



2019



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

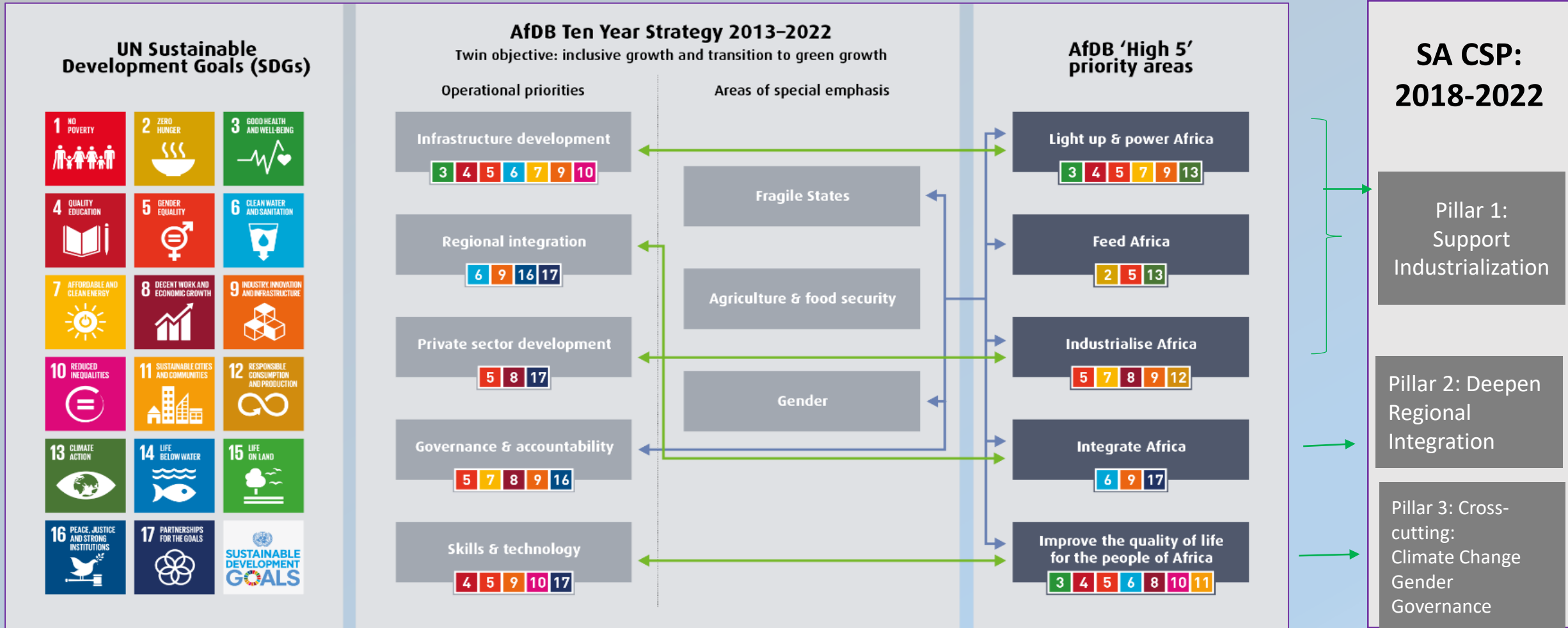
**Meeting With the National Treasury:
Review of
The Implementation of the South Africa CSP
2018-2022**



