



southern african
development community
development finance
resource center

2009 Annual Report

2009



VISION AND MISSION STATEMENT

Vision:

To be the centre of excellence, aimed at catalyzing the SADC DFI Network Members' collective efforts to be at the cutting edge of financial services delivery in the priority areas set by the RISDP.

Mission:

To be a lean virtual organisation providing capacity building, policy research and advice to the DFI Network and SADC governments in support of financial and operational effectiveness and efficiency, so as to enhance their contribution to the economic growth and development in the SADC region.

GOVERNANCE STRUCTURE

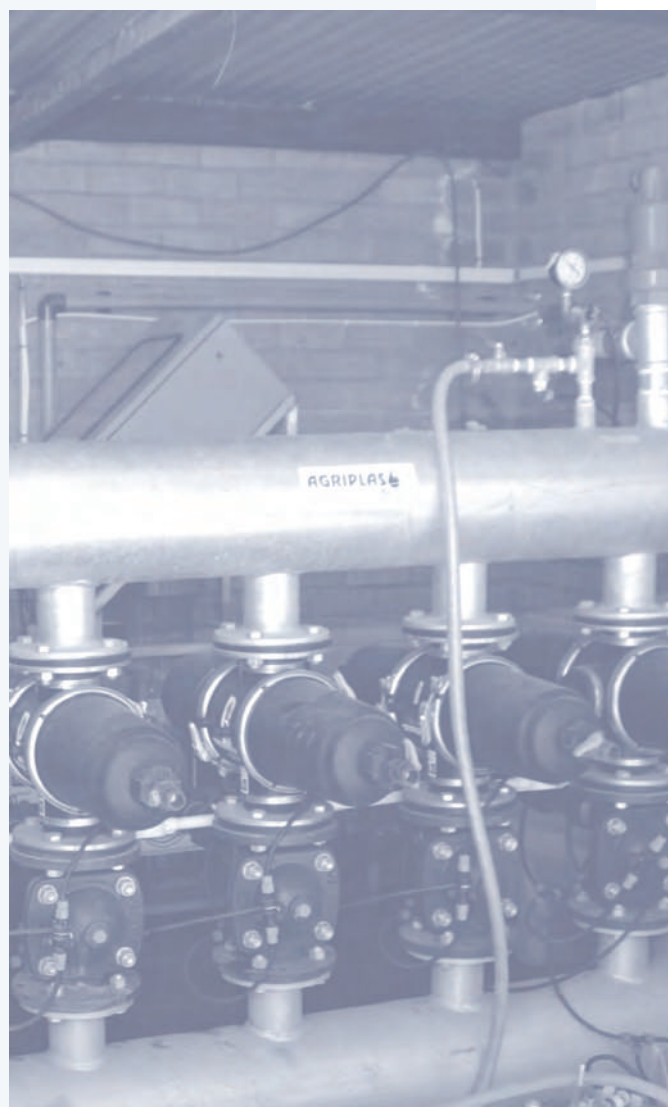
- **Shareholders:** SADC DFI Network Members.
- **Chairman of the Board of Trustees:** Mr Peete Molapo, Chief Executive Officer, Lesotho National Development Corporation.
- **Board of Trustees:** Seven members, appointed for a two-year term.
- **Chief Executive Officer:** Mr Stuart Kufeni.



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DFRC CORPORATE PROFILE

Mandate

The SADC – DFRC is a subsidiary institution of SADC. It is collectively ‘owned’ by the SADC DFIs Network as its ‘self – help’ organisation. Only the twenty seven members of the SADC DFI Sub-committee that have signed the MOU of May 2000 are members of the Network. Through technical and capacity building support, as well as policy research and advisory services, the DFRC’s mandate 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).

Focal Sectors

To effectively deliver on its mandate, the DFRC has identified the following areas in its Five-Year Strategic Business Plan (2004/5 – 8/9) as focal sectors:

- Institutional strengthening through capacity building;
- Financial sector strengthening and reforms and capital markets development;
- SME Development; and
- Infrastructure/ PPP delivery.

The DFRC’s activities in these focal areas support other sectoral efforts under the SADC RISDP aimed at achieving the region’s goal of regional integration. They are therefore complementary of and are in line with the NEPAD/AU strategy for Africa.

Approach

The DFRC is a lean organisation manned by a small group of highly qualified staff. Cognisant of this and to achieve its mandate, it has adopted a collaborative approach in all its areas of strategic focus which

involves utilisation of strategic partners with the support of development partners. The Centre, thus, primarily operates as a facilitator, coordinator and catalyst to the DFI Network and regional governments.

Financing of Activities

The administrative budget of the DFRC is funded through contributions by DFI Network members on the basis of an agreed formula. Activities in line with the Centre’s work programmes in the areas of research and advisory services, SMEs, infrastructure/PPPs and capacity building are largely funded from donor sources.

Reporting Structures: DFI Sub-Committee, DFRC & SADC

The DFI Sub-committee, comprising all national DFIs in SADC member countries is a sub-committee of the Senior Treasury Officials (STO) of SADC, and reports through them to the SADC Committee of Ministers responsible for Finance and Investment (COMFI). The latter is a permanent committee of the Integrated Committee of the Ministers (ICM) which reports to the SADC Council of Ministers.

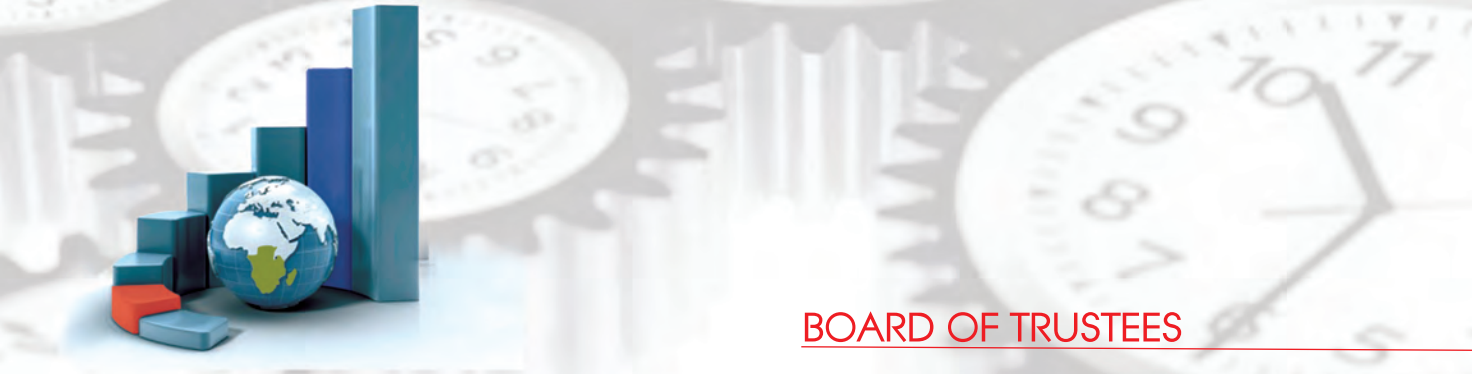
The DFIs, through the DFRC, have a close functional relationship with the SADC Secretariat. The main interface is through the Directorate for Trade, Industry, Finance and Investment (TIFI), while operational links exist with the other directorates of the SADC Secretariat.



ABBREVIATIONS



| | |
|-------------|---|
| AADFI | Association of African Development Finance Institutions |
| ACBF | African Capacity Building Foundation |
| AFREXIMBANK | Africa Export and Import Bank |
| AU | African Union |
| BEDCO | Basotho Enterprises Development Corporation |
| CEO | Chief Executive Officer |
| CEDA | Citizen Entrepreneurial Development Agency |
| CIDA | Canadian International Development Agency |
| COMFI | Committee of Ministers responsible for Finance and Investment of SADC |
| DANIDA | Danish International Development Agency |
| DBSA | Development Bank of Southern Africa |
| DFI | Development Finance Institution |
| DFRC | Development Finance Resource Centre |
| FINCORP | Swaziland Finance Corporation |
| FIP | Finance and Investment Protocol |
| GCGF | Global Corporate Governance Forum |
| GDP | Gross Domestic Product |
| GIBS | Gordon Institute for Business Sciences |
| ICM | Integrated Committee of Ministers of SADC |
| ICP | International Cooperating Partners |
| IMF | International Monetary Fund |
| IUMP | Industrial Upgrading and Modernization Programme |
| JAI | Joint Africa Institute |
| JE | Journey to Excellence |
| LEA | Local Enterprise Authority |
| LNDC | Lesotho National Development Corporation |
| M & E | Monitoring and Evaluation |
| NEPAD | New Partnership for Africa's Development |
| PPDF | Project Preparation and Development Fund |
| PPIAF | Public Private Infrastructure Advisory Facility |
| PPPs | Public-Private Partnerships |
| PRAS | Policy Research and Advisory Services |
| RISDP | Regional Indicative Strategic Development Plan |
| RFP | Request for Proposals |
| SADC | Southern African Development Community |
| SMEs | Small and Medium Scale Enterprises |
| SIDO | Small Industries Development Organisation |
| STO | Senior Treasury Officials of SADC |
| TIFI | Trade, Industry, Finance and Investment Directorate of SADC |
| UNIDO | United Nations International Development Organisation |



BOARD OF TRUSTEES



Mr Peete Molapo
Chief Executive Officer
Lesotho National Development Corporation
Trustee since November 2007
Board chair since January 2008

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 Admassu Tadesse
Executive Vice President
International Operations
Development Bank of Southern Africa
Trustee since November 2007
Deputy Chair since January 2008



Ambassador Leonard N. Lipumbu
Chief Executive Officer
Agricultural Bank of Namibia
Trustee since November 2007



Mr William A Mlaki
Managing Director
Tanzania Investment Bank
Trustee since November 2007



Mr Somkhosi M T Malaba
Chief Executive Officer
Agricultural Bank of Zimbabwe
Trustee since November 2008



Dr Abraham Mwenda
Managing Director
Development Bank of Zambia
Trustee since November 2008



Mrs Maria Ntshobane
Managing Director
Botswana Development Corporation
Trustee since November 2008

EXECUTIVE SECRETARY'S FOREWORD



Dr. Tomaz Salomao
Executive Secretary of SADC

I am pleased once again to have this opportunity to share some thoughts with you on the occasion of the fourth annual report of the SADC Development Finance Resource Centre.

