DEVELOPMENT BANK
OF SOUTHERN AFRICA

CORPORATE PLAN
2014/15
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DBSA CORPORATE PLAN
1. INTRODUCTION

The past year saw a concerted reaffirmation of government’s commitment to realising its vision of a better life for all South Africa’s people. The National Development Plan (NDP) sets out an integrated strategy for accelerating growth, eliminating poverty and reducing inequality – recognising that South Africa’s urbanising, youthful population is a strength on which to build. The plan promotes enhanced competitiveness, expanded infrastructure, greater spatial efficiency in growing cities and accelerated rural development. It also prioritises measures to build a capable and effective state that delivers services to citizens while encouraging business investment and growth.

Large-scale investment in infrastructure is a critical enabler and government has budgeted R827 billion for public-sector infrastructure investment over the period 2013/14 to 2015/16. The recently published Infrastructure Development Bill also provides the basis to:

- Facilitate and co-ordinate public infrastructure development which is of significant economic or social importance to South Africa.
- Ensure that infrastructure development is given priority in planning, approval and implementation.
- Ensure that the development goals of the State are promoted through infrastructure development.
- Improve the management of such infrastructure during all life-cycle phases, including planning, approval, implementation and operations.

Furthermore, the National Infrastructure Programme, coordinated by the Presidential Infrastructure Coordinating Commission (PICC) plays an important role in ensuring the systemic selection, planning and monitoring of large projects across the country and seeks to:

- Identify five-year priorities.
- Develop a 20-year project pipeline.
- Achieve development objectives: skills, industrialisation, empowerment, research & development.
- Expand maintenance: new and existing infrastructure.
- Improve infrastructure links: rural areas and poorest provinces.
- Address capacity constraints and improve coordination and integration.
- Scale-up investment in infrastructure.
- Address impact of prices.
- Support African development and integration.

The DBSA, as a vehicle of the state and a development finance institution, is recognised as a single yet critical component of the national infrastructure system with a mandate to contribute meaningfully towards national infrastructure objectives. A convergence of shareholder expectations and the DBSA strategy must, at all times, be harmonised. In this regard, the Shareholder guided ¹ as follows:

- The promotion of regional integration through infrastructure development is a key pillar in Africa’s growth and development agenda.

In Africa, overcoming poverty, inequality and achieving economic prosperity will be achieved through a strategy of regional integration aimed at fostering industrialisation and intra-regional trade. Infrastructure development in transportation, energy, telecommunications and the water sectors are examples of what is needed. The DBSA must position itself to make a contribution in these important areas.

¹ Source: 2013/14 Shareholder Mandate Statement, dated 6 November 2013
• Improving the standard of living through social infrastructure development is an equally important priority.

  Although supporting the provision of hard infrastructure is important for long-term sustainable growth, the provision of social infrastructure in the education, health, sanitation and other sectors, can bring about short-term relief, strengthen the social fabric, promoting resilient and productive communities. The DBSA should provide direct implementation support on a cost recovery basis for social infrastructure projects on the direction of the Shareholder.

• The DBSA must service both domestic and regional requirements.

  Although it has significant domestic challenges to respond to, the DBSA must deepen its response to the development of Southern Africa and the wider continent as per the SADC Integrated Infrastructure Development Plan, Programme for Infrastructure Development in Africa (PIDA) led by the African Union Commission, the NEPAD Secretariat and the African Development Bank Group (AfDB). In particular the DBSA must ensure that South Africa fulfils its obligations in relation to support of infrastructure development in the region’s development corridor.

In response to the above challenges, the DBSA reviewed its strategy and operating model during 2012/13 to refocus its infrastructure development activities where it can have maximum impact and also play an appropriate role in a development state, provided any non-financing activities are linked to the core mandate of the Bank and that the organisation has the appropriate capabilities and funding. Key to the Bank’s strategy is the organisation’s vision to make a meaningful contribution to development of infrastructure so support the improvement of the quality of life people, economic growth and support regional integration.
2. CORPORATE STRATEGY

2.1. Overview of the operating environment

The world economy has changed dramatically over the past five years. Global financial and monetary trends, new technologies, urbanisation, climate change and demographic shifts pose complex challenges for both developed and emerging economies. Macroeconomic policies, industrial development, the role of state owned companies (SOCs), economic regulation, tax structure and spending programmes all confront difficult trade-offs and uncertainties in seeking to improve livelihoods of people, lower the cost of doing business and improve government performance.

Many South African institutions have begun to adapt and are adjusting to changing cost structures and patterns of demand, integrating into global and regional value chains, and expanding their African footprint. Furthermore implementation of well-targeted sector initiatives will promote greater competitiveness and a balanced economic growth.

The NDP points out that rebalancing and transforming the economy will take time. Complementary policies are needed to boost employment and economic participation, basic education, and skills acquisition. Greater competitiveness will enable local firms to access new markets and hire more people. Over the medium term, some of the developments outlined below will support the transition to more rapid growth:

- Additional electricity supply, with Eskom’s Medupi plant set to be operational in late 2014.
- Increased investment in economic infrastructure including rail, water, roads, ports and broadband communication.
- Clear policy frameworks for new gas and oil exploration aimed at improving South Africa’s ability to meet its future energy requirements.
- Business support programmes and special economic zones that promote industrialisation and improve local competitiveness.
- Improved urban planning and more efficient public transport.
- Collaboration between public- and private-sector agencies in agricultural development and support for emerging farmers.

Regional integration has provided a new growth opportunity for South African businesses. South Africa is also well placed to support infrastructure development and strengthen regional economic collaboration within the Southern African Development Community and the Southern African Customs Union.

Within this context, the DBSA will seek to significantly increase its infrastructure financing support across the various operating areas with targeted total annual disbursements of R15.4 billion, R17.8 billion and R22.0 billion\(^2\) for the 2014/15, 2015/16 and 2016/17 financial years respectively. Development assets are projected to grow to R89.3 billion by 31 March 2017. It is acknowledged that the roll-out of many infrastructure programmes is hampered by the lack of project planning capacity. Over the next three years, the DBSA will seek to fast track project preparation and the benefits of these activities have been incorporated into the Bank’s disbursement over the reporting period.

\(^2\) Disbursements for the 2016/17 financial year: The growth in disbursements in 2016/17 to R22.0 billion is dependent on the continued financial/capital support from the fiscus and the successful implementation of the project preparation activities. Targets for the 2016/17 will be reviewed in later years.
2.2. **DBSA strategy statement**

At the core of its mandate, the DBSA seeks to play a pivotal role in delivering developmental infrastructure in South Africa and the region. The strategy of DBSA is to:

<table>
<thead>
<tr>
<th>Provide sustainable infrastructure project preparation, finance and implementation support in selected African markets to improve the quality of life of people, in support of economic growth and regional integration</th>
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<tbody>
<tr>
<td>The Bank will achieve distinctive relevance as a significant contributor to improving the quality of life by:</td>
</tr>
<tr>
<td>• Creating within our Group operating model and organisational structure, the distinctive skills, processes and operating models for the effective provision of innovative finance for development and enhanced project execution capabilities.</td>
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<tr>
<td>• Developing an intimate understanding of the needs and requirements of our selected market categories to identify profitable opportunities faster and more effectively than our competitors.</td>
</tr>
<tr>
<td>• Developing and leveraging our strategic partnerships and relationships to profitably expand and deepen our penetration of our selected market segments and geographic markets.</td>
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<tr>
<td>• Providing total excellence in meeting our client expectations in all aspects of client service.</td>
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<tr>
<td>• Providing differentiated risk solutions and infrastructure/sector expertise that will underpin our capabilities to serve our clients.</td>
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<tr>
<td>• Distinguishing ourselves by proactively partnering with our clients and development partners to originate, plan and deliver infrastructure projects.</td>
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<tr>
<td>• Assisting Government with the implementation of infrastructure projects of critical national importance especially by ensuring better service delivery at municipal level.</td>
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</table>

Our people are our most valuable resource and we are committed to attracting, developing, retaining and rewarding the best people through the continued establishment of a challenging and exciting environment that stimulates commitment, and encourages development and growth.

The effective implementation of this strategy will be supported by effective planning, characterised by the establishment of phased priorities and supported by adequate human and financial resources.

Recognising the need to remain at the forefront of infrastructure delivery the Bank identified the following three areas of excellence to develop in order to differentiate itself from its peers:

<table>
<thead>
<tr>
<th>Areas of excellence</th>
<th>Business intelligence</th>
<th>Relationships and partnerships</th>
<th>Operational excellence</th>
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<tbody>
<tr>
<td>Acquiring relevant actionable knowledge and understanding of our selected industry market and geographic sectors, economic and business trends, clients and competitors, in order to inform quality decisions that will drive business acquisition and optimise the selection of profitable opportunities.</td>
<td>Building, retaining and enhancing quality relationships with our clients and partners, earning their trust, loyalty and respect, to enable the effective management of risk and minimise conflict in order to close the deal and ensure the transfer of value between both parties, thus servicing the concept of the transfer of value both ways.</td>
<td>Achieving operational excellence across all areas of the business by creating an environment of ownership of problems, characterised by decisiveness and a sense of urgency supported by efficient operating models without bottlenecks, missing links and inefficient processes and procedures.</td>
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2.3. Delivering infrastructure solutions

To chart a new path, the DBSA’s strategy maintains the Bank’s focus on social and economic infrastructure development but with an emphasis on driving financial and non-financial investments in the primary sectors of energy, transport, water and communications, whilst providing support to various social sectors such as health, education and housing to a lesser extent.

Social and economic infrastructure is defined as follows:

- Social infrastructure: Infrastructure aimed at addressing backlogs and expediting the delivery of essential social services in support of sustainable living conditions and improved quality of life within communities.

- Economic infrastructure: Infrastructure aimed at addressing capacity and bottleneck constraints in order to optimise economic growth potential.

### Priority markets and activities

<table>
<thead>
<tr>
<th>Project development advisory services</th>
<th>Project finance</th>
<th>Accelerating infrastructure delivery</th>
<th>Programme implementation</th>
</tr>
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<tbody>
<tr>
<td>Services</td>
<td></td>
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<tr>
<td>- Project identification</td>
<td>- Debt</td>
<td>- Managing the design and construction of key projects in the education, health and housing sectors</td>
<td>- Project management support, including to the Jobs and Green Funds</td>
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<tr>
<td>- Feasibility assessments</td>
<td>- Mezzanine finance</td>
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<td>- Technical assistance</td>
<td>- Limited and non-recourse lending</td>
<td></td>
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<tr>
<td>- Financial structuring</td>
<td>- Guarantees</td>
<td></td>
<td></td>
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<tr>
<td>- Project preparation funds</td>
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</table>

### Key client markets

- **South Africa**
  - Municipalities
  - State-owned enterprises
  - Public-private partnerships
  - Public-public partnerships
  - Private sector

- **Outside South Africa**
  - State-owned enterprises
  - Public-private partnerships

The table overleaf summarises the respective infrastructure segments which the DBSA will support over the next three years to 2016/17. Further detail is provided under section 2.3.1 and 2.3.2.
## DBSA support areas over the next three years

