



southern african  
development community  
development finance  
resource center

**Annual Report**

**2012**





Southern African Development Community  
Development Finance Resource Centre

ANNUAL REPORT 2012

TABLE OF CONTENTS

Corporate Profile	5
• <i>Mandate</i>	
• <i>Focal Areas</i>	
• <i>Approach</i>	
• <i>Financing of activities</i>	
Abbreviations	6
Board of Trustees	7
Executive Secretary's Foreword	8 - 9
Chairman's Report	10 - 12
Management	13
SADC - DFRC Organogram and Staff	14
CEO's Report	15 - 17
Programmes Report	18 - 28
Audited Financial Statements	29 - 53
SADC DFI Network Members	54





## VISION

*To be a centre of excellence that efficiently and pro-actively facilitates development finance solutions for the SADC region.*

## MISSION

*To provide capacity building, policy research and advisory services in development finance to SADC development finance institutions and Governments, thereby contributing to SADC's goals of economic growth and sustainable development.*

## GOVERNANCE STRUCTURE

- *Shareholders: SADC-DFI Network Members.*
- *Chairman of the Board of Trustees: Mr Vinson Hailulu, Chief Executive Officer, National Housing Enterprise, Namibia.*
- *Board of Trustees: Eight members, appointed for a two-year term.*
- *Chief Executive Officer: Mr Stuart Kufeni.*

## MANDATE

The SADC-DFRC is a subsidiary institution of SADC under the SADC Finance and Investment Protocol (the FIP) collectively 'owned' by the SADC-DFI Network with a current membership of thirty national DFIs. Through technical and capacity building support, as well as policy research and advisory services, the mandate of the DFRC is to promote the effective mobilisation of resources by the financial sector, in particular the DFIs, for investment in key areas with the potential to stimulate growth, generate employment and alleviate poverty, in line with the objectives of SADC under the Regional Indicative Strategic Development Plan (RISDP).



## CORPORATE PROFILE

### FOCAL AREAS

The 2009 – 2014 Strategic Plan of the DFRC places emphasis on the following activity areas and sectors:

#### Capacity Building

- Training
- Support to Small and Medium Enterprise (SME) Programmes
- Support to PPP/Infrastructure Programmes
- Other Human Resource Development Services

#### Policy Research and Advisory Services

- Policy, Regulatory and Supervisory Environment
- Enabling Environment for SME and Infrastructure Development
- Advisory Services

#### Sectoral Focus

- Small and Medium-sized Enterprise Development
- Infrastructure Development

#### Approach

The DFRC is a lean organisation manned by a small group of professionals in the strategic areas. Thus, to effectively deliver on its mandate, the DFRC has adopted a collaborative approach which involves utilisation of strategic partners in its focal areas. In this regard, the DFRC operates as facilitator and catalyst to DFIs, SADC governments and other key development stakeholders.

### Financing of Activities

The DFI Network members fund the administrative budget of the DFRC through contributions on the basis of an agreed formula while donor sources largely provide funding for DFRC's programme activities in the areas of capacity building, policy research and advisory services, and PPPs. Additional sources of funding are in the form of internally generated income from DFRC services to non-member organisations and other stakeholders.

### Reporting Structures

The SADC DFI Sub-Committee, comprising all national DFIs in SADC member countries is a sub-committee of the SADC Committee of Ministers responsible for Finance and Investment, but reports to them through the Committee of Senior Treasury Officials (STOs) of SADC. In turn, the Committee of Ministers reports to the SADC Council of Ministers through the Integrated Committee of Ministers.

The DFI Network consists of DFIs, all members of the DFI Sub-Committee, but have, through a Memorandum of Understanding, the responsibility for the overall supervision of the operations and funding of the administrative budget of the DFRC. Supervision of the DFRC is through a Board of Trustees appointed by the Network which reports to it biannually.

The DFRC has a functional relationship with the SADC Secretariat, and works through the Secretariat's Directorate for Trade, Industry, Finance and Investment (TIFI), while operational links exist with the other directorates of the SADC Secretariat.

## ABBREVIATIONS

<b>AADFI</b>	Association of African Development Finance Institutions
<b>ADI</b>	African Development Institute
<b>AFDB</b>	African Development Bank
<b>BEDCO</b>	Basotho Enterprise Development Corporation
<b>CEO</b>	Chief Executive Officer
<b>COMFI</b>	Committee of Ministers responsible for Finance and Investment of SADC
<b>DBSA</b>	Development Bank of Southern Africa
<b>DFI</b>	Development Finance Institution
<b>DFRC</b>	Development Finance Resource Centre
<b>EDF</b>	European Development Fund
<b>EU</b>	European Union
<b>FIP</b>	Finance Investment Protocol
<b>Gapi-SI</b>	Gapi-Sociedade de Investimentos (Gapi-SI)
<b>GIZ</b>	German Development Agency
<b>IDC</b>	Industrial Development Corporation
<b>IoD</b>	Institute of Directors
<b>LNDC</b>	Lesotho National Development Corporation
<b>PPDF</b>	Project Preparation and Development Fund
<b>PPIAF</b>	Public Private Infrastructure Advisory Facility
<b>PPPs</b>	Public-Private Partnerships
<b>PSGRS</b>	Prudential Standards and Guidelines Rating System
<b>RISDP</b>	Regional Indicative Strategic Development Plan
<b>RSA</b>	Republic of South Africa
<b>RTAF</b>	Regional Technical Assistance Facility
<b>SADC</b>	Southern African Development Community
<b>SADC DFRC</b>	SADC Development Finance Resource Centre
<b>SOE</b>	State Owned Enterprise
<b>SMEs</b>	Small and Medium Scale Enterprises
<b>SIDO</b>	Small Industries Development Organisation
<b>STO</b>	Senior Treasury Officials of SADC
<b>TIFI</b>	Trade, Industry, Finance and Investment Directorate of SADC
<b>Var</b>	Value at Risk
<b>WBI</b>	World Bank Institute
<b>UNOPS</b>	United Nations Office for Project Services
<b>UK</b>	United Kingdom
<b>US</b>	United States



## BOARD OF TRUSTEES

The Board of Trustees provides leadership and oversight to the DFRC and ensures good corporate governance. It approves all policies of the DFRC and ensures sound financial management of the institution. The Board interacts directly with the DFI Network and with the policy levels of SADC Governments.



**Mr Vinson Hailulu**  
*Chief Executive Officer*  
*National Housing Enterprise - Namibia*  
 Trustee since November 2010  
 Chair since December 2011



**Mr Charles Chikaura**  
*Chief Executive Officer*  
*Infrastructure Development Bank of Zimbabwe*  
 Trustee since December 2011  
 Deputy Chair since December 2011



**Mr Gideon Nasari**  
*Managing Director*  
*National Development Corporation - Tanzania*  
 Trustee since November 2010



**Dr Vincent Mhlanga**  
*Managing Director*  
*Swaziland Industrial Development Corporation*  
 Trustee since June 2011



**Mr Phakamani Hadebe**  
*Chief Executive Officer*  
*Land and Agricultural Bank, RSA*  
 Trustee since December 2011



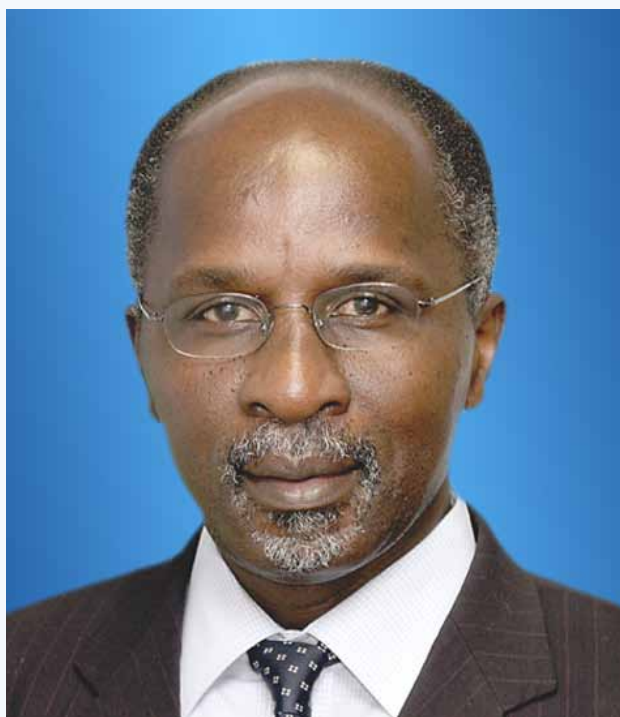
**Dr Abraham Mwenda**  
*Managing Director*  
*Development Bank of Zambia*  
 Trustee since December 2011



**Ms Boitumelo Gofhamodimo**  
*Director, SADC TIFI Directorate*  
*(Ex-officio member)*  
 Trustee since May 2010



**Mr Francisco Antonio Souto**  
*Chief Executive Officer -*  
*Sociedade de Investimentos,*  
*Chair of the DFI Subcommittee*  
*(Ex-Officio Member)*  
 Trustee since November 2010



*Dr Tomaz Augusto Salomão*  
*Executive Secretary of SADC*

I have the pleasure of  
introducing the Annual Report  
of the SADC Development  
Finance Resource Centre for  
2011/12.

## EXECUTIVE SECRETARY'S FOREWORD

The SADC DFRC has continued to play a catalytic role in identifying and addressing capacity needs of the SADC DFI Network, whilst also fulfilling its advisory mandate both to the network and other development stakeholders in Southern Africa. The last year has shown continuing growth and maturity of the SADC Development Finance Institutions Network as a cooperative forum. This is taking place against the backdrop of a gradually transforming development finance system.

It is important to note that the development finance landscape of the SADC region is going through changes, thus necessitating a closer scrutiny of the existing institutional structures. In the past year, Ministers responsible for Finance and Investment expressed an urgent need to establish the SADC Regional Development Fund. Towards that end the SADC DFRC in collaboration with the SADC Secretariat have been working towards the operationalisation of the Fund. The Fund will undoubtedly bring about a new dimension to development finance and in particular resource mobilisation for projects in the region, a space which DFIs must also occupy.

In this respect, the relationship between the DFIs and the Fund would have to be improved with the objective of ensuring complementarity and efficient allocation of resources. This would also have to take cognisance of the decision by the Ministers responsible for the Finance and Investment at their October 2011 meeting in Mauritius, to review the terms of reference for all structures responsible for implementation of the various provisions of the Finance and Investment Protocol to ensure that they act in concert and effectively towards the realization of the objectives of the protocol.

It is therefore gratifying to note that the DFI Network has been discussing these matters and that, at their annual meeting in Maputo, Mozambique in December 2011, the



Network had the opportunity to discuss the role of the DFIs in the context of the Protocol on Finance and Investment (FIP) implementation and to prioritise areas of intervention for the Network. The network reaffirmed the role of DFIs and identified areas of cooperation in regional development projects through pooling of funds, project identification and management as its priority areas. The huge infrastructure investment gap as highlighted in the Regional Infrastructure Development Master Plan, coupled with the pent up demand for funding to support small and medium sized enterprises in various sectors of our member states economies, only serves to underscore the critical importance of an efficient and effective development finance system.