It is encouraging to note that the SADC-DFRC has continued making significant strides in achieving its mission of Capacity Building, Policy Research and Advisory Services to SADC DFIs, thereby promoting their growth and that of the region as a whole. This has been achieved through a wide array of training and development programmes, as well as institution-focused research and advisory programmes, which also provide valuable lessons for other similar institutions within and without of the region.

It is also noteworthy that the DFRC has over the past year extended its efforts beyond its core area - the DFIs in the SADC region - to cover other key target groups, among these national governments, other state-owned enterprises and the private sector, as well as other regions of Africa. This demonstrates not only the growing

stature of DFRC, but also the relevance and value of its programmes. It also shows the commonality of interests in Africa, and the need to promote cooperation and interaction between the different regional economic communities, as development projects of the DFIs straddle the length and breadth of the continent.

The support of a greater number of cooperating partners from both bilateral and multilateral agencies reflects increasing international confidence in the work, spirit and mandate of the DFRC and the Network of Development Finance Institutions in SADC.

It is instructive in this regard that the DFRC has embarked on a review of its Strategic Plan, thereby developing new Strategic and Business Plans for the period 2009-2014. These plans have been technically sound and broadly consultative, reflecting the views of all stakeholders, while remaining consistent with the vision of SADC. We applaud and commend these achievements, and encourage our cooperating partners to study these documents and establish opportunities for support and cooperation for our delivery agencies in our development effort.

In conclusion, I wish to commend the DFRC Board, management and staff as well as the SADC-DFI Network in general for their significant achievements in the year under review.

I urge the DFI Network and its DFRC to strive even harder in the coming year and attain even greater successes in their efforts to promote development in the region.

I commend this report to you.

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

Dr Tomaz A. Salomao
Executive Secretary
SADC



CHAIRMAN'S REPORT



Mr Peete Molapo
Chairman

Introduction

Over the past years, the activities and outreach of DFRC have grown from strength to strength 2008/09 was no exception. This was against the background of adverse global economic conditions characterised by contracting credit growth and recessionary conditions affecting, albeit to varying degrees, most SADC economies. Financial institutions, including development finance institutions, are among victims of the fall-out of this environment as most experienced rapid contraction of their operations. Our member DFIs were not spared in this respect.

Having opened its doors for business five years ago, it was time that the DFRC's activities were reviewed vis-à-vis its mandate. The evolving operational environment of DFIs as well as changing stakeholder needs provided the impetus for such a review. Thus, during the last quarter of the year, the Board tasked DFRC management to develop a new strategic plan which would provide a blue-print to guide the Centre's future activities for the next five years. The CIDA provided the

necessary financial resources for this process and we are extremely grateful for this support.

Spurred by financial constraints which some member DFIs were confronting, implementation of the new Plan was preceded by an exercise to restructure and streamline DFRC operations. At the same time, the Board also recommended to the Network a review of the current contributions formula to include a cap on a single DFI's contribution to the budget of the Centre.

With regard to activities, DFRC did not only deliver a higher level of outputs - almost twice the targeted number - but the quality of its interventions has continued to improve with time. As this annual report demonstrates, DFRC programmes were widespread covering all core areas with capacity building leading in terms of both number of programmes and share of the programme budget. Feedback from stakeholders, particularly DFIs and some government departments, has been favourable underscoring the growing stature of DFRC as a regional organisation.

The higher programme activity levels are also reflective of continuing support of the Network, and its DFRC, by ICPs. We are therefore indebted to the donor community for this support.

The Strategic Plan and its roll-out through two-year Business Plans will be central to the operations of DFRC and the Network over the next five years. It cannot be overemphasised that the success of the Plan largely rests on the financial and technical support of various key stakeholders, including member DFIs, ICPs and the SADC secretariat.

Partnerships and Donor Support

DFRC has continued to enjoy the support of a growing pool of donors and has forged new partnerships with strategic institutions to improve on its service delivery. In this respect, we welcome the collaboration with the JAI and the AADF, critical continental institutions in capacity building with the latter focusing particularly on DFIs. DFRC intends to consolidate these relationships and establish more to benefit its members.



CHAIRMAN'S REPORT *continued*

With regard to international cooperating partners, the coming on board of such donors as the PPIAF, a multi donor facility and the ACBF in support of our activities serves as a pointer to the growing significance of DFRC and the Network in the region. Their support is appreciated and it will help leverage much needed resources for DFRC.

We also stand to benefit from increasing support from our mother institution, the SADC secretariat, especially in implementing our new strategy and the mobilisation of the requisite resources to roll it out. We therefore appreciate the allocation of funds to the DFI Network under the Euro13 million European Union facility for the implementation of the FIP which is being managed under the TIFI. This will be a major source of funding for DFRC over the next five years.

However, as our Strategic Plan shows, these contributions notwithstanding, DFRC still has a financing gap. We would therefore wish to appeal to ICPs and our strong member DFIs to assist in closing this gap. On its part, DFRC will aggressively pursue more income generating activities to complement the funds from donors and DFIs.

New Strategic Plan and Restructuring

I referred earlier to the harsh economic environment confronting Network members as a result of the global macroeconomic imbalances. As this took place at a time that our Board had commissioned a new strategic plan for DFRC, it was only pertinent that the plan reflects the new realities on the ground affecting our members some of whom experienced deteriorating balance sheets.

It is against this backdrop that the Board not only took the decision to restructure and streamline the operations of DFRC, but to make this an integral part of the new plan. This restructuring was undertaken with the objective of ameliorating the financial burden of the administrative budget on member DFIs, especially on the South African DFIs which account for the bulk of the DFRC's budget. In tandem, the Board also recommended the introduction of a 20% cap on the

contribution of an individual DFI to the budget. These changes were adopted by the Network at its March 2009 meeting. As a result of the restructuring, the staff complement of DFRC was reduced by three to eight with some functions being consolidated. The Board will monitor the staff situation and review it regularly to ensure that DFRC effectively delivers on its mandates. The development of business plans to roll-out the Strategic Plan and the periodic review of the plans constitutes an appropriate monitoring mechanism for the Board.

Revised Contributions formula

In March 2007 the Network revised the contributions formula to reflect largely the different sizes of member DFIs while discarding the use of macroeconomic variables such as population and national (GDP) over which DFIs had no direct influence. The resultant formula based on book size was viewed as more equitable as it reflected more directly the capacity to pay on the part of the different DFIs. However, no limit was adopted on the amount that an individual DFI could contribute. Overtime therefore, this would tend to place undue pressure on large DFIs, especially the South African ones which already accounted for a large proportion of the DFRC's budget.

Recently, and partly the outcome of the difficulties brought about by the global economic trends, it became imperative that the DFI Network reviews the current contributions formula. It was for this reason that the Board recommended the cap on contributions indicated earlier.

Financial Performance

The financial performance of DFRC for the year shows a loss, albeit small, of US\$213,981. This follows a surplus of US\$833,658 in the previous financial year. The loss is due in part to provisioning for a few Network members who were unable to meet their financial obligations to DFRC during the year and exchange losses on programme funds due to currency volatility. However, on a cumulative basis DFRC recorded a surplus of US\$668,801 at the end of the year.



CHAIRMAN'S REPORT continued

Reflecting growth in activities, expenditures on programmes stood at US\$931,644, a significant increase on the previous financial year. With the streamlining of expenditures following the March 2009 restructuring of DFRC, we anticipate a reversal of the loss position in the coming financial year.

Governance

The November bi-annual meeting of the Network witnessed the appointment of new Board members namely: Mr Peete Molapo, Chief Executive Officer of Lesotho National Development Corporation; Mr Somkhosi Malaba, Chief Executive Officer of the Agricultural Bank of Zimbabwe; and Mr William Mlaki, Chief Executive Officer of Tanzania Investment Bank. At the same meeting, Mrs Maria Nthebolan, Managing Director of Botswana Development Corporation was appointed Chairperson of the SADC DFI Subcommittee, making her an ex officio member of the DFRC Board in line with standing procedures.

At the January 2009 meeting of the Board, Mr Molapo was then elected Chairman while Mr Admassu Tadesse, Executive Vice President, Development Bank of Southern Africa, was elected Deputy Chairman of the DFRC Board of Trustees.

On behalf of the Board and of the Network, I would like to extend our sincere gratitude to members of the Board whose terms came to an end in November 2008, namely Dr Vincent Mhlanga, Chief Executive Officer of Swaziland Finance Corporation (Fincorp) and former Chairman of the Board; Mr Oaitse Ramasedi, Chief Executive Officer of National Development Bank of Botswana and former Deputy Chairman of the Board; and Mr David Nuyoma, Chief Executive Officer of Development Bank of Namibia and former Chairman of the DFI Subcommittee.

