



**Update on performance and
implementation of mandate**

**Presentation to SECOF on
17 August 2021, 10:00 – 14:00**

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- A. DBSA background, mandate and strategy
- B. Key factors informing our operational environment
- C. Integrated approach to infrastructure development
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- G. Annexures

A.1 BACKGROUND

Founded
1983
DBSA
Act 1997

Owned
100%
by SA
Government

Total assets
R100 bn
Equity
R37.6 bn

Externally
rated

DBSA foreign
currency rating is
Ba3
(Moody's)

Well
governed

Unqualified audits

A+ rating
from AADFI PSGRS

Globally
accredited

Global Environmental
Facility

Green Climate Fund

Mandate

In terms of the DBSA Act, No 13 of 1997 (Amended Act No 41 of 2014) the Bank is **mandated as a DFI with a primary purpose of promoting economic development and sustainable growth, human resource development and institutional capacity building** by mobilising financial and other resources from the national and international private and public sectors for sustainable development projects and programmes in **South Africa and the wider African continent.**

The DBSA development position that flows from this mandate is reflected as follows:

“The DBSA contributes to a just transition toward a renewed and inclusive economy and society that embodies resilience, regeneration, and transcends current trajectories. As a sanctuary for development practitioners, the DBSA holds this to be the transformative change needed to realise a prosperous, integrated and resource efficient continent. This stance progressively advances the common goals for sustainable and equitable wellbeing. The DBSA will work in partnerships to co-produce impactful development solutions and the sustained platforms of an enabling environment for participation, a sense of purpose, empowerment and deep connections. The DBSA will bend the arc of history through our continued multi-faceted investments in sustainable infrastructure and human capacity development.”

A.3 STRATEGY

Key Growth Areas

Strategic rest of Africa lens

Pursuing sound **Rest of Africa** strategy

Inclusive economic recovery in South Africa

Pursuing **green growth** for sustainability and resilience

Strengthening infrastructure to support **economic expansion** and an **equitable society**

Doing things differently

Enhancing **operational excellence**

Strategy Objectives



FINANCIAL SUSTAINABILITY

Drive disbursements and asset growth to maintain profitability and operational efficiency thereby enabling growth in equity and fund innovative development activities.



ACCELERATING DEVELOPMENT IMPACT

Accelerating development impact by stimulating infrastructure development through a programmatic approach, which conceptualises projects for a secure and scaled development trajectory, aligning with the socio-economic challenges in the country. The Bank seeks to give effect to the government's implementation ambition through an enhanced focus on



BUILDING FUTURE-FIT DBSA

We are building a future-fit DBSA by harnessing the power of 4IR to drive internal efficiencies and by maintaining our relevance through a future-fit workforce and an



SMART PARTNERSHIPS

SMART Partnerships are purpose-driven collaborations that co-create development solutions and enhance private sector participation in infrastructure projects that promote inclusive growth.

B.1 OPERATIONAL ENVIRONMENT

- **Successive waves of COVID-19 infections and lockdowns (Levels 1 and 5) over the past 17 months**
- **Notable Fallout from COVID-19:**
 - Lacklustre economic performance (2 downgrades)
 - Capital market meltdown
 - Creditworthiness of clients
 - Implementing Work-From-Home
 - Social unrest reconstruction

Economic story line

Economic growth %	2021	2022
Global	6,0	4,9
Sub-Saharan Africa	3,4	4,1
South Africa	4,5	2,5

- Global downside risk from vaccine rollouts and resurgences.
- COVID-19 pandemic expected to weigh on SSA's recovery.
- SA GDP growth likely impacted by lockdown and unrest in Q3 2021, but impact transitory.
- Inflation to remain around mid-point of target range over next 3 years.
- Trade balance will likely remain positive for now.
- Risks to rand: *further lockdowns, political uncertainty, additional credit downgrade, sentiment.*

B.2 OPERATIONAL ENVIRONMENT

Domestic Macroeconomic Forecast (July 2021)

Indicator	2020 (Actual)	2021	2022	2023	2024
R/\$ (rand)	16.5	14.5	15.0	15.6	16.0
R/euro (rand)	18.8	17.4	17.9	18.2	19.3
R/pound sterling (rand)	21.1	20.2	20.9	21.9	23.1
NCD (3-Month) %	4.3	3.6	4.0	4.3	4.6
JIBAR (3-Month) %	4.6	3.8	4.2	4.6	4.9
Repo rate %	4.2	3.5	3.9	4.3	4.5
10-year generic government bond rate %	10.1	9.8	10.0	10.2	10.3
Brent crude oil (US\$)	43.2	66.2	67.3	68.5	71.3
CPI Headline %	3.3	4.2	4.5	4.4	4.6
Real GDP %	-7.0	4.5	2.5	2.2	2.3
Gross fixed capital formation %	-17.5	0.6	3.9	3.2	3.4
Private sector %	-19.3	-1.3	4.1	3.0	3.2
Public corporations %	-25.0	0.6	5.9	6.0	7.2
General government %	-1.3	7.8	2.0	1.9	1.6
Employed ('1000)	15 061	15 384	16 106	16 477	16 868
% change	-7.9	2.1	4.7	2.3	2.4
Unemployed ('1000)	6 283	7 032	7 106	7 280	7 445
% change	-4.5	11.9	1.1	2.4	2.3
Unemployment rate (%)	29.2	31.4	30.6	30.6	30.6

C.1 INTEGRATED INFRASTRUCTURE DEVELOPMENT

1. Plan

- Municipal assessments
- Bulk infrastructure plans
- Infrastructure planning advice

2. Prepare

- Project identification
- Feasibility assessments
- Technical assistance
- Programme development
- Project preparation funds

3. Finance

- Long-term senior and subordinated debt
- Corporate and project finance
- Mezzanine finance
- Structured financing solutions

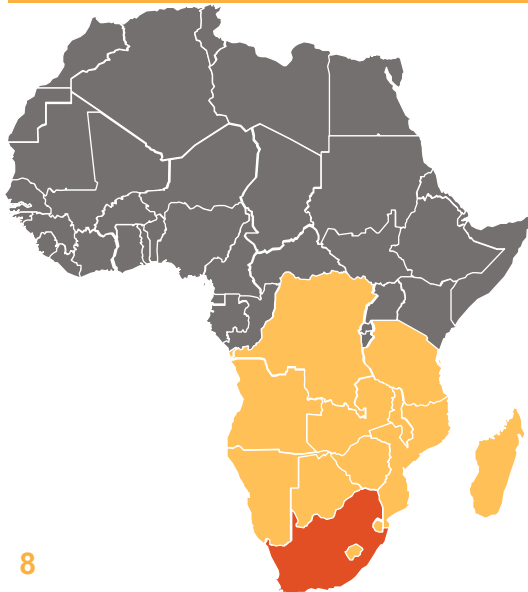
4. Build

- Managing design and construction of projects in education, health and housing sectors
- Project management support

5. Maintain

- Supporting maintenance/ improvement of social infrastructure projects

CLIENTS:



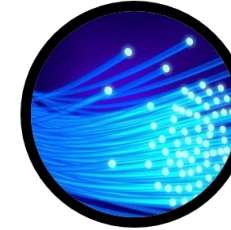
Public

- Municipalities
- SOEs
- Sovereigns

Private

- PPPs
- Private sector

SECTORS:



C.2 VALUE CHAIN: PLANNING

- Infrastructure planning, project preparation, implementation and skills and capacity building services
- Align with policy guidelines to ensure successful investment in economic infrastructure projects that drive effective urbanisation and economic growth
- Differentiate municipal market into metros, secondary cities into ability to borrow in short, medium or long term
- Emphasis on development planning to address lending challenges
- Support in unlocking Municipal Infrastructure Grant as pledge for implementation of selected infrastructure projects

C.3 VALUE CHAIN: PROJECT PREPARATION

Project Preparation seeks to address several key challenges hindering the African continent's ability to exploit its infrastructure investment opportunities through:

- strategic partnerships;
- activities that ensure project success; and
- leveraging third party funding

Activities

- Identify projects for preparation
- Prepare projects from inception to bankability
- Supporting under-resourced municipalities to unlock key infrastructure programmes and projects
- Facilitating crowding in of private sector funders through syndication
- Aligning project preparation activities to key policy frameworks, e.g., NDP and B-BBEE

The DBSA has prepared over R50 billion worth of projects in the past 5 years



R billion	Projects approved	Projects funded by 3rd parties	Projects for black-owned entities
2021	0,9	1,6	2,2
2020	2,4	11,2	1,9
2019	6,8	4,8	3,2
2018	1,0	15,3	-
2017	0,6	0,6	-