Under these circumstances, the Network is expected to act not only as a reservoir of expertise on development finance but also to provide technical advice on appropriate strategies to facilitate the growth of a strong, viable and sustainable development finance system relevant to the needs of the region. This system should be able to mobilise financial resources from the private sector, regional and non-regional governments, development finance institutions, multilateral institutions and other stakeholders to support the development agenda of the SADC region and its member states.

With regard to private sector participation in investment, the SADC Secretariat recognises the commendable effort by the DFI Network, through the DFRC, in setting up the network of public-private partnership (PPP) practitioners. This is seen as a vehicle for infrastructure development, and strengthening the capacity of the public sector to engage in PPP through development of requisite skills and establishment of an enabling policy, regulatory and legal environment. The prevailing substantial regional infrastructure needs, viewed against the paucity of national public resources, and the post-global financial crisis uncertainties associated with official development assistance flows, makes PPP an imperative.

I commend the DFRC for the instrumental role that they continue to play in promoting the regional development finance agenda, by strengthening the national development finance institutions, developing regional and national institutions, promoting best practices and contributing to and advising on policy and institutional matters of regional interest.

A handwritten signature in black ink, appearing to read 'Tomaz A. Salomão', written over a horizontal line.

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**Dr Tomaz A. Salomão**  
**EXECUTIVE SECRETARY**



**Mr Vinson Hailulu**  
*Chairman  
Board of Trustees*

It is my honour and privilege  
to present the Annual Report  
of the Development Finance  
Resource Centre for the  
financial year 2011/12.

## CHAIRPERSON'S REPORT

The DFRC has continued to grow in stature as a capacity building and policy and advisory centre for development finance within the region. I am pleased to note that the increase in training activities has primarily been institution focused in line with the fiveyear strategic plan objective that places emphasis on tailor-made interventions to address individual institutions skills needs. With regard to policy and advisory services, it is noteworthy that the DFRC has actively supported on-going work on the operationalisation of the SADC Regional Development Fund among other areas pertaining to development finance, both at regional and country levels.

At the biennial meeting of the Network in Maputo, Mozambique, in December 2011, the DFIs held a forum for CEOs to discuss the role of the DFIs and the DFI Network, as mandated under the SADC Protocol on Finance and Investment (FIP). It was observed that while the network has made significant progress in capacity building, it has lagged behind on the critical role of resource mobilisation for project finance in the region. Only a handful of DFIs with regional mandates have been able to do so.

A number of factors were highlighted as contributing to the poor performance by DFIs in this area, chief among these being the lack of regional mandates and enabling legislation. Consequently, in addition to capacity building, the DFIs agreed to priorities cooperation in regional development projects through pooling of funds, project identification and management and establishment of regional PPP policy, legal and institutional frameworks.

At their meeting in March 2012, the Board observed that, on regional matters relating to development finance policy and institutional arrangements, the DFRC has largely been reactive to initiatives from the SADC Secretariat. It was resolved that the DFRC had to take



a more proactive role as mandated under the FIP. The Board therefore directed management to develop a strategic paper to articulate a more proactive stance on issues of regional cooperation, especially with respect to the emerging regional development finance structure and institutions, and the role that the DFIs could play in it. The paper to be discussed at a special Board meeting would form the basis for a DFI Network position.

Regarding the development finance structures coming up in the region, it is important that the role of the DFIs and the network be closely interrogated particularly in relation to such institutions as the Regional Development Fund (RDF) and a Regional Development Bank. It is imperative that these relationships are clarified to avoid duplication of resources and ensure complementarity within the emerging SADC development finance system. In this respect, it is necessary that while work on the RDF is ongoing that the option of a Regional Development Bank be also examined with the objective to accelerate the adoption and implementation of the Bank should it be adjudged to be more beneficial to the region at this juncture.

It is critical that the DFRC is alive to these issues and provides the requisite leadership and advisory services to stakeholders, including the SADC Secretariat. In recognition of this, the DFRC is anticipated to escalate overtime its activities in the policy research and advisory services field in response to the changing development finance environment of the region.

To keep its finger on the pulse of stakeholder needs and expectations, it is crucial that the DFRC regularly engages with and builds strong relationships with key stakeholders. I am therefore pleased to see that cooperation between the DFRC and the SADC Secretariat and, in particular the Trade Industry Finance and Investment (TIFI) Directorate, is growing with each year as attested by the collaboration on the RDF and other areas. I am also glad our enduring partnership with the German Development Agency (GIZ), World Bank Institute (WBI), African Capacity Building Foundation (ACBF), the National Treasury of South Africa and the Development Bank of Southern Africa (DBSA) has born fruit with the establishment of the SADC PPP Network

secretariat which is being hosted by the DFRC in the interim. The DFRC will continue to build new as well as strengthen existing relationships with stakeholders to advance its regional mandate.

As in past years, this year the DFRC presented unqualified financial statements audited by Ernst and Young Botswana. We also welcome the auditor's opinion that the DFRC has the ability to continue as a going concern. The DFRC recorded a surplus of \$1,059 for the year and a surplus of \$636,244 on an accumulated basis while total assets rose by 12% to \$1,092,542 over the year.

Partly due to the post - global financial crisis fallout, donor support for the DFRC programmes has declined. This has been foreseen for a while and calls for pre-emptive measures to head off these negative trends and underpin the long-term financial viability of the DFRC. Under the circumstances, recourse to own sources of funding would be unavoidable, and this would require additional resources from DFIs while the DFRC steps up its fee paying activities particularly from non-members as well as intensifying its recruitment of new members to the network. The Board has identified these as key strategic activities to be pursued by Management in tandem with its ongoing efforts to raise resources from cooperating partners.

During the year, at the November meeting of the DFI Subcommittee in Maputo, Mozambique, three new members were appointed to the DFRC Board of Trustees namely, Mr Phakamani Hadebe, Chief Executive Officer of Land Bank, South Africa; Mr Charles Chikaura, Chief Executive Officer of the Infrastructure Development Bank of Zimbabwe; and Dr Abraham Mwenda, Chief Executive Officer of the Development Bank of Zambia. Mr Francisco A Souto, Chief Executive Officer of Sociedade de Investimentos, who took over from Mr Hurrydeo Bissessur, Acting Chief Executive Officer, Development Bank of Mauritius, as the Chairperson of the DFI Subcommittee, became the fourth new member and he will sit on the Board in an ex officio capacity. I would like to welcome these members to the Board and I look forward to working with them and their active participation on the Board during the tenure of my chairmanship.

At the same time, we also bade farewell to some members whose tenure on the Board had come to an end. These were, Ms Maria Nthebolan, Chief Executive of the Botswana Development Corporation and outgoing Chairperson of the Board; Ms Neo Mokhesi, Divisional Executive - Marketing and Corporate Affairs, Industrial Development Corporation of South Africa and outgoing Deputy Chair of the Board; and Mr Hurreydeo Bissessur, the outgoing Chairperson of the DFI Subcommittee. On behalf of the Board I would like to extend our sincere gratitude for their support and contributions while on the Board and to wish them all the best for the future.

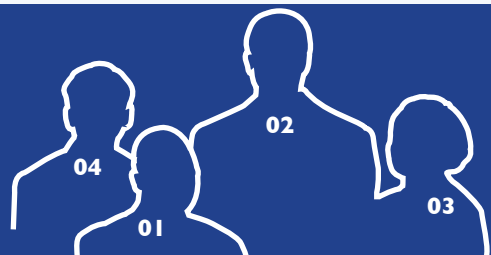
In conclusion, I would like to thank my fellow Board members for their invaluable commitment to the DFRC and to our DFI Network. Let me also thank Management and the staff of the DFRC for achieving so much in spite of various institutional and financial constraints. Their positive approach to work and aptitude are a great asset to the DFRC and the Network .



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**Vinson Hailulu**  
**CHAIRMAN**  
**BOARD OF TRUSTEES**



## MANAGEMENT



01

**Mr Stuart Kufeni**  
*Chief Executive Officer*

02

**Dr Herrick Mpuku**  
*Manager - Programmes*

03

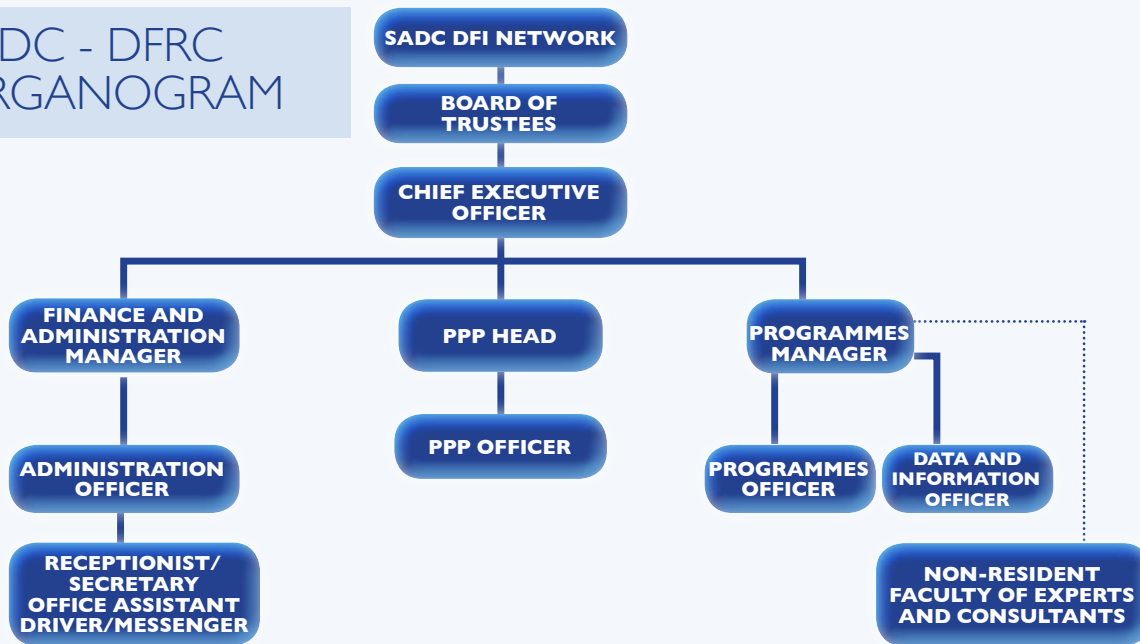
**Ms Vero Kgakge**  
*Manager - Finance and Administration*

04

**Mr Devan Kogan Pillay**  
*PPP Head*



## SADC - DFRC ORGANOGRAM



## STAFF





**Mr Stuart Kufeni**  
*Chief Executive Officer*

The past year has seen the DFRC experience further growth in its capacity building activities while continuing to actively render technical and advisory support towards initiatives to establish new development finance structures in the SADC region.

## CHIEF EXECUTIVE OFFICER'S REPORT

During the year under review, the DFRC conducted eighteen courses and workshops in total and this compares with fifteen in the previous year, a growth of 17%. Of the eighteen, it is important to note that three of them or 16% of the total was conducted at the initiative of individual DFI members to address specific capacity gaps in their respective organisations. This is a departure from past trends where the focus was on generic courses.

It is quite evident that the focus on country clusters and individual DFI training requirements, a key deliverable under the current strategic plan, coupled with the accent on co-funding of training programmes together with member DFIs, is beginning to pay dividends. The uptrend in courses conducted by the DFRC this year attests to this. It is pleasing to observe that this positive development has been attained notwithstanding adverse trends in donor funding, a fallout of the global financial crisis.

