ANNUAL REPORT

sadc dfrc

southern african development community

development finance resource centre

2013

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VISION

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

MISSION

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

PROFILE

Mandate

The SADC-DFRC is a subsidiary institution of SADC under the SADC Finance and Investment Protocol (the FIP) collectively 'owned' by the SADC-DFI Network with a current membership of thirty one national DFIs. Through technical and capacity building support, as well as policy research and advisory services, our 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 Areas

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

Capacity Building

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

Policy Research and Advisory Services

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

Sectoral Focus

- Small and Medium-sized Enterprise Development
- Public Private Partnerships and Infrastructure Development

Approach

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

Financing of Activities

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

Reporting Structures

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

The DFI Network consists of Thirty-One (31) DFIs, all members of the DFI Sub-Committee, but have, through a Memorandum of Understanding, the responsibility for the overall supervision of the operations and funding of the administrative budget of the DFRC. Supervision of the DFRC is through a Board of Trustees appointed by the Network and reports to it biannually.

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

GOVERNANCE STRUCTURE

- Shareholders: SADC-DFI Network Members
- Chairman of the Board of Trustees: Mr Charles Chikaura, Chief Executive Officer, Infrastructure Development Bank of Zimbabwe
- Board of Trustees: Eight members, appointed for two-year terms including two members appointed ex-officio
- Audit and Risk Committee: Three members, tenure in line with Board term
- Chief Executive Officer: Mr Stuart Kufeni

BOARD OF TRUSTEES

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

BOARD MEMBERS

Mr Charles Chikaura

Chief Executive Officer
Infrastructure Development Bank of Zimbabwe
Trustee since December 2011
Chairman since March 2013

Mr Thabo Thamane

Chief Executive Officer
Citizen Entrepreneurial Development Agency - Botswana
Trustee since December 2012
Deputy Chairman since March 2013

Mr Enock Mavimbela

Acting Managing Director
Swaziland Development
and Savings Bank
Trustee since January 2013

Mr Phakamani Hadebe

Chief Executive Officer
Land and Agricultural Bank, RSA
Trustee since December 2011

Mr Jacob Lushinga

Managing Director
Development Bank of Zambia
Trustee since December 2011

Mr Robert Likhang

Chief Executive Officer
Basotho Enterprises Develop-
ment Corporation
Trustee since December 2012

Ambassador Leonard N Iipumbu

Chief Executive Officer
Agricultural Bank of Namibia
Trustee since December 2012
Chair of the SADC DFI Subcommittee
(Ex-officio)

Ms Boitumelo Gofhamodimo

Director: Trade, Industry,
Finance and Investment
Directorate
SADC Secretariat
Trustee since May 2010
(Ex-officio)

BOARD AUDIT AND RISK COMMITTEE

Mr Robert Likhang

Chairman
Member since March 2013

Mr Thabo Thamane

Member since March 2013

Ms Boitumelo Gofhamodimo

Member since March 2013

CHAIRMAN'S STATEMENT

Charles Chikaura
CHAIRMAN, BOARD OF TRUSTEES

Introduction

It is my honour and privilege to present to you the Annual Report for the SADC Development Finance Resource Centre for the financial year 2012/13.

The end of this year marks ten years since the establishment of the SADC Development Finance Resource Centre by the SADC Development Finance Institutions Network as a capacity building, policy research and advisory institution for the members as well as secretariat of the Network.

The DFRC has in that time accomplished various milestones in its mandated areas and has grown in stature as an important force in the promotion and advancement of the development finance agenda both in the individual SADC Member States and the region as a whole.

Major Contributions and Developments

Over these years, the DFRC has developed a comprehensive and widely respected capacity building programme which has significantly contributed to the development of skills within the DFIs, and extending these to other non-DFI institutions, including government departments and state-owned enterprises. The DFRC has also actively participated in the evolving regional development finance system in terms of policy advice and establishment of institutions, especially with respect to the Project Preparation and Development Facility and the nascent Regional Development Fund and the role of the national DFIs in this system.

Specialised support has also been rendered to the national DFIs in terms of providing expert and technical advice to identify bottlenecks and improve the operations, systems and policies of the institutions.

There can be no doubt that the DFRC has made an important contribution to the operations of the DFIs, the national policy regime on development finance and the evolving regional development finance so as to raise the role, profile and recognition of development finance as an integral part of development policy under the SADC Protocol on Finance and Investment (the FIP) the blue print for financial sector integration within the region.

Highlights of the Year

In the year under review, we note of particular significance, the strides that have been accomplished in key areas.

First, we have continued to witness the involvement of major international cooperating partners coming on board to provide support to the DFIs. The Japanese International Cooperation Agency, the second largest provider of overseas development assistance (ODA) has been working with the DFRC in developing a technical assistance programme to support the SADC DFIs

through diagnostic studies, training and international benchmarking and cooperation.

This is augmented by the on-going and substantial support of the German Development Agency (GIZ) to the PPP programme and that of the African Development Bank and Development Bank of Southern Africa (DBSA) to the Regional Technical Assistance Facility for the DFIs, as well as project support of other activities by other bilateral and multilateral donors. The year also saw the successful conclusion of the four-year European Union capacity building programme under support to the implementation of the SADC Finance and Investment Protocol whose sponsorship amounted to over 20% of the programmes and trainees.

Second, after a gestation period of over a year, the DFRC succeeded in operationalising the SADC PPP Network, which is intended to promote the application of PPPs to infrastructure projects by SADC governments, DFIs and the private sector. The PPP Network is now fully staffed and has embarked on an active regional capacity building programme, the development of regional policy framework and an advisory service for initiation and support to PPPs. The PPP Network has now embarked on a course to become a regional hub for project incubation and advisory support services for the region. This will enhance the role of the PPP Network as it begins to assist with the identification of national and regional projects in preparation phases, ensuring their bankability.

Third, the DFRC has continued to provide technical support to the SADC Secretariat and relevant organs of SADC for the development of the SADC Regional Development Fund, which was approved for operationalisation by the Ministers of Finance and Investment. This Fund which will incorporate the already existing Project Preparation and Development Facility presently hosted by the DBSA, will work closely with members of the DFI Network in mobilising and allocating financial and technical resources to regional infrastructure projects in line with the recently approved SADC Regional Infrastructure Development Master Plan (RIDMP). The strategic review initiated by the Board during the year, and the debate that this generated in the Network helped define the position of the DFIs vis-à-vis the emerging institutional arrangements.

Fourth, through sustained promotional efforts, the DFRC has expanded the membership of the SADC DFI Network to 31 with the coming on board of the SME Bank of Namibia, while other institutions across the region continue to express interest and explore the value of membership.

Programme Performance

With respect to capacity building, the DFRC has continued to offer its highly regarded programmes with the support of cooperating partners, and increasingly in partnership with individual DFIs and country clusters of DFIs to respond to special institutional and country interests. In the year under review, the number of programmes carried out exceeded the target, and has further been augmented by the growth in PPP programmes. The DFRC will continue pursuing a dual approach to resource mobilisation, by focusing external resources on regional training programmes, while Network resources will largely deal with specialised needs of individual DFIs.

In order to make these programmes relevant, the DFRC has during the year operationalised the Prudential Standards, Guidelines and Rating System (PSGRS) as a basis for self-assessment and peer review of adherence to best practice in governance, finance and operations of the DFIs, and identification of weakness and gaps which may require intervention. It is hoped that this system will allow for comparison of performance of all member DFIs across the SADC region, as well as Africa, through the Association of African Development Finance Institutions (AADFI).

CHAIRMAN'S STATEMENT (continued)

This year represents the penultimate period before the conclusion of the Second Five-Year Strategic Plan (2009-2014). The next year will be a period of reflection and introspection, as well as wide-ranging consultations on possible strategic directions for the next planning horizon.

With the changes that have been wrought in the development finance system, the signal achievements of the DFIs in the skills, systems and policies, the DFRC will have to consider carefully how to continue supporting and consolidating the role of development finance of member states and the region. There is no doubt in my mind that development finance will remain critical to the achievement of regional development goals, and that the DFRC will continue to play a catalytic role as it embarks on its second decade of existence.

Financial Performance

With respect to finance, I am pleased that the DFRC has once again presented a clean report of financial statements audited by Ernst and Young of Botswana who are of the opinion that based on the audited financials, the DFRC has the ability to continue as a going concern. The financial performance of DFRC for the year shows a small loss of US$8,854, due in part to provision for some outstanding contributions to the DFRC by a few Network members and exchange losses on foreign currency balances. However, on a cumulative basis, DFRC recorded a surplus of US$627,390 for this year, while total assets increased by 58% from the previous financial year, primarily due to donor funds received during the year and accrued for utilisation in subsequent years.

The financial statements also reflect a significant improvement in the funding from donors towards programmes.

Corporate Governance

At its meeting in March 2013, the Board on the recommendation of the external auditors, established an Audit and Risk Committee and three trustees, being Mr Thabo Thamane, Mr Robert Likhang and Ms Boitumelo Gofhamodimo, were elected as members of the committee. Mr Likhang was elected Chair of the Committee.

Conclusion

With these remarks, I wish to pay tribute to my predecessors, who have effectively steered the DFRC over its birth pangs and the turbulence of uncertainty and growth over the years of its existence, to its current successes.

In particular, I recognise my immediate predecessor, Mr Vinson Hailulu, and other retiring members of the Board, Mr Gideon Nasari, and Dr Vincent Mhlanga for their efforts and sterling leadership, which have yet again laid important milestones in our quest for relevance and additionality to development in the SADC region.