I would like to welcome all new members. I look forward to working with them on the Board and the management of DFRC as we embark on the new Strategic Plan for DFRC and the Network. May I also take this opportunity to thank the retired members of the Board for their valuable service and guidance to DFRC during their tenure.

Peete Molapo
Chairman
Board of Trustees



Mr Stuart Kufeni, CEO for SADC- DFRC, Dr Tebogo Matome CEO for LEA, Mr James Kamyuka, GM: Management Services at BDC, at the signing ceremony for LEA joining the network.

MANAGEMENT & ORGANISATIONAL STRUCTURE



Mr Stuart Kufeni

Chief Executive Officer

Area of expertise: Banking and Macroeconomics

Academic Qualifications: MA Economics (University of Manchester),
BSc (Hons) Economics (U. Zim)



Dr Herrick Mpuku

Programme Manager: Capacity Building

Area of expertise: Human Resources Development,
International and Development Economics

Academic qualifications: PhD (Birmingham),
MBA (Bradford), MSc (Oxon.), BBA (Zambia), FICM (UK)



Mr Joseph Nyamunda

Programme Manager: SME Development

Area of expertise: SME and Micro Finance

Academic qualifications: MSc Economics, BSc (HONS) Economics



Ms Vero Kgakge

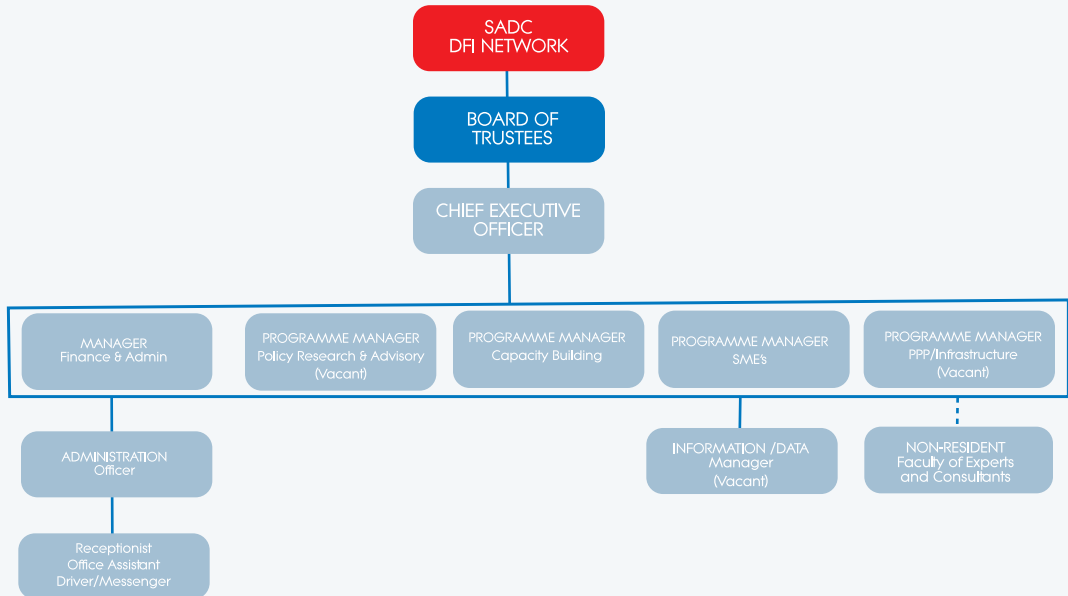
Finance and Administration Manager

Area of expertise: Finance and Administration

Academic qualification: B.Com (Accounting), University of Botswana



DFRC Organogram



DFRC Staff



CEO's REPORT



Mr Stuart Kufeni
Chief Executive Officer

Introduction

The year 2008/09 saw DFRC activities continue to trend upwards and its outreach extend to cover non-core areas and beyond the region. In tandem with this trend was an upturn in donor support which was most welcome as a demonstration of a growing role of DFRC in the region. As with previous years and in line with DFRC mandate, capacity building activities dominated the programme calendar over the period under review.

As acknowledged by the Chairman above, the prevailing global economic environment has invariably called for some adjustment on the part of DFRC as its sources of funding, which include DFIs and donors, were adversely affected. Consequently, during the last quarter of the financial year DFRC restructured its operations and this exercise was undertaken within the ambit of the new strategic plan for 2009/10 - 2013/14.

The new plan is complemented by a new M&E framework which will be an integral part of the first business plan under the new strategy covering financial years 2009/10 and 2010/11. While the plan will provide direction to DFRC activities over the next five years the M&E system will enable DFRC to effectively assess the impact of its programmes and continuously improve on them in accordance with stakeholder needs.

Strategic Plan

The development of the Strategic Plan was completed in March 2009 and the Plan was adopted by the DFI Network at its bi-annual meeting in the same month. An environmental scan of key stakeholders, including interviews with senior staff from national governments, international cooperating partners, SADC secretariat and DFIs, was conducted in September 2008. This did not only kick-start the planning process but ensured consensus in building the strategy for DFRC.

The September stakeholder scan identified a number of challenges, the most critical being:

- Further enabling DFIs to play important catalytic roles in the development processes of their countries and the region;
- Demonstrating value for money to members and results to all;
- Improving relationships with key stakeholders;
- Adequately and sustainably funding the DFRC core; and
- Mobilising sufficient and increasing resources for programming

It is important to note that during the environmental scanning phase, it was found that DFRC has successfully established itself as a credible and effective support organisation; and that over the past five years it has addressed some fundamental needs of DFI Network members and has thus enhanced their capacity to deliver on their mandates.



To effectively address the above challenges, the plan identifies the following three critical strategic directions for DFRC over the next five years:

- Pursue excellence in services provision;
- Build strong stakeholder relationships; and
- Strive for sustainability.

'Pursuing excellence in services' demands on the part of DFRC, consistent production of high quality and continuously improving outputs as well as high levels of member satisfaction with its work.

The second strategic direction - *'Build strong stakeholder relationships'* - is aimed at meeting stakeholder needs and benefiting from these relationships.

The last direction - *'Strive for sustainability'* - requires that measures are taken to consistently mobilise sufficient funds for DFRC to effectively execute its mandate. To do so, strong results and continuous feedback and improvement mechanisms will have to be introduced.

The new M&E framework will ensure continued relevance of and improvement of service delivery by DFRC over the strategic plan period. In this regard, it is a tool for DFRC to focus on measuring and reporting on results, rather than just on activities. The M&E describes the rationale, resources and performance logic as well as setting out what DFRC is expected to achieve. It presents the measurement and reporting strategies that will be implemented to track progress.

The mandate of DFRC remains unchanged under the new Strategic Plan. Thus, capacity building and policy research and advisory services remain core functions of DFRC, while sectoral focus continues to be on promoting SMEs and infrastructure development. The sector bias is deliberate and is guided by the need to elicit maximum impact on development in the region.

Further, the two sectors have been identified under the RISDP as crucial to the attainment of regional development and integration goals.

The 2009/10-2010/11 Business Plan is the first of three that will be developed to roll out and support the achievement of the Strategic Plan goals towards establishment of DFRC as a centre of excellence.

Programme Activities

With improved donor support, DFRC successfully implemented a number of activities during the year, principally in the capacity building core area while mentoring programmes dominated SMEs activities. A stakeholder workshop on DFI Credit Rating in Gaborone in March concluded programmes under policy and advisory services.

Capacity building interventions saw nine courses and workshops, almost double the projected five courses, being conducted by DFRC over the twelve month period to March 2009. These addressed critical DFI skills needs mostly at middle management with a few targeted at the senior management. As illustrated in the latter section of this report, these included negotiation skills, investment appraisal and risk analysis, project management and corporate governance.

It is important to note that, while DFIs remain the major beneficiary of the training, DFRC made some inroads in its efforts to extend its services to non - Network entities among these national and provincial governments, particularly in the Republic of South Africa.



DFRC continues to explore new opportunities for collaboration to enhance access to technical assistance and financial resources. In this respect, during the course of the year, DFRC welcomed the JAI, an initiative of the African Development Bank, the IMF and the World Bank, as a partner institution. JAI will collaborate with DFRC initially on corporate governance training and it will bring to the programme financing and technical assistance. A pilot corporate governance course is scheduled for April 2009.

The collaboration with JAI has assisted DFRC to extend its outreach to other regions of Africa besides SADC, including central, west and east African regions as well as regional development finance institutions such as the PTA/COMESA Bank, the EADB and the Afreximbank.

Collaboration on programmes is also being forged with the AADFI. A Memorandum of Understanding between the two organisations is being finalised and this should pave the way for DFRC's membership of the continental body. In anticipation of this, DFRC programmes for next year already include the extension of the AADFI Standards and Prudential Guidelines to Network DFIs. This will complement the DFI Credit Rating project piloted during the year and is aimed at promoting ratings among DFIs to enhance their capacity to access capital markets, more so with current adverse conditions arising from the current global financial crisis.

DFRC will continue to build partnerships with key stakeholders and, as with AADFI and JAI as well as large DFIs such as DBSA and IDC (SA), these relationships assist towards leveraging donor and technical support for its programmes.

Resource Mobilisation and Donor Support

DFRC has received financial support from a wider number of donors towards its programmes costs. Programme funding for the year came from the DANID, the World Bank's PPIAF, the ACBF, CIDA and the GCGF. The DFRC and the DFI Network fully appreciate the support from donors, with some

like DANIDA and GCGF going back some years.

