

ASSOCIATION OF AFRICAN DEVELOPMENT FINANCE INSTITUTIONS
AADFI

CASE STUDY REPORT

Selected African Development Finance Institutions (DFIs)

Development Bank of Southern Africa
DBSA

Uganda Development Bank
UDB

Conducted by the Association of African Development Finance Institutions (AADFI)
Using 2025 Performance Record

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SECTION 1 — INTRODUCTION

1. Introduction

Development Finance Institutions (DFIs) play a pivotal role in advancing economic transformation, industrialization, infrastructure development, and sustainable growth across Africa. As strategic public finance institutions, DFIs bridge financing gaps in sectors critical to development yet often underserved by conventional commercial finance.

In recent years, African DFIs have increasingly expanded their mandates beyond traditional lending to include climate finance, blended finance, project preparation, institutional strengthening, digital transformation, and inclusive development programming¹. This evolution reflects growing pressure on DFIs to respond to complex developmental challenges such as climate change, infrastructure deficits, unemployment, financial exclusion, and weak industrial capacity.

To better understand emerging operational models, institutional innovations, and strategic lessons within the African development finance ecosystem, the Association of African Development Finance Institutions (AADFI) conducted a case study exercise involving selected member institutions.

1.1 Study Focus

The study focused on two AADFI member institutions:

- Development Bank of Southern Africa (DBSA)
- Uganda Development Bank (UDB) Ltd.

1.2 The Report Presents

- A case study overview of the participating DFIs
- An examination of their operational approaches and strategic initiatives
- Key institutional examples and innovations
- A qualitative thematic analysis of the responses
- Lessons and implications for the broader African DFI landscape

¹ <https://adfi-ci.org/financing-africas-transition-a-strategic-handbook-for-africas-development-finance-institutions-dfis/>

SECTION 2 — METHODOLOGY

2. Methodology

2.1 Research Design

The study adopted a qualitative case study research design to examine the strategic experiences, operational models, institutional innovations, and sustainability approaches of selected African Development Finance Institutions. The qualitative approach was selected because the study sought to generate in-depth institutional insights and leadership perspectives that are not easily measurable using quantitative methods. The case study design enabled detailed exploration of institutional experiences within their operational and developmental contexts.

2.2 Study Case Selection

The study focused on two AADFI member institutions that participated in the exercise. These institutions were purposively selected based on:

- Their strategic importance within Africa's development finance ecosystem
- Their active engagement in infrastructure, climate, and development financing
- Their experience in innovation and institutional transformation

2.3 Data Collection Methods

Primary qualitative data were collected using Key Informant Interviews (KIIs) guide. The interviews were conducted in May 2026. The reports and qualitative data collected were validated in June 2026, and the case study was published in July 2026. The study contact from DBSA was the Programme Manager, Stakeholder Relationships, while the contact from UDB was the Senior Manager, Corporate Affairs. The KII guide captured information across the following thematic areas:

- Strategic successes and institutional innovations
- Partnership models
- Digital and AI adoption
- Climate and green financing initiatives
- Social and economic impacts
- Institutional challenges
- Sustainability and scalability approaches
- Governance and operational frameworks

2.4 Data Analysis Technique

The collected responses were analysed using thematic qualitative analysis. The analysis process involved repeated review and familiarisation with the responses, coding of recurring concepts and institutional themes, categorisation of themes across institutions, comparative interpretation of institutional experiences, and synthesis of major findings. Key themes identified included: Strategic orientation of DFIs; Partnership dynamics; Digital transformation and AI adoption; Climate and green financing; Inclusive development; Institutional challenges; Sustainability and scalability; and Governance and leadership practices.

2.5 Validity and Reliability

To strengthen credibility and reliability, data were obtained directly from institutional representatives. Standardised instruments were used, and a consistent thematic framework guided the analysis. Cross-case comparisons were conducted to validate emerging patterns.

