CLIMATE AND NATURE FINANCE

DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

OVERVIEW: DBSA MANDATE

The DBSA is a ***government-owned development finance institution****, established in 1983, with the mandate to promote economic growth and regional integration for* ***sustainable infrastructure development*** *in South Africa, SADC and the wider Sub-Saharan Africa*

Over R100 Billion assets under management

PURPOSE: Achieved by **mobilising funding resources** for sustainable **infrastructure planning and development** across the continent

Services

- Project Development Advisory
- Project Finance
- Programme Implementation
- Accelerating Infrastructure Delivery

Economic infrastructure

- Information and Communication Technologies
- Transport
- Water and Sanitation
- Energy

Social infrastructure

- Health
- Education
- Human Settlement

INTEGRATED APPROACH TO INFRASTRUCTURE DEVELOPMENT

DBSA

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/programme management support
- IA services

5. Maintain

- Supporting maintenance/ improvement of social infrastructure projects

Clients

Public

- Municipalities
- SOEs incl Universities & TVET Colleges
- Sovereigns

Private

- PPPs
- Private sector

DBSA Involvement in Climate Finance Action

DBSA

GF

The Green Fund is managed by the Development of Bank of South Africa (DBSA) on behalf of Department of Environmental Affairs.

~ ZAR 1.5 Billion grant funding

GCF

DBSA 's accreditation to GCF allows the bank to access GCF funds in order to support innovative and risk-sharing approaches in projects that contribute towards low-carbon and climate-resilient development.

~ USD 500 million funds mobilized (predominantly grants)

GEF

The DBSA is also accredited as a Regional Agency for the Global Environment Facility (GEF) in 2014.

- Mandate expansion in June 2023

Over USD 80 million funds mobilized (predominantly grants)

IDFC

DBSA is an active member of the International Development Finance Club, IDFC, formed in 2011. IDFC is a network of 27 leading national, regional and international development banks from across the planet that share a similar vision of promoting of low-carbon and climate resilient futures

BCA

DBSA is a member of the Biodiversity Credit Alliance, whose mandate is to develop frameworks, principles, and guidance needed to ensure biodiversity credits are scientifically robust, socially equitable, and trusted by both investors and conservation stakeholders


THE NEXUS: NATURAL CAPITAL ↔ GROSS CAPITAL FORMATION
Wealth today depends on nature and investment. Sustainable prosperity depends on both.
NATURAL CAPITAL
Earth's renewable and non-renewable assets
Ecosystems
forests, wetlands, grasslands, oceans
Natural Resources
water, minerals, fossil fuels, soil
Ecosystem Services
clean air, water purification, pollination, climate regulation
Biodiversity
genes, species, ecological balance
NATURAL CAPITAL PROVIDES INPUTS
resources, ecosystem services, and environmental conditions enable production and economic activity
ECONOMIC WELL-BEING
jobs, income, health, prosperity
RETURNS & IMPACTS
Economic growth increases demand for natural capital and creates impacts on it
GROSS CAPITAL FORMATION
Investment in man-made, productive assets
Produced Assets
buildings, infrastructure, machinery, equipment
Infrastructure
transport, energy, water systems, digital networks
Human Capital
education, skills, health
Institutional Capital
institutions, governance, technology, innovation
WHEN NATURAL CAPITAL IS SUSTAINED
Resilient ecosystems support long-term productivity
Lower risks and environmental degradation
Intergenerational well-being and equity
WHEN INVESTMENT IS WISE AND PRODUCTIVE
Higher productivity and economic growth
More jobs and better living standards
Innovation and structural transformation
SUSTAINABLE PROSPERITY
Balancing natural capital stewardship with productive investment builds wealth that lasts.

R1.5 TRILLION IN GROSS CAPITAL FORMATION

1. Build bankable pipelines

Project preparation and capacity building to convert into investment-ready opportunities.

2. Catalytic finance

GEF resources serve as catalytic finance in blended finance structures, concessional finance, guarantee facilities, outcomes based bonds and risk-sharing mechanisms that address barriers to investment.

3. Crowd in capital

DBSA's pipeline is designed to combine GEF resources with DBSA, and financing from partners and private sector capital, with replication potential across South Africa and Sub-Saharan Africa.