Network members and in particular DBSA and IDC SA, provided direct budgetary support towards select programmes, including the DFI Chief Executives Forum which was hosted by Mauritius in May 2008. In cases where in-country programmes were held, Network members have provided off-balance sheet financial support to cover local costs (transport, accommodation and conference facilities) in addition to logistical support while other DFIs sponsored their own staff where they exceeded their allotted quota. This support by member DFIs has enabled DFRC to cover more programmes with donor funds than would have been the case.

Having embarked on a new Strategic Plan and with the first Business Plan (2009/10 - 2010/11) now ready for implementation, DFRC requires higher levels of support from both donors and Network members to meet the growing demand for its programmes. The Business Plan projects programme expenditures of about US\$6 million over the two year period and donor funds will account for the bulk of the programmes budget

In this respect, DFRC will approach earlier donors that have previously rendered support as well as new ones. In the latter category is the European Union support which DFRC will access under the SADC FIP implementation programme. This is part of the Euro 13 million five-year grant facility which is being managed by the SADC secretariat Directorate of TIFI. DFRC's share of the EU funds is expected to meet a significant proportion of its requirements particularly over the two year Business Plan period. DFRC will not only work closely with TIFI on this project but will also seek its assistance in raising funding from other donors

Overtime, as DFRC grows, besides donor and DFI funds, recourse to own funds generated from services provided at a fee to stakeholders, including non-members, is expected to increase. This is a key element of its financial sustainability efforts under the new strategy.



Restructuring

In the last half of the year DFRC underwent some restructuring in response to a number of factors. Foremost was the impact of the global financial and economic crisis which negatively impacted on the operations of DFIs. In light of this development and since member DFIs provide funding for the administrative budget of DFRC, it was only imperative that DFRC review its activities. This process was undertaken within the purview of the new Strategic Plan.

Consequently, a new administrative structure was adopted at the end of the year in March which resulted in some functions being consolidated. Thus, new positions were created for a Programmes Manager and a Programmes Officer. The former's responsibilities cover the core area of capacity building while the policy research and advisory services area becomes the responsibility of the Chief Executive Officer. Sectoral focus will continue to be on small and medium enterprises and infrastructure and the new plan recognises these within the core areas of DFRC. Overall though, DFRC remains a lean institution with a staff complement of eight, down from ten prior to restructuring.

Due to budgetary constraints, and pending availability of donor technical assistance, the position of Programme Manager - SMEs, would be vacant at the beginning of the new financial year. DFRC management, however, is hopeful that in view of the critical importance of the sector to regional development, donors will respond favourably to its request for technical assistance soon to fill in this gap at the Centre.

Looking Ahead

DFRC is geared to sustain the growth path of past years and the new five-year Strategic Plan provides a sound platform for this and the eventual attainment of the 'centre of excellence'

goal. While the Plan guides and provides direction for the activities of DFRC, the new M&E framework will enable DFRC to respond effectively to, and remain current on the needs of its stakeholders, more importantly the DFIs.

With the continued support of cooperating partners, including both donors and member DFIs, DFRC management anticipates to deliver increased levels and high quality services to stakeholders in the coming year and to consolidate its position as a crucial agent in development finance in the region and beyond.

Stuart Kufeni
Chief Executive Officer

PROGRAMMES REPORT

Introduction

The year under review witnessed a steady growth and stability in the different programmes of the Centre, with a greater number of capacity building programmes being developed and implemented, and the development of longer term research and advisory programmes in support of the development finance institutions.

On account of the infusion of fresh resources into the institution by multilateral and bilateral agencies, the DFRC was able to institute a greater number of programmes in corporate governance, investment appraisal, management development and others. The outreach of the Centre beyond the DFI Network continued as relationships with SADC governments were consolidated by offering opportunities for participation in training alongside the DFI staff. The total number of people who went through our training programmes was just under 200 during the year as illustrated on table 1 page 22.

DFRC also enhanced its focus on countries and institutions by seeking to offer more training programmes in-country with the support of the local DFIs. In-depth studies of the various aspects of the institutions were also carried out to provide advice to these institutions, and provide lessons for other institutions in the region, such as in the credit ratings programme. DFRC also provided strategic and operational management support to selected DFIs to strengthen their portfolio management and to grow their clients, such as in the *Journey to Excellence* and mentoring programme.

DFRC looks forward to developing more tailor-made and responsive programmes which will meet the needs of the DFIs, but which may also benefit other types of institutions in the future.

The details of the activities carried out during the year are given below in the four programme areas.

Capacity Building Programme

During the year under review, DFRC ran a number of executive programmes covering the levels from middle management to board membership. These are listed below with the number of participants for each programme included:

Investment Appraisal and Risk Analysis - Module II, 7th - 18th April, 2008

The goals of the programme were to develop the operational skills of participants so that they are able to:

- Plan and assess all aspects of investment projects;
- Add value through the redesign of projects;
- Prepare project financing agreements;
- Design strategies to address stakeholder concerns.





PROGRAMMES REPORT Continued

The curriculum covered modern techniques for conducting financial, risk, economic, and stakeholder evaluations of investments, cost-benefit analysis, and stakeholder identification, among others. It is a sequel to module I on financial analysis, and the same participants from that module attended this second module.

Target Group: This programme was aimed at the National Treasury and Provincial Treasuries of South Africa, with participation from SADC DFIs. It was a follow-on programme from the module I held in November 2007.

Participants: 23

Venue: Eskom Leadership Development Centre, Midrand, South Africa

Partners: John Deutsche International Executive Programmes, Queens University, Kingston, Canada

Investment Appraisal and Risk Analysis - Module I, 19th - 30th May, 2008

This programme covered modern techniques of finance, financial modelling, risk analysis, and risk management.

The goals of the program are to develop the operational skills of participants so that they are able to:

- Plan and assess all aspects of investment projects;
- Add value through the redesign of projects
- Design strategies to manage risks.

Participants learnt how to conduct the financial, and risk analysis of investments. They also gained skills in the design and testing of risk management contracts and the evaluation of project financing options.

Through lectures by experts, applied case studies, and group discussions, participants were able to gain practical knowledge, and obtain a global perspective of recent developments in these fields.

Target Group: This programme has been created for people who design, select, or finance projects and for those who are interested in the financial, and risk impacts of investments in development finance institutions and other public development projects.

Duration: 2 weeks

Venue: Eskom Leadership Development Centre, Midrand, South Africa;

Participants: 23 participants (SADC DFIs and Governments).

Partners: John Deutsche International Executive Programmes, Queens University, Kingston, Canada.



PROGRAMMES REPORT *Continued*

The Executive Development Programme for Chief Executive Officers of DFIs, 23rd - 25th June 2008

The objectives of this programme were to raise the awareness of Chief Executive Officers of the changing political, economic, social and technological landscape in their respective countries, the regional and international environment and its impact on the organizations. Through dialogue, lectures, case studies and exercises, the participants enhanced their skills to manage stakeholder relations and the capacity of their institutions to meet the challenges of a rapidly changing environment, and realize their economic and financial mandates.

Target Group: Chief Executive Officers of SADC Development Finance Institutions
Participants: 17 (from SADC DFIs)
Venue: GIBS/Illovo Lodge, Johannesburg, South Africa
Duration: 3 days
Partners: Gordon Institute of Business Sciences, Johannesburg, South Africa.

Director Skills Development Programme for DFI Board Members, 16th - 19th June 2008

The purpose of this programme was to enhance the understanding of the concept and relevance of good corporate governance in the context of Development Finance Institutions and their challenges in Africa, and to strengthen the skills of board members by equipping them with the knowledge of functions, critical skills and roles and the obligations of a director on a board in a development finance institution. This programme has evolved from the partnership between the SADC-DFRC and Global Corporate Governance Forum where a tailor-made programme was developed for Board members of SADC DFIs. This served as a pilot programme, which was subsequently refined for the full roll-out of the programme as indicated in (7) below.

Target Group: Board members and senior management of development finance institutions.
Participants: 24
Duration: 3 days
Venue: Birchwood Hotel and OR Tambo International Conference Centre, Johannesburg, South Africa
Partners: Global Corporate Governance Forum, Washington DC, USA



Corporate Governance Programme



PROGRAMMES REPORT Continued

Orientation Workshop for Trainers of Director Skills Development Programme, 12th - 13th June 2008

The purpose of this programme was to expose Corporate Governance Trainers to the skills and knowledge necessary to enhance amongst board members the understanding of the concept and relevance of good corporate governance in the context of DFIs and their challenges in Africa, and to strengthen the skills of board members by equipping them with the knowledge of functions, critical skills and roles of a director on a board in a development finance institution. This programme has evolved from the partnership between DFRC and GCGF where a tailor-made programme was developed for Board members of SADC DFIs, but where a training cadre to support the programme was required to be put in place. This served as a pilot programme for training of trainers, but set the base for development of training staff from which DFRC and the DFIs could draw from.

Target Group: Potential consultants drawn from Corporate Governance Trainers with substantial experience.

Participants: 16

Duration: 4 days

Venue: Birchwood Hotel and OR Tambo International Conference Centre, Johannesburg, South Africa

Partners: Global Corporate Governance Forum, Washington DC, USA

Investment Appraisal and Risk Analysis - Module II, 8th - 19th September 2008

The goals of the program were to develop the operational skills of participants so that they are able to:

- Plan and assess all aspects of investment projects
- Add value through the redesign of projects;
- Prepare project financing agreements; and

- Design strategies to address stakeholder concerns.

The curriculum covers modern techniques for conducting financial, risk, economic, and stakeholder evaluations of investments, cost-benefit analysis, and stakeholder identification, among others. It is a sequel to module I on financial analysis, and the same participants from that module attended this second module.