<table>
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<th>Focus areas</th>
<th>Key sector coverage</th>
<th>DBSA’s role</th>
<th>Counter party entities</th>
<th>Responsible division</th>
<th>Key deliverables over the next three years to 2016/17</th>
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</thead>
<tbody>
<tr>
<td>Improve the quality of life of people through the development of social infrastructure</td>
<td>Municipal (including water &amp; sanitation, electricity, roads, and refuse)</td>
<td>Lending</td>
<td>Municipalities (all)</td>
<td>South Africa Financing</td>
<td>Total disbursements: R16.8 billion</td>
</tr>
<tr>
<td>Project planning support (pre-financing support)</td>
<td>Secondary and under-resourced municipalities</td>
<td>South Africa Financing</td>
<td>Completion of the following outcomes for selected municipalities: Investment plans, Feasibility plans, Funds sourcing</td>
<td></td>
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<tr>
<td>Project implementation support (post-financing support)</td>
<td>Secondary and under-resourced municipalities</td>
<td>South Africa Financing</td>
<td>Completion of the following outcomes for selected municipalities: Technical planning, Procurement, Contract management</td>
<td></td>
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</tr>
<tr>
<td>Implementation support to SIP 6, National Integrated Municipal Infrastructure Programme</td>
<td>PICC, Municipalities</td>
<td>Infrastructure Delivery</td>
<td>Integrated infrastructure plans completed and implementation support</td>
<td></td>
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</tr>
<tr>
<td>Education, health and housing (non-municipal)</td>
<td>Lending</td>
<td>Municipalities (all)</td>
<td>South Africa Financing</td>
<td>Total disbursements: R4.2 billion</td>
<td></td>
</tr>
<tr>
<td>Implementation support to: SIP 13: National Schools Programme</td>
<td>National and provincial government</td>
<td>Infrastructure Delivery</td>
<td>Support the development of integrated schools infrastructure plan, construction of 71 school, 1,000 housing units, 50 doctors consulting rooms, support repairs and maintenance at 368 health clinics, support Gauteng Hospital Revitalisation programme</td>
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<tr>
<td>Support economic growth through investment in economic infrastructure</td>
<td>PPPs and IPPs, SOCs, Private companies, Concessions, Joint ventures</td>
<td>Financing Operations</td>
<td>Value of projects prepared: R12 billion</td>
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<tr>
<td>Project preparation</td>
<td>National and provincial government, PPPs, SOCs, Private companies</td>
<td>Financing Operations</td>
<td>Total disbursements: R17.5 billion</td>
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<tr>
<td>Lending and/or direct investment</td>
<td>South Africa Financing</td>
<td>Support various funds with management services</td>
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<td></td>
</tr>
<tr>
<td>Fund management services</td>
<td>National government</td>
<td>Financing operations</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Support regional integration</td>
<td>Lending for regional integration</td>
<td>International Financing</td>
<td>Total disbursements: R16.7 billion</td>
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<tr>
<td>Support regional integration</td>
<td>Municipalities (all)</td>
<td>International Financing</td>
<td>Total disbursements: R16.7 billion</td>
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### DBSA Board of Directors

2015
Underpinning these activities, the Bank must remain financially sustainable by generating sufficient net surplus to grow the Bank’s shareholders’ equity by at least inflation annually by 2017. Consequently:

- Developmental lending will be undertaken on terms ranging from subsidised to fully commercial.
- Additional non-infrastructure financing related development activities to assist government in socio-economic developments will be provided on a full cost recovery basis.

Within this context the Bank will prioritise the following areas and activities for the 2015 to 2017 financial years:

### 2.3.1. Infrastructure finance

- **Project preparation fund(s)**
  
  Progress in the roll-out of infrastructure programmes in South Africa and the continent has been slow due to the lack of project planning capacity. Project preparation support (including scoping, pre-feasibility and feasibility work) is critical to developing a strong pipeline of projects to help fast-track the infrastructure build programme as well as the development of bankable projects for the DBSA’s funding pipeline. The Bank will seek to play a significant part in early stage project development and target to prepare projects to the value of between R3 billion and R5 billion over the next three years. Where appropriate, the Bank will also seek to crowd-in private sector funders through syndication arrangements in financing the underlying programmes. This will also enable the Bank to expand its non-interest income revenue through syndication fees generated.

- **Financing operations in South Africa and the broader region**
  
  **South Africa**
  
  - Municipal market
    
    - Municipalities play an important role in the provision of basic services to the country’s citizens. The need to improve and increase infrastructure in municipalities is therefore of critical importance as the demand on existing and new infrastructure is expected to rise with more people migrating to larger cities and towns in search of employment opportunities. The DBSA will continue to focus on municipal finance and project development as a catalyst for socio-economic development within municipalities.
    
    - In terms of the municipal market, competition is higher in the metro market and lower in secondary municipalities (where it is focused mainly on the top 20 secondary cities). Virtually no competition exists in under-resourced municipalities (who have limited borrowing and institutional capacity). With the implementation of Basel III, competition may ease over the medium term in the metro market and secondary cities as the requirements of Basel III compel commercial banks to set aside more capital for long term investments thus reducing their profitability. Furthermore banks may be discouraged from providing finance to secondary municipalities as the lower credit ratings of these institutions often require more allocated capital.
    
    - DBSA’s current municipal portfolio is predominantly focused on the metropolitan market but the Bank’s pipeline in this area has been on the decline due to increasing competition from commercial banks and more recently international DFIs. However, due to the importance of cities in driving South Africa’s socio-economic growth, the DBSA will continue to actively participate and seek commercially-viable returns in this market, targeting too disburse R3.0 billion during 2014/15 and R4.0 billion during 2015/16 and 2016/17.
    
    - DBSA’s investments in secondary municipalities have historically provided good returns with a relatively low number of non-performing loans. Recently the DBSA has noticed a marked increase in the participation of commercial entities and other DFIs in this market. Growing the infrastructure financing support to this segment remains a critical component of the Bank’s objectives and the Bank will continue to find innovative ways to support this market.
Over the next three years, the Bank targets to increase the annual disbursements from R1.2 billion in 2014/15 to R1.6 billion by 2016/17, on terms ranging from subsidised to fully commercial.

- Due to limited debt funding absorptions capacity in under-resourced municipalities, the Bank is constrained in its ability to support this market with debt financing and the focus will therefore be in the pre- and post-financing support described below. For the period 2014/15 to 2016/17 the Bank will target to provide annual loan funding between R300 million and R700 million per annum to under-resourced municipalities.

The DBSA notes the important challenges and constraining factors that prevail around the various municipal categories. Firstly, municipalities generally continue to underspend on their allocated infrastructure budget funds and secondly, financial governance and institutional limitations continue to plague many. Consequently these municipalities are generally slow in planning and execution of projects, resulting in slowed down capital expenditure. Financial lending flows to these municipalities can thus be limited.

Within this context, the DBSA will provide development planning (pre-financing) and implementation (post-financing) support interventions in the origination of infrastructure projects to identified municipalities, intended to alleviate some of the mentioned constraints and enable expanded lending take-up. This support will be financed through funds set aside, currently 5% of operating income generated, for non-lending support for all municipal market segments, with more focus on lower tier municipalities. The development spend envelope will specifically cover operational expenditure incurred within the development planning and implementation support areas, and limited concessional funding.

The DBSA will also support under resourced municipalities through:

- The unlocking of Municipal Infrastructure Grants as a pledge for the implementation of selected infrastructure projects.
- MEGA Programme
  
The programme is an initiative of the Mpumalanga Provincial Government (MPG) to support the delivery of bulk water infrastructure to eight priority municipalities which are challenged with significant water losses and poor access to water in various areas. The DBSA is assisting the participating municipalities with loan funding as well as planning and implementation support for the programme.
- INEP Programme
  
  Integrated National Electricity (INEP) Programme is an intervention programme by the Department of Energy to electrify houses within previously disadvantage communities. The Bank has agreed to provide bridging finance to municipalities in support of the programme.

- State-owned companies (SOCs)

SOCs play a central part in government’s infrastructure development programme, managed under the auspices of the PICC. Since Tier 1 SOCs, such as Transnet and Eskom, have direct access to capital markets as a source of market related funding, the DBSA will focus its efforts on those Tier 2 SOCs critical to support service delivery, for example road agencies, and which are relatively less attractive to commercial lenders. The DBSA aims to significantly increase its share of Tier 2 SOCs market over the medium term, through the provision of both corporate and project finance.

It is recognised that economic infrastructure development, which is undertaken by Tier 1 SOCs (in areas such as transportation, logistics, bulk water and energy), is also part of the DBSA's infrastructure finance mandate. The DBSA’s focus in this regard will be on facilitating the delivery of projects undertaken on an “indirect” basis, via the Private Sector Participation
Private capital will be mobilised and complemented with DFI capital for delivery of critical infrastructure. The DBSA’s support would be directed towards third party entities supporting a Tier 1 SOC backed infrastructure programme. Direct corporate lending will only be provided to Tier 1 SOC in consultation with the National Treasury. Total disbursements to the SOC market are estimated at R9.5 billion over the next three years.

- Other public, including public-private-partnerships and public-public-private (PPP) partnerships

Other public entities, excluding municipalities and SOCs, provide various opportunities for infrastructure financing especially within the water boards, student accommodation and university infrastructure markets. Recognising that this market is generally smaller than the municipal and SOC markets, total disbursements of R3.1 billion are targeted over the next three years.

PPP deals have historically been driven by government and the DBSA’s proactive role in this market has been limited. Building on the successful participation of the DBSA in the Independent Power Producers (IPP) programme, the Bank will continue to participate in the programme with targeted disbursements between R2.0 billion and R2.5 billion per annum planned for the next three years. In addition, the Bank will seek to work with government to replicate the IPP model and implement key lessons learnt to unblock the PPP pipeline. The provision of this support would be predicated on the ability of DBSA to participate as mandate lead arranger and recover the full costs of any project development expenditure incurred at financial close.

- Private sector intermediaries

The private sector plays an important role in infrastructure development through its various capital expansion programmes and the DBSA will, where appropriate, continue to partner with the private sector, using both debt and equity instruments.

With respect to debt investments to the private sector, the DBSA considered that a disproportionate share of previous impairments have come from this segment of the lending book. As such, the DBSA has tightened its criteria for investment in this area, focusing on direct investments in the priority sectors of energy, transport, telecommunications and bulk water. Investments in mining projects will be excluded except as they relate to mining-related infrastructure for example: water, roads and energy. Total loan disbursements of R1.7 billion have been allocated to private sector intermediaries over the next three years.

Where an outcome cannot be achieved through a loan instrument alone, the DBSA may consider an appropriate equity vehicle taking into account the following principles:

- The ability of the investment to generate positive returns, net of the cost of equity.
- Direct investments must be focused in the priority sectors of energy, transport, telecommunications and water.

Over the next three years, equity investments will be maintained around R200 million per annum.

**Financing beyond South Africa**

Regional integration is critical to growing both the South African and broader continent’s economies. The DBSA’s International Financing Division supports the Bank’s regional development and integration strategy aimed at facilitating trade in Africa by investing in infrastructure projects outside of South Africa, through:

- Providing funding, related products and services for commercially viable and sustainable projects, primarily in the energy, transport, water and telecommunications sectors, which contribute to economic development and regional integration.
Supporting project planning and development, advocacy and partnership building for resource mobilisation.

Promotion of inter-regional integration and cooperation between SADC and the adjoining regional economic communities in Africa.

Infrastructure demands on the continent are extensive. It is clear that as a financier alone, the DBSA is unable to address the significant infrastructure gaps on the continent. While the DBSA has achieved much over the last couple of years, it has and can only contribute to a small portion of the infrastructure development needs. Part of the challenge is not so much the availability of funding, but the readiness of bankable projects in the region.

The scale of preparation support required necessitates a multi-faceted, partnership based approach. Over the years, the Bank has developed a comparative advantage in the deep understanding of the needs of African infrastructure market and will seek to harness these relationships and expertise, whilst partnering with other DFIs and role players to support project preparation on the continent.