USING CLIMATE FUNDS TO CONTRIBUTE TOWARD ASSET GROWTH

How the Climate Funds Portfolio Contributes to the DBSA's asset growth

1. De-risking Early-Stage Climate and Nature Projects

Climate funds (GEF, GCF, UKPact, IKI, and others) provide concessional funds and grants to pilot and absorb early-stage risk (technical, regulatory, environmental) in climate and nature related projects. This unlocks downstream investments by DBSA and other financiers. Viable projects enter the DBSA pipeline for later-stage investment, contributing to asset growth.

2. Crowding in Private Capital

Climate funds to crowd-in private capital, enabling DBSA and other lenders to participate at senior debt level while GCF and GEF serve as first-loss capital.

3. Expanding Product Innovation and Offerings

Climate funds supports financial and technological innovation

that DBSA can later scale into investment instruments. Enhances the range of DBSA's income-generating products and supports asset diversification.

- *eg outcome-based bonds, blended guarantees, biodiversity credits, carbon credits*

Create an evidence base and Establish Nature as an investible asset class to attract private capital and achieve scale!

USING CLIMATE FUNDS TO CONTRIBUTE TOWARD ASSET GROWTH

DBSA

4. Building a Pipeline of Bankable Projects

Climate grants support technical assistance, stakeholder consultation, and pre-feasibility studies, which feed DBSA's infrastructure pipeline. This enables a larger volume of viable projects to reach investment-readiness.

5. Fosters collaboration with other Stakeholders

GEF and GCF projects are inherently multi-sectoral, technically complex, and institutionally demanding. Their successful design and implementation therefore require strong collaboration among a diverse range of stakeholders, including multilateral agencies such as UN agencies, think tanks, DFIs, national and local governments, the private sector, CSOs, and community representatives.

Effective partnerships ensure alignment of technical expertise, financial instruments, policy frameworks, and implementation capacity, ultimately strengthening project sustainability, co-financing mobilisation, knowledge sharing, and long-term impact.

GEF and GCF Funds unlock barriers, which funds from the DBSA and Private Lenders to flow – Scaling impact and value

HOW DO WE DO IT?

1) Blended Finance Facilities

- Design blended facilities with credit enhancement provisions such as:
  - Long tenor
  - Concessional interest rates
  - Sub-ordinated position (Cash flow and security)
  - Guarantees (first loss position)

2) Design Customised Programmes

- Develop programmes tailored to address specific market, policy, and institutional barriers, unlocking investment potential and accelerating implementation.
- Engage a broad range of stakeholders from the outset — including CSOs, the private sector, DFIs, governments, UN agencies, private lenders, and SMMEs — to ensure inclusivity, alignment, and bankability.

3) Leverage Existing Support from Partners

- Mobilise technical assistance from institutions such as AFD and UNDP to initiate pre-feasibility studies, strengthen project preparation, and de-risk early-stage development.

HOW DO WE DO IT?

4) Outcomes Based Bonds

- Enable DBSA and private sector lenders to participate in biodiversity and nature projects
- Fosters collaboration across multiple tiers of investors (Outcomes funders, institutional investors, DFIs, Commercial banks, Philanthropists)
- Eg Heat resilience bond, Water bond