Overtime, therefore, we anticipate DFRC's recourse to donor resources for programming to decline. Hence the strategic shift towards own-funding in the form of internally-generated income through cost recovery for services rendered particularly to non-members and through budgetary support by DFIs of targeted programmes. This is an important strategic initiative and it augurs well with the objective of the long-term financial sustainability of the DFRC.

Going by the number of requests to the DFRC, the demand for tailor-made courses geared to meet specific individual DFI training needs is gaining momentum among network members. This is attributable to a number of factors among these the growing recognition of the DFRC as a key player in capacity building for development finance institutions. As a result, DFIs are

increasingly deferring to the DFRC for training requirements in such areas as project management, corporate governance, risk management and bad loan management, to mention a few.

To meet the growing demand for its services it is incumbent on the DFRC to remain cost-effective and relevant. This invariably requires that the DFRC step up its efforts to build a diverse cadre of highly qualified resource persons and experts; strengthen technical partnerships with reputable capacity building institutions, knowledge centres and cooperating partners; and undertake regular consultations with the member DFIs and other development agencies on their capacity building needs. Hence these are key tenets of the DFRC's strategic plan which seeks to make it a port of first call on development finance issues in the region.

In addition, it is also important that the DFRC's courses receive wider recognition within and outside the region. To this end, the DFRC has in the past worked closely with reputable partners including universities, business schools and multilateral organisations. The DFRC will go a step further in the coming year to have its major courses accredited initially through a select number of recognised authorities in the region. Eventually, overtime the objective is for the DFRC to become an accrediting centre in its own right. At the same time the DFRC will undertake a study to assess the impact of its courses over the past five years or so. We look forward to the results of the study as this should assist the DFRC refocus and revise its course offering and remain relevant to the skills needs of its stakeholders and the region.

The support of our cooperating partners in providing financial and technical support to the DFRC programmes is greatly appreciated. In particular, the German Development Agency (GIZ), the World Bank Institute (WBI), the African Capacity Building Foundation (ACBF), the National Treasury of South Africa and the Development Bank of Southern Africa (DBSA), played a crucial role resulting in the establishment of the SADC PPP Network at the DFRC as the host.

Since the inauguration of the PPP Network in February 2011, and the subsequent approval of a business plan by the network Steering Committee, several PPP courses and workshops have been undertaken by the Network. PPP has

been recognised by SADC governments as an indispensable investment vehicle critical to addressing the region's economic and social infrastructure gaps. In this respect, promoting awareness and building capacity in the public sector on PPP has become an imperative. Thus, the appointment of a PPP Expert and Head of PPP Network onto the DFRC staff in April 2012 is anticipated to result in more structured PPP - related activities that would benefit SADC member states and the region tremendously.

Technical assistance and secondments are crucial for on the job training and practical transfer of skills. However, unavailability of resources has remained a major hurdle in achieving significant results in this area in the past. This has been partly due to the fact that by their nature programmes in this area take longer and therefore normally require more resources than short term courses. The establishment of the Regional Technical Assistance Facility (RTAF) has gone some way to stimulate activity in this area, albeit in a small way considering the high demand for such services. To date, three DFIs have benefited from the RTAF through deployment of six experts, two to each DFI, for periods of six months. The DFRC and its partners, DBSA and the United Nations Office for Project Services (UNOPS), have intensified efforts to further resource the RTAF. In this respect some major cooperating partners, including the African Development Bank (AfDB), Japanese International Cooperation Agency (JICA) and ACBF, have been approached for assistance.

With a larger capital base it should be possible to extend the outreach of the Technical Assistance Facility to more DFIs. Further, to leverage these funds to benefit a wider spectrum of institutions, it is crucial that beneficiary DFIs also play a role by providing support to the seconded experts through the provision of accommodation, transport and essential utilities during the tenure of the contracts. Conversely, in the case of seconding DFIs, where they have the capacity to meet some of these costs, they would be encouraged to do so. To facilitate these efforts, the DFRC will undertake regular surveys to assess demand and availability of opportunities for technical assistance and secondments among the DFIs. The support of member DFIs in this respect cannot be overemphasised for discernible results to be achieved.



The DFRC has continued to work closely with the SADC Secretariat on the operationalisation of the SADC Regional Development Fund, in particular issues relating to shareholding, capitalisation and legal status, among others. At the December DFI CEOs Forum in Maputo, the DFI Network had the opportunity to revisit its role under the SADC Finance and Investment Protocol, more specifically its resource mobilisation mandate to finance cross – border and regional projects. It was concluded that very little had taken place in this sphere and as a result the DFIs prioritised resource mobilisation as a key deliverable for the network under the FIP framework. The RDF comes into this same space with DFIs and thus bringing to the fore the issue of complementarity and clear roles among the different structures of the SADC development finance system. Specifically, what would be the role of national DFIs and the DFI Network vis-à-vis the Regional Development Fund?

The DFRC sees the mandate of the RDF, incorporating the Project Preparation and Development Facility (PPDF), being primarily resource mobilisation for regional infrastructure projects. While national DFIs, particularly the large ones, with regional mandates could complement the RDF in resource mobilisation, the majority of the DFIs would undoubtedly, for some time, remain insular in their approach, focusing more on local projects as mandated. Lack of capital resources, coupled with lack of enabling legal environments, only serve to buttress the inward looking role of national DFIs. However, with regional integration, the regionalisation of national DFI mandates to enable them to undertake cross-border investments is unavoidable.

It is important that these issues are adequately addressed within the transforming development finance space of SADC to ensure effective mobilisation of resources for projects in key enabling sectors such as infrastructure and SMEs. In this regard, the DFRC will continue to render support to the SADC Secretariat on important policy, institutional and regulatory discourse pertaining to development finance and advise stakeholders appropriately.

Regarding capacity building, the coming year should see the DFRC continue to build on its past successes and consolidate its growing reputation in the region. Its programme offer will largely be demand-driven reflecting mainly the individual training needs of our primary stakeholders, the member DFIs, and extended to governments and state-owned enterprises. Generic courses will be undertaken by the DFRC but with reducing emphasis. Efforts will also be made to ensure that some flagship courses such as project management, corporate governance and risk analysis that are a common component of our yearly programme calendar are accredited.

Handwritten signature of Stuart Kufeni

**Stuart Kufeni**  
**CHIEF EXECUTIVE OFFICER**

## PROGRAMMES REPORT

### Introduction

Financial year 2011/2012 has passed with significant progress recorded in the various activity areas of DFRC which include training and development programmes, technical assistance, secondments and attachments as well as policy research and advisory services. These have resulted in a further strengthening of the skills base of development finance institutions and some government departments as well as several state-owned enterprises. On the policy and advisory side, in particular, participation by DFRC in the feasibility study for the establishment of and subsequently the operationalisation of a SADC Regional Development Fund, saw the DFRC make a major contribution to the emerging architecture of the SADC development finance system. Specific activities of the DFRC are covered in detail in the following sections.



Delegates to the Corporate Governance Workshop for DFIs at Protea Hotel Waterfront, Centurion, South Africa, May 2012

### Training and Development Programmes

The DFRC has realized a growth of 6% in the number of training programmes held during the period under review. Chart 1 below provides a summary of the growth of overall programmes in terms of number of courses and participants since 2003/2004. Over 455 staff, from Network DFIs and others DFIs, went through 18 capacity building programmes in the course of the year, compared to 437 participants and 17 programmes in the previous year, 2010/11.

**Chart 1: Number of courses and participants per year**

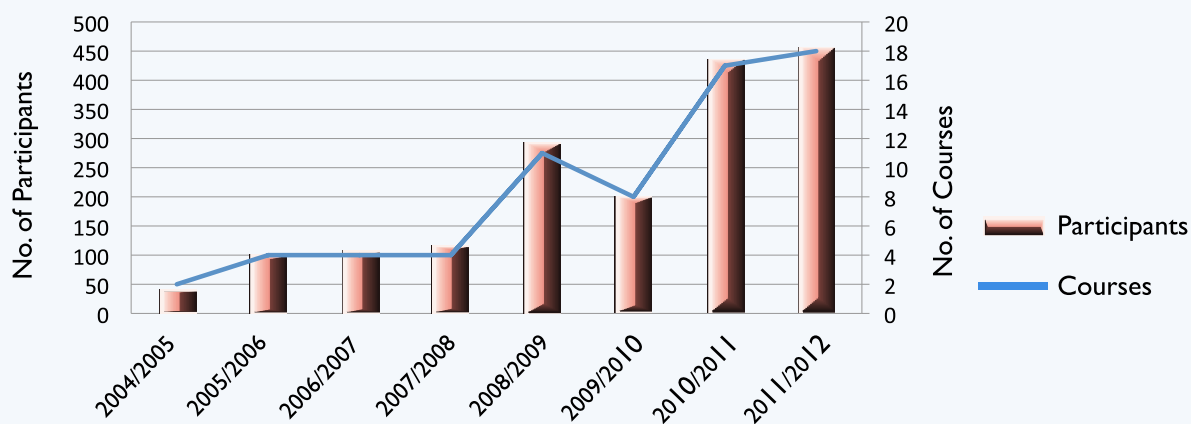




Table 1 below shows a more summary of the training and development programmes that have been undertaken in the financial year 2011/12, covering timing of the programme, sponsors and partners and levels of participation over the one year.

PROGRAMMES	COOPERATING PARTNER/ SPONSOR	VENUE	DURATION	ATTENDANCE	ACTIVITY DATES
<b>DFRC REGIONAL TRAINING PROGRAMMES</b>				<b>Overall</b>	<b>APR - MAR</b>
Project Finance and Financial Modelling	EU/SADC	South Africa	6 Days	31	4th - 9th Jul 2011
SADC Heads of PPP Units	GIZ/ WBI	South Africa	3 Days	17	22nd- 24th Aug 2011
Peer Review - Prudential Standard and Guidelines rating Systems (PSGRS)	IDC	South Africa	2 Days	21	8th-9th Sep 2011
Corporate Governance for DFIs	FINCORP - SWAZILAND	Swaziland	3 Days	15	28th - 30th Sep 2011
Corporate Governance for State-Owned Entreprises	INSTITUTE OF DIRECTORS ZAMBIA	Zambia	3 Days	36	3rd -5th Oct 2011
Assets and Liabilities Management	EU/SADC	South Africa	5 Days	32	10th - 14th Oct 2011
Credit Risk Management	EU/SADC	South Africa	5 Days	32	17th - 21st Oct 2011
Human Resource Development Forum (HRDF) & Training on Need Analysis	SADC DFIs/ DBSA/ LNDC/BEDCO	Lesotho	5 Days	20	7th - 11th Nov 2011
SADC PPP Health Seminar	GIZ/ WBI	Video Conferencing	1 Day	12	8th Nov 2011
Preparation for Bankable Projects	GIZ/ WBI/DBSA	South Africa	2 Days	24	5th - 6th Dec 2011
SADC PPP Steering Committee & Working Group Meeting	GIZ/ WBI	South Africa	1 Day	25	1st Mar 2012
SADC PPP Network Task Force Workshop	GIZ/ WBI	South Africa	1 Day	13	2nd Mar 2012
<b>CLUSTER-BASED TRAINING PROGRAMMES</b>					
Personal Branding, Presentation and negotiation skills	SWAZILAND DFIS	Swaziland	5 Days	30	31st Oct - 4th Nov 2011
Project Management	EU	Botswana	5 Days	29	6th - 10th Feb 2012
Monitoring and Evaluation	EU	Botswana	5 Days	29	13th - 17th Feb 2012
Managing Problem Loans/ Workouts	SWAZIBANK/ IDC	Swaziland	3 Days	30	20th -22nd Feb 2012
Promoting & Financing Renewable Energy Businesses	AADFI/DBSA	South Africa	4 Days	38	5th - 9th Mar 2012
<b>REGIONAL/ PAN-AFRICAN COLLABORATIVE PROGRAMMES</b>					
Conference of Chief Finance Officers	AADFI/ IDC	South Africa	4 Days	21	16th-19th Aug 2011
<b>Total</b>				<b>455</b>	

