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## Vision Mission

### 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 organization providing capacity building and 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 economic growth and development in the SADC region.”

### Governance Structure

- Shareholders: SADC-DFI Network Members.
- Chairman of the Board of Trustees: **Dr Vincent Mhlanga**, Managing Director, Swaziland Development Finance Corporation, Swaziland.
- Board of Trustees: Five members, appointed for two-year terms.
- Chief Executive Officer: **Dr Rosalind H. Thomas**





## Mandate

The SADC – DFRC is a SADC institution established under the principle of subsidiarity. It is collectively 'owned' by the SADC-DFIs Network as its 'self – help' organisation. Only the twenty four members of the Sub-committee that have signed the MOU of May 2002 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).

## DFRC CORPORATE PROFILE

## Key Focal Sectors

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

- 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 in line with the NEPAD/AU strategy for Africa.

## Approach

The DFRC is a lean organisation manned by a small highly qualified group of 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 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 funded from donor sources. Overtime, the DFRC is expected to strengthen its capacity to generate own resources and reduce dependency on subscriptions and donor support.





## ABBREVIATIONS

<b>AERC</b>	African Economic Research Consortium
<b>AfDB</b>	African Development Bank
<b>APDF</b>	Africa Project Development Facility
<b>AU</b>	African Union
<b>CCBG</b>	Committee of Central Bank Governors of SADC
<b>CDE</b>	Centre for the Development of Enterprise
<b>CISNA</b>	Committee on Insurance, Securities and Non-banking Financial Authorities of SADC
<b>COMFI</b>	Committee of Ministers responsible for Finance and Investment of SADC
<b>DANIDA</b>	Danish International Development Agency
<b>DBSA</b>	Development Bank of Southern Africa
<b>DFI</b>	Development Finance Institution
<b>DFRC</b>	Development Finance Resource Centre
<b>DKK</b>	Danish Kronar
<b>ECA</b>	Economic Commission for Africa (see also UNECA)
<b>EU</b>	European Union
<b>FANR</b>	Food, Agriculture and Natural Resources Directorate of SADC
<b>FDI</b>	Foreign Direct Investment
<b>FISCU</b>	Finance and Investment Sector Coordinating Unit
<b>FIRST</b>	Financial Sector Reform and Strengthening Initiative
<b>GDP</b>	Gross Domestic Product
<b>GIBS</b>	Gordon Institute for Business Sciences
<b>ICM</b>	Integrated Committee of Ministers of SADC
<b>IDC</b>	Industrial Development Corporation of South Africa
<b>IFC</b>	International Finance Corporation
<b>IFIs</b>	International Financial Institutions
<b>IMF</b>	International Monetary Fund
<b>IOD</b>	Institute of Directors in Southern Africa
<b>JAI</b>	Joint Africa Institute
<b>JBIC</b>	Japanese Bank for International Cooperation
<b>JICA</b>	Japanese International Cooperation Agency
<b>KfW</b>	Kreditanstalt Für Wiederaufbau, Germany
<b>MDB</b>	Multilateral Development Bank
<b>MEFMI</b>	Macroeconomic and Financial Management Institute of East and Southern Africa
<b>MOU</b>	Memorandum of Understanding
<b>NEPAD</b>	New Partnership for Africa's Development
<b>NDC</b>	National Development Corporation of Tanzania
<b>ODA</b>	Official Development Assistance
<b>PFI</b>	Private Financing of Infrastructure
<b>PPDF</b>	Project Preparation and Development Fund
<b>PPIAF</b>	Public Private Infrastructure Advisory Facility
<b>PPI</b>	Private Provision of Infrastructure
<b>PPPs</b>	Public-Private Partnerships
<b>RDBs</b>	Regional Development Banks
<b>RISDP</b>	Regional Indicative Strategic Development Plan
<b>SADC</b>	Southern African Development Community
<b>SDIs</b>	Spatial Development Initiatives
<b>SMEs</b>	Small and Medium Scale Enterprises
<b>SSA</b>	Sub-Saharan Africa
<b>STO</b>	Senior Treasury Officials of SADC
<b>TA</b>	Technical Assistance
<b>TIFI</b>	Trade, Industry, Finance and Investment Directorate of SADC
<b>TNC</b>	Trans-National Corporation
<b>WITS</b>	Wits University Business School
<b>WTO</b>	World Trade Organisation





The Board of Trustees provides strategic 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.

## BOARD OF TRUSTEES



**Dr Vincent Mhlanga**  
 Managing Director  
 Swaziland Development  
 Finance Corporation  
 Swaziland. ACEA, MBA, PhD,  
 Trustee since May 2006.  
 Chairman since September  
 2006.



**Mr Oaitse M  
 Ramasedi**  
 Chief Executive Officer  
 National Development  
 Bank, Botswana  
 FCMA, MA, BCom, ABIB  
 Trustee since March 2003.  
 Deputy Chairman since  
 september 2006.



**Mr David Nuyoma**  
 Chief Executive  
 Officer, Development  
 Bank of Namibia,  
 Namibia. MA, Industrial  
 Development, University of  
 East of Anglia, Norwich, UK.  
 Trustee since November 2006.



**Mr Benyram  
 Chooramun**  
 Managing Director  
 Development Bank of  
 Mauritius, Mauritius  
 MBA, FCCA, FCIS, ACIB  
 Trustee since September  
 2004.



**Mr Alan Mukoki**  
 Chief Executive Officer  
 Land & Agricultural Bank,  
 South Africa  
 B. Com. (CAIB), EDP (Wits)  
 Trustee since September 2004.





## CHAIRMAN'S STATEMENT



**Dr Vincent Mhlanga**  
Chairman

### Introduction

It is my pleasure and honour to have this opportunity to present the Annual Report for 2006/7, my first as Board Chairman having been elected to this position in September 2006. I am grateful to the members of the Network for the confidence placed in me, and I can only promise to do my best to live up to the ideals of the founding fathers of the Network and the Development Finance Resource Centre. I am confident that the Board will work harmoniously with the management of the DFRC to ensure that the vision and mission of this important developmental institution in our region are fully realized.

In this spirit, I would therefore wish to recognize the tireless efforts of my predecessor, Mr Peter Madara, Deputy Chief Executive and Group Financial Controller at the Industrial Development Corporation of Zimbabwe, for his sterling performance in guiding the DFRC through its formative stages and dealing with the numerous teething problems that accompany newly established institutions. It is on account of his effective leadership, together with the Board consisting of seasoned executives in development finance, that the governance and management structures of the Centre are in good shape, and that the DFRC has now taken on the character of an institution with fully functional systems and processes.

I would also like to pay tribute to Dr Rosalind Thomas who has been Chief Executive of the DFRC since its formation for her indefatigable dedication and commitment to the institution, and much valued support rendered to the development of the SADC DFI Network and the emergence of the development finance system of the region. Dr Thomas, after four years at the helm of the DFRC, has been appointed to a senior position in the African Development Bank as Director for NEPAD, Trade and Regional Integration. She assumes this position on 1st June 2007. I wish her the very best in her new assignment, and look forward to her continued contribution to development finance in Africa.

It behoves those of us who remain to carry forward the torch and take the DFRC to even greater heights. The management and staff of the Centre are therefore challenged not to slacken in their efforts to maintain the momentum so far created, and to build on the network of stakeholders and relationships so far developed to ensure that development finance is made widely available in areas of need in the SADC region to catalyse economic and social development and reduce poverty.

### Activities

The year under review has been quite active in the areas of financial restructuring, institutional strengthening and skills development, Small and Medium Enterprises Development as well as Infrastructure Development.

A number of training programmes in Corporate Governance, Investment Appraisal and Project Management have been undertaken bringing the total number of participants on DFRC programmes since its inception in 2004 to just below 300. This is remarkable and more could be achieved with increased donor support. As a spin-off from this, the DFRC has started working with its international partners to develop tailor-made and region-specific training programmes on Corporate Governance and Advanced Appraisal of Infrastructure and Public Private Partnership (PPP) projects. Going by enquiries for such products from Network members and some national governments, the potential for the DFRC to grow this area is quite enormous.

Training of trainers programmes are also being developed by the DFRC to establish a cadre of professionals within the network and indeed the region to undertake consultancy and training





activities. This does not only reflect the self-help approach of the DFI Network but, to ensure internationally accepted quality and delivery of services, the training of trainers is being done under the tutelage of and certification by renowned institutions in the region and internationally. An on-going staff development programme covering both Investment Appraisal and Corporate Governance, has begun and will continue until a critical number of trainers is achieved.

The DFRC has also initiated policy dialogue in areas critical to the development agenda of the region. These relate to the effectiveness of development finance institutions and their role in development both at national and regional levels; the catalytic role of DFIs as financiers and promoters of private investment, especially in infrastructure provision. Thus, the DFRC has been instrumental in facilitating workshops on Corporate Governance, PPPs and debate on the role of National Development Banks - the latter on an Africa-wide basis with the support of the United Nations Department of Economic and Social Affairs.

Efforts are also under way to support governments wishing to set up viable development finance mechanisms to contribute in a sustainable manner to economic development in the region through sound financing packages. The DFRC has interacted with both governments and the DFIs in the region to explore mechanisms for improving the performance and structure of respective development finance institutions. Specific efforts have been targeted at institutions dealing with SMEs and Infrastructure, from which have been designed various training and consultancy interventions within the framework of the DFRC's mandate.

### SADC Regional Programme

The DFRC was established under the SADC principle of subsidiarity to serve the purpose of an implementing agency under SADC's regional agenda. This principle recognises SADC as not only the mother body but also as responsible for policy and strategy formulation while the task of implementation is relegated to subsidiary institutions. At establishment and as a transitional arrangement mandated by Ministers of Finance of SADC, the DFRC was operationalised under a memorandum of understanding signed by DFI Network members in 2002. This situation clearly contributed to some uncertainty around the Centre's status. Happily however this has recently changed. I am therefore pleased to report that following the adoption of the SADC Protocol on Finance and Investment (FIP) by the SADC Heads of State in August 2006 in Maseru, the DFRC has become a Treaty-based organization of SADC.

In this respect, the programmes of the DFRC remain and continue to be aligned with the SADC Regional Indicative Strategic Development Plan (RISDP) and particularly in the priority areas of Trade and Infrastructure. To ensure consistency of objectives and the support of the DFRC's programmes by the SADC Secretariat, high level consultations have taken place between my predecessor and the Chairman of the SADC DFI Sub-committee on the one hand, and the Executive Secretary of SADC on the other. Further contacts and ongoing meetings have also taken place between the DFRC management and the SADC Directorate of Trade, Industry, Finance and Investment (TIFI) on programmatic, administrative and technical issues, in an effort to forge a closer working relationship between the two institutions.

I am pleased to note that the relationship and its clarity have significantly improved in the period under review. It is my sincere hope that this enhanced understanding will result in concrete steps for the two institutions to work together for their mutual benefit, and the advancement of the regional development agenda. It is also my intention to further and cement this dialogue during the tenure of my chairmanship.

### Stakeholder Relations

The DFRC has continued to actively mobilize donor support and build a network of technical partners with varying levels of success. The multilateral agencies, such as the African Development Bank (AfDB), the International Finance Corporation (IFC), the African Capacity Building Foundation (ACBF) and the Public-Private Infrastructural Advisory Facility (PPIAF), among others have supported the work of the DFRC. Well over a million dollars have been raised off-balance sheet from these institutions in support of DFI projects. Among the donors and ICPS, we would like to particularly thank DANIDA. for their support over the past three years. Prospects for further resources remain strong as discussions are ongoing with bilateral agencies and missions of various donor governments.

