

GROWING A FOCUSED, SUSTAINABLE AND DEVELOPMENTAL DBSA

TRANSPORT

ENERGY

ICT

WATER

DBSA's Transport focus

“Transforming the Southern African transport sector across the value chain for development impact”

October 2017



SUMMARY SLIDE

- The DBSA is a leading Africa Development Finance Institution, with a focus on the infrastructure sector. DBSA's mandate fits in to the national (RSA and other SADC countries') infrastructure sector policy and plans.
- Transport is one of its key mandate sector.
- The DBSA leverages its activities across the infrastructure value chain to provide an integrated value offering for our clients – from project preparation to implementation
- The DBSA facilitate capital flows toward development priorities in response to market and coordination failure
- Lack of local industry, materials and labor hinders infrastructure development due to (1) lack of (integrated) design, construction & maintenance capabilities; (2) restricted and expensive access to materials & equipment and (3) limited access to trained labor.
- Government and SOE's plan to spend R327bn on Transport and logistics in the medium term 2017/18 – 2019/20
- New financing solutions and approaches to infrastructure can lead to unlock new local industry opportunities for the region.



1 DBSA overview

2 The Southern African Infrastructure landscape

3 DBSA initiatives across the region

THE DBSA IS A LEADING AFRICA DEVELOPMENT FINANCE INSTITUTION, WITH A FOCUS ON THE INFRASTRUCTURE SECTOR

Mission

Promote economic growth, improve quality of life and advance regional integration via infrastructure investment

KEY POINTS

- **DBSA 100% owned by the SA Government**, reporting into the National Treasury
- **Mandate** – Covers entire African continent; focus on Southern Africa
- **Financially sound** – R84bn Assets, R32bn Equity, R3Bn+ sustainable profits
- **Externally rated** – DBSA foreign currency rating is **Baa3** (Moody's) – similar to Sovereign
- **Well governed** – Achieved unqualified audits; A+ rating from AADFI PSGRS
- **Globally accredited** – Global Environmental Facility, Green Climate Fund, EU 6-pillar

GOVERNANCE FRAMEWORK

KEY LEGISLATION

- DBSA Act
- Public Finance Management Act
- Companies Act (where appropriate)

GOVERNANCE PRINCIPLES

- King III (where appropriate)
- Corporate Governance Development Framework
- AADFI Prudential Standards Guidelines and Rating System
- United Nations Global Compact

POLICIES AND PROCEDURES IN PLACE

- Board Charter
- Code of Ethics
- Board and sub-committee terms of reference
- Conflict of interest
- Delegation of authority
- Company Secretary
- Ethics hotline
- Annual review of finance function
- Gift policy

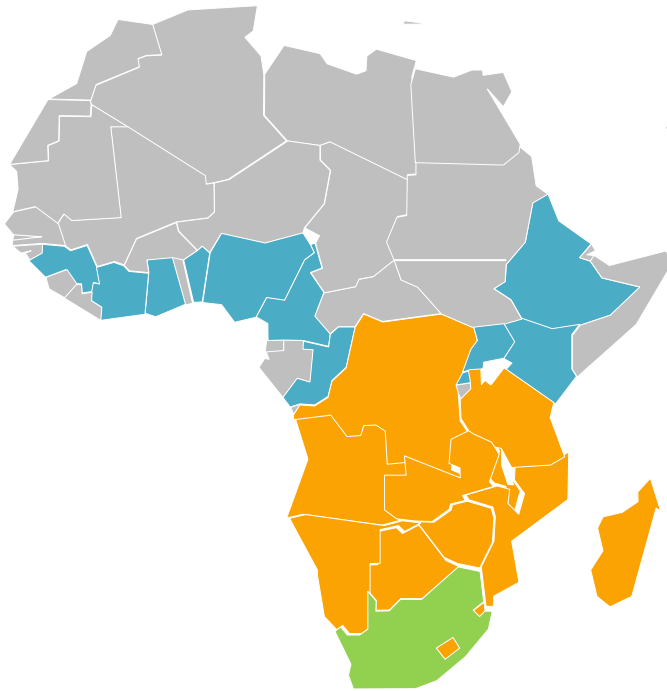


Details of the Charter, including the role and responsibilities of the Company Secretary, as well as the Code of Ethics are available on our website, www.dbsa.org



OVERVIEW OF THE DBSA'S PRODUCTS, SERVICES AND SECTORS

GEOGRAPHIC FOOTPRINT



- DBSA's primary market
- DBSA's main focus outside of SA
- DBSA's secondary (and recent) focus outside of SADC

PRODUCTS & SERVICES

PLAN	PREPARE	FINANCE
<p>Under-capacitated municipalities</p> <ul style="list-style-type: none"> • Master and sector plans • Sustainable service delivery plans • Planning support to reduce water and electricity losses 	<ul style="list-style-type: none"> • Project identification • Feasibility assessments • Technical assistance • Financial structuring • Project preparation funds • Lead arranger • Project management support, including to the Green Fund and the IPSA Fund 	<p>Providing vanilla and boutique financing opportunities (ranging from subsidies to fully commercial)</p> <ul style="list-style-type: none"> • Debt • Mezzanine finance • Limited non-recourse lending
	BUILD	MAINTAIN/IMPROVE
	<p>Managing the design and construction of key projects in the education, health and housing sectors</p>	<p>Supporting the maintenance and/or improvement of key infrastructure projects</p>

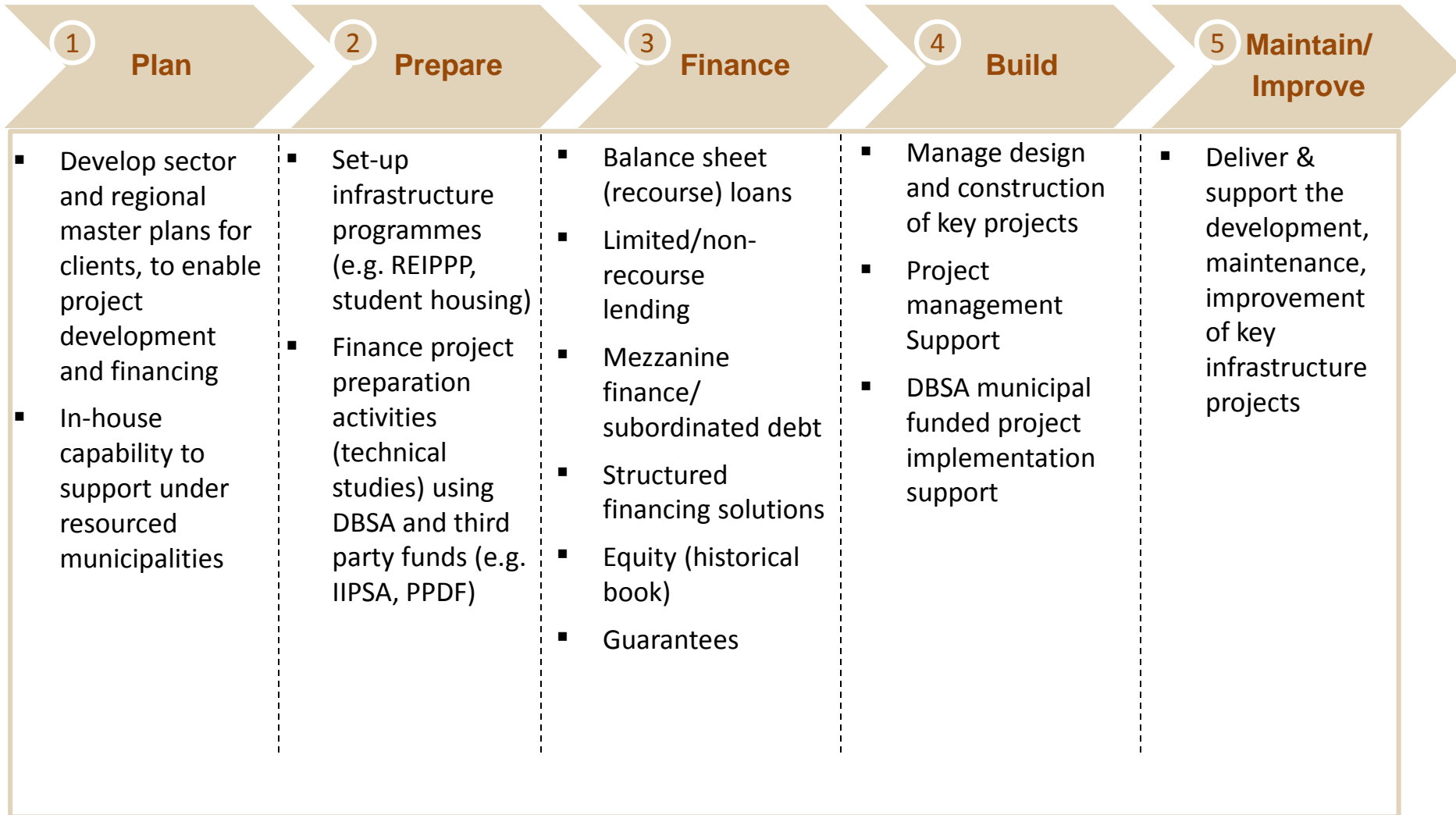
The DBSA mostly lends to its clients directly, but also provides financing to financial institutions (particularly outside of SA)

SECTORS

Primary: Energy, **Transport**, ICT, Water & Sanitation

Secondary: Education, Health

THE DBSA LEVERAGES ITS ACTIVITIES ACROSS THE INFRASTRUCTURE VALUE CHAIN TO PROVIDE AN INTEGRATED VALUE OFFERING FOR OUR CLIENTS



DBSA'S STRATEGIC RESPONSE...WE'LL DELIVER EVEN GREATER LEVELS OF DEVELOPMENT IMPACT, BUT THROUGH A BROADER SET OF PRODUCT OFFERINGS

Mission:

Advance development impact in Africa via infrastructure – promote economic growth, improve quality of life and regional integration

Strategic Ambition:

Catalyse R100Bn annually in infrastructure by 2019-20, while maintaining financial sustainability

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 3rd parties

Establish project management offices and focus on maintenance 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

FACT: LACK OF INDUSTRY, MATERIALS AND LABOR HINDERS INFRASTRUCTURE DEVELOPMENT

	Lack of (integrated) design & construction & maintenance capabilities	Restricted and expensive access to materials & equipment	Limited access to trained labor
Issue	<p>Countries facing low construction sector productivity</p> <ul style="list-style-type: none"> • Lack of planning • No/ limited access to finance • Highly dependent on international service providers 	<p>High costs for materials & equipment</p> <ul style="list-style-type: none"> • Costs of raw materials dependent on region • Lack of infrastructure increases transport costs • Lack of efficient technology result in inadequate use of materials 	<p>Appropriate, skilled workforce not available</p> <ul style="list-style-type: none"> • Vast array of different skills required • Specialized skills often not available or expensive
Impact	<ul style="list-style-type: none"> • Low competitiveness of national industry • Infrastructure backlog • Block industry growth, e.g. Indonesia lacking financial & technical capabilities thus unable to internationally expand gas sector 	<ul style="list-style-type: none"> • e.g. container of construction materials costs \$2K from China to Kenya, but another \$6K for 900 miles from Kenya to Kigali • e.g. delay of six-laning of Indian NH 1 between Panipat & Jalandhar due to lacking raw materials 	<ul style="list-style-type: none"> • Fly-in-fly-out of staff to complement local staff is costly and has negative social impacts

Enabling the local industry for infrastructure also increases the civil society acceptance of infra projects

LACK OF INDUSTRY, MATERIALS AND LABOR HINDERS INFRASTRUCTURE DEVELOPMENT - OUTCOMES

Infrastructure drives large improvements in developmental outcomes

Healthcare

Better transportation increases access to healthcare

- Building rural roads increased doctors visits in Morocco
- Paved roads associated with lower infant and female mortality rates

