in communities in which the DBSA operates:

- In a gesture of goodwill, the DBSA sponsored the construction of a home for a family whose child passed away at a DBSA infrastructure delivery construction site in rural Eastern Cape. The Port St Johns family of 10 received a fully furnished modern home, with environmentally appropriate

toilet facilities and a continuous water supply from water harvesting facilities. In addition, the Bank arranged and is sponsoring the education of a child from the family at St John's High School from 2018 to 2022

- The DBSA knowledge centre donated books and learning material no longer used to libraries in Johannesburg, Germiston, Krugersdorp and at Alexandra Youth Centre
- The Bank commemorated the 2017 Sixteen Days of Activism Against Women and Children and World Aids Day, in December, by sponsoring the 10-year commemoration of Lefika la Botshabelo Orphaned and Vulnerable Children Centre in Stinkwater, North West. This was done to support the documentation of development impact reflected in experiences, lessons learnt and knowledge created from the integrated community model of the centre for potential replication in other needy areas across the country

Mandela Day

A number of initiatives were undertaken to celebrate Mandela day, including:

- Supporting Caring4Girls, a sanitary wear distribution programme, by making a donation to Olivenhoutbosch Secondary School
- Donating recycled schoolbags to underprivileged schoolchildren. These are made from recycled plastic shopping bags, with built in solar technology that charges during the day and transforms into a light at night
- Sponsorship of TV monitors with USBs for the Olivenhoutbosch clinic to promote health education to clients, who have the opportunity to view health education presentations while waiting to be served
- Team DBSA spent a day packing 288 000 meal packages for donation to early childhood



development centres in impoverished areas. Most of the food was distributed by Rise for Hunger. However, some was donated to communities in areas close to the Bank, such as Tembisa. The distribution in Tembisa was a staff volunteerism initiative, which included the cultivation of vegetable gardens at early childhood development centres in the community, to ensure sustainability of supplies of vegetables for the children

HIV/Aids and Sixteen Days of Activism

The DBSA commemorated these awareness initiatives with the following events:

- Supporting Tumelo Home for children with mental disabilities through sponsorship of critical hygiene supplies for six months as well as hosting a Christmas celebration for the children. In a subsequent intervention, the DBSA also sponsored vegetable gardens to create a sustainable food supply.
- Sponsorship of the Lefika programme's 10-year celebration

National Women's Day

As part of its CSR programme, the Bank celebrated National Women's Day with Bombani Home for Abused Women in Alexandra. The event was attended by other community-based organisation active in Alexandra such as Sizanani business coaches and Alexandra Innovation Hub.

Staff Volunteerism

The DBSA identified the need for stationary and toys at Leratong Joy-for-One , a home for orphaned children in Alexandra and staff delivered the goods.



03

REFERENCE INFORMATION



FINANCIAL DEFINITIONS

Callable capital	The authorised but as yet unissued share capital of the DBSA
Cost-to-income ratio	Operating expenses, including personnel, other, depreciation and amortisation expenses, as a percentage of income from operations
Income from operations	Net interest income, net fee income and other operating income
Interest cover	Interest income divided by interest expense
Long-term debt-to-equity ratio	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits, as a percentage of total equity
Long-term debt-to-equity ratio	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits (including callable capital) as a percentage of total equity and callable capital
Net interest margin	Net interest income as a percentage of interest income
Return on average assets	Net profit or loss for the year expressed as a percentage of average total assets
Return on average equity	Net profit or loss for the year expressed as a percentage of average total equity
Sustainable earnings	Profit or loss from operations before net foreign exchange gain/(loss) and net gain/(loss) from financial assets and financial liabilities, but including revaluation on equity investments