I would also want to recognise the critical support by our bigger member institutions to the DFRC in mobilizing the technical, financial and material support to implement its programmes for the benefit of Network members and the region as a whole. In this regard, I pay special tribute to the Development Bank of Southern Africa (DBSA) and the Industrial Development Corporation (IDC), both of South Africa, for supporting our training and development programmes as well as our conferences and meetings in South Africa and elsewhere. We look forward to greater involve-





ment of other DFIs in supporting our programmes.

With the continued support of the Board and indeed that of the DFI Network and the SADC Secretariat, the DFRC's efforts at mobilizing resources and establishing strategic partnerships will be successful. In many ways, the growing stakeholder support, encompassing donors, is a reflection of the growing recognition of the DFRC as an important development player and an effective delivery agent on the SADC Common Agenda.

## Membership

The membership of the SADC DFI Network continued to grow with the coming on board of the Basotho Enterprise Development Corporation (BEDCO) of Lesotho, and the Small Enterprise Development Support Organisation (GAPI) of Mozambique in November 2006 and March 2007, respectively. The Network membership now stands at 25 from the original 15 at the birth of the Network. This attests to a growing recognition of the value of the Network and the services being provided by the DFRC. It is anticipated that more institutions will accede to membership since quite a number have expressed interest, while others have maintained observer status on the DFI Network pending enabling legislative changes or conclusion of institutional reforms in development finance in their respective jurisdictions.

Responding to submissions by a significant number of current as well as potential Network members that the original contribution formula was inequitable, the Network requested the DFRC to engage consultants to review the formula. The review involved a survey and analysis of existing practices in similar organizations and the views of the member DFIs. The completed review report was first tabled at the DFI Network meeting of November 2006 and the new formula was finally adopted at the March 2007 meeting for implementation with effect from 1st April 2007.

The new formula places greater weight on the asset base or book size of the member institution rather than the Gross Domestic Product and population of their countries which was the case with the old formula. Thus, at institutional level, the new formula is therefore more equitable. As a consequence, there have been significant changes in the size of member contributions particularly for smaller members who have had to bear disproportionately large contributions resulting in some falling into arrears. We are grateful for the responsiveness and understanding of the institutions which have had to bear a heavier burden as a result of the formula, and to all other DFIs for responding positively to the new formula.

## Financial Performance

While the DFRC has set an ambitious target for delivery of programmes and services to the DFI Network, the resource envelope has not expanded commensurate with the pressing demands of the DFI Network members. Consequently, the non-materialisation of anticipated resource flows has placed the DFRC in a difficult financial position vis-à-vis its programmes, given the commitments it has already made. The situation has been compounded by a few members that have for a while now been in arrears.

To avoid a further deterioration of financial situation, the Board has advised the DFRC management to exercise caution in the implementation of programmes to avoid over-commitments. At the same time this development has brought to the fore the need for the DFRC to implement rigorously its Financial Sustainability Strategy approved by the Board and the DFI Network in November 2006 which seeks to enhance alternative sources of revenue, especially through fees for services rendered. The strategy aims to, overtime, reduce dependence on member contributions by the DFRC and in tandem continue to make concerted efforts to secure donor funding directly from bilateral and multilateral institutions, and through the SADC secretariat.

I am reasonably confident that the DFRC will weather the storm, and the institution will be stronger for its experience, and better placed to play its role in the region in the coming years.

## Board changes

As I indicated in my opening remarks, there have been a number of changes in the DFRC Board. I replaced Mr Peter Madara as Chairman of the Board. Colonel Joseph Simbakalia, then Managing Director of National Development Corporation of Tanzania (NDC) and Vice Chairman of the Board, was promoted to become Provincial Governor for Kigoma by the Government of Tanzania; he therefore withdrew from the Board of the DFRC. Mr Oaitse M. Ramasedi, CEO of National Development Bank of Botswana and a long serving Board member replaced Col Simbakalia as Vice Chairman. Mr George Oricho, the alternate to Mr Alan Mukoki, Chief Executive Officer of Land Bank, also left the Land Bank, and was replaced on the Board by Mr Nkosinathi Mbetha. Mr David Nuyoma who was elected Chairman of the DFI Subcommittee in November 2006 became an ex officio member of the Board effective the same month. Mr Benyram Chooramun, Managing Director of the Development Bank of Mauritius is the fifth member of the Board.





From (l-r), **Mr Oaitse M. Ramasedi** (Deputy Chair of the SADC DFRC Board of Trustees and Chief Executive Officer for National Development Bank, Botswana), **Dr Rosalind H Thomas** (Outgoing CEO of SADC-DFRC) and **Mr David Nuyoma** (Chairman of the SADC DFI Subcommittee and Chief Executive Officer of the Development Bank of Namibia) handing over a gift to Dr Thomas at her farewell cocktail.

At the management level, Dr Rosalind H. Thomas, CEO of the DFRC, will vacate her position on 31st May 2007 to take up her new assignment at the African Development Bank.

I would like to take this opportunity to thank all the members for their dedicated service and guidance to the DFRC and the DFI Network. We are grateful for their support, and wish them well in their various endeavours.

## Prospects

Funding constraints notwithstanding, the DFRC has continued to play a critical role for the DFI Network members and has made its mark on the region as a capacity building institution in its mandated core areas of activities. It is my objective during the course of my chairmanship and with the support of the Board that the DFRC continues to grow in stature and achieve greater regional and international recognition. This will come through increased activities of the DFRC that are relevant and will add value to the developmental goals of the region as guided by the RISDP. In this regard it is crucial that efforts to mobilise resources are redoubled and with the continued support of the mother institution, the SADC Secretariat. In addition, it is also of paramount importance that we begin to move determinedly, albeit in smaller steps initially, towards financial sustainability. The support of strategic partners and development partners cannot be overemphasised for the successful achievement of these goals by the DFRC.

My appreciation goes to the Board, Management, and staff for their commitment, dedication and hard work. Special tribute goes to our donors for their contribution to the growth of the DFRC.

**Dr Vincent Mhlanga**  
Chairman  
Board of Trustees





## MANAGEMENT & ORGANISATIONAL STRUCTURE



### Dr Rosalind H. Thomas

Job Title: Chief Executive Officer  
 Status: Regional contract  
 Area of Expertise: International Economic law, Risk management, Economics (Trade, Finance & Investment)  
 PhD (Wits), MA (Law & Economics) (JHU SAIS), LL.B; B. L. (Hons) (U. Zim)

Dr Thomas was the interim CEO for the SADC-DFRC since its establishment in July 2003. She was seconded by the National Treasury of South Africa from the Development Bank of Southern Africa (DBSA), a member of the SADC DFI Network, to drive the policy work on development finance in the region and to set-up the Institutional and recruit staff. She was appointed substantive CEO with effect from 1st March 2005. Dr. Thomas is currently managing the Infrastructure/PPP Programme of the DFRC.



### Ms Vero Kgakge

Job Title: Manager, Finance and Administration  
 Status: Regional contract  
 Area of Expertise: Finance & Administration  
 Academic qualifications: B. Com (Accounting), University of Botswana

Ms Kgakge joined the SADC-DFRC in September 2003, coming from the Finance Division of the SADC Secretariat. She was involved in the establishment of the institution including, developing and maintaining the finance and administration systems, policies and procedures.



### Dr Herrick Chota Mpuku

Job Title: Programme Manager Capacity Building  
 Status: Regional contract  
 Area of Expertise: Human Resources Development, International and Development Economics  
 Academic qualifications: PhD, MBA (Economics & Corporate Planning) MSc. Development Economics, BBA & Fellow, ICM

Dr Mpuku joined the SADC-DFRC in October 2004, from the USAID Mission in Zambia, where he served as a Programme Economist. Prior to this he served in the Zambia public service and academia.



### Mr Stuart Kufeni

Job Title: Programmer Manager - Policy Research & Advisory Services  
 Status: Regional contract  
 Area of Expertise: Banking and macroeconomics  
 Academic qualifications: MA Economics (University of Manchester), BSc (HONS) Economics (U. Zim)

Mr Kufeni was previously employed by the Reserve Bank of Zimbabwe for 24 years. He left the position of Director, Financial Markets Department and joined the SADC - DFRC, in November 2004. He previously held the position of Director, Economic Research and Policy Department, with the Bank.



### Mr Joseph William Nyamunda

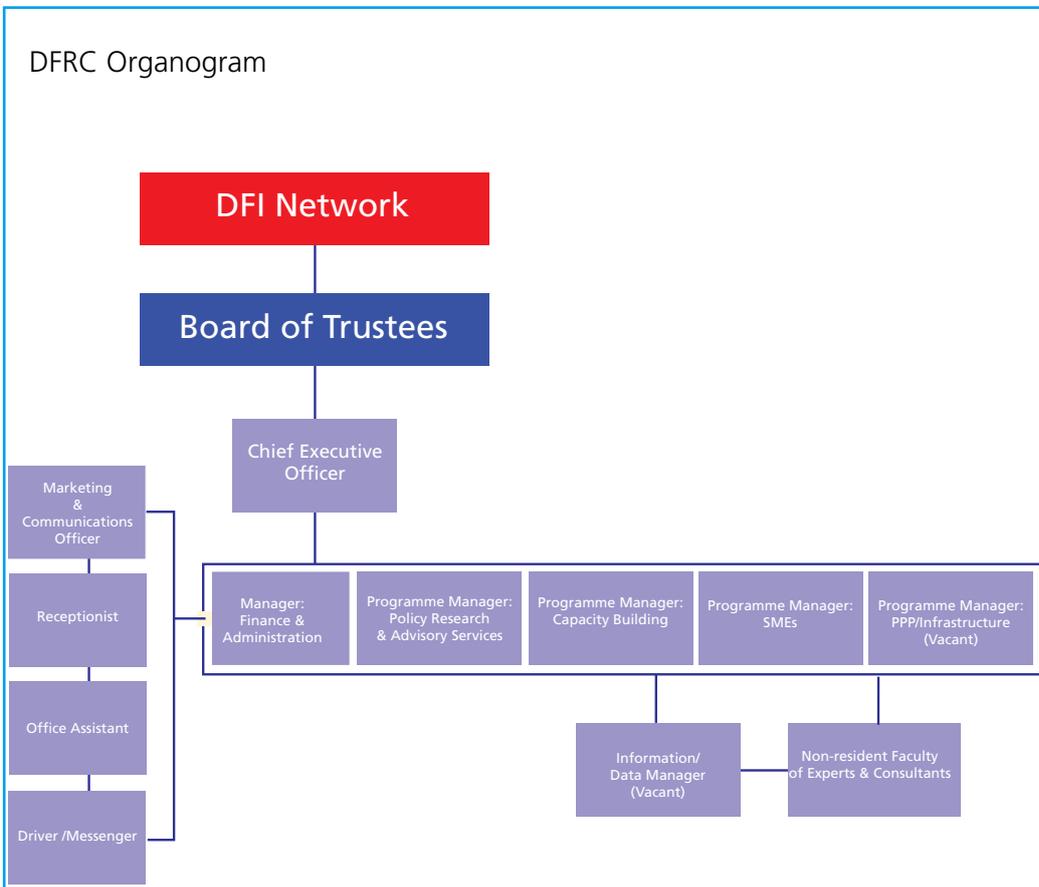
Job Title: Programmer Manager - SME Development  
 Status: Technical Advisory on secondment  
 Area of Expertise: SME and Micro Finance  
 Academic qualifications: MSc Economics, BSc (HONS) Economics

Mr Nyamunda is on secondment to the SADC-DFRC since November 2004 from Small Enterprises Development Corporation (SEDCO), Zimbabwe, where he was the Chief Executive Officer. He has over 20 years experience working on SMEs.