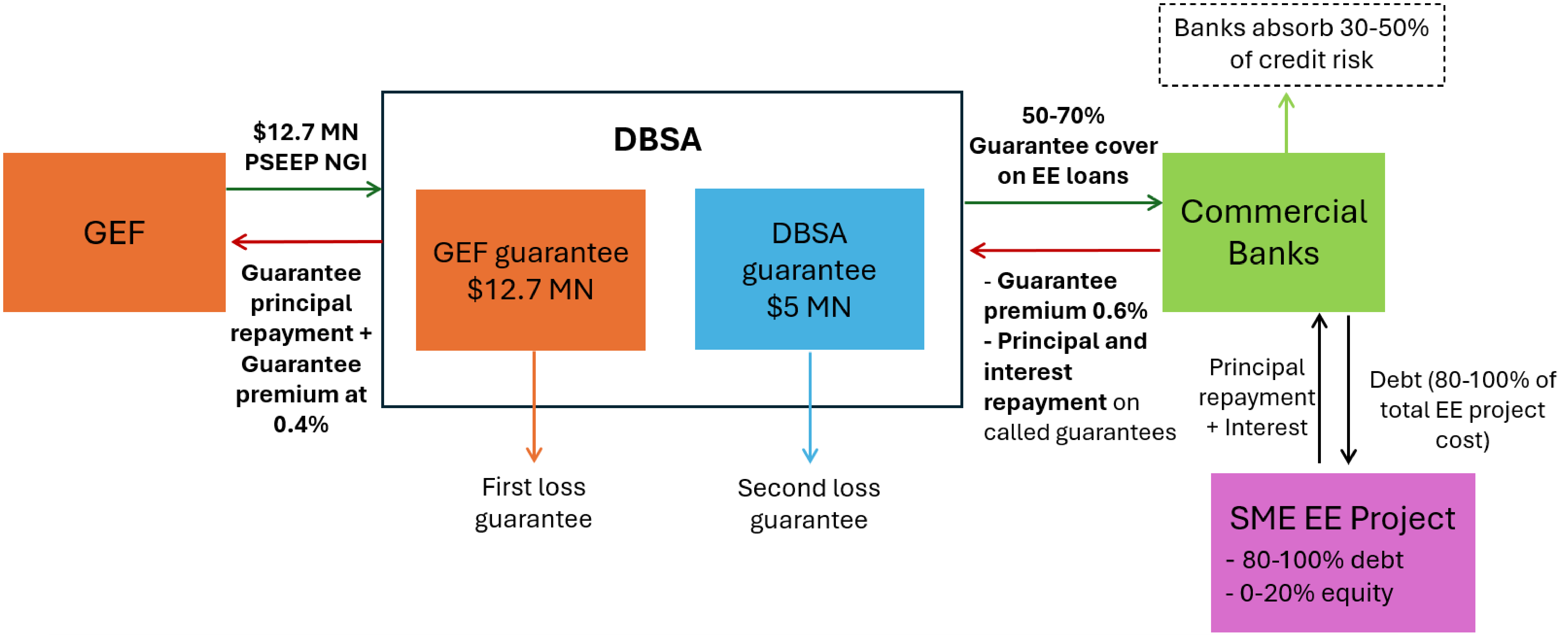
5) Biodiversity and Carbon Credits

Developing a pipeline of nature conservation projects to stimulate economic activities in under-served markets and enable communities generate income from their natural resources eg Miombo restoration project, N'Zi NVR

6) Nature positive infrastructure

Designing innovative projects where biodiversity is embedded in infrastructure. Eg Dam de-silting project in the Vhembe biosphere reserve

PSEEP2 Financial Structure



Blended with USD 1 million grant from STAR funds for technical assistance and capacity building

CLIMATE FINANCE FACILITY

GREEN CLIMATE FUND
$55 million

DBSA
R650 million

MANDATE

- Support and de-risk green projects
- Clear environmental impact
- **Socio-economic development**
- Additionality
- Crowd-in private investment
- Project size; R150 million+
- Contribute up to 30% of total project cost

REGIONS

- Namibia
- Lesotho
- eSwatini
- South Africa

Value Proposition

- Sub-ordinated debt Instrument
- Tenor extension (upto 15 years)
- Blended concessional finance

Scope: Climate Change Mitigation and Adaptation

CAPE WATER OUTCOMES-BASED BOND

- Innovative blended finance mechanism for ecological infrastructure, biodiversity and water security

- **Inclusive:** Brings together Commercial bank, DFI, Philanthropic organisations, HNWI, Conservation organisation, Government, private sector, international investors local investors, local communities etc

- R2.5billion bond listed on the JSE in April 2026

- Led by RMB in partnership with DBSA, TNC, Conservation Alpha, IFC, and other stakeholders

- **Main objective**: Clearing invasive alien plants from SWSAs to improve water security in the Easter cape

Valuing resilience: building capacity for smallholder farmers and agribusinesses in East Africa to monetise climate resilience outcomes

PROJECT OBJECTIVE

Strengthen the climate resilience of smallholder farmers and vulnerable rural communities through diversified nature-based livelihoods, improved access to climate-linked financial services, and evidence-based scaling of climate-smart adaptation practices.

GEOGRAPHIC FOCUS Kenya • Tanzania • Ethiopia | **BENEFICIARIES** Smallholder farmers • Rural communities • Women & youth-led enterprises

1 CLIMATE-SMART LIVELIHOODS

Regenerative agriculture, agroforestry, sustainable land management and integrated water management.

Diversify nature-based incomes and strengthen last-mile extension systems.

2 ADAPTATION FINANCE

Improve access to climate-linked financial services and de-risk investment in adaptation.

Strengthen investment readiness and market linkages for farmers and agri-enterprises.

3 EVIDENCE & SCALING

Generate evidence on effective adaptation approaches and support replication and scale.