I also welcome our new colleagues to the Board, Mr Thabo Thamane, Chief Executive Officer for Citizen Entrepreneurial Development Agency (elected Deputy Chair of the Board) and Mr Robert Likhang, Chief Executive Officer for Basotho Enterprises Development Corporation (BEDCO); Mr Stanley Matsebula, Managing Director for Swaziland Development and Savings Bank (Swazibank), was also elected, but sadly passed away in January 2013, and his place on the Board was taken up by Mr Enock Mavimbela (the Acting Managing Director of SwaziBank).

I look forward to working with them in charting new directions for our institution and the greater Network that we serve.

Charles Chikaura
CHAIRMAN
BOARD OF TRUSTEES

MANAGEMENT TEAM

Mr Stuart Kufeni

Chief Executive Officer

Dr Herrick Mpuku

Programmes Manager

Mr Kogan Pillay

PPP Head

Ms Vero Kgakge

Finance and Administration Manager

STAFF

CHIEF EXECUTIVE OFFICER'S STATEMENT

During the year under review the DFRC has continued to undertake various capacity building activities aimed at strengthening the skills base and provide institutional support to members of the SADC DFI Network as well as state-owned enterprises and government departments. At the same time, the SADC Public Private Partnership Network, established under the auspices of the DFRC, continues to grow from strength to strength dispensing advisory services and training to enhance the knowledge and institutional capacities of SADC governments to implement successful PPPs for effective delivery of much-needed social and economic infrastructure.

Since inception, the DFRC has expanded the range and depth of its intervention in enhancing skills of the development finance institutions through training and development programmes, technical assistance, secondments and attachments. It has also contributed to institutional development through policy research and advisory services. These interventions have added value to the operational efficiency and institutional capacities of the DFI Network member institutions. The programmes undertaken during the course of the year are summarised in the following sections.

The DFRC has maintained relative stability in the number of DFI staff trained, and the number of courses undertaken. In the previous financial year 2011/12, 19 programmes were implemented, while 500 staff were trained; in the financial year 2012/13 under review, 18 capacity building programmes were undertaken, while 488 staff were trained. The slight decline is partly a reflection of reduced availability of financing resources, particularly following the winding up of the European Union project on support to implementation of the Finance and Investment Protocol of which the DFRC was also a beneficiary. However, the DFRC was able to provide greater level of service for the lower level of resources as compared with the previous years through efficiency gains in programme management.

Stuart Kufeni
CHIEF EXECUTIVE OFFICER

> **"Since inception, the DFRC has expanded the range and depth of its intervention in enhancing skills of the development finance institutions through training and development programmes, technical assistance, secondments and attachments."**

Chart 1 on the next page illustrates the trends in the training of staff and level of services provided to the DFIs since 2004.

Chart 1: Number of Courses and Participants per year

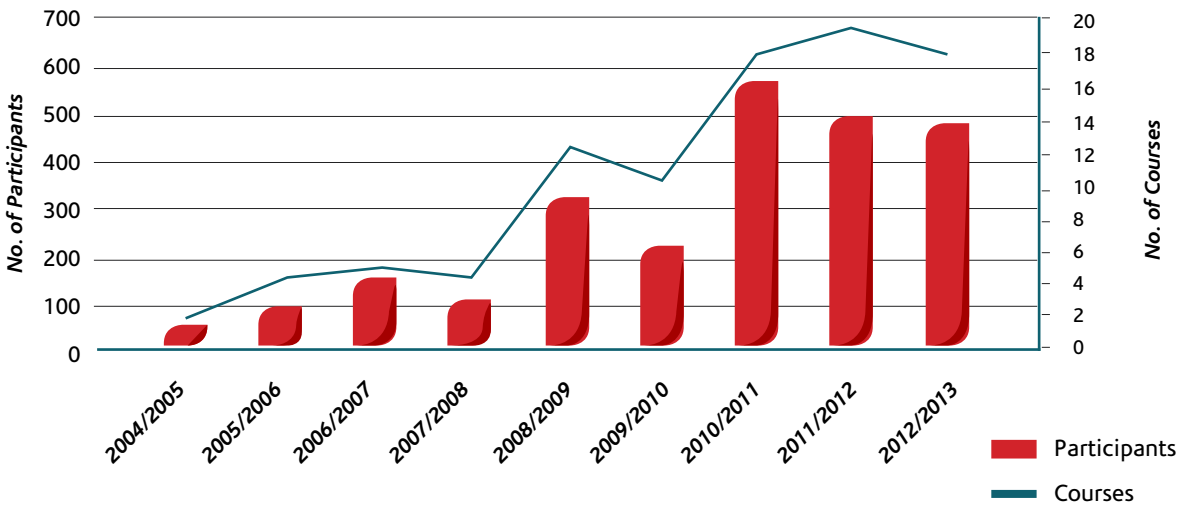


Table 1 below illustrates the achievements of capacity building programmes of financial year 2012/13 based on the measures in the DFRC Balanced Score Card, which was adopted last year by the DFRC.

These include the Programme Evaluation Index (PEI), which is a composite of the participant evaluations for all the programmes during the period under review; in addition, the target number of courses and participants, based on annual targets, broken down into quarters is also provided. The table demonstrates that in general, the DFRC performed above the target in this respect.

Table 1: Balanced Score Card Performance Measures

	PROGRAMME EVALUATION INDEX			OTHER MEASURES			
Month	Actual	Target	Varience	No. of Programmes		Attendance	
				Actual	Target	Actual	Target
June	87%	80%	7%	4	3	103	75
September	86%	80%	6%	6	3	150	75
December	88%	80%	8%	3	3	97	75
March	83%	80%	3%	2	3	57	75
Cumulative / Average score	86%	80%	6%	15	12	407	300

NB: *It is important to note that perfomance measures in table 1 above exclude Public Private Partnership (PPP) Training Programmes*

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

While the DFRC's programme offer this year has somewhat plateaued, it is important to note that its complexion has however continued to change with an increasing bias towards institution-specific and in-country cluster programmes. This is a most welcome development as it is in line with the goals of the current Five-year Strategic Plan of the DFRC now in its final year which seeks to deemphasise generic courses in favour of institution-based ones.

Consequently, of the eighteen training courses undertaken during the year, five (or 28%) arose from individual or country cluster DFI requests. While this trend is commendable as it addresses specific and therefore relevant skills needs of DFIs, it is still to gain momentum in other countries besides the few that have benefitted so far. In this regard, the DFRC will make vigorous efforts over the coming year to ensure widespread participation by DFIs in such courses.

The coming into operation of the PPP Network with the recruitment of relevant staff during the year, again a deliverable under the current Strategic Plan to capacitate DFIs and governments to effectively implement infrastructure development projects, has not only led to an increase in DFRC's activities but has also brought about some diversity. Of note, has been the development of the Regional PPP Strategy and the forthcoming PPP Scan of the recently launched Regional Infrastructure Development Master Plan (RIDMP). There is no doubt that these, together with the training programmes the PPP Network is offering, are set to significantly catalyse PPP activity in the region, a hitherto underdeveloped area.

PPP activities complement the RIDMP. The scan, in particular, is expected not only to yield a number of bankable PPP projects but also to stimulate private participation in the development of infrastructure in the SADC region. In this regard, intervention by the DFRC through the PPP Network in supporting implementation of the RIDMP is anticipated to grow in the coming years.

Further, with respect to infrastructure development, the DFRC has continued to render technical support and advice towards the operationalisation of the Regional Development Fund leading to the significant progress on various issues including capitalisation, voting rights and shareholding. These are welcome developments as they bring closer the establishment horizon of the Fund, which together with DFIs, has the onerous task to mobilise financial resources towards the realisation of the RIDMP projects. As the Ministers of Finance and Investment also noted at their Maputo meeting in November 2013, a close working relationship between the Fund and DFIs is not only expected but augurs well for regional integration efforts as espoused under the FIP.

At their Maputo meeting the Ministers also approved the temporary hosting of the Fund by a member of the DFI Network. While cognisant of the stringency of the host DFI criteria as approved by the Ministers and in adherence to international best practices, we are confident and look forward to one of our member DFIs being selected to host the Fund. In addition, the decision by the Ministers to also extend the windows of the Fund to encompass industrial development will further strengthen the collaborative relationship between the Fund and the DFIs since most member DFIs operate in this area.

The DFRC will continue working closely with the SADC Secretariat in this area to expand the frontiers of development finance, consolidate the developmental role of the DFIs and underscore the strategic role of the DFRC as a catalyst and agent of change in development finance in the region.

Programme support by international cooperating partners has remained strong and notably higher this

year when compared to the previous one, partly on account of PPP activities. In this respect, the DFRC is appreciative of the technical and financial support of the German Development Agency (GIZ), the World Bank Institute (WBI) and the Development Bank of Southern Africa (DBSA) towards the establishment of the SADC PPP Network, and for the implementation of its programmes.

The Japanese International Development Agency (JICA) has been instrumental in supporting knowledge transfer programmes between SADC and Asian-Pacific (including Japanese) DFIs and of late the implementation of a capacity building programme for SADC DFIs commencing with those in infrastructure development. Four DFIs have already benefitted from this project which involved diagnostic studies leading to the development of training programmes to address identified skills and institutional gaps, as well as other interventions.

In line with the DFRC's goal of financial sustainability, member DFI support of programmes through own budgetary resources and nominal fees has been growing, albeit rather slowly. However, the uptrend in this funding source is anticipated to strengthen over the years and will be an area of close attention as the DFRC embarks on its new Strategic Plan for 2014/15 – 2018/19.

The year 2013/14, the last in the current Strategic Plan, would be one of consolidation and introspection as the DFRC looks ahead to the next five years of its second decade of existence. In view of the changing development finance environment and the growing significance of DFIs, the DFRC's new Strategic Plan would invariably be driven by the need for adaptation and to ensure continued relevancy to key stakeholders in the development finance arena, most importantly members of the DFI Network.