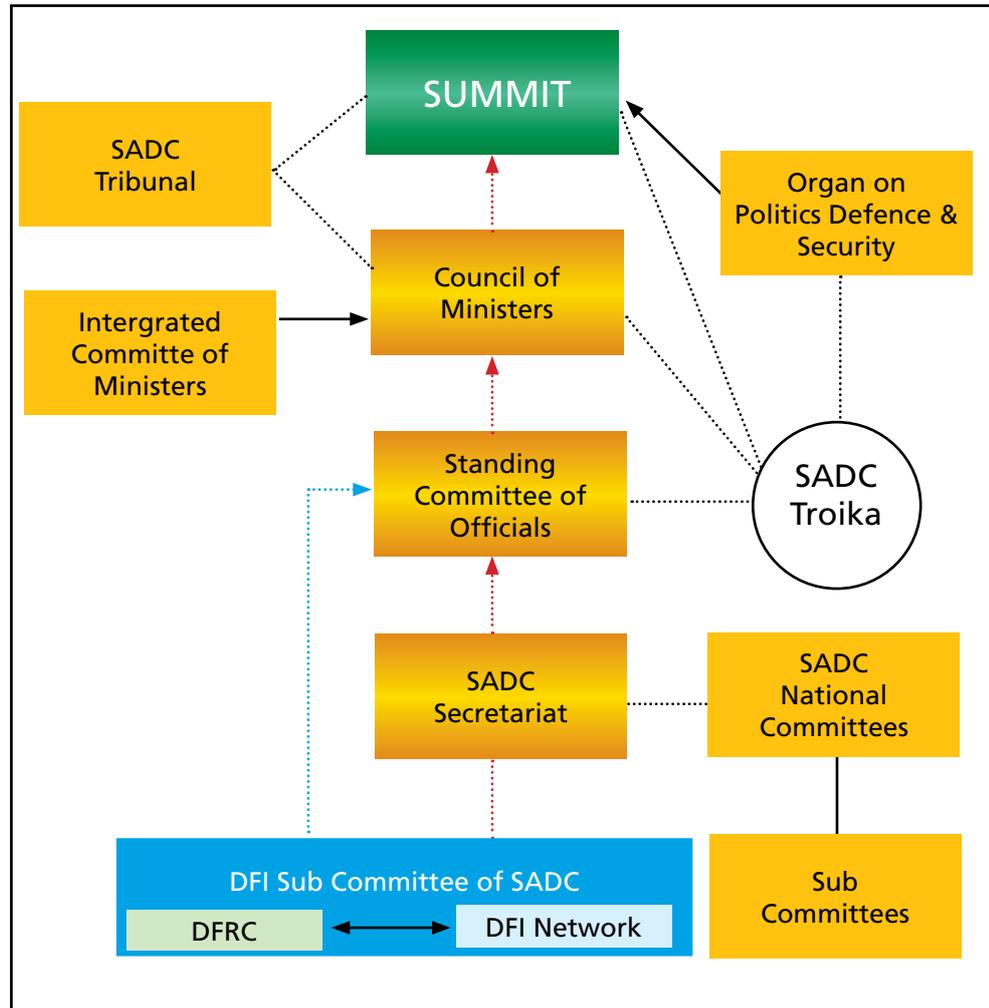


DFRC Staff (Not in Picture: CEO)





## The DFRC & SADC Structures



**Dr Tomaz A. Salomao,**  
The Executive Secretary of SADC

## Brief on DFRC – SADC relationship

### 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 Ministers (ICM) which reports to the SADC Council of Ministers. Besides the Committee of Senior Treasury Officials, COMFI is also supported by the Committee of Central Bank of Governors (CCBG).

The DFIs, through the DFRC, enjoy a functional relationship with the SADC Secretariat. Their main interface is through the Directorate for Trade, Industry, Finance and Investment (TIFI). However, operational links exist with the Infrastructure and Services (IS) and Food, Agriculture and Natural Resources (FANR) directorates. The diagram above illustrates these relationships.





## CEO'S REPORT

### Dr Rosalind H. Thomas

Chief Executive Officer



### Introduction

To begin on a personal note, it is with great sadness that I wish to announce that this will be my last Annual Report as Chief Executive Officer of the SADC DFRC. This follows my appointment at the African Development Bank in Tunisia as Director of NEPAD, Regional Integration and Trade. It has been a great honour for me to serve the SADC DFI community over the last four years; a period during which I had the opportunity to contribute to the development of the SADC development finance system in general, and the establishment of the Development Finance Resource Centre in particular. I am however consoled in that in my new capacity I shall continue to work with the SADC regional economic community, the DFRC and the development finance community in Southern Africa and continue to play a role towards the attainment of the critical goals of regional integration, trade development and poverty reduction.

### Progress to date

The year under review witnessed significant strides being made in the work of the DFRC in terms of achieving our programme objectives, stabilising our programmed offerings to the DFI Network and establishing a high profile and sound reputation in the public domain as a delivery agent on the development finance agenda of the SADC region. We have also consolidated existing partnerships, while building new ones with international, regional and national financial institutions as well as academic and professional organisations for the delivery of our programmes.

Of note, are programmes on Risk Management Training for the SADC DFIs, which we have jointly hosted with the African Development Bank and the Development Bank of Southern Africa at a cost of approximately US\$200,000, financed by the Japanese Bilateral Trust Fund. The Global Forum for Corporate Governance (GFCG) at the International Finance Corporation agreed to provide US\$350,000 towards our Corporate Governance Capacity Building project to develop and test new curriculum and roll it out to our DFIs. The African Capacity Building Foundation (ACBF) also agreed to contribute US\$48,000 towards Phase 1 of study costs for developing a Credit Rating Methodology for non – banking financial institutions in SADC, including our DFI Network members.

The DFRC also received approval from the Nairobi-based Public Private Infrastructural Advisory Facility (PPIAF) for a sum of US\$320,000 towards the development of a specialised training programme on Quantitative Appraisal of Public Private Partnerships (PPPs) in infrastructural provision, on which the DFRC will work jointly with the Development Bank of Southern Africa, with the task management of the World Bank.

There were also significant steps taken to regularise and strengthen our relations with the SADC secretariat, as the mother body, through presentations and discussions of DFRC programmes, high level meetings, SADC official and technical meetings and exchanging information on ongoing programmes.

The signing of the SADC Finance and Investment Protocol (FIP) by Heads of State in August 2006 at the Maseru Summit, Lesotho, initially by seven countries and to date eleven of the fourteen members, has effectively established the DFRC as a SADC Treaty-based institution. This recognition should bring about the much needed legal clarity for donors regarding the relationship between the DFRC and the SADC Secretariat that has previously adversely affected our efforts to source funding for our programmes. We are hopeful, therefore, that with the full support of the SADC secretariat, donor support for the DFRC will now improve.





The DFRC has continued to hold meetings with International Cooperating Partners (ICPs), regional and national institutions for the purpose of participation and cooperation on programmes of common interest. Among these institutions are Department for International Development DFID (UK), First Initiative (World Bank), Swedish International Development Agency (SIDA), Canadian International Development Agency (CIDA), Commonwealth Secretariat and the Danish International Development Agency (DANIDA). The ICPs have been quite receptive and eager to follow developments at the DFRC, thus underscoring the growing recognition of the DFRC as an important player in development finance in the SADC region.

## Resource Mobilisation

The improvement in relations with the SADC secretariat in the year under review, post FIP signing, still needs to translate into an increased flow of resources from the ICP. Regrettably, with the expiration of the DANIDA agreement at the end of March 2007 which has been a major source of programme funding over the past three years, a major financing gap is projected for the 2007/2008 financial year. In spite of this set back, we however anticipate the situation to improve overtime on the back of our growing and strengthening relationship with our mother institution, and with the DFRC's concerted proactive interaction with the ICP.

In the meantime, the DFRC will continue to utilise its existing contacts and relations with other cooperating partners and international partner institutions to raise resources. In this regard, we particularly wish to acknowledge the strong and consistent support received from DANIDA for which we continue to be exceedingly grateful.

DANIDA recently undertook a review of its funding of the DFRC's three year work programmes. A Review Team comprising a Danish consultant, Mr Poul Hansen, and Mr Nambi Chilemo of Deloitte and Touche, South Africa were appointed for this purpose. Among other things, the Review's purpose was to consider the possibility and value of continued DANIDA funding to the DFRC.

The findings and conclusions of the draft review report were:

- i) That the SADC-DFRC has been appropriately designed to assist with the attainment of certain of the SADC region's developmental objectives;
- ii) That the SADC-DFRC programmes, in the main, are achieving their intended aims and would certainly make a contribution towards the Region's development objectives;
- iii) That the programmes are aligned with national and regional priorities as stipulated in the SADC RISDP and broader objectives of NEPAD".

These findings by the Review Team notwithstanding, a formal communication from DANIDA is awaited. The DFRC remains optimistic of future funding support from DANIDA. The positive Review Report is further confirmation of the positive role of the DFRC as a delivery agent on the regional development agenda.

## Policy Research and Advisory Services

The DFRC has actively pursued its activities in the area of institutional restructuring and financial sector strengthening. Through its advisory services, it was able to facilitate and support consultancy services for some of its member DFIs. The contract for consultancy to the Infrastructure Development Bank of Zimbabwe was concluded and work began in earnest on the finalisation of an IDBZ Strategy and Business Plan and setting up operational policies, systems and procedures.

Negotiations for the feasibility study on the establishment of a new Malawian development finance facility to replace the Malawi Development Corporation which is being liquidated for the Malawi Government, and to be funded by the World Bank, also reached an advanced stage.

The DFRC further participated in a multi-partner Technical Assistance Support Mission on development finance to Tanzania, comprising the International Monetary Fund, the UK Department for International Development and the East African Development Bank. The objectives of the mission were, among other things, to look at the transformation of the Tanzania Investment Bank and the establishment of a Development Finance Guarantee Facility and SME Credit Guarantee Scheme.

Consultative meetings were held with the Zambian government, the Development Bank of Zambia (DBZ) and the Bank of Zambia on the role of the DBZ and development finance in general in the Zambian Economy. This as a basis for establishing the support the DFRC could extend to the



DBZ. We are hopeful the Government of Zambia will call on the DFRC to assist in this regard.

The DFRC also worked with members of the DFI Network and International Cooperating Partners to organise policy workshops on “Rethinking the Role of National Development Banks” and “Harnessing Existing Facilities to Promote Public Private Partnerships for Infrastructure Investment and Service Delivery in SADC”. These as efforts to influence policy by bringing together key stakeholders in these fields to interact, identify common problems, share best practices and chart the way forward for institutions and governments.