Build knowledge and institutional capacity for sustained adoption.

EXPECTED TRANSFORMATION Climate vulnerability → Resilient livelihoods → Improved access to finance → Scaled adaptation

CROSS-CUTTING PRIORITIES

Women & Youth | Nature-based Solutions | Private Capital Mobilisation | Local Capacity | Climate Resilience

Leapfrogging to Efficient LED Lighting & Transformers

Using blended finance to accelerate municipal energy-efficiency investment

Grant funded guarantee facility

THE CHALLENGE

- Capital-constrained municipalities
- Aging, inefficient infrastructure
- High upfront replacement costs
- Immediate service-delivery needs crowd out efficiency investments

THE LEAPFROGGING OPPORTUNITY

LED STREET LIGHTING

*Lower electricity use
*Longer asset life
*Reduced maintenance

EFFICIENT TRANSFORMERS

*Lower technical losses
*Improved network efficiency
*Reduced operating costs

CATALYTIC FINANCING

GEF-funded guarantee

↓

De-risks DBSA lending

↓

More affordable municipal finance

↓

Accelerated investment

The guarantee mitigates early-year payment risk, helping overcome the upfront-cost barrier.

r energy use → Reduced municipal costs → Lower GHG emissions → Improved financial sustainab

KEY CONSIDERATIONS IN URBAN INVESTMENTs

1. Alignment with Mandate

- Project must align with funder’s geographic, sectoral, and strategic priorities
    - Considerations: Project size, type of finance, expected development impact

🔁 **2. Clear Theory of Change**

- Logical flow from **Problem Statement → Proposed Solution → Expected Outcomes and Activities**
- Clear definition of how interventions address core urban challenges

📊 **3. Realistic Project Scope, Budget, and Timeline**

- Ensure project ambitions match available capacity and resource envelope
- Clear implementation plan with achievable milestones

💰 **4. Affordability and Financial Structuring**

- Project finance approach tailored to city capacities and risk profiles
- Layered capital stack:
    - *Senior Debt | Junior Debt | Equity | Grants*
- Secure **concessional finance** where appropriate to de-risk projects
- Consider optimal **tenor** for sustainability and repayment capacity

KEY CONSIDERATIONS IN URBAN INVESTMENTs

5. Institutional Arrangements and Partnerships

- Urban projects are inherently multi-sectoral and require collaboration
    - Establish clear roles and responsibilities across public agencies, private sector, and civil society
    - Suitably qualified executing agency and project management team

🎯 **6. Alignment with City's Long-Term Goals**

- Anchor project in existing city strategies and plans
    - Ensure **strong political ownership** and responsiveness to evolving social, economic, and governance dynamics

🌍 **7. Scalability and Replicability Potential**

- Projects should serve as demonstration models that can be expanded or replicated
- Emphasize knowledge transfer, cost-efficiency, and transformative potential

THANK YOU
Email:
(mookhom@dbsa.org)

THE N'ZI VOLUNTARY NATURE RESERVE PROJECT

Strengthening biodiversity, building resilience, creating opportunities for Côte d'Ivoire and its communities

DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA

PROJECT OVERVIEW

Conserve and restore biodiversity within the N'Zi Voluntary Nature Reserve and surrounding ecosystems while promoting sustainable socio-economic development through community-driven ecotourism, capacity building and innovative financing mechanisms.

LOCATION

N'Zi Voluntary Nature Reserve, Agneby-Tiassa Region, Côte d'Ivoire

ECOSYSTEMS

Tropical forest, savannah, wetlands – critical habitats for biodiversity and climate resilience

KEY PARTNERS

Government of Côte d'Ivoire, N'Zi Wildlife Conservation Foundation, local communities, IPLCs, private sector, CSOs, research institutions and development partners

DURATION

60 months

PROJECT COMPONENTS

1 Improved Management of Critical Habitats

Strengthen protected area management, develop a comprehensive management plan and institutional framework, and establish PPPs to advance community and nature benefits.

2 Ecotourism Investment and Community Empowerment

Develop ecotourism infrastructure and services, support community enterprises and establish sustainable finance mechanisms and a biodiversity community project.

3 Capacity Building and Knowledge Management

Build skills of reserve staff, local communities and IPLCs; enhance biodiversity monitoring, climate resilience and sustainable livelihoods; establish impact monitoring and knowledge sharing platforms.

