

2010 Annual Report



southern african
development community
development finance
resource center



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MISSION STATEMENT AND VISION

Vision:

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

Mission:

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

GOVERNANCE STRUCTURE

- *Shareholders:*
SADC-DFI Network Members.
- *Chairperson of the Board of Trustees:*

**Mrs Maria Nthebolan, Managing Director,
Botswana Development Corporation.**
- *Board of Trustees:*
**Seven members, appointed for a two-
year term.**
- *Chief Executive Officer:*
Mr Stuart Kufeni.



CORPORATE PROFILE

Mandate

The SADC – DFRC is a subsidiary institution of SADC. It is collectively 'owned' by the SADC-DFIs Network as its 'self – help' organisation. Only the twenty seven members of the Sub-committee that have signed the MOU of May 2000 are members of the Network. Through technical and capacity building support, as well as policy research and advisory services, the DFRC's mandate is to promote the effective mobilisation of resources by the financial sector, in particular the DFIs, for investment in key areas with the potential to stimulate growth, generate employment and alleviate poverty, in line with the objectives of SADC under the Regional Indicative Strategic Development Plan (RISDP).

Focal Sectors

The DFRC has identified the following areas in its Five-Year Strategic Business Plan (2009/10 – 13/14) 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.

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.

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



ABBREVIATIONS

AADFI	Association of African Development Finance Institutions
CEO	Chief Executive Officer
COMESA	Common Market for Eastern and Southern Africa
COMFI	Committee of Ministers responsible for Finance and Investment of SADC
DANIDA	Danish International Development Agency
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DFRC	Development Finance Resource Centre
EDF	European Development Fund
EU	European Union
GCGF	Global Corporate Governance Forum
ICM	Integrated Committee of Ministers of SADC
IDC(SA)	Industrial Development Corporation of South Africa
J2Ex	Journey to Excellence
LEA	Local Enterprise Authority
MOU	Memorandum of Understanding
OECD	Organisation for Economic Cooperation and Development
PPDF	Project Preparation and Development Fund
PPIAF	Public Private Infrastructure Advisory Facility
PPPs	Public-Private Partnerships
PTA	Preferential Trade Area
RSA	Republic of South Africa
RISDP	Regional Indicative Strategic Development Plan
SADC	Southern African Development Community
SADC DFRC	SADC Development Finance Resource Centre
SOE	State Owned Enterprise
SMEs	Small and Medium Scale Enterprises
SIDO	Small Industries Development Organisation
STA	Swaziland Tourism Authority
STO	Senior Treasury Officials of SADC
TIFI	Trade, Industry, Finance and Investment Directorate of SADC
UNOPS	United Nations Office for Project Services



BOARD OF TRUSTEES

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

Mrs Maria Nthebolan
Managing Director
Botswana Development Corporation
Trustee since November 2009
Chair since February 2010



Mr Somkhosi M T Malaba
Chief Executive Officer
Agricultural Bank of Zimbabwe
Trustee since November 2008
Deputy Chair since September 2009



Mr Motebang Mokoaleli
Acting Chief Executive Officer
Lesotho National Development Corporation
Trustee since June 2009



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



Mr Iqbal Carrim
Managing Director
Development Bank of Mauritius
Trustee since November 2009

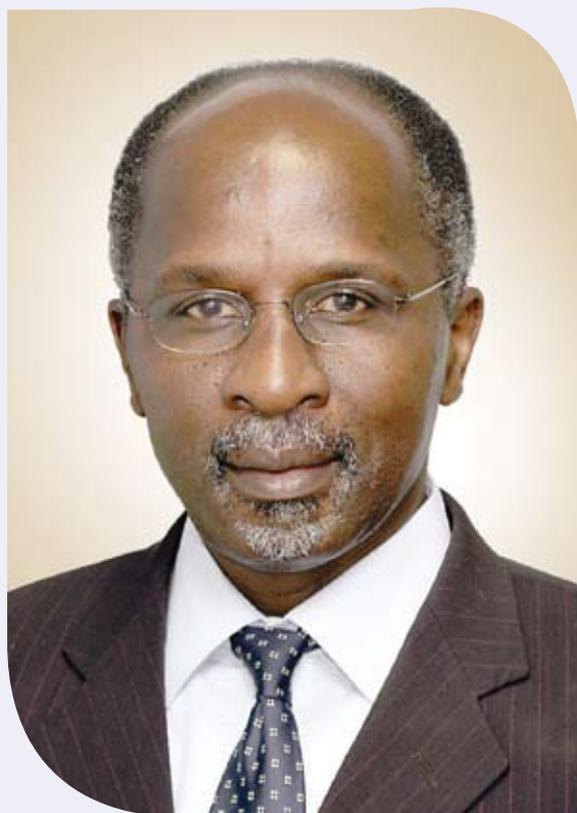


Ms Neo V Mokhesi
Divisional Executive: Corporate and Marketing
Industrial Development Corporation (RSA)
Trustee since November 2009



Mr Tseliso Mokhosi
Acting Chief Executive Officer
Basotho Enterprise Development Corporation
Trustee since November 2009
(Ex-officio)

EXECUTIVE SECRETARY'S FOREWORD



Dr Tomaz Augusto Salomão
Executive Secretary of SADC

I am delighted once again to have the opportunity of introducing the Annual Report of the SADC Development Finance Resource Centre for the year 2009/10.

The last few years have been a period of unprecedented economic difficulty for the global economy with the onset of the global financial crisis and the ensuing recession in 2008. The negative economic growth, and the need for developed country governments to implement stimulus packages and to bail out distressed banks and industries has also affected the flow of international finance and development assistance to developing countries. The external trade of our region and its economic growth has also been adversely affected

by these developments which threatened to erode the gains from earlier economic and social reforms as well as prudent macroeconomic policies in the region.

Happily, this period of stress is largely over, and hopefully notwithstanding the national debt crisis affecting the likes of Greece and to some extent Portugal and Spain, the economic upturn and the restoration of financial and economic stability in developed countries will be sustained. The Member states of SADC have also proved to be resilient during the crisis, and for most their economies have rebounded. Consequently, growth projections for the economies going forward are very positive and higher than expected.

During the crisis period, our institutions have had to make adjustments to their programmes and activities, especially that many of these have relied on the goodwill and support – technical and financial - of our international cooperating partners as well as institutions whose investments were affected by the crises.

I have noted that against this backdrop the SADC DFI Network and its DFRC has also had to institute some adjustment to weather the crisis resulting in the streamlining of its operations. In addition, the new strategic and business plan has been actively implemented for the last one year, coupled with a restructuring of DFRC operations. Wide ranging stakeholder consultations have also underpinned this process.

Today, DFRC is a leaner and fitter organisation with a clear and up to date vision of where it wants to go. It still has capacity to provide a wide range of capacity building and advisory services to the DFI Network and other key stakeholders.

I am also pleased to note that DFRC's access to resources of international cooperating partners and regional players in development finance, has also improved and that this is reflective of the strengthening working relationship between DFRC and the Secretariat.

Of particular significance is that DFRC has been able to access funding under the European Development Fund No.9, where the European Union is supporting the SADC Secretariat in the implementation of the Finance and Investment Protocol of the SADC Treaty. This has already started supporting some of the key programmes of the Centre.