Our research programme addresses some of the key challenges which are being faced by the DFIs, and the DFRC promotes research in these areas to shed light on these problems and offer alternative approaches to resolving these challenges. The focal areas of the research are presently “Credit Rating Methodology for SADC Financial Institutions”, “SME- Big Business Linkages and a Case Study of the Mozambique Aluminium (Mozal)” and “Capital Markets Development and Integration in SADC”. Partial financial support for the Credit Rating study has already been secured from the ACBF, and efforts continue to secure additional resources for this and the other studies.

### Capacity Building

The DFRC is acutely aware of the dearth of critical skills within the DFI Network, as identified through the FISCU study of 1998 and the First Initiative Report of 2004 as well as successive studies and surveys. For effective and sustained delivery on the mandates, DFIs require a pool of technically qualified and proficient staff that is knowledgeable in the various fields of development finance. In this respect, the Capacity Building programme of the DFRC continues to be a priority, with a wide range of planned interventions areas having been successfully delivered in the areas of training, secondments, technical assistance and placements on partners’ training programmes.

More specifically, success has been achieved in training programmes on Investment Appraisal and Risk Analysis, Project Management, Project Appraisal for SMEs and Corporate Governance. The DFRC also placed DFI staff on the Queens University Training of Trainers Programme for Investment Appraisal and Risk Analysis as part of its ongoing efforts to develop a SADC-DFI Network pool of trainers and consultants to support training and consultancy activities of the DFRC. There is also coordination between the various programmes in developing and mounting technical assistance programmes to the various institutions. The DFRC also continues to seek, on a case by case basis, placements of staff in other partner institutions such as the Galillee College, DBSA Vulindlela Institute, the IDC Academy of Development Finance and the Joint Africa Institute, among others.

### SME Development

The challenges of access to finance, low capacity utilisation and adverse business environment continued to be the focal point of attention for the DFRC’s SME programme. In particular, it has



Mrs Motshehwa Elicia Ramushu from DBSA, best candidate for PIARA 2006 with her floating trophy.



PIARA team from Queen’s University, SADC- DFRC and National Treasury Officers at closing Dinner





been our aim to monitor and evaluate the SME programmes of member DFIs, and ascertain gaps in financing, policies and procedures as well as skills that require addressing to strengthen the DFIs and also to ensure stronger performing portfolios. In this regard, the DFRC has continued assisting the DFIs to mobilise financial resources from international and regional financiers to support their lending activities. Training of staff has also been undertaken in consultation with other strategic partners to enhance the capacity of the DFIs to appraise SME projects.

The DFRC has been working towards institutionalising an SME mentorship model to assist DFIs effectively support the management of the SMEs, through appropriate training and business development interventions. This way, the DFIs are assured of a strong and performing SME client base.

Many SMEs are unable to produce goods of a high and consistent quality making it very difficult for them to make in-roads into the international markets. To strengthen the performance of SMEs in the export markets, the DFRC has developed a project proposal aimed at improving the standards of products produced by the SMEs, and which hopes to involve large-scale South African businesses which are investors in the Region. This programme recognises that significant and sustained growth of SMEs could be attained through linkages with big businesses, including transnational corporations (TNCs) in various sectors of the economy. It therefore, seeks to exploit and maximise benefits that accrue from these linkages and processes with big businesses in the international supply and value chains. Funding for this initiative is under discussions with Canada's CIDA.

### Infrastructure development

Support for increased investment opportunities in regional infrastructure such as roads, bridges, power stations, and railways, among other things remains an integral and vital component of the DFRC's development strategy because of the role infrastructure plays in catalysing economic and social activities in most sectors. Since wholesale public provision of infrastructure is severely constrained by limited fiscal space of governments, it is important to explore private provision of infrastructure (PPI) as a basis for augmenting resource flows and sustaining infrastructure through adequate maintenance.

The primary focus of the infrastructure programme in the year under review has been the setting up of the PPP unit at the National Development Corporation of Tanzania to service the Mtwara Development Corridor. The intention is to extend these units to the other countries in the region overtime. In addition, a programme of capacity building of staff is being developed to train staff



**Mr David Nuyoma**, Chairman of the SADC DFI Subcommittee, (left) and **Mr Adolfo Muholove**, GAPI Board member at the signing of the Network MoU in Gaborone



in advanced techniques for appraising PPP projects. This project which is funded by the Public Private Infrastructural Advisory Facility (PPIAF) and managed by the World Bank is to be implemented by DBSA and the DFRC. The roll-out of the training programme to the DFIs and to national and regionally focused PPP Units, will take place once the programme development is completed and tested.

## Tributes and Farewell

In closing, and as I depart the Chief Executive's Office at the DFRC, I wish to place on record my sincere appreciation and gratitude to the Board of Trustees – specifically the Chair, Dr Vincent Mhlanga, and his predecessor Mr Peter Madara, Col. Joseph Simbakalia, Mr. Oaitse Ramasedi, Mr. Allan Mukoki and his alternate, Mr. Nkosinathi Mbetha (and Mr George Oricho before that), Mr. Benyram Chooramun and Mr David Nuyoma, who is also the Chairman of the SADC DFI Sub-Committee, for the support and guidance provided to me during the critical and formative stages of the DFRC. Without this support the DFRC would not have successfully achieved its goals. It is my fervent hope that my successor will make ample use and benefit from the knowledge, wisdom and experience reposed in this Board, to take the DFRC to exceptional heights and achieve its vision.

As regards the DFI Subcommittee, I am pleased that we continue to have their staunch support and appreciation for the efforts we make on their behalf and believe that acknowledgment of our successful delivery is evident in the fact that we continue to have new members join the Network. In the previous year, we welcomed the new Infrastructure Development Bank of Zimbabwe, and the Basotho Enterprises Development Corporation (BEDCO), while the Small Industries Promotion Agency, GAPI, from Mozambique joined on 30th March 2007.

I am also grateful to the members of staff, the Programme Managers and the administrative and secretarial staff, who have in the main, been with the DFRC over the past three years, for having supported me in the development of the institution and its programmes and systems over the last few years. The team is an extremely strong one; and each staff member is imbued with a clear understanding and appreciation of the Centre's mission. I believe that despite my departure and in the period while a new CEO is under recruitment, they will continue to carry the DFRC's responsibilities effectively and efficiently. As a fully functioning organisation the DFRC is now capable of catalysing the work of the development finance system in Southern Africa to fulfil its mandate. I am proud to have been associated with the institution, its shareholders represented by the DFI Network members, the Board and last but certainly not least – its professional, administrative and secretarial staff.

I thank the Donors and Cooperating Partners mentioned earlier for their continued support for the activities of the SADC-DFRC and the Network. Your constancy and cooperation in funding our activities is sincerely appreciated.

It is crucial that a strong relationship is fostered between the AfDB and regional RECs, including the DFRC's mother institution, the SADC Secretariat and its subsidiary institutions, for purposes of collaboration, technical assistance and best practices in development finance. Thus, in this regard, I see my transition to the African Development Bank as presenting a number of opportunities for continued cooperation with the SADC DFIs and the SADC secretariat. I look forward to this evolution and welcome the opportunity to play my role in this respect.

**Dr. Rosalind H. Thomas**  
CEO: SADC-DFRC





## PROGRAMME REPORTS



**Stuart Kufeni**  
Programme Manager-Policy, Research & Advisory Services

### POLICY RESEARCH AND ADVISORY SERVICES

During the financial year under review, while further progress was made on advisory services the same is not the case with policy research where activities remained constrained by lack of resources. Further ground was covered on the establishment of a new DFI in Malawi while discussions were resuscitated with the Development Bank of Zambia and a World Bank-led multi-partner Technical Assistance Support Mission to Tanzania on Development Finance, which included the DFRC addressed, among other areas the way forward on the restructuring of the Tanzania Investment Bank into a full fledged development finance institution. The DFRC also held two successful policy seminars during the course of the year in collaboration with international cooperating partners and DFIs in South Africa. A new Work Programme for the period 2007/8-2008/9 has also been developed, the 2005/6-2006/7 Work Programmes having come to an end this financial year.

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### Achievements during the period 2006/7

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#### Advisory Services

During the course of the financial year, the DFRC provided technical assistance to some member DFIs directly and through identified consultants, including its senior advisor.

#### Tanzania Investment Bank

The DFRC continued to work with TIB on its restructuring into a full DFI as part of the second Generation Financial Sector Reforms of the Government of Tanzania. In June 2006 the DFRC joined the World Bank on a multi-partner Technical Assistance Support Mission to Tanzania on Development Finance. Other partner organisations included International Monetary Fund (IMF), DfID and the East African Development Bank.

The mission objectives were to:

- Discuss the arrangements for the transformation of TIB;
- Discuss the implementation and operational modalities of the Development Finance Guarantee Facility (DFGF);
- Review progress of the SME Credit Guarantee Scheme with banks and SIDO and agree on recommendations to enhance utilization and outreach; and
- Meet with pensions sector stakeholders and prepare discussion draft on investment guidelines for the sector.

Previous missions by the DFRC looked at long term resource mobilization to meet development finance needs, particularly through SMEs, as one of its key programme areas. Thus, the objectives of the mission and the focus on such instruments as guarantees and pension funds as a critical source of long term funds, augured well with the programmes of the DFRC.

Consultations were held with the Tanzanian authorities – senior officials in Government and Bank of Tanzania (BOT) – and other stakeholders including banks, private sector organisations and pension funds. At the end of the mission, recommendations for action were given to the





Government of Tanzania on the various areas that the mission covered. Regarding TIB, it was agreed that a consultant with experience in turning around successfully transforming DFIs should be engaged to put in place the plan for TIB. The terms of reference for the consultant therefore would cover the critical areas of governance structures including management, board and committees, operational issues – systems and procedures - requisite skills, and identify a desirable mandate or niche area for TIB. Consultations are ongoing and the Government has expressed interest for a stakeholder workshop to discuss resultant blue print for TIB and recommend the way forward.

## Establishment of DFI for Malawi

In April 2005 the Government of Malawi invited the DFRC to assist with the establishment of a new development finance institution following a decision to close down the Malawi Development Corporation (MDC) as a result of a poor performing book and governance issues. On the advice of the DFRC, the Government agreed to undertake a feasibility study that would among other areas identify development finance gaps in the financial system and therefore mandate the new DFI appropriately, thus ensuring that it complements existing arrangements rather than duplicate them which would result in suboptimal application of resources.

Terms of reference and a concept paper for the feasibility study were completed in May 2005 and on the basis of these the DFRC went out to mobilise resources for the study. A mission by the DFRC in October 2006 which included consultations with various private sector stakeholders concluded that the Malawi industrial sector was oligopolistic in nature and that enterprises with capital requirements of \$50 000 to \$500 000, termed the "missing middle", faced the most difficulty in accessing long term financial resources. Consequently, the new DFI would have to target this sector if it is to be relevant and effective in addressing the developmental needs of the Malawian economy, particularly through the SME sector.

Also arising from the October consultations the Malawi Government agreed to a private sector-led consultative approach to the establishment of the new DFI that would include key stakeholders such as donor organizations, cooperating partners and potential domestic and foreign investors. The Malawi Government approached the World Bank in November 2006 to provide financial assistance for consultancy requirements for the project. A response is awaited. The SADC-DFRC will continue to assist the GOM with the implementation and management of the project.