C.4 VALUE CHAIN: FINANCING

Instruments	Description
Bridging Finance	<ul style="list-style-type: none"> ▪ Bridging Finance (BF) to assist with expediting grant funded projects or bridging proceeds of long-term loans. To be repaid within the same financial year ▪ Conditional grants front loading – bridging of conditional grants over the MTEF (2-3 years)
Long-term Facilities	<ul style="list-style-type: none"> ▪ On-balance sheet debt – vanilla loans and bonds up to 30 years ▪ Project (cash-flows backed) Finance ▪ Sculpted and structured loans that match the expected project cash flows ▪ Blended loans (tenor and interest rates) through: <ul style="list-style-type: none"> ○ International DFI credit lines, ○ Mobilising third party sector specific funds (e.g., GCF and GEF)
Credit Enhancement Securitisation Structure	<ul style="list-style-type: none"> ▪ Credit guarantees and first loss instruments ▪ Subordinated (mezzanine) debt instruments ▪ Catalysing of private sector (commercial banks and asset managers) funds by allowing private sector to take the shorter end with the DBSA taking the tail end of the deal

“The DBSA has, on average disbursed R12,25 billion over the past 4 years”



R bn	Committed	Disbursed
2020	27,2	15,4
2019	17,0	9,0
2018	9,2	12,2
2017	9,7	12,4

C.5 VALUE CHAIN: INFRASTRUCTURE DELIVERY



Infrastructure Delivery Division is an implementing agent of excellence that augments the capacity of clients to deliver infrastructure by:

- providing rapid procurement to enable fast project initiation and execution
- providing accurate project monitoring and reporting
- providing client-centric infrastructure delivery solutions through a multi-disciplinary team of professionals and technical specialists.

Key activities

- Project management and implementation support in key sectors: education, health, housing and municipal infrastructure
- An enabler of infrastructure projects, ensuring implementation within scope of requirements
- Non-financing activities on full cost recovery basis

“Over the past 5 years, the DBSA has delivered real infrastructure to communities”



	New schools	Schools refurbished	SMMEs spend	Jobs created	Health facilities
	Number	Number	R million	Number	Number
2021	11	51	611	8190	6
2020	4	110	948	9758	2
2019	8	107	536	8344	48
2018	8	128	364	8492	25
2017	12	77	449	9077	35

R16,2 bn

Total infrastructure delivered over the past 5 years

C.6 VALUE CHAIN: INFRASTRUCTURE DELIVERY

	Services	Description	Focus	Clients
Core	Implementing Agent Services	Management of the design, construction, upgrades, refurbishment maintenance of social infrastructure projects using innovative, turnkey solutions to drive greater value for money, asset sustainability and full functionality	<ul style="list-style-type: none"> ▪ Refurbishment/upgrades ▪ New builds construction ▪ Operations and maintenance 	<ul style="list-style-type: none"> ▪ National Government ▪ Provincial Government ▪ Municipalities ▪ State-owned Institutions
	Programme Management Services	Provision of programme management and specialist expertise to support the planning, design, budgeting, execution and maintenance of infrastructure projects and programmes	<ul style="list-style-type: none"> ▪ Programme Management Support ▪ Revenue Enhancement initiatives ▪ Coordination 	
Secondary	Learning Solutions	Provision of innovative infrastructure delivery learning solutions that deliver measurable improvements in individual and business performance as well as developmental impact	<ul style="list-style-type: none"> ▪ Capacity building initiatives ▪ Skills and artisan development ▪ Enterprise development 	<ul style="list-style-type: none"> ▪ Private sector ▪ Donors

D.1 PERFORMANCE REPORT – VALUE CHAIN

Key highlights of the performance for the year ended 31 March 2020 and Q1 2021/22