## Programmes

### **SADC PPP Network Task Force Workshop 2nd March 2012, Johannesburg, South Africa**

The DFRC, working in collaboration with the GIZ and the World Bank Institute, convened a workshop of the SADC PPP Task Force to discuss the Concept Note and future plans of the SADC PPP Network. The workshop was led by a team from the European PPP Expertise Centre. The workshop discussed issues of membership, governance, programmes, resources and partnerships. The workshop was attended by DFRC staff, representatives of GIZ and WBI, and officials from various SADC countries serving on the Task Force. The workshop agreed to take the results of the proceedings to a meeting of the SADC heads of PPP units planned for August 2011. This would be for purposes of obtaining final guidance from the principal beneficiaries of the programme, as well as to assess more definitively the PPP landscape and the needs of the various SADC member states.

### **Project Finance and Financial Modelling 4th - 9th July 2011, Johannesburg, South Africa**

The Training Workshop on Project Finance and Financial Modelling took place at Garden Court Eastgate in Johannesburg, South Africa on 4 – 9 July 2011. It was attended by 31 delegates, from 20 institutions and 10 countries across the SADC region. The aim of this programme was to enhance participant's skills on:

- Understanding the nature of project finance;
- Defining the role, objectives and interests of the partners in a project;
- Assessing the risks of the project, and how to manage them;
- Understanding the elements of financial modeling;
- Developing and practice financial modeling;
- Be able to conduct simulations of different financing scenarios;
- Understanding the basic term sheets, structures and legal documentation; and
- Practice on various case studies of project finance and financial modeling.

The programme was resourced by international financial experts based in South Africa. The participants were pleased

with the structure and content of the programme, as well as its delivery. They however recommended that more time be allocated to the programme, and that a special programme be dedicated to Financial Modeling.

### **Conference of Chief Finance Officers 16th - 19th August 2011, Midrand, South Africa**

The aim of the programme was to update chief finance officers on major financial issues and re-tool essential managerial skills that would enhance efficiency; and to re-define the new role for finance managers in addressing the challenges of the present financial environment for development finance institutions. The workshop was held in collaboration with the Association of African Development Finance Institutions, and was attended by delegates from Eastern, Southern and West Africa, with four participants from the SADC DFI Network. Resource persons were also drawn from different parts of Africa.

### **Workshop for SADC Heads of PPP units 22nd - 24th August 2011, DBSA, South Africa**

Following the meeting of the PPP Task Force on 1st July, a workshop of SADC Heads of PPP units was convened to validate needs and the policy direction of the Network.

The workshop provided final guidance for the formalization of the SADC PPP Network as well as an opportunity to consult on the draft business plan of the SADC PPP Network, including among other issues vision, governance, membership and resources. Discussion and an analysis of the current PPP situation in the region provided a platform to derive an operational work plan for the network, and the subsequent amendment of the business plan to reflect the priorities of the member states.

The workshop also offered practical benefit to participants by discussing and sharing regional and international experience and lessons learnt on PPP unit institutional models. In particular, case studies of South Africa, Mauritius, United Kingdom and selected European countries were presented and discussed. Resource persons were drawn from the World Bank Institute, European PPP Expertise Centre, South African National Treasury and the Ministry of Finance of Mauritius.

**Peer Review – Prudential Standards, Guidelines and Rating System (PSGRS)****8th- 9th September 2011, Johannesburg, South Africa**

This was a follow up programme to the training conducted in the previous year on 21 - 25 February 2011 where DFI representatives were trained on the PSGRS methodology of the African Association of Development Finance Institutions (AADFI) which DFRC has introduced for adoption by network DFIs. The purpose of this exercise was to review the findings and assessments of the various DFIs, review the methodology, develop a peer review mechanism for SADC DFIs and its links to the AADFI peer review system. Further the meeting was expected to propose an action plan for the institutionalization of the PSGRS system within the DFIs.

The programme was held in collaboration with the Industrial Development Corporation (IDC) of South Africa at their premises in Johannesburg. Resource persons were drawn from the IDC, and the programme was attended by 21 participants, representing various member institutions from across SADC.

**Corporate Governance for Development Finance Institutions****28th - 30th September 2011, Pigg's Peak, Swaziland**

A three-day training workshop on corporate governance was held for 15 members of the Swaziland Finance and Development Corporation (Fincorp) Board and Senior Management. The purpose of the programme was to strengthen Board corporate governance skills, particularly within the context of a development financial institution. The programme was resourced by corporate governance experts from the Southern African region. It was well received by delegates as it provided an opportunity for Board and Management to openly discuss and address the challenges that Fincorp is facing as well as take on board new corporate governance concepts. The workshop was conducted at the initiative of Fincorp and was therefore tailor-made to meet their specific institutional requirements.

**Corporate Governance for State-Owned Enterprises****3rd - 5th October 2011, Lusaka, Zambia**

The DFRC, in collaboration with the Institute of Directors of Zambia, conducted a three-day corporate governance programme for boards and senior management of Zambian State Owned Enterprises (SOEs) on a fee paying basis. The programme was attended by 36 participants from nine SOEs within Zambia. It was aimed at updating and enhancing the director's skills on recent developments of good governance in the context of SOEs.

The facilitators who were drawn from India and Kenya presented the conceptual framework of corporate governance, and led the participants in supporting case studies. The programme afforded delegates a platform to share experiences, explore recent developments and discuss best practices in the field of corporate governance as it relates to SOEs. Due to the success and popularity of the programme, DFRC and the IoD Zambia are considering holding similar programmes in the future.

**Credit Risk Management****17th- 21th October 2011, Johannesburg, South Africa**

The programme was attended by thirty two delegates from twenty member DFIs and focused on strategic and management issues associated with financial market risk and on the sources of risk associated with operating and financial leverage (operational risk), risk return and performance, capital allocation and funding liquidity risk, credit risk exposure using market signal in loan pricing and early warning signs as to long-term default and financial disasters, foreign exchange risk, interest rate risk and duration, legal and reputational risks.

The programme was facilitated by financial experts and technical specialists from the Development Bank of Southern Africa.

### **Asset and Liability Management**

**10th– 14th October 2011, Johannesburg, South Africa**

The programme was attended by thirty two participants from twenty DFIs and sought to:

- Enhance understanding of a balance sheet and how to use key performance indicators.
- Identify the key risk factors on a balance sheet and how they can be minimized.
- Explore how all forms of financial exposure can be defined, measured, monitored and managed.
- Benchmark current Asset and Liability Management practices and develop an action plan to bring practices to the highest standard.
- Adopt effective cash flow management and Value at Risk (VAR) techniques
- Manage crucial interest rate and liquidity exposure.
- Enhance capital adequacy planning and balance sheet management techniques.

The programme was resourced by financial experts and technical specialists from Industrial Development Corporation (SA), and DBSA.

### **Personal Branding, Presentation and Negotiation Skills**

**31st October - 4th November 2011, Ezulwini, Swaziland**

The programme was conducted at the request of Swaziland Savings and Development Bank (SwaziBank) and was targeted at its senior management staff. Thirty staff attended the programme.

Participants acquired skills on the negotiation process ranging from the need to negotiate, through the preparation process, the selection of negotiation team, identification of decision makers, stakeholders, people of influence in opposing teams, understanding their needs and requirements, sketching of negotiation scenarios, identifying negotiation styles, strategies and tactics, bidding, offers, art of granting concessions, counter proposals, disclosure of information, personal image management and negotiation. Delegates were also equipped with modern techniques of personal branding and presentation.

The programme was resourced by experts from the Wits School of Business in South Africa.

### **SADC PPP Health Seminar 8th November 2011, Video Conference**

The DFRC organized the training workshop under the Public Private Partnerships Network umbrella in collaboration with the World Bank Institute. The workshop covered options in structuring healthcare PPPs; opportunities and challenges, designing health PPP contracts; creating incentives, managing risks, governing the PPP procurement; hiring transaction advisors, steering the process, preparing for contract management and oversight; and new institutions, policy linkages, as well as lessons from worldwide case studies.

The workshop was led by experts from the World Bank Institute, and was attended by middle and senior management of DFIs and governments from South Africa, Zimbabwe, Zambia, Botswana, Tanzania, and Lesotho. It was facilitated through the World Bank video conference facilities. The DFRC CEO officially opened and closed the workshop.

### **The 6th Human Resource Development Forum and Training on Needs Analysis 7th - 11th November 2011, Melesi Lodge, Lesotho**

The Forum was held in Thaba Bosiu in Lesotho, and was hosted by the Lesotho National Development Corporation (LNDC) and the Basotho Enterprise Development Corporation (BEDCO). The theme for the forum was "Employee Engagement in a Dynamic Environment." Issues discussed included regular skills needs and gap assessments, and monitoring and evaluation of capacity building programmes, as well as structured learning interventions.

The Forum was attended by nineteen human resource practitioners from eighteen DFIs. It was opened by Mr. T'selis Mokhosi, the Acting Managing Director of BEDCO, and closed by Mr. Motabeng Mokoaleli, the Acting Managing Director of LNDC.



### **Preparation of Bankable PPP Projects**

**5th - 6th December 2011, Midrand, South Africa**

The DFRC, in collaboration with the World Bank Institute and the GIZ with the support of the Development Bank of Southern Africa, convened a workshop on the "Preparation of Bankable PPP Projects" at the Development Bank of Southern Africa. The Workshop had 24 participants from across the SADC regions PPP units, Ministries of Finance and other government agencies with a policy or project involvement in PPPs. Resource persons were drawn from the World Bank Institute and its associates in the US, South Africa, South America and India, Partnerships UK and the Development Bank of Southern Africa. Some of the presentations were undertaken through video-conference.

### **Project Management**

**6th - 10th February 2012, Gaborone, Botswana**

The course was held at Phakalane Resort in Gaborone, Botswana, and was attended by 29 participants from 16 DFIs and 10 countries across SADC. The programme was funded by the SADC/ EU programme on the Implementation of the SADC Protocol on Finance and Investment. It afforded the participants the opportunity to share real life experiences on managing projects and to discuss best practices in the field of project management in today's changing world. Participants also had the opportunity to visit two projects being the Local Enterprise Authority Horticulture Project and the Botswana Development Corporations Lion Park Recreation Project. The resource person was recruited from South Africa through the EU under their German-based contracting agency, GFA Consulting Group GmbH.