Stuart Kufeni
CHIEF EXECUTIVE OFFICER

Chief Executive Officer's Colloquium held on the 13th - 15th March, 2013 - Republic of South Africa

PROGRAMMES FOR FINANCIAL YEAR 2012/13

In this section, we present an outline and description of the programmes undertaken by the DFRC during the year under review. These programmes cover core and support functions of development finance, and the growing component of the public-private partnerships (PPP) portfolio. A summary of all the programmes is also provided.

Chief Executive Officers' Colloquium

13th - 15th March 2013, Johannesburg, South Africa

The first colloquium for the Chief Executive Officers of the SADC DFI's was convened under the subject 'Policy Environment, Stakeholder Expectation and DFI Mandate: The Central Role of the Chief Executive Officer'.
The primary objective was to provide an opportunity for CEO's to reconfigure the priorities in their roles in the context of new expectations, challenges and emerging conditions for development finance. The Colloquium also provided participants a platform for exchange of ideas, unique strategies and effective tactics. It encouraged the opportunity to impart leads to balancing, optimising and exercising trade-offs while meeting the expectations of multiple stakeholders.

The Colloquium was attended by 22 Chief Executive Officers from 22 Development Finance Institutions and 9 countries being Angola, Botswana, Lesotho, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe.

Ambassador Leonard Iipumbu, Chair of DFI Network and Chief Executive Officer of Agricultural Bank of Namibia (Agribank), officially opened the Colloquium. He applauded the success of DFRC programmes and cautioned against complacency, rather emphasised the need for a renewed and sustained drive for innovative capacity building at all levels of our institutions to fine-tune their skills further.

Project Finance

28th January - 1st February 2013, Gaborone, Botswana

The aim of the programme was to enhance the knowledge and skills of the staff so that they could fully understand, develop, package and deliver project finance to clients. Knowledge acquired from this programme would result in effective execution of deals, which would consequently positively contribute to improved turnaround of project applications, better design of projects and improved performance of DFI portfolios.

The training was attended by thirty five (35) delegates from ten (10) Development Finance Institutions and five countries in the region - Botswana, Namibia, Seychelles, Zambia and Zimbabwe.

Mr. Letsebe Sejoe, Chief Operations Officer for Botswana International Trade Centre closed the workshop.

5th Chief Executive Officers' Forum

6th December 2012, Walvis Bay, Namibia

The Forum was conducted to explore how development finance institutions can mobilise resources through systematic diagnostic reviews of their operations, and undertaking appropriate policy measures that make them attractive investment opportunities for international financiers and other stakeholders.

Thirty-five (35) delegates from the SADC DFI Network attended the workshop. The workshop was officially opened by Honourable Saara Kuugongelwa-Amadhila, Minister of Finance of the Republic of Namibia who was represented by Mr. I-Ben Natangwe Nashandi, Deputy Permanent Secretary in the Ministry of Finance.

Mr. Vinson Hailulu, DFRC Board Chair and Chief Executive Officer of the National Housing Enterprise (Namibia) officially closed the workshop.

Resource persons were from the SADC DFI Network, the DFRC, private sector partners and the Japanese International Cooperation Agency.

Investment Appraisal and Risk Analysis

3rd – 7th December 2012, Ezulwini, Swaziland

The programme was aimed at developing skills to plan and assess investment projects, redesign projects to add value, prepare projects financing agreement and address stakeholders concerns. The training was attended by thirty five (35) delegates from ten (10) DFIs within Swaziland, Botswana, Namibia, Zambia, Tanzania and Seychelles.

The programme was officially opened by Dr Vincent Mhlanga, Chief Executive Officer for the Swaziland Industrial Development Company.

Mr. Zakhele Lukhele, Executive Manager – Corporate Services for Swaziland Development and Savings Bank officially closed the workshop and presented certificates.

Customer Relations Skills and Management

3rd – 5th October 2012, Gaborone, Botswana

The aim of the programme was to upgrade the skills of frontline officers and managers in dealing with clients and building a strong and mutually beneficial relationship with clients of their organisations.

The programme was attended by 27 participants altogether from 11 Development Finance Institutions from six countries – Botswana (17), Namibia (3), Swaziland (3), Tanzania (1), Zambia (1) and Zimbabwe(2).

The programme was officially opened by Ms. Lorato Morapedi, Chief Executive Officer for National Development Bank, while Mr Stuart Kufeni, Chief Executive Officer of the SADC – DFRC officially closed the programme.

Project Preparation

11th – 13th September 2012, Johannesburg, South Africa

The purpose of the programme was to enhance Project Preparation skills, by ensuring participants fully understand the necessary steps for a successes fully implemented project. The course also exposed participants to early identification and elimination of key risks as well as maximisation of development opportunities to ensure projects are well conceptualised. The programme attended by 28 participants of which 24 were from 16 SADC member DFIs and 4 from the National Treasury of Kwazulu Natal. The programme was funded by the SADC/EU programme under the Implementation of the SADC Protocol on Finance and Investment.

Corporate Governance for Private and Public Sector

3rd – 5th September 2012, Vumba, Zimbabwe

In collaboration with the Zimbabwean member DFIs, DFRC delivered the programme as part of its strategy to run country based cluster programmes which targeted the DFIs and non-DFIs in Zimbabwe.

The purpose of the programme was to raise awareness of the concept, practice and relevance of good corporate governance in the context of development finance institutions and the challenges they face within the African landscape. The programme was attended by 24 participants from the Infrastructure Development Bank

PROGRAMMES FOR FINANCIAL YEAR 2012/13 (continued)

of Zimbabwe, Agricultural Bank of Zimbabwe, Industrial Development Corporation Zimbabwe and eight from the private sector and state-owned enterprises within Zimbabwe.

Principles of Financial Modelling and Project Finance

27th – 31st August 2012, Harare, Zimbabwe

The aim of this programme was to up-skill participants in the areas of business valuation (especially discounted cash flow), scenario planning, management decision making, capital budgeting, cost of capital, financial statement analysis and project finance using computer based applications.

The programme achieved a participation level of thirty-eight (38) participants comprising of eleven (11) member network DFIs in the region and seven (7) private sector/ parastatals within Zimbabwe. Six (6) countries across the SADC region were represented. The SADC – DFRC in making the programme a success collaborated with Zimbabwe cluster member network DFI's. It was self-funded by the SADC – DFRC and participating Development Finance Institutions.

Mr. Mike Ndudzo, Chief Executive Officer for the Industrial Development Corporation of Zimbabwe opened the workshop while closing remarks were delivered by Ms. Gladys Kanyongo, the General Manager for Small Enterprise Development Corporation.

Capacity Building Review Conference

1st – 3rd August 2012, Johannesburg, South Africa

The workshop was convened to reassess the performance and attainments of the capacity building services in the DFI Network. It therefore considered the work that the DFRC had undertaken, as well as that of partner organisations –viz., the Development Bank of Southern Africa, Industrial Development Corporation (SA), and the Association of African Development Finance Institutions (AADFI).

Significant milestones were recognised in this regard, but the institutions also acknowledged the need to encourage greater cooperation amongst the capacity building service providers to ensure an efficient and cost-effective capacity building programme for the SADC DFI Network. The meeting also emphasised the need to implement a regular Network-wide training needs assessment programme and development of a monitoring and evaluation framework to allow for impact assessment of the capacity building programme. Efforts by the DFRC together with the DBSA to have the former's training programmes accredited within the South African Qualifications framework were also discussed.

The workshop was resourced by staff from the DFRC, DBSA, IDC and AADFI. Nineteen (19) delegates from Botswana, Lesotho, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe participated in the workshop. The workshop was officially opened and closed by the SADC – DFRC Chief Executive Officer, Mr. Stuart Kufeni.

Prudential Standards, Guidelines and Rating System (PSGRS) – Peer Review Workshop

30th – 31st July 2012, Johannesburg, South Africa

The workshop was held to provide an opportunity for member DFIs to present institutional self-assessments, and subject them to peer review in terms of methodology, as well as implications for their respective institutions activities. Nine DFIs submitted their returns in time for inclusion in the proceedings of the workshop. It was

agreed that the PSGRS system was now well understood within the SADC DFI Network, and it was necessary at this stage to institutionalise a process of annual reviews, and to ensure a linkage to the AADFI system for pan-African comparisons and acquisition of AADFI Certificates.
The programme was attended by twenty (20) participants from seventeen (17) DFIs, who shared their experiences with respect to the PSGRS. The funding for the programme was drawn from the EU/SADC FIP Implementation Project, while AADFI facilitated the technical expertise and guidance.

4th Chief Executives' Forum

7th June 2012, Kasane, Botswana

The Forum focused on the theme "Development Finance – Lessons from Asia" in which speakers discussed the role that Development Finance Institutions had played in the development processes of some of the Asian countries, the experiences of networking amongst Asian DFIs and the support extended to the Asian DFIs by the Japanese International Cooperation Agency (JICA).

The workshop was opened on behalf of the host Botswana DFIs by Mr. Reginald Motswaiso, the Chief Executive Officer of the Botswana Housing Corporation, who urged assembled CEOs to draw lessons from the experiences of successful industrial economies like Japan, which had used its development finance policy and institutions to catalyse its development processes.

The Secretary General of ADFIAP, Mr. Octavio Peralta, made a presentation in which he outlined the role of ADFIAP as a capacity builder, resource provider, advocate and innovator to the DFIs in the region. He also reported that over the years the ADFIAP had diversified its income streams through training, consultancy, grants and subscription to ensure sustainability.

The economic and industrial experiences of Japan, especially in the post-war period was presented by Mr. Tsutomo Shibata, Chief Consultant at the Japan Economic Research Institute in Tokyo. Mr. Shibata outlined the role that DFIs had played in Japan's development and economic success. He underscored the independence of the DFI management as one of the key elements to the success of the financial sector was in the market economy as well as a close relationship with government plans promoting targeting of finance to export and import opportunities for the Japanese economy.