Agriculture

Ethiopia road upgrades resulted in significant gains in agriculture sector

- Yields/ha increased by ~100-200% within 18 months

Education

Better transportation raises school attendance

- Building rural roads in the Philippines increased school enrolment by 10% and reduced dropout rates by 55%
- Paved roads have doubled girls' school attendance in Morocco



1

DBSA overview

2

**The Southern African Infrastructure
landscape**

3

DBSA initiatives across the region

THERE ARE A NUMBER OF GLOBAL, REGIONAL AND NATIONAL PLANS AND INITIATIVES WHICH GUIDE THE DBSA'S DEVELOPMENT ACTIVITIES

International



Regional



1. Infrastructure Vision 2027
2. Regional Infrastructure Development Master Plan

National



SIP OVERVIEW – KEY FREIGHT TRANSPORT RELATED PROJECTS OPPORTUNITIES

- From the 18 Strategic Infrastructure Projects (SIPs) scoped, SIP7 hold direct relevance to Logistics infrastructure, namely:

SIP Projects	Description
SIP 1	Unlocking the northern mineral belt with Waterberg as catalyst
SIP 2	Durban-Free State-Gauteng logistics and industrial corridor
SIP 3	South eastern node and corridor development
SIP 4	Unlocking economic opportunities in the North West
SIP 5	Saldanha – Northern Cape development corridor
SIP 7	Integrated urban space and public transport programme
SIP 11	Agri-logistics and rural infrastructure
SIP 17	Regional integration for African cooperation and development

- The National Transport Master Plan (NATMAP) 2050 and the 25 Year Gauteng Integrated Transport Master Plan (ITMP) provides a policy blueprint for the development of passenger and freight transport infrastructure in SA.
- In fact many of the projects advocated within these infrastructure plans are adopted as part of the ongoing infrastructure programs/projects of many key SOCs: Transnet, SANRAL, PRASA, ACSA, Municipal BRT program

MARKET STRUCTURES - FREIGHT/LOGISTICS, TRANSPORT

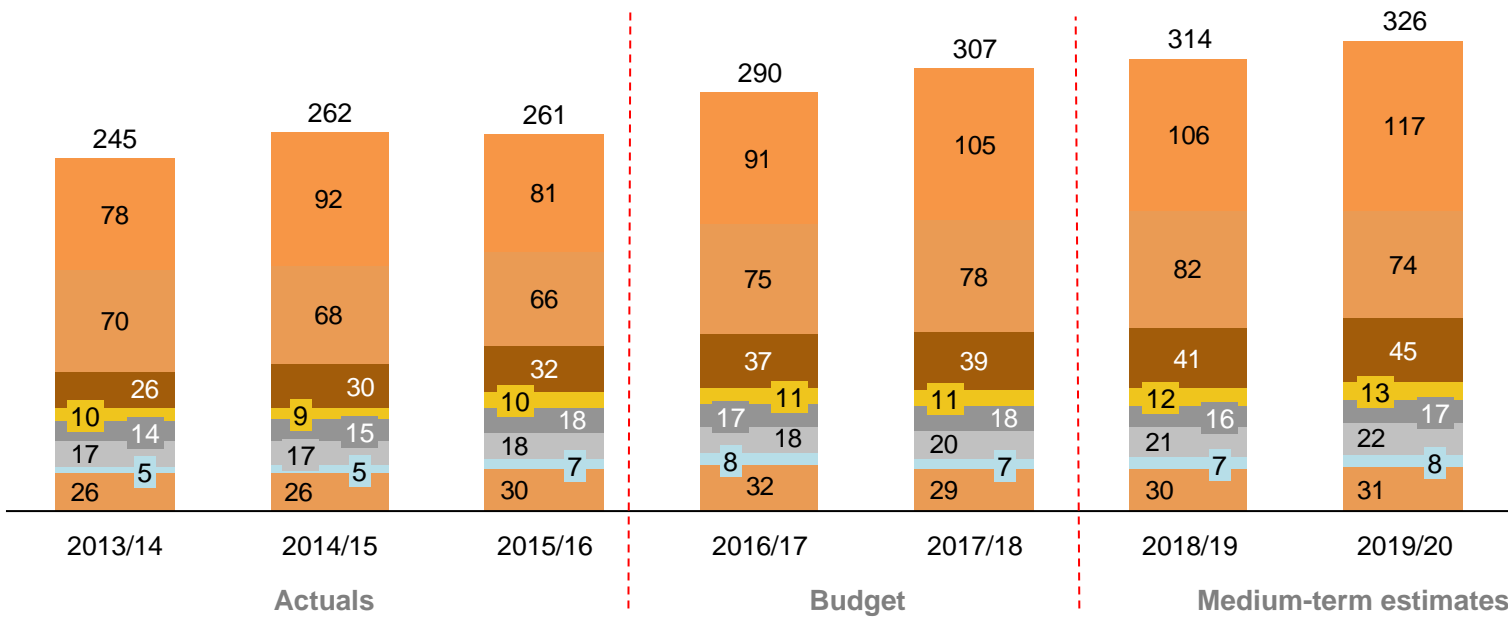
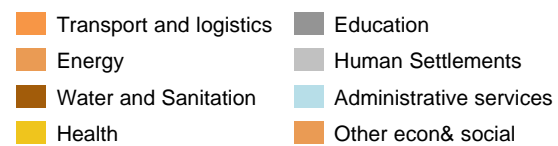


Market	Private Sector	Mature PPPs	SOCs	PPPs
<p>FREIGHT/ LOGISTICS</p>	<ul style="list-style-type: none"> • Consolidated • Large players (Imperial, Barloworld, Unitrans, Bidvest, etc) • Cash Rich • Highly-banked • Mature industry 	<ul style="list-style-type: none"> • Sishen/Saldanha Iron ore line, Sasol Gas trains • Fully funded • No expansion 	<ul style="list-style-type: none"> • Transnet (MDS) • PETROSA • SAMSA • TCTA • PRASA 	<ul style="list-style-type: none"> • Smart Cities • Basic Education telemetry
<p>TRANSPORT</p>	<ul style="list-style-type: none"> • Private Cars • Individual Taxi • Private Airlines • Private Sector Mass Transit (Minibus industry) 	<ul style="list-style-type: none"> • ACSA, Mass Rapid Transit – Tshwane, Joburg, Cape Town 	<ul style="list-style-type: none"> • ACSA • SAA • PRASA • SANRAL 	<ul style="list-style-type: none"> • Further Mass Rapid Transits • SAA PPP • N2, N3

SOUTH AFRICA: PUBLIC SECTOR INFRASTRUCTURE SPEND PER SECTOR IN FY 2013/14 – 2019/20



Public sector infrastructure expenditure and estimates, R billion



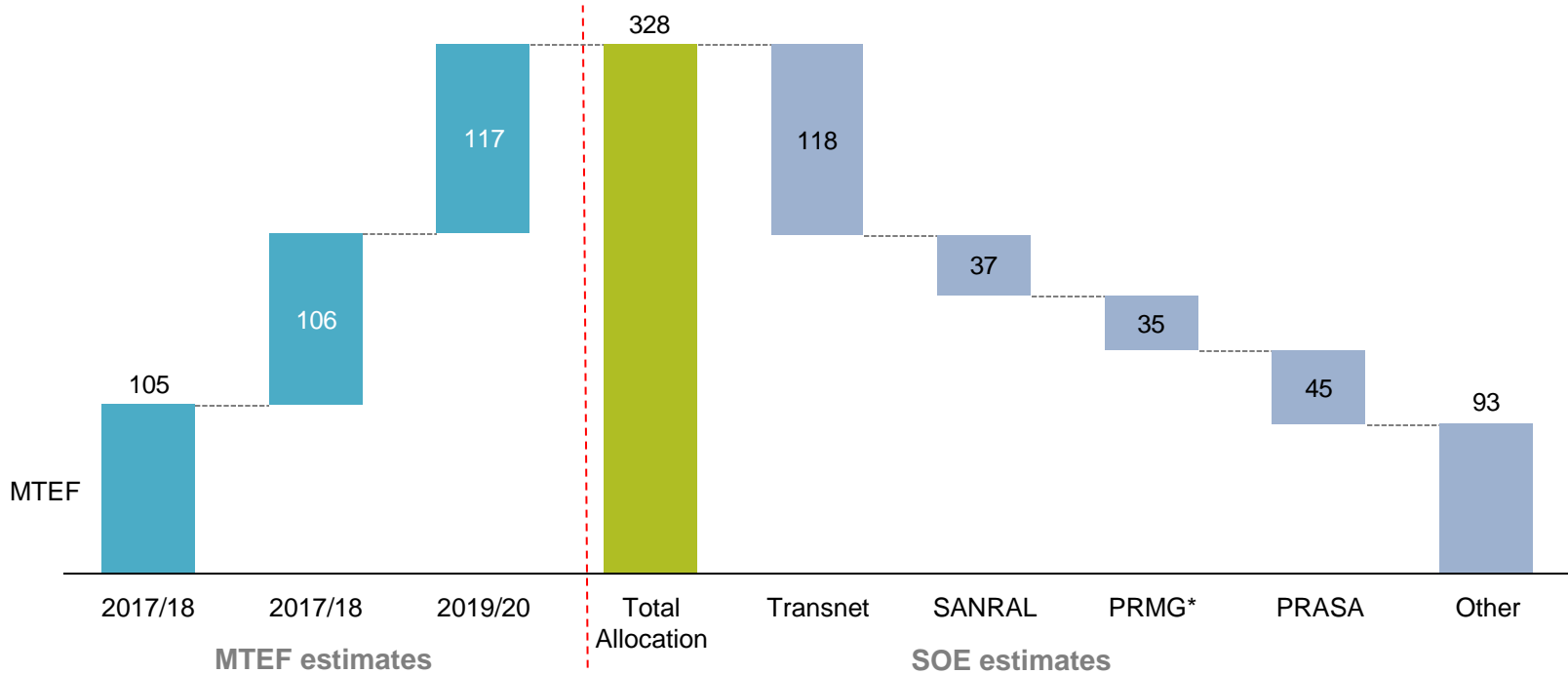
Key highlights

- Total public infrastructure spend for the MTEF period amounts to
 - R687,6bn on energy, water and sanitation, transport and logistics
 - R137,5bn on human settlements, health and education

The majority of spending will occur in transport, followed by energy and water

GOVERNMENT AND SOE'S PLAN TO SPEND R327BN ON TRANSPORT AND LOGISTICS IN THE MEDIUM TERM 2017/18 – 2019/20

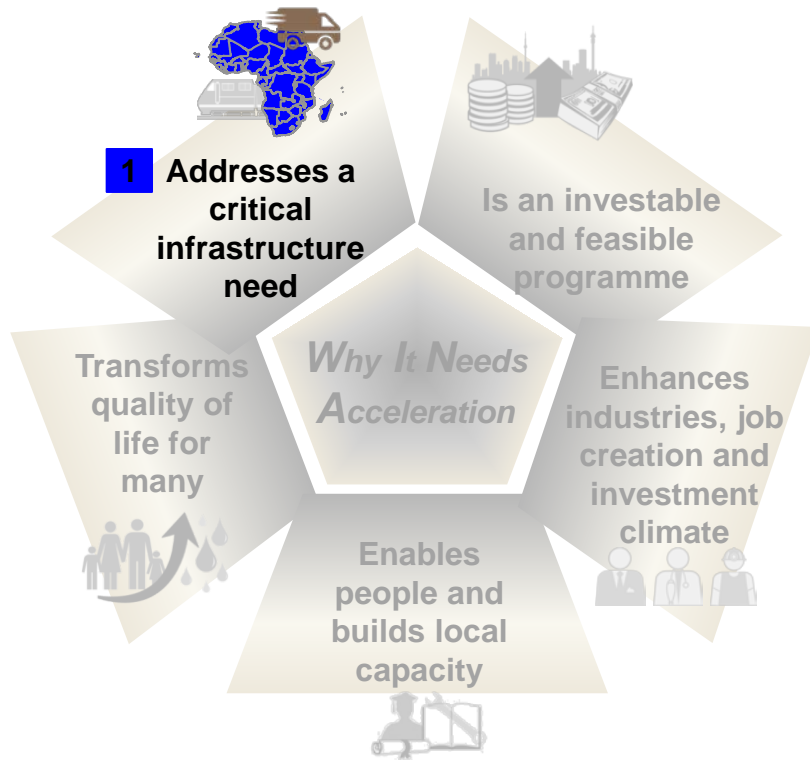
Transport and Logistics Infrastructure allocation, Rbn