Target Group: Participants were drawn from the National Treasury and Provincial Treasuries of South Africa, and SADC DFIs.

Participants: 23

Venue: Eskom Leadership Development Centre, Midrand, South Africa

Partners: John Deutsche International Executive Programmes, Queens University, Kingston, Canada.





PROGRAMMES REPORT *Continued*

Negotiation Skills, 7th - 9th October 2008

The objective of this programme was to develop would-be negotiators to a level of competence that enables them to do any of the following, among others:

- Establish the appropriate climate for negotiation;
- Differentiate between on-going/one-off/crisis negotiations and select the appropriate strategies;
- Apply a structured approach in preparation for negotiations;
- Formulate strategic agendas that work to your advantage;
- Establish common ground, define the negotiation range, create overlap and finalise an agreement;
- Avoid errors commonly made in negotiation;
- Select appropriate negotiation tactics without damaging relationships;
- Identify and interpret their negotiation style profile;
- Neutralise aggressive negotiators; and
- Deal with a broad range of negotiation styles.

Target Group: Project managers, business and investment analysts, marketing and sales specialists, contract negotiators, financial managers, human resource specialists and general managers are ideal candidates for this programme.

Participants: 22.

Venue: Gordon Institute of Business Sciences, Johannesburg, South Africa.

Partners: Jack Quinlan and Associates, Knysna, South Africa.

Corporate Governance for DFI Board members, 28th - 31st October 2008

This is the first of the full director training programmes being rolled out as a result of the joint project between DFRC and the Global Corporate Governance Forum. The purpose of this programme is to enhance the understanding of the concept and relevance of good corporate governance in the context of Development Finance Institutions and their challenges in Africa, and to strengthen the skills of board members by equipping them with the

knowledge of functions, critical skills and roles of a director on a board in a development finance institution.

Target Group: Board members and senior management of development finance institutions.

Participants: 24

Duration: 4 days

Venue: Birchwood Hotel and OR Tambo International Conference Centre, Johannesburg, South Africa

Partners: Global Corporate Governance Forum, Washington DC, USA

Management Development for Middle Managers, 25th - 29th November 2008

Objectives: To raise the awareness of middle managers on the requirements and expectations of middle level managers in an organization; to become more results oriented and deal with broader, less technical and specialized areas in the management of people at work. Through dialogue, lectures, case studies and exercises, the participants enhance their management skills in their expanded roles.





PROGRAMMES REPORT Continued

Target Group: Newly appointed middle managers of development finance institutions

Participants: 24

Duration: 5 days

Partners: Gordon Institute of Business Sciences, SA, Swaziland Development and Savings Bank (Swazibank), Swaziland Development and Finance Corporation (FINCORP) and Swaziland Industrial Development Corporation (SIDC).

Programme on Investment Appraisal and Risk Analysis, 9th - 20th March 2009

This was the second programme of its kind in the financial year, following the high demand for such skills after the May 2008 programme. The programme coverage was essentially the same as the earlier one, and included modern techniques of finance, financial modelling, risk analysis, and risk management.

Participants learnt how to conduct the financial, and risk analysis of investments. They also gained skills in the design and testing of risk management contracts and the evaluation of project financing options.

Through lectures by experts, applied case studies, and group discussions, participants were able to gain practical knowledge, and obtain a global perspective of recent developments in these fields.

Target Group: This programme has been created for people who design, select, or finance projects and for those who are interested in the financial, and risk impacts of investments in development finance institutions and other public development projects.

Duration: 2 weeks

Venue: Eskom Leadership Development Centre, Midrand, South Africa;

Participants: 23 participants (SADC DFIs and Governments).

Partners: John Deutsche International Executive Programmes, Queens University, Kingston, Canada and funded by DANIDA

SADC DFI Human Resources Development Forum, 6th - 7th November 2008

The Human Resource Development Forum was convened for human resource development managers of the SADC DFIs to explore new programmes and mechanisms of cooperation between the DFIs in human resource development in the region. The programme was opened by Dr Abraham Mwenda, Managing Director of the Development Bank of Zambia.

Resource persons and contributors for the programme were drawn from the Development Bank of Southern Africa, the Industrial Development Corporation (South Africa) and the SADC Development Finance Resource Centre. A special technical discussion on Talent Management was also held during the Forum.

The Forum has been a regular feature of the SADC-DFI Network since it was launched in 2006 in South Africa by the HR managers of the member institutions. Participants: 22

Venue: Chrismar Hotel, Livingstone, Zambia. Partners: Development Bank of Zambia, Development Bank of Southern Africa and Industrial Development Corporation (SA).

General Conclusion on Training and Development Programmes

The courses were in general well planned and implemented with targeted numbers of participation being, in large measure, achieved. The targeted number of training programmes (5) has been exceeded this year. DFRC held 11 programmes during the year with a participation level of just under 200. Below in table 1, we present a breakdown of participation by DFIs/countries in all the programmes held in the year under review.

It demonstrates, for instance, that 23% of the participants on our programmes were drawn from Botswana, reflecting a large number of member DFIs from that country. This is followed by Swaziland with 22%, while Mauritius, Mozambique and South Africa have the lowest participation rates.

PROGRAMMES REPORT *Continued*



Table 1: Participation on Capacity Building Programmes by country (2009)

| COUNTRY | INSTUTION | NO. OF PARTICIPANTS | % |
|--------------------|-----------|---------------------|---------------|
| BOTSWANA | BDC | 3 | 1.69 |
| | CEDA | 9 | 5.08 |
| | NDB | 9 | 5.08 |
| | BHC | 4 | 2.26 |
| | BSB | 8 | 4.52 |
| | LEA | 8 | 4.52 |
| | | 41 | 23.16 |
| LESOTHO | BEDCO | 5 | 2.82 |
| | LNDC | 3 | 1.69 |
| | | 8 | 4.52 |
| MAURITIUS | DBM | 0 | 0.00 |
| | | 0 | 0.00 |
| MOZAMBIQUE | GAPI | 6 | 3.39 |
| | | 6 | 3.39 |
| NAMIBIA | AGRIBANK | 3 | 1.69 |
| | DBN | 9 | 5.08 |
| | NHE | 5 | 2.82 |
| | | 17 | 9.60 |
| SWAZILAND | FINCORP | 13 | 7.34 |
| | SIDC | 9 | 5.08 |
| | SWAZIBANK | 18 | 10.17 |
| | | 40 | 22.60 |
| SOUTH AFRICA | DBSA | 5 | 2.82 |
| | IDC | 1 | 0.56 |
| | LANDBANK | 4 | 2.26 |
| | | 10 | 5.65 |
| TANZANIA | NDC | 2 | 1.13 |
| | SIDO | 3 | 1.69 |
| | TIB | 6 | 3.39 |
| | | 11 | 6.21 |
| ZAMBIA | DBZ | 4 | 2.26 |
| | | 4 | 2.26 |
| ZIMBABWE | AGRIBANK | 4 | 2.26 |
| | IDBZ | 8 | 4.52 |
| | IDC | 6 | 3.39 |
| | SEDCO | 5 | 2.82 |
| | | 23 | 12.99 |
| SADC GOVTS/OTHER | | 17 | 9.60 |
| GRAND TOTAL | | 177 | 100.00 |



PROGRAMMES REPORT *Continued*

Overall, the figures demonstrate increasing numbers of programmes and participation over five years, some setbacks notwithstanding. The programme offering has become more stable, while incremental additions to these are foreseen as discussions with stakeholders also continue. The programme evaluations also show that the programmes are well known within the DFI community as well as other related institutions, and that they have become increasingly accepted as an integral part of the development programmes of the DFIs in the region.

Table 2 below shows the number of courses and the level of participation by DFIs and other institutions over the five years of the first DFRC business plan.

Table 2 :Number of courses and participation on DFRC courses, 2004-2009

| | 2004/5 | 2005/6 | 2006/7 | 2007/8 | 2008/9 | Total |
|---------------------|--------|--------|--------|--------|--------|-------|
| Courses | 3 | 6 | 7 | 6 | 11 | 33 |
| Participants | 63 | 139 | 165 | 137 | 246 | 750 |

However, further attention is required to matters pertaining to secondments, attachments, placements and technical assistance portfolio of capacity building. The DFIs are urged to participate more in these areas, so that specific institution-based programmes can also be developed to support the DFIs.

DFRC also foresees a situation of growing cooperation between DFRC and the major DFIs in the region, in the provision of capacity building at the regional level through collaboration and cooperation and better use of donor and other resources available to the region and the DFIs.



PROGRAMMES REPORT *Continued*

SMEs DEVELOPMENT PROGRAMMES

During the year under review, the SME development programme dealt with technical support to DFIs, SME mentoring programmes, and standards and trade facilitation as well as SME Business confidence indices.

i) Technical Support to BEDCO

DFRC support to BEDCO was in three areas as follows:

- Strategic Plan Review and Development;
- 3 Year Business Plan Stakeholders; and
- SMME Linkages Workshop.

BEDCO submitted its work plan for implementation and the project commenced in December 2008.

The technical assistance provided by DFRC has largely assisted in the development of the three year workplan on SMMEs development. The workplan has been presented to both BEDCO management and the Board of Directors. Once programming and resource allocation to different components of the project is complete, the workplan will be forwarded to the Government of Lesotho through the Ministry of Trade and Industry, Cooperatives and Marketing.

ii) SME Mentoring

The project which is in phases is being implemented using the *'Journey to Excellence'* model that was developed jointly with SAFRI HRD Project of Germany. The objectives of the project are to achieve the following:

- Increase lending to SMEs by DFIs;
- Improve DFIs' SME portfolio quality to international standards, shown through improved loan repayments and SMEs' higher productivity - improved access to regional and international markets; and
- Increase women SME clients for DFIs.