– Infrastructure unlocked

Year 2019/20: R1.4 billion

Q1 2021/22: R nil

– Projects prepared and committed for funding

Year 2019/20: R2,4 billion

– Total disbursement

Year 2019/20: R15.4 billion

Q1 2021/22: R5.8 billion

– Total funds catalysed

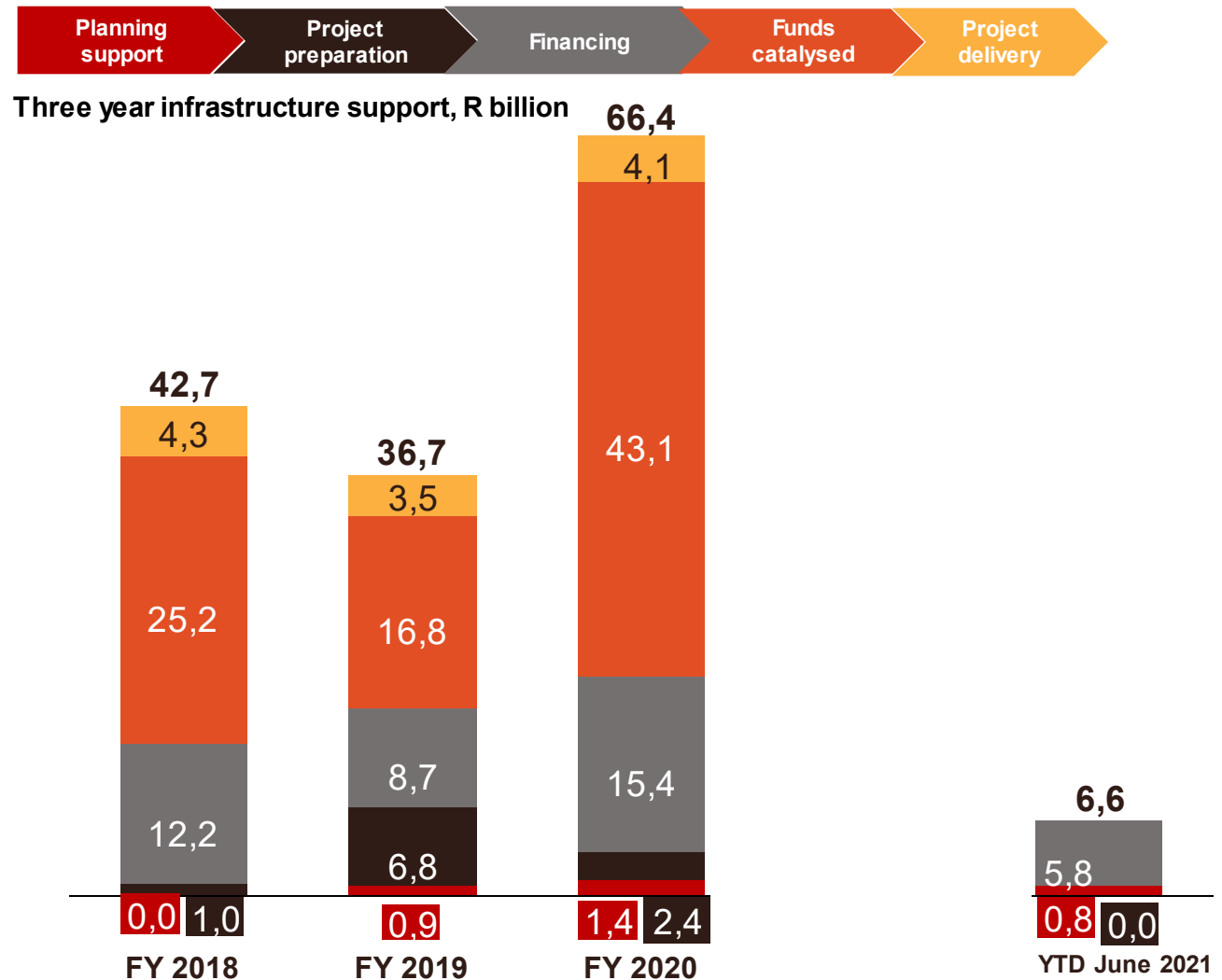
Year 2019/20: R43,1 billion

Q1 2021/22: R nil

– Infrastructure delivered by IDD

Year 2019/20: R4.1 billion

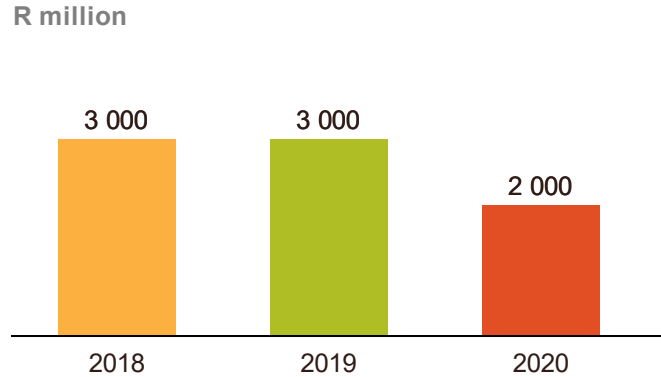
Q1 2021/22: R793 million



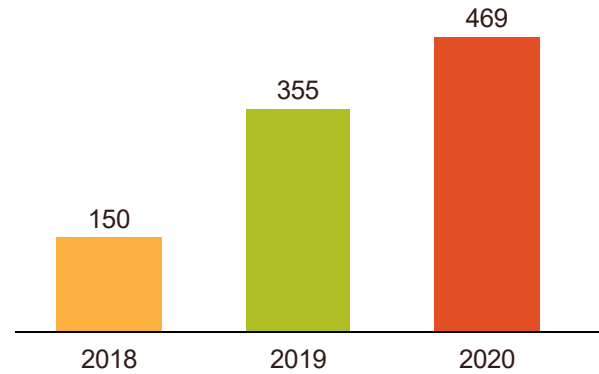
D.2 PERFORMANCE REPORT – DISBURSEMENT

Metros

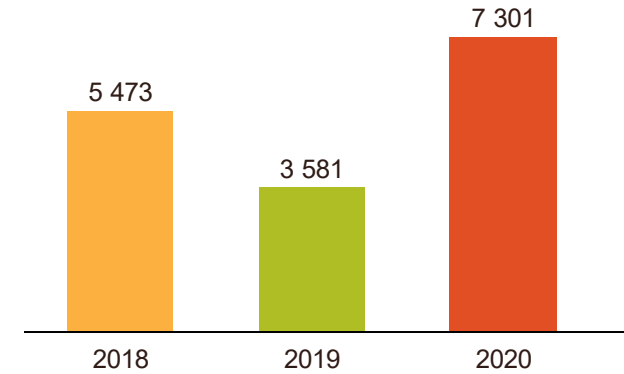
Disbursements,
R million



Small Metros and secondary cities

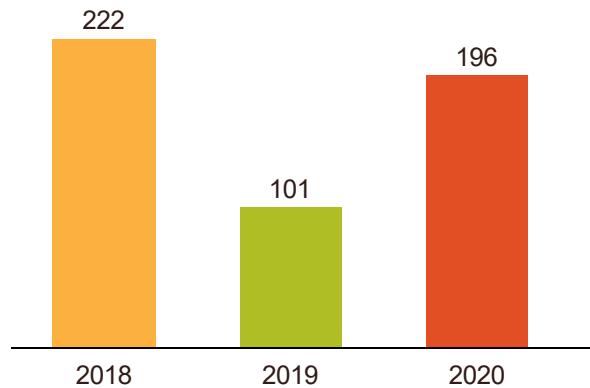


Economic infrastructure

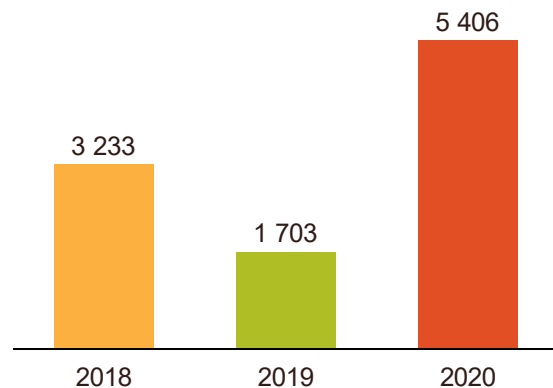


Social infrastructure

Disbursements,
R million



Rest of Africa

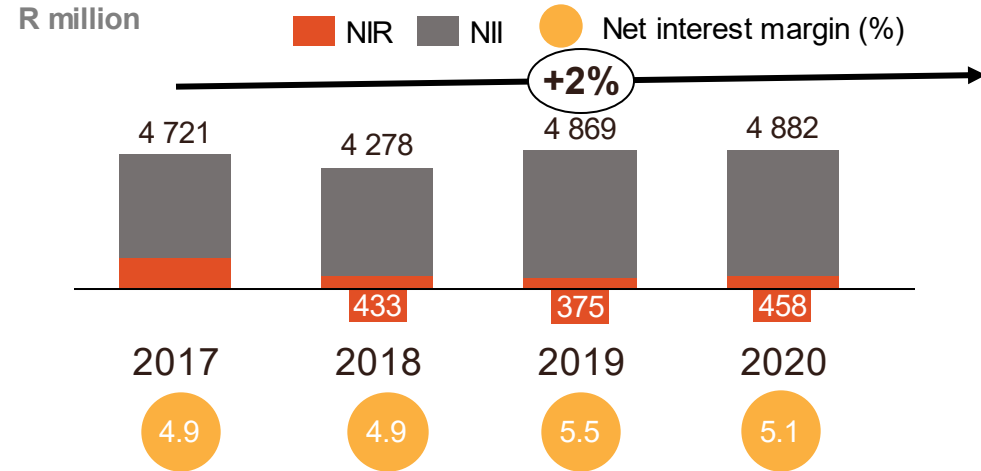


Observations

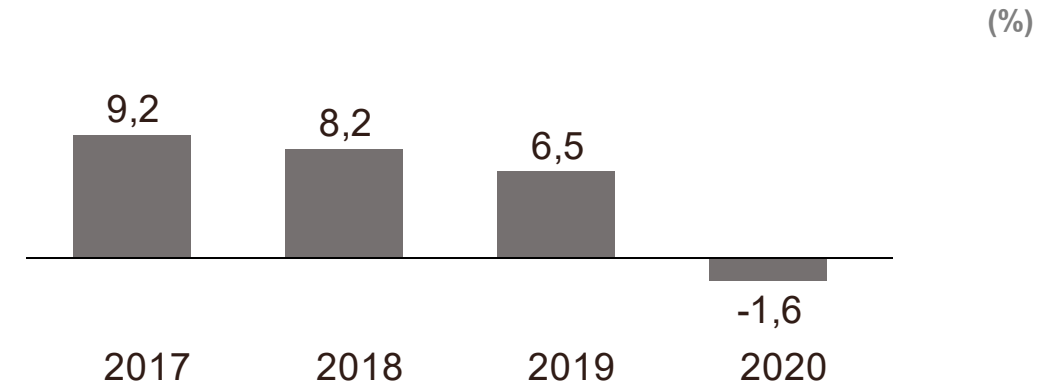
- **Secondary cities** – Limited balance sheet opportunity, increased competition and municipalities not coming to market to seek funding. This was exacerbated by cost of funding challenges precipitated by COVID-19, the ratings downgrade and contagion effect of the Land Bank.
- **Social infrastructure** – A number of private sponsors who have and continue to review the financial viability of projects that were previously approved. Consequently, these have not progressed to commitment stage.
- **Rest of Africa (excl. South Africa)** - Complexity and lengthy time periods required to reach financial close impact the ability to disburse. COVID-19 and fiscal constraints from sovereign borrowers have negatively impacted deal bankability