February, 18 2020

**Presented by George Kararach, Lead Economist
– Southern Africa Region**

Bank's Strategic Goal: Inclusive and Green Growth

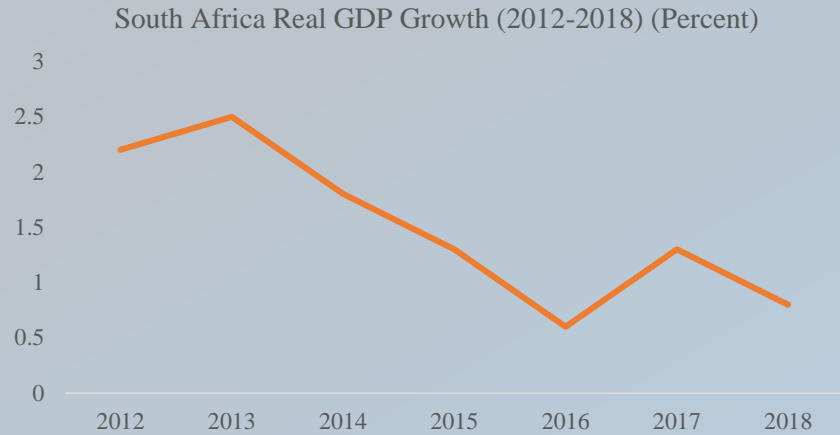


African Development Bank and South Africa

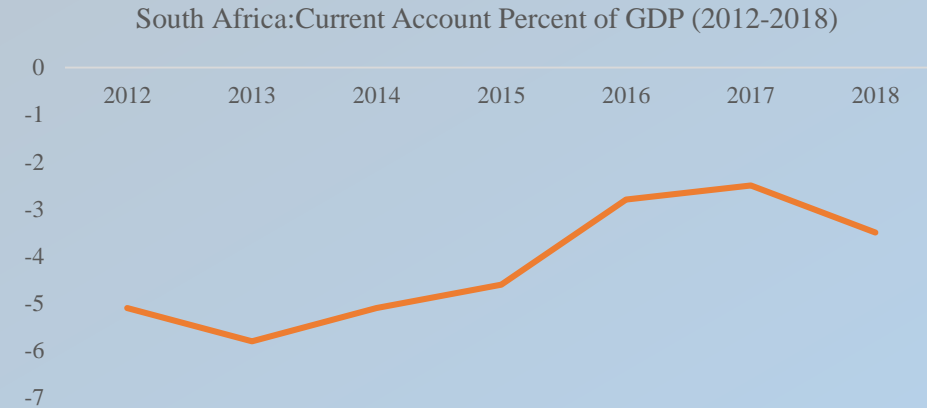
- Membership Year: 1995
- Start of operations: 1998
- Country Office Opened in : 2009
- Shareholding: 5.124% (Third in Region after Nigeria and Egypt)
- Subscribed Capital: 3,431.90 million Units of Account

Overview of the South African economy

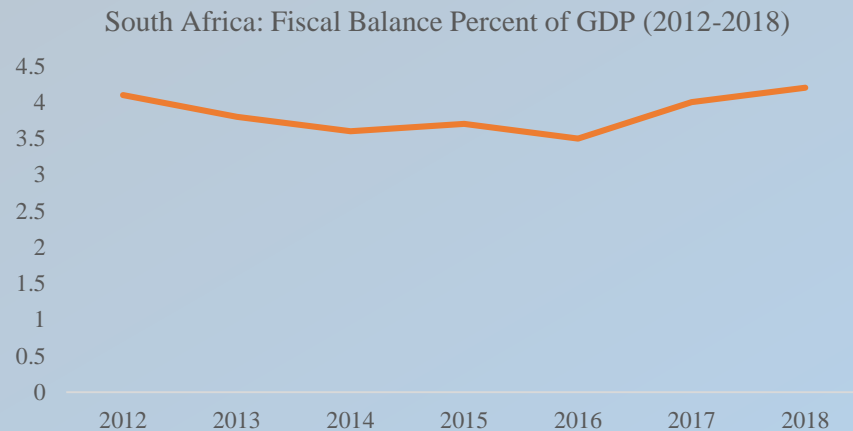
Economic Growth (%)



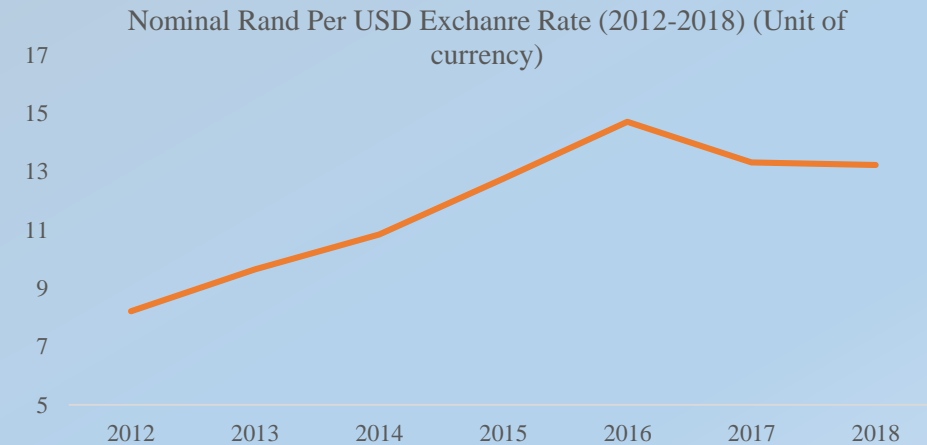
Balance of Payments



Fiscal Outcomes (%)