2.6 Ethical Considerations

The study adhered to principles of confidentiality, institutional integrity, and objective analysis. Information provided by respondents was used strictly for analytical and research purposes and interpreted within the context in which it was provided.

SECTION 3 — OVERVIEW OF THE DFIS

3. Overview of the DFIs

3.1 Development Bank of Southern Africa (DBSA)

The Development Bank of Southern Africa is a South African development finance institution focused primarily on infrastructure financing and sustainable development across Southern Africa and the broader African continent. DBSA has positioned itself as a major infrastructure and climate finance institution in Africa, with an increasing emphasis on private capital mobilisation and building regional development partnerships.

DBSA Strategic Priorities

- **Integrated Municipal Support:** Helping to stabilise and revitalise local municipalities and provinces through both financial interventions and infrastructure governance.
- **The Just Energy Transition:** Supporting South Africa's equitable, low-carbon transition through financing climate-resilient projects, accelerating renewable energy, and promoting green infrastructure
- **Critical Economic & Social Infrastructure:** Investing heavily in foundational sectors such as transport, energy, ICT, and water and sanitation to unlock wider economic growth and improve daily living conditions
- **Sustained Developmental Impact:** Prioritising projects that create jobs, reduce poverty, and promote socio-economic transformation, specifically targeting support for youth development, SMMEs, and black-owned businesses
- **Strategic Africa Lens:** Supporting regional integration by financing cross-border projects, expanding digital connectivity, and collaborating with global development financiers

3.2 Uganda Development Bank (UDB) Ltd

Uganda Development Bank Ltd is Ugandas' national development finance institution mandated to support Ugandas' socio-economic transformation agenda. The Bank aligns its operations with Ugandas' National Development Plan IV (NDP IV) and the national 10-Fold Growth Strategy. UDB increasingly operates using a transformative financing approach that combines financing, advisory support, project preparation, and enterprise development.

UDB Strategic Focus Areas

- Industrialisation
- Agro-industrialisation
- SME financing
- Infrastructure development
- Innovation and technology
- Climate finance
- Women and youth empowerment

SECTION 4 — HOW THE DFIS OPERATE

4. How the DFIs Operate

4.1 Development Bank of Southern Africa

DBSA operates using a partnership-driven and infrastructure-focused development finance model.

4.1.1 Strategic Partnerships

The institution relies heavily on strategic partnerships with organisations such as Agence Française de Développement, the African Development Bank Group, and the Green Climate Fund. These partnerships support co-financing arrangements, climate finance mobilisation, infrastructure investment, technical cooperation, and capital market innovation.

4.1.2 Blended Finance Model

DBSA employs blended finance mechanisms to de-risk investments and attract private sector participation in infrastructure and climate-related projects. This model has proven effective in mobilising capital that would not otherwise flow to high-development-impact but commercially marginal projects.

4.1.3 Digital Transformation

The Bank is implementing an Integrated Execution Engine aimed at strengthening governance, risk management, compliance systems, data analytics, and institutional resilience.

4.1.4 Capacity Support

DBSA increasingly combines financing with institutional capacity support, particularly for municipalities and public sector institutions.

4.2 Uganda Development Bank

UDB operates using a transformative and programmatic financing model.

4.2.1 Demand Generation Approach

The Bank has shifted from a conventional “demand capture” model to a “demand generation” model. Under this approach, UDB proactively identifies investment opportunities, structures bankable projects, creates investment pipelines, supports enterprise development, and crowds in private and development finance.

4.2.2 Programme-Based Financing

The Bank uses programmatic interventions targeting entire value chains and sectors rather than isolated projects. This approach amplifies development impact and enables systemic transformation.

4.2.3 Integrated Enterprise Support

UDB complements financing with business advisory services, incubation support, capacity building, technical assistance, and project preparation services.

4.2.4 AI and Digital Transformation

UDB has adopted AI-powered cybersecurity systems, data governance frameworks, AI risk management systems, and AI governance policies to strengthen institutional operations.