- Transport infrastructure allocation R328bn in the medium term

Source: Public-Sector Infrastructure Update
 *PRMG Provincial Roads Maintenance grant

NSC PROGRAMME ADDRESSES THE TRANSPORT INFRASTRUCTURE GAP IN AFRICA



Key insights and observations

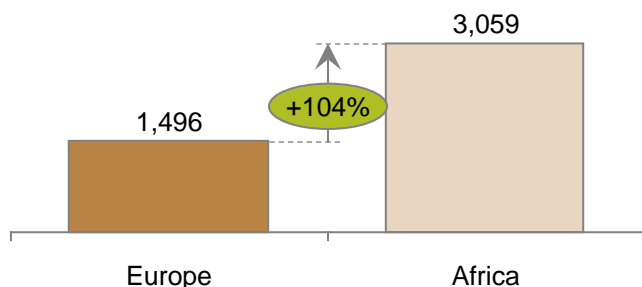
- a** **Lack of adequate infrastructure has severely impacted countries' trade**
 - Transport costs and times are prohibitively high – especially for landlocked states
 - Infrastructure gap adversely impacting NSC states

- b** **A significant demand for transnational infrastructure in Africa**
 - Transport infrastructure along the NSC is insufficient and demand is increasing

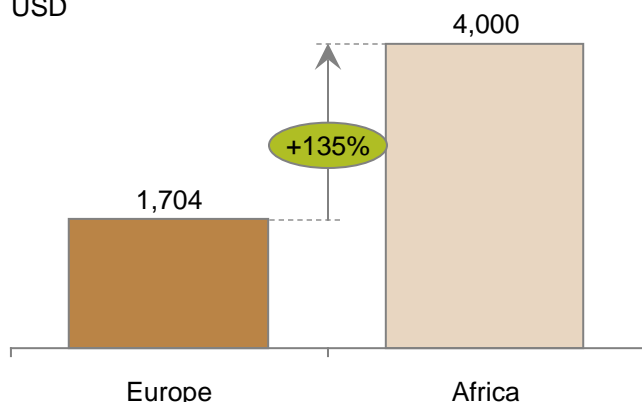
AS A CONSEQUENCE, TRANSPORT COSTS AND TIMES ARE PROHIBITIVELY HIGH – ESPECIALLY FOR LANDLOCKED STATES

Landlocked African countries face comparatively high transport costs....

Port/air Import costs for landlocked countries USD

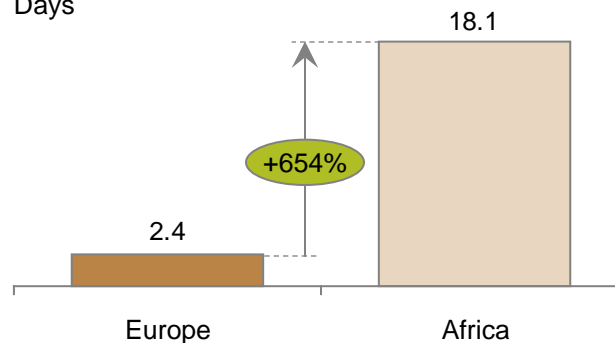


Land export costs for landlocked countries USD

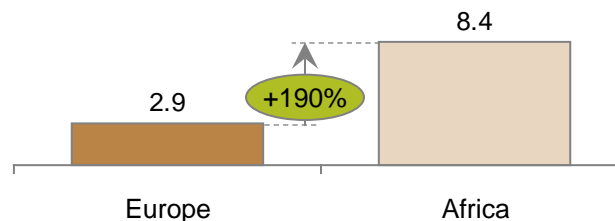


...and long transit times

Port/air export times for landlocked countries Days



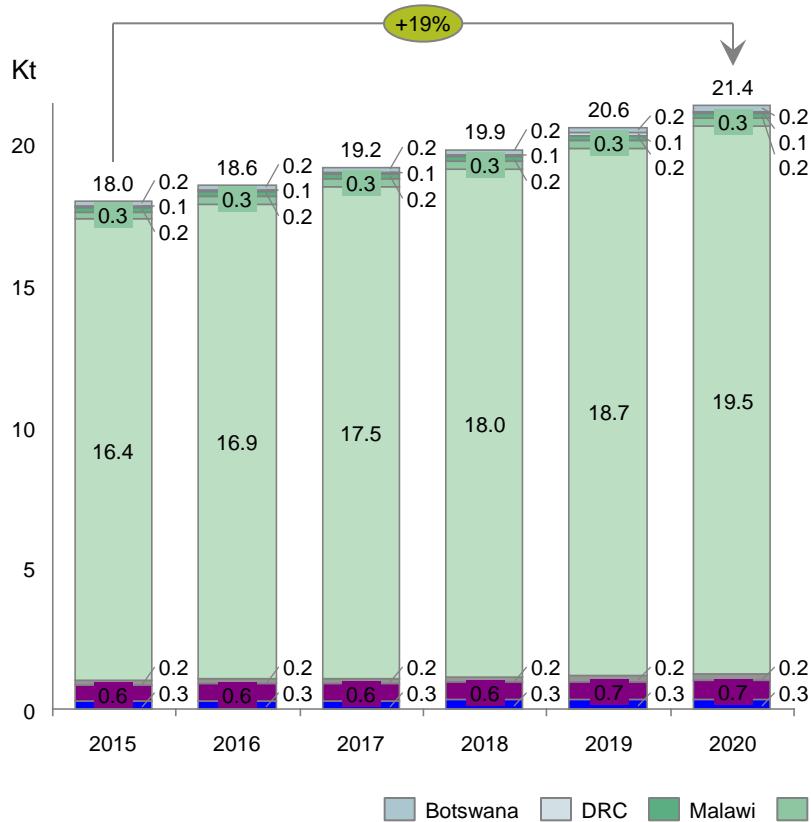
Land import times for landlocked countries Days



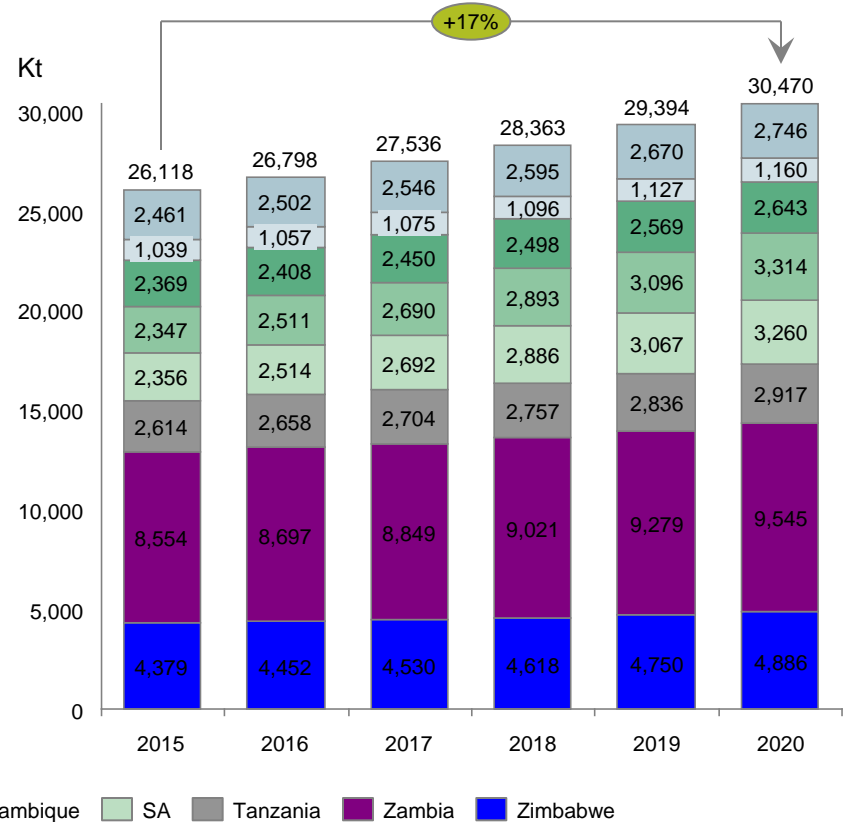
Note: Costs refer to 40 dry container or semi-trailer
Source: World Bank report 2010 A Time for Transformation

TRANSPORT DEMAND IS INCREASING ALONG THE NSC FUELLED BY GROWTH IN RAIL AND ROAD FREIGHT

Rail freight dominated by SA



Road freight increasing substantially



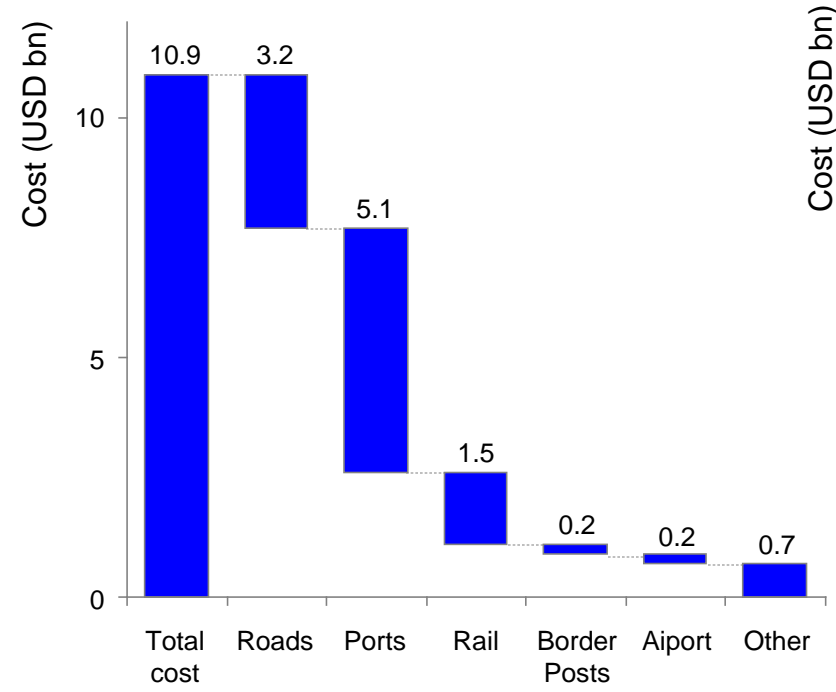
Note: Used freight volumes and most recent data on km of road and rail infrastructure to calculate expected volume / km for each year. Used this figure to extrapolate expected volume along length of the NSC. Data on volumes only available for SA, Tanzania and Mozambique; using Tanzania volume / km as proxy for other 5 countries. 2019-2020 cargo volumes calculated from average growth rate from 2011-2018.