### **Monitoring and Evaluation**

**13th - 17th February 2012, Gaborone, Botswana**

The course was held at Phakalane Resort in Gaborone, Botswana and was attended by 29 participants from 16 DFIs and 10 countries across SADC. The programme which was funded under the SADC/EU programme on the Implementation of the SADC FIP accorded participants the

opportunity to share their experiences on monitoring and evaluation issues. The resource persons were drawn from the Gordon Institute of Business Sciences and the Development Bank of Southern Africa in South Africa.

### **Managing Problem Loans**

**20th - 22nd February 2012, Ezulwini, Swaziland**

This programme was organized in collaboration with the Industrial Development Corporation (SA), and in partnership with the Swaziland-based DFIs. The purpose of the programme was to enhance the skills of lending officers to improve the monitoring and anticipation of problem loans in the DFI portfolio, and to adopt suitable strategies to rehabilitate the projects and make recoveries. Thirty participants attended the programme of which twenty four were from the Swaziland DFIs and six from other DFI's in the region - Development Bank of Namibia (1), Development Bank of Seychelles (1), National Development Bank of Botswana (2) and Botswana Savings Bank (2). Facilitators were drawn from the Industrial Development Corporation in South Africa.

### **Promoting and Financing Renewable Energy Business**

**5th - 9th March 2012, Midrand, South Africa**

The workshop was collaborative effort between the AADFI, the DFRC, the Development Bank of Southern Africa Vulindlela Academy and the African Development Institute (ADI) of the African Development Bank Group (AfDB). The workshop was attended by 38 participants from 23 Institutions in 17 African countries.

The objectives of the programme were to sensitise DFIs on the current status and trends in the renewable energy agenda in Africa, to share experiences of successful small and medium-sized renewable energy projects, and to enlighten DFIs on how to set up and strengthen renewable energy units in their institutions.

Facilitators for the programme were experts drawn from different countries within the African Region.

## Chief Executives Forum

**1st December 2011, Maputo, Mozambique**

The objective of the CEO's Forum was to provide the DFIs with a briefing on the SADC strategy and the SADC Finance and Investment Protocol and its relationship to development finance in general, and the national DFIs in particular. An elaboration of the emerging development finance system in Southern was provided, with a detailed analysis of the newly established Project Preparation and Development Facility, and the proposed SADC Regional Development Fund and their interrelationship with other sources of funds such as public private partnerships.

A review of the performance of the SADC DFI Network in terms of the FIP was also provided, which showed that while cooperation in capacity building had met with success amongst the DFIs, there had been little progress in regional cooperation on projects. Members were therefore invited to prioritise their expectations in terms of the relevant FIP annexes, and a framework for monitoring and evaluating progress in this regard was also provided.

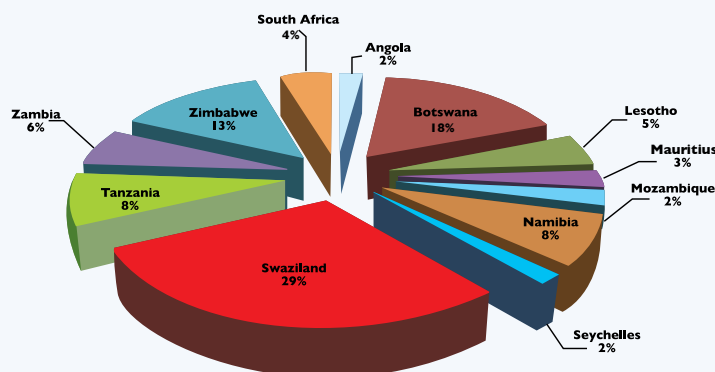
## Programmes Participation Analysis

In this section, we analyse the level of participation in DFRC programmes using different factors, including country, institution and gender to have a better understanding of factors that influence participation, and to assess the compliance of the DFRC with regional and international standards.

### Participation by country

Participation per country shows that Swaziland has the highest number of participants followed by Botswana and Zimbabwe, while Angola, Mozambique and Mauritius had the lowest. The number and size of DFIs in each country affects their participation, while those countries whose DFIs opt for specialised in-country interventions, as shown in the next section, feature strongly.

**Chart2: Pie Chart of Participation by country 2011/2012**



### Participation by DFIs

Participation by individual DFIs has been varied, while some institutions such as SwaziBank, Fincorp and Development Bank of Zambia have made substantial use of the training facilities. Larger institutions on the other hand have witnessed less participation. The DFRC, in line with its strategic plan goal to deemphasise generic courses, is actively engaging closely with individual DFIs to explore the possibility of developing and implementing custom-tailored programmes for them. It is therefore expected that future programmes will increasingly focus on the requirements and expectations of country clusters and individual DFIs.

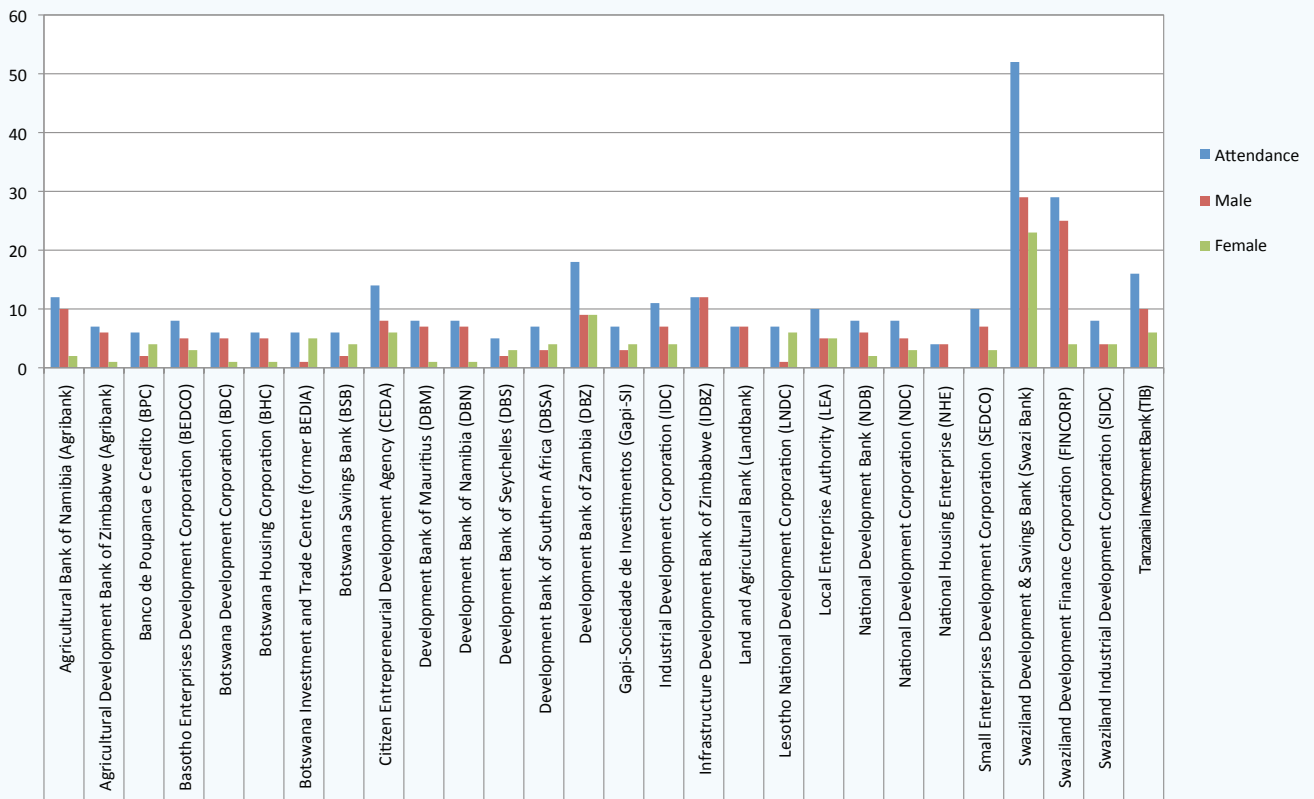


Table 2: Participation by DFI, 2011/12

No	Organisational Name	Country	Attendance	%Attendance	Male	Female
1	Agricultural Bank of Namibia (Agribank)	Namibia	12	3.92%	10	2
2	Agricultural Development Bank of Zimbabwe (Agribank)	Zimbabwe	7	2.29%	6	1
3	Banco de Poupanca e Credito (BPC)	Angola	6	1.96%	2	4
4	Basotho Enterprises Development Corporation (BEDCO)	Lesotho	8	2.61%	5	3
5	Botswana Development Corporation (BDC)	Botswana	6	1.96%	5	1
6	Botswana Housing Corporation (BHC)	Botswana	6	1.96%	5	1
7	Botswana Investment and Trade Centre (former BEDIA)	Botswana	6	1.96%	1	5
8	Botswana Savings Bank (BSB)	Botswana	6	1.96%	2	4
9	Citizen Entrepreneurial Development Agency (CEDA)	Botswana	14	4.58%	8	6
10	Development Bank of Mauritius (DBM)	Mauritius	8	2.61%	7	1
11	Development Bank of Namibia (DBN)	Namibia	8	2.61%	7	1
12	Development Bank of Seychelles (DBS)	Seychelles	5	1.63%	2	3
13	Development Bank of Southern Africa (DBSA)	South Africa	7	2.29%	3	4
14	Development Bank of Zambia (DBZ)	Zambia	18	5.88%	9	9
15	Gapi-Sociedade de Investimentos (Gapi-SI)	Mozambique	7	2.29%	3	4
16	Industrial Development Corporation (IDC)	Zimbabwe	11	3.59%	7	4
17	Infrastructure Development Bank of Zimbabwe (IDBZ)	Zimbabwe	12	3.92%	12	0
18	Land and Agricultural Bank (Landbank)	South Africa	7	2.29%	7	0
19	Lesotho National Development Corporation (LNDC)	Lesotho	7	2.29%	1	6
20	Local Enterprise Authority (LEA)	Botswana	10	3.27%	5	5
21	National Development Bank (NDB)	Botswana	8	2.61%	6	2
22	National Development Corporation (NDC)	Tanzania	8	2.61%	5	3
23	National Housing Enterprise (NHE)	Namibia	4	1.31%	4	0
24	Small Enterprises Development Corporation (SEDCO)	Zimbabwe	10	3.27%	7	3
25	Swaziland Development & Savings Bank (Swazi Bank)	Swaziland	52	16.99%	29	23
26	Swaziland Development Finance Corporation (FINCORP)	Swaziland	29	9.48%	25	4
27	Swaziland Industrial Development Corporation (SIDC)	Swaziland	8	2.61%	4	4
28	Tanzania Investment Bank (TIB)	Tanzania	16	5.23%	10	6
	<b>Total</b>		<b>306</b>	<b>100%</b>	<b>197</b>	<b>109</b>

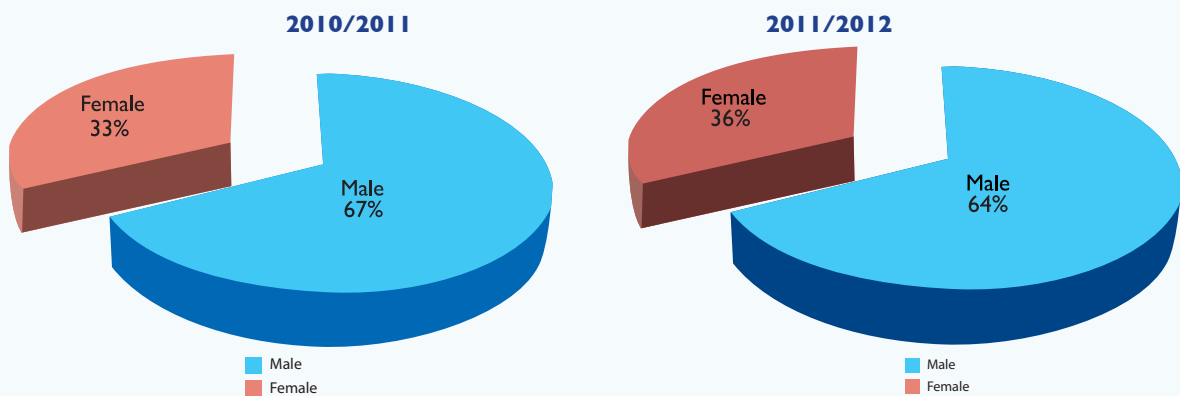


**Chart 3: Bar Chart of participation by institution and gender, 2011/12**



**Chart 4: Participation by Gender**

The distribution of participants by gender showed a marginal increase with female participation increasing from 33% to 36%. The DFRC has always emphasised the need to ensure gender balance in programme participation in line with the provisions of SADC Protocol on Gender Equity.