The involvement of DFRC in SADC projects including the Project Preparation and Development Facility (PPDF) and collaboration on the SADC Development Fund as well as other regional consultative fora attest to the growing role of DFRC as a regional player in development finance and the overall development efforts in the region.

The future for DFRC and the Network as an integral part of the SADC family is promising and bodes well for our development efforts in the region.

I wish to congratulate the Network and DFRC on their achievements to date, and to assure them of the continued support of the Secretariat in our noble quest to realise the vision of the founding fathers of SADC.



Tomaz A Salomão
Executive Secretary
SADC

CHAIRPERSON'S REPORT



Mrs Maria Nthebolan
Chairperson

Introduction

It is with great pleasure that I wish to submit the Annual Report for the SADC Development Finance Resource Centre for the year 2009/10.

In the last few years, DFRC has faced considerable challenges as the initial five-year business plan came to an end, donor priorities changed and the key stakeholders of DFRC contended with the fallout from the global financial crisis and the subsequent economic recession. It is against this background that DFRC Management were tasked by the Board to develop a new Five-Year Strategic Plan (2009 - 2014) to replace the first one which had expired in March 2009; and to develop the first Business Plan (2009/10) thereof.

This period under review, the first year of implementation of the strategic plan, saw DFRC restructured and emerge a leaner and more cost-effective organisation that would deliver on its mandate effectively and without undue financial impositions on Network member institutions.

Strategic Issues

The results of the first year of the new Strategic and Business Plans bear out our renewed confidence in the future of the DFRC. Many of the key programmes of the DFRC such as corporate governance and investment appraisal were implemented, with new programmes on debt management, negotiation skills and appraisal of PPPs being put in place to respond to the identified needs of SADC DFIs and governments.

These programmes have been offered at the regional level as well as at the country and institutional level to respond to the specific needs and challenges identified. These programmes have in general been well received and supported by the staff and managements of the DFIs. DFRC has also offered its programmes to non-DFIs, and has been able to raise additional resources to augment membership subscriptions and donor funding.

This demonstrates that DFRC is mindful of the concerns of the stakeholders, and is responding fully to the new paradigm of thought in the Network through innovative management approaches.

Stakeholder Relations

One of the increasingly significant developments in external relations of the DFRC, and more particularly in relation to the SADC Secretariat has been the improving relationship between the two organisations with frequent consultations at senior level on programmes and international cooperation. The support of the Secretariat underpinned with the recognition of DFRC as a treaty organisation of SADC under the Finance and Investment Protocol as approved by the 2008 Maseru Heads of State Summit, augurs well for enhanced access to donor funding for projects by DFRC.

It is my hope, and indeed that of the Board, that the management will take full advantage of this changing situation to mobilise even more resources to improve the quantity and quality of programmes that are offered to the Network, governments and other stakeholders.

DFRC has also actively engaged with member DFIs to keep them briefed on new programmes and challenges of the Centre, as well as to ascertain their requirements, and how the DFRC can respond to them. Frequent visits have been made to

member institutions to cultivate a greater sense of ownership from the DFIs. Amongst the bigger member-institutions, DFRC has established working partnerships and collaborative arrangements such as the signing of the Memorandum of Understanding with the Development Bank of Southern African which will guide collaboration and cooperation in programme development and delivery. It also has a working relationship with the Industrial Development Corporation of South Africa to deal with areas of common interest. DFRC also continues working with the other member DFIs on a case by case basis to handle specific programmes from time-to-time.

In an effort to expand its network of contacts with other African institutions, the Network through the SADC-DFRC signed a Memorandum of Understanding with and joined membership of the Association of African Development Finance Institutions (AADFI). The MoU allows respective institutions to access each others research work and to cooperate on training programmes of mutual interest

Donor Support

DFRC has successfully negotiated for support from a number of international organisations. This includes the continuing support of the Global Corporate Governance Forum for DFRC Corporate Governance Programmes, while the Joint Africa Institute, a partnership of the African Development Bank, International Monetary Fund and the World Bank, substantially co-financed some of the Corporate Governance Programmes during the year:

DFRC also concluded negotiations with the Development Bank of Southern Africa for the setting up of a \$1.5 million Regional Technical Assistance Facility to support DFIs. The Facility which is targeted at addressing critical skills gaps and institutional weaknesses will initially run for three years and with time more donors will be approached with the objective of growing available resources and making it sustainable.

DFRC's application for funding for DFI capacity building programmes from the European Union European Development Fund (EDF 9) for the implementation of the Finance and Investment Protocol was finally realised. Consequently, DFRC, through the SADC Secretariat, began drawing down on these funds towards the end of the financial year. It is anticipated that this funding will make a significant contribution to DFRC capacity building programmes over the next few years.

DFRC continues to pursue other avenues to source donor funding for its programmes through consultations with various bilateral and multilateral partners, and submission of proposals to them. It is hopeful that a number of these proposals will lead to full fledged projects in the near future.

Financial Performance and Membership Contributions

DFRC once again presents in this report clean financial statements audited by KPMG Botswana. On assessment of the audited financials and based on the auditors' opinion, you will notice that DFRC has the ability to continue as a going concern. The financial performance of DFRC for the year shows a loss of US\$174 993. This follows a loss of US\$213 952 in the previous financial year, and a surplus of US\$833 658 in FY 2007/8. As reported last year, the losses for both years are due in part to provision for a few Network members who were unable to meet their financial obligation to the DFRC; exchange losses on foreign currency balances; and the recognition of donor funds in one year, FY2007/8, but utilised over the three years. However, on a cumulative basis, DFRC has recorded a surplus of US\$493 807 in FY2009/10.

The restructuring of DFRC has succeeded in making the structure leaner, allowing it to cut down on administrative costs. As a result, DFRC has now succeeded in achieving surpluses from its internal sources and member contributions, and is now more financially stable. However, programme funding from our cooperating partners has not been as robust as was envisaged. The results show a slump in revenue in comparison to prior years, with a decline of 10.6% from FY2007/8, and 14.7% from FY2008/9.

The anticipated funding from the European Union only came on-stream much later than expected in the year, and affected the implementation of planned capacity building programmes. Further, the key donors, such as the Danish Agency for International Development (DANIDA) had revised their development assistance programme priorities, and were no longer able to support DFRC activities.

As reported earlier, DFRC continues to pursue other avenues to source donor funding for its programmes through consultations with various bilateral and multilateral partners, and submission of proposals to them. And, unlike in the first few years, most funding will no longer be on-balance sheet but off-balance

sheet with donor organisations supporting DFRC programmes through direct disbursements to service providers as the case with the EU EDF (9) funding.

Governance

New Board members were elected at the November 2009 meeting of the SADC DFI Subcommittee, namely Ms Maria Nthebolan, Managing Director, Botswana Development Corporation; Mr Iqbal Carrim, Acting Managing Director, Development Bank of Mauritius; and Ms Neo Mokhesi, Divisional Executive: Corporate and Marketing, Industrial Development Corporation (RSA), whilst Mr Motebang Mokoaleli, Acting Chief Executive Officer, Lesotho National Development Corporation replaced the former CEO, Mr Peete Molapo. At the same meeting, Mr Tseliso Mokhosi, Acting Chief Executive Officer for Basotho Enterprise Development Corporation was elected Chairman of the SADC DFI Subcommittee, thereby becoming an ex officio member of the DFRC Board. Dr Abraham Mwenda and Mr SMT Malaba continue as Board Members.