ABBREVIATIONS AND ACRONYMS

AADFI	Association of African Development Finance Institutions
AFD	Agence Française de Développement
AfDB	African Development Bank
ASIDI	Accelerated Schools Infrastructure Delivery Initiative
B-BBEE	Broad-based Black Economic Empowerment
BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
BSC	Balanced Scorecard
COMESA	Common Market for Eastern and Southern Africa
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa Limited
DFID	The United Kingdom's Department for International Development
DFRC	Development Finance Resource Centre
DIRCO	Department of International Relations and Cooperation
DTI	Department of Trade and Industry
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
EPC	Engineering, procurement and construction
GDP	Gross domestic product
ICAS	Independent Counselling and Advisory Services
ICT	Information and communications technology
IDIP	Infrastructure Delivery Improvement Programme
IFRS	International Financial Reporting Standards
IIPSA	Infrastructure Investment Programme for South Africa
IPP	Independent Power Producer
KfW	The German agency Kreditanstalt für Wiederaufbau
JICA	Japan International Cooperation Agency
MIG	Municipal Infrastructure Grant
MTEF	Medium-Term Economic Framework
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
NSC	North-South Corridor
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PPP	Public/private partnership
PRASA	Passenger Rail Agency of South Africa
REIPPP	Renewable Energy Independent Power Producers Procurement
SA Inc	South Africa Incorporated
SADC	Southern African Development Community
SANRAL	South African National Roads Agency Limited
SIP	Strategic integrated project
SMME	Small, medium and microenterprise
SOC	State-owned company
UNOPS	United Nations Office for Project Services

APPENDIX A: GLOBAL REPORTING INITIATIVE TABLE

We report in line with the requirements of the Global Reporting Initiative (GRI). Based on our internal assessment, we believe our 2018 Sustainability Review is compliant with the 'core' option of the G4 Guidelines. The DBSA's Internal Audit department has conducted a review of the disclosure items.

PROFILE DISCLOSURE	DISCLOSURE	ASSURANCE BY DBSA INTERNAL AUDIT	CROSS-REFERENCE/DIRECT ANSWER
STRATEGY AND ANALYSIS			
G4-1	CEO/Chair statement	Compliant	Refer to pages 6 and 7 for the statement from the CEO.
ORGANISATIONAL PROFILE			
G4-3	Report the name of the organisation	Compliant	Development Bank of Southern Africa.
G4-4	Report the primary brands, products, and/or services	Compliant	Refer to Integrated Annual Report 2018 pages 19 and 24 as well as divisional reports from pages 100 to 107.
G4-5	Report the location of the organisation's headquarters	Compliant	The DBSA operates from its offices in Midrand, Gauteng, South Africa.
G4-6	Countries of operation	Compliant	The DBSA's mandate covers the whole of Africa, with a strong focus on the SADC region and selected countries outside SADC. Refer to page 13 of the Integrated Annual Report for DBSA exposure and footprint.
G4-7	Report the nature of ownership and legal form	Compliant	The DBSA is wholly owned by the South African government. Refer to page 19 of the Sustainability Review.
G4-8	Report the markets served	Compliant	Refer to 2018 Integrated Annual Report from pages 19, 35 and 36.
G4-9	Report the scale of the organisation	Compliant	The DBSA is a single entity, with no subsidiaries.
G4-10	Workforce scale and split	Compliant	Refer to pages 56 and 58.
G4-11	Percentage of total employees covered by collective bargaining agreements	Compliant	The DBSA does not have a recognised labour union or collective bargaining agreements.
G4-12	Describe the organisation's supply chain	Compliant	The DBSA has a fully functional Supply Chain unit, which is part of the Finance Division. The DBSA Supply Chain Policy finds expression in the provisions of the applicable statutes and regulations i.e. PFMA and Preferential Procurement Regulations.
G4-13	Significant changes to the organisation (size, structure, ownership etc)	Compliant	None.
G4-14	Report whether and how the precautionary approach or principle is addressed	Compliant	The principles that form the precautionary approach inform our governance framework for sustainability development reviewed in our Sustainability Review, particularly our management of our economic, social and environmental dividend. Refer to pages 2 to 19 of the Sustainability Review.
G4-15	List external initiatives signed up	Compliant	Refer to page 52, as well as pages 10, 11 and 56 to 60 of the Sustainability Review.
G4-16	List association memberships/participation	Compliant	Refer to page 51 of the Integrated Annual Report.
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List all entities included in reporting scope	Compliant	Only DBSA.
G4-18	Explain implementation of principles for defining report content	Compliant	Refer to page 1 of the Sustainability Review.