Recognising that many commercially viable infrastructure financing opportunities are available on the wider African continent and participation in such projects would support broader economic activities, the DBSA recently received mandate approval to expand operations beyond SADC to all countries on the African continent. The DBSA acknowledge that investment support to the SADC region remains critical and will remain the primary focus area of the organisation, whilst investments beyond SADC will play an important role in supporting the Bank’s overall financial sustainability. Hence, over the following years, the DBSA will cautiously assess investment opportunities beyond SADC by initially pursuing opportunities in the following six pivot countries outside SADC: Kenya, Uganda, Rwanda, Republic of Congo, Ghana and Nigeria. However opportunities outside the six countries will also be explored, where appropriate. The envisaged role of the DBSA beyond South Africa is summarised in the table below.

Summary of approach

<table>
<thead>
<tr>
<th>SADC countries</th>
<th>Rest of Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
<td>All SADC countries</td>
</tr>
<tr>
<td><strong>Mode of operations</strong></td>
<td>• Developing projects</td>
</tr>
<tr>
<td></td>
<td>• Preparing for finance</td>
</tr>
<tr>
<td><strong>Sectors</strong></td>
<td>Transport, water, energy</td>
</tr>
<tr>
<td><strong>Client type</strong></td>
<td>• Sovereigns</td>
</tr>
<tr>
<td></td>
<td>o Infrastructure guarantees</td>
</tr>
<tr>
<td></td>
<td>o Project see-through</td>
</tr>
<tr>
<td></td>
<td>o Utilities</td>
</tr>
<tr>
<td></td>
<td>o PPP</td>
</tr>
<tr>
<td></td>
<td>• Private sector</td>
</tr>
<tr>
<td></td>
<td>o PPP</td>
</tr>
<tr>
<td><strong>Return requirements</strong></td>
<td>• Developmental – ROE &gt; 12%</td>
</tr>
<tr>
<td></td>
<td>• Commercial: ROE &gt; 16%</td>
</tr>
</tbody>
</table>

3 Government Gazette No 37178 of 18 December 2013
4 Subject to DBSA Board approval
A number of opportunities in the pivot countries outside SADC have already been identified.

<table>
<thead>
<tr>
<th>Country</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>• Energy</td>
</tr>
<tr>
<td></td>
<td>o Lake Turkana wind power</td>
</tr>
<tr>
<td></td>
<td>o Longonot Geothermal</td>
</tr>
<tr>
<td></td>
<td>o ZTK interconnector</td>
</tr>
<tr>
<td></td>
<td>• Transport</td>
</tr>
<tr>
<td></td>
<td>o Kenya Airports Authority</td>
</tr>
<tr>
<td></td>
<td>o Lapsset corridor (medium term)</td>
</tr>
<tr>
<td>Uganda</td>
<td>• Transport</td>
</tr>
<tr>
<td></td>
<td>o Kampala – Jinja Road</td>
</tr>
<tr>
<td>Rwanda</td>
<td>• Energy</td>
</tr>
<tr>
<td></td>
<td>o Hakan power station</td>
</tr>
<tr>
<td></td>
<td>• Water</td>
</tr>
<tr>
<td>Republic of Congo</td>
<td>Sovereign infrastructure facility</td>
</tr>
<tr>
<td>Ghana</td>
<td>• Energy</td>
</tr>
<tr>
<td></td>
<td>o Volta River Authority Gas Power Plant</td>
</tr>
<tr>
<td></td>
<td>o Cenpower IPP</td>
</tr>
<tr>
<td></td>
<td>o Jacobsen IPP</td>
</tr>
<tr>
<td></td>
<td>• Transport</td>
</tr>
<tr>
<td></td>
<td>o Tamale Airport Phase 2</td>
</tr>
<tr>
<td></td>
<td>o Ghana Highway Phase 2</td>
</tr>
<tr>
<td></td>
<td>o Tema port expansion</td>
</tr>
<tr>
<td>Nigeria</td>
<td>To be identified</td>
</tr>
</tbody>
</table>

Total disbursements to the market beyond South Africa are targeted at R16.7 billion over the next three years, with R4.5 billion targeted for 2014/15, R5.0 billion for 2015/16 whilst increasing to R7.2 billion in 2016/17.

2.3.2. Infrastructure delivery support

The DBSA currently supports government in leveraging skills and capabilities to accelerate the implementation of a number of programmes through the provision of project management and implementation support in key priority sectors of education, health and housing as well as various municipal programmes. All non-financing activities are provided on a full cost recovery basis whilst activities beyond the Bank’s core business are kept to a focused minimum, undertaken only at the behest of the shareholder.

In providing the infrastructure delivery support, the Bank seeks to:

- Manage the design and construction of government infrastructure projects using innovative, turnkey solutions to drive greater value for money, asset sustainability and full functionality.
- Provide programme management and specialist expertise to support state entities in managing the planning, design, budgeting, execution and maintenance of infrastructure projects and programmes.
- Gather and analyse project and spatial information to improve government infrastructure planning, project prioritisation and design, delivery co-ordination, tracking and performance.
During 2014/15 the Bank will continue to support a number of implementation and capacity building initiatives, including:

- **Supporting government in implementing Strategic Integrated Projects**

  During 2011/12 Government adopted a National Infrastructure Plan intended to transform the economic landscape of South Africa, create a significant number of new jobs, strengthen the delivery of basic services to the people of South Africa and support the integration of African economies. Based on the work by the PICC, eighteen strategic integrated projects (SIPs) were developed and approved. The DBSA was requested to co-ordinate two SIP programmes, namely: SIP 6, *National Integrated Municipal Infrastructure Programme*, as well as co-lead SIP 13, *National Schools Programme*.

  SIP 6 was established as part of a broader plan by government to develop national capacity to assist the 23 district municipalities with the fewest resources. It focuses on:

  - Addressing all maintenance backlogs and upgrades required.
  - Coordinating, integrating and accelerating the implementation of new infrastructure.
  - Promoting integrated service delivery across all spheres of government and sectors.

  SIP 6 handles the above aspects in the areas of water and sanitation, electricity distribution, roads maintenance, new road construction, revitalisation of clinics and hospitals, revitalisation of schools, solar water heaters and digital migration. The DBSA was identified as the lead agency to coordinate and facilitate the implementation and monitoring of the programme.

  SIP 13 was launched during October 2012 and seeks to consolidate and integrate plans to remove inappropriate and unsafe school structures, upgrade and refurbish existing schools and construct new schools across the country. The Department of Education (DBE) approached the DBSA and the Independent Development Trust (IDT) during 2013 to jointly coordinate the implementation of the programme, including:

  - The Schools Infrastructure programme at national and provincial levels.
  - The Schools Infrastructure Maintenance programme at provincial level.
  - Other key DBE programmes, e.g. the “Race to the Top” programme which seeks improve learning outcomes at a district level.
  - Other strategic education related interventions identified at national and provincial levels.

- **Accelerated Schools Infrastructure Delivery Initiative (ASIDI)**

  During 2011/12, the DBE appointed the DBSA as the implementing agent for the construction of 49 schools in the Eastern Cape under ASIDI. The objective of ASIDI is to provide decent school infrastructure through the eradication of mud schools and inappropriate structures in mainly rural areas. Following the successful completion of the programme during 2013/14, DBE has requested the DBSA to support phase II of the programme and implement the lessons learnt in the planning and construction of a further 71 schools during the next two years.

- **Eastern Cape Rural Housing Programme**

  The Eastern Cape Department of Human Settlements mandated the DBSA Development Fund to act as an implementing agent for the Elliotdale Rural Sustainable Human Settlements Pilot Project. The project is part of the Enhanced People’s Housing Process. This project presented an ideal case study for the DBSA and the Eastern Cape and national Departments of Human Settlements to design and pilot a programme that would provide an innovative development solution to a sector of the economy where there is persistent market failure. The project is unique, as it addresses housing backlogs through an integrated approach.

  As part of Phase 1, the DBSA completed 200 houses during the 2011/12 and 2012/13 financial years, whilst an expected 800 will be completed before the end of the 2013/14 financial year. The DBSA
and the Department are currently finalising the expansion of the programme to support the construction of 1 000 units in 2014/15 and 700 during 2015/16.

- **Health programmes**

  The DBSA supports various health initiatives with the objective of optimising the acquisition, operation and management of South Africa’s public healthcare infrastructure. Key interventions include:

  o **Gauteng Hospital Revitalisation Programme**

    Provide project development support to the Gauteng Department of Health for the following projects:

    - The re-engineering towards re-opening of the Khayalami District Hospital in Kempton Park, Lenasia South Level 1 Hospital, as well as the Discoverers Level 1 Hospital.
    - The construction of a new or upgraded of the Johannesburg Forensic Pathology Mortuary and Bronkhorstspruit Forensic Pathology Mortuary.

  o **Programme management support to the National Department of Health**

    The national Department of Health launched the Infrastructure Unit Support Systems programme during October 2010 to address delays in the delivery of health infrastructure. The programme is a structured collaboration between the department, the DBSA, the Council for Scientific and Industrial Research (CSIR) and other stakeholders. Under this programme, the DBSA has thus far assessed 2 280 health capital projects, assisted the department in establishing a programme support management unit, as well as develop a master plan for the construction or refurbishment of various nursing colleges across the country.

    Over the 2014/15 and 2015/16 financial years, the Bank will continue to support the department in implementing the construction or refurbishment of the nursing colleges mentioned above, as well as the Health Infrastructure Rapid Delivery Framework which seeks to support the maintenance of 368 clinics and the construction of 50 doctor consulting rooms (Park homes) in the National Health Insurance (NHI) pilot districts.

  o **KFW Voluntary Counselling and Testing.**

    The objective of the VCT Clinic building programme is to successfully rehabilitate public health facilities in identified areas and to improve access to voluntary counselling and testing services. Key deliverables include:

    - Construction of 60 public health facilities in Limpopo and the Northern Cape over the three year period to 2014/15.
    - Improve knowledge, attitudes and behaviours of target groups with respect to HIV/AIDS and other related ailments.
    - Development of new private sector concepts for the provision of efficient and effective VCT and supplemental services.

- **Green Fund**

  The Green Fund memorandum of agreement (MOA) was signed with the Department of Environmental Affairs (DEA) during April 2012, committing R800 million to help shape government’s environmental agenda and facilitate the co-ordination of sustainable development solutions. The DBSA manages the Green Fund on behalf of the DEA on a full cost-recovery basis.

- **Jobs Fund**

  The R9 billion Jobs Fund was announced by the President during the State of the Nation Address on 10 February 2011 and targets to create 150 000 sustainable jobs. The Minister of Finance has
entrusted the DBSA with the responsibility to establish and manage the Jobs Fund on a full cost-recovery basis.

2.4. Key dependencies

Given the Bank’s primary role as financial intermediary, it is recognised that the successful delivery on the growth in disbursements targets, as reflected under section 2.3.1, is predicated on the following key factors:

- Capital support to 2016/17, of which R7.9 billion has been accommodated within the MTEF period as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary transfers</td>
<td>R2.4 billion</td>
<td>R2.5 billion</td>
<td>R3.0 billion</td>
<td>R7.9 billion</td>
</tr>
</tbody>
</table>

- The target market’s ability to execute their respective programmes diligently within the timeframes envisaged and the uptake of financing facilities made available from the DBSA, within an acceptable risk framework, notwithstanding the demonstrable efforts by the DBSA as outlined below.

- The Bank’s continued access to sufficient and cost effective liquidity to ensure its continued ability to provide affordable infrastructure financing.

- Ability of the Bank to maintain inflation linked equity (capital and reserves) from 2016/17.

In seeking to mitigate the potential impediments to the successful delivery on the commitments outlined above, the Bank commits to continue to:

- Developing a more detailed understanding of the competitive landscape in priority market segments as well as a higher level of client intelligence.