Ms Maria Nthebolan was subsequently elected Chairperson of the Board, whilst Mr Somkhosi M T Malaba, Chief Executive Officer of the Agricultural Bank of Zimbabwe retained his position as Vice Chairperson.

Sincere gratitude is extended to the members who retired at the November 2009 meeting, namely Mr Admassu Tadesse, Executive Vice President, Development Bank of Southern Africa; Ambassador Leonard Lipumbu, Chief Executive Officer of Agricultural Bank of Namibia; and Mr Peter Noni, Managing Director for Tanzania Investment Bank.

On behalf of the Board I would like to recognise the commitment of management and staff in delivering on the mandate of the DFRC year after year.



Maria Nthebolan
Chairperson
Board of Trustees

MANAGEMENT & ORGANISATIONAL STRUCTURE



Mr Stuart Kufeni

Chief Executive Officer

Area of expertise: Banking, Macroeconomics and Development Finance

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



Dr Herrick Chota Mpuku

Programmes Manager

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

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



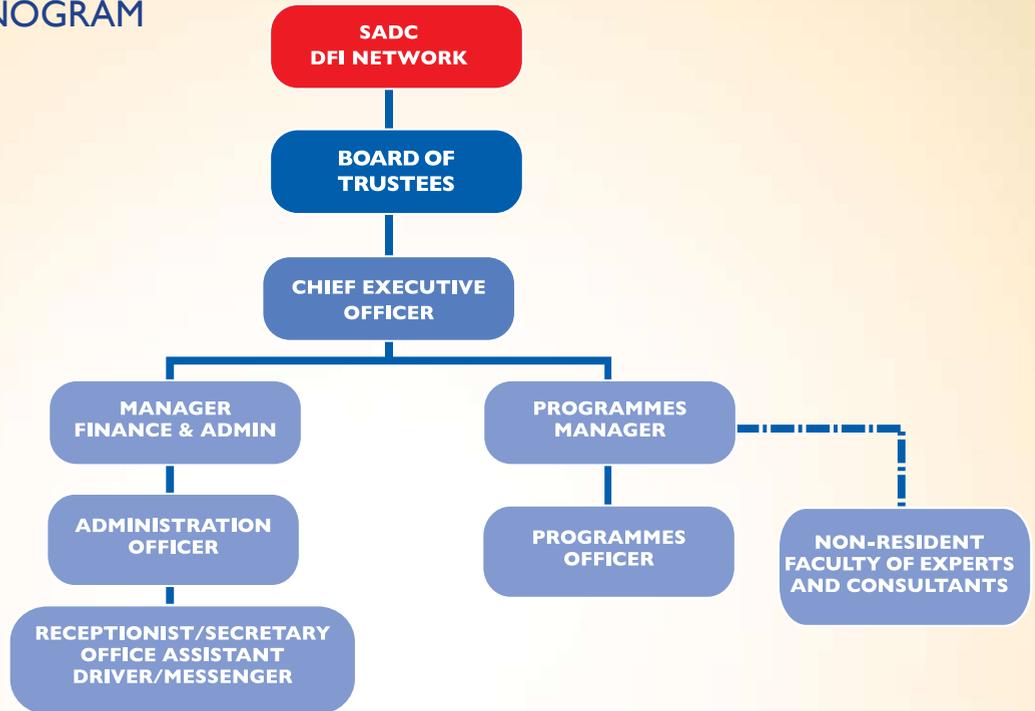
Ms Vero Kgakge

Finance and Administration Manager

Area of expertise: Finance and Administration

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

DFRC ORGANOGRAM



DFRC STAFF



CHIEF EXECUTIVE OFFICER'S REPORT



Mr Stuart Kufeni
Chief Executive Officer

Introduction

The year 2009/10 marks the first year of the implementation of our Strategic Plan (2009-2014) and Business Plan (2009-2011) which were completed in March 2009 after extended consultations with all the key stakeholders of DFRC.

The year has therefore been marked by a renewed and heightened sense of purpose and reinvigorated efforts, energy and spirit by management and staff to implement the letter and spirit of the plans. A comprehensive plan of action encompassing new programmes and activities has been put in place, together with an instrument for continuously monitoring the implementation of the plans in order to ensure continued and successful delivery on the vision, mission and goals of the institution.

Access to new resources and continued support from old donor organisations has seen DFRC implement its programmes effectively though delay in some anticipated funds has meant that the uptrend recorded in the previous year could not be significantly sustained both from a participation level and number of programmes perspective.

Stakeholder Relations

One of three strategic directions adopted in the plan was to build strong stakeholder relations, and a key element of this is to enhance our relationships with international cooperating partners as a mechanism for mobilising resources to support our planned programmes. Accordingly, the management embarked on a series of meetings with embassies of major donor countries and representatives of major bilateral and multilateral development institutions based in Botswana and South Africa. These meetings were intended to raise awareness about the DFRC and its programmes, and its role in strengthening development finance and regional integration in the SADC region. The members of the donor community are now well placed to consider including DFRC and its activities in their plans and funding programmes for the region.

DFRC also continues to consolidate its relationship with the SADC Secretariat, as the mother body, through regular meetings with the executive management of the Secretariat and other senior staff. These meetings are intended to open and maintain lines of communication, and to identify potential areas of synergy, collaboration and cooperation in line with the development agenda of SADC under the RISDP.

I am pleased to report that our relationship with the Secretariat has continued to grow from strength to strength, and has been instrumental in the opening up of sources of donor support for DFRC projects and programmes.

Donor Support and Programmes

A significant development in this regard has been the conclusion, after protracted discussion and negotiation, of the funding arrangements for DFRC training and development programmes under the European Union's European Development Fund (EDF 9) for the implementation of the Finance and Investment Protocol of the SADC Treaty.

Under this funding arrangement, the EU undertakes to provide funding for the execution of DFRC training programmes in support of the DFI Network, and will also support the development of the Policy Framework for Public Private Partnerships and the Implementation of the Project Preparation and Development Facility (PPDF). This assistance is to be provided over a period of four years, and will play an important part in the growth of the development finance sector in SADC, particularly its impact on infrastructure development, private sector growth and poverty alleviation in the region.

The DFRC was able to start drawing on these funds late in 2009/10 financial year with a programme on Investment Appraisal and Risk Analysis – Economic and Distributive Analysis held over February and March 2009. At the time of this report, DFRC had already agreed with the EU Advisory Team and the SADC Secretariat on technical and financial arrangements for three more programmes on Corporate Governance, Risk Management and Project Management to be held early in the new financial year.

During the course of the year, the DFRC was able to reach agreement with the Joint Africa Institute at the African Development Bank to jointly host two Corporate Governance Workshops in April and September 2009 directed at DFIs in SADC and those from member states of the African Development Bank. These workshops were also supported by the Global Forum for Corporate Governance, and were based on the toolkit that had been jointly developed by the GCGF and DFRC.

DFRC also concluded its collaborative arrangement with the Public Private Infrastructure Advisory Facility (PPIAF) and the Development Bank of Southern Africa to develop a methodology for appraising Public Private Partnerships. This project culminated in a three-week training programme directed at DFIs and governments in Eastern and Southern Africa. DFRC is exploring how to build on the successes of this programme in an effort to build capacity in terms of skills, policy making and institutional development for PPPs.