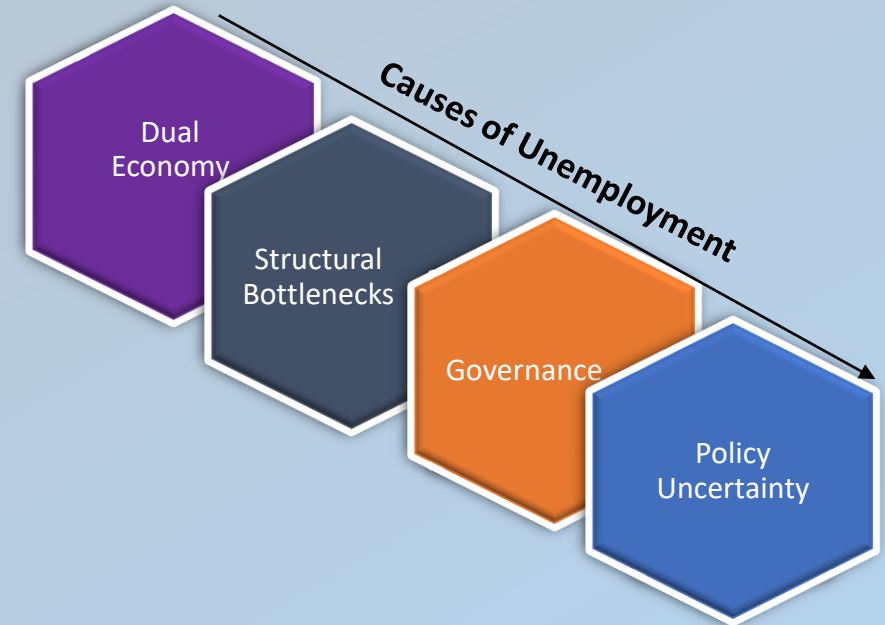


Exchange Rate (Rand/US\$)



Overview of the South African economy

- Unemployment increased from 4.1 million in 2008 to 6.7 million in June 2019 (63% increase)
- High youth (15-35) unemployment (4.2 million) in June 2019
- Poverty increased after 2011 by all measures 55.5% (30.4 million people below poverty line)
- Inequality is high and rising. Gini coefficient standing at 0.65 (2016) – the highest in the world.