- Develop expertise in the following areas:
  - New business development skills in all market segments.
    Skills to drive deal sourcing/origination to proactively seek deals and gain access to a high quality infrastructure pipeline.
  - Deal structuring expertise
    - Skills for structuring and packaging deals for clients and optimising returns for DBSA.
    - Key for playing the role of lead arranger in infrastructure market space.
  - Deal syndication
    - Skills for syndicating deals to other banks/lenders with deep knowledge of key commercial players.
    - Key for playing role of lead arranger.
  - Competitive landscape understanding
    Relevant skills to maximise success rate in tenders and therefore minimizing the cost of origination including: anticipating competitors’ behaviour; price loans at highest acceptable rate for clients; understand when to charge additional margin for service delivery activities
  - Municipal development planning support
    - Skilled resources available for deployment for integrated infrastructure planning.
    - Capacity building capability for: financial appraisal process and compliance activities and project design and resource planning.

Some of the required skills mentioned above are specialised in nature and the Bank is currently recruiting them from the market. This process is expected to be completed during the 2014/15 financial year. These positions are included in the overall headcount as approved by the DBSA Board. The Bank is
also currently redesigning the talent and skills management process to support the in-house
development of existing staff, where required.

An important focus area for the Bank is the improvement of various systems and processes. 19 key
activities have been identified to support the implementation of the strategy and operating model of
the DBSA, including amongst others:

- Review and simplify governance structures.
- Improve loan process to reduce overall turnaround times as well as improve the quality of through-
  put of projects.
- Reduction in cost of capital.
- Build culture and capabilities.
- Develop new products and services in key segments.

The 19 initiatives are at different stages of completion and the projects will be concluded over the next
year. To date six initiatives have been completed or substantially completed, six are in implementation,
four are in early stage field work and the remaining three should commence before the end of the
2013/14 financial year.

3. MAINTAINING FINANCIAL SUSTAINABILITY

3.1. Financial plan

In preparing the three-year financial plan of the DBSA, the main economic conditions impacting the
budget include the low interest rate environment, which is expected to remain low over the medium
term, market anomalies in the medium to long term swap and government bond curves, the volatility of
exchange rates as well as the increased impairment risk in certain client segments. In addition, many
commercial institutions, which have excess cash resources available, are seeking higher income yields
and have identified infrastructure financing as an alternative source of income. This had the effect of
driving the lending rates of public sector projects significantly down which benefits the infrastructure
development market but impacts the ability of the DBSA to competitively participate in certain markets.

With the objective of achieving financial sustainability and meeting the Bank’s goal of generating and
sustaining inflation-linked growth in equity by 2017, the financial plan incorporates the financial results
of the business strategy outlined previously. The plan is also premised on the receipt of the remaining
R5.5 billion capital injection over the next two years, R2.5 billion in 2014/15 and R3.0 billion in 2016/17.
The capital injection will support the DBSA to deliver successfully, both in terms of volume and cost
effectiveness of infrastructure finance to the respective target markets, especially the municipal market,
and ensure that the Bank remains below the prudential debt/equity limit of 250% (excluding callable
capital).

It is envisaged that the over the next three years total assets could grow to R97.1 billion, whilst the
debt/equity ratio is managed between 195% and 228%. The financial projections are premised on the
following assumptions:

- Full cost recovery in the non-lending business.
- A reduction in the cost-to-income ratio over the three year period.
- No income from equity investments.
- No income from product diversification.
  2016/17.
- Revaluations were not budgeted for due to the volatility in the number.
The salient features of the plan for the financial years 2014/15 to 2015/16 includes:

- Targeted annual infrastructure disbursements of R15.4 billion, R17.8 billion and R22.0 billion for the respective financial years.
- Net interest income of R2.2 billion (2014/15) is expected to increase to R3.4 billion by 2016/17, based on the projected loan book, capital repayments and disbursements and taking additional liquidity requirements into account. The net interest margin is projected to remain around the 48% mark.
- The cost-to-income ratio is projected to improve from 44.8% in 2014/15 to 33.1% in 2016/17, mainly as a consequence of the growth in the net interest income.
- Developmental loans are projected to grow to R83.9 billion by 2016/17.
- Return on average equity is projected to improve from 1.9% in 2014/15 to 4.7% by 2016/17. This is largely affected by the improvement in the gearing, higher net interest margins and inflationary increases assumed in operating expenses.

3.2. **Borrowing programme**

The detailed borrowing programme for the 2014/15 financial year, together with the projected borrowing requirements for the subsequent two financial years are provided in Annexure 5.7 of the Corporate Plan.

3.3. **Dividend policy**

As agreed with the Shareholder no dividends are declared by the DBSA.

3.4. **Procurement policy**

In line with the requirements of the Public Finance Management Act (1999), the Bank has developed and implemented a procurement policy that also addresses the BEE requirements set out in government policy and relevant legislation.

3.5. **Capital expenditure plan**

The capital expenditure plan as set out below is mainly to support the collective operations of the Bank and the envisaged growth over the next three years. The following table provides a summary of the planned fixed capital expenditure per main fixed asset category:

<table>
<thead>
<tr>
<th>Asset type</th>
<th>Budget 2014/15</th>
<th>Budget 2015/16</th>
<th>Budget 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property plant and equipment</td>
<td>R23.7 mil</td>
<td>R30.0 mil</td>
<td>R20.0 mil</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>R64.9 mil</td>
<td>R11.8 mil</td>
<td>R20.0 mil</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>R88.6 mil</strong></td>
<td><strong>R41.8 mil</strong></td>
<td><strong>R40.0 mil</strong></td>
</tr>
</tbody>
</table>
### 3.6. Financial forecast

**BALANCE SHEET**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>1 252</td>
<td>2 283</td>
<td>975</td>
<td>1 195</td>
<td>1 286</td>
</tr>
<tr>
<td>Investment securities</td>
<td>3 436</td>
<td>3 012</td>
<td>1 498</td>
<td>2 293</td>
<td>3 488</td>
</tr>
<tr>
<td>Derivatives</td>
<td>1 423</td>
<td>1 404</td>
<td>1 442</td>
<td>1 549</td>
<td>1 597</td>
</tr>
<tr>
<td>Equity investments</td>
<td>4 456</td>
<td>4 843</td>
<td>4 901</td>
<td>5 120</td>
<td>5 319</td>
</tr>
<tr>
<td>Development loans</td>
<td>42 620</td>
<td>50 445</td>
<td>60 717</td>
<td>71 263</td>
<td>83 936</td>
</tr>
<tr>
<td>Development bonds</td>
<td>-</td>
<td>773</td>
<td>773</td>
<td>773</td>
<td>773</td>
</tr>
<tr>
<td>PPE &amp; intangibles</td>
<td>556</td>
<td>538</td>
<td>530</td>
<td>521</td>
<td>513</td>
</tr>
<tr>
<td>Other assets</td>
<td>197</td>
<td>191</td>
<td>191</td>
<td>191</td>
<td>191</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>53 940</td>
<td>63 489</td>
<td>71 028</td>
<td>82 906</td>
<td>97 104</td>
</tr>
<tr>
<td>Medium- to long-term debt</td>
<td>35 872</td>
<td>41 581</td>
<td>46 235</td>
<td>54 063</td>
<td>66 815</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>202</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivatives</td>
<td>86</td>
<td>65</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1 075</td>
<td>1 052</td>
<td>1 052</td>
<td>1 052</td>
<td>1 052</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>37 235</td>
<td>42 698</td>
<td>47 287</td>
<td>55 115</td>
<td>67 867</td>
</tr>
<tr>
<td>Shareholders’ equity and permanent government funding</td>
<td>3 992</td>
<td>6 392</td>
<td>8 892</td>
<td>11 892</td>
<td>11 892</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>11 032</td>
<td>12 191</td>
<td>12 641</td>
<td>13 691</td>
<td>15 137</td>
</tr>
<tr>
<td>Other reserves</td>
<td>1 681</td>
<td>2 208</td>
<td>2 208</td>
<td>2 208</td>
<td>2 208</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>16 705</td>
<td>20 791</td>
<td>23 741</td>
<td>27 791</td>
<td>29 237</td>
</tr>
<tr>
<td><strong>Total equity &amp; liabilities</strong></td>
<td>53 940</td>
<td>63 489</td>
<td>71 028</td>
<td>82 906</td>
<td>97 104</td>
</tr>
</tbody>
</table>

**Balance sheet ratios:**

- Debt / equity (excl. callable capital) 217.4% 201.0% 195.2% 194.6% 228.4%
- Return on average equity (4.8%) 11.1% 2.0% 4.2% 5.3%
## INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual R mil</td>
<td>Forecast R mil</td>
<td>Budget R mil</td>
<td>Projection R mil</td>
<td>Projection R mil</td>
</tr>
<tr>
<td>Interest income</td>
<td>4 068</td>
<td>4 272</td>
<td>4 676</td>
<td>5 623</td>
<td>7 002</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(2 442)</td>
<td>(2 548)</td>
<td>(2 438)</td>
<td>(2 801)</td>
<td>(3 608)</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td><strong>1 626</strong></td>
<td><strong>1 724</strong></td>
<td><strong>2 238</strong></td>
<td><strong>2 822</strong></td>
<td><strong>3 394</strong></td>
</tr>
<tr>
<td>Net fee income</td>
<td>188</td>
<td>342</td>
<td>197</td>
<td>199</td>
<td>196</td>
</tr>
<tr>
<td>Other income</td>
<td>124</td>
<td>107</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Operating income</td>
<td>1 938</td>
<td>2 173</td>
<td>2 451</td>
<td>3 037</td>
<td>3 606</td>
</tr>
<tr>
<td>Impairment</td>
<td>(1 606)</td>
<td>(650)</td>
<td>(776)</td>
<td>(852)</td>
<td>(989)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(947)</td>
<td>(698)</td>
<td>(938)</td>
<td>(975)</td>
<td>(1 012)</td>
</tr>
<tr>
<td>Personnel cost</td>
<td>(654)</td>
<td>(466)</td>
<td>(656)</td>
<td>(683)</td>
<td>(710)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(274)</td>
<td>(213)</td>
<td>(255)</td>
<td>(265)</td>
<td>(275)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(19)</td>
<td>(19)</td>
<td>(27)</td>
<td>(27)</td>
<td>(27)</td>
</tr>
<tr>
<td>Project preparation costs</td>
<td>-</td>
<td>(17)</td>
<td>(80)</td>
<td>(80)</td>
<td>(80)</td>
</tr>
<tr>
<td>Development expenditure (M2/M3)</td>
<td>-</td>
<td>-</td>
<td>(80)</td>
<td>(90)</td>
<td>(100)</td>
</tr>
<tr>
<td>Revaluation on equity investments</td>
<td>29</td>
<td>86</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sustainable earnings</strong></td>
<td><strong>(586)</strong></td>
<td><strong>894</strong></td>
<td><strong>577</strong></td>
<td><strong>1 040</strong></td>
<td><strong>1 425</strong></td>
</tr>
<tr>
<td>Grants: Stakeholder relations cost</td>
<td>(36)</td>
<td>(1)</td>
<td>(6)</td>
<td>(6)</td>
<td>(6)</td>
</tr>
<tr>
<td>Grants: Development Fund</td>
<td>(120)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation (loss) / gain on other financial instruments</td>
<td>(431)</td>
<td>84</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange gain / (loss)</td>
<td>347</td>
<td>182</td>
<td>(121)</td>
<td>57</td>
<td>81</td>
</tr>
<tr>
<td><strong>Net (loss)/profit</strong></td>
<td><strong>(826)</strong></td>
<td><strong>1 159</strong></td>
<td><strong>450</strong></td>
<td><strong>1 091</strong></td>
<td><strong>1 500</strong></td>
</tr>
</tbody>
</table>