DFRC has also recognised that while the regional training programmes it has offered provide immense opportunities for upgrading of technical skills, benchmarking and sharing regional experiences and professional networking, it also needs to address the special needs and requirements of individual

institutions taking into account their internal and external environments. Accordingly, DFRC has responded to the special requests of a number of member institutions to provide tailor-made specialised training and development programmes. It would appear that, given the success of the regional training programmes, there will be greater need for the more specialised and institution-focused programmes for DFIs in the future.

With regard to exploring and exploiting opportunities outside of the core mandate of supporting development finance institutions, DFRC has continued to offer its training in Investment Appraisal and Risk Analysis to the National Treasury and other South African government departments. DFRC has also extended its Corporate Governance programmes to non-DFI clients in the region.

In the field of SME development, DFRC has concentrated on developing a model programme for Mentorship Development for the DFIs, to develop a cadre of business development services providers to support their SME clients. The initial project in 2009 in Botswana, Namibia and Tanzania, did not meet with much success, partly due to lack of resources and had to be reorganised. However, DFRC decided that outstanding mentors who had not completed their work in Botswana should be given a further opportunity to complete the programme after discussions with the local DFIs. Implementation of the second phase in Botswana is targeted to commence in the following financial year.

DFRC will nevertheless consider including in its 2009/10 financial year programmes which support the appraisal of SME projects, develop entrepreneurial skills and strengthen business development services. DFRC has also recruited a Programmes Officer to support implementation of capacity building programmes, especially in relation to the SME sector. This position has been filled up by a seconded member of staff from one of the member DFIs.

Technical Assistance Facility

DFRC has not done well over the years in secondments/ attachments and technical assistance. DFRC initiated discussions with the Development Bank of Southern Africa with a view to developing a Technical Assistance Facility to support attachments of specialised staff to institutions which are facing serious staff deficits in key areas, especially in post-conflict countries. The completed proposal was submitted to the DBSA Board through

the management; the Board approved a Facility of US\$1.5 million over a three-year period to be administered by DFRC with the support of the technical and administrative support of UNOPS.

Financial Performance

The restructuring of DFRC has succeeded in making the structure leaner, allowing us to cut down on administrative costs in line with the funding ceiling decided upon by the Board and the stakeholders. DFRC has now succeeded in achieving surpluses on its income statement and is now more financially stable. However, programme funding from our cooperating partners has not been as robust as we would have liked. In fact the anticipated funding from the European Union only came on-stream much later than expected in the year, and affected the implementation of planned capacity building programmes. Further, the key donors, such as the Danish Agency for International Development (DANIDA) had revised their development assistance programmes, and were no longer supporting the DFRC portfolio of activities.

Future Prospects

Following the successful restructuring and streamlining of administrative services, as well as the adoption of new strategic and business plans, the Centre's medium and long term prospects have significantly improved. This is buoyed by the renewal of the commitment of old and new members to the spirit of the Network in Southern Africa, and reaffirmation of the mandate of the DFRC as well as the growing membership of the Network.

The management and staff remain committed to develop capacity building and policy research programmes which are not only of immediate and long term interest to the member institutions, but also serve a key role in catalysing the development process in the region through better governed institutions, a skilled workforce and a supportive policy and regulatory framework for our development finance institutions.



Stuart Kufeni
Chief Executive Officer

REPORT ON PROGRAMMES

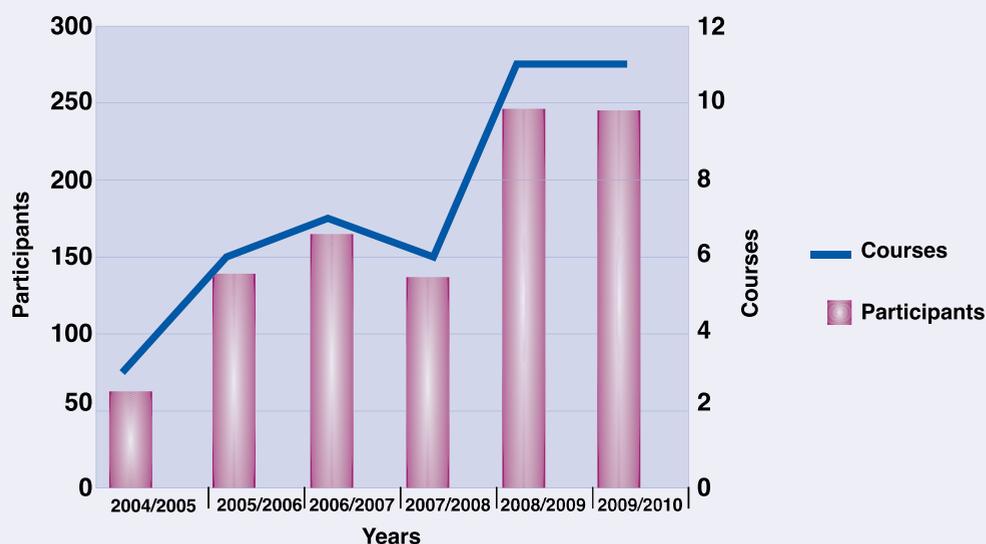
Overview

DFRC programmes continue to enjoy growing popularity amongst Network member DFIs while non-member organisations as well as government departments show growing interest in some courses, particularly those relating to project implementation and governance of state-owned enterprises. Also increasing is the demand for institution specific training course in place of general programmed courses.

Over the past five years, participation in DFRC training and development programmes has grown five fold, a clear reflection of the rising demand for the programmes, and their relevance and consolidation within the DFI Network. Demand continues to grow but a major constraint remains resource availability. Resources permitting, more could be accomplished.

As the diagram below illustrates participation at DFRC programmes increased significantly in the last two years reflecting principally a higher programme offer and resource availability, particularly in fiscal 2008/09. The uptrend could have been sustained in 2009/10 but instead levelled off. This is partly attributable to late-than-anticipated disbursement of identified resources particularly during the second quarter of the year. This notwithstanding DFRC managed to match the number of training courses while initiating new activities under its advisory and policy arm.