4.2.5 Green Financing Integration

Green financing is mainstreamed into the Bank's overall operations through its Climate Finance Facility and a broader climate-resilient investment strategy.

SECTION 5 — KEY INSTITUTIONAL EXAMPLES

5. Key Examples

5.1 DBSA — Climate Finance Facility (CFF)

DBSA's Climate Finance Facility (CFF), co-funded with the Green Climate Fund, represents one of its most impactful initiatives. The facility mobilises private capital, supports renewable energy projects, finances climate-resilient infrastructure, promotes energy efficiency, and uses blended finance to de-risk investments. The initiative demonstrates how DFIs can scale climate investments through strategic partnerships and innovative financing mechanisms.

CFF Key Features

- Co-funded with the Green Climate Fund
- Mobilises private capital for climate-resilient infrastructure
- Supports renewable energy and energy efficiency projects
- Uses blended finance to de-risk investments and attract the private sector
- Demonstrates scalable climate investment through partnerships

5.2 UDB — AgriConnect Digital Platform

UDB's AgriConnect platform is a digital lending solution designed for smallholder farmers and rural agricultural groups. The platform digitises loan applications, facilitates mobile wallet disbursement, improves financial inclusion, enhances transparency, and expands access to agricultural financing. The initiative demonstrates the critical role of technology in expanding outreach and supporting inclusive agricultural transformation.

AgriConnect Key Features

- Digital lending tailored for smallholder farmers and rural groups
- Digitises loan applications end-to-end
- Mobile wallet disbursement for last-mile access
- Enhances financial inclusion and transparency
- Expands agricultural financing reach across underserved communities

SECTION 6 — QUALITATIVE ANALYSIS OF THE RESPONSES

6. Qualitative Analysis of the Responses

6.1 Development Bank of Southern Africa (DBSA)

DBSA's responses reflect a strong developmental orientation grounded in its role as an infrastructure and climate finance institution. The Bank positions itself not merely as a financier but as a catalyst for economic transformation, industrialisation, and sustainable development, reflected in its Just Energy Transition and Critical Economic & Social Infrastructure priorities and its broader shift toward blended, catalytic finance models over purely transactional lending.

Partnership dynamics.

DBSA relies heavily on strategic partnerships with institutions such as Agence Française de Développement, the African Development Bank Group, and the Green Climate Fund. These relationships are valued for the long-term institutional trust, technical cooperation, and risk-sharing arrangements they provide, and they underpin co-financing for infrastructure investment and climate finance mobilisation.

Digital transformation and AI adoption.

DBSA is implementing an Integrated Execution Engine aimed at strengthening governance, risk management, compliance systems, and data analytics. Notably, the Bank had to address skills shortages and change-management requirements before embarking on this initiative — an indication that, at DBSA, digital transformation remains governance-centred and still in a relatively early, capacity-building stage rather than fully transformational.

Climate and green financing.

Climate finance is mainstreamed into DBSA's core operations through its Climate Finance Facility (CFF), co-funded with the Green Climate Fund. The CFF mobilises private capital, supports renewable energy and energy-efficiency projects, and uses blended finance to de-risk climate-resilient infrastructure investment — positioning DBSA as a climate transition institution rather than a specialised climate lender.

Development impact and inclusivity.

DBSA channels inclusive development impact primarily through infrastructure investment — transport, energy, ICT, water and sanitation — framed as a development multiplier for productivity and industrialisation, alongside targeted support for youth development, SMMEs, and black-owned businesses, and continued emphasis on stabilising and revitalising municipalities.

Institutional challenges, sustainability, and governance.

DBSA's experience with its Integrated Execution Engine illustrates a broader institutional challenge: scalability depends as much on institutional capacity — skills, legacy systems, data quality — as on capital availability. Governance and leadership are framed as central to institutional credibility, with an emphasis on transparency, risk management, monitoring systems, and strategic (rather than purely administrative) leadership.