D.3 PERFORMANCE REPORT – INDICATORS

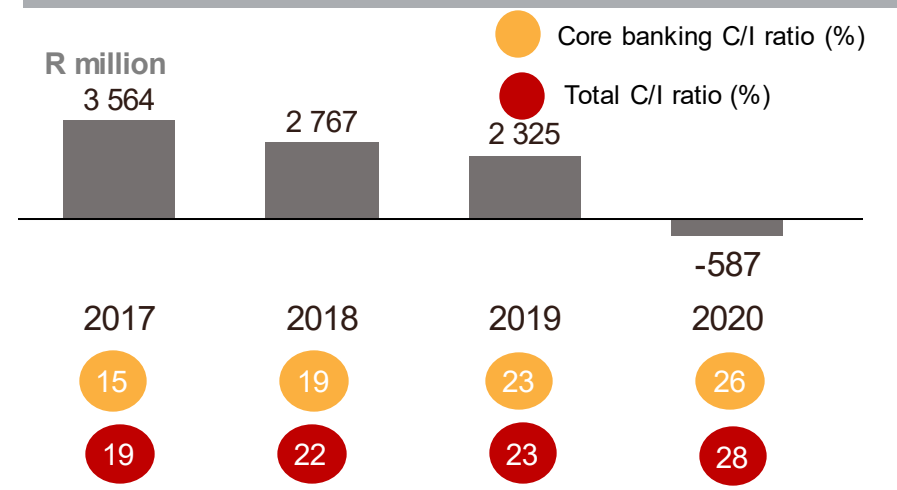
1 Revenue



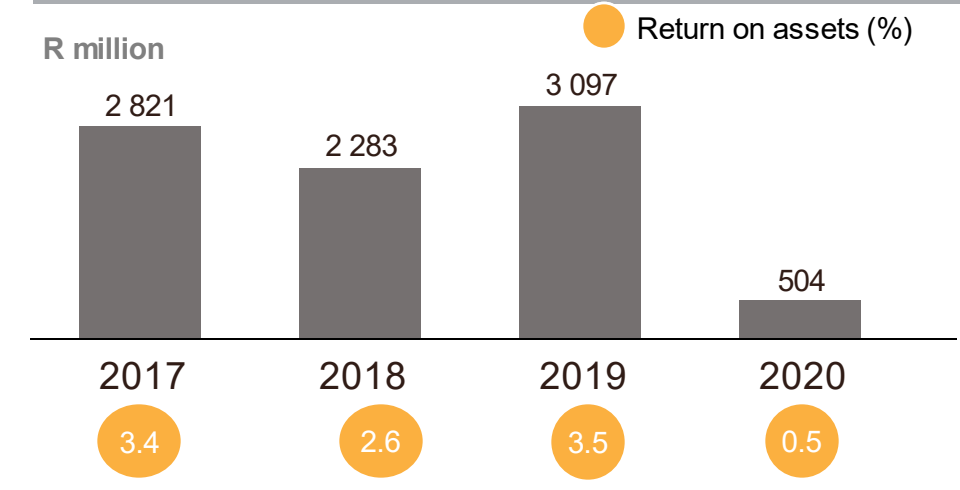
2 Return on average equity (sustainable earnings)



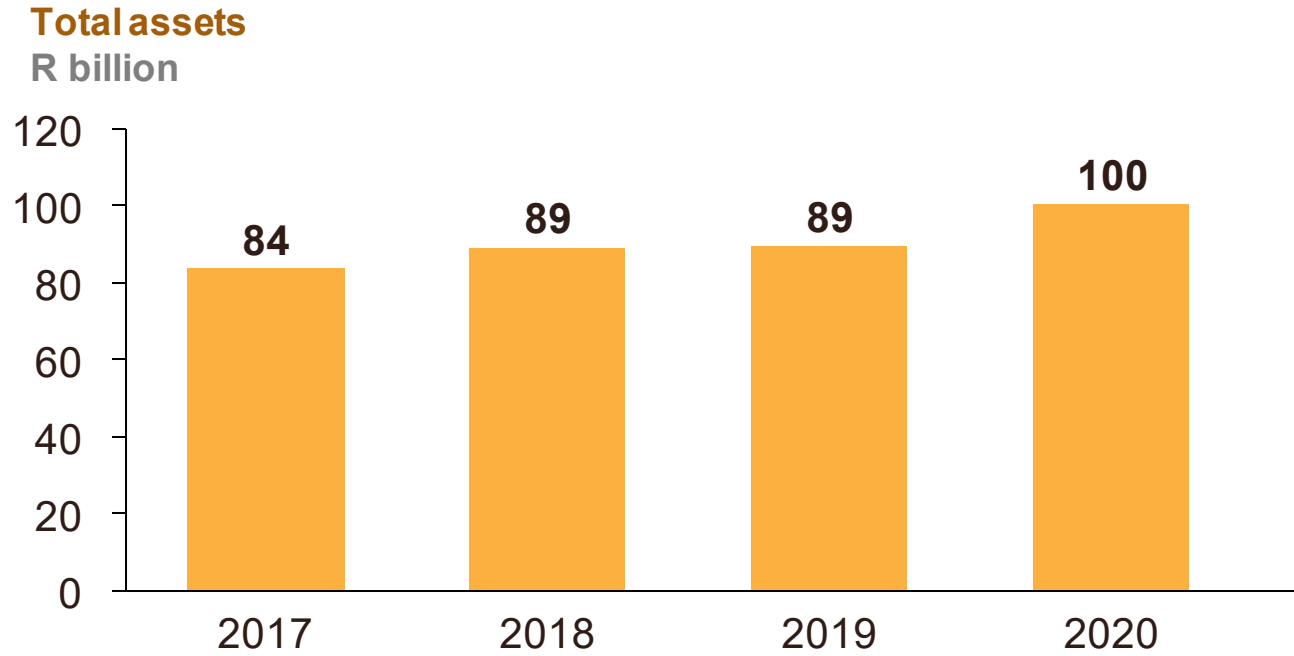
3 Sustainable earnings



4 Net profit



D.4 PERFORMANCE REPORT – ASSETS



- Debt/ equity ratio kept at prudential levels (165%)
- Non-performing loans remain within acceptable limits but require careful monitoring
- Return on assets book carries higher level of risk than South African book

Total equity, R bn	32	34.3	37.2	37.6
Total liability, R bn	51.6	54.9	52.3	62.9
Debt / Equity ratio (%) ¹	158	156	138	165

¹Excludes callable capital

D.5 PERFORMANCE REPORT – IMPACT

DEVELOPMENT IMPACT - As at 2020/21 Q4



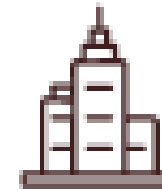
6 909

Learners benefitted from 11 newly built schools



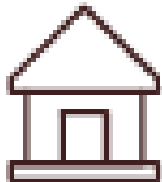
33 125

Learners benefitted from 52 refurbished schools



1 301

Local SMMEs and subcontractors employed in the construction of projects



8 761

Jobs created



154 028

Households to benefit from funds committed to municipalities



R1,9 billion

Value of projects from black-owned entities approved for project preparation funding



R 2.4 billion

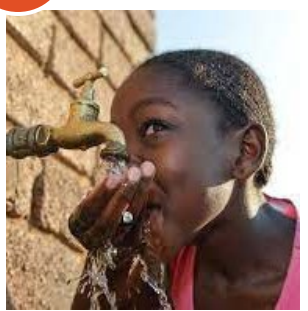
Value of infrastructure delivered by black-owned entities

D.6 PERFORMANCE REPORT – MUNICIPAL SUPPORT

1 Value of projects unlocked

2019/20	2020/21
R1.7 billion in 8 municipalities	R1.4 billion in 14 municipalities
98 projects	278 projects

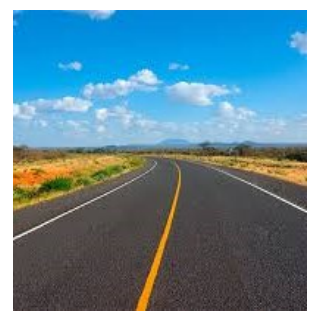
3 Households with access in municipalities



Water & Sanitation



Electricity



Roads



Jobs Created

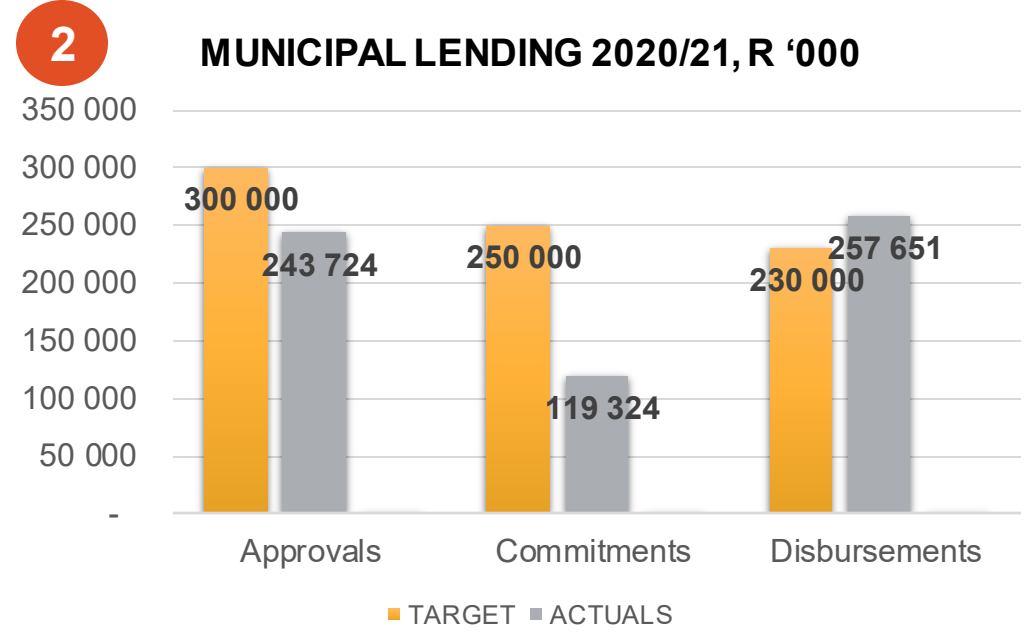
2019/20	145 565	15 150	6,2 km	781
2020/21	149 092	14 682	32 km	1 096

Households with access

Households with access

Roads in km's improved.