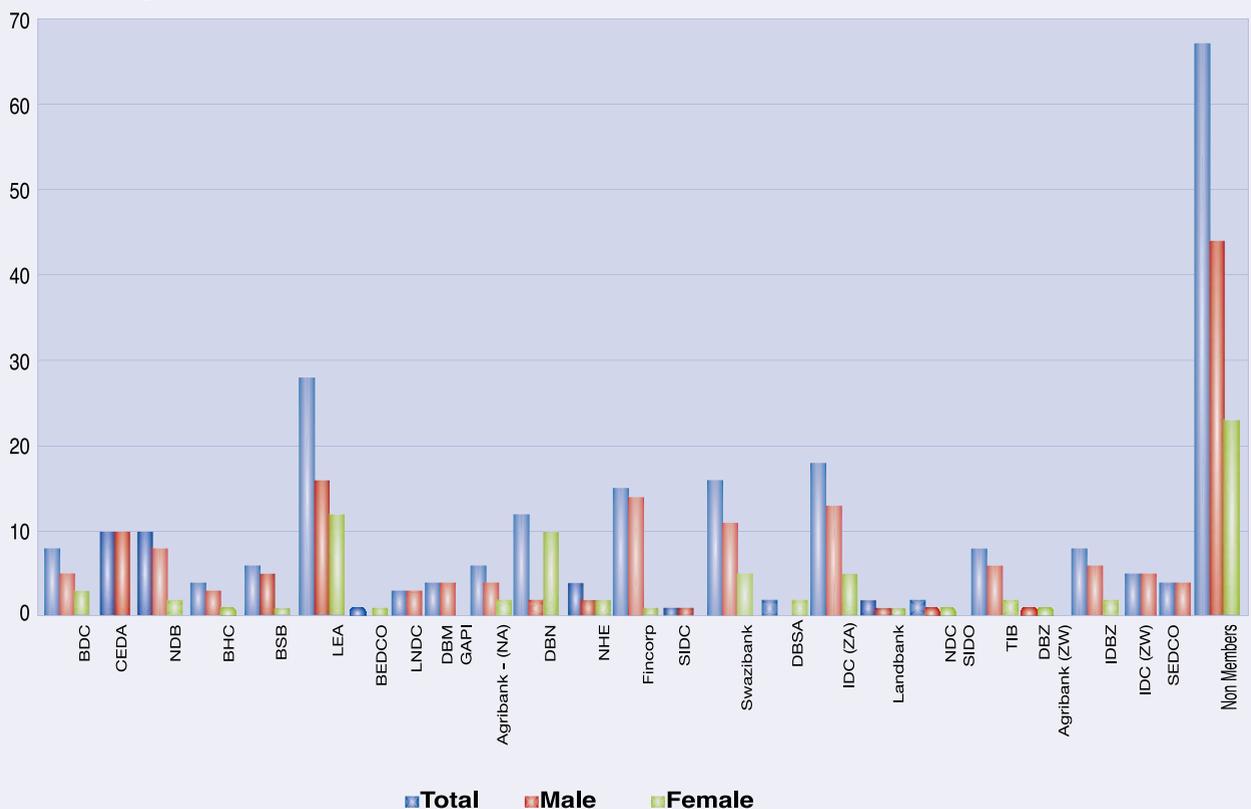
Courses and Participants



An analysis of the pattern of DFI participation in DFRC programmes, including the gender dimension, reflects a number of factors at play. Overall, smaller DFIs have tended to utilise the courses more than the large ones such as DBSA and IDC (SA). The major reason for this is that large DFIs may already possess the skills, and have at their disposal in-house and in some cases regional training facilities for their staff. It is in recognition of this that large DFIs are not only Network members but collaborating partners of DFRC as well in capacity building. This is in line with the Network objective of creating a cooperative environment where more-resourced DFIs are able to render support to member DFIs facing capacity constraints with the facilitation of DFRC.

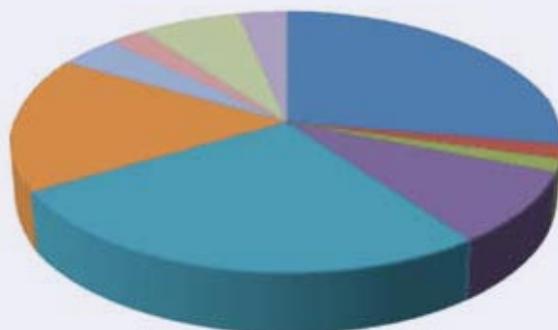
A further look at individual DFI participation levels also shows that men have benefited most from DFRC programmes while levels of women participation are low. As part of its strategic plan, DFRC would like to see a higher representation of females in its courses. In this respect, DFRC will be monitoring levels of participation by women in programmes and at the same time encourage DFIs, where feasible, to give equitable opportunities to both men and women in training of staff.

Participation Per DFI



By country, Botswana is the leading country in terms of participation and this is partly attributed to the fact that Botswana has the largest number of member DFIs in the Network. Of the twenty seven DFI members six are in Botswana. This represents over 20% of total membership. Furthermore, some DFIs in the country requested for tailor-made programmes especially on corporate governance for their boards and senior management which DFRC accommodated largely at the DFIs' cost. Following Botswana is South Africa at 27%. However, this is largely accounted for by Non-DFI members such as National Treasury of South Africa.

Participation Per Country



Botswana	28%
Lesotho	2%
Mauritius	2%
Namibia	9%
South Africa	27%
Swaziland	17%
Tanzania	4%
Zambia	2%
Zimbabwe	7%
Non SADC	3%

As part of its key activities under the Five-Year Strategic Plan (2009 - 2014), DFRC will undertake a marketing campaign targeted at non-member stakeholders, including national governments and state-owned enterprises. Consequently, participation in courses by this group of stakeholders is anticipated to pick up in coming years.

CAPACITY BUILDING PROGRAMMES

The following training and development programmes were undertaken in the year under review. Some programmes were carried over from the previous year, and are not therefore reported on here.

Corporate Governance for Board Members of DFIs: 27th - 30th April 2009

The Corporate Governance Workshop was held in conjunction with the Joint Africa Institute based at the African Development Bank and the Global Corporate Governance Forum (GCGF) based at the International Finance Corporation, Washington, DC. The workshop had 38 participants drawn from SADC and Eastern, Western and Northern Africa regions, serving on the boards of various national and sub-regional development banks. The resource persons were drawn from the African Development Bank, Academy of Corporate Governance in India as well as the Institutes of Directors in the SADC region. The toolkit, developed by the GCGF for the SADC-DFRC, was used as a basis for the programme.

Credit Relationship Management and Bad Loans Minimisation: 4th - 8th May, 2009

This workshop comprised a section on managing relationships between the lending institution and the borrower to ensure effective monitoring of the financing arrangement, and a second on strategies to ensure that defaults of clients are kept to the minimum. The workshop had 24 participants, with 15 drawn from local institutions in Swaziland, and nine drawn from DFIs in other SADC countries.

Appraisal of Public Private Partnerships: 10th - 29th May, 2009

This workshop was organised in conjunction with the Development Bank of Southern Africa, and was funded by the Public Private Infrastructure Advisory Facility (PPIAF) of the World Bank. The programme was developed and facilitated by a team from the John Deutsche International Executive Programmes of Queens University in Canada. It is a three week programme which focuses on the appraisal of public-private participation in infrastructure projects.

There were 24 participants drawn from development finance institutions, state-owned enterprises, government agencies and governments in the SADC region as well as East, Central and West Africa. This programme, being the first of its kind, is a test case on how such interventions could evolve, given the increasing use of PPPs as a tool for procurement of infrastructure projects by many governments in Africa.

Negotiation Skills: 9th - 11th June, 2009

The objective of this programme was to develop would-be negotiators to a level of competence that enables them to do such things as, among others establish the appropriate climate for negotiation, apply a structured approach in preparation for negotiations, establish common ground, define the negotiation range, create overlap and finalise an agreement, select appropriate negotiation tactics without damaging relationships as well as deal with a broad range of negotiation styles. With 22 participants, the programme was held at Eskom Leadership Development Centre, Midrand, South Africa, and delivered by Jack Quinlan and Associates South Africa. Funding was obtained from DANIDA.

Investment Appraisal and Risk Analysis: Module I, 22nd June - 3rd July, 2009

The goals of the program were to develop the appraisal skills of participants so that they are able to plan and assess all aspects of investment projects, add value through the redesign of projects and prepare project financing agreements.

The 23 participants, most of them from the National Treasury of South Africa and some from DFIs, learnt how to conduct the financial, and risk analysis of investments. They also gained skills in the design and testing of risk management contracts and the evaluation of project financing options. Through lectures by experts, applied case studies, and group discussions, participants were able to gain practical knowledge, and obtain a global perspective of recent development in these fields.