Source: Euromonitor, Google maps, BMI

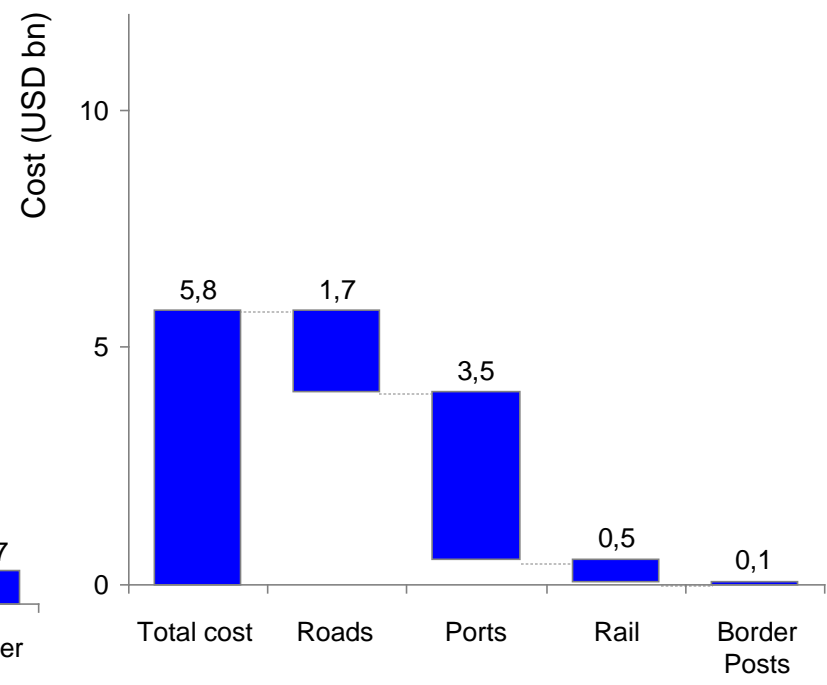
TOTAL COST OF NSC AT ~\$10.9BN

ALMOST HALF OF PROJECTS IN ROAD WITH ~47% OF CAPEX IN PORT PROJECTS

NSC project breakdown



NSC priority project ~53% of total



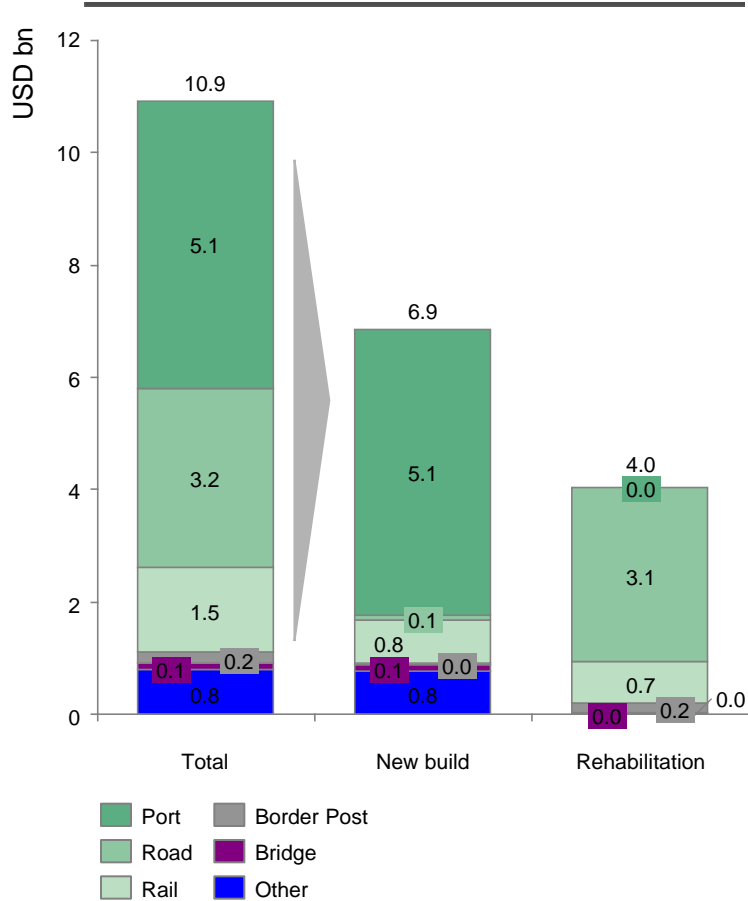
Note: Total cost from Tripartite Regional Infrastructure Projects Database (TRIPDA) 2013 for NSC related projects that have CAPEX figures. Source: Presidential Infrastructure Champions Initiative (PICl), Tripartite Regional Infrastructure Projects Database (TRIPDA) 2013

MAJORITY OF INVESTMENT AIMED TOWARDS REHABILITATION

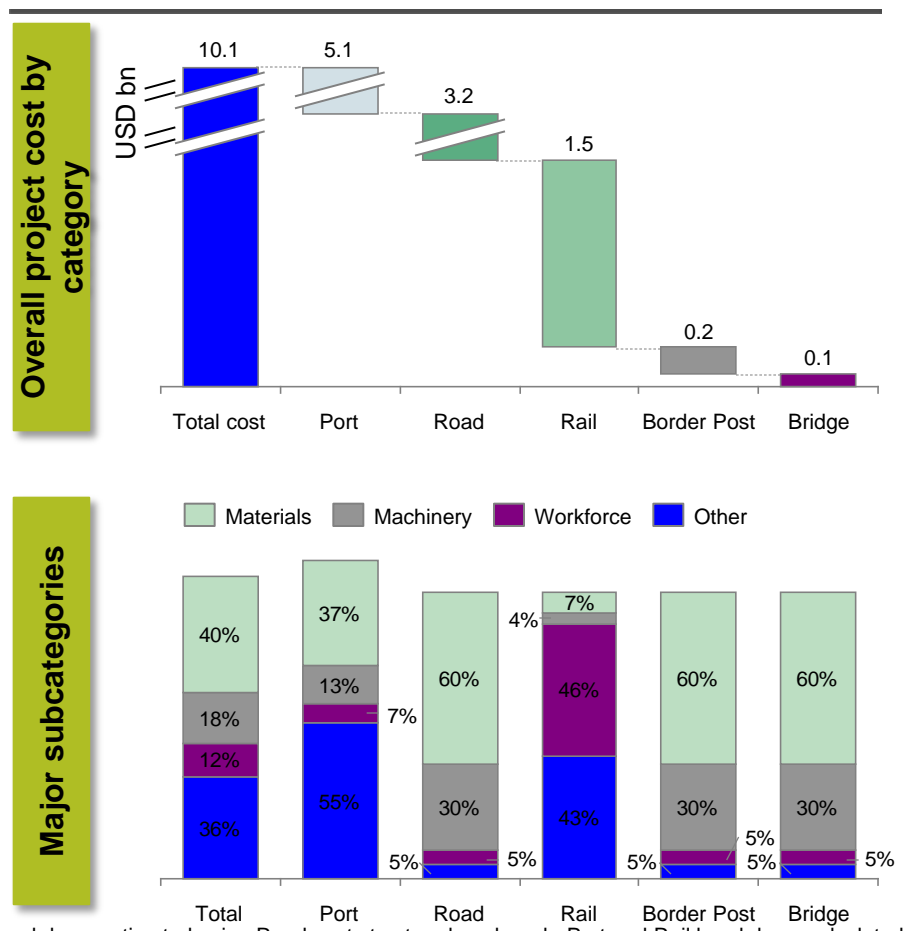
PORT, ROAD AND RAIL ~90% OF INVESTMENT



Road infrastructure mostly rehab while new builds focused on ports



Material and machinery account for 58% of estimated CAPEX



Note: Energy station estimates from Hydro plant cost structure, Border Post/Bridge Breakdown estimated using Road cost structure benchmark. Port and Rail breakdown calculated from global benchmarks.

Source: Tripartite Regional Infrastructure Projects Database (TRIPDA) 2013, Baltic Roads, IJETCH, US Army Corps of Engineers, BSL

INEFFICIENT MOVEMENT OF GOODS HAVE HAD A DISRUPTIVE EFFECT ON TRADE – EXAMPLE BEIT BRIDGE



Major delays at Beit bridge between Southern Zim and SA inhibiting trade

Busiest regional transit link in southern and eastern Africa

- >400 trucks cross Beit Bridge border post / day

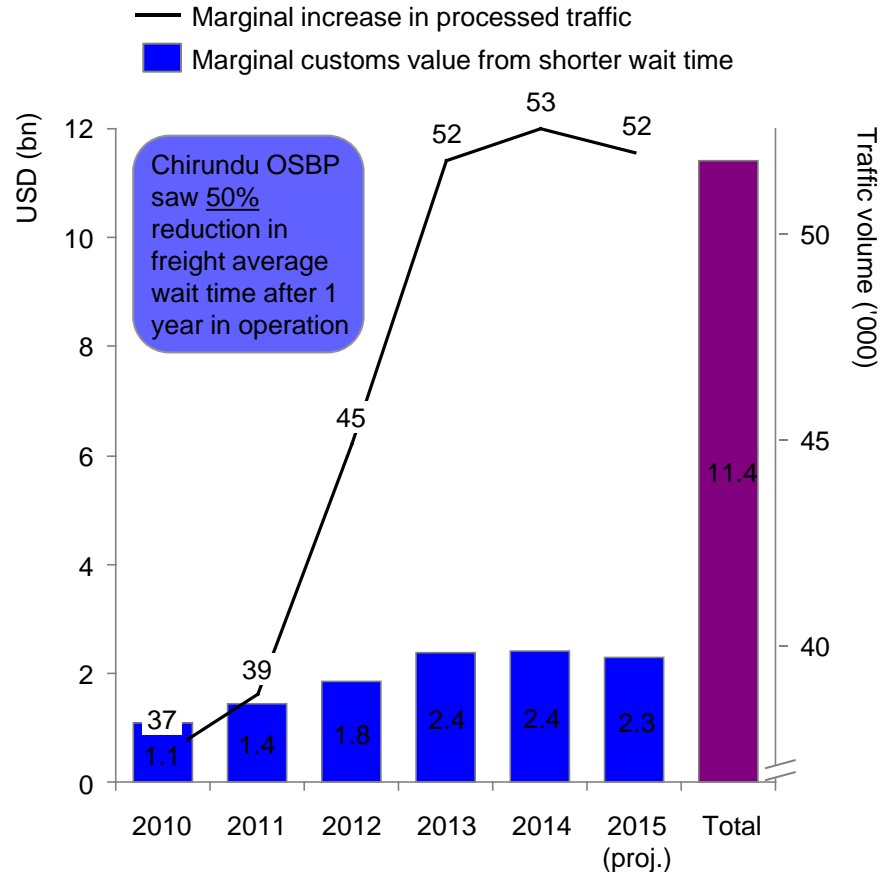
Long delays caused by poor infrastructure design/capacity

- Revenue collector has inefficient centralized declaration system
- Bill of entry documents no longer processed at border posts
 - Documents processed in Harare/Bulawayo /Masvingo
- Poor bandwidth further hampers clearing process
- Physical inspection done 1km from border at Cargo Carriers due to depot capacity constraint

Delays result in lost economic value for business and gov't

- Cargo trucks often wait for clearance at the border for days
- Firms incur significant losses, much of which goes into demurrage fees charged by cargo shipment firms
 - Demurrage is a charge payable to owner of freight truck on failure to load/discharge truck within the agreed time
 - Businesses moving goods from outside the country paying US\$250-500 in demurrage fees for delays
- Delays shorten the sales window for some goods
- 3 day delay increases price of petrol ~3.3% and sugar ~3%

Reducing wait time by 50% would yield ~\$11.4bn marginal trade flow from SA to Zim over 5 yrs



1. Zimbabwe Revenue Authority

Note: Assumed no constraint on traffic flowing through OSBP. Assumed 2015 customs value will be double current amount by end of 2015. Assumed perfectly linear relationship between wait time and processed traffic/customs volume. Assumed ZAR/USD at 10.