### Income statement ratios

- **Net interest margin** 40.0% 40.4% 47.9% 50.2% 48.5%
- **Cost to income ratio (note 1)** 48.9% 32.8% 44.8% 37.7% 33.1%

**Note 1:** Cost-to-income ratio includes operating expenditure plus development expenditure and project preparation costs divided by operating income
CASH FLOW STATEMENT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss) / profit for the year</td>
<td>(826)</td>
<td>1 159</td>
<td>450</td>
<td>1 091</td>
<td>1 500</td>
</tr>
<tr>
<td>Adjusted for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>35</td>
<td>19</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Grants</td>
<td>19</td>
<td>18</td>
<td>86</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>(26)</td>
<td>(29)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fees raised (development loans)</td>
<td>(17)</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Realised capital gain on equity inv</td>
<td>(77)</td>
<td>(83)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revaluation (gains) / losses</td>
<td>372</td>
<td>(169)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange (gains) / losses</td>
<td>(18)</td>
<td>276</td>
<td>121</td>
<td>(57)</td>
<td>(81)</td>
</tr>
<tr>
<td>Impairments</td>
<td>1 606</td>
<td>650</td>
<td>776</td>
<td>852</td>
<td>989</td>
</tr>
<tr>
<td>Net interest income</td>
<td>(1 626)</td>
<td>(1 724)</td>
<td>(2 238)</td>
<td>(2 822)</td>
<td>(3 394)</td>
</tr>
<tr>
<td>Change in other assets</td>
<td>2</td>
<td>(122)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in other payables</td>
<td>3</td>
<td>(400)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest &amp; dividends received</td>
<td>3 897</td>
<td>4 420</td>
<td>4 676</td>
<td>5 623</td>
<td>7 002</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(2 337)</td>
<td>(1 808)</td>
<td>(2 438)</td>
<td>(2 801)</td>
<td>(3 608)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>1 007</td>
<td>2 215</td>
<td>1 460</td>
<td>2 000</td>
<td>2 521</td>
</tr>
<tr>
<td>Cash flows from development activities</td>
<td>(2 071)</td>
<td>(7 856)</td>
<td>(11 135)</td>
<td>(11 634)</td>
<td>(13 695)</td>
</tr>
<tr>
<td>Development loan disbursements</td>
<td>(8 385)</td>
<td>(11 832)</td>
<td>(15 200)</td>
<td>(17 600)</td>
<td>(21 800)</td>
</tr>
<tr>
<td>Development loan principal repayments</td>
<td>6 563</td>
<td>4 648</td>
<td>4 171</td>
<td>6 252</td>
<td>8 341</td>
</tr>
<tr>
<td>Net increase in equity investments</td>
<td>(293)</td>
<td>(617)</td>
<td>(200)</td>
<td>(200)</td>
<td>(150)</td>
</tr>
<tr>
<td>Grant paid</td>
<td>(35)</td>
<td>(18)</td>
<td>(86)</td>
<td>(86)</td>
<td>(86)</td>
</tr>
<tr>
<td>Net advances to National Mandates</td>
<td>78</td>
<td>(39)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(38)</td>
<td>(2 644)</td>
<td>1 495</td>
<td>(813)</td>
<td>(1 214)</td>
</tr>
<tr>
<td>Purchase of PPE &amp; intangibles</td>
<td>(10)</td>
<td>-</td>
<td>(89)</td>
<td>(41)</td>
<td>(40)</td>
</tr>
<tr>
<td>Proceeds from sale of PPE</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Movement in financial market assets</td>
<td>48</td>
<td>(2 644)</td>
<td>1 584</td>
<td>(772)</td>
<td>(1 174)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>375</td>
<td>9 440</td>
<td>7 051</td>
<td>10 668</td>
<td>12 480</td>
</tr>
<tr>
<td>Capital raised</td>
<td>-</td>
<td>2 400</td>
<td>2 500</td>
<td>3 000</td>
<td>-</td>
</tr>
<tr>
<td>Financial market liabilities repaid</td>
<td>(3 996)</td>
<td>(5 827)</td>
<td>(2 922)</td>
<td>(3 019)</td>
<td>(4 842)</td>
</tr>
<tr>
<td>Financial market liabilities raised</td>
<td>4 372</td>
<td>12 867</td>
<td>7 473</td>
<td>10 687</td>
<td>17 322</td>
</tr>
<tr>
<td>Movement in cash &amp; cash equivalents</td>
<td>(651)</td>
<td>1 155</td>
<td>(1 308)</td>
<td>220</td>
<td>91</td>
</tr>
<tr>
<td>Effect of exchange rate movements</td>
<td>(210)</td>
<td>(124)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Opening cash &amp; cash equivalents</td>
<td>2 113</td>
<td>1 252</td>
<td>2 283</td>
<td>975</td>
<td>1 195</td>
</tr>
<tr>
<td>Closing cash &amp; cash equivalents</td>
<td>1 252</td>
<td>2 283</td>
<td>975</td>
<td>1 195</td>
<td>1 286</td>
</tr>
</tbody>
</table>
4. **DBSA 2014/15 Group Balanced Scorecard**

4.1. **Balanced Scorecard Key Performance Indicators**

For the last number of years the Bank has utilised the balanced scorecard (BSC) methodology as a strategic measurement and management tool. Embarking on a new strategic trajectory has required the Bank to also align the BSC to ensure that DBSA monitors progress against its medium term objectives. As such a number of new measures have been incorporated, including:

- **Planning (pre-financing) support to municipalities**
  - Number of infrastructure plans completed and accepted by the respective secondary - and under resourced municipalities.

- **Implementation (post-financing) support to municipalities**
  - Completion of critical milestones for mandated programmes.
    
    Although implementation remains the responsibility of the respective municipality, DBSA seeks to play an important role in supporting municipalities to progress to implementation. Key milestones include:
    - Prepare a business plan or case.
    - Support project design e.g. architecture plans.
    - Process to procure implementing agent e.g. construction firms.
    - Construction commences.

- **SIP 6: Integrated Infrastructure Plan completed.**

The DBSA currently acts as coordinating agent on behalf of the PICC and has agreed to complete the infrastructure plan during the course of 2014/15. Going forward the DBSA has indicated its desire to play a broader role in the implementation of some of the projects, however, the Bank’s implementation role has not yet been formalised with the PICC. As such the DBSA will seek to identify a number of projects during 2014/15 which the organisation could potentially support in future periods.

- **Value of project prepared (project preparation activities) to increase the availability of bankable infrastructure projects in South Africa and the broader region.**

Projects prepared will be measured at ERR (early review report) stage i.e. first stage investment report is prepared (based on projects prepared) and approved to proceed to due diligence. Alternatively, a project prepared could be accepted by a third party to fund (i.e. doesn’t go into the DBSA investment process).

- **Sustainable earnings which represent “controllable earnings” and earnings which the Bank needs to actively manage.** The measure presents net profit adjusted for: non-reoccurring items (such as restructuring expenses), foreign exchange adjustment, revaluation of financial instruments and grants, but includes revaluation on equity investments.

- **New product development initiative especially linked to the opportunity to provide syndication services.**

- **Continued development of the DBSA leadership team as part of the broader succession plan.**

- **Implement the culture change initiative.**

- **Customer and partner satisfaction survey covering lending and implementation business (including the Jobs and Green Funds) of the DBSA as well as key partners and stakeholders.**
Similarly a number of KPIs have been refined or removed, including:

- **KPIs refined**
  - Disbursements targets have been regrouped into municipal (with the three tiers indicated separately, disbursements to other social infrastructure, disbursements to support economic infrastructure and disbursements to the rest of the continent.
  - Non-performing loan book. The ratio has been amended to take into account the provision for specific impairments. The net balance reflects the net “open” risk position which the Bank needs to manage on a continuous basis. Any adjustments to the impairment provision will also impact the sustainable earnings results.

- **KPIs removed**
  - ICT governance maturity index. ICT governance is managed at an operational level and oversight provided by the
  - Jobs Fund. KPIs removed due to the inability of the Bank to control the end-to-end process. Service satisfaction will be covered as part of the client & partner satisfaction survey.
  - Green Fund KPI has been removed as this programme does not represent a significant part of the day-to-day operations of the Bank. As with the Jobs Fund, service satisfaction will be covered as part of the client & partner satisfaction survey.

**Key assumptions in drafting the BSC**

- The need for the DBSA to remain financially sustainable within its overall development mandate and the Shareholder’s expectation that the DBSA will at all material times endeavour to pursue its business initiatives in furtherance of this objective
- Timely injection of the remaining R5.5 billion (2014/15: R2.5 billion) and 2015/16: R3.0 billion).
- Total annual disbursements of R15.4 billion, R17.8 billion and R22.0 billion for the 2014/15, 2015/16 and 2016/17 financial years respectively.
  
  The growth in disbursements in 2016/17 to R22.0 billion is dependent on the continued financial/capital support from the fiscus post 2015/16 and the successful implementation of the project preparation activities. The target for the 2016/17 will be reviewed in later years.
- Ability of the DBSA to raise adequate and cost-effective funding.
- Managing the deb/to-equity ratio within acceptable levels.
- Adequate funding demand in the respective business segments.
- No delays in the implementation of the various national infrastructure programmes.
- Financial and other support from government regarding non-financial activities (recovery of costs, support in implementing mandates and support to secondary and under-resourced municipalities).

The Corporate BSC for the financial years from 2014/15 to 2016/17 is presented in the tables overleaf:
## DBSA 2014/15 Group BSC

### CUSTOMER PERSPECTIVE (50%)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Key performance indicator</th>
<th>Projected March 2014</th>
<th>Weight</th>
<th>Target 2014/15</th>
<th>Weight</th>
<th>Target 2015/16</th>
<th>Weight</th>
<th>Target 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal support programmes</td>
<td>Value of disbursements to municipalities</td>
<td>R1.6 billion</td>
<td>3%</td>
<td>R4.5 billion</td>
<td>3%</td>
<td>R6.0 billion</td>
<td>3%</td>
<td>R6.3 billion</td>
</tr>
<tr>
<td></td>
<td>Metropolitan cities</td>
<td>R0.8 billion</td>
<td>3%</td>
<td>R3.0 billion</td>
<td>3%</td>
<td>R4.0 billion</td>
<td>3%</td>
<td>R4.0 billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R0.6 billion</td>
<td>4%</td>
<td>R1.2 billion</td>
<td>4%</td>
<td>R1.5 billion</td>
<td>4%</td>
<td>R1.6 billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R0.2 billion</td>
<td>6%</td>
<td>R0.3 billion</td>
<td>6%</td>
<td>R0.5 billion</td>
<td>6%</td>
<td>R0.7 billion</td>
</tr>
<tr>
<td>Project planning support (pre-financing support)</td>
<td>Planning unit established</td>
<td>4%</td>
<td>Number of plans completed in line with the agreement with the respective municipalities</td>
<td>4%</td>
<td>Number of plans completed in line with the agreement with the respective municipalities</td>
<td>4%</td>
<td>Number of plans completed in line with the agreement with the respective municipalities</td>
<td></td>
</tr>
<tr>
<td>Project implementation (post-financing support)</td>
<td>Implementation unit established</td>
<td>4%</td>
<td>80% of milestones completed</td>
<td>4%</td>
<td>80% of milestones completed</td>
<td>4%</td>
<td>80% of milestones completed</td>
<td></td>
</tr>
<tr>
<td>Implementation support to SIP 6, National Integrated Municipal Infrastructure Programme (Note 4)</td>
<td>Planning work completed</td>
<td>3%</td>
<td>Integrated Infrastructure Plan completed</td>
<td>3%</td>
<td>Implementing support (if agreed by the PICC)</td>
<td>3%</td>
<td>Not confirmed</td>
<td></td>
</tr>
</tbody>
</table>

**Note 1:** Financial support to secondary and under resourced municipalities: Ability to support this client segment is dependent on the financial (including MIG front-loading and recovery of costs) and non-financial (including human capacity such as technical expertise) support from the National Treasury and other government departments to effectively package and implement infrastructure projects.

