



Development Bank
of Southern Africa

WATER

ICT

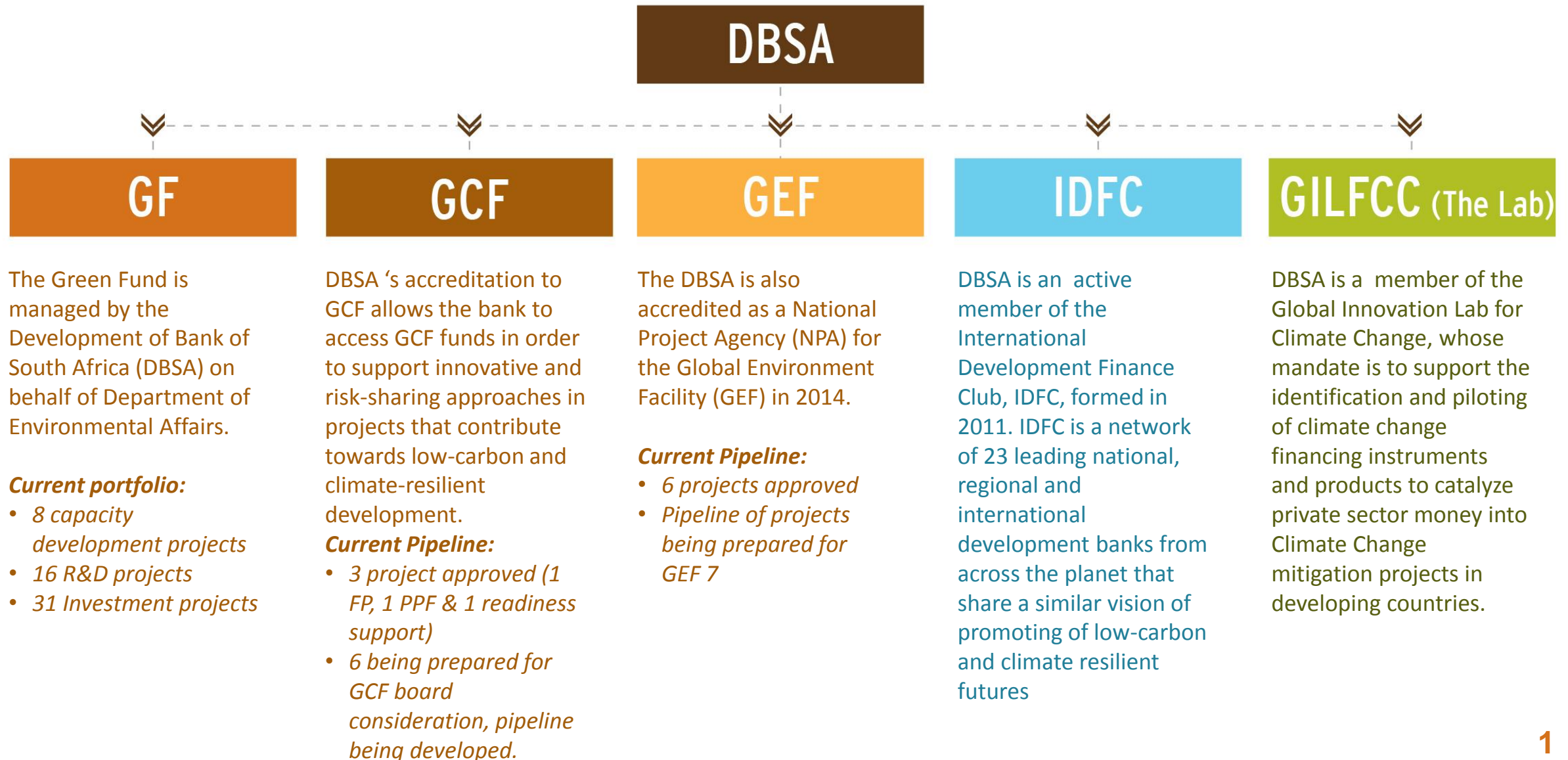
ENERGY

TRANSPORT

MAKING CHANGE HAPPEN

Innovative Use of Climate financing Instruments

Current DBSA Involvement in Climate Finance Activities





GEF case studies



Using GEF & IPISA funding to address challenges faced by the Small IPP Programme

- Limited access to **equity and debt funding** from commercial banks and development finance institutions mainly due to limited track records in the renewable energy sector;
- Commercial Banks not willing to participate due to **size of transactions** vis-à-vis project finance transactional costs
- Funding available to the Small Projects developers/SMEs is usually only available at **prohibitive terms** impacting on project IRRs and DSCRs
- The transaction costs incurred by bidders in bidding the project under the programme are **disproportionate to the project costs**, more so when compared with large scale renewable energy IPP projects

...and how it is being addressed

Developing support for small projects transactions through an equity fund (GEF support) and interest rate subsidy (3rd party support).

Market Constraints	Intervention
Sponsor/SME Track Record	Technical support through DBSA's PP unit
Project Risks	Mitigated through strong EPC and O&M contractors
High Transaction Costs	Standardised legal documentation
Limited Access to Funding	Providing debt at favorable terms through the use of interest rate subsidy facility and SME equity support through an Equity fund (GEF)
Access to funds/ Securitisation	Possible facilitation of refinancing and crowding in of institutional investors and commercial banks post construction.

The new Climate Finance Unit is strategic to DBSA's efforts to advance sustainable and environmentally friendly infrastructure solutions

Key objectives of the Climate Finance Unit

1

To provide dedicated advisory, investment and implementation support to access funds from climate financing mechanisms (GEF/GCF etc.) to blend with DBSA funding, to the benefit of the project beneficiaries.

2

To support the progressive greening of the DBSA portfolio and which will enhance the resilience of its infrastructure investments.

3

To strengthen the DBSA's support to government in attaining its SDG targets

4

To catalyse climate change related projects in-line with the Bank's 100 billion target in partnership with other key stakeholders.



Thank you,

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