PROJECT GOAL

Enhance the ecological and economic functions of the N'Zi Voluntary Nature Reserve and surrounding landscapes for a nature-positive, resilient and inclusive future.

EXPECTED IMPACT

- Conserved and restored biodiversity and ecosystems
- Strengthened climate resilience and carbon sequestration
- Sustainable livelihoods and social benefits for local communities and IPLCs
- Innovative and sustainable financing for conservation and development
- Stronger partnership and replicable model for landscape conservation in Côte d'Ivoire

CREDIT ENHANCEMENT FEATURES FOR CONCESSIONAL FACILITIES

1. Blended Finance Structures

•Combine concessional funding (e.g., **GEF, GCF**) with DBSA's own capital to offer:

- **Competitive pricing** and affordable terms
- **Risk-sharing mechanisms** to attract private investment
- **Early-stage capital** for project preparation and de-risking

•Tailored to address **viability gaps** in urban infrastructure projects

2. Mezzanine Finance / First Loss capital

•Instruments that sit between equity and senior debt in the capital stack:

- **Subordinated debt**, **convertible debt**, or **preferred equity**
- Increases project bankability without diluting equity

•Encourages **capital layering** and greater flexibility for borrowers

3. Extended Tenor Options

•Tenors of **15–25 years** aligned with project cash flow cycles

•Especially useful for:

- Capital-intensive infrastructure (e.g., transport, energy, social housing)
- Projects with **delayed revenue generation**

•Reduces pressure on early repayments and enhances project feasibility

4. Guarantee Instruments

•Used to **mitigate specific project risks** and enable lending where risk appetite is low

- **Partial credit guarantees** for repayment support
- **Performance guarantees** for service delivery reliability

CREDIT ENHANCEMENT FEATURES FOR CONCESSIONAL FACILITIES

🔍 **5. <u>Pre-Investment and Project Preparation Facilities</u>**

•Technical assistance grants or concessional funds for:

- Feasibility studies
- Environmental and social impact assessments
- Legal and transaction structuring

•Strengthens the **bankability** and **readiness** of project pipelines

? **7. <u>Co-Financing and Syndication Models</u>**

•Pooling of resources from **development partners, DFIs, and commercial banks**

•Supports larger-scale and transformational urban projects

•Builds credibility through **multi-institutional backing**

GEF-9 PIPELINE AT A GLANCE

Six opportunities spanning nature, climate resilience, pollution and circular economy

Biodiversity Investment Facility

Blended finance platform for nature-positive investment

Africa RECAP

Regional circular economy transition and blended finance

planetGOLD

Mercury-free, formalised artisanal and small-scale gold mining

Water Bond 2

Outcomes-based finance for catchments and ecological infrastructure

Heat Resilience Bond

Outcomes-based urban heat resilience financing

Johannesburg Green-Grey Infrastructure

Integrated river restoration and managed groundwater

DBSA

1. Biodiversity Investment Facility

DBSA-led blended finance platform

Objective

Mobilise public, concessional and private capital at scale for biodiversity conservation, ecosystem restoration and nature-positive infrastructure.

Geography & scale

South Africa, with potential regional expansion across Sub-Saharan Africa. Indicative total scale: ~USD 300m; Phase 1: USD 75m.

a) Prepare a pipeline of bankable biodiversity and nature-positive projects

b) Establish a blended facility: grants, concessional finance and innovative instruments

c) Mobilise private investment through guarantees, outcomes-based finance and de-risking

d) Finance restoration, NbS and nature-positive infrastructure

e) Develop biodiversity measurement, monitoring and verification frameworks

f) Knowledge management, capacity building and replication

PARTNERS: DBSA, UNDP, DFFE

DBSA

2. Africa RECAP

Resource Efficiency and Circularity Acceleration Project

Objective

Accelerate Africa's circular economy transition by embedding circularity in key economic sectors and increasing access to blended finance for scale and sustainable growth.

Countries

South Africa • Cameroon • Côte d'Ivoire • Morocco • Rwanda

Agencies

DBSA • AfDB • UNDP (Lead Agency)

a) Strengthen policy and regulations for circular transformation

b) Develop strategic finance solutions and credit lines for a sustainable circular finance ecosystem

c) Build capacity for development and implementation of bankable projects

d) Regional coordination, technology exchange, awareness raising and knowledge management

DBSA

3. planetGOLD

Scaling mercury-free and formalised artisanal and small-scale gold mining

Objective

Scale a mercury-free, formalised artisanal and small-scale gold mining sector.