PROFILE DISCLOSURE	DISCLOSURE	ASSURANCE BY DBSA INTERNAL AUDIT	CROSS-REFERENCE/DIRECT ANSWER
G4-19	List material aspects identified in the process for defining report content	Compliant	Refer to page 1 of the Sustainability Review.
G4-20	For each material aspect, report the aspect boundary within the organisation	Compliant	Refer to page 1 of the Sustainability Review.
G4-21	For each material aspect, report the aspect boundary outside the organisation	Compliant	Refer to page 1 of the Sustainability Review.
G4-22	Report effect of, and reasons for, any restatements of information	Compliant	None.
G4-23	Report significant changes in the scope and aspect boundaries	Compliant	None.
STAKEHOLDER ENGAGEMENT			
G4-24	List stakeholder groups engaged by the organisation	Compliant	Refer to Integrated Annual Report pages 26 to 33.
G4-25	Basis for identification and selection of stakeholders with whom to engage	Compliant	Refer to Integrated Annual Report pages 26 to 38.
G4-26	Report the organisation's approach to stakeholder engagement	Compliant	Refer to Integrated Annual Report pages 26 to 33.
G4-27	Report key topics and concerns raised and how they have been addressed	Compliant	Refer to Integrated Annual Report pages 26 to 33.
REPORT PROFILE			
G4-28	Reporting period (e.g. fiscal or calendar year) for information provided	Compliant	The report relates to the financial year from 1 April 2017 to 31 March 2018.
G4-29	Date of most recent previous report	Compliant	31 March 2017.
G4-30	Reporting cycle (annual, biennial etc)	Compliant	Annual.
G4-31	Provide contact point for questions regarding the report or its contents	Compliant	Refer to page 1 of the Sustainability Review.
G4-32	Report the 'in accordance' option, content index, external assurance	Compliant	Refer to page 1 and Annexure A of the Sustainability Review.
G4-33	External assurance policy, practice and scope	Compliant	Refer to page 1 of the Sustainability Review.
GOVERNANCE			
G4-34	Report the governance structure of the organisation	Compliant	Refer to page 19 and also refer to Integrated Annual Report from pages 40 to 74.
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Compliant	Refer to pages 10 and 19.
G4 SECTOR DISCLOSURE: FINANCIAL SERVICES - PRODUCT PORTFOLIO			
G4-FS6	Percentage of the portfolio for business, lines by specific region, size (e.g. micro, SME, large) and by sector	Compliant	Refer to the divisional reports from pages 98 to 107. Refer to the notes to the Annual Financial Statements for a breakdown of equity investments, development loans and bonds where a detailed analysis of the sector and client split is provided for development loans.
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	Compliant	Refer to the Integrated Annual Report for a reflection of our strategy (pages 34 to 35), outputs and estimated development impact (pages 22 and 24).

Refer to the separate **Integrated Annual Report** for more information on the DBSA's efforts in meeting the guidelines outlined above.

APPENDIX B: UNITED NATIONS GLOBAL COMPACT INITIATIVE TABLE

The United Nations Global Compact (UNGC) is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses and the world's largest corporate sustainability initiative, with 13 000 corporate participants and other stakeholders in more than 170 countries.

The DBSA became a signatory to the UNGC on 9 September 2014, committing the organisation to the 10 universal principles of the UNGC and reflecting the importance that the DBSA Board and management team place on good corporate citizenship. The DBSA is committed to upholding fundamental human rights, ensuring fair labour practices, working against corruption in all its forms, and protecting the natural environment within which it operates.