27% Unemployment Rate

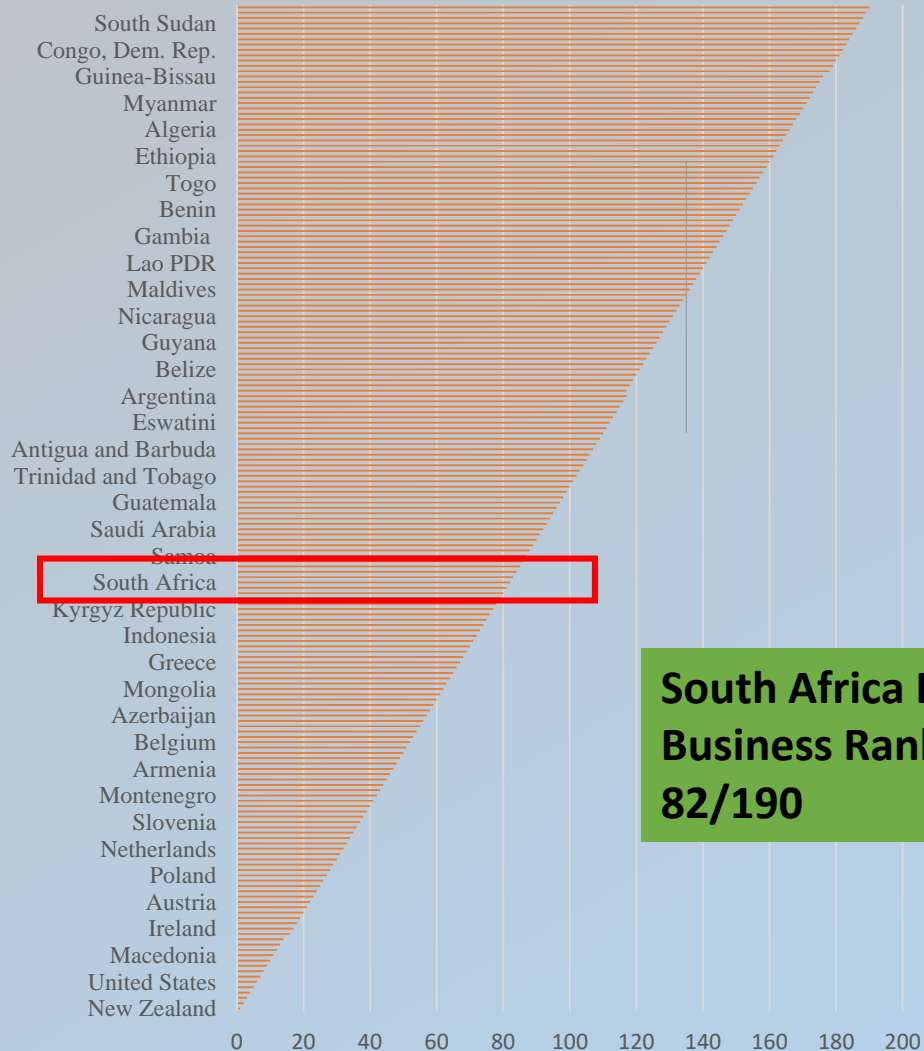
50% Youth Unemployment Rate

Inequality – Highest in the World

Key Indicators: South Africa Vs. Global

Doing Business 2019

Doing Business Index 2017: Rank among 190 Countries



South Africa Doing Business Rank 2019: 82/190

Global Competitiveness 2019

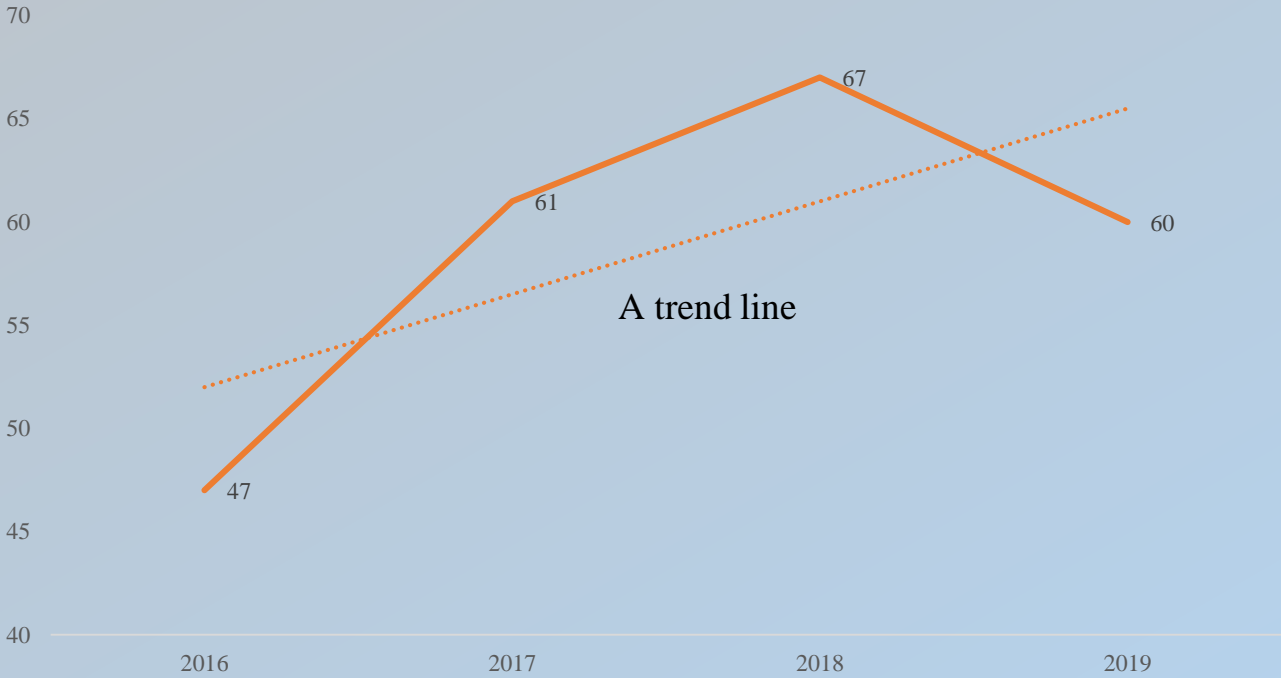
Global Competitiveness Index 2018: Rank out of 140 Countries



South Africa Global Competitiveness Rank 2019: 60/141

South Africa has become less competitive between 2016-2018

South Africa GLoal Competitiveness Ranking Out of 137-144 countires (2016-2019)



Key Indicators: South Africa Vs. Global

Inequality

Income Inequality: Gini Coefficient (2017 or Latest)