6.2 Uganda Development Bank (UDB)

UDB's responses reveal a proactive, transformative developmental philosophy, most clearly illustrated by the Bank's transition from a “demand capture” model to a “demand generation” model. Under this approach, UDB actively shapes markets and investment opportunities — structuring bankable projects and building investment pipelines — rather than passively responding to loan applications, in line with its mandate to support Uganda's National Development Plan IV and 10-Fold Growth Strategy.

Partnership dynamics.

UDB complements financing with business advisory services, incubation support, capacity building, technical assistance, and project preparation — an integrated enterprise-support model that depends on technical cooperation and concessional financing relationships with multilateral and bilateral partners.

Digital transformation and AI adoption.

UDB has adopted AI-powered cybersecurity systems, data governance frameworks, AI risk-management systems, and AI governance policies to strengthen institutional operations. As with DBSA, this suggests that AI adoption at UDB remains focused on governance, risk, and institutional resilience rather than being embedded directly in lending or credit-decisioning processes.

Climate and green financing.

Green financing is mainstreamed into UDB's operations through its own Climate Finance Facility and a broader climate-resilient investment strategy. The Bank's AgriConnect digital lending platform — which digitises loan applications and enables mobile wallet disbursement for smallholder farmers — further demonstrates how digital tools are being used to expand climate-conscious agricultural financing alongside financial inclusion.

Development impact and inclusivity.

UDB's strategic focus areas — industrialisation, agro-industrialisation, SME financing, infrastructure development, and women and youth empowerment — position the Bank as a driver of inclusive development. AgriConnect in particular expands financial inclusion and access to agricultural financing for underserved rural and smallholder communities.

Institutional challenges, sustainability, and governance.

UDB's preference for programme-based, value-chain financing over fragmented project financing reflects a view that sustainable scale depends on strong governance, institutional capacity, technical expertise, and project-preparation capability. Governance and leadership are similarly framed as strategic coordination and ecosystem leadership rather than administrative oversight alone.

6.3 Cross-Cutting Analysis: Similarities Between the Institutions

The DBSA and UDB responses point to a set of shared patterns that characterise how African DFIs are evolving. These cross-cutting similarities are summarised below.

- **Developmental orientation:** both institutions position themselves as catalysts for economic transformation and industrialisation, shifting away from purely transactional lending toward catalytic and transformational finance models — DBSA through blended finance and infrastructure investment, UDB through its shift from “demand capture” to “demand generation.”
- **Partnerships as strategic enablers:** both rely on long-term institutional trust, policy alignment, shared developmental objectives, technical cooperation, governance clarity, and risk-sharing arrangements, with heavy reliance on multilateral and bilateral partners for concessional financing and technical support.
- **Digital and AI adoption remains governance-centred:** both DFIs are adopting digital and AI-driven systems primarily for risk management, governance, cybersecurity, and data

management, rather than fully transformational, customer-facing applications — AI adoption at both institutions remains relatively early-stage.

- Climate finance mainstreamed: both institutions have established dedicated climate finance facilities, green investment frameworks, and climate-resilient financing programmes, increasingly viewing themselves as climate transition institutions supporting adaptation, mitigation, and sustainable infrastructure.
- Shared commitment to inclusive development: both demonstrate strong commitment to inclusive growth through SME financing, job creation, rural development, youth and women empowerment, and infrastructure access, with infrastructure investment consistently framed as a development multiplier.
- Preference for programmatic financing: both favour programmatic and value-chain financing models over fragmented, project-based interventions, with scalability depending on governance systems, institutional capacity, technical expertise, and effective stakeholder coordination.
- Governance and leadership as a shared pillar: both DFIs treat governance — transparency, accountability, risk management, monitoring systems, and institutional discipline — as central to credibility, and frame leadership as strategic coordination rather than administrative oversight alone.
- Common institutional challenges: both face procurement bottlenecks, macroeconomic volatility, climate-related risk, and long project-preparation cycles, underscoring the need for patient capital, greater access to concessional financing, and continued institutional strengthening.