The programme was well-received by participants with high ratings in terms of the structure and content of the material as well as the quality of facilitators and facilitation. The programme was delivered by John Deutsche International Executive Programmes of Queens University, Canada.

Corporate Governance Development for DFIs: 21st - 24th September, 2009

This programme was the second one undertaken by DFRC in collaboration with the Joint Africa Institute and with the continuing support of the Global Forum for Corporate Governance. The four-day programme was held at Birchwood Hotel in Johannesburg, South Africa, and was attended by 30 participants from across the SADC region, as well as the Eastern African region. The programme evaluations reveal a consistently high rating for the curriculum, training materials, trainers and the facilities.

Corporate Governance for the Swaziland Tourism Authority: 19th -20th October, 2009

DFRC was requested by the Swaziland Tourism Authority (STA) to conduct a course for ten of their Board members. Working through its external faculty, DFRC developed materials based on the GCGF toolkit and modified it to take into account the legislation and specifics of the tourism industry in Swaziland. The two-day programme took place at the Piggs Peak, Swaziland. The evaluation showed that the board members found the sessions useful and that they were based on a soundly structured programme.

Human Resources Development Forum: 9th – 11th November 2009

The Human Resources Development Forum of the SADC - DFI Network was this year convened in Windhoek, Namibia, with the support of local DFIs, namely the National Housing Enterprise, Development Bank of Namibia and the Agricultural Development Bank of Namibia.

The Forum programme focused on identification of skills shortages in the region and the challenges of human resource development and management in an environment of regional integration. Presentations by experts from regional development banks and human resource specialists formed the basis of discussions at the Forum.

The Forum also elected a new Steering Committee to provide guidance to future programmes of the Forum. The new members of the Committee were drawn from the National Housing Enterprise, Namibia (Chair), Tanzania Investment Bank, Industrial Development Corporation of Zimbabwe, Development Bank of Southern Africa, and Citizen Entrepreneurial Development Agency, Botswana

Programme on Investment Appraisal and Risk Analysis Module 2: 16th – 27th November, 2009

The two-week programme took place at the Eskom Training Centre in Midrand, South Africa. Nineteen participants attended the programme and as with previous similar programmes, Facilitators were from Queen's University John Deutsche International Executive Programmes. This is a tailor-made programme by DFRC for staff from the National and Provincial Treasuries of South Africa. The programme evaluation revealed that the course structure, training material, facilitators and facilities were highly rated.

Corporate Governance for Local Enterprise Authority of Botswana : 1st- 3rd December, 2009

In response to a request from Local Enterprise Authority of Botswana, a member SADC DFI Network, DFRC undertook a course on corporate governance for LEA board members and senior management. The four-day programme was conducted in Phakalane, Gaborone and was attended by fifteen participants. To facilitate the course the DFRC utilised its corporate governance experts from the region who had also undergone training of trainees under the GCGF programme.

Programme on Investment Appraisal and Risk analysis – Module 2: 22nd February - 5th March 2010

This programme was a follow up to the first module that took place in March 2009. Module 2 was supposed to have taken place in the 3rd quarter of 2009. This did not materialise due to unanticipated late disbursement of donor funds. The programme was eventually held at Eskom, Midrand, South Africa and 19 participants from DFIs and government attended.



POLICY RESEARCH AND ADVISORY SERVICES

In this area, DFRC, in consultation with the Global Corporate Governance Forum, conceived a project to improve the policy environment for Corporate Governance in the SADC Countries. This is the second phase of the on going collaboration between the two organisations riding on the first that resulted in the development of a DFI-specific corporate governance curriculum, training of trainers and training of DFI boards.

The main objectives of this project are to:

- Develop a GCGF approach for promoting the corporate governance policy environment in the SADC region;
- Design a methodology for implementing the approach; validate the same through discussions/brainstorming;
- Prepare the ground through discussions and appropriate meetings/ workshops;
- Identify, select and create a platform in each chosen country for Pilot Testing; and
- Pilot-test in selected countries beginning with a launch of the Experts (Advocacy) Group alongside a "Stakeholder Workshop for Promoting Corporate Governance Policy Environment".

The GCGF has allocated US\$150,000 for the implementation of this project, and the project is scheduled to be launched mid-year 2010.

SME DEVELOPMENT

Mentoring was the main area of intervention by DFRC in support of the small and medium enterprises (SMEs) during the period under review.

The Mentoring project was implemented using the 'Journey to Excellence' (J2Ex) model developed jointly with SAFRI Human Resources Development Project of the Federal Republic of Germany. The objectives of the project were to achieve the following:

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

On account of a number of challenges that arose DFRC had to review implementation of the programme. As a result a new and comprehensive implementation plan was completed in December 2009 including recommendations on completing the first cycle of the programme in Botswana.

The programme in Botswana started at the end of March 2010 with funding from the Local Enterprise Authority and Citizen Entrepreneurial Development Agency. The programme is expected to be completed at the end of May 2010, while programmes in Tanzania and Namibia would be undertaken once resources had been secured.

INFRASTRUCTURE DEVELOPMENT/PUBLIC PRIVATE PARTNERSHIPS

In May 2009, DFRC in collaboration with the Public-Private Infrastructural Advisory Facility and the Development Bank of Southern Africa completed the development of a curriculum and training materials for Appraisal of Public-Private Partnerships in Infrastructure projects with the technical expertise of the John Deutsche International Executive Programmes of Queens University. The programme was successfully tested on delegates from the DFIs, governments and PPP units through a three - week programme in May 2009 as indicated in the capacity building section of the report.

At this programme, there were 24 participants drawn from the SADC DFIs, governments (especially recently-established PPP units) and the private sector from Southern, Eastern and Western Africa. The programme was successfully facilitated by the Queens University team. There were positive reviews of the training, especially given that this was a new area in terms of policy and institutions which many officers wished to grasp.

Subsequent stakeholder consultations reviewed the experiences with the development and execution of the training programme, and made proposals for its refinement. DFRC has accepted this programme as an integral part of its capacity building programme, and plans to hold this programme at least once a year. It is currently exploring with the PPIAF, DBSA and other cooperating partners financing mechanisms for future programmes.

DFRC is also presently consulting with the other stakeholders on the development of a multi-pronged PPP strategy to develop skills, establish PPP units, and develop the policy framework for promotion, development and regulation of PPPs within the member states of SADC with special reference to the member DFIs of the Network.

PROPERTY

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DATE

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



Annual financial statements

for the year ended 31 March 2010

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General information for the year ended 31 March 2010

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 2010 the Centre had 8 employees (2009: 8 employees)

Subsequent events

The trustees are not aware of any matter or circumstance arising since the end of the financial year, not dealt with in the report or financial statements that would significantly affect the operations of the Centre or the results of its operations.

Trustees

Members of the Board of Trustees are:

Ms Maria Nthebolan

Mr Somkhosi Malaba

Dr Abraham Mwenda

Ms Neo Sowazi

Mr Motebang Mokoaleli

Mr Iqbal Carrim

Mr Tseliso Mokhosi

Chairperson

Vice-Chairperson

Registered Address

Plot 50676

BIFM/Fairground Office Park

Gaborone

Bankers

Standard Chartered Bank Botswana Limited

PO Box 496

Gaborone

Auditors

KPMG

PO Box 1519

Gaborone

Trustees' responsibility statement for the year ended 31 March 2010

The organisation's trustees are responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 31 March 2010, and the income statement, the statement of changes in funds and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards.