Temporal jobs created



4 Pipeline approved for 2021/22 – R million

Midvaal	15.0	Tenders
Bergrivier	15.1	
Hessequa	41.3	
Knysna	55.1	
Overstrand	59.0	
Saldanha Bay	47.5	
Theewaterskloof	25.9	
uThukela Municipality- (Identification stage)	90.0	Bilateral
TOTAL	348.9	

D.7 DISTRICT DEVELOPMENT MODEL

1

PMO & DH set up

Project Management Office and District Hubs established and functional

2

One Plans

Development of One Plans for OR Tambo, Waterberg and eThekweni completed. Public consultations underway.

3

IMS

One plan module of the Information & decision support Management System to be completed in September 2021

4

LED

Draft Local Economic Development National Implementation Plan has been completed

5

NDMC

Employment of staff for the national Disaster Management Centre completed

6

Shared Services Model

Capacity assessment for OR Tambo and Waterberg District Municipalities completed

D.8 DEVELOPMENT LABORATORIES (DLABS)



DLAB PRECINCT MODEL (Unprecedented)

The DBSA pursues the following long-term objectives in the context of its development position:

Partner with stakeholders to co-produce sustained platforms that yield impactful development solutions, environment for participation, a sense of purpose and empowerment.



Stimulate economic development

Mobilise communities that embody resilience, regeneration, and transcends current trajectories

Implement affordable technologies that yield green solutions

Establish a multi-stakeholder oversight structure to fulfill a strategic advisory function

JABULANI, SOWETO (GAUTENG)	
Address	Cnr Eholweni and Isikhwama St, Jabulani, Soweto
Landowner	Department of Sports and Recreation, City of Johannesburg
Zoning	Community Facility
Land Size	20 252 m ²

- Training - **310**
- Local enterprises in the precinct - **12**
- Jobs created - **70**
- Total DBSA spend – **R16,7 million**

WESTRIDGE, MITCHELLS PLAIN (WESTERN CAPE)	
Address	55 Boschendal Road, Westridge, Mitchells Plain
Landowner	Cape Town Christian Fellowship (CTCF)- RLABS
Zoning	Community Development
Land Size	2 226 m ²

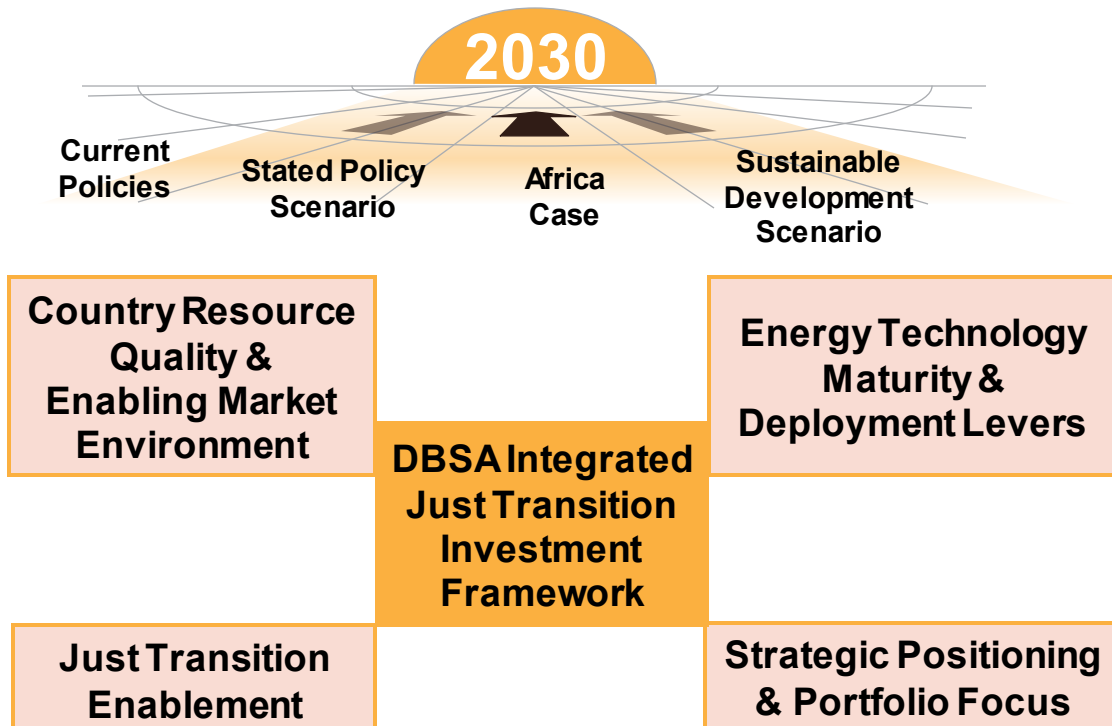
- Training - **300**
- SMME supported - **40**
- Jobs created - **30**
- Total DBSA spend – **R10,7 million**

D.9 GREEN FUNDING / CLIMATE FINANCE

Towards an integrated sustainable development approach

Integrated Just Transition Investment Framework

Key action plans to refine just transition pathway



- Net Zero Approach
- Green Deep Dive Evaluation
- Environmental Management System
- Biodiversity Strategic Framework and Toolkit
- Tool kit – Carbon footprint, Climate finance tool
- DBSA initiatives – Green campus / Off-grid project
- Embedding Gender Mainstreaming
- Social Inclusivity

D.10 GREEN FUNDING / CLIMATE FINANCE

“Over the past 5-6 years the DBSA has raised \$960,7 million worth of green funding”

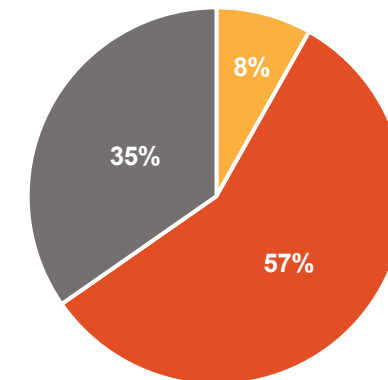


No.	Facility	Value
1	Green bond – private placement with Agence Française de Développement	€200 million
2	New Development Bank	\$300 million
3	European Investment Bank	€22 million
4	European Investment Bank Kaxu CSP	\$100 million
5	Green Fund	R1,1 billion
6	Green Climate Fund	\$157,5 million
7	Global Environmental Facility	\$54 million

Renewable energy exposure – March 2021

R million	Renewable Energy Exposure		Total
	RSA	ROA	
Hydro	66	1 278	1 344
Solar	8 341	1 069	9 410
Wind	5 711	0	5 711
Total	14 118	2 347	16 466