## Technical Assistance

### Regional Technical Assistance Facility

The Regional Technical Assistance Facility (RTAF) has been in operation since 2010 when the three partners, Development Bank of Southern Africa (DBSA), SADC Development Finance Resource Centre and United Nations Office for Projects Services (UNOPS), acceded to a cooperation agreement.

To date, three DFIs have benefitted from the programme dealing with various institutional challenges that they face. Areas covered in the first phase include monitoring and evaluation, information technology, apex lending, among others. This being essentially the first year of operation, a number of practical and operational problems have been encountered, including the tight duration of the assignments, tendency to mission creep, low compensation levels for the consultants and coordination problems between the host DFI and the RTAF in terms of on the ground support to be rendered to the consultants.

The three initial beneficiaries were the Infrastructural Development Bank of Zimbabwe, the Development Bank of Zambia, and the Tanzania Investment Bank. Tanzania Investment Bank has since been given an extension for another six months six the scope of work for the consultant deemed to be too wide compared to the assignment he was given.

The second phase of the RTAF programme would cover DFIs from Namibia, Democratic Republic of Congo and Angola. Malawi would also be drawn to benefit from RTAF following a request from the Government of Malawi for assistance in the setting up of a development bank.

The DFRC has also applied for additional financial resources to be ploughed into the Facility to allow for a greater number of SADC DFIs to benefit from the programme in the future. As at the end of the financial year, applications were pending with the AfDB and the ACBF, and consultations were ongoing with other potential donors.

## Policy Research and Advisory Services: Public Private Partnerships

### SADC PPP Network

Following the inauguration of the SADC PPP Network in February 2011, the DFRC convened a meeting of the Task Force comprising representatives from various member states and institutions at which the concept, mission and plans of the SADC PPP Network were crystallised, and further guidance provided for the preparation of relevant documents for the establishment of the network. Further consultative meetings were also held during the year to build consensus and clear understanding of the nature and form the PPP Network should take.

A workshop for SADC Heads of PPP units was held at DBSA on the 22nd – 24th August 2011 aimed at obtaining final guidance for the formalization of the SADC PPP Network. The workshop provided an opportunity to consult on the concept note and drafting of the business plan of the SADC PPP Network, including issues of vision, governance, membership and resourcing.

The workshop which was attended by 17 delegates also analysed the PPP landscape in the region. This provided a basis for the formulation of an operational work plan for the network and laid the foundations of the business plan taking into account the priorities of the member states. Finally, the event offered practical benefit to participants by discussing and sharing regional and international experiences and lessons learnt on PPP unit institutional models. In particular, case studies of South Africa, Mauritius, United Kingdom and selected European countries were presented and discussed. Resource persons were drawn from the World Bank Institute, European PPP Expertise Centre, South African National Treasury and the Ministry of Finance of Mauritius. Financial support for the programme was provided by GIZ and the DBSA.



On 7th December a further consultative meeting was held with SADC government representatives to provide a briefing on developments since the inception conference of February 2011. The objective of the meeting was to keep the SADC governments informed and to get suggestions from them on the way forward in terms of programmes and activities for the Network. The meeting was attended by senior officials from SADC countries responsible for PPP units and involved in policy formulation and regulation of PPPs.



### **SADC PPP Network Steering Committee and Working Group Meetings**

The first SADC PPP Network Steering Committee and Working Group on PPP Policy Frameworks was held in Johannesburg on the 1st and 2nd of March 2012. It was attended by 21 representatives from the Democratic Republic of Congo, Tanzania, Swaziland, Lesotho, Botswana, Mozambique, Namibia, and Zimbabwe. Also represented were international cooperating partners - GIZ, WBI, ACBF and OECD. The Steering Committee addressed the following issues related to the governance and ongoing work of the PPP Network:

- Mission Statement and operations of the Steering Committee.
- Finance and Investment Protocol Monitoring Process on future reporting mechanisms on PPP.
- SADC PPP Network Business Plan and Budget:
- Cooperation offer from OECD. The OECD indicated that they were willing to provide technical support and cooperation to the Network.
- Review of donor activities in the Member States on PPPs.

The Committee approved the business plan and budget of the network, and urged the network's secretariat to actively engage with donors to secure the requisite resources for programme implementation. It was also agreed that the DFRC would chair the Committee on behalf of the SADC Secretariat.

The Steering Committee was also informed that a new Head of the PPP Network, Mr Kogan Pillay, had been recruited and that he was scheduled to commence duty on 1st April. He is a former employee of the DBSA and was previously with the South African Treasury PPP Unit. A vacancy for the PPP Officer remained to be filled.

On 2nd March, following the meeting of the Steering Committee, the Working Group on "PPP Units, Policies and Laws" was held to commence its mandate under the Network's business plan.

**Southern African  
Development Community-**  
*Development Finance Resource Centre*

***Annual Financial Statements***  
*for the year ended 31 March 2012*



## GENERAL INFORMATION

<b>Trustees:</b>	Mr Vinson Hailulu - Chairperson Mr Charles Chikaura - Deputy Chair Dr Abraham Mwenda Mr Phakamani Hadebe Mr Gideon Nasari Dr Vincent Mhlanga Mr F Antonio Souto (Ex-officio SADC DFI Sub Committee Chair) Ms Boitumelo Gofhamodimo (Ex-officio SADC Secretariat)
<b>Principal Activities:</b>	Capacity building centre for the SADC Development Finance Institutions
<b>Registered Office:</b>	Plot 50676 BIFM/Fairgrounds Office Park Gaborone
<b>Auditors:</b>	Ernst & Young 2nd Floor, Plot 22 Khama Crescent Gaborone
<b>Bankers:</b>	Standard Chartered Bank of Botswana Limited
<b>Country of Incorporation and Domicile:</b>	Botswana
<b>Measurement and Presentation Currency:</b>	United States Dollars

## CONTENTS

## PAGE

Report of the independent auditors	31
Statement of comprehensive income	32
Statement of financial position	33
Statement of changes in funds	34
Statement of cash flows	35
Significant accounting policies	36 – 41
Notes to the financial statements	42 – 53

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 March 2012 were authorised for issue by the trustees and are signed on their behalf by:

BOARD CHAIRPERSON

CHIEF EXECUTIVE OFFICER

05 July 2012

DATE

## INDEPENDENT AUDITORS REPORT TO THE BOARD OF TRUSTEES OF SOUTHERN AFRICAN DEVELOPMENT COMMUNITY - DEVELOPMENT FINANCE RESOURCE CENTRE

### Report on the Financial Statements

We have audited the accompanying financial statements of Southern African Development Community - Development Finance Resource Centre, set out on pages 32 to 53 which comprise the statement of financial position as at March 31, 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Directors' Responsibility for the Financial Statements*

The Board of Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

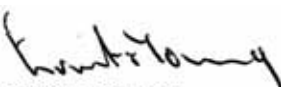

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects the financial position of Southern African Development Community - Development Finance Resource Centre as of March 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Certified Auditors

Practicing Member: Thomas Chitambo (20030022)

Gaborone



**Resident Partner: B Ndwapi (Managing Partner)**  
A full list of Partners is available from this Office and  
the Registrar of Companies.

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 March 2012  
US \$

	<b>Note</b>	<b>2012</b>	<b>2011</b>
Members' contributions	1	887,934	768,630
Donor funds	2	<u>725,852</u>	<u>1,247,666</u>
<b>Total revenue</b>		<b>1,613,786</b>	<b>2,016,296</b>
Other income	3	53,537	66,851
Finance income	4	13,662	20,438
<b>Expenditure</b>			
Staff costs	6	(536,573)	(506,234)
Program expenses		(727,571)	(1,245,163)
Administration and operating costs		<u>(415,782)</u>	<u>(271,212)</u>
<b>Surplus for the year</b>	5	<u><u>1,059</u></u>	<u><u>80,976</u></u>



STATEMENT OF FINANCIAL POSITION  
at 31 March 2012  
US \$

	Notes	2012	2011
<b>Assets</b>			
<b>Non current assets</b>			
Property and equipment	9	<u>41,537</u>	<u>34,703</u>
<b>Current assets</b>			
Trade and other receivables	7	79,312	34,616
Cash and cash equivalents	8	<u>971,693</u>	<u>905,690</u>
		<u>1,051,005</u>	<u>940,306</u>
<b>Total assets</b>		<u><u>1,092,542</u></u>	<u><u>975,009</u></u>
Funds and liabilities			
Accumulated surplus		636,244	635,185
Revaluation surplus		<u>3,360</u>	<u>3,360</u>
		<u>639,604</u>	<u>638,545</u>
<b>Current liabilities</b>			
Trade and other payables	10	431,640	325,481
Short term portion of operating lease accrual	11	<u>21,299</u>	<u>10,983</u>
		<u>452,939</u>	<u>336,464</u>
<b>Total funds and liabilities</b>		<u><u>1,092,542</u></u>	<u><u>975,009</u></u>



STATEMENT OF CHANGES IN FUNDS  
for the year ended 31 March 2012

US \$

	<b>Accumulated surplus</b>	<b>Revaluation reserve</b>	<b>Total</b>
<b>Balance at 1 April 2010</b>	554,209	-	554,209
Surplus for the year	80,976	-	80,976
Revaluation surplus for the year	<u>-</u>	<u>3,360</u>	<u>3,360</u>
<b>Balance at 31 March 2011</b>	635,185	3,360	638,545
Surplus for the year	1,059	-	1,059
Revaluation surplus for the year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 March 2012</b>	<u>636,244</u>	<u>3,360</u>	<u>639,604</u>



STATEMENT OF CASH FLOWS  
for the year ended 31 March 2012  
US \$

	Notes	2012	2011
Cash generated from operating activities	12	<u>85,059</u>	<u>206,335</u>
<b>Investing activities</b>			
Proceeds on disposal of property, plant and equipment		661	-
Acquisition of plant and equipment		<u>(19,717)</u>	<u>(6,082)</u>
Cash utilised in investing activities		<u>(19,056)</u>	<u>(6,082)</u>
<b>Financing activities</b>			
Capital repayments made on finance lease obligation		<u>-</u>	<u>-</u>
Increase in cash and cash equivalents		66,003	200,253
Cash and cash equivalents at beginning of year		<u>905,690</u>	<u>705,437</u>
Cash and cash equivalents at end of year		<u><u>971,693</u></u>	<u><u>905,690</u></u>
<b>Cash and cash equivalents comprise:</b>			
Bank balances - current accounts		231,796	4,220
Bank balances - call accounts		<u>739,897</u>	<u>901,470</u>
<b>Cash and cash equivalents at the end of the year</b>	8	<u><u>971,693</u></u>	<u><u>905,690</u></u>



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2012

### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The accounting policies have been consistently applied by SADC-DFRC and are consistent with those used in the previous year.