## Infrastructure Development Bank of Zimbabwe

Following their establishment in 2005, IDBZ are in the process of transformation from a commercial banking which their predecessor – the Zimbabwe Development Bank - had overtime become, to a fully fledged development finance institution with emphasis on infrastructure. During meetings in April 2006 in Harare to identify areas where the DFRC could be of assistance, the IDBZ management requested the DFRC for technical assistance in the areas below:

- Finalization of IDBZ Strategic Plan and Business Plan;
- Facilitation of capacity building – training and secondments; and
- Identification of consultant(s) to assist in putting in place operational policies, systems and procedures.

A consultant who had previously worked with the Development Bank of Namibia during its establishment phase and is also a former employee of DBSA, was identified as having the requisite skills to provide the required technical assistance to IDBZ. The consultant began work on January 2007 initially for a period of six months. The DFRC sourced funds from DANIDA for the consultancy fees while IDBZ will meet other mostly local costs, including accommodation, utilities and transport.

## Development Bank of Zambia

A DFRC team visited DBZ in Lusaka, Zambia in March to discuss with the DBZ management and the regulatory and supervisory authorities, specifically the Government of Zambia and the Bank of Zambia on the role of DBZ in particular and development finance in general.

The Government of Zambia underscored the continued need for DBZ and the need to strengthen it to attract both equity capital and long term resources for development. The DFRC offered advice on the mandate, shareholding, governance issues and institutional arrangements in line





with best practices and experiences in the region. It also indicated its availability to assist the authorities with capacity building and the strategy on the way forward for DBZ.

## Policy Workshops

The DFRC jointly organised with some members of the DFI Network and cooperating partners two successful policy workshops in 2006:

### *“Rethinking the Role of National Development Banks in Africa”*

This conference took place at the Industrial Development Corporation Conference Centre, Sandton in Johannesburg, South Africa on 22-23 November 2006. It was co-organized by the Industrial Development Corporation (IDC) and the Development Bank of South Africa (DBSA) and the DFRC, in collaboration with the United Nations Department of Economic and Social Affairs (UN-DESA) and the Association of African Development Finance Institutions (AADFII).

The objective of the conference was to provide a forum for government policy-makers, development finance practitioners, investment bankers, representatives of international institutions and independent experts to engage in an interactive discussion on a wide range of key issues related to the evolving role of National Development Banks (NDBs) in financing sustainable economic and social development in Africa. The meeting addressed the multiple functions and financing instruments of NDBs to fill development gaps, as well as challenges to mobilize resources and enhance the effectiveness, governance and performance of NDBs. The forum also provided a platform for participants for sharing best practices and experiences in the area of development finance not only in Africa but also from other developing regions.

### *“Harnessing Existing Facilities to Promote Public Private Partnerships for Infrastructure Investment and Service Delivery in SADC”*

The DFRC and the Commonwealth Secretariat jointly organised an expert-led workshop to discuss issues related to promoting Public Private Partnerships (PPPs) for infrastructure investment and service delivery in the SADC region. The workshop was held on 5 -6 December 2006 at the IDC Conference Centre in Sandton, South Africa, and was attended by about 40 participants including a range of experts as well as representatives from SADC governments and the SADC Secretariat.

The following are some key conclusions from the workshop:

- there is a need for better coordination between existing donor facilities which provide support for infrastructure project preparation in Africa;
- more resources are needed to support early stage infrastructure project preparation;
- a need may exist for some form of a PPP infrastructure facilitator to raise awareness of PPP approaches, bring different parties together and generally reduce coordination costs at the very early stage of PPP project development;
- when setting up PPP Units it is important to take account of the possible conflict of interest between the two roles often assigned to such a unit – that of a project sponsor and appraiser, with a separation of these two responsibilities encouraged; and
- economic infrastructure – including both public sector and PPP infrastructure projects – requires greater levels of Official Development Assistance.

## Research

The DFRC’s efforts to source funding from international cooperating partners for its research projects in the year under review have only met with partial success. Funding is being sought for the following projects for which terms of reference were completed in 2005/06:

- i) Credit Rating Methodology for SADC Financial Institutions;*
- ii) SME-Big Business Linkages & Case Study of the Mozambique Aluminium (MOZAL)*
- iii) Capital Market Development and Integration in SADC*

In September 2006 the DFRC applied for funding to the African Capacity Building Foundation for the Credit Rating project and in November 2006 ACBF approved a grant of US\$48 000 towards the study. This will go towards costs for the first phase of the study on the development of the rating methodology. Further funds will be required for the second phase which involves the roll-out of the project, which is the application of the methodology whereby financial institutions,





beginning with DFIs, will be rated on a voluntary basis.

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## Work Programmes for 2007 - 2009

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Research and advisory activities will continue to be guided by the need to bring about policy and regulatory changes to enhance the capacity of DFIs and financial systems, both at national and regional level, as conduits of long term domestic and external capital resources for investment. In this regard, policy research and advisory services will be targeted at:

- a) Promoting appropriate money and capital markets resource mobilisation instruments;
- b) Eliminating financial repression;
- c) Stimulating competition among financial intermediaries, bank and non – bank, including DFIs;
- d) Promoting market pricing of financial resources and services and reducing cost of transacting; and
- e) Stimulating growth of savings.

To address these areas, the DFRC activities will focus on financial sector strengthening and reform and institutional strengthening. In this regard, the DFRC's activities complement national and regional initiatives under the RISDP and NEPAD aimed at creating an investment friendly environment in order to give the region a competitive edge in attracting foreign direct investment to augment domestic capital sources and achieve sustainable growth.

Apart from research projects carried over from the previous work programmes referred to earlier, the research programme for the 2007/8 – 8/9 period will cover the following areas:

- i) Regulatory Framework and Capital Adequacy Requirements for Non- Banking Financial Institutions;*
- ii) Conditions for Establishment of a Supportive Business Environment for SMEs; and*
- iii) SMEs and Agribusiness*

In the area of advisory services, the following areas of activity are envisaged:

- i) Transformation/ Establishment of New DFIs; and*
- ii) Long Term Finance Mobilisation & Risk Mitigation for SMEs*

With anticipated improved resource availability over the programme period, research and advisory activities of the DFRC are expected to grow to significant levels.



Participants at the Programme on Project Management





## CAPACITY BUILDING



**Dr Herrick Chota Mpuku**  
Programme Manager-Capacity Building

The DFRC has continued the process of consolidating its capacity building programme in the year under review, through strengthening and stabilising existing programmes, identifying promising programmes from surveys and advisory missions, building and strengthening partnerships and mobilising support for programmes of an increasing number of international cooperating partners. The training programmes of the DFRC have been recognised and accepted by the DFIs and inquiries from the private sector have also been received. There is also growing interest in secondments, technical assistance and placements, while other ad hoc queries have been received on human resource development and dealt with accordingly.

In addition, the marketing and communication of programmes has been expanded through the creation of the Human Resources Development Forum for HR practitioners in the DFI Network and the administrative development of the marketing and information function within the Development Finance Resource Centre.

### Programme Objectives and Achievements

Below we outline the programmes and activities of the DFRC in Capacity Building, covering training, secondments, technical assistance and other related and supportive activities. In tables 1-3, below, we provide information on the level of participation of the DFIs in all the programmes up to date with the programmes on Human Resource Development Forum (August 2006) and the Risk Management Programme (February, 2006) standing alone.

### Training

In the year under consideration, 2006/7, a number of training workshops on Corporate Governance, Investment and Project Appraisal, Risk Management and Project Management were planned responding to the needs of the DFIs.

As at the end of March 2007, five training programmes had been implemented, working with international organizations which have a credible track record in their area of specialization. These included delivery of an in-country Corporate Governance training seminar for Board members and senior management in Swaziland as a follow-up to the regional corporate governance training programme held in May 2005 in Johannesburg in South Africa. This was held in conjunction with the Institute of Directors in South Africa. In addition, programmes on Investment Appraisal and Risk Analysis in two modules were also run in conjunction with the Queens University and held in Midrand, South Africa. The Queens University, together with faculty from the Eastern Mediterranean University also collaborated with the DFRC in running a two-week Project Management programme.

A major collaborative exercise was also undertaken with the African Development Bank (AfDB) and DBSA to run a Risk Management training programme for the SADC DFIs. This was facilitated by Euromoney of the United Kingdom using two US-based consultants. This programme was a follow-up to the Risk Management training implemented in November 2004 in Cape Town, South Africa, in collaboration with the AfDB, the DBSA and the IDC of South Africa.

### Programme Development

In April 2006 the DFRC agreed with the Global Forum for Corporate Governance to develop a





training programme on Corporate Governance for the SADC DFIs. Accordingly, a scoping study was carried out by Mr Michael Gillibrand, former Director of Management Development at the Commonwealth Secretariat. After consultations on the report, it was agreed that a special curriculum for SADC DFIs be developed and implemented. A two-year programme of a value of US\$300,000 was agreed, incorporating the development of the programme, and its subsequent roll-out to the DFIs. Two consultants, Professor YRK Reddy, from India, and Mr Tagbo Agbazue, of African Institute for Corporate Citizenship (AICC) in South Africa, were retained to undertake the development and testing of the curriculum (Phase I of the project) scheduled for completion in September 2007, before the subsequent final roll-out of the training programme (Phase II). This represents a significant advance on what was reported in the last annual report in respect of this project. As part of the development of this programme, the Programme Manager for Capacity Building attended a one-week workshop on African Corporate Governance Leadership Programme at the International Finance Corporation in Washington DC, USA in July 2006.

## Secondments

The SADC-DFRC has continued receiving queries about secondments, and has discussed with a variety of partners, including member DFIs on absorbing the seconded staff on specialized programmes, such as PPPs, SMEs and other related programmes. No secondments have been made this year, and efforts are being made to refine this programme in terms of programme structure, partner relationships and information dissemination to DFIs and potential host institutions.

## Placements

The SADC-DFRC will continue working with international training organizations to seek placements of DFI staff on specialized and relevant training programmes. The DFRC was able to place five members of staff from the DFI Network on the Investment Appraisal and Risk Analysis programme at John Deutsche International Executive Programmes of the Queens University in Canada. These participants were drawn from Agricultural Bank of Zimbabwe (Agribank), Botswana Development Corporation (BDC), Development Bank of Namibia (DBN), Industrial Development Corporation of Zimbabwe (IDC) and the Swaziland Finance and Development Corporation (FINCORP). This was part of the DFRC's efforts to develop a cadre of trainers and consultants through an advanced training of trainers programme. The consultants/trainers graduating from this programme will be used on DFRC training and consultancy programmes as they arise from time to time in the future.

The DFRC also placed five staff from SADC DFI member institutions and partners on the Global Trade Finance Facility (GTFF) recently launched by the International Finance Corporation (IFC). The programme aims at developing skills in export financing of the interested institutions as a precursor to a global financing facility aimed at promoting exports. Participating institutions at the 12-16th February training from the DFI Network included Agribank-Zimbabwe and the Tanzania Investment Bank. The GTFF has run pilot programmes in Rwanda and will soon roll-out a full training programme for the period July 2007 to June 2008, in which the SADC DFI Network can participate.

## Technical Assistance (TA)

Following an advisory mission to the Infrastructure Development Bank of Zimbabwe (IDBZ), it was agreed to mount a technical assistance programme to the institution. This involved the partial financing of a consultant to advise the bank on business plans, policies and procedures and to train staff on some of the key skills in development finance pertinent to infrastructure development.