The trustees' responsibility includes: designing, implementing and maintaining internal 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.

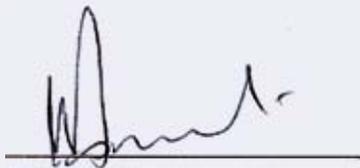
The trustees' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

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 26th May 2010 and are signed on their behalf by:



Board Chairperson



Trustee

INDEPENDENT AUDITOR'S REPORT to the members of Southern African Development Community – Development Finance Resource Centre

Report on the Financial Statements

We have audited the accompanying financial statements of Southern African Development Community – Development Finance Resource Centre, set out on pages 27 to 42, which comprise the balance sheet as at 31 March 2010, 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

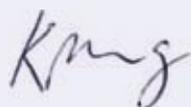
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 at 31 March 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting.



KPMG

26th May 2010

Income statement
for the year ended 31 March 2010
US \$

	Note	2010	2009
Members' contributions		783 408	987 001
Donor funds		<u>568 987</u>	<u>667 348</u>
Total revenue		1 352 395	1 654 349
Other income		52 334	45 191
Interest income		2 427	7 445
Expenditure			
Staff costs		(448 640)	(559 689)
Program expenses		(767 752)	(931 644)
Administration and operating costs		<u>(365 757)</u>	<u>(429 634)</u>
Deficit for the year	I	<u>(174 993)</u>	<u>(213 982)</u>

Statement of changes in funds
for the year ended 31 March 2010
US \$

	Accumulated surplus
Balance at 1 April 2008	882 782
Deficit for the year	<u>(213 982)</u>
Balance at 31 March 2009	668 800
Deficit for the year	<u>(174 993)</u>
Balance at 31 March 2010	<u>493 807</u>

Balance sheet at 31 March 2010
US \$

	Notes	2010	2009
Assets			
Non current assets			
Plant and equipment	2	47 170	62 570
Current assets			
Trade and other receivables	3	26 915	307 186
Cash and cash equivalents		645 035	673 302
		671 950	980 488
Total assets		<u>719 120</u>	<u>1 043 058</u>
Funds and liabilities			
Accumulated surplus		493 807	668 800
Non-current liabilities			
Operating lease accrual	5	-	7 662
Current liabilities			
Trade and other payables	6	216 716	357 337
Short term portion of operating lease accrual	5	8 597	8 939
Short term portion of finance lease obligation	4	-	320
		225 313	366 596
Total funds and liabilities		<u>719 120</u>	<u>1 043 058</u>

Cash flow statement
for the year ended 31 March 2010
US \$

	2010	2009
Operating activities		
Members' contributions	1 019 309	820 097
Donor funds	-	975 709
Cash paid to suppliers and employees	(1 137 195)	(1 830 976)
Sundry (payments)/receipts	<u>98 526</u>	<u>(48 544)</u>
Cash utilised in operating activities	<u>(19 360)</u>	<u>(83 714)</u>
Investing activities		
Proceeds on disposal of furniture and fittings	716	-
Acquisition of plant and equipment	<u>(9 303)</u>	<u>(7 772)</u>
Cash utilised in investing activities	<u>(8 587)</u>	<u>(4 448)</u>
Financing activities		
Capital repayments made on finance lease obligation	<u>(320)</u>	<u>(5 660)</u>
Increase/ (decrease) in cash and cash equivalents	(28 267)	(97 146)
Cash and cash equivalents at beginning of year	<u>673 302</u>	<u>770 448</u>
Cash and cash equivalents at end of year	<u>645 035</u>	<u>673 302</u>
Cash and cash equivalents comprise:		
Bank balances - current accounts	71 080	29 120
Bank balances - call accounts	<u>573 955</u>	<u>644 182</u>
	<u>645 035</u>	<u>673 302</u>

Significant accounting policies for the year ended 31 March 2010

Statement of compliance

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

Basis of preparation

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

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

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

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

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 9 and related accounting policies.

Reporting currency and currency translation

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

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

Significant accounting policies (continued) for the year ended 31 March 2010

Leasing

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

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

Plant and equipment

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

- | | |
|--------------------------|------------------|
| • Computer equipment | 33.33% per annum |
| • Furniture and fittings | 15% per annum |
| • Office equipment | 15% per annum |
| • Motor vehicle | 25% per annum |

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

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

Recognition and de-recognition of assets and liabilities

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

Impairment

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

Significant accounting policies (continued) for the year ended 31 March 2010

Impairment (continued)

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

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

Operating leases

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

Taxation

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

Interest received

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

Interest paid

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

Revenue recognition

Revenue comprises the contributions from members and donor funds.

Revenue is recognised in the income statement when the following conditions have been satisfied:

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

Significant accounting policies (continued) for the year ended 31 March 2010

Donor income

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

Employee benefits

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

Financial instruments

Financial assets

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

Cash and cash equivalents

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

Trade and other receivables

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

Financial liabilities

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

Trade and other payables

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

Significant accounting policies (continued) for the year ended 31 March 2010

Financial instruments (continued)

Financial liabilities

Finance lease obligation

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

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

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

Gains and losses on subsequent measurement

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

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the organisation has a legally enforceable right to set off the recognised 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

The following of new Standards and Interpretations are not applicable to the business of the entity and will therefore have no impact on future financial statements.

- IFRIC 17 – distribution of non-cash assets to owners;
- IAS 39 amendments – eligible hedged items;
- IFRS 1 amendment and revised – first-time adoption of IFRS;
- IFRS 5 – non-current assets held for sale;
- IFRS 2 – group cash-settled share based payments;
- IFRIC 19 – extinguishing financial liabilities with equity instruments;
- IFRIC 14 – prepayments of a minimum funding requirement.

The Trustees are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IAS 24 (revised)

IAS 24 (revised) will be adopted by the entity for the first time for its financial reporting period ending 31 March 2011. The standard will be applied retrospectively and addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

IFRS 9

IFRS 9 will be adopted by the entity for the first time for its financial reporting period ending 31 March 2013. The standard will be applied retrospectively, subject to transitional provisions. IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Notes to the annual financial statements
for the year ended 31 March 2010
In US \$

1. Deficit/(surplus) for the year

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

	2010	2009
Audit fees	7 000	7 028
Board costs	31 451	47 528
Impairment	901	229 064
Depreciation	24 592	30 515
Realised foreign exchange (gain)/loss	61 194	95 700
Staff costs	448 640	559 689
Rent - cash payments	86 884	88 632
Rent - operating lease accrual	<u>(10 019)</u>	<u>3 764</u>

2. Plant and equipment

	Motor vehicle	Computer equipment	Office equipment	Furniture & fittings	Total
Cost					
Balance at beginning of year	26 310	52 220	19 939	103 606	202 075
Additions	-	8 558	745	-	9 303
Disposals	<u>-</u>	<u>(11 826)</u>	<u>(597)</u>	<u>(6 149)</u>	<u>(18 572)</u>
Balance at end of year	<u>26 310</u>	<u>48 952</u>	<u>20 087</u>	<u>97 457</u>	<u>192 806</u>
Depreciation					
Balance at beginning of year	15 210	46 085	8 796	69 414	139 505
Charge for the year	-	3 579	3 398	17 615	24 592
Disposals	<u>-</u>	<u>(11 826)</u>	<u>(486)</u>	<u>(6 149)</u>	<u>(18 461)</u>
Balance at end of year	<u>15 210</u>	<u>37 838</u>	<u>11 708</u>	<u>80 880</u>	<u>145 636</u>
Net book value					
At 31 March 2009	<u>11 100</u>	<u>6 135</u>	<u>11 143</u>	<u>34 192</u>	<u>62 570</u>
At 31 March 2010	<u>11 100</u>	<u>11 114</u>	<u>8 379</u>	<u>16 577</u>	<u>47 170</u>

A motor vehicle with a book value of US\$11 100 (2009: US\$11 100) is encumbered as per note 4.