Over the period under review, the programme benefited DFIs in Namibia, Botswana and Tanzania. In Namibia, both Development Bank of Namibia and Agricultural Bank of Namibia went through the Journey to Excellence programme for their senior managements.

In Botswana, the managements of CEDA and LEA went through the Management programme for their institutions, and a mentoring programme for their prospective mentors was put in place jointly for both LEA and CEDA. About ten mentors went through the training by undergoing training workshops, and working with and guiding mentee companies. Successful demonstration of ability to guide the selected companies through regular meetings and production of progress reports in accordance with agreed action plans, will lead to a formal recognition of the mentor.

In Tanzania, the programme was directed at the Tanzania Investment Bank and SIDO where some mentoring workshops were conducted with potential mentors. Follow up programmes have been planned for early in the next financial year.

A number of challenges have arisen in the process of implementing the programme. These range from identification of mentors, capacity and commitment of identified mentors, the coordination with the DFIs and budgetary constraints. As at the end of the financial year, DFRC was undertaking a review of the programme to deal with administrative and financial constraints, develop new financing arrangements and realign the programme to make it more effective for the DFIs, mentors and the SMEs.



PROGRAMMES REPORT *Continued*

SME Standards and Trade Facilitation

DFRC has worked with the SADC Secretariat to develop this programme, and it has now been incorporated by the SADC Secretariat under a region-wide SADC programme on Industrial Upgrading and Modernization (IUMP).

The regional initiative which is under UNIDO support requires extensive funding of some \$1 23,243,750 for the SMEs component over a five year period beginning 2009. DFRC awaits the direction of SADC Secretariat through the Directorate of Trade, Finance and Investment on the way the programme will unfold, and DFRC's anticipated involvement in the programme.

SME Business Confidence Indices

DFRC is working with the Lesotho National Development Corporation (LNDC) on the implementation of the Business Confidence Indices. This is being undertaken in association with the Africa Growth Institute in South Africa. The project was approved by the LNDC board and a timeline was agreed upon with LNDC management to kick-start the project beginning with data collection, collation and computation of the indices. Implementation of the project, however, is expected in the next programme year and DFRC aims to extend the programme to other countries overtime.

Policy Research & Advisory Services Programme

In the year under review the key projects undertaken under the PRAS programme included the Chief Executives' Round - table Forum and the Credit Rating exercise, involving three DFIs.

CEO's Roundtable Forum

The CEO's Round - table Forum was held at the Labourdonnais Water Front Hotel in Port Louis, Mauritius on 30th April 2008, following the SADC DFI Subcommittee biennial meeting at the same venue. The objective of the Roundtable was to address challenges and opportunities faced by DFIs in the region in fostering economic and social development

in line with the SADC Regional Indicative Strategic Development Plan (RISDP).

This meeting was organised by DFRC in collaboration with the Development Bank of Southern Africa (DBSA). The Round - table provided an opportunity for DFIs to share experiences, exchange views and interact with experts on topical issues.

Topics covered included the following:

- Resource Mobilization for SADC Development Finance Institutions - Opportunities and Challenges;
- Challenges of Corporate Governance for African DFIs; and
- Transformation of DFIs;
- Experiences from Asia.

The discussions were fruitful and provided insights into recent trends in development finance and best practices. The experiences shared and the networking opportunities available proved invaluable to the CEOs attending the meeting.

Credit Rating Project

The objective of the project was to prepare a mixture of shadow and formal credit ratings for a select group of national development finance institutions. Specifically, the project aimed to facilitate the following for the DFIs and national governments in their capacity as shareholders:

- Access to finance: Credit ratings can communicate important information to potential lenders and can help unlock untapped sources of finance. In the long term, ratings can also help to establish a basis for pricing relative risk.
- Regulatory oversight: Credit ratings can be used by governments, their agencies and regulatory bodies to monitor DFIs and deliver targeted support to efficient compliance with regulations and reform strategies. Governments can use these tools for realistic performance contracting.

PROGRAMMES REPORT *Continued*

- **Organizational reform:** The independent review of DFI performance and peer comparison can provide an objective basis on which to set the internal reform agenda for the DFI. The DFI is also able to point to critical areas of external reform that can help them meet these reform objectives.

Implementation of the project involved the following stages:

- a) **Shadow credit assessment and diagnostics:** this involved a shadow credit worthiness assessment and would include on-site dialogue and review process with participating DFIs and preparation of diagnostic credit assessment reports.
- b) **Workshop:** A workshop of key stakeholders to include banks, other financial institutions, national and regional government officials, DFIs, rating agencies and central banks, would be held to discuss and review the findings of the credit assessments.

A third phase would involve a conceptual approach to DFI credit ratings focusing primarily on rating methodologies and their suitability for DFIs; drawing from experiences as well as previous work done on the subject both in Africa and in other developing regions.

Grant funding of US\$223 500 and US\$48 000 was provided for the project by the Public Investment Advisory Facility (PIAF), a World Bank subsidiary, and the African Capacity Building Foundation, respectively. Requests for proposals (RFPs) were sent out to major rating agencies. Following a tender process, Fitch Ratings International was selected to undertake the shadow ratings phase while Ratings Afrika was selected to provide the advisory services as well as the conceptual approach to the rating of DFIs.

Three DFIs were selected for the pilot namely, the Development Bank of Namibia, the Development Bank of Mauritius and the National Development Bank of Botswana.

The exercise was successfully carried out and by end March 2009 all reports had been completed. The workshop on DFI Credit Ratings was then convened on 26th March 2009 at which the findings and appraisal of the methodology were disseminated and debated. There were 68 participants at the workshop who were drawn from various key stakeholder organisations besides the DFIs. Apart from the ratings and ratings advisory agencies reports, participants also benefited from presentations on the global crisis and its impact on SADC economies, highlighting the countercyclical role of DFIs and prudential guidelines and standards for DFIs. The latter is being championed by the African Association of Development Finance Institutions (AADFI), a partner institution of DFRC

Overall, the ratings project has been successful and, funds permitting, DFRC would like to see this extended to more DFIs in the Network. At the same time the AADFI prudential guidelines and standards will be an integral component of this programme which seeks to entrench a culture of ratings amongst DFIs and improve their creditworthiness, a prerequisite under current adverse global financial trends.



Mr Keith Jefferies presenting on 'global financial crisis' during the credit rating workshop in Gaborone.



Infrastructure and Public Private Partnerships Programme

In the year under review the Infrastructure/PPP programme aimed at advancing the frontiers of knowledge and skills in the infrastructure and private participation therein, to contribute to infrastructure development in the region.

The main project of the Infrastructure/PPP programme was the PPIAF-funded Quantitative Appraisal of PPP projects. Following the transfer of the project to the management of the World Bank office in South Africa, the project was awarded to Queens University of Canada (John Deutsche International Executive Programmes). The programme was structured in such a way that it should be completed in 9 months, commencing July 2008, and the implementation of the first training programme should take place in May 2009.

A survey of training needs for public-private partnerships was carried out, and a specific programme developed to respond to the felt-need in government, DFIs and other public entities

in Southern Africa. The design of the programme was such that it had a duration of three weeks covering major aspects of appraising the PPP projects.

Invitations to the programme will be extended to SADC, SADC DFIs and governments and their agencies, state-owned enterprise and some private sector entities to attend the training programme. As a pilot programme, the purpose would be to disseminate this programme to as many institutions as possible across Southern Africa and other parts of Africa, promote cross-fertilisation of ideas as well as stimulate greater interest and professionalism in the design and appraisal of PPPs in Africa.

It is the considered view of the DFRC and its partners that there is a great deal of latent interest and scope for training and development in the field of PPPs given the growing interest in PPPs as a procurement tool.



Financial Statements

for the year ended 31 March 2009

Annual financial statements
for the year ended 31 March 2009

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**General information
for the year ended 31 March 2009**

Activities

The Southern African Development Community - Development Finance Resource Centre is a capacity building centre for the SADC Development Finance Institutions, supporting them in their pursuit of good corporate governance, operational effectiveness and efficiency so as to enhance their contribution to economic growth and development. It is a centre of excellence supporting the objectives of the Southern African Development Community Development Finance Institutions Network.

Number of employees

As at 31 March 2009 the Centre had 8 employees (2008: 8 employees)

Subsequent 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 Institution or the results of its operations.

Trustees

Members of the Board of Trustees are:

| | |
|---------------------|---------------|
| Mr. Peete Molapo | Chairman |
| Mr. Admassu Tadesse | Vice-chairman |
| Ambassador N Ijumbu | |
| Mr. William A Mlaki | |
| Mr. Somkhosi Malaba | |
| Dr. Abraham Mwenda | |
| Ms. Maria Nthebolan | |

Registered Address

Plot 50676
BIFW/Fairground Office Park
Gaborone

Bankers

Standard Chartered Bank Botswana Limited
PO Box 496
Gaborone

Auditors

KPMG
PO Box 1519
Gaborone



**Trustees' responsibility statement
for the year ended 31 March 2009**

The organisation's trustees are responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 31 March 2009, and the income statement, the statement of changes in funds and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards.

The trustees' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.