Source: OECD Data

Poverty

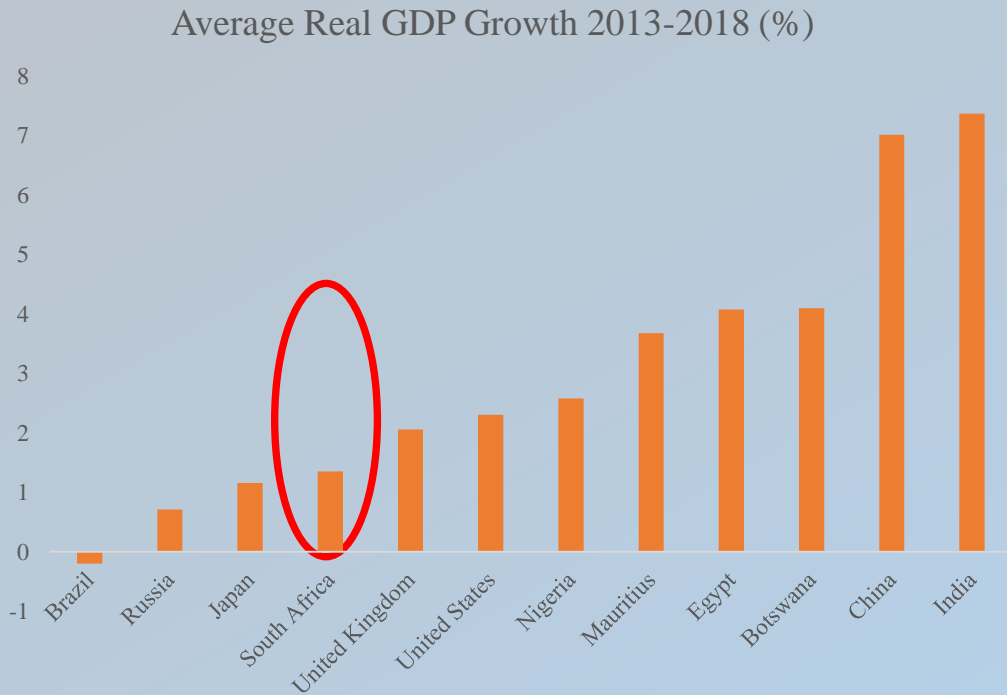
Povert Headcount Ratio at National Poverty Lines (%): (Different Years Per Country 2009, 2011, 2015, 2017)



Source: World Bank- World Development Indicators

Key Indicators: South Africa Vs. Global

Average Real GDP Growth (2013-18)



Global Crime Indicators



South Africa Country Strategy (2018-2022)

CSP FOCUS AREAS

Pillar 1: Support to Industrialization

Pillar 2: Deepening Regional Integration

CROSS-CUTTING

1

Gender

- 21 women killed in SA per 100,000 (2000): 5x the world average
- 9.6 women killed per 100,000 (2015)
- 250 women out of 100,000 victims of sexual assault

2

Climate Change and Green Growth

- GHG emissions comprise 1.1% of global emissions, SA GDP only 0.6% of global GDP
- Over 80% of electricity generated from coal
- Emitted 464 million metric tons (MtCO₂e) in 2012, with the energy sector contributing 84% to overall emissions.

3

Governance

- Governance challenges in local governments and SOEs
- High rates of crime and violence

Implementation of the CSP 2018-2022

The Lending Program 2018-2020			
Pillar I: Support to Industrialization		Pillar II: Deepening Regional Integration	
Projects (Outputs)	Imp. Status	Projects (Outputs)	Imp. Status
Kathu Industrial Park	Moved to 2022	Eskom Battery Storage Project	Moved to 2020
Gas to Ethanol	Dropped	Medupi FGD Retrofit project	Moved to 2020
Dehydrated vegetables	Dropped	Botswana South Africa Interconnector (BOSA)	Dropped
Lines of Credit to SMEs (through NHFC)	Moved to 2021	Eskom Transmission Improvement project	Approved in 2018
Support to commuter transport	Approved in 2018	Development of the PWV15 Freeway in Gauteng Province	Moved to 2021
Mokolo Crocodile Water Supply and Sanitation Phase II	Moved to 2022		
Unplanned in 2018-2020		Unplanned in 2018-2020	
Lesotho HWP Phase II	Being prepared	AB SA RPA-non disbursing (ND)	Approved
		Nedbank RPA = ND	Approved Unsigned
		FirstRand Bank RPA= ND	Approved
Implementation rate	17% (output)	Implementation rate-lending	20% (output)

Implementation of the CSP –(Cont'd)