Source: BCG analysis, Stats SA, BD Live, Zimbabwe Situation, The Herald, Construction Review Online, The Standard, TradeMark SA

VIGNETTE: CHIRUNDU OSBP HAS SUCCESSFULLY IMPROVED TRAFFIC THROUGHPUT AND CREATED ECONOMIC VALUE

OSBP created to streamline border process

Aid for Trade initiative involving the NSC/Tripartite (SADC/COMESA/EAC)

- Pilot trade facilitation project aimed at reducing cost of doing business
- Programme managed by secretariat of COMESA on behalf of Tripartite
- ~\$2.7bn was raised for the project

Four lanes available for crossing into Zambia from Zimbabwe

- All formalities completed on the side of the border from which vehicles are crossing

Utilises a process and tool oriented approach

- Fast track lane for low risk clients who have pre-completed clearance online
- Utilise non-invasive scanners in targeted manner
- Plans to use scanners for individuals which eliminate need to unload bags from buses
- Less bureaucratic process lowers likelihood of corruption
 - Fewer processes potentially involving bribery

OSBP saves ~\$600k per day

OSBP has made significant financial impact for private/public sectors

- Improved customs operations led to doubling of Zambia trade tax rev. w/t tax increases between 2010-2012
- By mid-2012 the private sector was saving about \$20m a month due to faster transit times
- Agriculture key sector driving development of OSBP according to Chairman of Tripartite Task Force

Financial savings driven by growth in traffic volumes

- 65% increase in border post traffic in last 4 yrs
- 8500 commercial vehicles per month
- Most vehicles cross within 24 hrs

Previous average wait time of 72-120 hours

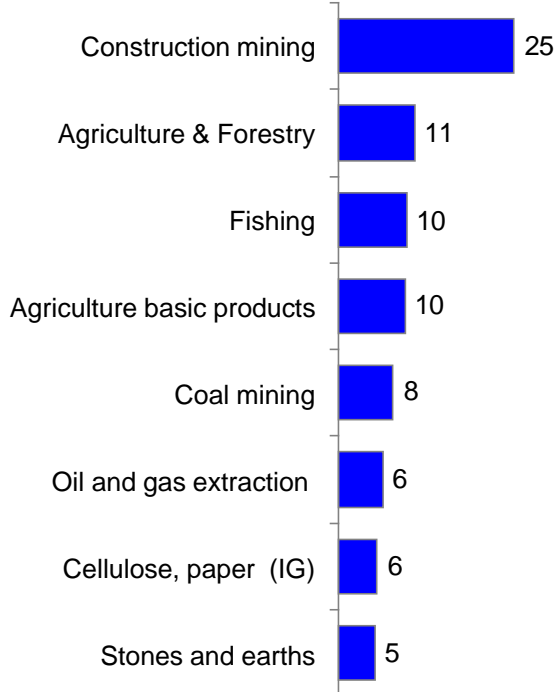
LOGISTIC INTENSIVE INDUSTRIES WITH HIGH TRANSPORT COST AS % OF SALES WILL BENEFIT MOST FROM NSC



Global data

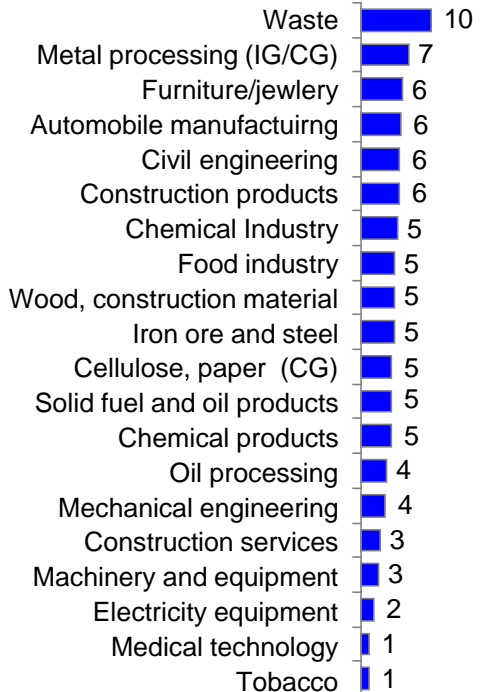
Raw materials

Transport costs as % of sales¹



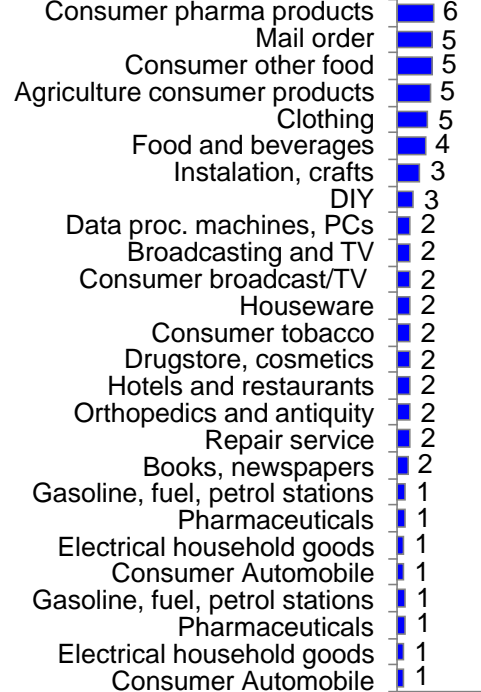
Manufacturing and processing industries

Transport costs as % of sales¹



Consumer products, services and retail

Transport costs as % of sales¹



Note: Average of 2006, 2008, 2010, 2012 figures. Sub industries averaged to create single figure e.g. Automobile parts and Automobile repair.
 Source: Top 100 in European Logistics , ed. 200,7 & ed. 2009, & ed. 2011, & ed. 2013 Fraunhofer SCS Institute, prof. Kille









NSC TRANSPORT IMPACT INDUSTRY MATRIX SHOWS OVERLAP OF IMPORTANCE ACROSS MULTIPLE COUNTRIES



Industry	Metric	SA	TAN	DRC	ZAM	BOT	ZIM	MOZ	MAL
Mining	Part of National development plan	✓	✓	✓	✓	✓	✓	✓	✓
	High Growth industry (status quo)	✗	✓	✗	✗	✓	✗	✓	✗
	Important industry (GDP contribution)	✓	✗	✗	✗	✓	✓	✗	✗
Agriculture	Part of National development plan	✓	✓	✓	✓	✓	✓	✓	✓
	High Growth industry (status quo)	✗	✗	✗	✗	✗	✗	✗	✗
	Important industry (GDP contribution)	✗	✓	✓	✓	✗	✓	✓	✓
Retail	Part of National development plan	✓	✗	✗	✓	✓	✓	✓	✓
	High Growth industry (status quo)	✓	✗	✓	✗	✗	✗	✗	✗
	Important industry (GDP contribution)	✓	✓	✗	✓	✓	✓	✓	✓
Manufacturing	Part of National development plan	✓	✓	✓	✓	✓	✓	✓	✓
	High Growth industry (status quo)	✗	✗	✗	✗	✗	✗	✗	✗
	Important industry (GDP contribution)	✓	✗	✓	✗	✓	✓	✓	✗
Construction	Part of National development plan	✓	✓	✓	✓	✓	✓	✓	✓
	High Growth industry (status quo)	✗	✓	✓	✓	✗	✓	✗	✓
	Important industry (GDP contribution)	✗	✓	✗	✓	✗	✗	✗	✗

Note: Defined high growth industry as a top 3 growth industry for that county from 2009 to 2013/14 as percentage of GDP. Defined high GDP contribution as >10% of GDP
 Source: National Development Agendas, African Economic Outlook

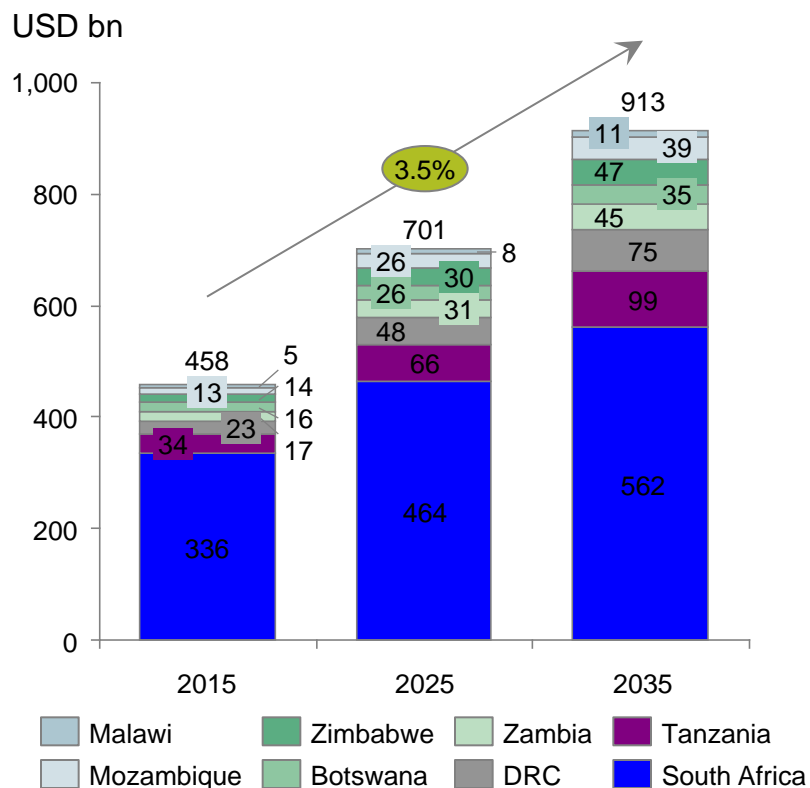
NSC COUNTRY INDUSTRY BREAKDOWN

	Largest industries¹	Growth industries²	Logistics heavy ind.¹	National agenda, strategic goals and priorities
	<ul style="list-style-type: none"> Services (20%) Public sector (17%) Retail (15%) 	<ul style="list-style-type: none"> Elec./gas/water (61%) Retail (6%) Mining (2%) 	<ul style="list-style-type: none"> Manufacturing (13%) Mining (9%) Agriculture (2%) 	<ul style="list-style-type: none"> Increasing exports Employment creation Fiscal policy to increase consumer savings
	<ul style="list-style-type: none"> Agriculture (34%) Retail (13%) Services (10%) 	<ul style="list-style-type: none"> Mining (53%) Construction (27%) Public sector (7%) 	<ul style="list-style-type: none"> Manufacturing (7%) Transport (7%) Mining (5%) 	<ul style="list-style-type: none"> Diversifying economy – agriculture, energy, resources Infrastructure development – key to trade hub Employment creation and inclusive growth
	<ul style="list-style-type: none"> Agriculture (23%) Manufacturing (24%) Transport (14%) 	<ul style="list-style-type: none"> Retail (13%) Construction (12%) Transport (12%) 	<ul style="list-style-type: none"> Mining (5%) Construction (5%) 	<ul style="list-style-type: none"> Integrated economy through infrastructure development Stable rural/urban economy Inclusive growth
	<ul style="list-style-type: none"> Retail (21%) Public sector (19%) Construction (15%) 	<ul style="list-style-type: none"> Construction (29%) Public sector (28%) Transport (16%) 	<ul style="list-style-type: none"> Agriculture (10%) Manufacturing (8%) Mining (7%) 	<ul style="list-style-type: none"> Diversifying economy – agriculture, energy, resources Infrastructure development – key to creating trade hub Employment creation and inclusive growth
	<ul style="list-style-type: none"> Mining (25%) Public sector (16%) Retail (16%) 	<ul style="list-style-type: none"> Mining (54%) 	<ul style="list-style-type: none"> Construction (7%) Manufacturing (6%) Transport (6%) 	<ul style="list-style-type: none"> Economic diversification Exporting to neighbours Infrastructure/Education development
	<ul style="list-style-type: none"> Retail (17%) Manufacturing (13%) Transport (13%) 	<ul style="list-style-type: none"> Construction (75%) Public service (37%) Services (18%) 	<ul style="list-style-type: none"> Agriculture (12%) Mining (10%) 	<ul style="list-style-type: none"> Boost manufacturing share of GDP from 15% to 30% Increase manufactured exports to SADC, COMESA and rest of world
	<ul style="list-style-type: none"> Agriculture (29%) Retail (14%) Manufacturing (11%) 	<ul style="list-style-type: none"> Mining (125%) Public sector (24%) Services (4%) 	<ul style="list-style-type: none"> Transport (9%) Mining (4%) Construction (3%) 	<ul style="list-style-type: none"> Diversification Education/training Improve coordination/effectiveness of public institutions
	<ul style="list-style-type: none"> Agriculture (28%) Retail (21%) Services (17%) 	<ul style="list-style-type: none"> Services (30%) Construction (63%) Public sector (24%) 	<ul style="list-style-type: none"> Manufacturing (9%) Transport (6%) Mining (1%) 	<ul style="list-style-type: none"> Sustainable and inclusive growth Building diversified economy Decentralising economy