Countries

South Africa • Cameroon • Chad • Ethiopia • Liberia • Tanzania

Agencies

DBSA • AfDB • UNDP (Lead Agency)

a) Formalisation of the ASGM sector

b) Access to finance and responsible supply chains

c) Uptake of mercury-free technologies and improved mining practices

d) Knowledge management

4. Water Bond 2

Scaling outcomes-based finance for water security and ecological infrastructure

Objective

Scale private investment in ecological infrastructure and nature-based solutions that improve water security, catchment resilience and biodiversity outcomes.

Financing structure

Private investors provide upfront bond capital; a portion of returns is linked to independently verified outcomes. GEF can support outcomes payments and/or risk sharing.

a) Prepare priority catchment restoration and water-security interventions

b) Develop and implement the outcomes-based Water Bond mechanism

c) Restore and improve management of wetlands, catchments and other ecological infrastructure

d) Measure and independently verify water, biodiversity and ecosystem outcomes

e) Replicate and scale outcomes-based nature finance

Country: South Africa with potential regional replication

Partners: TNC, RMB

DBSA

5. Heat Resilience Bond

Mobilising private capital for climate resilience in vulnerable urban communities

Objective

Finance nature-based and climate-resilient interventions that reduce heat exposure in vulnerable urban communities using an outcomes-based mechanism.

Financing structure

Five-year outcomes-based bond. Investors provide upfront capital; returns are linked to verified outcomes, including reduced heat exposure. GEF improves the risk-return profile.

a) Identify, prepare and structure urban heat resilience interventions

b) Establish an outcomes-based Heat Resilience Bond

c) Implement interventions in targeted vulnerable urban areas

d) Measure, report and independently verify heat resilience and environmental outcomes

e) Replicate and scale innovative heat resilience financing approaches

Country : South Africa

Partners: CSIR, IISD

DBSA

6. Johannesburg Green-Grey Infrastructure Project

An integrated urban water resilience proposition

Green infrastructure

Transformative Riverine Management Programme (TRMP):

- Riparian and wetland rehabilitation
- Invasive vegetation management
- Urban greening and tree planting
- Restoration under way in Soweto and Upper Jukskei catchments

Grey / groundwater infrastructure

Managed groundwater programme:

- Establish monitoring and management backbone
- Assess responsible groundwater use
- Where viable, develop managed groundwater supply for selected township demand

Country : South Africa

Partners: WRI

Combined value proposition

Treat rivers, groundwater and municipal supply as one urban water system to:

- Reduce flood and water-security risks
- Improve system intelligence
- Lower avoidable water losses
- Explore more cost-effective supply options

DBSA

Potential role of GEF resources across the pipeline

Project preparation & TA	Build investment-ready pipelines, technical capacity and enabling frameworks
Concessional / catalytic capital	Leverage flow of capital from private sector lenders Improve affordability and project economics where commercial capital alone is insufficient
Guarantees & risk sharing	Absorb or redistribute risks that constrain private investment
Outcomes-based finance	Support verified environmental or resilience outcomes and improve investor risk-return
Measurement & verification	Strengthen credible MRV for biodiversity, water and heat-resilience outcomes
Replication & knowledge	Demonstrate scalable models for South Africa and wider Sub-Saharan Africa

DBSA

Key discussion points for GEF-9 programming

Prioritisation: Which pipeline opportunities best align with GEF-9 programming directions and available resource envelopes?

Instrument fit: Where can GEF grants, concessional finance, guarantees or outcomes-based mechanisms create the greatest additionality?

Agency roles: Confirm DBSA’s leadership and co-implementation roles in multi-agency regional programmes.

Scale and leverage: Structure GEF resources to crowd in DBSA and private capital while preserving environmental integrity.

Preparation pathway: Agree next steps for concept development, partner engagement, country endorsement and pipeline maturation.

DBSA

Strategic proposition for GEF-9

1. Build bankable pipelines

Project preparation and capacity building convert biodiversity, circularity, ASGM, water and urban resilience priorities into investment-ready opportunities.

2. Use catalytic finance

GEF resources can support grants, concessional finance, guarantees, outcomes payments and risk-sharing mechanisms that address barriers to investment.

3. Crowd in capital

DBSA's pipeline is designed to combine GEF resources with DBSA, partner and private capital, with replication potential across South Africa and Sub-Saharan Africa.

DBSA