Notes to the annual financial statements (continued)
for the year ended 31 March 2010
In US \$

3. Trade and other receivables

Members' contributions
Other receivables

2010	2009
7 111	243 012
<u>19 804</u>	<u>64 174</u>
<u>26 915</u>	<u>307 186</u>

4. Finance lease obligation

Finance lease obligation with Wesbank
Less: short term portion transferred to current liabilities

-	320
<u>-</u>	<u>(320)</u>
<u>-</u>	<u>-</u>

The finance lease obligation is secured by a motor vehicle with a book value of US\$11 101 (2009: US\$11 101) 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 obligation was settled in full during the current financial year.

The lease obligation is repayable as follows:

Payable within one year	-	320
Payable within two to five years -	-	320

5. Operating lease accrual

Year end

Long term accrual
Short term accrual

31 March 2008	31 March 2009	31 March 2010
20 013	7 662	-
<u>2 073</u>	<u>8 939</u>	<u>8 598</u>
<u>22 086</u>	<u>16 601</u>	<u>8 598</u>

6. Trade and other payables

Trade payables
Other payables

2010	2009
185 598	334 103
<u>31 118</u>	<u>23 234</u>
<u>216 716</u>	<u>357 337</u>

Notes to the annual financial statements (continued)
for the year ended 31 March 2010
In US \$

7. Related party transactions

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

8. Lease commitments

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

Cash payments	31 March 2009	31 March 2010
Cash payments within one year	74 918	54 055
Cash payments after one year	<u>46 149</u>	<u>-</u>
Total future cash payments	121 067	54 055
Less: lease accrual (note 5)	<u>(20 013)</u>	<u>(7 662)</u>
Future operating lease	<u>101 054</u>	<u>46 393</u>

9. Financial instruments

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

Market risk

Fluctuation 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 organisation does not make use of financial instruments to manage this risk.

Interest rate risk

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

	2010	2009	
Pula call	5.00%	6.00%	Per annum
Dollar call	<u>0.15%</u>	<u>0.75%</u>	Per annum

Notes to the annual financial statements (continued)
for the year ended 31 March 2010
In US \$

9. Financial instruments (continued)

Credit risk

The organisation 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 organisation is exposed to credit risk are:

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

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

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

Exposure to credit risk

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

	2010	2009
Member's contribution	7 111	16 844
Other receivables	19 804	64 174
Cash equivalents	<u>645 035</u>	<u>765 808</u>
	<u>671 950</u>	<u>846 826</u>

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

	2010	2009
Mauritius	-	11 424
Zambia	-	5 662
Zimbabwe	7 111	-
Namibia	<u>-</u>	<u>(242)</u>
	<u>7 111</u>	<u>16 844</u>

Notes to the annual financial statements (continued)
for the year ended 31 March 2010
In US \$

9. Financial instruments (continued)

Credit risk

The ageing of receivables at the reporting date was:

	<u>Gross 2010</u>	<u>Impairment 2010</u>	<u>Gross 2009</u>	<u>Impairment 2009</u>
Past due more than 90 days	310 449	(303 338)	564 008	(547 164)

Liquidity risk

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

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying Amount	Contractual Cash flows	Within 1 Year	2 – 5 years
2010				
Operating lease accruals (short term)	(8 975)	(8 975)	(8 975)	-
Trade and other payables	<u>(216 716)</u>	<u>(216 716)</u>	<u>(216 716)</u>	<u>-</u>
	<u>(225 691)</u>	<u>(225 691)</u>	<u>(225 691)</u>	<u>-</u>
2009				
Finance lease obligation (short term)	(320)	(320)	(320)	-
Operating lease accruals (non-current)	(7 662)	(7 662)	-	(7 662)
Operating lease accruals (short term)	(8 939)	(8 939)	(8 939)	-
Trade and other payables	<u>(357 337)</u>	<u>(357 337)</u>	<u>(357 337)</u>	<u>-</u>
	<u>(374 258)</u>	<u>(374 258)</u>	<u>(366 596)</u>	<u>(7 662)</u>

Notes to the financial statements (continued)
for the year ended 31 March 2010
In US \$

9. Financial instruments (continued)

Exposure to currency risk

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

		Botswana
	Euro	Pula
2010		
Cash and cash equivalents	37 274	34 432
Trade payables	<u>-</u>	<u>(31 118)</u>
Net balance sheet exposure	<u>37 274</u>	<u>3 314</u>
		Botswana
	Euro	Pula
2009		
Cash and cash equivalents	213 740	56 046
Trade payables	<u>-</u>	<u>(23 234)</u>
Net balance sheet exposure	<u>213 740</u>	<u>32 812</u>

Sensitivity analysis

A 10 percent strengthening of the US Dollar against these currencies at year-end would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Accumulated funds	Profit or (loss)
2010		
EUR	(3 389)	(3 389)
BWP	<u>(301)</u>	<u>(301)</u>
	<u>(3 690)</u>	<u>(3 690)</u>
2009		
EUR	(19 431)	(19 431)
BWP	(2 983)	(2 983)
	<u>(22 414)</u>	<u>(22 414)</u>

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

Notes to the financial statements (continued) for the year ended 31 March 2010

Financial instruments (continued)

Exposure to interest rate risk

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

	2010	2009
Variable rate instruments		
Interest bearing borrowings	-	(320)
Cash and cash equivalents	645 035	673 301

With interest rates for cash and cash equivalents ranging from 0.15% to 5.0% and interest bearing borrowings at 16.5% a change of 50 basis points in interest rates at the reporting date would have affected organisation profit as shown below:

	2010	2009
Increase of 50 basis points		
Interest bearing borrowings	-	5
Cash and cash equivalents	234	345

A 50 basis point decrease in interest rates at 31 March 2010 would have had the equal but opposite effect on the above variable rate instruments to the amounts shown above, on the basis that all other variables remain constant.

SADC-DFI NETWORK MEMBERS

ANGOLA

DR CONGO

BOTSWANA

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

LESOTHO

Basotho Enterprises Development Corporation
Lesotho National Development Corporation

MADAGASCAR

MALAWI

MAURITIUS

Development Bank of Mauritius

MOZAMBIQUE

Small Investment Promotion Company –
GAPI SARL

NAMIBIA

Agricultural Bank of Namibia
Development Bank of Namibia
National Housing Enterprise

SEYCHELLES

SOUTH AFRICA

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

SWAZILAND

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

TANZANIA

National Development Corporation
Tanzania Investment Bank
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



The **SADC DFRC**
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of SADC

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