Other TA programmes are still in various stages of development under the SME development and PPP/Infrastructure programmes of the SADC-DFRC.

## Cooperation and Development amongst the DFIs

In an effort to promote collaboration and cooperation amongst DFIs in capacity building, the first Human Resources Development Forum was convened at the Industrial Development Corporation in Sandton, South Africa. This Forum brought together Human Resource Managers and Human Resource Development Managers from member DFIs of the SADC-DFI Network to discuss programme offerings from the DFRC and the individual DFIs, and explore mechanisms for





strengthening cooperation with a view to enhancing capacity building within the Network.

A framework of cooperation, incorporating the formalisation of the Forum and improved communication amongst the DFIs, was agreed upon. A second meeting of the Forum is planned for 26th – 27th April in Gaborone, Botswana to elect steering committee members, and discuss the training needs of the DFI Network.

## Internal Training for the DFRC

The Capacity Building Manager attended a workshop on the African Corporate Governance Leadership Programme at the IFC in Washington, 9th-15th June 2006. The workshop discussed recent issues and developments in corporate governance and training methodologies. The workshop brought together many practitioners in corporate governance training from around Africa, with a view to promoting cooperation on such training and development in Corporate Governance in Africa.

## Financing of Programmes

The DFRC received support from a variety of donors during the year under review. This included the Danish International Development Agency (DANIDA) who funded most of the core programmes covering the cost of tuition and accommodation. The African Development Bank met the costs of the Risk Management Programme including travel, accommodation and tuition. The Global Forum on Corporate Governance agreed to finance the costs of the development and testing of DFI Director skills development programme, and to leverage additional resources for the roll-out of the future training programmes. The Development Bank of Southern Africa and the Industrial Development Corporation of South Africa have supported DFRC regional training programmes held in South Africa through staff deployment to programmes and financial support.

The DFIs on their part have continued meeting part of the cost of sending their staff on training programmes including travel and per diem, etc. In the case of in-country training programmes, such as in Swaziland and Namibia, the DFIs met the costs of hosting the workshop and accommodation for the participants where necessary.

The DFRC will continue to seek additional resources from international cooperating partners and other international and regional financial institutions to finance its training programmes. The DFRC will also continue to explore innovative ways of cost-sharing without placing an undue burden on the DFIs.

## Future Plans

The DFRC intends to consolidate the programmes it offers to the DFI Network and related institutions by reviewing the programmes and fine tuning them so that they reflect the evolving needs of the institutions. These include Investment Appraisal and Risk Analysis, Project Management, Corporate Governance and Project Appraisal for SMEs among others. It will also explore the scope for new programmes, and will work with its international partners to develop and implement new programmes. Programmes in Corporate Governance are being revised and updated in consultation with the Global Forum for Corporate Governance of the International Finance Corporation, while programmes on appraisal of PPPs are being developed in consultation with PPIAF, the DBSA and the World Bank.

Increasingly, the DFRC will develop training of trainers programmes to gradually develop internal capacity in the Network to provide training and consultancy amongst the DFIs and in the long term, lower the cost of such service provision. Training of trainers in Investment Appraisal has already started, and this will be consolidated, while being extended to other regular areas of intervention. This will also facilitate continuous professional development within the Network at a lower scale and attendant cost.

The DFRC takes note that the area of secondments, and to some extent, placements and technical assistance have not received the desired response in many instances. Accordingly, future efforts will have to be directed at exploring how these important interventions can be effectively utilised for the benefit of the DFIs.



**Table 1. PARTICIPATION IN DFRC PROGRAMMES BY COUNTRY AND DFI,**

COUNTRY	DFI	PROGRAMMES										TOTALS		
		CORPORATE GOVERNANCE FOR BOARD CHAIRPERSONS MAY 2005	INVESTMENT APPRAISAL & RISK ANALYSIS MODULE 1- JUNE 2005	INVESTMENT APPRAISAL & RISK ANALYSIS MODULE 2- NOVEMBER 2005	INVESTMENT APPRAISAL & RISK ANALYSIS MODULE 1- JULY 2006	INVESTMENT APPRAISAL & RISK ANALYSIS MODULE 2- SEPTEMBER 2006	PROJECT MANAGEMENT SEPTEMBER 2006	CORPORATE GOVERNANCE FOR BOARD MEMBERS-NAMIBIA FEBRUARY 2006	CORPORATE GOVERNANCE FOR BOARD MEMBERS-SWAZILAND APRIL 2006	TRAINING OF TRAINERS JUNE 2006				
BOTSWANA	BDC	1	2	2	1	1	1	-	-	1	-	-	1	7
	NDB	1	2	2	3	3	-	-	-	-	-	-	-	11
	CEDA	1	-	-	1	1	1	1	1	1	1	-	-	4
LESOTHO	LNDC	-	2	2	3	3	3	3	3	-	-	-	-	10
	BEDCO	-	-	-	-	-	-	-	-	1	-	-	-	1
	DBM	-	1	1	-	-	-	-	-	1	-	-	-	3
NAMIBIA	AGRIBANK	-	-	-	2	2	2	2	2	1	1	-	-	5
	DBN	1	3	3	1	1	1	1	3	3	1	1	1	13
	NHE	1	2	2	2	2	2	2	3	3	-	-	-	12
											25			25
														25
S.AFRICA	IDC	-	-	-	4	3	4	3	3	1	1	-	-	8
	DBSA	-	4	2	3	3	3	3	-	-	-	-	-	12
	LANDBANK	-	-	-	-	-	-	-	-	-	-	-	-	-
SWAZILAND	SWAZIBANK	2	4	4	1	1	1	1	3	3	-	-	-	15
	SIDC	1	3	2	-	-	-	-	2	2	-	-	-	8
	FINCORP	1	1	1	2	2	2	2	1	1	1	1	1	9
											24			24
														56
TANZANIA	NDC	1	2	1	1	2	1	1	1	1	1	-	-	8
	TIB	1	2	2	2	1	1	1	2	2	-	-	-	10
	SIDO	1	-	-	-	-	-	-	-	-	-	-	-	1
ZAMBIA	DBZ	1	1	1	-	-	-	-	-	-	-	-	-	3
														3
														3
ZIMBABWE	IDBZ/ZDB	1	-	-	4	4	4	4	-	-	-	-	-	9
	IDC	1	3	3	2	2	2	2	2	2	1	1	1	14
	SEDCO	1	3	3	-	-	-	-	-	-	-	-	-	7
SADC-DFRC	AGRIBANK	1	1	1	2	2	2	2	1	1	1	1	1	9
														39
	SADC-DFRC				-	-	-	-	1	1	-	-	-	1
													1	
		17	36	32	34	33	24	25	24	24	5	24	229	



**Table 2. RISK MANAGEMENT PROGRAMME, FEBRUARY-MARCH, 2007:  
PARTICIPANTS BY COUNTRY AND DFI**

COUNTRY	DFI	NUMBER OF PARTICIPANTS
BOTSWANA	BDC	1
	NDB	-
	CEDA	2
LESOTHO	LNDC	2
	BEDCO	2
MAURITIUS	DBM	1
NAMIBIA	AGRIBANK	-
	DBN	2
	NHE	2
SOUTH AFRICA	IDC	4
	DBSA	-
	LANDBANK	-
SWAZILAND	SWAZIBANK	-
	SIDC	-
	FINCORP	3
TANZANIA	NDC	2
	TIB	2
	SIDO	2
ZAMBIA	DBZ	2
ZIMBABWE	IDBZ/ZDB	2
	IDC	2
	SEDCO	2
	AGRIBANK	2
NON-SADC DFIs		
MADAGASCAR	MINISTRY OF FINANCE	3
SUDAN (SOUTH)	NILE COMMERCIAL BANK	2
RWANDA	RWANDA DEVELOPMENT BANK	2
TOTAL		43





**Table 3: HUMAN RESOURCES DEVELOPMENT FORUM DELEGATES BY COUNTRY AND DFI, SANDTON, RSA, AUGUST 2006**

Country	DFI	No. of Delegates
BOTSWANA	BDC	1
	NDB	1
	CEDA	1
LESOTHO	LNDC	1
	BEDCO	nil
MAURITIUS	DBM	1
NAMIBIA	Agribank	1
	DBN	1
	NHE	nil
SOUTH AFRICA	IDC	2
	DBSA	2
	Land Bank	nil
SWAZILAND	SS&DB	2
	SIDC	nil
	FINCORP	1
TANZANIA	NDC	1
	TIB	1
	SIDO	nil
ZAMBIA	DBZ	nil
ZIMBABWE	IDBZ	1
	IDC	1
	SEDCO	1
	Agribank	1
Total		20



Human Resource Forum





## SMALL & MEDIUM ENTERPRISE DEVELOPMENT



**Joseph William Nyamunda**  
Programmer Manager - SME Development

The SME Programme of the DFRC has continued to be directed at assisting the DFIs development and nurture an SME sector capable of exploiting the vast business opportunities that the region's scarcely tapped natural and other resources offer. In so doing, employment opportunities will expand and consequently the challenges posed by underdevelopment, poverty and gender inequities will begin to be addressed. In targeting business support strategies for SMEs, the DFRC aims to assure the sustainability of national DFIs through a stronger SME client base.

### Review of Programme Achievements During the Year

SMEs in the SADC region continued to be confronted by the challenges of limited access to finance, low capacity utilization and a poor or not very conducive business environment. During the year under review, the SME Programme therefore continued to focus more on strengthening DFIs' delivery capacities. The programme achieved some significant successes in assisting some DFIs to improve their strategic focus and operational programmes on SMEs as clients. Equally, the programme assisted SMEs to benefit from improved delivery by the DFIs. At enterprise level the programme begun towards the end of the year to develop projects that directly involve SMEs through business mentorship and industrial upgrading focussing on standards enhancement and trade facilitation, the ultimate aim being to create a strong, viable and sustainable SME client base for the DFIs and the region at large.

### Activities in support of DFIs' SME Programmes

Since the launch of the programme, focus has concentrated on strengthening SME programmes of Network members through:

- Evaluation of SME Programmes of member DFIs and other member states SME support institutions and giving management support at strategic and operational level;
- Evaluating DFIs' SME programmes for resource mobilization purposes - DFIs' capitalisation in liaison with Policy, Research & Advisory Services;
- Assisting with capacity building of human resources targeted at SME Loan officers in liaison with Capacity Building; and

#### Resource Mobilization Activities:

The DFRC successfully facilitated a Line of Credit to FINCORP from NORSAD and was by the end of the year actively searching for other investment partners for the re-capitalization of FINCORP. The Enterprise Banking Group (EBG), Botswana which had been identified as a potential strategic investor could not be pursued to conclusion due to business strategic changes at EBG. However, the DFRC will continue to work with FINCORP in pursuit of the institutional strengthening recommendations agreed with FINCORP management. The recommendations include Technical Assistance for capacity building.

#### Capacity Building:

- In liaison with the DBSA development and designing of Phase II training of SME Loan Officers under JICA funding commenced towards the end of the year. It has been agreed that the training will focus on Loan Portfolio Management issues including Project Monitoring. The training is expected to be conducted by September 2007.
- On completion of the SME Mentorship model, the Journey to Excellence (J2Ex), a pilot training, in preparation for wider implementation of the model in the region, was conducted for





BEDCO management in October 2006. The model proved to be very useful as a management “strategic” planning tool and more workshops for management of other DFIs will be conducted. Thereafter the training will be extended to SMEs and SME consultants who will act as SME mentors.

