

## Meeting the AsgiSA Challenge

1 November 2007

The DBSA is advancing the implementation of the AsgiSA initiative championed by its sole shareholder, the South African government.

AsgiSA (Accelerated and Shared Growth Initiative for South Africa) aims to achieve a 6% economic growth rate beyond 2010 and its ultimate goal is to halve unemployment and poverty by 2014. The programme prioritises government action and investment in six categories: infrastructure, interventions in the second (marginalized and underdeveloped) economy, sector strategies, education and skills, public administration issues, and macro-economic issues. The Bank participates to varying degrees in all categories with its key contributions being in the first four.

### Infrastructure

AsgiSA identified inadequate infrastructure as one of the most important constraints limiting the achievement of high growth in SA and in response to this, the Bank has intensified its lending activity and technical support for municipal infrastructure development.

We have been involved in infrastructure initiatives ranging from water and sanitation to rail and road, information communications technology, sport and recreation, and housing. Examples include the R25 million Hex Valley augmentation water scheme; technical assistance of R1,3 million to BEE participants in the Independent Power Producer projects of the Department of Mineral and Energy Affairs; empowerment funding and project debt of R500 million for the Gautrain; participation in capital raising and re-financing of the N4 toll road to the amount of R140 million; approval of a R467 million loan to the second fixed line network operator; the disbursement of funds for 2010 stadium infrastructure and the monitoring and controlling systems developed for the construction phase; the funding of a housing project of R55 million in Polokwane; and an inner city accommodation project worth R54 million in Braamfontein.

### The Second Economy

Over the past year the DBSA added to its triple role of financier, advisor and partner, the responsibilities of implementor and integrator. These two new roles focus DBSA resources on real assistance at the local level, in line with AsgiSA's

second economy interventions. For example, the Local Investment Agency created a partnership with Old Mutual aimed at mobilizing private sector investment for development in the Wild Coast region.

The Bank also funded the R7,3 million Gillimburg Farming project in Limpopo which seeks to establish an animal feed company to produce a stable supply of value-adding animal feed products, creating 75 new jobs. The Bank has also contributed to the funding and technical support of women in construction and supports small, micro and medium enterprises.

## **Sector Strategies**

In tourism, the Bank made available R34 millions of R100 million for phase 1 of the Nkomazi Wilderness. The financing is being restructured to include offshore funding of R75m and a 26% BBBEE equity participation. The DBSA is considering an investment of R75m to match offshore money. The development of future phases is expected to top R1,5 billion.

A Preparation Assistance Grant of R490 000 was given to KDMC in George to develop a business plan for an urban renewal project and entrepreneurial training hub in support of the Destiny Africa business tourism project. The project will be worth R4.5 billion and is expected to trigger a DBSA loan of at least R500m.

DBSA participated in the debt and BEE financing of approximately R400 million of the Siyanda Biodiesel project. On the Potchefstroom bio-ethanol project, the Bank is working with the sponsors by means of technical assistance and development advice to the value of approximately R1 million, with the total project value being approximately R500 million.

On renewable energy and waste management, several projects are under consideration (e.g. sewage sludge to fertilizer at Phoenix, wood waste to electricity in George and other agricultural waste to electricity projects).

On agribusiness, the Bank approved a R10 million loan for the Coega prawn pilot project. In order to revitalize the Eastern Cape pineapple industry, a pineapple residue beneficiation project is currently being appraised. The Bank also facilitated signing a 50-year lease with the new owners of the SA MOLT Fruit Processing project and a DBSA loan of R34m for the Cape Concentrates project is awaiting sign-off on confirmation of equity.

## **Education and Skills**

The DBSA is a key player in AsgiSA's JIPSA (Joint Initiative on Priority Skills Acquisition) initiative. The Office of the Deputy President requested us to develop a National Skills Database which will serve as a "one stop facility" for retired professionals to register their skills for the convenience of employers as and when they require such skills. This facility is crucial in an economy where scarce skills are highly sought after. The database will run nationally and internationally and will facilitate the attraction and registration of skills of South African expatriates across the world, particularly those who want to return home. The end product will be an accessible, user-friendly and fully functional Internet website that will facilitate access to the national skills database.

## **Our Progress**

All these projects indicate how effectively we are responding to the AsgiSA challenges and successfully partnering with government in a number of developmental initiatives.