### Basis of preparation

The financial statements are stated in US Dollars, denoted by US\$, which is also the functional currency.

The financial statements are prepared on the historical cost basis, except for financial instruments which are disclosed at fair value. The financial statements incorporate the following accounting policies which are consistent with those applied in the previous year:

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed on page 40 and 41.

### Reporting currency and currency translation

All transactions have been translated into US Dollars at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities at the balance sheet date have been translated into US Dollars at the foreign exchange rate ruling at that date.

Any foreign exchange differences are dealt with in the income statement in the year in which the difference arises. Non monetary assets and liabilities denominated in currencies other than US Dollars which are stated at historical cost, are translated to US Dollars at the foreign exchange rate ruling at the date of the transaction.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2012

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the organisation at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

### Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment in value. Depreciation is provided on the straight line method at the following rates, which are designed to reduce the cost of the assets to residual values at the end of their useful lives.

• Computer equipment	33.3% per annum
• Furniture and fittings	15.0% per annum
• Office equipment	15.0% per annum
• Motor vehicle	25.0% per annum

The useful life, depreciation method and residual value are reassessed on an annual basis and any change therein is treated as a change in accounting estimate.

Gains and losses on disposal of plant and equipment items are determined by comparing proceeds with the carrying amount and included in the statement of comprehensive income.

### Recognition and de-recognition of assets and liabilities

The organisation recognises an asset when it obtains control of a resource as a result of past events and future economic benefits are expected to flow to the organisation. The organisation derecognises a financial asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. A financial liability is derecognised when it is legally extinguished.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2012

### Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of assets is the greater of net selling price and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset which does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

When an impairment loss subsequently reverses the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of impairment loss is recognised as income immediately.

### Operating leases

Leases, which merely confer the right to the use of an asset, are treated as operating leases. Payments made under such operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

### Taxation

No provision for taxation is required as the organisation is exempt from taxation in terms of the second schedule of the Income Tax Act (Chapter 52:01).

### Interest received

Interest received is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the organisation.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2012

### Interest paid

Interest paid is recognised for all interest-bearing financial instruments on an accrual basis, using the effective yield method on the original settlement amount.

### Revenue recognition

Revenue comprises the contributions from members and donor funds.

Revenue is recognised in the statement of comprehensive income when the following conditions

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the organisation;
- The stage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Donor income

Donor income is credited to the income statement when these amounts are received and banked. Donor income for future use is recorded as a liability on receipt. Costs are expensed against the liability when these costs are incurred.

Funds and sponsorship paid directly to service providers by donors for SADC-DFRC programmatic activities are accounted for as non-cash donations.

### Employee benefits

The organisation does not have a retirement benefit scheme of its own. Provision is made for gratuity benefit obligations to its present employees, as required under the Botswana Employment Act. Gratuity benefits are not considered to be a retirement benefit plan as the benefits are payable on completion of each individual employee contract. Employee entitlements to annual leave, bonuses and medical aid, are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by the employee up to the statement of financial position date.

### Financial instruments

#### Financial assets

The organisation's principal financial assets comprise of the following:

#### *Cash and cash equivalents*

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2012

### *Trade and other receivables*

Trade and other receivables, which generally have 30 to 90 days terms are recognised and carried at original invoice amount less impairment charges. Impairment changes are recognised when collection of the full amount is no longer probable. Impairment charges are written off as incurred.

### *Financial liabilities*

The organisation's principal financial liabilities comprise of the following:

#### *Trade and other payables*

Trade and other payables are normally settled on 30 to 90 day terms and are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the organisation.

#### *Finance lease obligation*

Finance lease obligations are initially recognised at cost, being the fair value of the consideration received and include acquisition charges associated with the borrowing/loan.

After initial recognition, all finance lease obligations, other than liabilities held for trading, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

For liabilities carried at amortised cost (which are not part of hedging relationship), any gain or loss is recognised in the income statement when the liability is derecognised or impaired, as well as through the amortisation process.

#### *Gains and losses on subsequent measurement*

Gains and losses arising from a change in the fair value of financial instruments are included in the income statement in the period in which the change arises.

### *Offset*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the organisation has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2012

The following new and revised IFRS standards, interpretations and amendments applicable to SADC-DFRC were adopted during the year:

Standard	Subject	Effective date*	Impact
<b>IAS 24</b>	Related party disclosures (revised).	1 January 2011	No material impact
<b>Various standards</b>	2010 annual improvements	1 January 2011 and 1 July 2011	No material impact

The following new and revised IFRS standards, interpretations and amendments applicable to SADC-DFRC have been issued with effective dates applicable to future annual financial statements:

Standard	Amendment	Effective date*	Impact
<b>IFRS 7</b>	Amendment in relation to enhanced derecognition disclosure requirements for transfer transactions of financial assets	1 July 2011	No material impact
<b>IAS 12</b>	Income taxes: amendment in relation to the recovery of underlying assets	1 January 2012	No material impact
<b>IFRS 9</b>	Financial instruments	1 January 2015	No material impact
<b>IFRS 13</b>	Fair value measurement	1 January 2013	No material impact
<b>IAS 1</b>	Financial statement presentation (presentation of other comprehensive income)	1 January 2013	No material impact

\* Effective for annual periods beginning on or after the date specified.

The Trustees anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the organisation and will only result in additional disclosure requirements. The Statements will be adopted at the respective effective dates.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2012  
US \$

**1 Member contributions**

Contributions from DFI network members

	<b>2012</b>	<b>2011</b>
	<u>887,934</u>	<u>768,630</u>

Member contributions comprise annual fees received from the DFI Network members on an annual basis

**2 Donor funds**

Funds donated directly to SADC-DFRC

	95,175	109,224
--	--------	---------

Donor funds - non-cash donations

	<u>630,677</u>	<u>1,138,442</u>
--	----------------	------------------

	<u>725,852</u>	<u>1,247,666</u>
--	----------------	------------------

Non-cash donations comprise funds and sponsorship paid directly to service providers by donors for SADC-DFRC programmatic activities and which have been formally communicated to SADC-DFRC by the donors. These donor funds are accounted for as non-cash donations.

**3 Other income**

Rental income received from a related party (Note 12)

	47,492	39,745
--	--------	--------

Training programmes

	-	-
--	---	---

Net gain on disposal of property, plant and equipment

	645	-
--	-----	---

Exchange gains

	<u>5,400</u>	<u>27,106</u>
--	--------------	---------------

	<u>53,537</u>	<u>66,851</u>
--	---------------	---------------

**4 Finance income**

Interest earned from bank and short term deposits

	<u>13,662</u>	<u>20,438</u>
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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

US \$

**5 Surplus for the year**

Surplus for the year is stated after taking into account the following:

	<b>2012</b>	<b>2011</b>
Audit fees	8,350	7,580
Board costs	39,722	37,853
Impairment	-	-
Depreciation	12,866	21,909
Net realised exchange (gain)/loss	(5,400)	(25,908)
Staff costs (note 6)	536,573	506,234
Office rent	138,713	115,261
Equipment leasing and hire	6,490	13,780
Rent - operating lease accrual	<u>(10,316)</u>	<u>(10,983)</u>

**6 Staff costs**

Salaries	458,059	437,940
Gratuity	52,830	32,285
Staff bonuses	17,698	25,991
Other benefits	7,987	10,018
	<u>536,573</u>	<u>506,234</u>

Number of persons employed by the organisation at the end of the year

Full time	<u>9</u>	<u>8</u>
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**7 Trade and other receivables**

Member contributions net of allowance for uncollectible amounts	12,931	-
Other receivables	<u>66,380</u>	<u>34,616</u>
	<u>79,312</u>	<u>34,616</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2012  
US \$

**7 Trade and other receivables (continued)**

Member contributions are non-interest bearing and are generally on 30-90 days' terms. As at 31 March, the ageing analysis of member contributions is as follows:

90 days and more

Provision for bad debts

83,383

(70,451)

12,931

230,223

(230,223)

-

Contributions amounting to US \$ 70,451 (2011: US \$ 230,223) are past due and impaired. Other receivables have no contractual repayment period

**8 Cash and cash equivalents**

Cash at banks and on hand

Short-term deposits

231,796

739,897

971,693

4,220

901,470

905,690

**8.1 Cash at bank and on hand does not earn interest.**

Short-term deposits are made for varying periods of between one day to three months and earn interest at the respective short-term deposit rates which ranged from 0% to 0.15% as at 31 March 2012.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2012  
US \$

**9 Property, Plant & Equipment**

	<b>Motor vehicles</b>	<b>Computer equipment</b>	<b>Office equipment</b>	<b>Furniture &amp; fittings</b>	<b>Total</b>
<b>Cost or valuation</b>					
At 1 April 2011	29,670	53,397	21,724	97,457	202,248
Additions		5,039	9,579	5,099	19,717
Disposals	-	(5,548)	(302)	(3,220)	(9,070)
Revaluation gain	-	-	-	-	-
<b>At 31 March 2012</b>	<u>29,670</u>	<u>52,888</u>	<u>31,001</u>	<u>99,336</u>	<u>212,895</u>
Depreciation					
At 1 April 2011	15,210	43,994	15,047	93,294	167,545
Depreciation charge for the year	1,374	4,837	4,326	2,329	12,866
Disposals	-	(5,548)	(302)	(3,203)	(9,053)
At 31 March 2012	<u>16,584</u>	<u>43,283</u>	<u>19,071</u>	<u>92,420</u>	<u>171,358</u>
Net book value					
At 31 March 2011	<u>14,460</u>	<u>9,403</u>	<u>6,677</u>	<u>4,163</u>	<u>34,703</u>
At 31 March 2012	<u>13,086</u>	<u>9,605</u>	<u>11,930</u>	<u>6,916</u>	<u>41,537</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2012  
US \$

**10 Trade and other payables**

	<b>2012</b>	<b>2011</b>
Trade payables	314,122	240,275
Other payables	<u>117,517</u>	<u>85,206</u>
	<u>431,640</u>	<u>325,481</u>

Trade and other payables are non-interest bearing and are normally on 30-60 day terms.