Dr Tetsuya Fukunaga, TICAD Advisor at the DBSA from JICA, discussed JICA's experience with supporting DFIs in Asian countries, including technical cooperation in Vietnam and Mongolia. He concluded by proposing a technical assistance programme for SADC DFIs. This would involve Japanese experts who would undertake diagnostic studies of selected SADC DFIs, initially focusing on those involved in infrastructure development, with a view to developing training and other interventions which would assist these institutions. In addition, DFIs could have access to financial resources from the Japanese government which could be accessed through bilateral arrangements between the Japanese government and respective SADC governments.

Thirty-one (31) delegates attended the forum of which Twenty-four (24) delegates were from twenty-three (23) SADC DFI Network member DFIs and seven (7) delegates from non-member DFIs.

Corporate Governance for Director Skills Development

9th – 12th June 2012, Cape Town, South Africa

The purpose of the programme was to raise awareness of the concept, practice and relevance of good corporate governance in the context of development finance institutions and the challenges they face within the

PROGRAMMES FOR FINANCIAL YEAR 2012/13 (continued)

African landscape. The programme was attended by 22 participants from 20 DFIs and 11 countries across the SADC region. It was funded by the African Development Bank through the African Development Institute.

The programme was opened by Mr. Stuart Kufeni, CEO for SADC-DFRC while Dr Lassaad Lachaal, the Chief Training Economist at the African Development Institute (ADI) formally closed the workshop.

Corporate Governance for Small and Medium Enterprises

4th – 7th June 2012, Midrand, South Africa

As a sequel to the programme on Corporate Governance for Director Skills Development, a further programme on Corporate Governance for SMEs was held. The purpose of this programme was to raise awareness of the concept, practice and relevance of good corporate governance in the context of development finance institutions and the challenges they face within the African landscape, with the main focus being on SMEs.

Nineteen (19) participants from eleven (11) DFIs and five (5) countries across the SADC region attended the programme. It was funded by the SADC/EU programme on the Implementation of the SADC Protocol on Finance and Investment.

Corporate Governance for Director Skills Development

29th May – 1st June 2012, Midrand, South Africa

The purpose of the programme was to raise awareness of the concept, practice and relevance of good corporate governance in the context of development finance institutions and the challenges they face within the African landscape. The programme was attended by 22 participants from 12 DFIs and 6 countries across the SADC region. It was funded by the SADC/EU programme on the Implementation of the SADC Protocol on Finance and Investment.

Mr. Timothy Zwane, Board Chairperson for the Swaziland Industrial Development Company presented certificates and closed the workshop.

Post Investment Monitoring and Managing Problem Loans

7th – 11th May 2012, Windhoek, Namibia

The DFRC in collaboration with the Namibian DFIs convened a training programme on Post-Investment Monitoring and Management of Problem Loans.

The aim of the programme was to improve skills of monitoring and managing the relationship with clients, and anticipating, managing problem loans and their rehabilitation.

Thirty one (31) participants from eight (8) DFIs and three (3) countries attended the programme. Namibia with twenty three (23) participants had the majority with Botswana (4) and Swaziland (4) comprising the balance. The programme was officially opened by Mr. Vinson Hailulu, CEO for National Housing Enterprise, who is also Board Chair for the DFRC. Mr. David Nuyoma, CEO for the Development Bank of Namibia officially closed the workshop and presented certificates to participants.

PUBLIC PRIVATE PARTNERSHIPS ACTIVITIES

The mandate of the SADC PPP Network (SADC3P) is to serve as a platform for exchange of information and experiences to boost private and public sector capacity in PPPs across the region through a number of activities – including providing guidance and support; facilitating policy, programme and capacity building support; organising professional meetings and training events; and, facilitating linkages and relationships between the private and public sector. Since its establishment in February 2011, the Network which now has a staff complement of four, has undertaken various activities which have seen it grow and increasingly play a central role among PPP stakeholders in the region, including the private sector and governments. Major activities of the SADC3P during the course of the period under review are explained in the following sections.

SADC3P Working Group: Health PPPs

6th – 7th December 2012, Cape Town, South Africa

The Working Group meeting took place on December 6th and 7th, 2012 in Cape Town. The meeting was well attended with participation from PPP and health practitioners from across the region. The Working Group was supported by experts from GIZ and the World Bank, who produced the relevant papers on policy, products and types of private sector collaboration in the provision of healthcare services and also help guide the proceedings.

Discussions were held around the healthcare PPP environment in the respective countries, the challenges they were experiencing in implementing healthcare PPPs, as well as the way forward for the Working Group and priority areas that it should focus on in the next 6-12 months. The Working Group also held discussions around the design of the PPP Exchange Programme to Germany next year.

SADC3P Steering Committee and Working Group: Policies, Legal Frameworks and Institutional Arrangements

13th – 14th September 2012, Johannesburg, South Africa

The Steering Committee comprises representatives of each member state from the national PPP unit or the head of the unit in charge of central government PPP policy; and provides the Network with strategic advice and guidance. The first two meetings were held in March and September 2012. Both meetings were well attended by the delegates nominated by Member States. In the September meeting, the three main issues, which were discussed and resolved were draft Regional Framework for PPP policies, legal and institutional arrangements; the establishment of the Healthcare Working Group; and the PPP Exchange Programme on Health to be held in Germany.

The third meeting in March 2013 also discussed the PPP Scan of the Regional Infrastructure Development Master Plan (RIDMP) which was being undertaken by KPMG. The purpose of the scan was to identify potential bankable PPP projects in the region. The meeting also discussed the process of becoming not only a mechanism for capacity building but an incubator hub for PPP projects.

National Workshop on Public Private Partnership

4th – 8th June 2012, Harare, Zimbabwe

Training was held in Harare for Zimbabwe officials to provide them with the basics of PPPs. This included defining a PPP, funding options for PPPs, procurement of PPPs and contract management issues during implementation. The training was a partnership of the DBSA, AfDB and the SADC3P Network. The Network specifically developed the training programme agenda. There were 30 participants from a wide range of government departments including, infrastructure, planning, finance, power, healthcare and water services.

SALIENT FEATURES OF PROGRAMME DELIVERY

Table 2 below shows a comprehensive summary of all capacity building programmes that were undertaken in the financial year 2012/13, covering timing of the programmes, sponsors and partners, level of participation and programme performance over the one year under review. As the table reveals, the standard of performance of the programme has generally remained very high with all evaluations in excess of the target level of 80%.

Table 2: Capacity Building and Public Private Partnership (PPP) training programmes

NO	PROGRAMMES	COOPERATING PARTNER/ SPONSOR	VENUE	DURA-TION	ACTIVITY DATES	ATTEN-DANCE	PROGRAMME EVALUATION INDEX
	DFRC REGIONAL TRAINING PROGRAMMES				**APR - MAR**	**Overall**	
1	Corporate Governance for Director Skills Development - 2012	EU/SADC-DFRC	South Africa	4 Days	29th May - 1st Jun 2012	22	88%
2	Corporate Governance for SMEs - 2012	EU/SADC-DFRC	South Africa	4 Days	4th -7th Jun 2012	19	87%
3	4th CEOs' Forum - 2012	SADC-DFRC	Botswana	1 Day	7th June 2012	31	87%
4	PSGRS - Peer Review Workshop - 2012	EU/SADC-DFRC	South Africa	2 Days	30th - 31st Jul 2012	20	87%
5	Capacity Building Review Conference - 2012	EU/SADC-DFRC	South Africa	3 Days	1st - 3rd Aug 2012	19	84%
6	Project Preparation - 2012	EU/SADC-DFRC	South Africa	3 Days	11th - 13th Sep 2012	28	88%
7	5th CEOs' Forum - 2012	SADC-DFRC	Namibia	1 Day	6th Dec 2012	35	82%
8	Project Finance - 2013	SADC-DFRC & Participating DFIs	Botswana	5 Days	28th Jan - 1st Feb 2013	35	85%
9	CEOs' Colloquium - 2013	SADC-DFRC & Participating DFIs	South Africa	3 Days	13th - 15th Mar 2013	22	80%
	Total					231	85%
	CLUSTER-BASED TRAINING PROGRAMMES						
10	Post Investment Monitoring & Managing Problems Loans - 2012	SADC-DFRC	Namibia	5 Days	7th - 11th May 2012	31	85%
11	Principles of Financial Modelling and Project Finance - 2012	SADC-DFRC & Participating DFIs	Zimbabwe	5 Days	27th - 31st Aug 2012	38	80%
12	Corporate Governance Training for Private & Public Sector - 2012	SADC-DFRC & Participating DFIs	Zimbabwe	3 Days	3rd - 5th Sep 2012	24	87%
13	Customer Relations Skills and Management - 2012	SADC-DFRC & Participating DFIs	Botswana	3 Days	3rd - 5th Oct 2012	27	93%
14	Investment Appraisal and Risk Analysis - 2012	SADC-DFRC & Participating DFIs	Swaziland	5 Days	3rd - 7th Dec 2012	35	90%
	Total					155	87%
	REGIONAL/ PAN-AFRICAN COLLABORATIVE PROGRAMMES						
15	Corporate Governance for Director Skills Development (ADI) - 2012	ADI/AFDB	South Africa	4 Days	9th - 12th Jul 2012	21	89%
	Total					21	89%
	PUBLIC PRIVATE PURTNERSHIP (PPP)						
16	National Workshop on Public Private Partnership - 2012	DBSA/ADI/AFDB	Zimbabwe	5 Days	4th - 8th June 2012	30	N/A
17	SADC3P Working Group: Policies, Legal Frameworks and Institutional Arrangements - 2012	GIZ	South Africa	2 Days	13th - 14th Sep 2012	27	N/A
18	SADC3P Network Working Group: Health PPPs - 2012	GIZ	South Africa	2 Days	6th - 7th Dec 2012	24	N/A
	Total					81	
	Grand Total					**488**	**86%**