Total Renewable Energy Exposure



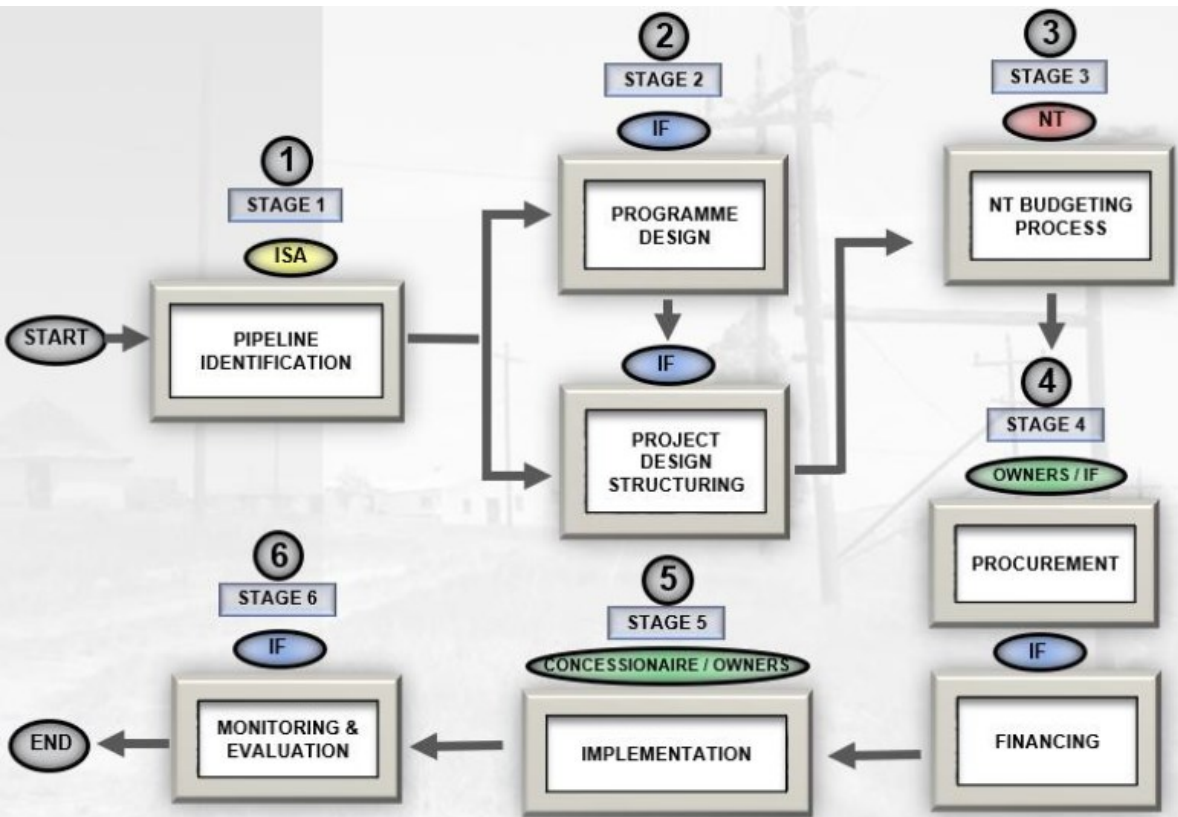
■ Hydro ■ Solar ■ Wind

Keys International Partnerships

	Green Climate Fund	Global Environmental Facility	UK PACT-ICLEI
Description	Global funding mechanism set up by the United Nations Framework Convention on Climate Change to support developing countries respond to climate change	The Global Environment Facility seeks to help tackle our planet's most pressing environmental problems.	To provide grant funding for embedded generation for municipalities
DBSA Accreditation/ Funding approval	January 2017 until January 2022	August 2014 until August 2022	Approved in December 2020
Funds allocated	USD55.6 million	Project based	R6.9 million (R1.725 million per municipality)
Objective	Co-fund private sector infrastructure projects and businesses through credit enhancement and tenor extension	Provide pool of concessional funds to further drive investment in climate mitigation and adaptation both within South Africa and across the continent	Assist municipalities integrate climate change in their planning which would lead to projects within their IDPs to be best positioned for Climate Finance
Projects supported	<ul style="list-style-type: none"> • Municipal Solid Waste Programme • Private Public Sector Energy Efficiency Programme • Renewable energy projects on solar and wind, including embedded generation • Lesotho Climate Finance Readiness Project 	<ul style="list-style-type: none"> • Leapfrogging South Africa's markets to high-efficiency LED lighting and high efficiency distribution transformers. • Accelerating the shift towards electric mobility in South Africa 	<ul style="list-style-type: none"> • King Sabata Dalindyebo Municipality, • Matzikama Municipality, • Ray Nkonyeni Municipality • Walter Sisulu Municipality

D.12 INFRASTRUCTURE FUND

“The Infrastructure fund is operational and has six (6) stages”



BENEFITS

FUNDING,
SCALABILITY,
ALLEVIATE FISCAL
PRESSURE

- ❑ **Secure funding:** certainty with regards to funding package and bankability of programmes / projects.
- ❑ **Scalability:** ability to secure funding on a programmatic approach.
- ❑ **Maximise private sector participation:** alleviating pressure on the fiscus.

LEVERAGING ON
IF RELATIONSHIPS
AND
NEGOTIATIONS

- ❑ **IF's Private Sector Relationships:** Leverage the IF's private sector relationships and ability to raise the required capital for the programmes / projects.
- ❑ **Negotiation of Best Terms:** The IF's ability to negotiate the best terms for project owners.

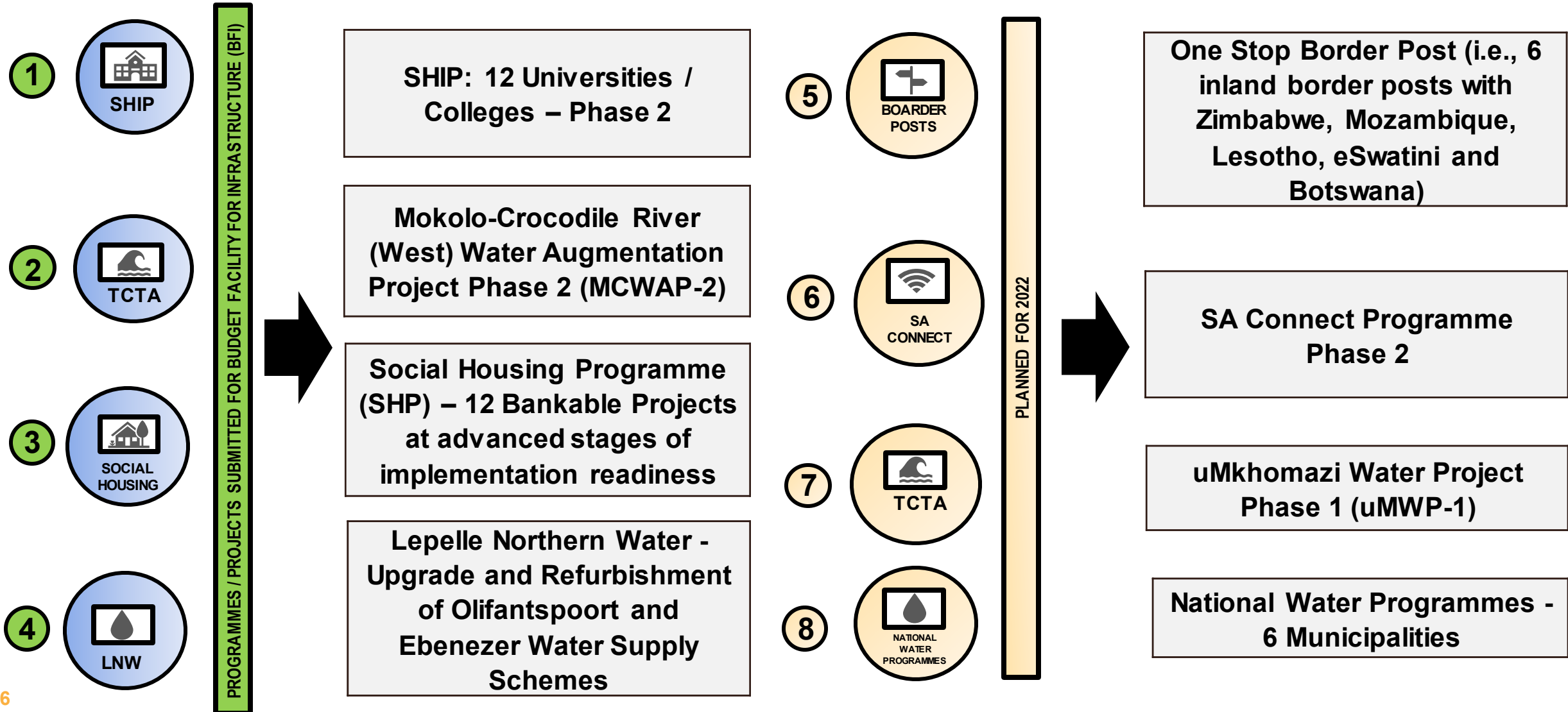
EXPERTS AND
UNBLOCKING
TEAM

- ❑ **IF Private and Public Sector Expertise:** Leverage expertise within the IF, which spans across the private and public sector.
- ❑ **International Expertise:** Leverage international expertise within IF.
- ❑ **Unblocking Team:** Access to, inter alia, ISA's unblocking/unlocking team – help expedite (ability to obtain licenses, permits, etc.)

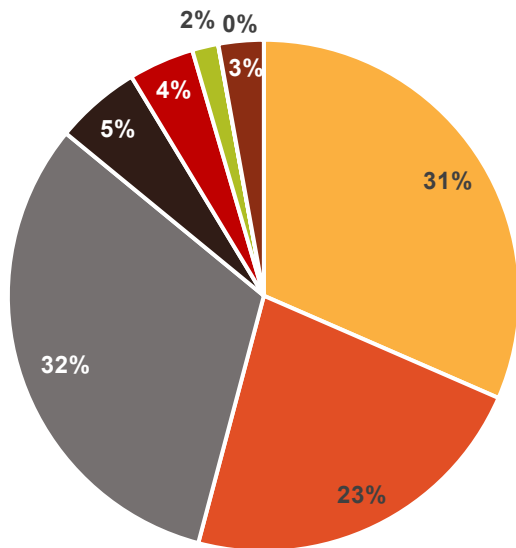
RISK SHARING,
INNOVATION, AND
SPEED

- ❑ **Risk Sharing:** Appropriate risk sharing between the public and private sector.
- ❑ **Innovation:** Innovative and cost-effective solutions.
- ❑ **Speed:** Enhanced speed to close/ spade in the ground.