The trustees' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The trustees have made an assessment of the organisation's ability to continue as a going concern and have no reason to believe the organisation will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements:

The annual financial statements were approved by the trustees on 08th June 2009 and are signed on their behalf by:



Board Chairman





INDEPENDENT AUDITOR'S REPORT

To the members 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 29 to 48, which comprise the balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, 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 at 31 March 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



KPMG
08 June 2009 Gaborone

Income statement and
Statement of changes in funds

Income statement
for the year ended 31 March 2009
US\$

| | Note | 2009 | 2008 |
|---------------------------------------|------|------------------|------------------|
| Members' contributions | | 987 001 | 990 930 |
| Donor funds | | 667 348 | 746 158 |
| Total revenue | | 1 654 349 | 1 737 088 |
| Other income | | 45 191 | 124 175 |
| Interest Income | | 7 445 | 1 855 |
| Expenditure | | | |
| Staff costs | | (559 689) | (502 781) |
| Program expenses | | (931 644) | (230 885) |
| Administration and operating costs | | (429 634) | (295 794) |
| Surplus/(deficit) for the year | 1 | (213 982) | 833 658 |

Statement of changes in funds
for the year ended 31 March 2009
US\$

| | Accumulated surplus |
|---------------------------------|---------------------|
| Balance at 1 April 2007 | 49 124 |
| Surplus for the year | 833 658 |
| Balance at 31 March 2008 | 882 782 |
| Deficit for the year | (213 982) |
| Balance at 31 March 2009 | 668 800 |

Balance sheet

Balance sheet at 31 March 2009 US\$

| | Notes | 2009 | 2008 |
|--|-------|------------------|------------------|
| Assets | | | |
| Non current assets | | | |
| Plant and equipment | 2 | 62 570 | 85 313 |
| Current assets | | | |
| Trade and other receivables | 3 | 307 186 | 443 060 |
| Cash and cash equivalents | | 673 302 | 770 448 |
| | | 980 488 | 1 213 508 |
| Total assets | | 1 043 058 | 1 298 821 |
| Funds and liabilities | | | |
| Accumulated surplus | | | |
| | | 668 800 | 882 782 |
| Non-current liabilities | | | |
| Finance lease obligation | 4 | - | 3 538 |
| Operating lease accrual | 5 | 7 662 | 20 013 |
| | | 7 662 | 23 551 |
| Current liabilities | | | |
| Trade and other payables | 6 | 357 337 | 387 973 |
| Short term portion of operating lease accrual | 5 | 8 939 | 2 073 |
| Short term portion of finance lease obligation | 4 | 320 | 2 442 |
| | | 366 596 | 392 488 |
| Total funds and liabilities | | 1 043 058 | 1 298 821 |

Cash flow statement

Cash flow statement
for the year ended 31 March 2009
US\$

| | 2009 | 2008 |
|---|-----------------|----------------|
| Operating activities | | |
| Members' contributions | 820 097 | 668 572 |
| Donor funds | 975 709 | 746 158 |
| Cash paid to suppliers and employees | (1 830 976) | (823 117) |
| Sundry (payments)/receipts | (48 544) | 126 030 |
| Cash generated from/(utilised) in operating activities | <u>(83 714)</u> | <u>717 643</u> |
| Investing activities | | |
| Proceeds on disposal of furniture and fittings | - | - |
| Acquisition of plant and equipment | (7 772) | (4 448) |
| Cash utilised in investing activities | <u>(7 772)</u> | <u>(4 448)</u> |
| Financing activities | | |
| Capital repayments made on finance lease obligation | (5 660) | (10 091) |
| Increase/(decrease) in cash and cash equivalents | (97 146) | 703 104 |
| Cash and cash equivalents at beginning of year | 770 448 | 67 344 |
| Cash and cash equivalents at end of year | <u>673 302</u> | <u>770 448</u> |
| Cash and cash equivalents comprise: | | |
| Petty cash | - | 49 |
| Bank balances - current accounts | 29 120 | 16 774 |
| Bank balances - call accounts | 644 182 | 753 625 |
| | <u>673 302</u> | <u>770 448</u> |



Significant accounting policies

Significant accounting policies for the year ended 31 March 2009

Statement of compliance

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

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 in notes 9 and related accounting policies.

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.



Significant accounting policies (continued)

Significant accounting policies (continued) for the year ended 31 March 2009

Leasing

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 balance sheet 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 33.33% per annum
- Furniture and fittings 15% per annum
- Office equipment 15% per annum
- Motor vehicle 25% 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 income statement.

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.

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.



Significant accounting policies (continued)

Significant accounting policies (continued) for the year ended 31 March 2009

Impairment (continued)

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.

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 income statement when the following conditions have been satisfied:

- 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.



Significant accounting policies (continued)

Significant accounting policies (continued)
for the year ended 31 March 2009

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.

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 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 balance sheet 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.

Trade and other receivables

Trade and other receivables, which generally have 30 to 90 day terms are recognised and carried at original invoice amount less impairment charges. Impairment charges 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.



Significant accounting policies (continued)

Significant accounting policies (continued)
for the year ended 31 March 2009

Financial instruments (continued)

Financial liabilities

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 balance sheet when the organisation has a legally enforceable right to set off the recognised amount and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

New standards and interpretations not yet adopted

- IAS 1: Presentation of financial statements (revised). The main change in the revised IAS 1 is a requirement to present all non-owner changes in equity

in a single statement of comprehensive income (which includes income statement line items). Under the revised standard, a statement of financial position (preferred term for "balance sheet") has to be presented at the beginning of the comparative period when the organisation restates the comparatives as a result of a change in accounting policy; the correction of an error or the reclassification of items in the financial statements. The revised IAS 1 which becomes mandatory for the organisation's 2010 financial statements, will require the additional and revised statements as noted.

- IFRS 8 Operating Segments sets out requirements for disclosure of information in respect of an organisation's operating segments, the organisation's products and services, the geographical areas in which it operates and its major customers. IFRS 8, which becomes mandatory for the organisation's 2010 financial statements, is not expected to have any impact on the financial statements of the organisation.

- IAS 23 Borrowing Costs (revised) removes the option to expense borrowing costs and requires an organisation to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23, which becomes mandatory for the organisation's 2010 financial statements, constitutes a change in accounting policy for the organisation. In accordance with transitional provisions the organisation will apply the revised IAS 23 to qualifying assets from which capitalisation of borrowing costs commences on or after the effective date.

- IFRS 2 Share-based payment: Vesting conditions and cancellations (amendments). The amendments apply to equity-settled share-based payment transactions and clarify the meaning of vesting and "non-vesting conditions" and the accounting treatment where either the organisation or the beneficiary of a grant chooses not to meet the vesting conditions. The revised IFRS 2, which becomes mandatory for the organisation's 2010 financial statements, is not expected to have any impact on the financial statements of the organisation.



Significant accounting policies (continued)

- IFRS 3: Business combinations supersede the previous IFRS 3 as issued in 2004. The standard has introduced various terminology and scope changes. IFRS 3, which becomes mandatory for the organisation's 2010 financial statements, is not expected to have any impact on the financial statements of the organisation
- IAS 32 and IAS 1 amendment: Puttable Financial Instruments and Obligations. Puttable financial instruments and obligations arising on liquidation require certain financial instruments that would ordinarily meet the definition of a financial liability to be classified as equity. These instruments must meet certain criteria as set out in IAS 32. The revision to the standard, which becomes mandatory for the organisation's 2010 financial statements, is not expected to have any impact on the financial statements of the organisation.
- IAS 27: Consolidated and separate financial statements (amendment). Consequential amendments have been made to IAS 27 Consolidated and Separate Financial Statements as a result of the revised IFRS 3 Business Combinations issued. The amendments relate mainly to the accounting for changes in the non-controlling (minority) interest in a subsidiary and the loss of control in a subsidiary. The revision, which becomes mandatory for the organisation's 2010 financial statements, is not expected to have any impact on the financial statements of the organisation

Notes to the annual financial statements

Notes to the annual financial statements
for the year ended 31 March 2009
In US\$

| 1. Deficit/(surplus) for the year | 2009 | 2008 |
|---|---------|----------|
| Deficit/(surplus) for the year is stated after taking into account the following: | | |
| Audit fees | 7 028 | 6 328 |
| Board costs | 47 528 | 20 843 |
| Impairment | 229 064 | 8 144 |
| Depreciation | 30 515 | 33 020 |
| Foreign exchange (gain)/loss | 95 700 | (34 578) |
| Staff costs | 559 689 | 502 781 |
| Rent - cash payments | 88 632 | 93 601 |
| Rent - operating lease accrual | 3 764 | 3 689 |

2. Plant and equipment

| | Motor vehicle | Computer equipment | Office equipment | Furniture & fittings | Total |
|-------------------------------|---------------|--------------------|------------------|----------------------|----------------|
| Cost | | | | | |
| Balance at beginning of year | 26 310 | 46 789 | 17 908 | 103 297 | 194 304 |
| Additions | <u>-</u> | <u>5 432</u> | <u>2 031</u> | <u>309</u> | <u>7 772</u> |
| Balance at end of year | <u>26 310</u> | <u>52 221</u> | <u>19 939</u> | <u>103 606</u> | <u>202 076</u> |
| Depreciation | | | | | |
| Balance at beginning of year | 11 406 | 39 787 | 5 990 | 51 808 | 108 991 |
| Charge for the year | <u>3 803</u> | <u>6 299</u> | <u>2 806</u> | <u>17 607</u> | <u>30 515</u> |
| Balance at end of year | <u>15 209</u> | <u>46 086</u> | <u>8 796</u> | <u>69 415</u> | <u>139 506</u> |
| Net book value | | | | | |
| At 31 March 2008 | <u>14 904</u> | <u>7 002</u> | <u>11 918</u> | <u>51 489</u> | <u>85 313</u> |
| At 31 March 2009 | <u>11 101</u> | <u>6 135</u> | <u>11 143</u> | <u>34 191</u> | <u>62 570</u> |

A motor vehicle with a book value of US\$11 101 (2008: US\$14 904) is encumbered as per note 4.