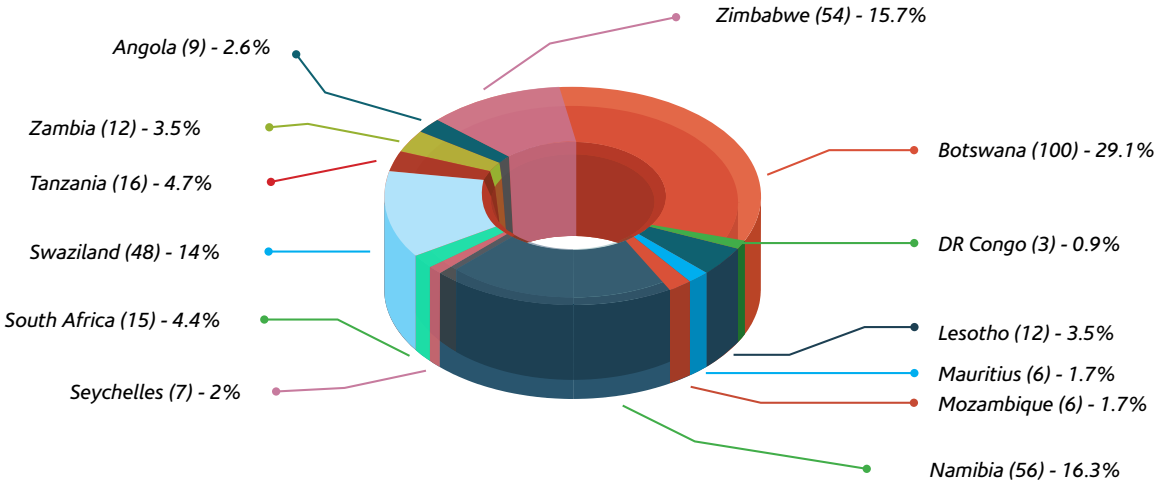
PROGRAMMES PARTICIPATION ANALYSIS

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

Participation by Country

Chart 2 below illustrates that among Member DFIs, Botswana recorded the highest number of participants followed by Namibia and Zimbabwe, while DR Congo, Mauritius and Mozambique have the lowest levels of participation.
The variation in the participation is largely influenced by the numbers and sizes of the DFIs in each country as well as the extent of utilisation of specialised in-country interventions, by the DFIs as individual institutions or country clusters.

Chart 2: Participation by Country of Member DFIs 2012/13



Participation by Development Finance Institutions

A summary of the level of participation by individual DFIs is given in the Table 3 and Chart 3 on the next pages.
As expected this shows that participation by individual DFIs has been varied. While some institutions such as the Citizen Entrepreneurial Development Agency, the Agricultural Bank of Namibia and the Development Bank of Namibia have made substantial use of the training facilities, the larger institutions on the other hand have witnessed low participation.

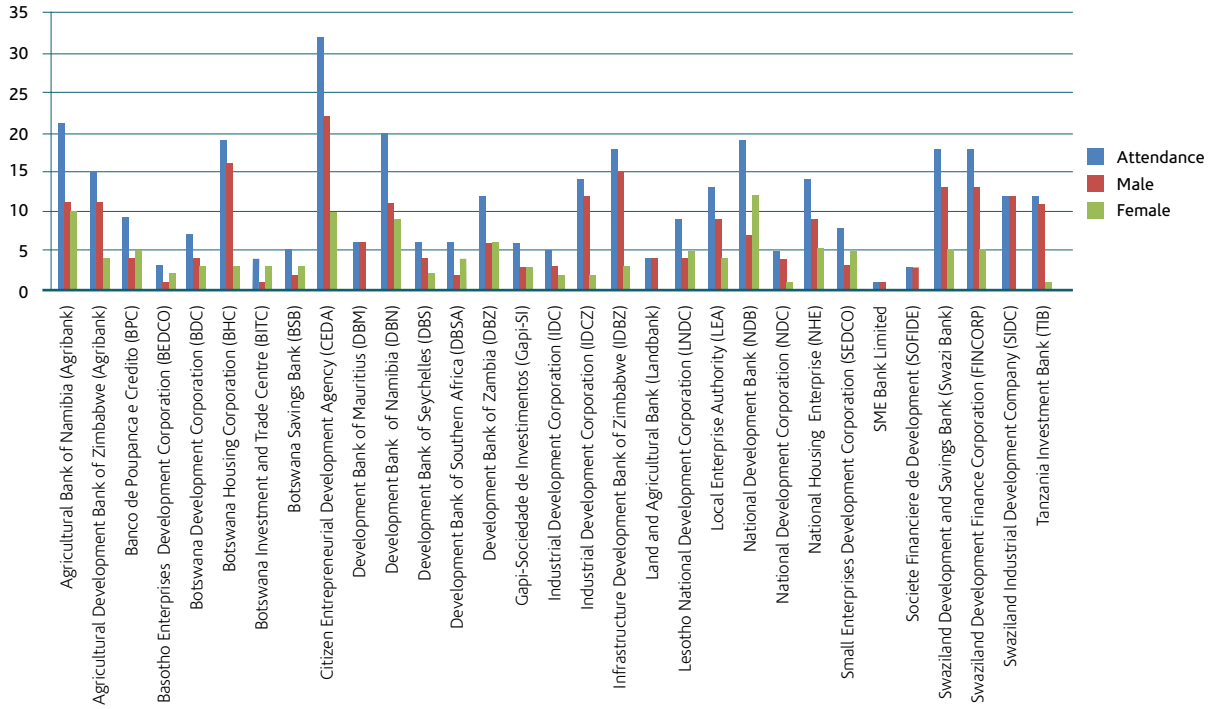
The DFRC, in line with its strategic plan goal to de-emphasise generic courses, is actively engaging closely with individual DFIs to explore the possibility of developing and implementing custom-tailored programmes for them. It is therefore expected that future programmes will increasingly focus on the requirements and expectations of country clusters and individual DFIs.

PROGRAMMES PARTICIPATION ANALYSIS (continued)

Table 3: Participation by Member DFIs, 2012/13

No.	Organisational Name	Country	Atten-dance	%Atten-dance	M	F
1	Agricultural Bank of Namibia (Agribank)	Namibia	21	6.1	11	10
2	Agricultural Development Bank of Zimbabwe (Agribank)	Zimbabwe	15	4.4	11	4
3	Banco de Poupanca e Credito (BPC)	Angola	9	2.6	4	5
4	Basotho Enterprises Development Corporation (BEDCO)	Lesotho	3	0.9	1	2
5	Botswana Development Corporation (BDC)	Botswana	7	2	4	3
6	Botswana Housing Corporation (BHC)	Botswana	19	5.5	16	3
7	Botswana Investment and Trade Centre (BITC)	Botswana	4	1.2	1	3
8	Botswana Savings Bank (BSB)	Botswana	5	1.5	2	3
9	Citizen Entrepreneurial Development Agency (CEDA)	Botswana	32	9.3	22	10
10	Development Bank of Mauritius (DBM)	Mauritius	6	1.7	6	0
11	Development Bank of Namibia (DBN)	Namibia	20	5.8	11	9
12	Development Bank of Seychelles (DBS)	Seychelles	6	1.7	4	2
13	Development Bank of Southern Africa (DBSA)	South Africa	6	1.7	2	4
14	Development Bank of Zambia (DBZ)	Zambia	12	3.5	6	6
15	Gapi-Sociedade de Investimentos (Gapi-SI)	Mozambique	6	1.7	3	3
16	Industrial Development Corporation (IDC)	South Africa	5	1.5	3	2
17	Industrial Development Corporation (IDCZ)	Zimbabwe	14	4.1	12	2
18	Infrastructure Development Bank of Zimbabwe (IDBZ)	Zimbabwe	18	5.2	15	3
19	Land and Agricultural Bank (Landbank)	South Africa	4	1.2	4	0
20	Lesotho National Development Corporation (LNDC)	Lesotho	9	2.6	4	5
21	Local Enterprise Authority (LEA)	Botswana	13	3.8	9	4
22	National Development Bank (NDB)	Botswana	19	5.5	7	12
23	National Development Corporation (NDC)	Tanzania	5	1.5	4	1
24	National Housing Enterprise (NHE)	Namibia	14	4.1	9	5
25	Small Enterprises Development Corporation (SEDCO)	Zimbabwe	8	2.3	3	5
26	SME Bank Limited	Namibia	1	0.3	1	0
27	Societe Financiere de Developpment (SOFIDE)	DR Congo	3	0.9	3	0
28	Swaziland Development and Savings Bank (Swazi Bank)	Swaziland	18	5.2	13	5
29	Swaziland Development Finance Corporation (FINCORP)	Swaziland	18	5.2	13	5
30	Swaziland Industrial Development Company (SIDC)	Swaziland	12	3.5	12	0
31	Tanzania Investment Bank (TIB)	Tanzania	12	3.5	11	1
	Total		**344**	**100%**	**227**	**117**