D.13 INFRASTRUCTURE FUND INITIAL PIPELINE



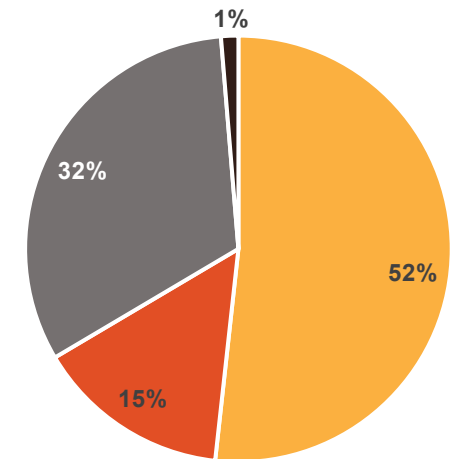
F. SADC AND REST OF AFRICA OPERATIONS



- Energy
- Oil & Gas
- Roads & Drainage
- Transportation
- Communications
- Social
- Water
- Commercial

SADC Exposure	
Sector	R million
Energy	5 739
Oil & Gas	4 109
Roads & Drainage	5 788
Transportation	984
Communications	753
Social	300
Water	3
Commercial	519
Total	18 194

Rest of Africa Exposure	
Sector	R million
Energy	2 764
Oil & Gas	788
Transportation	1 720
Commercial	70
Total	5 342



- Energy
- Oil & Gas
- Transportation
- Commercial

G.1 UPDATE ON OTHER MATTERS

Our understanding of the recent allegations:

- 1. In the case of Cranbrook Property Projects (Pty) Ltd where three companies are involved, namely, *Blue Horizon Investments 11*, *Moeparutsi Properties* and *Proline Trading 60*, the total of the outstanding loans allegedly stood at R426 million and in the end the DBSA allegedly approved the write-back of hundreds of millions of Rands in interest according to the in duplum-rule, but also wrote off a whopping R259 million.**
- 2. The DBSA funded a company called Poseidon, which allegedly had links to Harith General Partners, a company that had not been painted in a favourable light by the Mpati Commission.**
- 3. In the case of Board members, it is alleged that there has been victimisation of certain Board members and an irregular reformation of the Board.**

G.2 UPDATE ON OTHER MATTERS

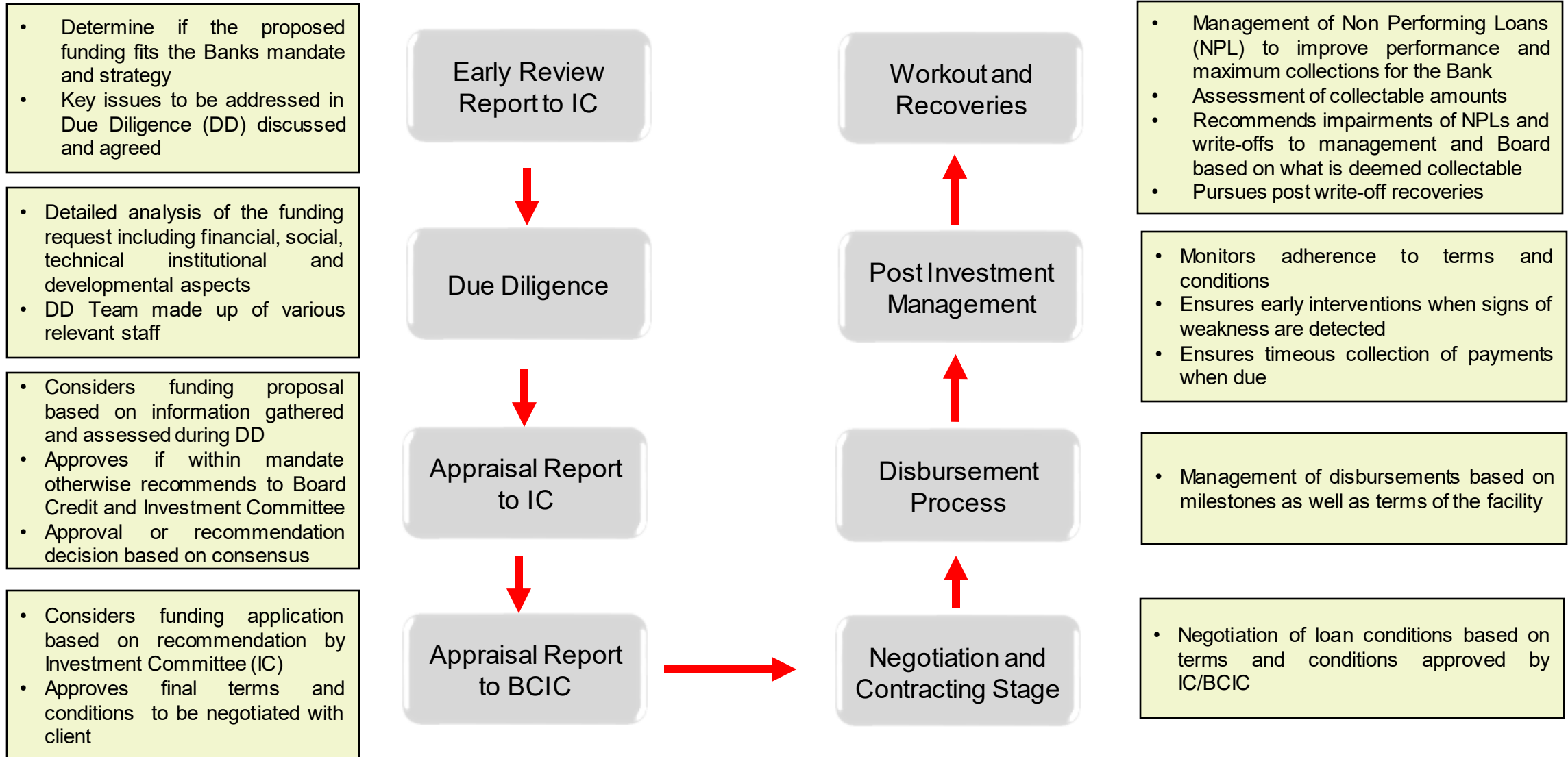
- These allegations have serious potential reputational repercussions.
- No evidence of conflict of interest, collusion or fraud on transactions.
- The failure of the transactions in question is attributable to the economic recession in the aftermath of the financial crisis.
- Improvements in the DBSA's governance standards are ongoing, particularly now when infrastructure development is central to the economic recovery.

G.3 UPDATE ON OTHER MATTERS

- The appointment of Board members is done in a fair and transparent manner.
- The Act provides that the Minister should gazette regulations on the process of Board members appointment.
- The Human Resources, Remunerations and Nominations Committee (HRNC) considered the nominations and made recommendations to the Board.
- In line with the DBSA Act, the Minister appoints Board members.
- In this instance the majority of members' terms on the HRNC were coming to an end, hence would be conflicted if they made recommendations on their own reappointments, hence why the Board resolved that the appointment process be dealt with by non-conflicted members.
- The reappointment of members is not automatic.