Key Institutional Barriers Identified (Shared by Both Institutions)

- Data quality challenges
- Regulatory uncertainty

SECTION 7 — KEY INSIGHTS

7. Key Insights

The study generated seven major insights regarding the evolving role of African DFIs:

- 01** African DFIs are increasingly transitioning from traditional lenders to transformational development institutions, shaping markets rather than merely serving them.
- 02** Strategic partnerships remain central to successful development financing and climate investment mobilisation. Trust, policy alignment, and shared objectives are critical.
- 03** Climate finance is becoming integrated into core DFI operations rather than remaining a specialised function. African DFIs are positioning themselves as climate transition institutions.
- 04** Digital transformation efforts are currently focused more on governance, cybersecurity, and institutional resilience than on advanced AI-driven lending systems.
- 05** Financing alone is insufficient for sustainable development outcomes. Integrated support services — advisory, capacity building, and project preparation — are increasingly necessary.
- 06** Programme-based and value-chain financing approaches generate stronger developmental impact than fragmented project financing.
- 07** Institutional capacity, governance quality, and project preparation capability are critical determinants of scalability and sustainability.

SECTION 8 — CONCLUSION

8.1 Conclusion

The case studies and qualitative analysis demonstrate that African Development Finance Institutions are undergoing substantial institutional evolution in response to emerging economic, social, technological, and climate-related challenges. Both the Development Bank of Southern Africa and Uganda Development Bank illustrate how African DFIs are increasingly adopting catalytic, climate-conscious, partnership-driven, and innovation-oriented development finance models.

Characteristics of Successful DFIs

- Strong governance systems grounded in transparency and accountability
- Clear strategy and mandates aligned to national development goals
- Integrated financing approaches that combine capital with advisory and capacity support
- Strategic partnerships built on trust, shared objectives, and risk-sharing
- Climate finance integration as a core institutional function
- Digital transformation focused on governance and resilience
- Institutional learning and knowledge sharing as continuous practices
- Long-term developmental orientation over short-term commercial returns

At the same time, persistent challenges relating to institutional capacity, regulatory environments, project preparation, and macroeconomic vulnerability continue to constrain implementation and scale. Addressing these will require coordinated effort across the DFI community, governments, and development partners.

The study highlights the growing importance of African DFIs as central actors in promoting sustainable infrastructure development, climate resilience, industrial transformation, and inclusive economic growth across the continent. The lessons from this study offer a valuable foundation for peer learning and strategic improvement across AADFI's broader membership.

8.2 Recommendations

Based on the institution-specific and cross-cutting findings above, the following recommendations are proposed to strengthen the developmental effectiveness of DBSA, UDB, and comparable African DFIs:

- Advance digital and AI adoption beyond governance functions: build on the governance- and risk-focused foundations already in place at both DBSA and UDB to extend digital and AI capabilities into credit decisioning, portfolio monitoring, and customer-facing services, thereby unlocking greater efficiency and reach.
- Invest in project preparation capacity: expand dedicated project-preparation facilities and technical assistance to convert development concepts into bankable investments more quickly, particularly for climate and green financing pipelines where preparation capacity remains a persistent constraint in most African DFIs.

- Address shared institutional barriers proactively: implement targeted capacity-building programmes, phased technology modernisation, and data-quality improvement initiatives to address the skills shortages, legacy systems, and institutional readiness gaps identified as common constraints.
- Deepen concessional and blended-finance partnerships: pursue expanded collaboration with multilateral and bilateral partners to increase access to patient, concessional capital, particularly for climate-resilient infrastructure and other high-development-impact but commercially marginal projects.
- Strengthen governance as a foundation for scale: continue reinforcing transparency, accountability, and risk-management systems, recognising governance quality as a precondition — not merely a complement — to sustainable institutional growth and donor confidence.

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