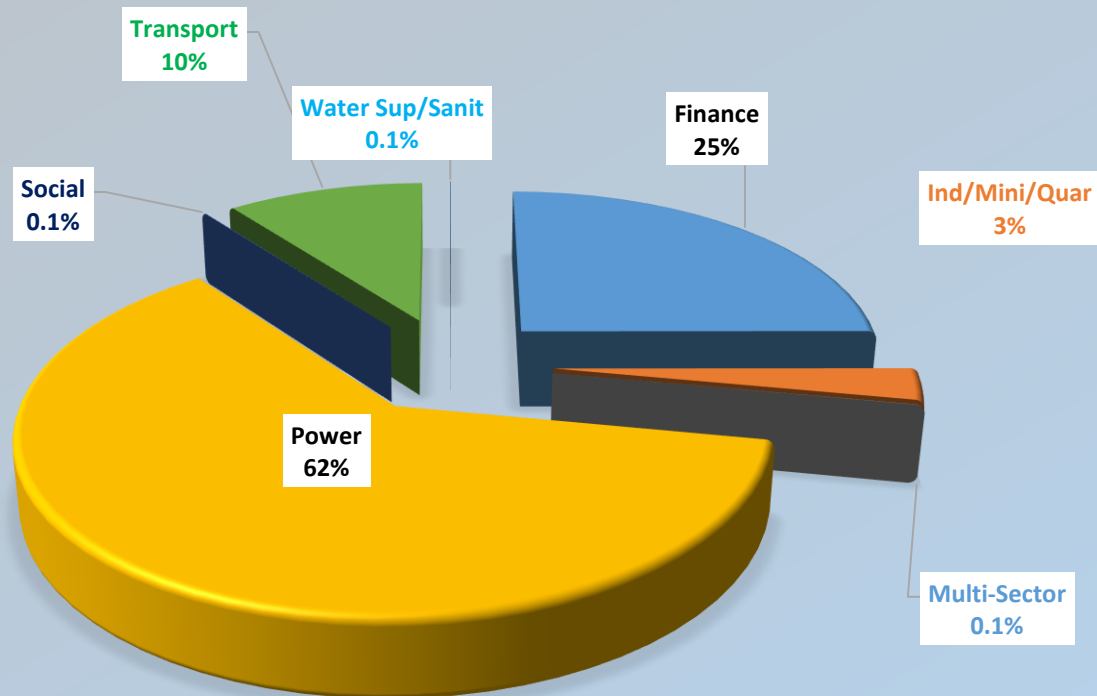
The Non-Lending Programme 2018-2020		
No	Name of ESW	Implementation Status
1	National Housing Finance Corporation (TA)	Moved to 2021
2	A Study on effective delivery of SOE developmental mandate	Being finalized
3	Socioeconomic Diagnostics of South African Townships	Not done due to lack of budget; an overview version to be finalized in Dec
4	A Study on ICT services affordability benchmark	No funding request received
5	Promotion of private sector development to improve access to nutrition	Moved to 2022
	Implementation status (output)	40%

One ESW, Enhancing domestic economic competition in South Africa is planned for 2021

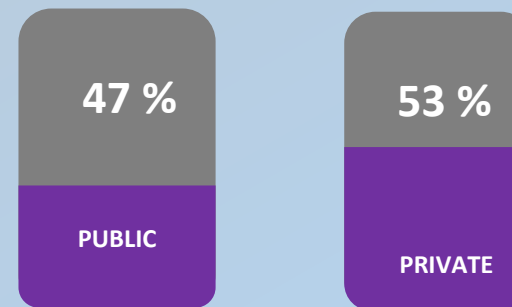
South Africa - Portfolio Status to date, Sept 2019

- Current Active Projects : **25**
- Value of Current Projects: **UA 3.79 bn**
- Accum. Disbursed on Current Projects: **UA 3.11 bn** [82 % of Active Approved Amount]
- Flagged Performance @YTD **17 %** [KPI Target: 20%]