### Projects benefiting SMEs at Enterprise Level

Two project proposals were completed during the period and the projects are ready for the DFRC to engage potential partners (both member DFIs and other Development Partners) for funding and implementation. The two projects focus on SME Mentoring and “Standards” for SMEs involved in agribusiness, specifically horticulture.

The business mentoring programme aims at improving entrepreneurial skills of SMEs in the SADC region to best practice levels in order to achieve high and sustainable productive capacity levels in the SME sector, increase industrial capacity and productivity in member states’ economies and ultimately raise levels of trade in the region. The programme will target women entrepreneurs as a special group requiring support, through ensuring high levels of women participating as mentees and also as mentors. Entrepreneurial training and mentoring will help put participating businesses and organizations on a “Journey to Excellence” designed to help them achieve sustainability through increased organizational/business excellence.

The “standards” project interventions focus on SME competitiveness through increased productivity, product quality and value addition by upgrading of standards throughout the product value chain from production and input supply to product packaging, distribution and marketing. The objective is to promote SMEs’ contribution to trade in horticultural goods/commodities in the region and to international markets.





## Projects Planned for 2007 to 2009

Building on the achievements to date and recognising the operational constraints confronting the DFRC, the SME programme in the years 2007/8 to 2008/9 will focus on consolidating on projects initiated in the past two years which could not be fully implemented essentially because of lack of adequate resources. New emphasis/dimension though has been introduced to address the Agricultural Sector of the region by using SMEs as a vehicle to promote food security and trade within and from the region. The SME Programme has accordingly identified projects that are considered critical not only to the growth of the private sector in the region but projects that help to deliver on the agreed regional agenda on Food Security, Trade, Poverty Eradication and Empowerment of the region's citizens. These projects are as follows:

### i) Financial Products, Lending Systems and Procedures

The objective of this project is to improve SMEs access to financing by promoting and assisting DFIs to adopt sustainable market driven credit programmes that are capable of effectively meeting the needs of SMEs.

### ii) Portfolio Management/Project Monitoring

This project will assist DFIs with a framework and methodology to strengthen their loan and client monitoring systems to enable them achieve better performing and profitable SME portfolios.

### iii) Improving Business Support Services to SMEs

In addition to "access to finance" SMEs need assistance with management systems, marketing, technical expertise and other services that bring them direct bottom-line benefits. This is only possible if market-based mechanisms emerge that provide the SMEs with high quality training packages and technical support services including business mentoring. The programme will seek to assist DFIs to develop effective Business support services based on best practice.

### iv) Strengthening SME Linkages with Big Businesses

SMEs can provide major industrial producers/ big businesses in member states with secure and well functioning suppliers, allowing big businesses to restructure in order to focus on their core activities. Such a strategy would allow smaller specialized firms to concentrate on providing the big businesses with inputs, components and raw materials they require for meeting the needs of their markets.





## INFRASTRUCTURE/ PPPs

**Dr Rosalind H. Thomas**  
Chief Executive Officer



The Infrastructure/ PPPs Program has been in existence now since 2004 and has managed to achieve some measurable successes in moving the PPP agenda forward in the Region amongst participating DFIs and SADC Governments. The absence of a dedicated Programme Manager for Infrastructure/ PPP activities has somewhat limited the scope of the programme. The programme has been driven from out of the CEO's office. However, it is hoped that this situation will soon be rectified as the institution is in discussions with the DBSA to source long-term Technical Assistance to manage and develop the programme further.

During 2005-2007 the SADC DFRC focused on two major projects: (i) establishing the capacity amongst select member DFIs and SADC Governments for supporting private provision of infrastructure (PPI) in the region; and (ii) a Phase I NEPAD activity to carry out a desk top review on developing an Africa-specific Appraisal Methodology for PPI. The first activity which was funded by PPIAF involved the establishment of a PPP Unit at the NDC – using the Mtwara Development Corridor as the training ground.

### Additional PPP Units for Malawi and Mozambique

The Mtwara project is considered a successful intervention and since its completion two new requests for expressions of interest (EOIs) have been advertised by the World Bank to set up additional PPP Units for the partner countries on that Corridor – namely Malawi and Mozambique. A third still requires development for Zambia. In the next two years, the DFRC intends to consolidate this work through the establishment of additional PPP Facilitation Units in other SADC countries and will focus on institutional strengthening and on deepening the knowledge and capacity of the existing Units and the new units in supporting PPI. The aim is to enhance their capacity to appraise such projects through targeted and purpose designed capacity building initiatives. Given the increased interest in SADC member States for establishing PPP Units, the DFRC's programme on infrastructure/PPPs will continue to target the establishment and capacity development of these agencies as a key objective.

### Capacity Building Programme in Quantitative Techniques and Methods for PPI Project Appraisal in Sub-Saharan Africa – Phase II

The activity to support NEPAD's performance in Africa in this field resulted in a first phase project being completed which addressed the issue of developing an Africa-specific Appraisal Methodology for PPI. The purpose of this project was to develop guidance material to strengthen the capacity of staff in DFI PPP Facilitation Units, responsible for the development of PPI projects. It focused on appropriate quantitative analytic techniques and methods used in preparing, managing, and monitoring private financing of investment (PFI), PPPs and similar types of private-sector-participation projects involving infrastructure and infrastructure-related services.

This activity was envisaged as a multi-phase project and would continue to have an Africa-wide focus. Phase II involves scoping the needs of especially PPP Units, and developing a suitable training programme including case studies as part of a larger capacity development programme to be delivered in modular form on a cost recovery basis for Government PPP Units and for the staff of DFIs engaged in the same and covering particularly the quantitative aspects of appraisals of PPI.





The objective is to prepare and deliver a 3-4 week training programme on Investment Appraisal and Risk Analysis of PPI Projects in Sub-Saharan Africa. The training will include and consolidate the latest findings on cost-benefit (C/B) analysis generally, as well as C/B techniques with special application to PPI projects. It will be aimed at people who design, select, or finance projects and for those who are interested in the financial, economic and stakeholder impacts of investments. Participants are expected to come from a number of organizations, among them public and private enterprises, banks and financial institutions, government ministries and regulatory agencies, and regional/local development agencies.

This will be an advanced quantitatively-oriented programme targeted at professionals with relatively well-developed skills in quantitative analysis and computer modelling. The programme will incorporate new developments in cost-benefit analysis and PPI project appraisal, including the findings on the use of discount rates and public sector comparators included in the recent PPIAF-supported study done on behalf of NEPAD and SADC-DFRC.

Following submission of a joint proposal in February 2007, by the DBSA and the DFRC to PPIAF for funding the development of this second phase project the PPIAF responded on 20th March 2007 advising the partner institutions that the project had been approved by PPIAF's management and an amount of USD320, 000 set aside for developing the training.

The project will be task managed by the same unit of the World Bank (Transport) that task managed and continues to manage the Mtwara Corridor Projects. This project will be carried out in cooperation with the DFRC's CB Programme.

### DBSA on PPP TA Support

The DFRC approached the African Partnerships Unit of the DBSA to discuss sponsorship for the position of a long-term Technical Assistance Advisor for the PPP/ Infrastructure programme that is still vacant. A formal proposal, including terms of reference and budget for the position has since been submitted to the Bank for consideration and a response is still awaited.

### Work Programme - 2007 - 2009

The key deliverable for the programme going forward will be the development of the training programme on Quantitative Appraisal of PPP projects, and the roll-out of the training to the DFIs and other interested clients. The DFRC will also continue to monitor developments and achievements in the establishment and functioning of PPP units in Mtwara Corridor, and those that might be identified subsequently.



From (L-R) **Dr Rosalind H. Thomas** (CEO of SADC - DFRC), **Ms Zanele Masiza** (DBSA Participant) and **Prof Glenn Jenkins** (Queens University) at the closing ceremony of PIARA



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# Annual financial statements for the year ended 31 March 2007

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The organisation's trustees are responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 31 March 2007, and the income statement, the statement of changes in equity 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 control 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 14 November 2007 and are signed on their behalf by:

Board Chairman

Trustee

**Trustees' responsibility statement**

for the year ended 31 March 2007



## General Information

for the year  
ended 31  
March 2007

### 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 2007 the Centre had 9 employees (2006: (9) 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:

Dr. Vincent Mhlanga  
Oaitse Ramasedi  
Alan Mukoki  
Benyram Chooramun  
David Nuyoma

Chairman  
Vice-chairman

### Registered Address

Plot 50676  
BIFM/Fairground Office Park  
Gaborone

### Bankers

Standard Chartered Bank of Botswana Limited  
PO Box 496  
Gaborone

### Auditors

KPMG  
PO Box 1519  
Gaborone





## 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 6 to 18, which comprise the balance sheet as at 31 March 2007, 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 and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Southern African Development Community – Development Finance Resource Centre as of 31 March 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to be 'HLL'.

**KPMG**  
**Certified Public Accountants**

14 Nov 2007

.....  
**Gaborone**

**Independent  
auditor's report**  
to the trustees of  
Southern African  
Development  
Community –  
Development  
Finance Resource  
Centre



## Income statement

for the year ended 31 March 2007

US \$	Note	2007	2006 (Restated )
Members contributions		979 781	865 640
Donor funds		<u>753 766</u>	<u>1 088 971</u>
<b>Total revenue</b>		1 733 547	1 954 611
Other income		30 004	797
<b>Expenditure</b>			
Staff costs		(421 947)	(412 544)
Program expenses		(996 986)	(1 380 515)
Administration and operating costs		<u>(442 338)</u>	<u>(554 359)</u>
<b>Deficit for the period</b>	<b>1</b>	<u><b>( 97 720)</b></u>	<u><b>(392 010)</b></u>

## Statement of changes in funds

for the year ended 31 March 2007

US\$	Note	Accumulated surplus
Balance at 1 April 2005		538 854
Deficit for the period (restated)	9	<u>( 392 010)</u>
Balance at 31 March 2006 (restated)	9	146 844
Deficit for the period		<u>( 97 720)</u>
<b>Balance at 31 March 2007</b>		<u><b>49 124</b></u>





US \$	Notes	2007	2006 (Restated)
<b>Assets</b>			
<b>Non current assets</b>			
Plant and equipment	2	<u>113 885</u>	<u>150 018</u>
<b>Current assets</b>			
Trade and other receivables	3	120 702	17 700
Cash and cash equivalents		<u>67 344</u>	<u>243 663</u>
		<u>188 046</u>	<u>261 363</u>
<b>Total assets</b>		<b><u>301 931</u></b>	<b><u>411 381</u></b>
<b>Funds and liabilities</b>			
<b>Accumulated funds</b>			
		<u>49 124</u>	<u>146 844</u>
<b>Non-current liabilities</b>			
Finance lease obligation	4	9 508	15 774
Operating lease accrual	5	<u>18 397</u>	<u>1 263</u>
		<u>27 905</u>	<u>17 037</u>
<b>Current liabilities</b>			
Trade and other payables	6	218 339	242 573
Short term portion of finance lease obligation	4	<u>6 563</u>	<u>4 927</u>
		<u>224 902</u>	<u>247 500</u>
<b>Total funds and liabilities</b>		<b><u>301 931</u></b>	<b><u>411 381</u></b>

**Balance sheet**  
at 31 March  
2007



**Cash flow  
statement**  
for the year ended  
31 March  
2007

US \$	2007	2006
<b>Operating activities</b>		
Members' contributions	927 145	846 568
Donor funds	753 766	522 971
Cash paid to suppliers and employees	(1 862 391)	(1 559 406)
Sundry receipts	20 159	27 685
<b>Cash flows utilised in operating activities</b>	<b><u>(161 321)</u></b>	<b><u>(162 182)</u></b>
<b>Investing activities</b>		
Proceeds on disposal of furniture and fittings	2 550	-
Acquisition of plant and equipment	<u>(12 918)</u>	<u>(138 186)</u>
<b>Cash flows generated from /(utilised in) investing activities</b>	<b><u>(10 368)</u></b>	<b><u>(138 186)</u></b>
<b>Financing activities</b>		
Finance lease obligation obtained	-	28 941
Capital repayments made on finance lease obligation	<u>(4 630)</u>	<u>( 8 240)</u>
<b>Cash flow (utilised in)/generated from financing activities</b>	<b><u>(4 630)</u></b>	<b><u>20 701</u></b>
Decrease in cash and cash equivalents	(176 319)	(279 667)
Cash and cash equivalents at beginning of year	<u>243 663</u>	<u>523 330</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>67 344</u></b>	<b><u>243 663</u></b>
<b>Cash and cash equivalents comprise:</b>		
Petty cash	-	89
Bank balances - current account	-	24 298
- call accounts	<u>67 344</u>	<u>219 276</u>
	<u>67 344</u>	<u>243 663</u>





## Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board.