**Note 2:** Number of plans completed and accepted by the under-resourced municipalities. Infrastructure investment plans for example includes: urban network -, precinct -, business-, feasibility and funding plans. The actual number will be assessed against each mandate secured and may vary from municipality to municipality.

**Note 3:** Project implementation support: Although implementation remains the responsibility of the respective municipality, DBSA seeks to play an important role in supporting a municipality to progress to implementation. Key milestones include:
1. Prepare a business plan or case.
2. Support project design e.g. architecture plans.
3. Process to procure implementing agent e.g. construction firms.

**Note 4:** SIP 6: The DBSA currently acts as coordinating agent on behalf of the PICC and has agreed to complete the infrastructure plan during the course of 2014/15. Going forward the DBSA has indicated its desire to play a broader role in the implementation of some of the projects, however, the Bank’s implementation role has not yet been formalised with the PICC. As such the DBSA will seek to identify a number of projects during 2014/15 which the organisation could potentially support in future periods.
## CUSTOMER PERSPECTIVE (CONTINUED) (50%)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Key performance indicator</th>
<th>Projected March 2014</th>
<th>Weight</th>
<th>Target 2014/15</th>
<th>Weight</th>
<th>Target 2015/16</th>
<th>Weight</th>
<th>Target 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve the quality of life of people through the development of social infrastructure (continued)</td>
<td>Value of social infrastructure disbursements in South Africa (education, health, housing and water)</td>
<td>R0.8 billion</td>
<td>4%</td>
<td>R1.1 billion</td>
<td>4%</td>
<td>R1.2 billion</td>
<td>4%</td>
<td>R1.9 billion</td>
</tr>
<tr>
<td></td>
<td>Implementation and delivery support programmes (note 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>Various milestones achieved</td>
<td>2%</td>
<td>80% of milestones completed</td>
<td>2%</td>
<td>80% of milestones completed</td>
<td>2%</td>
<td>80% of milestones completed</td>
</tr>
<tr>
<td></td>
<td>Health</td>
<td>Various milestones achieved</td>
<td>2%</td>
<td>80% of milestones completed</td>
<td>2%</td>
<td>80% of milestones completed</td>
<td>2%</td>
<td>80% of milestones completed</td>
</tr>
<tr>
<td></td>
<td>Housing</td>
<td>Various milestones achieved</td>
<td>2%</td>
<td>80% of milestones completed</td>
<td>2%</td>
<td>80% of milestones completed</td>
<td>2%</td>
<td>80% of milestones completed</td>
</tr>
<tr>
<td>Support economic growth through investment in economic infrastructure</td>
<td>Project preparation (fast-tracking projects to bankability) (note 2)</td>
<td>PPU established</td>
<td>3%</td>
<td>Value of projects prepared: R3 billion</td>
<td>3%</td>
<td>Value of projects prepared: R4 billion</td>
<td>3%</td>
<td>Value of projects prepared: R5 billion</td>
</tr>
<tr>
<td></td>
<td>Value of economic infrastructure disbursements in South Africa (transport, energy, ICT)</td>
<td>R6.6 billion</td>
<td>5%</td>
<td>R5.3 billion</td>
<td>5%</td>
<td>R5.6 billion</td>
<td>5%</td>
<td>R6.6 billion</td>
</tr>
<tr>
<td>Support regional integration</td>
<td>Value of infrastructure disbursements to the rest of the continent (selected countries)</td>
<td>R4.2 billion</td>
<td>6%</td>
<td>R4.5 billion</td>
<td>6%</td>
<td>R5.0 billion</td>
<td>6%</td>
<td>R7.2 billion</td>
</tr>
<tr>
<td>Provide excellent customer service</td>
<td>Client and partner satisfaction (note 3)</td>
<td>Not conducted</td>
<td>2%</td>
<td>Conduct survey (use actual rating)</td>
<td>2%</td>
<td>Conduct survey (use actual rating)</td>
<td>2%</td>
<td>Conduct survey (use actual rating)</td>
</tr>
</tbody>
</table>

**Note 1: Implementation of support programmes in education, housing and health**: The measure currently includes support to the following programmes:
- ASIDI programme: Completion of units in line with construction time table (71 schools over 2014/15 and 2015/16).
- Construction of 1 000 units as part of the Eastern Cape Rural Housing Programme.
- Gauteng Hospital Revitalisation programme, construction of doctors consulting rooms (50 over the next two years), complete repairs and minor maintenance to identified clinics. (368 over the next two years).

It should be noted that the underlying programmes and/or deliverables may change during the year as agreements with the respective departments are amended or added.

**Note 2 Project preparation support**: excludes pre-financing support to secondary and under-resourced municipalities. Projects prepared will be measured at ERR (early review report) stage i.e. first stage investment report is prepared (based on projects prepared) and approved to proceed to due diligence. Alternatively, a project prepared could be accepted by a third party to fund (i.e. doesn’t go into the DBSA investment process).

**Note 3 Client and partner satisfaction survey**: covers lending and implementation business (including the Jobs and Green Funds) of the DBSA as well as key partners and stakeholders.
## FINANCIAL PERSPECTIVE (30%)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Key performance indicator</th>
<th>Projected March 2014</th>
<th>Weight</th>
<th>Target 2014/15</th>
<th>Weight</th>
<th>Target 2015/16</th>
<th>Weight</th>
<th>Target 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain financial sustainability</td>
<td>Sustainable earnings (Note 1 and 2)</td>
<td>R894 million</td>
<td>10%</td>
<td>R577 million (Note 3)</td>
<td>10%</td>
<td>R1.0 billion</td>
<td>10%</td>
<td>R1.4 billion</td>
</tr>
<tr>
<td></td>
<td>Net profit</td>
<td>R1.2 billion</td>
<td>5%</td>
<td>R500 million (financial forecast: R450 million) (Note 4)</td>
<td>5%</td>
<td>R1.2 billion (financial forecast: R1.1 billion)</td>
<td>5%</td>
<td>R1.6 billion (financial forecast: R1.5 billion)</td>
</tr>
<tr>
<td></td>
<td>Return on average equity</td>
<td>11.1%</td>
<td>5%</td>
<td>2.0%</td>
<td>5%</td>
<td>4.2%</td>
<td>5%</td>
<td>5.3%</td>
</tr>
<tr>
<td></td>
<td>Non-performing loan book after specific impairments (note 5)</td>
<td>2.2% (Dec 2013)</td>
<td>5%</td>
<td>3.3%</td>
<td>5%</td>
<td>3.3%</td>
<td>5%</td>
<td>3.3%</td>
</tr>
<tr>
<td></td>
<td>Cost recovery/ fees generated on delivery projects (Note 6)</td>
<td>Full cost recovery</td>
<td>5%</td>
<td>Full cost recovery</td>
<td>5%</td>
<td>Full cost recovery</td>
<td>5%</td>
<td>Full cost recovery</td>
</tr>
</tbody>
</table>

**Note 1: Sustainable earnings**: Net profit before adjustments for non-recurring items (for example restructuring expenses and write-back of guarantee fees, grants, foreign exchange and revaluation of financial instruments adjustments, but includes revaluations on equity investments and impairments.

**Note 2: Margin management**: To support the Bank’s financial sustainability objective, the Bank implemented a new pricing tool during the 2013/14 financial year. Projects are priced at rates varying from subsidised to fully commercial, whilst on a portfolio basis, the Bank targets a minimum return-on-equity of 12% (on a weighted average basis), which represents the minimum required economic return on risk capital.

**Note 3: 2014/15 Sustainable earnings target**: The decrease in the 2014/15 target of R577 million compared to 2013/14 forecast of R894 million is mainly attributable to the once-off reversal of guarantee fees recognised in prior periods during the 2013/14 financial year, operational cost savings due to unfilled vacancies (approximately 90) and related savings on general and administrative expenses as well as the impact of project preparation and support to under-resourced municipalities being reflected in the budget for 2014/15.

**Note 4: 2014/15 Net profit target**: The decrease in the target from the 2013/14 forecast of R1.2 billion to R500 million for 2014/15 is mainly attributable to the matters discussed under note 3 above as well as the impact of an expected R266 million gain in foreign exchange and revaluation of financial instruments adjustments for 2013/14 compared to a foreign exchange loss of R121 million projected for 2014/15. No budget has been set for adjustment for revaluation of financial instruments for 2014/15.

**Note 5: Non-performing loan book (NPL) after specific impairments**: The ratio is reflective of the Bank’s net exposure to potential future impairment risks. In determining the target of 3.3% for the period 2014/15 to 2016/17, the Bank considered the preceding five year median ratio of 2.53% with a two (2) times standard deviation of 0.39% to allow for sufficient headroom to consider higher risk investments in executing the DBSA mandate.

**Note 6: Cost recovery /fees generated on delivery projects**: Only relates to the Infrastructure Delivery Division.
### INTERNAL PERSPECTIVE (10%)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Key performance indicator</th>
<th>Projected March 2014</th>
<th>Weight</th>
<th>Target 2014/15</th>
<th>Weight</th>
<th>Target 2015/16</th>
<th>Weight</th>
<th>Target 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide innovative infrastructure solutions</td>
<td>New product development</td>
<td></td>
<td></td>
<td>Pilot syndication product</td>
<td>4%</td>
<td>Value of fees generated (value to be determined based on pilot)</td>
<td>4%</td>
<td>Value of fees generated (value to be determined based on pilot)</td>
</tr>
<tr>
<td></td>
<td>Effectiveness of business intelligence and knowledge management processes</td>
<td></td>
<td></td>
<td>Effectiveness of implementation measured through internal survey</td>
<td>3%</td>
<td>Effectiveness of implementation measured through internal survey</td>
<td>3%</td>
<td>Effectiveness of implementation measured through internal survey</td>
</tr>
<tr>
<td>Continuous improvement of internal systems and processes</td>
<td>Cost-to-income ratio (note 5)</td>
<td>32.8%</td>
<td>3%</td>
<td>Max 42.0% (financial forecast: 44.8%)</td>
<td>3%</td>
<td>Max 35.0% (financial forecast: 37.7%)</td>
<td>3%</td>
<td>Max 35.0% (financial forecast: 33.1%)</td>
</tr>
</tbody>
</table>

**Note 5: Cost-to-income ratio.** The cost-to-income ratio is the ratio between operating expenses and operating income and measures how costs are changing compared to income. It is one of the main key performance indicators of a financial institution’s efficiency. The lower the ratio the more efficient the Bank. From a financial sustainability point of view, the DBSA will target to maintain the ratio around 35% over the medium term. This ratio should also be seen in conjunction with the output measures of disbursement and sustainable earnings. Recognising that the credit process plays an important role in the overall efficiency of the Bank, the Bank will be tabling an update on improvements in the credit process at BCIC during March 2014. The Bank will also be assessing the need to implement a workflow management process to establish consistency in the credit process and track key touch points.