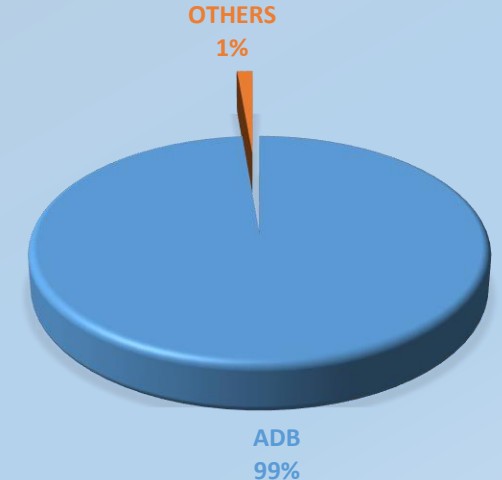
DISTRIBUTION BY SECTOR



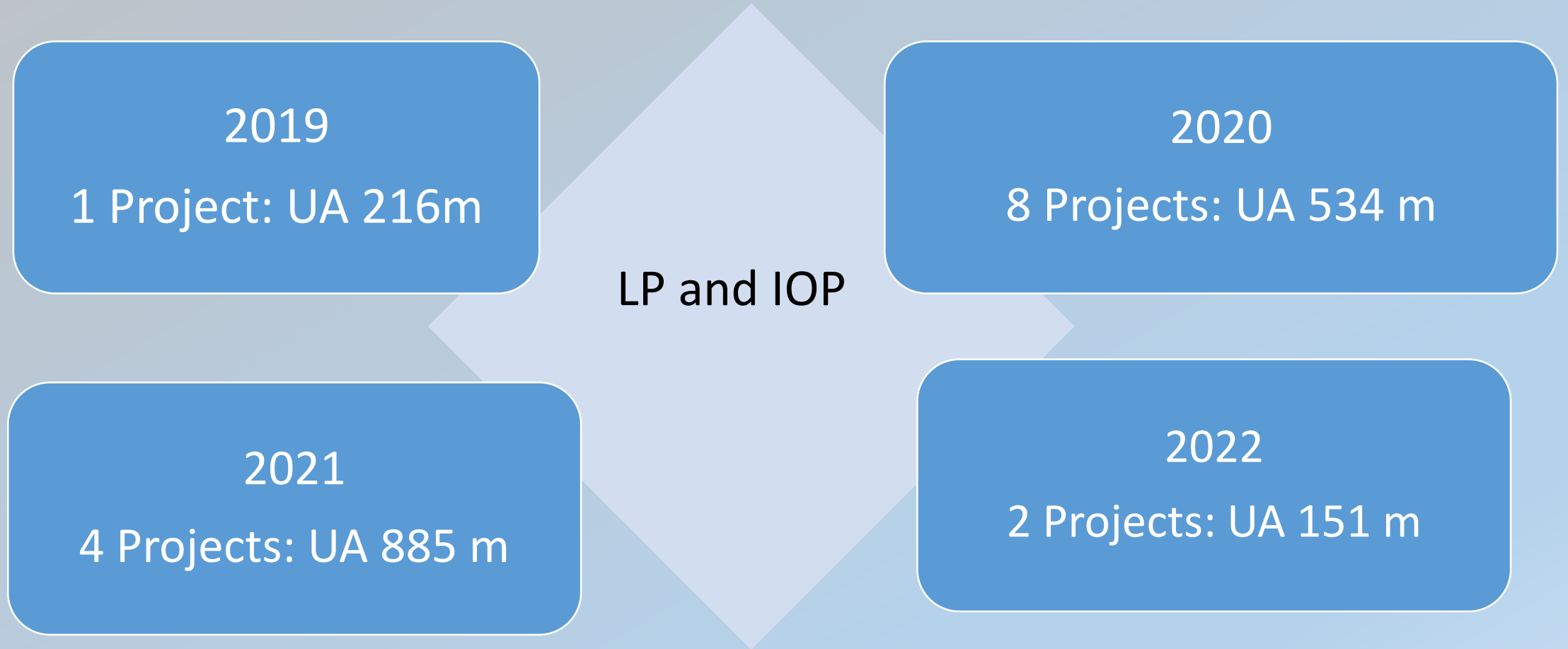
PUBLIC Vs. PRIVATE



DISTRIBUTION BY WINDOW



2019 Lending Program and IOP 2020 - 2022



Business Development Activities

Institutions	EDF. Renewables	Genesis Eco-Energy	Windlab	Abengoa South Africa	Building Energy	Scatec	Globeleque	Mulilo
Project Pipeline	<p>(i) 600 MW Transkei project - to be developed under private off-takers arrangement through a wheeling agreement with Eskom;</p> <p>(ii) 1 GW of project pipeline- Land acquired, EIA studies complete, clearance received from authorities and 3 years of wind monitoring done. Awaiting launch of the REIPPP Round 5.</p> <p>(iii) According to draft IRP, CoD of Round 5 will be delayed until 2025 meaning bid will not be issued until 2020.</p>	<p>(i) Pipeline of 3,000 MW wind projects under REIPPP BW 5 located along Tax corridors;</p> <p>(ii) Developing a 50MW CSP in Northern Cape and 75MW for Special Economic Zone.</p>	4 wind projects totaling 600 MW are under development ready for BW5	<p>(i) 4 * 75MW PV projects are ready for bidding for REIPPP BW5;</p> <p>(ii) Has land for additional projects and awaiting for clarity on the IRP</p>	In total 4 projects including 2 Solar PV, 147MW wind (under construction), and 10MW rooftop solar in hospital	<p>(i) Developing 7*86MW - approx 600MW in preparation of REIPPP BW5;</p> <p>(ii) City of Cape Town would like to diversify energy mix by offering private off-take to IPPs, policy barrier is key concern.</p>	140 MW with private off-taker from diamond wind	2 wind - 75 MW Solar - 220 MW 2.5 GW - permit and ready to go

Business Development Activities (Cont'd)