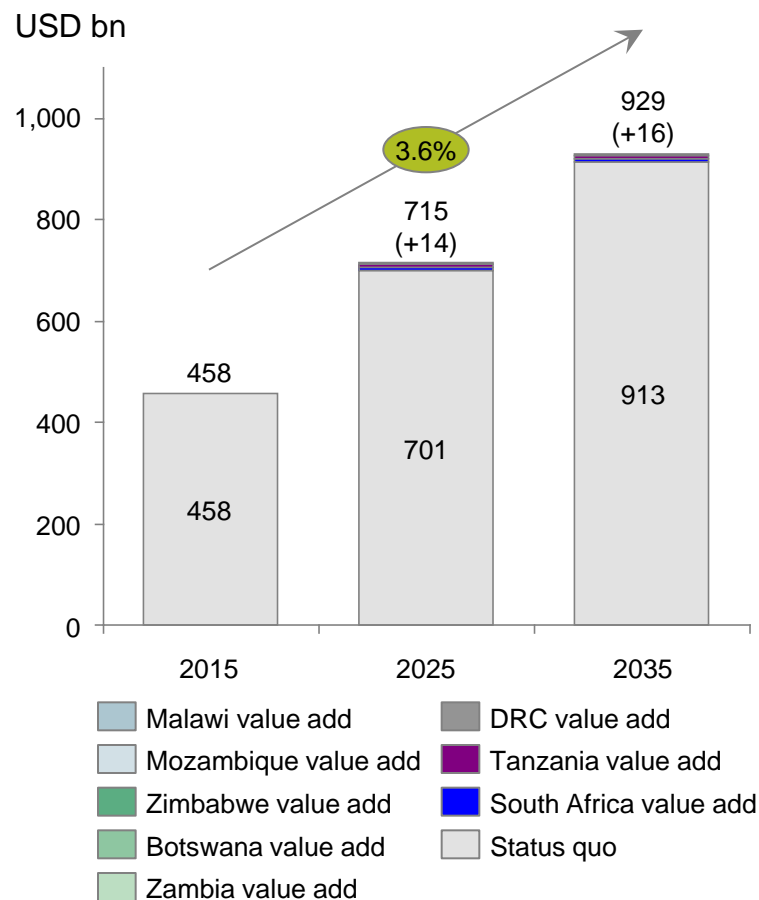
1. Percentage of GDP. 2. 2009-2013 growth rate in composition of total GDP. DRC, Zambia, Malawi GDP change measured over 2009-2014
 Source: National Development Plans, African Economic Outlook

NSC WITH POTENTIAL TO INCREASE GDP OF IMPACTED COUNTRIES BY ~\$16.1BN, GROWTH RATE BY 0.1%

Status quo growth

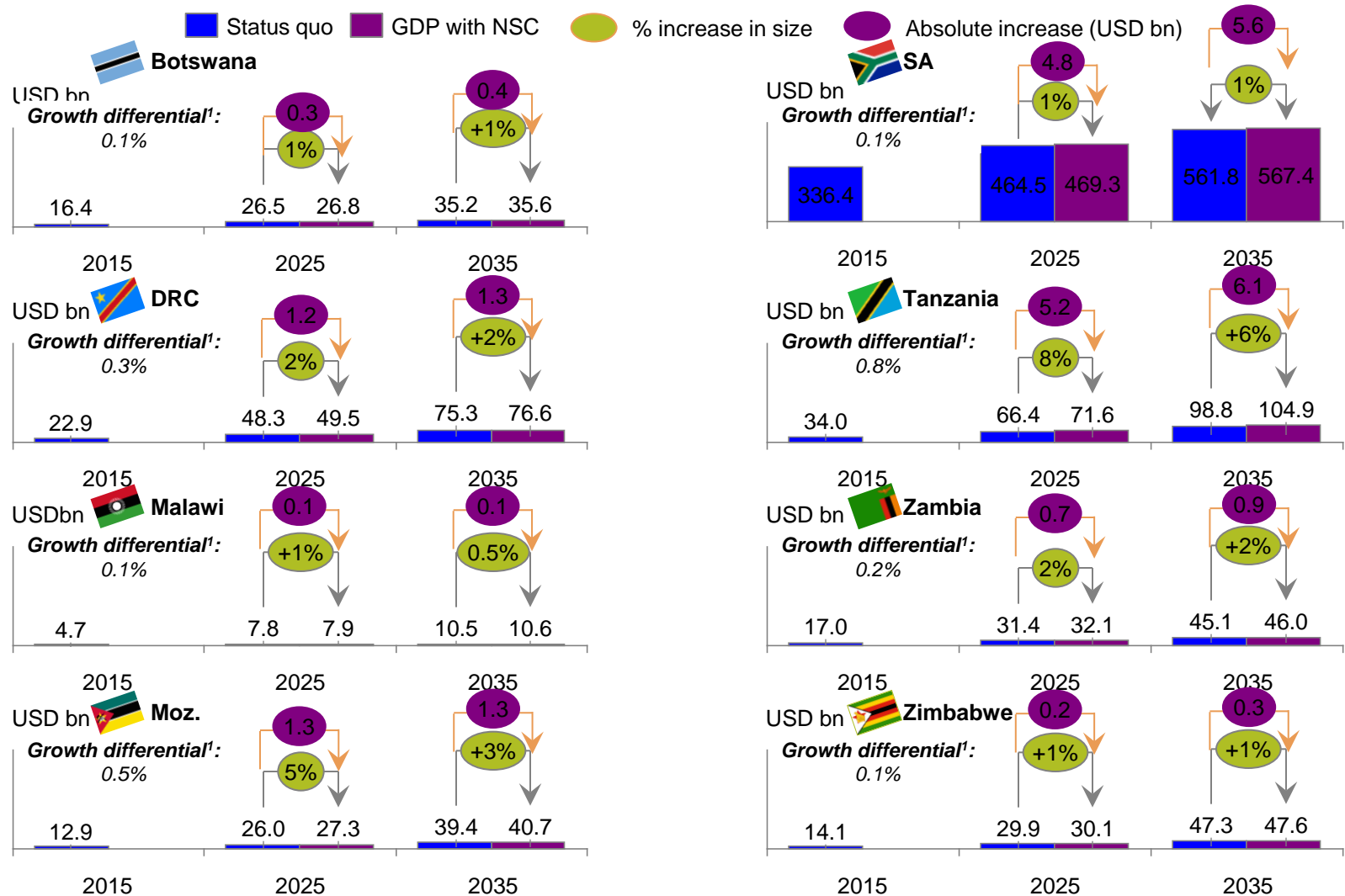


Growth with NSC



Source: BCG analysis, see sources & assumptions slides

~\$16.1BN TOTAL IMPACT IN 2035 GDP AS RESULT OF NSC

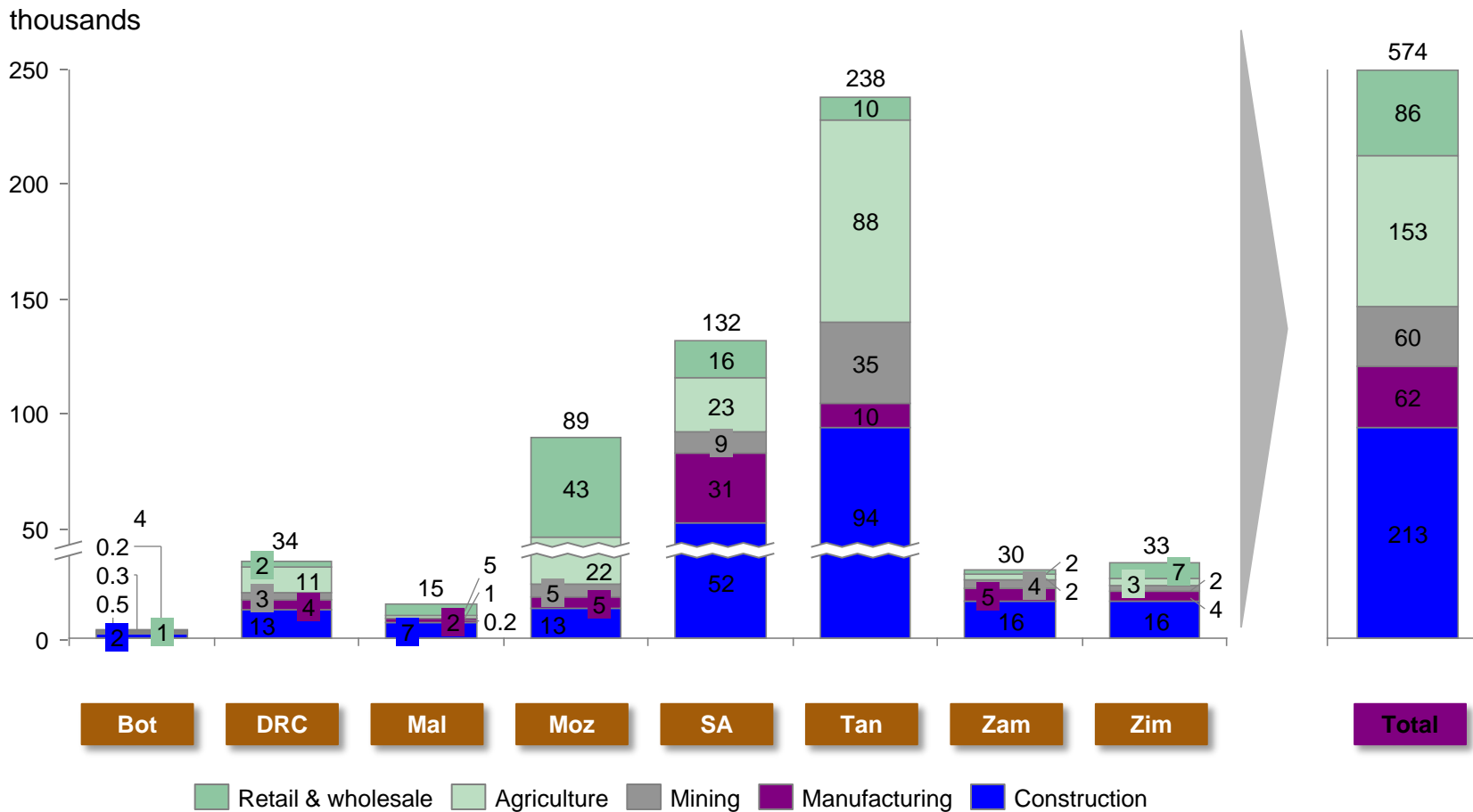


Note: Difference between status quo and NSC impacted average GDP growth rate from 2015-2034
 Source: BCG analysis, see sources & assumptions slides

