

# THE DEVELOPMENT BANK OF SOUTHERN AFRICA

ADDRESSING INFRASTRUCTURE  
DEVELOPMENT GAPS BY  
FINANCING MUNICIPALITIES



# THE DBSA IN BRIEF

- **The DBSA is a South African government-owned DFI operating in SADC and Africa South of the Sahara.**
- **Its mandate directs it to focus on the facilitation of sustainable social and economic growth and development and, poverty reduction via the financing of infrastructure provision and various other forms of development facilitation.**
- **The ultimate objective is to ensure that there development impact is delivered to development stakeholders in such a way that the Bank remains financially sound and thus financially sustainable**
- **The Bank acts as Financier, Partner and Advisor to development role-players and stakeholders and delivers a broad range of financial and non-financial products and services**
- **The DBSA fills gaps in domestic term-lending capabilities arising from development market failure-to this end it has a well structured business model that leads to addressing development finance challenges.**
- **Knowledge acquisition, creation, deployment and sharing are intrinsic to all DBSA activities**

# The DBSA Value Chain

## INPUTS

- Funds
- Skills
- Knowledge
- Developmental activism
- Partners
- Enterprise infrastructure
- Enterprise architecture -(systems and processes)

## KEY ACTIVITIES

### OPERATIONAL ACTIVITIES

- Resource
- Marketing and business development
- Product and customer service delivery

### ENABLING PROCESSES

- Innovation and organisational development
- Enterprise resource management and service delivery

### MANAGEMENT PROCESSES

- Risk and quality management
- Corporate planning and performance management

## OUTPUTS

### FINANCIAL PRODUCTS AND SERVICES e.g.

- Loans
- Grants
- Other

### NON-FINANCIAL PRODUCTS AND SERVICES e.g.

- Technical assistance
- Capacity building
- LG NET
- Training (Vulindela Academy)
- Knowledge networks and exchange
- Policy and technical research and advice
- Agency services
- Developmental advocacy

# DBSA'S FINANCIAL PRODUCTS AND SERVICES

## ➤ Lending

- Loans
- Asset backed project finance
- Other Traditional Instruments of lending

## ➤ Non-Lending

- Grants
- Investment
- Underwriting
- Arrangement of finance
- Financial markets development (bond market, new instruments and intermediaries)

# DBSA'S NON-FINANCIAL PRODUCTS AND SERVICES

- Technical assistance
- Advice and consulting
- Institutional and community capacity building
- Training (DBSA Vulindela Academy)
- LG Net (Local Government Network) and LGRC (Local Govt Resource Centre)
- Policy advocacy
- Research
- Knowledge networks & Communities of Practice
- Development statistics and information
- Development publications, conferences, seminars and workshops

# DBSA ROLES AND KEY ACTIVITIES

<u><i>Financier</i></u>	<u><i>Partner</i></u>	<u><i>Advisor</i></u>
<b>Making Grants</b>	<b>Training</b>	<b>Development Information Provision</b>
<b>Lending</b>	<b>Acting as Development Catalyst</b>	<b>Policy Analysis and Advice</b>
<b>Investing</b>	<b>Leveraging Funds and Expertise</b>	<b>Advocacy</b>
<b>Underwriting</b>	<b>Development Facilitation</b>	<b>Technical Assistance</b>
<b>Arranging</b>	<b>Providing Agency Services</b>	<b>Research, Monitoring and Evaluation</b>

# THE NATURE OF THE DBSA'S CLIENTS

- THE MAJORITY OF DBSA CLIENTS (80%) ARE MUNICIPALITIES
- THE SA CONSTITUTION PLACES A DEVELOPMENTAL MANDATE ON LOCAL GOVERNMENT- CATALYST AND FACILITATION
- MUNICIPALITIES HAVE A MIX OF DELIVERY CHALLENGES COMPOUNDED BY LACK OF:
  - ABILITY TO COLLECT RATES AND TAXES
  - ABILITY TO RAISE REVENUE
  - SYSTEMS AND CAPACITY TO SUPPORT AND CARRY-OUT THEIR FUNCTIONS

# DEVELOPMENT GAPS IN MUNICIPAL AREAS

- BACKLOGS IN THE DELIVERY OF BASIC SERVICES
- PERSISTING CONDITIONS OF POVERTY
- LACK OF SERVICE DELIVERY
- KEEPING UP WITH THE PROVISION OF ECONOMIC INFRASTRUCTURE

# FINANCIAL AND TECHNICAL ASSISTANCE

*Provides financial and technical assistance for public sector infrastructure development in the nine provinces of South Africa.*

- Lending for the provision of infrastructure services
- Increasing support for economic infrastructure in areas lacking development (“hot spots”)
- Rendering technical assistance
- Mobilizing and leveraging resources through partnerships
- Facilitating development and supporting cross-cutting strategic Bank initiatives
- Supporting clients in distress
- Securing access to the capital markets for municipalities

# DBSA CAPACITY BUILDING RESPONSE

- *The DBSA Development Fund is an independent dedicated grant-making entity which focuses on building the capacity of municipalities for effective service delivery through capacity building grants and strategic partnerships.*
- The fund is mandated to operate in the areas of:
  - Local government development
  - Basic local economic development
  - Community development.

# OTHER DBSA'S SUPPORT MECHANISMS

*THE DBSA SUPPORTS ITS CLIENTS AS AN ADVANCED KNOWLEDGE BASED ORGANISATION BY:*

- Focusing on development research and policy dialogue
- Providing development information
- Ensuring good practice in development
- Assessing the impact of DBSA operations through monitoring and evaluation tools
- Human capital strategy to ensure relevant attraction of skills and talent
- Building Capacity of Internal and External Clients through training

# CONCLUSION

*The following are some key delivery channels for development impact:*

- ***Financing portfolio characteristics*** - high development impact interventions preferred (sectors, client type, project characteristics, funding mix)
- ***Capacity building interventions*** – building institutional capacity in development role-players and local government.
- ***Emphasis on developmental effectiveness*** – advice to improve project design and execution and evaluation of project effectiveness for lessons to be learnt.
- ***Triple-bottom line criteria:*** Governance and project selection which considers financial, technical, economic, social and environmental impacts in both project selection and organisation performance.
- ***Development advocacy and catalytic role*** - policy and strategy advice, assistance to development role-players, catalytic role in developmental projects
- ***Product innovation and development knowledge acquisition and sharing:*** new products and services, knowledge networks, workshops, conferences, publications, training courses.