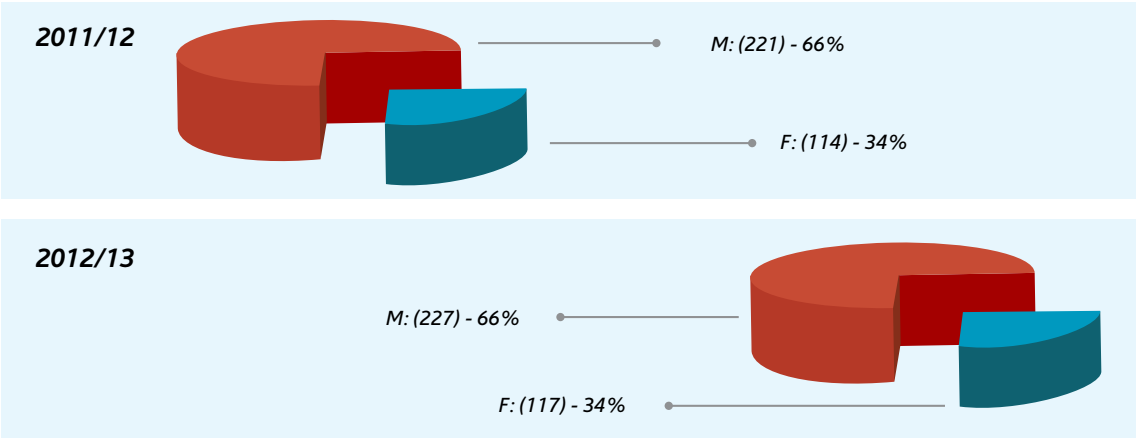
Chart 3: Participation by Institution and Gender, 2012/13



Participation by Gender

The distribution by gender, as indicated in Chart 4 below, has remained the same from the previous financial year. However, this notwithstanding, the DFRC will sustain its efforts to ensure gender balance in programme participation in line with the provisions of SADC protocol on Gender Equity.

Chart 4: Participation by Gender, 2012/13



PROGRAMMES PARTICIPATION ANALYSIS (continued)

Resource Persons for Programmes

The DFRC has always aimed at securing the highest qualified and experienced technical experts to support the implementation of its programmes. This provides assurance of quality, informative and leading edge delivery in the areas of interest to the DFIs, government and other stakeholders. This approach has engendered the high level of confidence that the DFRC enjoys in its programmes, which has attracted the interest and attention of other institutions outside of development finance space within and outside of the region.

Table 4 below provides a schedule of the resource persons that have been used in the past year and their areas of interest and affiliation. The DFRC values the technical input and expertise of the resource persons, and looks forward to working closely and expanding these relationships.

Table 4. Schedule of Resource Persons for 2012/13

Resource Person	*Area of Expertise*	*Affiliation*	*Country*
Professor Y R K Reddy	Corporate Governance	Academy of Corporate Governance, Hyderabad, India	India
Mr. Mumba Kapumpa	Corporate Governance	Institute of Directors, Zambia and MSK Associates, Zambia	Zambia
Mr. Patrick Chisanga	Corporate Governance	Institute of Directors, Zambia	Zambia
Dr. Geoffrey Heald	Negotiation Skills	Wits University Business School	South Africa
Dr. Lufeyo Banda	International Finance	SADC Secretariat	SADC/ Zambia
Mr. Siyanga Malumo	International Finance	Africana Finance and Investments	South Africa/ Zambia
Mr. Thomas Apetauer	Financial Modelling	Africana Finance and Investments	South Africa
Mr. Sid Cohn	Customer Relations	Wits University Business School	South Africa
Ms. Jeannie Harning	Customer Relations	Solutions Connection Consultancy	South Africa
Mr. Paul Yuma Morisho	Prudential Standards for DFIs	Association of African Development Finance Institutions	Ivory Coast
Mr. Julius Mukoji	Prudential Standards/ Finance	Tanzania Investment Bank	Tanzania
Mr. Charles Nyoka	Finance and Accounting	University of South Africa	South Africa / Zimbabwe
Mr. Edward Kabwe	Finance/ Accounting/ Corporate Governance	Institute of Directors, Zambia	Zambia
Mr. John Mheyamwa	Debt Management	Industrial Development Corporation South Africa	South Africa
Mr. Haroon H. Docrat	Debt Management	Industrial Development Corporation	South Africa
Mr. Joseph Nyamunda	SME Development	SME Consultant	Zimbabwe/ Botswana
Mr. Kiran Gihwala	Project Finance	Industrial Development Corporation South Africa	South Africa

SECONDMENTS AND ATTACHMENTS

Framework for Secondments and Attachments

Following discussions in the Capacity Building Review meeting held in August 2012, a framework for secondments and attachments between and with DFIs was developed with the encouragement of the DFRC Board. The mechanism promoted notification of the DFRC to facilitate such exchanges, as well as promoting greater bilateral cooperation amongst the DFIs in this respect. A basic information sheet of needs and capacity to host attachments was built up and circulated to the DFIs, and reported to the DFI Network meeting in December 2012 for adoption.

In line with the conclusions of the August Capacity Building Review, an expert mission from the Industrial Development Corporation (South Africa) was assigned on a two-day mission (19th – 20th November 2012) at the Industrial Development Corporation (Zimbabwe) in Harare to offer technical advice on Managing Problem Loans and the Process of Distress Funding solutions.

POLICY RESEARCH AND ADVISORY SERVICES

The following policy activities have been implemented, and have largely evolved from training and development programmes undertaken. Policy constraints identified have given rise to the need to investigate these issues further, and propose policy approaches which would inform the development of appropriate policies, processes and procedures.

Prudential Standards, Guidelines and Rating System

The DFRC has over the last two years been undertaking training for the DFIs in Prudential Standards, Guidelines and Rating System (PSGRS).

Some pilot self-assessment and peer review sessions have been done to the extent that the programme has now been well understood and appreciated.

As a consequence of the successive workshops on the Prudential Standards and Guidelines Rating System, the DFRC presented a paper to the CEOs Forum held in Walvis Bay, Namibia. It demonstrated the current ratings achieved by the DFIs on a pilot basis, and the approach that the DFI Network could take in implementing the programme effectively in 2013. It indicated the SADC DFIs had improved their understanding of the system and its applications to their respective institutions. The relationship between what the SADC DFI Network was doing and the AADFI was clear, and that it would be possible to achieve a pan-African comparison of DFI ratings.

DFI Customer Enquiry Project

As part of the process of developing a training programme for Customer Relations Skills for the DFIs, the DFRC undertook a customer enquiry project to assess the state of customer relations in selected DFIs across the region, and possible strategic and operational approaches to improving them. This report was made available to the DFIs for their consideration and possible integration in their customer care strategies and policies.

The SADC PPP Regional Framework on Policy Legal Frameworks and Institutional Arrangements

The PPP Regional Framework which is being developed by the SADC3P Network is to be used as a guide by Member States for the development of policies, legal frameworks and institutional arrangements that will support successful PPP programmes in the region. A draft Framework was initially presented at the joint SADC3P – OECD meeting for information and discussion. The draft would later be presented to the SADC Committee of Senior Treasury Officials and subsequently to the Committee of Ministers

of Finance and Investment for approval. Thereafter the final approval copy would be circulated to all Member States and other PPP stakeholders including the private sector and international cooperating partners.

The Framework has been prioritised as a major deliverable for the DFIs under the SADC Protocol on Finance and Investment. The development of the Framework was assigned to the SADC3P Network under the auspices of DFRC.

PPP Scan of the Regional Infrastructure Development Management Plan

In addition to its ongoing capacity building efforts, the SADC3P Network has now evolved to begin the process of working in the region as an incubator for project preparation and development. To this end in March 2013, KPMG was engaged to perform a PPP Scan of the Regional Infrastructure Development Management Plan with the primary objective of identifying potentially bankable PPP projects in the region. The final results of this scan will be made available in October 2013 and thereafter applications for funding feasibility studies for two of the projects would be submitted to the SADC Project Preparation and Development Facility (PPDF) and other funds.

PPP Seminars with International Co-operating Partners: Joint Meeting with the SADC3P Network and the Organization for Economic Co-operation and Development (OECD) on Private Sector Investment in SADC

The Network held a joint meeting with the OECD in Johannesburg on 19th March 2013 which was attended by members of the Network Steering Committee, JICA, DIFD, WBI and the EU. The purpose of the meeting was to present findings on the readiness for private sector investment in SADC.

German Private Sector and GIZ Meetings

22nd -31st October 2012, Berlin, Germany

The GIZ organized a series of meetings for the PPP Network to assist with the development of relationships within the GIZ and enable the network to access additional resources within the GIZ and continue a strong and fruitful partnership. The meetings also included discussions with the private sector on possible forms of cooperation and exchange of ideas and experience. In addition, the network was able to meet with the German Ministry of Finance and the UNECE Centre of Excellence on PPPs to secure future working plans.

Public Private Dialogue (PPD)

23rd November 2012, Johannesburg, South Africa

The first PPD was held as an exploratory workshop to determine if there was sufficient private sector interest in developing a forum, which could be utilised to discuss the development of infrastructure projects in the region. The response was very positive and over 30 companies attended the first meeting, which was hosted by Nedbank. The PPD agreed that another meeting should be held in May 2013 to finalise the plans that would highlight potential PPP projects identified in the scan of the SADC Regional Infrastructure Development Master Plan (RIDMP) later in the year.

Information Management

SADC3P Network Website

To further facilitate its role as a platform for information exchange on PPPs, the Network launched its revamped website in August 2012 which acts as a repository of PPP knowledge worldwide. It is organised by each country with the relevant documentation and data and also has private sector reports, academic research and sector specific case studies. This website was designed to be a "one-stop shop" for PPP information in the region and a platform to stimulate discussion and debate. In addition, the site is constantly updated with information on PPP meetings, training opportunities, studies and project case studies.

ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2013

GENERAL INFORMATION

Trustees:	Mr Charles Chikaura - Chairperson Mr Thabo Thamane - Deputy Chair Mr Phakamani Hadebe Mr Robert Likhang Mr Jacob Lushinga Mr Enock Mavimbela Ambassador Leonard Iipumbu (Ex-officio, Sub-committee Chair) Ms Boitumelo Gofhamodimo (Ex-officio – SADC Secretariat, TIFI Directorate)
Principal Activities:	Capacity building centre for the SADC Development Finance Institutions
Registered Office:	Plot 50676 BIFM/Fairgrounds Office Park Gaborone
Auditors:	Ernst & Young 2nd Floor, Plot 22 Khama Crescent Gaborone
Bankers:	Standard Chartered Bank of Botswana Limited
Country of Incorporation and Domicile:	Botswana
Measurement and Presentation Currency:	United States Dollars (US$)

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Statement of financial position	31
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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 March 2013 were authorised for issue by the trustees and are signed on their behalf by:

.....

BOARD CHAIRPERSON

.....

CHIEF EXECUTIVE OFFICER

09 / 08 / 13

.....

DATE

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INDEPENDENT AUDITORS REPORT - TO THE BOARD OF TRUSTEES OF SADC - DFRC

Report on the Financial Statements

We have audited the accompanying financial statements of Southern African Development Community- Development Finance Resource Centre, which comprise the statement of financial position as at 31 March, 2013, and the statement of comprehensive income, statement of changes in funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 55.

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 and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about 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 give a true and fair view of, the financial position of Southern African Development Community-Development Finance Resource Centre as at 31 March, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

ERNST & YOUNG

Practicing Member: Thomas Chitambo (20030022)
Certified Auditor

Gaborone
09 August 2013

Resident Partner: B Ndwapi (Managing Partner)
A full list of Partners is available from this office
and the Registrar of Companies.
A member firm of Ernst & Young Global Limited.

Statement of comprehensive income for the year ended 31 March 2013
US $

	Notes	2013	2012
Members' contributions	1	994 735	887 934
Donor funds	2	1 638 588	725 852
Total revenue		2 633 323	1 613 786
Other income	3	97 799	53 537
Finance income	4	1 616	13 662
Expenditure			
Staff costs	6	(605 986)	(536 573)
Program expenses	7	(1 748 969)	(727 571)
Administration and operating costs		(386 637)	(415 782)
(Deficit)/ surplus for the year	5	(8 854)	1 059
Other comprehensive income		-	-
Total comprehensive (loss)/ income		(8 854)	1 059

Statement of Financial Position as at 31 March 2013
US $

	Notes	2013	2012
Assets			
Non current assets			
Property and equipment	10	31 995	41 537
Current assets			
Trade and other receivables	8	111 401	79 312
Cash and cash equivalents	9	1 578 641	971 693
		1 690 042	1 051 005
Total assets		1 722 037	1 092 542
Funds and liabilities			
Accumulated surplus		627 390	636 244
Revaluation surplus		3 360	3 360
		630 750	639 604
Current liabilities			
Trade and other payables	11	1 082 397	431 639
Short term portion of operating lease accrual	12	8 890	21 299
		1 091 287	452 938
Total funds and liabilities		1 722 037	1 092 542

Statement of changes in funds for the year ended 31 March 2013
US $

	Accumulated surplus	*Revaluation reserve*	*Total*
Balance at 1 April 2011	635 185	3 360	638 545
Total comprehensive income	1 059	-	1 059
Balance at 31 March 2012	636 244	3 360	639 604
Total comprehensive loss	(8 854)	-	(8 854)
Balance at 31 March 2013	627 390	3 360	630 750

Statement of cash flows for the year ended 31 March 2013
US $

	Notes	2013	2012
Cash generated from operating activities	13	610 538	85 059
Investing activities			
Proceeds on disposal of property, plant and equipment		-	661
Acquisition of plant and equipment		(3 590)	(19 717)
Cash utilised in investing activities		(3 590)	(19 056)
Increase in cash and cash equivalents		606 948	66 003
Cash and cash equivalents at beginning of year		971 693	905 690
Cash and cash equivalents at end of year		1 578 641	971 693
Cash and cash equivalents comprise:			
Bank balances - current accounts		49 356	231 796
Bank balances - call accounts		1 529 285	739 897
Cash and cash equivalents at the end of the year		1 578 641	971 693

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Basis of preparation

The financial statements are stated in United States Dollars (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 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 future are disclosed on page 13-15.

The financial statements incorporate the following accounting policies which are consistent with those applied in the previous year.

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 reporting 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 profit or loss 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.

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss on a straight-line basis over the term of the lease.

Entity as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the entity, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the entity will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

Entity as a lessor

Leases in which the entity does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and net of accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term constructing projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Computer equipment	**33.33% per annum**
Furniture and fittings	**15% per annum**
Office equipment	**15% per annum**

Motor vehicles are measured at fair value less accumulated depreciation and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. The revaluation surplus included in equity in respect of motor vehicles will be transferred directly to retained earnings when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

Impairment of Non-Financial Assets

The entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or entity's of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The entity bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the entity's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

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 interest rate method on the original settlement amount.

Revenue recognition

Revenue comprises the contributions from members and donor funds.

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

Donor income

Donor income is credited to the profit or loss 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. The liability is deferred income and when the costs are incurred the deferred income is amortised and recognised in Profit or Loss and costs expensed in Profit or Loss.

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

Employee benefits

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

The organisation's principal financial assets comprise of the trade and other receivables and 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.

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Entity determines the classification of its financial assets at initial recognition.
All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Entity commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest rate method (EIR) , less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.
Trade and other receivables are included in this category.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the entity has transferred substantially all the risks and rewards of the asset, or (b) the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge,

as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The entity's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.
Trade and other payables are included in this category

Offset

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.
The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS:

IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the organisation's financial position, performance or its disclosures as the organisation is exempt from tax.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) –Severe

Hyperinflation and Removal of Fixed Dates for First-Time Adopters.

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011.

The amendment had no impact to the organisation.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The organisation does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the organisation's financial statements are disclosed below. The organisation intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the organisation's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the organisation's first annual report after becoming effective.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods on or after 1 January 2013 however, the amendment is not applicable to the organisation.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The standard becomes effective on or after 1 January 2013. The revised standard however is not applicable to the organisation's operations

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The standard becomes effective on or after 1 January 2014. These amendments are not expected to impact the organisation's financial position or performance.

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. This amendment becomes effective on or after 1 January 2013. These amendments will not impact the organisation's financial position or performance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The organisation will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. This amendment becomes effective on or after 1 January 2015.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation -Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The standard is not applicable to the organisation. This amendment becomes effective on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The standard is not applicable to the organisation. This amendment becomes effective on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective on 1 January 2013, however its not applicable to the organisation.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The organisation is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective on 1 January 2013.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This standard becomes effective on 1 January 2013. The new interpretation will not have an impact on the organisation.

Annual Improvements Project IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS. This standard becomes effective on 1 January 2013.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period. This standard becomes effective on 1 January 2013.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. This standard becomes effective on 1 January 2013.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. This standard becomes effective on 1 January 2013.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. This standard becomes effective on 1 January 2013.

The organisation, however, expects no impact from the adoption of the amendments on its financial position or performance.

Notes to the financial statements for the year ended 31 March 2013
US $

1 Member contributions	***2013***	***2012***
Contributions from DFI network members	994 735	887 934

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

2 Donor funds

Funds donated directly to SADC-DFRC	350 354	95 175
Donor funds - non-cash donations	1 288 234	630 677
	1 638,588	725 852

Non-cash donations comprise funds and sponsorship paid directly to service providers by donors for SADC-DFRC programmatic activities. These donor funds are accounted for as non-cash donations.
During the year there were two new donors

3 Other income

Rental income received from a related party (Note 14)	39 651	47 492
Net gain on disposal of property, plant and equipment	-	645
Exchange gains	-	5 400
Bad debts recovered	58 148	-
	97 799	53 537

Operating Lease commitments for rental income are as follows;		
0 -1 year	42 125	42 125
2 - 5 years	70 209	112 334
> 5 years	-	-
	112 334	154 549

4 Finance income

Interest earned from bank and short term deposits	1 616	13 662

Notes to the financial statements for the year ended 31 March 2013
US $

	2013	2012
5 Surplus for the year		
Surplus for the year is stated after taking into account of the following;		
Audit fees	8 120	8 350
Board costs	53 039	39 722
Depreciation	13 132	12 866
Net realised exchange loss/ (gain)	33 684	(5 400)
Staff costs (note 6)	605 986	536 573
Office rent	128 668	138 558
6 Staff costs		
Salaries	474 366	458 059
Gratuity	95 961	52 830
Staff bonuses	-	17 698
Other benefits	35 659	7 986
	605 986	536 573
Number of persons employed by the organisation at the end of the year		
Full time	11	9
7 Program Expenses		
Program expenses	(1 747 525)	(727 571)

During the year, there was increased donor funding which resulted in more programme activities undertaken as per the approved budget for 2013. The launch of Public Private Partnerships (PPP) Programme during the year also contributed to about 16% of the total programme costs.

Notes to the financial statements for the year ended 31 March 2013
US $

	2013	2012
8 Trade and other receivables		
Member contributions net of allowance for uncollectible amounts	8 861	12 932
Recoverable program expenditure	58 302	-
Other receivables	44 238	66 380
	111 401	79 312

Member contributions are non-interest bearing and are generally on 30-90 days' terms.

As at 31 March, the ageing analysis of member contributions is as follows:		
90 days and more	108 217	83 383
Provision for bad debts	(41 054)	(70 451)
	67 163	12 932

Even though the member contributions exceed the 90 day payment period, SADC DFRC has a payment plan in place with the DFI's.