G.4 UPDATE ON OTHER MATTERS

Robust Investment Process

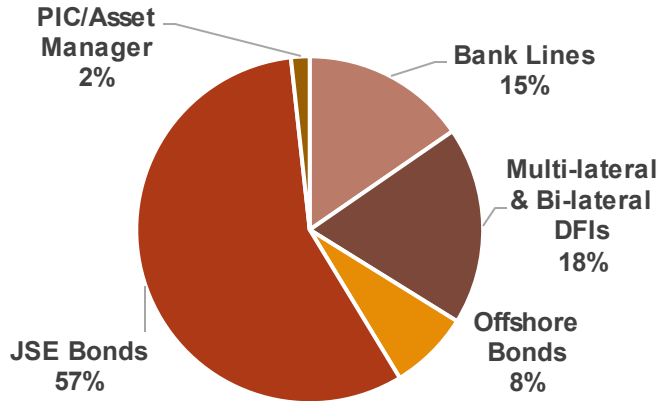


G.5 LAND BANK CONTAGION EFFECT

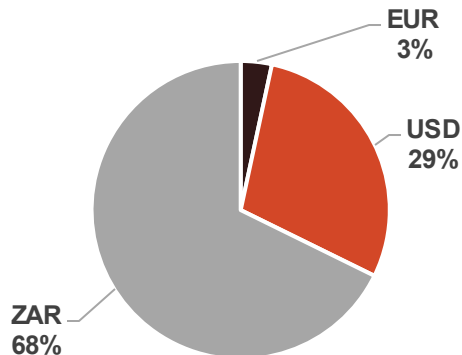
The default announced in April 2020 continues to frustrate our capital raising efforts

January 2020

Funding by Source (%)



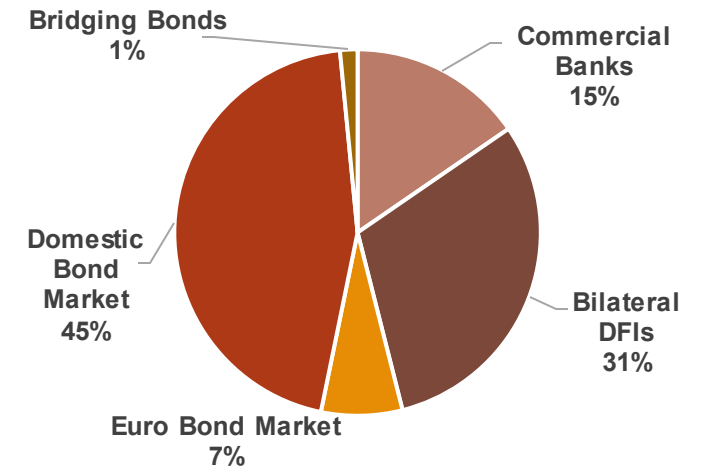
Funding by Currency (%)



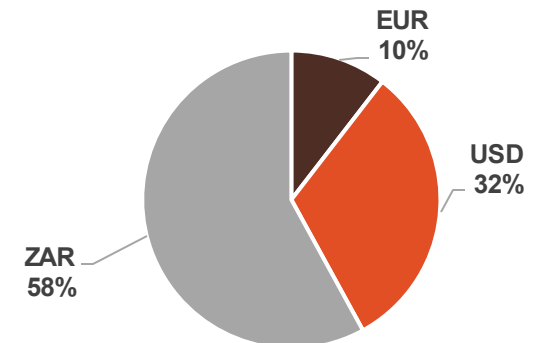
- The uncured default of the Land Bank has resulted in muted funding appetite from local and some international investors
- Our scope of listing JSE bonds has decreased
- Our scope for ZAR funding has reduced, forcing us to raise funding more expensively in EUR and USD
- The 10% increase in foreign currency funding exposes the Bank to currency risks and puts pressure on our foreign currency borrowing limits

March 2021

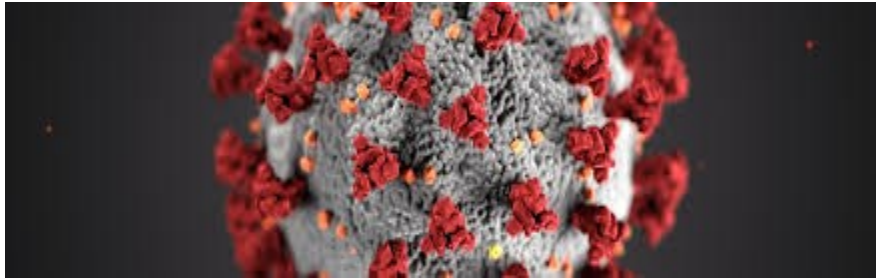
Funding by Source (%)



Sources by Currency (%)



G.6 UPDATE ON DBSA COVID-19 RESPONSE



“The DBSA approved R150 million to intervene for COVID-19 purposes. To date R108 million has been spent”

Development initiative	Utilisation as at 30 June 2021
National Disaster Management Centre	R15 000 000
Provision of screening units	R4 137 157
Consumables for 25 District Municipalities	R6 106 556
Provision of isolation PODs	R14 492 484
Provisioning of testing capacity support (CSIR)	R20 577 161
CPAP Ventilators Prototype (CSIR)	R6 900 000
Support to government with Science, Technology and Innovation	R21 883 272
Support to SADC member States	R19 323 000
Total deployed	R108 419 630
Committed but undrawn	R41 580 370

G.7 RECENT SOCIAL UNREST

- The DBSA is **implementing 631 projects** – no significant impact was reported on our portfolio.
- However, **two weeks' worth of construction expenditure was lost** from the cashflow that was initially scheduled with contractors. This also shifted project completion dates by at least two weeks.
- The **nature of the destruction** largely entails:
 - Vandalising, burning and looting retail outlets, factories and warehouses
 - Destruction of productive equipment and damage to school infrastructure
- The DBSA continues to **support municipal clients and keeps an open channel for bridging finance** applications to enable quicker reconstruction of damaged infrastructure

“DFIs are given difficult mandates but during crises times they are often left on their own to fulfill those mandates”

- ***Providing Counter-Cyclical Lending*** – help create new jobs or protection of existing ones, expanding infrastructure and building new industries.
- ***Developing strategic longer-term profitable sectors*** – identify and develop new sectors that boost industrial and infrastructure development.
- ***Expanding Infrastructure Development*** – infrastructure development to support long-term economic investment.
- ***Supporting national interests internationally*** – Creating investment opportunities for domestic companies outside the country.
- ***Taking part in institutional capacity building*** – addressing capacity failure in public institutions that manage development.
- ***Enabling enterprises and industry*** – facilitating more participants across the investment value chain.

- Please see Annexure attached separately:

A. Quarterly Performance Report – 30 June 2021 (Quarter 1)



THANK YOU

UPDATE ON OTHER MATTERS

Chronology of Cranbrook Transactions

DBSA approached by Cranbrook

2006

- Funding bulk infrastructure for housing estates and B-BBEE shareholder in Limpopo
- Within developmental mandate
- Lephalale identified as growth node at the time – increased housing demand due to growing mining

2009

Financial crisis effects

- Moeparutsi in default and debt restructured
- Blue Horizon and Cranbrook cede revenue account rights to DBSA as suretyship
- Moeparutsi repaid R10,4m between 2009 and 2011

2011/12

Repayment and business support

- Proline Trading repaid R27,7m between 2011 and 2019
- Proline and Blue Horizon agreement amended, extending repayment period
- Agreement provides for DBSA to receive at least 70% of proceeds of every stand sold

2007/08

Loans approved

- Loan of R10 million approved to Moeparutsi to acquire 17% shareholding of Cranbrook
- Loan to be repaid in half-yearly instalments (90% of dividend earned by Moeparutsi)
- Board Investment Committee approved 5-tranche R124m loan to Blue Horizon for bulk infrastructure in Lephalale
- Approved 5-tranche R125m to Proline Trading in 2008 for bulk infrastructure in Burgersfort

2010

Repayment and portfolio monitoring

- Blue Horizon repaid R109,7m between 2010 and 2011
- Cranbrook transferred to Portfolio Risk and Monitoring Unit responsible for managing post investment functions

2013 to 2021

Recovery Strategy

- Long term turnaround strategy adopted – wait for market to turn
- Loans secure by mortgage bonds; don't prescribe for 30 years
- Several evaluations and constant reporting as non-performing
- Blue Horizon placed in liquidation in 2017, auction of properties for benefit of DBSA ongoing.
- By 2019, clear no sale could be made
- In duplum invoked in 2020 and property auctions held in 2020 and 2021

UPDATE ON OTHER MATTERS

Chronology of Poseidon Transaction

Application for project preparation

- Preparation and development of critical water infrastructure projects within South Africa and throughout Africa by Poseidon (Pty) Ltd
- Recognised impact of catalyzing project preparation funding for smaller size water projects

June
2019

Board asks for additional due diligence

- When the Poseidon issue was brought to media's attention, the DBSA Board subjected the transaction to an enhanced independent due diligence

June
2020

Loan approved

- R50m approved by the DBSA's Board Credit and Investment Committee
- Full compliance with investment process
- Due diligence focused on the risk from politically exposed persons and adverse media associated with the project
- Appropriate mitigants instituted

March
2020

Facility committed

- The facility agreement was committed conditionally pending the satisfaction of condition precedents
- No funds disbursed to date

Nov
2020

General findings:

- Applying the DBSA's anti-money laundering framework, the Risk Management and Compliance Programme, together with the DBSA's Management of Politically Exposed Persons Policy, we found no PEPs in the transaction.
- The independent advanced due diligence also found no ultimate beneficial ownership or politically exposed persons.