### LEARNING AND GROWTH (10%)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Key performance indicator</th>
<th>Projected March 2014</th>
<th>Weight</th>
<th>Target 2014/15</th>
<th>Weight</th>
<th>Target 2015/16</th>
<th>Weight</th>
<th>Target 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create and maintain high performance environment</td>
<td>• Development and retention of key skills (note 1)</td>
<td>90% of key skills retained</td>
<td>4%</td>
<td>90% of key skills retained</td>
<td>4%</td>
<td>80% of key skills retained</td>
<td>4%</td>
<td>80% of key skills retained</td>
</tr>
<tr>
<td></td>
<td>• Leadership development as part of succession planning programme</td>
<td>Selected managers completed leadership development programme</td>
<td>2%</td>
<td>Coaching programme implemented for identified Group Executives and General Managers</td>
<td>2%</td>
<td>Continued implementation of development plan as part of broader succession plan</td>
<td>2%</td>
<td>Continued implementation of development plan as part of broader succession plan</td>
</tr>
<tr>
<td></td>
<td>• Implementation of culture change initiative</td>
<td>Conducted culture survey and design project implementation plan</td>
<td>4%</td>
<td>80% of milestones completed in line with project plan (milestones)</td>
<td>4%</td>
<td>Assess implementation in line with project plan Conduct staff satisfaction survey</td>
<td>4%</td>
<td>Conduct staff satisfaction survey</td>
</tr>
</tbody>
</table>

**Note 1:** Retention of key skills declines over the reporting period as the various retention contracts expires during the 2014/15 and 2015/16 financial years. For the 2015/16 and 2016/17 financial years the Bank envisages to manage the ratio at a “normalised” rate of 80%.
ANNEXURES FOR PFMA COMPLIANCE PURPOSES
5. **Annexures index**

5.1 Corporate governance

5.2 DBSA Fraud prevention plan

5.3 DBSA corporate structure

5.4 Composition of the Board of Directors and Executive Management team

5.5 Enterprise risk management framework

5.6 Key Operational Risks

5.7 2014/15 funding plan and borrowing program

5.8 Materiality and significance framework

5.9 DBSA employment equity plan

5.10 DBSA environmental framework
Annexure 5.1: Corporate governance

Constitution of the DBSA

The Development Bank of Southern Africa (DBSA) was established in 1983 to perform a broad economic development function within the homeland constitutional dispensation that prevailed at the time. In 1994, the new constitutional and economic dispensation of South Africa resulted in the transformation of the role and function of the DBSA.

Thus in 1997, the DBSA was reconstituted in terms of the Development Bank of Southern Africa Act (No. 13 of 1997), as a development finance institution (DFI). Its primary purpose is to promote economic development and growth, human resource development and institutional capacity building by mobilising financial and other resources from the national and international private and public sectors for sustainable development projects and programmes in South Africa and the wider African continent (“the region”). Its regulations provide for a sharp focus on infrastructure development, especially in South Africa, where it is located in a development finance system in which various DFI’s have been given specific areas of focus to limit duplication and unnecessary overlaps.

The constitution and conduct of the DBSA Board of Directors are primarily governed by the DBSA Act (No 13 of 1997) and further regulated by the Public Finance Management Act (PFMA), the principles of the King III Report and the Protocol on Corporate Governance in the Public Sector.

DBSA mandate

The Bank’s mandate is defined by Section 3 of the DBSA Act as follows:

**DBSA Act: Section 3**

“The main objects of the Bank shall be the promotion of economic development and growth, human resources development, institutional capacity building, and the support of development projects and programmes in the region by:

a) Mobilising financial and other resources from the private and public sectors, national or international, on a wholesale basis, as determined in the regulations.

b) Appraising, planning and monitoring the implementation of development projects and programmes.

c) Facilitating the participation of the private sector and community organisations in development projects and programmes.

d) Providing technical assistance, particularly in respect of human resource development and training with regard to the identification, preparation, evaluation, financing, implementation and management of development projects and programmes.

e) Funding or mobilising wholesale funding, as determined in the regulations, for initiatives to minimise or mitigate the environmental impact of development projects or programmes.

(2) Ancillary objects of the Bank shall be:

a) to assist other international, national, regional and provincial initiatives in order to achieve an integrated finance system for development; and

b) to assist other institutions in the national or international, public and private sectors with the management of specific funds;

in order that the developmental requirements of the region may be met.”

Source: DBSA Act (No. 13 of 1997)
Governance framework
The Directors of the DBSA are committed to full compliance with the principles embodied in appropriate international corporate governance codes and strive to align the Bank’s corporate governance with national and international best practices. The figure below illustrates the governance framework of the DBSA:

Board of Directors
The constitution and business of the Board of Directors is governed by the DBSA Act and its Regulations as well as the relevant provisions in the PFMA and the Companies Act.

The Board currently consists of 13 directors, 11 of whom are non-executive. The Chief Executive and Chief Financial Officers are the only executive directors. A member from the National Treasury serves on the Board as a shareholder representative. In terms of the Board Charter, no distinction is made with respect to the fiduciary responsibility of Shareholder representatives and non-executive directors.

Directors’ appointment and induction
Appointment and nomination of directors to the DBSA Board is regulated by the DBSA Act in terms of which the Shareholder is charged with appointing the directors based on their abilities in relation to socio-economic development, finance, business, banking or administration. The Human Resources, Remuneration, Nominations, Social and Ethics Committee of the Board invites nominations for appointments, produces shortlists for the Board of Directors and the Board makes recommendations to the Minister for approval. Directors are appointed on a performance contract of three years and are eligible for reappointment depending on satisfactory performance. The Act further allows the Board to co-opt persons with special knowledge to its committees.

Board Charter
The DBSA Board is governed by a Board Charter which outlines the principal provisions of the DBSA Act, the fiduciary responsibilities of directors, the relationship with executive management, and matters of policy that the shareholder and the Board ought to follow in order to ensure good corporate governance. The role of the Board, as defined by the Board Charter, can be summarised as follows:

- Shall ensure that the Bank achieves the mandate of the organisation as defined by the Shareholder through the Bank’s founding statute (the DBSA Act).
• Has a responsibility to the broader stakeholders, which includes the present and potential beneficiaries of DBSA products and services, clients, lenders and employees, to achieve continuing prosperity for the Bank.

• Exercise leadership, enterprise, integrity and judgement in directing the Board to achieve continuing prosperity and to act in the best interests of the Bank while respecting the principles of transparency and accountability.

• Provide strategic guidance to management in the formulation and review of corporate strategy and shall approve, major plans of action, governance policies, appropriate procurement and provisioning systems, annual budgets and business plans.

• Ensure that the technology and systems used in the Bank are adequate to run the business properly for it to compete through the efficient use of its assets, processes and human resources.

• Ensure that the Shareholder’s performance objectives are achieved and that the same can be measured in terms of performance of the DBSA Board. In this regard, the Board shall annually conclude a Shareholder Compact as required in terms of the Public Finance Management Act (PFMA) to document key performance areas.

• The Board members shall develop and put in place a Code of Ethics outlining the values, ethics, and beliefs that guide the behaviour of DBSA Board and define the ethical standards applicable to it and to all who deal with it.

• Board members shall monitor the social responsibilities of the DBSA Board and promulgate policies consistent with the Bank’s legitimate interests and good business practices.

Board Committees
The DBSA Act gives the Board a mandate to appoint sub-committees necessary for carrying out its fiduciary responsibilities. In line with principles of the King III Report, all committees of the Board have formal terms of reference to ensure effective decision-making, monitoring and reporting. The terms of reference are reviewed periodically, along with the overall effectiveness and performance of the committees.

The DBSA Board has four committees: The Audit Risk & Finance Committee; Board Credit & Investment Committee; Human Resources, Nominations, Social & Ethics Committee and Infrastructure Delivery & Knowledge Committee.

Audit & Risk Committee
The functions of the Audit & Risk Committee are regulated by the PFMA and King III Report. Currently the Committee oversees the Bank’s internal control framework, and reviews and evaluates the integrity of financial and other statutory reporting, risk management processes, compliance with laws and regulations and ethics management. It oversees the internal and external audit functions and reviews the Internal Audit Plan and the annual assessments of significant risk exposures.

The Committee oversees and also advises the Board on income, expenditure and capital budget requirements; tax management; treasury arrangements and funds mobilisation strategies; transfer pricing policies; development loan impairments; management of assets and liabilities; and the Bank’s overall financial health and sustainability.

Board Credit & Investment Committee
The Committee reviews the Bank’s credit strategy, credit risk management programme, trends in portfolio quality, the adequacy of provision for credit losses and the credit risk management policies approved by the Board. The Committee approves all credit and investment proposals.
Human Resources, Nominations, Social & Ethics Committee

The Board of Directors has established the Human Resources, Nominations, Social and Ethics Committee (HRNSEC) to support it in the execution of its duties with respect to implementation of the human capital strategy, nomination of directors and executive remuneration for the DBSA, Board/Directors affairs and governance as well as social and ethics issues. The Board of Directors is the focal point of corporate governance in the DBSA. It is ultimately accountable and responsible for the performance, affairs and behaviour of the Bank. The HRNSEC has the responsibility to ensure that there are adequate processes, policies systems and procedures to ensure sound corporate governance.

Infrastructure Delivery & Knowledge Committee

This Committee oversees the implementation of the strategic mandates and infrastructure delivery programmes as well as the Bank’s policy advisory and knowledge management strategy as approved by the Board of Directors.
Composition of DBSA Board and Board Committees

The table below presents the composition of the DBSA Board and Board Committees. The current position, academic qualifications, other directorships, etc. are detailed under Annexure 5.4.

<table>
<thead>
<tr>
<th>DBSA Board</th>
<th>Audit &amp; Risk Committee</th>
<th>Board Credit &amp; Investment Committee</th>
<th>Infrastructure Delivery &amp; Knowledge Committee</th>
<th>Human Resources, Nominations, Social &amp; Ethics Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Jabu Moleketi (Chair)</td>
<td>Ms Mary Vilakazi (Chair)</td>
<td>Ms Thembisa Dingaan (Chair)</td>
<td>Prof Andrew Boraine (Chair)</td>
<td>Ms Dawn Marole (Chair)</td>
</tr>
<tr>
<td>Mr Frans Baleni (D/Chair)</td>
<td>Prof Andrew Boraine</td>
<td>Mr Patrick Dlamini (CE &amp; MD)</td>
<td>Mr Frans Baleni</td>
<td>Mr Frans Baleni</td>
</tr>
<tr>
<td>Mr Patrick Dlamini (CE &amp; MD)</td>
<td>Ms Thembisa Dingaan</td>
<td>Mr Omar Latiff</td>
<td>Dr Lungile Bhengu-Baloyi</td>
<td>Dr Lungile Bhengu-Baloyi</td>
</tr>
<tr>
<td>Dr Lungile Bhengu-Baloyi</td>
<td>Mr Anthony Frank Julies</td>
<td>Ms Busisiwe Mabuza</td>
<td>Mr Patrick Dlamini (CE &amp; MD)</td>
<td>Prof Brian Figaji (co-opted)</td>
</tr>
<tr>
<td>Prof Andrew Boraine</td>
<td>Ms Dawn Marole</td>
<td>Dr Claudia Manning</td>
<td>Mr Omar Latiff</td>
<td>Ms Busisiwe Mabuza</td>
</tr>
<tr>
<td>Mr Anthony Frank Julies</td>
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<td></td>
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<td>Dr Claudia Manning</td>
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<tr>
<td>Ms Dawn Marole</td>
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<td></td>
<td></td>
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<tr>
<td>Ms Mary Vilakazi</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ms Kameshni Naidoo (CFO)</td>
<td></td>
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</tbody>
</table>
Corporate Secretariat

The Bank through its Corporate Secretariat function will continue facilitating the development and execution of the annual Board programme through the coordination of meetings of the Board of Directors and its sub-committees.