Contributions amounting to US $ 41 054 (2011: US $ 70,451) are past due and impaired.
Other receivables have no contractual repayment period

Movement of the provision for impairment of contribution is as follows:		
Balance at beginning of year	70 451	230 223
Amounts recovered during the year	(58 148)	(146 839)
Provision for impairment	28 751	12 933
Balance at end of year	41 054	70 451

9 Cash and cash equivalents		
Cash at banks and on hand	49 356	231 796
Short-term deposits	1 529 285	739 897
	1 578 641	971 693

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to three months and earn interest at the respective short-term deposit rates. The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

Included in the cash balances are amounts received from the German Development Agency and the Public Private Partnerships (PPP) for specific programmatic activities.

10 Property, Plant & Equipment

Year ended 31 March 2013

	Motor vehicles	Computer equipment	Office equipment	Furniture & fittings	Total
Cost or valuation					
At 1 April 2012	29 670	52 888	31 001	99 336	212 895
Additions	-	2 363		1 227	3 590
At 31 March 2013	29 670	55 251	31 001	100 563	216 485
Depreciation					
At 1 April 2012	16 584	43 283	19 071	92 420	171 358
Depreciation charge for the year	1 374	5 824	3 304	2 630	13 132
At 31 March 2013	17 958	49 107	22 375	95 050	184 490
Net book value					
At 31 March 2012	13 086	9 605	11 930	6 916	41 537
At 31 March 2013	11 712	6 144	8 626	5 513	31 995

Year ended 31 March 2012

Cost or valuation					
At 1 April 2011	29 670	53 397	21 724	97 457	202 248
Additions	-	5 039	9 579	5 099	19 717
Disposals	-	(5 548)	(302)	(3 220)	(9 070)
At 31 March 2012	29 679	52 888	31 001	99 336	212 895
Depreciation					
At 1 April 2011	15 210	43 994	15 047	93 294	167 545
Depreciation charge for the year	1 374	4 837	4 326	2 329	12 866
Disposals	-	(5 548)	(302)	(3 203)	(9 053)
At 31 March 2012	16 584	43 283	19 071	92 420	171 358
Net book value					
At 31 March 2011	14 460	9 403	6 677	4 163	34 703
At 31 March 2012	13 086	9 605	11 930	6 916	41 537

Notes to the financial statements for the year ended 31 March 2013
US $

	2013	2012
11 Trade and other payables		
Trade payables	847 199	314 122
Other payables	235 198	117 517
	1 082 397	431 639

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

12 Operating lease accrual

Office rental		
Cash flow basis	119 778	117 259
Straight line basis	128 668	138 558
Deferred lease accrual	8 890	21 299
Equipment leasing and hire		
Cash flow basis	-	7 696
Straight line basis	-	7 696
Deferred lease accrual	-	-
Total operating lease accrual	8 890	21 299

13 Cash generated from operating activities

	2013	2012
Operating activities		
(Deficit)/ surplus for the year	(8 854)	1 059
Non - cash adjustments:		
Depreciation	13 132	12 866
Gain on disposal of property, plant and equipment	-	(645)
Working capital adjustments:		
Increase in receivables	(32 089)	(44 696)
Increase in payables	650 758	106 159
Deferred lease rental	(12 409)	10 316
	610 538	85 059

14 Related party disclosures

SADC - Development Finance Resource Centre is a subsidiary of Southern African Development Community (SADC). Therefore SADC and all its affiliate members are related parties of the organisation including member Development Finance Institutions (DFIs), Board of Trustees and key management personnel.

Related party transactions entered into during the year are as follows;

Member contributions from DFIs (Note 1)	994 735	887 934
Rental income received from SADC - Accreditation Services (Note 3)	39 651	47 492
Board members allowances and travel fares (Note 5)	53 039	39 722

Compensation of key management personnel

Key management personnel includes all Board of Trustee members and senior management
The summary of compensation of key management personnel for the year is as follows:

Short-term employee benefits	344 184	332 700
Bonus and gratuity	16 781	26 958
	360 965	359 658

Notes to the financial statements for the year ended 31 March 2013
US $

	2013	2012
15 Commitments and contingencies		
Capital expenditure commitments		
SADC - DFRC has no purchase commitments for property, plant and equipment incidental to the ordinary course of business.		
Operating lease commitments		
Lease rentals payable		
Future minimum rentals under non cancellable leases are as follows:		
Within one year	131 756	128 985
After one year but not more than five years	247 787	408 715
	379 543	537 700

The operating lease commitments for 2013 financial year end include office rental payable to Turnstar Holdings and 2012 payable to Turnstar Holdings.

Contingent liabilities

SADC - DFRC has no contingent liabilities as at 31 March 2013 (2012 - Nil).

16 Financial risk management objectives and policies

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

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

16 Financial risk management objectives and policies (continued)

Interest rate risk

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

Foreign currency risk

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

	Euro	Botswana pula
2013		
Cash and cash equivalents	641 361	160 636
Trade and other receivables	-	40 026
Trade and other payables	-	(12 409)
Net exposure	641 361	188 253
2012		
Cash and cash equivalents	1 518	301 778
Trade and other receivables	-	35 138
Trade and other payables	-	(21 297)
Net exposure	1 518	315 619

Fair value of financial instruments

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

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

Notes to the financial statements for the year ended 31 March 2013
US $

16 Financial risk management objectives and policies (continued)

	Carrying amount 2013	*Fair value 2013*	*Carrying amount 2012*	*Fair value 2012*
Financial assets				
Trade and other receivables	88 617	88 617	65 018	65 018
Cash and Bank	1 578 641	1 578 641	971 693	971 693
Total	**1 667 258**	**1 667 258**	**1 036 711**	**1 036 711**
Financial liabilities				
Trade and other payables	886 449	886 449	314 122	314 122
Provisions and other liabilities	235 198	235 198	117 517	117 517
Total	**1 082 397**	**1 082 397**	**431 639**	**431 639**

Classification of financial instruments

	Loans & receivables	**Held to maturity**	**Total**
2013			
Trade and other receivables	88 617	-	88 617
Cash and Bank	1 578 641	-	1 578 641
Liabilities	(1 082 397)	-	(1 082 397)
Total	**584 861**	**-**	**584 861**
2012			
Trade and other receivables	65 018	-	65 018
Cash and Bank	971 693	-	971 693
Liabilities	(431 639)	-	(431 639)
Total	**605 072**	**-**	**605 072**

Financial instruments designated at fair value through profit or loss

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

Financial assets pledged as collateral

The organisation has not pledged any financial assets as collateral.

Financial assets received as collateral

The organisation has not received any financial assets as collateral

16 Financial risk management objectives and policies (continued)

Net gains and losses by financial instrument category

2013	**Loans and receivables**	**Held to maturity**	**Other**	**Total**
Interest income	1 616	-	-	1 616
Interest expense	-	-	-	-
Net interest income	1 616	-	-	1 616

2012	**Loans and receivables**	**Held to maturity**	**Other**	**Total**
Interest income	13 662	-	-	**13 662**
Interest expense	-	-	-	-
Net interest income	13 662	-	-	**13 662**

Liquidity risk

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

2013

	On demand	**Due not later than one month**	**Due later than one month but not later than five years**	**Total**
Financial liabilities				
Trade and other payables	-	847 199	-	847 199
Provisions and other liabilities	235 198	-	-	235 198
Total	235 198	847 199	-	1 082 397

Notes to the financial statements for the year ended 31 March 2013
US $

16 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

2012

	On demand	Due not later than one month	Due later than one month but not later than five years	Total
Financial liabilities				
Trade and other payables	-	314 122	-	314 122
Provisions and other liabilities	117 517	-	-	117 517
Total	117 517	314 122	-	431 639

Net gains and losses by financial instrument category

Sensitivity analysis

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

2013

Interest rate risk		Increase/ (decrease) in surplus for the year	Increase/ (decrease) in accumulated fund
Change in interest rate	+1%	15 786	15 786
	-1%	(15 786)	(15 786)
2012			
Interest rate risk			
Change in interest rate	+1%	9 717	9 717
	-1%	(9 717)	(9 717)

16 Financial risk management objectives and policies (continued)

Significant concentrations of credit risk

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

	2013	2012
SEDCO Zimbabwe	13 655	-
DBZ Zambia	-	58 148
IDC Zimbabwe	16 027	20 024
LNDC Lesotho	13 212	-
	42 894	78 172

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

2013

Foreign currency risk		**Increase/ (decrease) in surplus for the year**	**Increase/ (decrease) in accumulated fund**
Change in exchange rate	**+10%**	1 241	1 241
	-10%	(1 241)	(1 241)
2012			
Foreign currency risk			
Change in exchange rate	**+10%**	2 130	2 130
	-10%	(2 130)	(2 130)

17 SIGNIFICANT EVENTS AFTER REPORTING DATE

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

SADC - DFI NETWORK MEMBERS

ANGOLA
Banco De Popanca e Credit

BOTSWANA
Botswana Development Corporation
Botswana Housing Corporation
Botswana Investment and Trade Centre
Botswana Savings Bank
Citizen Entrepreneurial Development Agency
Local Enterprise Authority
National Development Bank

DEMOCRATIC REPUBLIC OF CONGO
Societe Financiere De Developpment

LESOTHO
Basotho Enterprises Development Corporation
Lesotho National Development Corporation

MADAGASCAR

MALAWI

MAURITIUS
Development Bank of Mauritius

MOZAMBIQUE
Gapi-Sociedade de Investimentos (Gapi-SI)

NAMIBIA
Agricultural Bank of Namibia
Development Bank of Namibia
National Housing Enterprise
SME Bank Limited

SEYCHELLES
Development Bank of Seychelles

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

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

TANZANIA
National Development Corporation
Tanzania Investment Bank

ZAMBIA
Development Bank of Zambia

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

southern african
development community

development finance
resource centre

The **SADC DFRC**
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of SADC

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