## 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 judgements, 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.

## 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

for the  
year ended  
31 March  
2007



## Significant accounting policies (continued)

for the  
year ended  
31 March  
2007

### 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 entity 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 entity recognises an asset when it obtains control of a resource as a result of past events and future economic benefits is expected to flow to the entity. The entity 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.





## 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 entity is exempt from taxation in terms of the second schedule of the Income Tax Act (Chapter 52:01).

# Financial instruments

## Financial assets

The entity'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 days terms are recognised and carried at original invoice amount less impairment charges. Impairment changes are recognised when collection of the full amount is no longer probable. Impairment charges are written off as incurred.

## Financial liabilities

The entity'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 entity.

## Significant accounting policies

(continued)

for the  
year ended  
31 March  
2007



## Significant accounting policies (continued)

for the  
year ended  
31 March  
2007

### 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 entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### New standards and interpretations not yet adopted

- IFRS 7 Financial instruments - disclosures and the Amendment to IAS 1 Presentation of Financial Statements. IFRS 7 requires extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the entity's 2008 financial statements, will require additional disclosures with respect to the entity's financial instruments.
- IFRS 8 Operating Segments sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8, which becomes mandatory for the entity's 2009 financial statements, is not expected to have any impact on the financial statements of the entity.
- IFRIC 7 Applying the Restatement Approach under IAS 29 and Financial Reporting in Hyperinflationary Economies addresses the application of IAS 29 when an economy first





### *New standards and interpretations not yet adopted (continued)*

becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the entity's 2008 financial statements, is not expected to have any impact on the financial statements of the entity.

- IFRIC 8 Scope of IFRS 2 Share based Payment addresses the accounting for share based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the entity's 2008 financial statements and requires retrospective application. IFRIC 8 is not expected to have any impact on the financial statements of the entity.
- IFRIC 9 Reassessment of Embedded Derivatives requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the entity's 2008 financial statements, is not expected to have any impact on the financial statements of the entity.
- IFRIC 11 Group and Treasury Share Transactions. This interpretation addresses disclosures and accounting transactions with regards to the rights and issuing of shares to employees and other companies within the group. IFRIC 11, which becomes mandatory for the entity's 2008 financial statements, is not expected to have any impact on the financial statements of the entity.

### **Significant accounting policies (continued)**

for the  
year ended  
31 March  
2007



# Notes to the Annual Financial Statements

for the year ended 31 March 2007

US \$	2007	2006
<b>1. Deficit for the period</b>		
Deficit for the period is stated after taking into account the following:		
Audit fees		
- current year	-	5 000
- prior year over provision	(2 684 )	-
Board costs	18 856	15 942
Bad debts	40 930	227 410
Depreciation	36 536	22 286
Foreign exchange (gain)/loss	(27 984 )	11 308
Loss on scrapping of furniture and fittings	10 944	-
Staff costs	421 947	412 544
Rent – premises	92 384	85 578
Rent - operating lease accrual	17 134	1 263
Profit on disposal of furniture and fittings	979	-

## 2. Plant and equipment

	Motor vehicle	Computer equipment	Office equipment	Furniture & fittings	Total
<b>Cost</b>					
Balance at beginning of year	26 310	42 096	14 863	108 048	191 317
Additions	-	1 019	2 271	9 628	12 918
Disposals	-	-	-	(3 433 )	(3 433 )
Assets scrapped	-	-	-	(10 946 )	(10 946 )
<b>Balance at end of year</b>	<b>26 310</b>	<b>43 115</b>	<b>17 134</b>	<b>103 297</b>	<b>189 856</b>
<b>Depreciation</b>					
Balance at beginning of year	3 803	17 404	997	19 095	41 299
Charge for the year	3 802	13 324	2 403	17 007	36 536
Assets disposed/scrapped	-	-	-	(1 864 )	(1 864 )
<b>Balance at end of year</b>	<b>7 605</b>	<b>30 728</b>	<b>3 400</b>	<b>34 238</b>	<b>75 971</b>
<b>Net book value</b>					
At 31 March 2006	22 507	24 692	13 866	88 953	150 018
<b>At 31 March 2007</b>	<b>18 705</b>	<b>12 387</b>	<b>13 734</b>	<b>69 059</b>	<b>113 885</b>

A motor vehicle with a book value of US\$18 705 (2006: US\$22 507) is encumbered as per note 4.





**Notes to the Annual Financial Statements**  
*(continued)*  
for the year ended 31 March 2007

US \$

2007                      2006

**3. Trade and other receivables**

Members' contributions	99 785	5 649
Other receivables	<u>20 917</u>	<u>12 051</u>
	<u>120 702</u>	<u>17 700</u>

**4. Finance lease obligation**

Finance lease obligation with Wesbank	16 071	20 701
Less: short term portion transferred to current liabilities	<u>(6 563 )</u>	<u>(4 927)</u>
	<u>9 508</u>	<u>15 774</u>

The finance lease obligation is secured by a motor vehicle with a book value of US\$18 705 (2006: US\$22 507) 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.

The lease obligation is repayable as follows:

Payable within one year	6 563	4 927
Payable within two to five years	<u>9 508</u>	<u>15 774</u>
	<u>16 071</u>	<u>20 701</u>

**5. Operating lease accrual**

Year end	31 March 2006	31 March 2007	31 March 2008	31 March 2009	31 March 2010
Long term accrual	1 263	18 397	21 556	9 915	-
Short term accrual	<u>-</u>	<u>-</u>	<u>2 947</u>	<u>11 641</u>	<u>9 915</u>
	<u>1 263</u>	<u>18 397</u>	<u>24 503</u>	<u>21 556</u>	<u>9 915</u>
				<b>2007</b>	<b>2006</b>

**6. Trade and other payables**

Trade payables	212 615	214 196
Member overpayment	2 232	12 541
Payroll accruals	<u>3 492</u>	<u>15 836</u>
	<u>218 339</u>	<u>242 573</u>



# Notes to the Annual Financial Statements

(continued)

for the  
year ended  
31 March  
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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 2006	31 March 2007	31 March 2008	31 March 2009	31 March 2010
Cash payments within one year	71 852	79 037	86 941	95 635	58 911
Cash payments after one year	<u>320 524</u>	<u>241 487</u>	<u>154 546</u>	<u>58 911</u>	<u>-</u>
Total future cash payments	392 376	320 524	241 487	154 546	58 911
Less: lease accrual (note 5)	<u>(1 263)</u>	<u>(18 397)</u>	<u>(24 503)</u>	<u>(21 556)</u>	<u>(9 915)</u>
Future operating lease	<u><u>391 113</u></u>	<u><u>302 127</u></u>	<u><u>216 984</u></u>	<u><u>132 990</u></u>	<u><u>48 996</u></u>

## 9. VAT recovered

VAT recovered and received of US\$20 291 was recognised as sundry income in the prior financial year instead of reducing the asset in the balance sheet.

The above error had the following impact in the 2006 financial year:

	2006
Accumulated surplus as previously reported	167 135
Decrease in sundry income	<u>(20 291)</u>
Accumulated surplus as restated	<u><u>146 844</u></u>
Deficit for the period as previously reported	(371 719)
Decrease in sundry income	<u>(20 291)</u>
Deficit for the period as restated	<u><u>(392 010)</u></u>
Trade and other receivables as previously reported	37 991
Decrease in VAT recoverable	<u>(20 291)</u>
Trade and other receivables as restated	<u><u>17 700</u></u>





## 10. Financial instruments

Transactions in financial instruments result in the entity assuming financial risks. These include market risk, credit risk, foreign currency risk and liquidity risk. Each of these financial risks is described below, together with a summary of the way in which the entity manages these risks.

### Market risk

Market risk can be described as the risk of a change in the fair value of a financial instrument brought about by changes in interest rates.

### Interest rate risk

Fluctuation in 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 entity does not make use of financial instruments to manage this risk. Due to the short-term nature of the entity's fixed interest investments, the risk is not significant.

The entity is exposed to interest rate risk through the finance lease obligation payable. The finance lease obligation payable at year-end was P16 071 (2006: P20 701). Refer note 4 for the terms and conditions relating these long term borrowings.

### Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the entity is exposed to credit risk are:

- amounts due from trade and other receivables, and
- investments in cash and cash equivalents.

The entity limits the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. At the balance sheet date the entity had no significant concentration of credit risk.

### Exposure to third parties is monitored as part of the credit control process.

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.

### Foreign currency risk

The entity is exposed to foreign currency risk for transactions that are denominated in a currency other than US\$. The company does not take cover on foreign currency as it regards the US\$ as a stable currency. The net assets of the company at year-end by currency are:

## Notes to the Annual Financial Statements

*(continued)*

for the  
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31 March  
2007



# Notes to the Annual Financial Statements

(continued)

for the  
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## Financial instruments (continued)

### Foreign currency risk

	Assets	Liabilities	Equity
<b>2007</b>			
US Dollar	225 410	77 991	49 124
Botswana Pula	40 912	77 397	-
Euro	35 609	35 247	-
South African Rand	-	62 172	-
	<u>301 931</u>	<u>252 807</u>	<u>49 124</u>
<b>2006</b>			
US Dollar	282 699	117 758	146 844
Botswana Pula	48 635	146 779	-
Euro	80 047	-	-
	<u>411 381</u>	<u>264 537</u>	<u>146 844</u>

### Liquidity risk

The entity 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 entity set limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

# SADC-DFI NETWORK MEMBERS



## ANGOLA



## BOTSWANA

Botswana Development Corporation  
Citizen Entrepreneurial Development Agency  
National Development Bank



## DRC



## LESOTHO

Basotho Enterprises Development Corporation  
Lesotho National Development Corporation



## MADAGASCAR



## MALAWI

New Institution to be established in 2008



## 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



## 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







