



PROJECT PREPARATION

Early-stage funding unlocks opportunities

Key driver to transition projects from inception to implementation

● The Development Bank of Southern Africa's (DBSA) corporate strategy is anchored on its ability to provide integrated infrastructure development solutions to its clients. One of the bank's competitive advantage is its ability to take early-stage risk through providing project preparation funding and expertise.

A key lever for developing bankable projects with the ability to attract long-term capital is the bank's project preparation division.

The role of the division is to de-risk projects so they are able to attract long-term capital or fiscal allocation in the case of projects undertaken by underresourced municipalities.

Though both SA and the rest of the continent have a huge need for infrastructure development, there is on average an 8-9 year gap between project identification and implementation. The "Infrastructure Financing Trends in Africa" report produced by the Infrastructure Consortium for Africa in 2016 identified about US\$228bn worth of infrastructure investment opportunities across the continent. However, one of the biggest challenges in unlocking these opportunities is sourcing early-stage risk capital and the requisite skills to develop and prepare the projects until they reach financial close.

According to the report, Africa needs \$11.4bn for project prepara-

tion, but as of December 2016, the available resources (uncommitted capital) for de-risking projects were only about \$800m. As a consequence, says Mohale Rakgate, DBSA's group executive of the project preparation division, the number of infrastructure projects that are successfully implemented remains low. The DBSA's project preparation division aims to bridge this gap by offering both capital and expertise across the infrastructure value chain to its clients.

Previously a unit within financing operations, project preparation is now a division in its own right under the DBSA's new organisational structure and is made up of four units: infrastructure planning; project preparation; programme development; and climate financing. The primary role of the division is to provide financial, strate-

gic and technical support to ensure projects and programmes can be financed and implemented.

"Project preparation ensures that a proposed project is feasible, appropriate and ready for implementation," says Rakgate. "Our mandate includes conducting scoping of projects at conceptual stage; undertaking prefeasibility and bankable feasibility studies, which include technical; economic; financial; institutional; legal and regulatory assessments as well as social and environmental impact assessment and assist with project financial structuring."

To qualify for funding, project are required to fit into the DBSA's mandate of supporting infrastructure development to alleviate poverty, drive economic growth and promote regional integration.

"It can take several years of project preparation before a typical infrastructure project is ready for implementation," says Rakgate.

"Our role is to work with the sponsors to identify all the key risks early on and develop suitable risk-mitigating mechanisms."





Mohale Rakgate: Early-stage risk leveraging is essential for a project's long-term survival

Through the division, the DBSA also offers clients access to a number of third party concessional funds that it either manages or to which it is accredited. These include the Infrastructure Investment Programme for SA (IIPSA), SADC Project Preparation Development Facility (PPDF), Green Climate Fund, the Green Fund and the Global Environment Facility. Such sources of concessional funds are critical for catalysing infrastructure development in SA and the rest of Africa, says Rakgate.

The project preparation division has a strong pipeline of infrastructure projects in different sectors across different geographies. This pipeline is always informed by the DBSA's strategic imperatives.

Through the infrastructure planning unit, the DBSA provides pre-financing support and services to under-resourced municipalities around the country such as assisting them to develop comprehensive infrastructure plans, infrastructure investment plans and infrastructure sector plans.

Most infrastructure projects face increasingly complex planning

processes, yet many project sponsors do not have the resources or expertise to deal with these complexities. As a result, along with preparing individual projects, project preparation also actively develops programmatic approaches to addressing infrastructure challenges and backlogs in key sectors such as student accommodation, small independent power producers and long-term financial plans for municipalities.

As the accredited institution for the Global Climate Fund and the Global Environment Facility, the DBSA – through project preparation – is able to mobilise concessional capital to drive investments in climate friendly projects in support of SA's commitment to the Paris Climate Accord and the UN Sustainable Development Goals.

Lastly, the division is also actively involved in projects that support the regional integration of

the SADC region. Through partnerships with facilities such as the SADC PPDF and IIPSA, project preparation has secured funding for various cross-border projects in the energy and transport sectors. Some of the key initiatives include the North-South Corridor rail rehabilitation and upgrading project, the Mozambique-Zimbabwe-SA transmission line and the Angola-Namibia interconnector project, among others. ✕