NSC WILL CREATE 574K EXTRA JOBS BY 2035

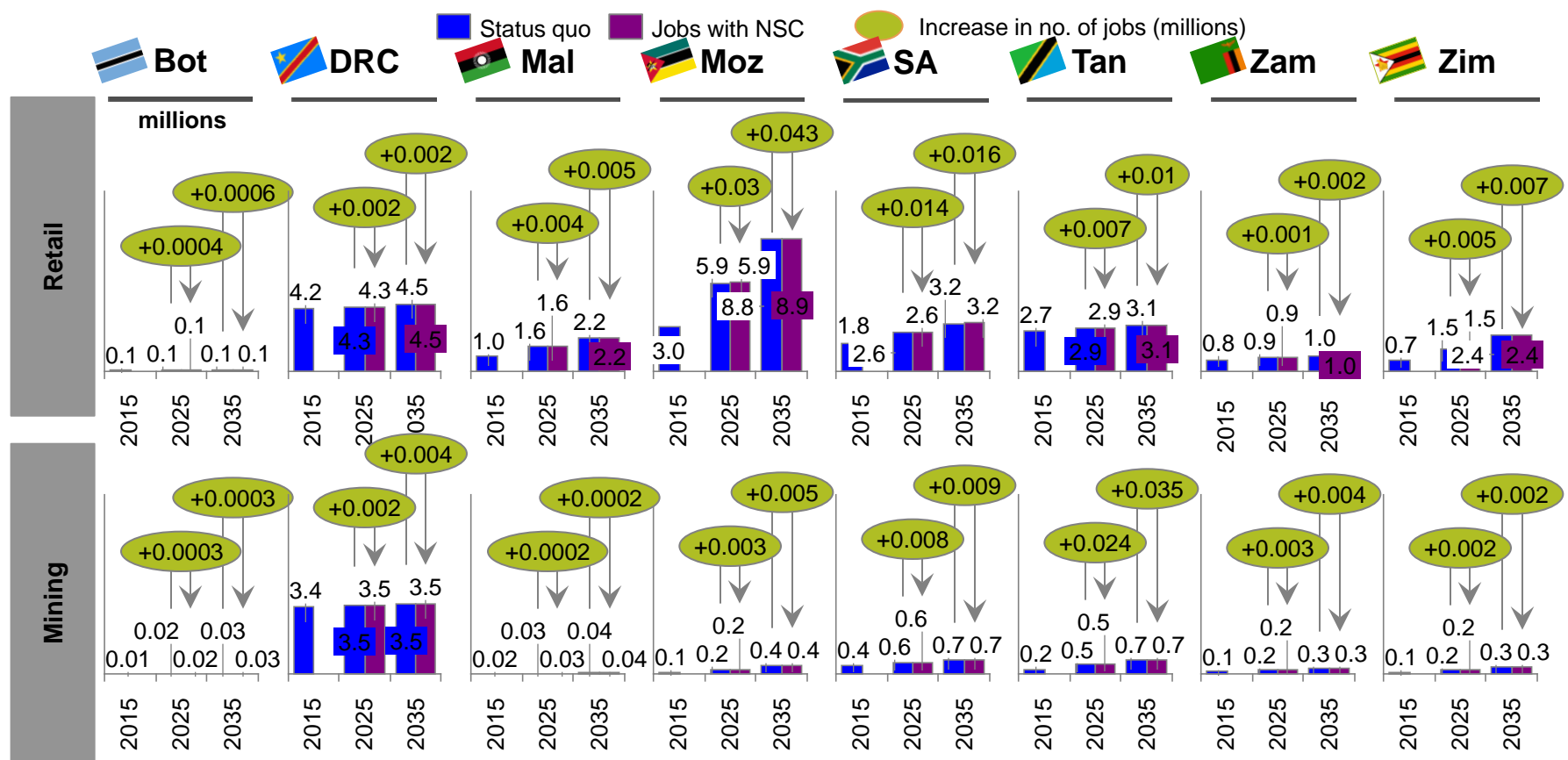


Jobs created as a result of NSC



Source: BCG analysis, see sources & assumptions slides

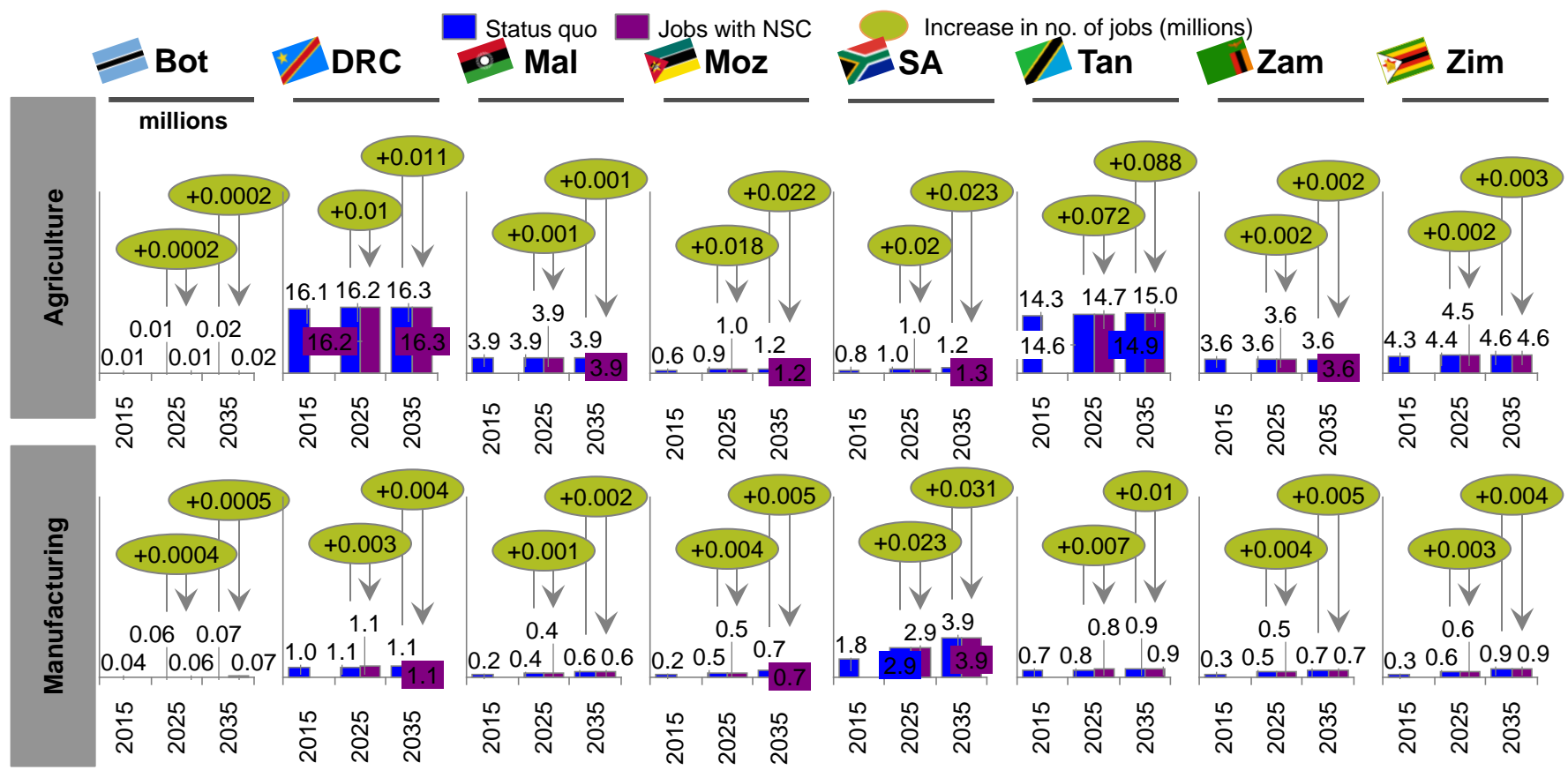
INDUSTRY ACCELERATION COULD LEAD TO TENS OF THOUSANDS OF ADDITIONAL JOBS IN ALL COUNTRIES (I/III)



43k and 16k new jobs in Mozambique and SA retail respectively

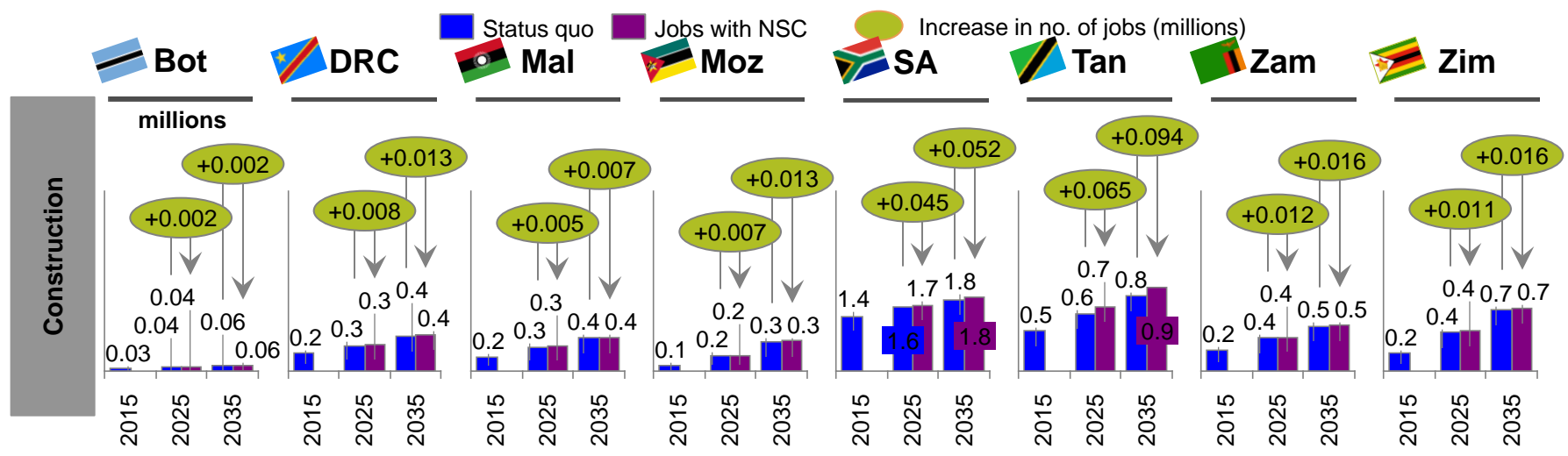
Source: BCG analysis, see sources & assumptions slides

INDUSTRY ACCELERATION COULD LEAD TO TENS OF THOUSANDS OF ADDITIONAL JOBS IN ALL COUNTRIES (II/III)



~88k new jobs in Tanzania agriculture

INDUSTRY ACCELERATION COULD LEAD TO TENS OF THOUSANDS OF ADDITIONAL JOBS IN ALL COUNTRIES (III/III)