Institutions	SA Agri Business Parks	Lesotho Highlands Project – Phase II	Randwater	AFRIGRAIN SILO Company Limited (SILOCO)	Wild Coast Salmon	FINNINGLEY	LEIP ECO Industrial Park
Project Pipeline	<p>(i) 9 Agri Parks Pre-Selected from the overall program of 44 Agriparks. Total Investment Required : R 6,730 M;</p> <p>(i) Bokamosa Ba Rona Agri Industrial Program. Investment Required : R 4 bn</p> <p>(ii) Request received from NT for preparation of both the programs</p>	<p>(i) A loan request for ZAR 1.3 billion for TCTA to fund construction of Dam and Tunnel for the Vaal system;</p>	<p>Multi Year Capex program of Randwater under discussion for potential financing opportunities.</p>	<p>(i) A Financing request to support transfer of SILOs from AFRIGRI to the new entity;</p> <p>(ii) Bank is expected to finance USD 35 M out of total financing requirement of USD 235 M</p> <p>(iii) The transaction being lead arranged by Landbank</p>	<p>Provision of a senior loan of EUR20M to Wild Coast Salmon (Pty) Ltd (“WCS”) which will operate in the East London Industrial Zone (ELIDZ) in South Africa (SA) to produce aquaculture salmon. WCS is a greenfield land-based salmon farming company with the proven and environmentally friendly technology i.e., Recirculation Aquaculture System (“RAS”), which has been used across 28 countries since 1986.</p>	<p>(i) To build a private urban node smart city in the Durban Metropolitan area on land of approximately 3000ha. A university precinct with at least 4 universities and at least 2 international universities, an international hospital precinct and airport along with commercial, industrial precinct and a world-class family tourism precinct will anchor the city.</p>	<p>The Limpopo Eco Industrial Park Project is a fully serviced integrated and inclusive infrastructure development that provides a platform for sustainable financially viable industrial development</p> <ul style="list-style-type: none"> - Land leasing to heavy and light industries - SMME business incubator - Revenue from core services - Utilities water; power; waste management including waste water; logistics; - communication; medical, fire fighting, environmental and auditing - Skills training and development centre - Industrial ecology faculty - Services to Musina Local Municipality

...More Results of our Interventions in South Africa

- **Land Bank Agriculture Program:** generated 16,000 jobs through an environmentally sustainable forest expansion program. 1800 additional jobs were created through a sugarcane project.
- **ESKOM – Medupi Power:** 2,348 MW of electricity added to the national grid; 4,764 MW upon completion.
- **DBSA Line of Credit:** Over 70 infrastructure sub-projects financed benefitting 300,000 households
- **Kalagadi Manganese project:** Will create over 20,000 direct and indirect jobs and contribute to a ZAR 3.3 billion increase in household income

...More Results of our Interventions in South Africa

- **Transnet:** USD 400 million project contributed to increasing rail transport capacity by 40 % between 2010 and 2015. Coal exports grew by 21 % and iron ore exports by 35 % over this period, as a result of increased transport capacity.
- **Water and Sanitation Project:** Contributed to improved access to sanitation in over 300 schools in the Eastern Cape.
- **Xina Solar:** 100 MW of solar electricity and 1,400 jobs.
- **SA Taxi:** New project approved in 2018 will finance 8,000 commuter transit vehicles, all manufactured in South Africa. It will create over 20,000 jobs, more than 20 % of which will be for women. It will contribute towards reduced commuter fares and improved connectivity between townships and areas of employment.

Challenges and Priorities for South Africa

- 1 **Job partnership and Skills Enhancement Zones**
- 2 **Support for townships economic transformation**
- 3 **Staple Crop Processing Zones**
- 4 **The Competition Bill/Deregulation Agenda;
Sustainable infrastructure; Regional Corridors;
Financing: Private sector; AIF**

2019 - 2022 Planned Projects

Project Name	Sector Group	ADB Public (UA m)	ADB Private (UA m)	Amount (UA m)
2019				216.00
TRANSNET CORPORATE LOAN III	Transport		216.00	216.00
2020				534.40
AFGRI GRAIN SILO COMPANY LTD. ("SILOCO")	Agriculture	-	36.00	36.00
ESKOM DISTRIBUTED BATTERY ENERGY STORAGE PROGRAMME	Power	145.00	-	145.00
PHIL AFRICA	Agriculture	-	36.00	36.00
POSEIDON WATER PRIVATE EQUITY FUND	Water supply and Sanitation	-	2.40	2.40
SOUTH AFRICA ROAD NETWORK IMPROVEMENT PROGRAMME - PHASE I	Transport	150.00	-	150.00
UMKHOMAZI WATER SUPPLY INFRASTRUCTURE	Water supply and Sanitation	-	145.00	145.00
WILD COAST SALMON (PTY) LTD	Agriculture	-	16.00	16.00
YOUTH ENTREPRENEURSHIP DEVELOPMENT PROJECT	Social	4.00	-	4.00
2021				884.82
MEDUPI FLUE GAS DESULPHURISATION PROJECT	Power	274.82	-	274.82
NATIONAL HOUSING FINANCE COOPERATION	Finance	-	40.00	40.00
PWV15 FREEWAY DEVELOPMENT PROJECT – GAUTENG PROVINCE	Transport	90.00	-	90.00
RANDWATER CORPORATE LOAN FOR CAPITAL INVESTMENT PROGRAM	Water supply and Sanitation	-	480.00	480.00
2022				151.20
MOKOLO CROCODILE WATER SUPPLY AND SANITATION PROJECT, PHASE II	Water supply and Sanitation	150.00	-	150.00
PROMOTION OF PRIVATE SECTOR DEVELOPMENT TO IMPROVE ACCESS TO NUTRITION	Social	1.20	-	1.20
		815.02	755.40	1,570.42