UNGC PRINCIPLE	THE DBSA'S SUPPORT OF UNGC PRINCIPLE	DBSA POLICY
HUMAN RIGHTS Businesses should: <ol style="list-style-type: none"> 1. Support and respect the protection of internationally proclaimed human rights; and 2. Make sure that they are not complicit in human rights abuses 	<p>The DBSA supports the United Nation's Universal Declaration of Human Rights. The DBSA is bound by the Constitution of the Republic of South Africa, which contains the Bill of Rights.</p> <p>All DBSA employees are bound by the DBSA's Code of Ethics and are guided in their behaviour in terms of integrity, loyalty, equity, tolerance, impartiality and discretion. The DBSA's service providers, suppliers and trade partners are bound by the Code.</p> <p>At a project investment level, the DBSA considers the advancement and protection of human rights an imperative. Various social safeguards have been built into the DBSA's due diligence process.</p>	Code of Ethics Policy Employment Policy
LABOUR Businesses should uphold: <ol style="list-style-type: none"> 3. The freedom of association and the effective recognition of the right to collective bargaining; 4. The elimination of all forms of forced and compulsory labour; 5. The effective abolition of child labour; and 6. The elimination of discrimination in respect of employment and occupation. 	<p>The DBSA is committed to fair employment opportunities for all and to creating an environment that permits such equal opportunities for advancement to redress past imbalances and to improve the conditions of individuals and groups who have been previously disadvantaged on the grounds of race, gender and disability. In the spirit of promoting organisational policies and practises that are fair and equitable, the DBSA affirms its commitment to complying with the spirit of the Employment Equity Act to the strategic benefit of the DBSA.</p> <p>South Africa is a signatory to the International Labour Organisation convention, as applicable to fair labour practices, and South Africa has a plethora of labour legislation that reflect the standards. The DBSA's employment policies incorporate these legislative provisions. South African law prohibits forced, compulsory and child labour.</p> <p>The DBSA practises freedom of association and recognises the right to collective bargaining as prescribed in the Constitution of the Republic of South Africa and set out specifically in the South African Labour Relations Act. For the past two financial years, no collective bargaining agreement has been in place.</p>	Employment Policy

UNGC PRINCIPLE	THE DBSA'S SUPPORT OF UNGC PRINCIPLE	DBSA POLICY
ENVIRONMENT Businesses should: 7. Support a precautionary approach to environmental challenges; 8. Undertake initiatives to promote greater responsibility; and 9. Encourage the development and diffusion of environmentally friendly technologies.	<p>The DBSA recognises the importance of placing poverty eradication and achievement of sustainable development at the centre of its development agenda. The DBSA is legally obliged to promote sustainable development through its operations and this is integrated into the DBSA's strategy, which highlights the need for effective integration of environment and sustainability issues as the key to ensuring sustainable economic and social development.</p> <p>The DBSA supports the precautionary approach to environmental challenges. Environmental and sustainability considerations at the DBSA are founded on the following key documents: the DBSA Environmental Sustainability Strategy, the DBSA Environmental Policy, the environmental management system and the DBSA environmental appraisal procedures. These documents combine to form the DBSA environmental management framework, which is the structure that ensures the DBSA's operations, programmes and projects are socially responsible, environmentally sound and in line with government requirements.</p>	Environmental Policy
ANTI-CORRUPTION 1. Businesses should work against corruption in all its forms, including extortion and bribery	<p>The DBSA has adopted a Code of Ethics articulating the values and acceptable ethical standards to which all persons associated with the DBSA are required to adhere. This notwithstanding, the DBSA acknowledges that in today's business environment, fraud is prevalent and all business organisations are susceptible to the risk of fraud. The DBSA's Fraud Prevention Plan sets out and reinforces its policy of zero-tolerance towards fraud and corruption as well as management's commitment to combating all forms of fraud inherent in its operations.</p> <p>The DBSA's fraud hotline forms an integral part of its anti-fraud and anti-corruption efforts. The toll-free hotline is independently managed and administered.</p> <p>The Conflict of Interest Policy for the DBSA Board and employees requires the disclosure of all direct or indirect personal or private business interests. All employees sign confidentiality and declaration of interest forms when adjudicating on procurement panels.</p>	Code of Ethics Conflict of Interest Policy Gift and Hospitality Policy Whistleblowing Policy Fraud Prevention Plan

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