**11 Operating lease accrual**

<b>Office rental</b>		
Cash flow basis	117,259	41,049
Straight line basis	<u>138,558</u>	<u>50,121</u>
<b>Deferred lease accrual</b>	<u>21,299</u>	<u>9,072</u>
<b>Equipment leasing and hire</b>		
Cash flow basis	7,696	27,999
Straight line basis	<u>7,696</u>	<u>29,910</u>
<b>Deferred lease accrual</b>	<u>-</u>	<u>1,911</u>
<b>Total operating lease accrual</b>	<u>21,299</u>	<u>10,983</u>



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2012  
US \$

**I2 Cash generated from operating activities**

**Operating activities**

Surplus for the year

**Non - cash adjustments:**

Depreciation

Gain on disposal of property, plant and equipment

**Working capital adjustments:**

Increase in receivables

Increase in payables

Deferred lease rental

	<b>2012</b>	<b>2011</b>
	1,059	80,976
	12,866	21,910
	(645)	-
	(44,696)	(7,701)
	106,159	108,765
	<u>10,316</u>	<u>2,385</u>
	<u>85,059</u>	<u>206,335</u>
<b>I3 Related party disclosures</b>		
<p>SADC - Development Finance Resource Centre is a subsidiary of Southern African Development Community (SADC). Therefore SADC and all its affiliate members are related parties of the organisation including member Development Finance Institutions (DFIs), Board of Trustees and key management personnel.</p>		
<b>Related party transactions entered into during the year are as follows;</b>		
Member contributions from DFIs (Note 1)	887,934	768,630
Rental income received from SADC - Accreditation Services	47,492	39,745
Board members allowances and travel fares	39,722	37,853
<b>Compensation of key management personnel</b>		
<p>Key management personnel includes all Board of Trustee members and senior management. The summary of compensation of key management personnel for the year is as follows:</p>		
Short-term employee benefits	332,700	322,836
Bonus	<u>26,958</u>	<u>30,900</u>
	<u>359,658</u>	<u>353,736</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2012  
US \$

**14 Commitments and contingencies**

**Capital expenditure commitments**

SADC - DFRC has no purchase commitments for property, plant and equipment incidental to the ordinary course of business.

**Operating lease commitments**

**Lease rentals payable**

Future minimum rentals under non cancelable leases are as follows:

Within one year

128,985

140,030

After one year but not more than five years

408,715

589,053

537,700

729,083

The operating lease commitments for the 2012 financial year end include office rental payable to Turnstar Holdings and equipment lease and hire payable to Nashua Botswana. The lease with Nashua Botswana was terminated during the year.

**Contingent liabilities**

SADC - DFRC has no contingent liabilities as at 31 March 2012 (2011 - Nil).

**15 Financial risk management objectives and policies**

The organisation is exposed to market risk including primary changes in interest rates and currency exchange rates. The organisation does not hold or issue derivative financial instruments for trading purposes.

The organisation has written risk management policies and guidelines which set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control hedging transactions in a timely and accurate manner. Such written policies are reviewed periodically by the Board of Trustees and regular reviews are undertaken to ensure that the organisation's policy guidelines are adhered to.



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

US \$

**15 Financial risk management objectives and policies (continued)****Interest rate risk**

The organisation manages and monitors daily funding requirements. Surplus funds are invested with first rate banking institutions. The organisation's exposure to market risk for changes in interest rates relates primarily to the organisation's bank balances subject to floating interest rates. Interest rate risk is insignificant.

**Foreign currency risk**

The organisation is exposed to the foreign currency risk for transactions that are denominated in a currency other than the functional currency of the organisation, primarily the Botswana Pula. Other than locally incurred expenses, all other expenses consist of costs paid and denominated in US\$. Revenue consists of amounts denominated in US\$. The Organisation's exposure to foreign currency risk, based on notional amounts is summarised as follows;

	<b>Euro</b>	<b>Botswana pula</b>
<b>2012</b>		
Cash and cash equivalents	1,518	301,778
Trade and receivables	-	35,138
Trade and other payables	-	<u>(21,297)</u>
<b>Net exposure</b>	<u>1,518</u>	<u>315,619</u>
<b>2011</b>		
Cash and cash equivalents	1,590	471,218
Trade and receivables	-	16,034
Trade and other payables	-	<u>(94,556)</u>
<b>Net exposure</b>	<u>1,590</u>	<u>392,696</u>

**Fair value of financial instruments**

The fair value of all financial instruments are substantially identical to the carrying values reflected in the statement of financial position. The table in page 50 summarises the information.

No valuation methods have been used to measure the fair values since the carrying amounts approximate fair values.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2012  
US \$

**15 Financial risk management objectives and policies (continued)**

	<b>Carrying amount 2012</b>	<b>Fair value 2012</b>	<b>Carrying amount 2011</b>	<b>Fair value 2011</b>
Financial assets				
Trade and other receivables	65,018	65,018	21,007	21,007
Cash and Bank	<u>971,693</u>	<u>971,693</u>	<u>905,690</u>	<u>905,690</u>
<b>Total</b>	<u><u>1,036,711</u></u>	<u><u>1,036,711</u></u>	<u><u>926,697</u></u>	<u><u>926,697</u></u>
Financial liabilities				
Trade and other payables	314,122	314,122	240,275	240,275
Provisions and other liabilities	<u>117,517</u>	<u>117,517</u>	<u>85,206</u>	<u>85,206</u>
<b>Total</b>	<u><u>431,640</u></u>	<u><u>431,640</u></u>	<u><u>325,481</u></u>	<u><u>325,481</u></u>

**Classification of financial instruments**

	<b>Loans &amp; receivables</b>	<b>Held to maturity</b>	<b>Total</b>
<b>2012</b>			
Trade and other receivables	65,018	-	65,018
Cash and Bank	<u>971,693</u>	<u>-</u>	<u>971,693</u>
<b>Total</b>	<u><u>1,036,711</u></u>	<u><u>-</u></u>	<u><u>1,036,711</u></u>
<b>2011</b>			
Trade and other receivables	21,007	-	21,007
Cash and Bank	<u>905,690</u>	<u>-</u>	<u>905,690</u>
<b>Total</b>	<u><u>926,697</u></u>	<u><u>-</u></u>	<u><u>926,697</u></u>

**Financial instruments designated at fair value through profit or loss**

There are no financial instruments which the organisation has designated as at fair value through profit or loss.

**Financial assets pledged as collateral**

The organisation has not pledged any financial assets as collateral.

**Financial assets received as collateral**

The organisation has not received any financial assets as collateral



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2012  
US \$

**15 Financial risk management objectives and policies (continued)**

**Net gains and losses by financial instrument category**

**2012**

	<b>Loans and receivables</b>	<b>Held to maturity</b>	<b>Other</b>	<b>Total</b>
Interest income	13,662	-	-	13,662
Interest expense	-	-	-	-
Net interest income	<u>13,662</u>	<u>-</u>	<u>-</u>	<u>13,662</u>

**2011**

	<b>Loans and receivables</b>	<b>Held to maturity</b>	<b>Other</b>	<b>Total</b>
Interest income	20,438	-	-	20,438
Interest expense	-	-	-	-
<b>Net interest income</b>	<u>20,438</u>	<u>-</u>	<u>-</u>	<u>20,438</u>

**Liquidity risk**

The table below summarises the maturity profiles for financial assets and financial liabilities

**2012**

	Due not later than one month	Due later than one month but not later than three months	Due later than three months but not later than one year	Due later than one year but not later than five years	Due after five years	Total
<b>Financial liabilities</b>						
Trade and other payables	314,122	-	-	-	-	314,122
Provisions and other liabilities	<u>117,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,517</u>
<b>Total</b>	<u>431,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>431,640</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

US \$

**15 Financial risk management objectives and policies (continued)**

**Liquidity risk (continued)**

The table below summarises the maturity profiles for financial assets and financial liabilities

**2011**

	Due not later than one month	Due later than one month but not later than three months	Due later than three months but not later than one year	Due later than one year but not later than five years	Due after five years	Total
<b>Financial liabilities</b>						
Trade and other payables	240,275	-	-	-	-	240,275
Provisions and other liabilities	<u>85,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,206</u>
Total	<u><u>325,481</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>325,481</u></u>

**Net gains and losses by financial instrument category**

**Sensitivity analysis**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the organisation's surplus and accumulated fund.

**2012**

		Increase/ (decrease) in surplus for the year	Increase/ (decrease) in accumulated fund
<b>Interest rate risk</b>			
Change in interest rate	+1%	9,717	9,717
	-1%	(9,717)	(9,717)
<b>2011</b>			
<b>Interest rate risk</b>			
Change in interest rate	+1%	9,057	9,057
	-1%	(9,057)	(9,057)



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2012  
US \$

### 15 Financial risk management objectives and policies (continued)

#### Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the organisation's total credit exposure. At year end the following customers had a significant concentration of credit risk:

	2012	2011
SIDO Tanzania	-	148,322
DBZ Zambia	58,148	69,598
IDC Zimbabwe	<u>20,024</u>	<u>12,301</u>
	<u>78,172</u>	<u>230,221</u>

The following table demonstrates the sensitivity to a reasonably possible change in Botswana Pula (BVWP), with all other variables held constant, of the organisation's surplus and accumulated funds (due to changes in fair value of monetary assets and liabilities).

#### 2012

##### Foreign currency risk

	Increase/ (decrease) in surplus for the year	Increase/ (decrease) in accumulated fund Change in exchange rate
+10%	2,130	2,130
-10%	(2,130)	(2,130)

#### 2011

##### Foreign currency risk

Change in exchange rate	+10%	9,456	9,456
	-10%	(9,456)	(9,456)

### 16 POST STATEMENT OF FINANCIAL POSITION EVENTS

The Trustees are not aware of any matter or circumstance arising since the end of the financial year; not dealt with in the report or financial statements that would significantly affect the operations of the organisation or the results of its operations



## SADC-DFI NETWORK MEMBERS

### ANGOLA

Banco De Popanca e Credit

### BOTSWANA

Botswana Development Corporation  
Botswana Export Development and Investment Authority  
Botswana Housing Corporation  
Botswana Savings Bank  
Citizen Entrepreneurial Development Agency  
Local Enterprise Authority  
National Development Bank

### DEMOCRATIC REPUBLIC OF CONGO

Societe Financiere De Developpment

### LESOTHO

Basotho Enterprises Development Corporation  
Lesotho National Development Corporation

### MADAGASCAR

### MALAWI

### MAURITIUS

Development Bank of Mauritius

### MOZAMBIQUE

Gapi-Sociedade de Investimentos (Gapi-SI)

### NAMIBIA

Agricultural Bank of Namibia  
Development Bank of Namibia  
National Housing Enterprise

### SEYCHELLES

Development Bank of Seychelles

### SOUTH AFRICA

Development Bank of Southern Africa  
Industrial Development Corporation  
Land and Agricultural Bank

### SWAZILAND

Swaziland Development and Savings Bank  
Swaziland Development Finance Corporation  
Swaziland Industrial Development Company

### TANZANIA

National Development Corporation  
Tanzania Investment Bank

### ZAMBIA

Development Bank of Zambia

### ZIMBABWE

Agricultural Development Bank of Zimbabwe  
Industrial Development Corporation  
Infrastructure Development Bank of Zimbabwe  
Small Enterprises Development Corporation





The **SADC DFRC**  
is a Subsidiary Institution  
of SADC

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**Annual Report 2012**