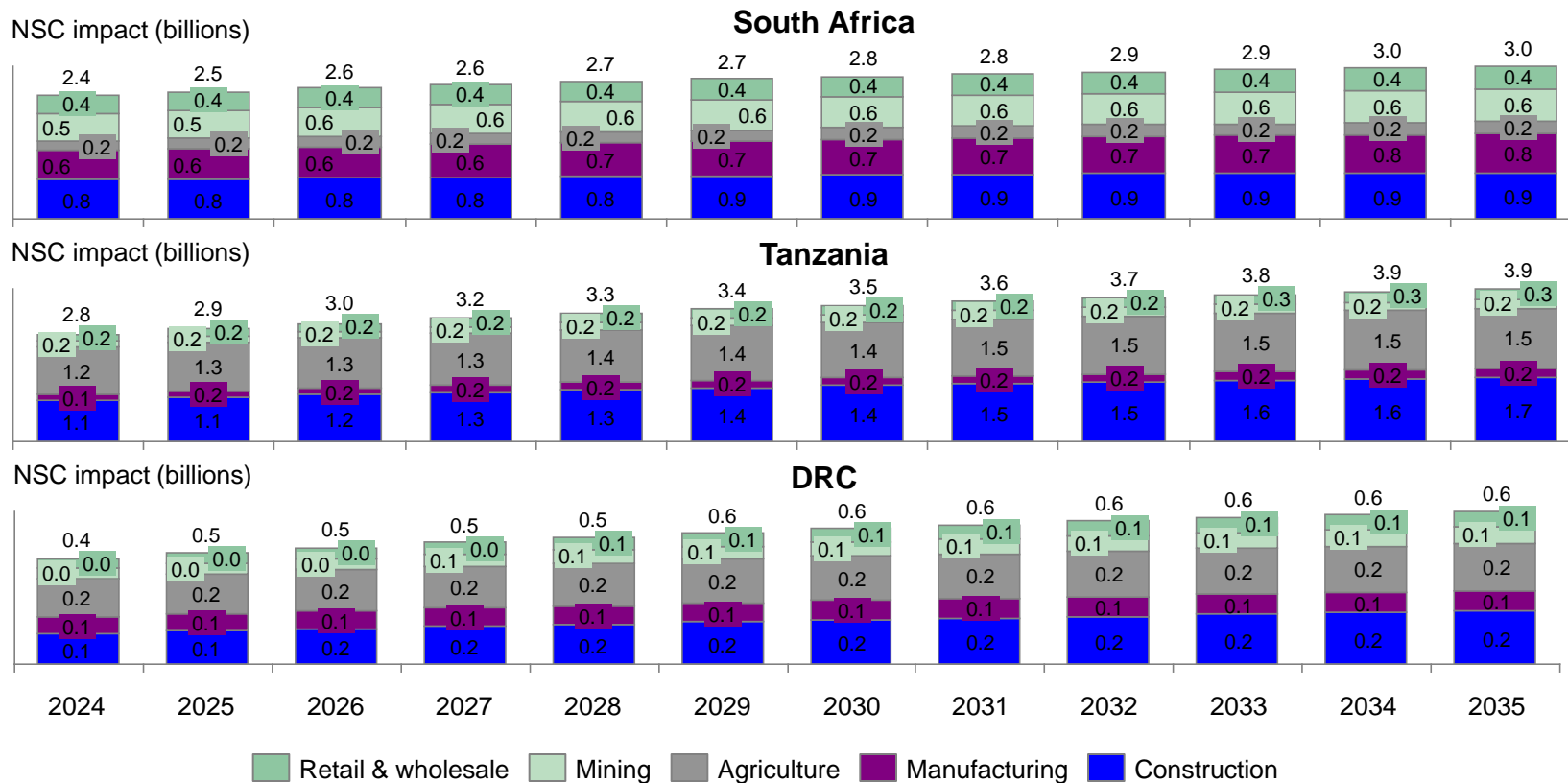
~52k new jobs in SA construction

Source: BCG analysis, see sources & assumptions slides

KEY COUNTRIES' LOGISTICS HEAVY INDUSTRIES WILL BENEFIT SUSTAINABLY FROM NSC



High economic contribution from logistic heavy industries...



Note: Assumed NSC completed by 2024 and then begins to directly benefit industry.
Source: BCG analysis, see sources & assumptions slides



1

DBSA overview

2

The South African Infrastructure landscape

3

DBSA initiatives across the region

CASE STUDY (REST OF AFRICA): NORTH SOUTH CORRIDOR



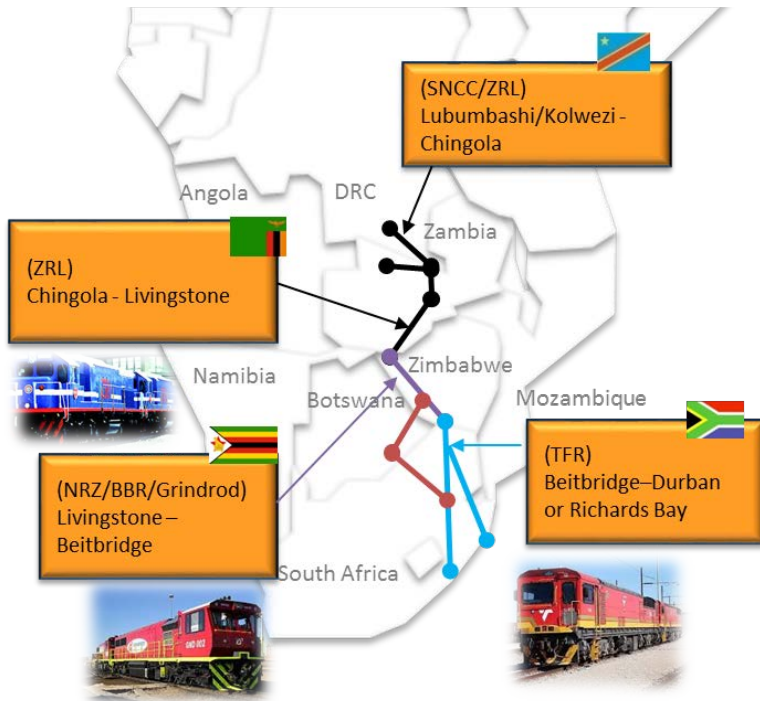
- The signing of the NSC and Beira Development Corridor (BDC) MoU is creating more project Opportunities in the SADC region
- **The DBSA was requested by SADC to support them in the establishment of the NSC and BDC Management Institutions that will drive the priority projects forward**
- South Africa is occupying the SADC chair position until August 2017 – we will thus be driving the SADC infrastructure programme in support of SADC
- Majority of investment need is aimed towards rehabilitation of dilapidated infrastructure
- Other Countries requested SADC to replicate these corridor institutions for their key corridors – and DBSA is there to provide the advisory support and identifying their key projects for preparation and investment
- **The scale of the programme requires a structured approach to avoid technical complexities**
 - Many stakeholders involved
 - Complexity can be managed by staggering the programme with prioritised cornerstone projects
 - Major risks can be effectively mitigated with proven transnational management measures



North-South Corridor and Beira Development Corridor MoU's signed by Country Ministers

NORTH-SOUTH RAIL CORRIDOR PROJECT OVERVIEW

North-South RAIL CORRIDOR



Sources: Trademark SA, Afri-ID, 2013

Problem Statement:

- NSC Rail freight market share is less than 10%
- Lack of co-ordination between the respective operators (4 countries / 5 operators) resulting in a non-competitive transport solution due to:
 - Service delivery challenges
 - Operational Challenges
 - Infrastructure challenges
- Infrastructure, equipment and safety challenges
- Limited available funding

Expected Outcomes:

- Rehabilitation and upgrade of the existing infrastructure and equipment
- Seamless rail logistics corridor that will promote the migration of traffic from road to rail
- Innovative funding strategy for the entire corridor

Project prep financing secured

- Funding secured by the NBF through the **SADC PPDF** Facility managed by the DBSA

NORTH-SOUTH RAIL: PROJECT IMPACT

- **Improved regional integration and collaboration**
 - Increased volume of trade
 - Increased economic growth
 - Local economic development (Job creation - direct and indirect)
 - Support for industrialisation strategy through linkage of functional rail network to industrial hubs
- **Reduced externalities**
 - Traffic congestion
 - Loss in economic activity
 - Social costs such as road accidents
 - Reduced carbon footprint
- **Reduced transport costs**
 - Reduced cost of import and export of goods
 - Increased export competitiveness
 - Reduced pressure on road infrastructure (physical and cost)



CASE IN POINT: TRANSNET HAS GONE PUBLIC WITH A NEW DBSA-LED FINANCING ARRANGEMENT... AS PART OF OUR STRUCTURED SOLUTIONS OFFERING



*“New Transnet, DBSA finance scheme set up to support African rail exports”
- Engineering News, 28 Aug 2017*

- ❑ The deal creates a new facility that will extend favourable financing to African and Middle Eastern buyers of Transnet Engineering’s rail rolling stock and port equipment.
- ❑ The financing scheme will be branded under the Transnet Finance Company banner, but will be operated by the DBSA, backed by a consortium of commercial banks

CASE STUDY (SA): A RE YENG TSHWANE RAPID TRANSIT – PROJECT OVERVIEW

- ❑ A Re Yeng is one of 12 cities' Bus Rapid Transit (“BRT”) projects approved via government’s Public Transport Strategy & Action Plan to improve access and quality of public transport
- ❑ Tshwane Rapid Transit (Pty) Ltd (“TRT”) is a bus operating company set up in terms of National Land Transport Act to operate the BRT in the City of Tshwane
- ❑ TRT is to be owned by the incumbent taxi and bus operators
- ❑ DBSA approved R786 million for TRT for the acquisition of 171 buses
- ❑ Support of Integrated Rapid Public Transport Networks, part of government’s Public Transport Strategy, a key social initiative



A RE YENG TSHWANE RAPID TRANSIT (CONT.)



Development Impact:

- ❑ Aim is to correct socio-economic impact of poor historic spatial planning
- ❑ Improved quality of life through a safe, affordable, reliable, efficient and integrated transport system
- ❑ Economic growth of R437 million via investment in marginalized areas and R1.324 billion in provincial capital formation
- ❑ 1,614 new direct jobs to be created from bus project, with 275 for the unskilled
- ❑ R259m household income and R125m fiscal impact

IF SPECIFIC INDUSTRIES WERE FULLY UNLOCKED, THE IMPACT WOULD BE EVEN GREATER – FOR EXAMPLE: O&G IN MOZAMBIQUE



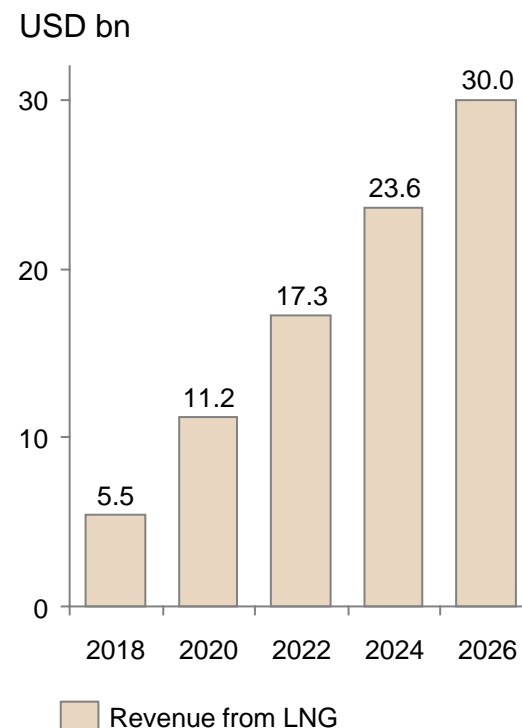
Description of potential

- >100 trillion cubic feet of gas in concession off north-eastern coast
 - Enough to become 3rd largest LNG exporter
- Could absorb \$100bn of investment over next decade

Necessary enablers

- Infrastructure ramp up
 - Terminals construction within 5-6 years
- Investment from private sector to drive industry development
 - Anadarko working with ENI to develop liquefaction infrastructure
- Strong industry regulator to drive transparency and competitive practices
- Favourable external market factors
 - Price consistently exceeding cost to produce

Potential economic impact



Note: Used 2025 LNG price for 2026 due to lack of data. LNG price is Natural Gas LNG for Japan in \$/mmbtu. Converted mmbtu to Mt by dividing by 2×10^8
Source: Bloomberg, World Bank Commodities Price Forecast, Oxford Institute for Energy Studies

MULTIPLE INDUSTRIES STAND TO BENEFIT FROM GREATER MOBILITY AND CONNECTIVITY

1

Hotels



Hotels (including budget hotels) to benefit from **increased flow of regional tourists**

2

Restaurant / Services



Restaurant / Service industries to benefit from **higher PAX flow and greater population mass**

3

Local Producers



South African produced goods benefit through enhanced regional access

4

Retailers & Consumer Staples



Retailers and consumer staples (e.g. food and beverages) benefit from greater potential market

5

Property



With greater mobility and urbanisation, property value and property development activities could rise

6

Local Transportation



Provider of local transport (e.g. city buses, car rental) from / to near-by cities to **stations** benefit from increased tourist traffic

7

Logistics



Benefit from **logistic cost savings** and efficient delivery mode e.g. increased cargo capacity at Durban/Dar ports

8

Rolling stock and Rail infrastructure



Supplier/manufacturer of **rolling stock and rail infrastructure components** to benefit throughout construction



Thank you

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Client Coverage*

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