Notes to the annual financial statements (continued)

Notes to the annual financial statements (continued)
for the year ended 31 March 2009
In US\$

| | | 2009 | 2008 |
|--|---|----------------|----------------|
| 3. | Trade and other receivables | | |
| | Members' contributions | 243 012 | 79 644 |
| | Other receivables | 64 174 | 363 416 |
| | | <u>307 186</u> | <u>443 060</u> |
| 4. | Finance lease obligation | | |
| | Finance lease obligation with Wesbank | 320 | 5 980 |
| | Less: short term portion transferred to current liabilities | (320) | (2 442) |
| | | <u>-</u> | <u>3 538</u> |
| <p>The finance lease obligation is secured by a motor vehicle with a book value of US\$11 101 (2007: US\$14 904) per note 2. The lease obligation bears interest at the prime lending rate plus 1% and is repayable in 48 monthly instalments of US\$547 each, starting on 18 May 2005.</p> <p>The lease obligation is repayable as follows:</p> | | | |
| | Payable within one year | 320 | 2 442 |
| | Payable within two to five years | - | 3 538 |
| | | <u>320</u> | <u>5 980</u> |
| 5. | Operating lease accrual | | |
| | Year end | 31 March | 31 March |
| | | 2008 | 2009 |
| | Long term accrual | 20 013 | 7 662 |
| | Short term accrual | 2 073 | 8 939 |
| | | <u>22 086</u> | <u>16 601</u> |
| | | | <u>7 662</u> |
| 6. | Trade and other payables | | |
| | Trade payables | 334 103 | 367 994 |
| | Other payables | 23 234 | 19 979 |
| | | <u>357 337</u> | <u>387 973</u> |

Notes to the annual financial statements (continued)

Notes to the annual financial statements (continued)
for the year ended 31 March 2009
In US\$

7. Related party transactions

Member Development Finance Institutions are the related parties to the Centre and transactions relate to the annual contributions and rechargeable expenses.

8. Lease commitments

Future minimum lease payments under non-cancellable lease relating to premises are as follows:

| Cash payments | 31 March 2009 | 31 March 2010 |
|-------------------------------|------------------|------------------|
| Cash payments within one year | 74 918 | 46 149 |
| Cash payments after one year | 46 149 | - |
| Total future cash payments | 121 067 | 46 149 |
| Less: lease accrual (note 5) | (20 013) | (7 662) |
| Future operating lease | 101 054 | 38 487 |

9. Financial instruments

Exposure to interest rate, foreign exchange, credit and liquidity risk occurs in the normal course of the organisation's business. The organisation has a treasury policy which sets out objectives for the maximisation of returns through efficient management of cash flows and specific foreign exchange exposure, to ensure funding requirements are met and to ensure that all treasury assets and liabilities are fairly presented.

Market risk

Fluctuation of interest rates impact on the value of short-term cash investments, giving rise to price risk. Other than ensuring optimum money market rates for deposits, the organisation does not make use of financial instruments to manage this risk.

Interest rate risk

The organisation invests with reputable institutions and is subject to normal market interest rate risk. The effective interest rates on the organisation's call deposits at year-end were as follows:

| | 2009 | 2008 | |
|-----------|-------|-------|-----------|
| Pula call | 6,00% | 5,75% | Per annum |

Notes to the annual financial statements (continued)

Notes to the annual financial statements (continued)
for the year ended 31 March 2009
In US\$

Financial instruments (continued)

Credit risk

The organisation has exposure to credit risk; which is the risk of a counterparty being unable to pay amounts in full when due. Key areas where the organisation is exposed to credit risk are:

- trade and other receivable balances,
- loans receivable, and
- investments in cash and cash equivalents.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African or United Kingdom registered institutions.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | 2009 | 2008 |
|-----------------------|----------------|------------------|
| Member's Contribution | 16 844 | 79 644 |
| Other receivables | 64 174 | 363 416 |
| Cash equivalents | 765 808 | 770 448 |
| | <u>846 826</u> | <u>1 213 508</u> |

The maximum exposure to credit risk for receivables at the reporting date by geographic region was:

| | 2009 | 2008 |
|--------------|---------------|---------------|
| Mauritius | 11 424 | - |
| South Africa | - | 67 420 |
| Zambia | 5 662 | - |
| Zimbabwe | - | 12 224 |
| Namibia | (242) | - |
| | <u>16 844</u> | <u>79 644</u> |

Notes to the annual financial statements (continued)

Notes to the annual financial statements (continued)
for the year ended 31 March 2009
In US\$

Financial instruments (continued)

Credit risk

The ageing of receivables at the reporting date was:

| | Gross 2009 | Impairment 2009 | Gross 2008 | Impairment 2008 |
|----------------------------|----------------|--------------------|----------------|--------------------|
| Past due more than 90 days | <u>564 008</u> | <u>(547 165)</u> | <u>397 745</u> | <u>(318 101)</u> |

Liquidity risk

The organisation is exposed to daily operational payments, payment of trade payable balances and finance lease obligations. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The organisation set limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | Carrying Amount | Contractual Cash flows | Within 1 year | 2 - 5 years |
|---------------------------------|--------------------|---------------------------|------------------|-----------------|
| 2009 | | | | |
| Long term borrowings | (7 851) | (7 851) | - | (7 851) |
| Current borrowings (short term) | (9 070) | (9 070) | (9 070) | - |
| Trade and other payables | <u>(357 337)</u> | <u>(357 337)</u> | <u>(357 337)</u> | <u>-</u> |
| | <u>(374 258)</u> | <u>(374 258)</u> | <u>(366 407)</u> | <u>(7 851)</u> |
| 2008 | | | | |
| Long term borrowings | (23 551) | (23 551) | - | (23 551) |
| Current borrowings (short term) | (4 515) | (4 515) | (4 515) | - |
| Trade and other payables | <u>(387 973)</u> | <u>(387 973)</u> | <u>(387 973)</u> | <u>-</u> |
| | <u>(416 039)</u> | <u>(416 039)</u> | <u>(392 488)</u> | <u>(23 551)</u> |

Notes to the annual financial statements (continued)

Notes to the financial statements (continued)
for the year ended 31 March 2009
In US\$

Financial instruments (continued)

Exposure to currency risk

The organisation is exposed to 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:

The organisation's exposure to foreign currency risk based on notional amounts is analysed as follows:

| | | |
|----------------------------|----------------|----------------|
| 2009 | Euro | Botswana Pula |
| Cash and cash equivalents | 213 740 | 56 046 |
| Trade payables | - | (23 234) |
| Net balance sheet exposure | <u>213 740</u> | <u>32 812</u> |
| 2008 | Euro | Botswana Pula |
| Cash and cash equivalents | 413 786 | 12 153 |
| Trade payables | - | (19 979) |
| Net balance sheet exposure | <u>413 786</u> | <u>(7 826)</u> |

Sensitivity analysis

A 10 percent strengthening of the US Dollar against these currencies at year-end would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

| | | |
|------|-----------------|------------------|
| 2009 | Equity | Profit or (loss) |
| EUR | (19 431) | (19 431) |
| BWP | (2 983) | (2 983) |
| | <u>(22 414)</u> | <u>(22 414)</u> |
| 2008 | | |
| EUR | (37 617) | (37 617) |
| BWP | 711 | 711 |
| | <u>(36 906)</u> | <u>(36 906)</u> |

A 10 percent weakening of the US\$ against the above currencies at year-end would have had the equal but opposite effect on the equity and profit or loss to the amounts shown above, on the basis that all other variables remain constant.

Notes to the annual financial statements (continued)

Financial instruments (continued)

Exposure to interest rate risk

Financial instruments that are sensitive to interest rate risk are cash and cash equivalents and long term borrowings. Applicable interest rates fluctuate with movements in the prime interest rate and are comparable with rates currently available in the market.

| | 2009 | 2008 |
|----------------------------------|----------------|----------------|
| Variable rate instruments | | |
| Interest bearing borrowings | (320) | (5 980) |
| Cash and cash equivalents | <u>673 301</u> | <u>770 448</u> |

With interest rates for cash and cash equivalents ranging from 0,65% to 6,0% and interest bearing borrowings at 16,5% a change of 50 basis points in interest rates at the reporting date would have affected organisation profit as shown below:

Increase of 50 basis points

| | 2009 | 2008 |
|-----------------------------|------------|------------|
| Interest bearing borrowings | <u>5</u> | <u>99</u> |
| Cash and cash equivalents | <u>345</u> | <u>506</u> |

A 50 basis point decrease in interest rates at 31 March 2009 would have had the equal but opposite effect on the above variable rate instruments to the amounts shown above, on the basis that all other variables remain constant.



SADC-DFI NETWORK MEMBERS

ANGOLA

DR CONGO

BOTSWANA

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

LESOTHO

Basotho Enterprises Development Corporation
Lesotho National Development Corporation

MADAGASCAR

MALAWI

MAURITIUS

Development Bank of Mauritius

MOZAMBIQUE

Small Investment Promotion Company - GAPI SARL

NAMIBIA

Agricultural Bank of Namibia
Development Bank of Namibia
National Housing Enterprise

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

SEYCHELLES

TANZANIA

National Development Corporation
Tanzania Investment Bank
Small Industries Development Organisation

ZAMBIA

Development Bank of Zambia

ZIMBABWE

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



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