Internal control and the Internal Audit function

The Board has delegated its oversight responsibility for systems of internal financial and operational control to the Audit & Risk Committee. The Bank is cognisant of the enhanced role of the Audit & Risk Committee as restated by the King III Report on Corporate Governance in entrenching governance principles, which incorporate and emphasise ethical behaviour, legislative compliance, sound accounting practice and strict adherence to delegations of authority.

The Bank has reviewed the terms of reference of the Audit & Risk Committee and aligned them with the precepts of the legislative and regulatory instruments.

The Risk Assurance unit has been decentralised and risk managers will continue playing a quality assurance role through the dual signing powers between the unit and line management. The fully operational compliance unit has been capacitated to advise the Board through the Audit & Risk Committee of all legislative and regulatory compliance risks.

The Internal Audit function conducts reviews, as identified in the annual internal audit plan approved by the Audit and Risk Committee, across the relevant functional areas to provide independent assurance to the Board of Directors on the effectiveness of the Bank’s internal control system. The Audit & Risk Committee will continue to monitor Internal Audit’s performance against plans in 2014/2015.

The Internal Audit unit of the DBSA was established in line with the requirements of the Public Finance Management Act to assist the Board in discharging its duties of effective risk management, governance and control.

The Unit uses a systematic and structured approach in line with best practice standards and frameworks to provide reasonable assurance to the Board and Management that adequate controls exist to mitigate risks affecting the achievement of key objectives of the Bank.

To enable the Unit to function in accordance with its mandate, Internal Audit develops risk-based plans, consistent with the DBSA’s goals, to determine its priorities in accordance with the International Standards for the Professional Practice of Internal Audit.

For the upcoming year, Internal Audit will direct its attention to the following areas:

- Playing a strategic role in embedding the principles of good governance in the Bank and ensuring that the standards of ethical behaviour are upheld.
- Implementation of continuous auditing within the IT environment over core processes to enable timely identification and mitigation of risk events.
- Partnering with key internal and external assurance providers to ensure optimal combined assurance to the Board and Management.
- Ensuring that key risks of the Bank are appropriately addressed.

In summary, the DBSA’s management of risk has become increasingly robust over the last year. The Enterprise Risk Management framework is discussed further in Annexure 5.5.

Ethics management and fraud prevention

The Development Bank of Southern Africa has adopted a Code of Ethics articulating the values and acceptable ethical standards to which all persons associated with the Bank are required to adhere. This notwithstanding, the Bank acknowledges that in today’s business environment, fraud is prevalent and all business organisations are susceptible to the risk of fraud. In this regard a Fraud Prevention Plan is updated annually which sets out and reinforces the Bank’s policy of zero tolerance towards fraud and Management’s commitment to combating all forms of fraud inherent in the Bank’s operations.
Annexure 5.2: DBSA Fraud Prevention Plan

Purpose

The Development Bank of Southern Africa has adopted a Code of Ethics articulating the values and acceptable ethical standards to which all persons associated with the Bank are required to adhere. This notwithstanding, the Bank acknowledges that in today’s business environment, fraud is prevalent and all business organisations are susceptible to the risk of fraud. In this regard, the purpose of the Fraud Prevention Plan (“the plan”) is to set out and reinforce the Bank’s policy of zero tolerance towards fraud and corruption as well as management’s commitment to combating all forms of fraud inherent in the Bank’s operations.

The Plan outlines the DBSA framework and strategy for the prevention, deterrence, detection, reporting, investigation and handling of fraud and corporate crime. The Plan establishes a process for oversight of fraud risk by the Audit & Risk Committee and spells out responsibilities and ownership with respect to assisting the Bank to minimise its fraud risk exposure.

Background

This Fraud Prevention Plan has been developed as a result of the expressed commitment of Government to fight fraud and corruption. It is also an important contribution to the National Anti-Corruption Strategy of the country and supplements both the Public Service Anti-Corruption Strategy and the Local Government Anti-Corruption Strategy.

An effective fraud prevention process can help increase the confidence of investors, regulators and the general public in the financial integrity of an organization in addition to attracting and retaining human and financial resources.

The King III Report on Corporate Governance recommends that an organisation assesses risks on an ongoing basis and design effective internal controls to manage risks throughout the organisation. Fraud is part of organisational operational risk.

The Public Finance Management Act, No 1 of 1999 and Treasury Regulations, March 2005, enjoin the Board to adopt a risk management strategy that must include a formal Fraud Prevention Plan. The Bank is also required to submit annually to the National Treasury, a Corporate Plan together with the Fraud Prevention Plan.

The Prevention and Combating of Corrupt Activities Act, No 12 of 2004 (PCCA) has strengthened measures against corruption and has created specific offences relating to corruption.

The Protected Disclosure Act, No 26 of 2000 makes provisions for procedures in terms of which employees may disclose information regarding unlawful or irregular conduct by their employers or other employees. The Act also accords protection to employees for disclosures made in good faith, under defined circumstances and encourages organisations to adopt internal whistle blowing mechanisms.

Definition of fraud

Fraud is defined as “the unlawful and intentional making of a misrepresentation which causes actual and/or potential prejudice to another”. The term “fraud” is also used in a wider sense by the general public.

In this regard, the term is used in this document in its widest possible meaning and is intended to include all aspects of economic crime and acts of dishonesty. In other words, fraud can be described as any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.

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5 Section 27.2.1 of the Treasury Regulations
6 Section 29.1.1 (e) of the Treasury Regulations
POLICY PRINCIPLES

Scope of the policy

This policy applies to all employees, stakeholders, contractors, vendors / suppliers doing business with the Bank.

Policy

It is the policy of the DBSA that fraud, corruption, maladministration or any other dishonest activities of a similar nature will not be tolerated. Such activities will be investigated and actions instituted against those found responsible. Such actions may include the laying of criminal charges, civil and administrative actions and the institution of recoveries where applicable.

Prevention, detection, response and investigative strategies will be designed and implemented. These will include any existing controls (system controls and manual internal controls) and those currently prescribed in existing policies, procedures and other relevant prescripts to the activities of the Bank.

It is the responsibility of all employees to report all incidents of fraud and corruption that may come to his/her attention to his / her manager. Alternatively, such reports can be made by way of submitting a report through the prescribed whistle blowing mechanism as adopted and promoted by the DBSA from time to time.

All reports received will be treated with the requisite confidentiality and will not be disclosed or discussed with parties other than those charged with investigation into such reports.

All Managers are responsible for the detection, prevention and investigation of fraud and corruption, within their areas of responsibility.

FRAUD CONTROL STRATEGIES

The approach in controlling fraud and corruption is focused into three areas, namely:

- Structural strategies.
- Operational strategies.
- Maintenance strategies.

Structural strategies

Structural strategies represent the actions to be undertaken in order to address fraud and corruption at the level of organisational governance.

- Good corporate governance

  It is critical to promote an organisational culture of ethical behaviour and integrity to prevent fraud and corporate crime by influencing employees’ conduct and behavioural standards. Recognising the nexus between the organisational culture and employee behaviour, management strives to ensure that organisational culture and corporate governance promote high ethical standards.

  The following corporate governance initiatives are in place at the DBSA:

  - The Audit & Risk Committee reporting to the Board has oversight responsibility over the Bank’s systems of internal control.
  - An independent Internal Audit function conducts reviews and tests the effectiveness of internal controls providing assurance through periodic reports to the Audit & Risk Committee.
  - The Bank’s operational risk function facilitates risk identification workshops to identify risks and advises line management on the relevant controls to be implemented. This exercise also covers fraud risks.
  - Ad hoc forensic audits/investigations are an integral part of the work of Internal Audit function.
  - Written delegations of authority and documented financial control system.
Responsibility for fraud risk management

The Chief Executive (CE) bears the ultimate responsibility for fraud and corruption risk management within the Bank. This includes the coordination of risk assessments, overseeing the investigation of suspected fraud and corruption, and facilitation for the reporting of such instances. The CE has delegated the oversight of this function to the Chief Risk Officer (CRO). The managing of fraud remains a managerial responsibility.

An ethical culture

As part of inculcating an ethical culture the Bank has formulated and adopted a Code of Ethics to regulate ethical behaviour. The Code has been communicated to all employees and forms an integral part of employee induction programme. The Code is reviewed annually and has been subjected to an independent quality assurance review by the Ethics Institute of South Africa.

The Code inter alia regulates the following:
- Corporate values.
- Compliance with laws and regulations.
- Conflict of interest.
- Acceptance and offering of business gifts, courtesies and donations.
- Use of Bank resources.
- Protection of whistle blowers.

Assessment of fraud risk

The Bank, under the guidance of the CRO will conduct annual fraud risk assessments to identify potential fraud risk exposures to the Bank. This process will ensure that actions to address the identified fraud risk exposures will be implemented to mitigate these exposures.

The above will be formulated into a “Fraud Risk Assessment” which will provide an indication of how fraud risks are manifested and, a “Fraud Risk Register” which will prioritise the fraud risks and indicate actions to mitigate these risks.

Employee awareness

The main purpose of fraud and corruption awareness workshops / training is to assist in the prevention, detection and reporting of fraud and corruption by raising the level of awareness as to how fraud and corruption is manifested in the workplace. In this regard, all employees will receive training on the following:
- Fraud Prevention Plan.
- Code of Ethics.
- Whistle blowing policy.
- How to respond to fraud and corruption.
- Manifestations of fraud and corruption in the workplace.

Corporate Secretariat and the Forensic services will be responsible for employee awareness.

Operational strategies

Internal controls

Internal controls are the first line of defence against fraud and corruption. While internal controls may not fully protect the Bank against fraud and corruption, they are essential elements in the overall Fraud Prevention Plan.
All areas of operations require internal controls, for example:

- Physical controls (securing of assets).
- Authorisation controls (approval of expenditure).
- Supervisory controls (supervising day-to-day issues).
- Analysis of data.
- Monthly and annual financial statements.
- Monthly reconciliation of bank statements.

Internal Audit will be responsible for implementing an internal audit program which will incorporate steps to evaluate adherence to internal controls.

### Prevention strategies

A number of combined initiatives result in an overall preventative environment in respect of fraud and corruption. These include the following:

- **Pre-employment screening**
  
  Pre-employment screening is being carried out for all appointments, and evidence of such screening is maintained by the Human Capital Division. Consideration is given to the following pre-employment screening:
  
  - Verification of identity.
  - Police criminal history.
  - Reference checks with the two most recent employers – this normally requires telephone contact.
  - Verification of formal qualifications claimed.

- **Recruitment procedures**
  
  Recruitment is conducted in accordance with the requirements of the Bank’s Recruitment and Selection policy.

- **Fraud and corruption prevention plan**
  
  The actions set out in this plan are all focused at mitigating the risk of fraud and corruption in the Bank.

- **Disclosure of interests**
  
  All the Directors and staff members of the Bank are required to disclose their specific personal assets and business interests at least on an annual basis. This register is kept with the Company Secretary.

### Detection strategies

Detection of fraud and corruption may occur through:

- Vigilance on the part of staff members, including management.
- The Internal Audit function.
- Ad hoc management reviews.
- Anonymous reports.
- The application of detection techniques.
- Segregation of duties is a powerful control to prevent fraud from going undetected.
The Forensic services at the Bank are responsible for developing detection strategies, and are working closely with management for this purpose.

The Bank will continue embarking on a number of initiatives to detect fraud and corruption in the workplace.

- Internal Audit
  A robust Internal Audit plan which focuses on the prevalent high Fraud and Corruption risks also serves as an effective detection measure. As part of the detection strategy, the Internal Audit plan will cover the following:
  - Surprise audits: Unplanned audits conducted on specific business processes throughout the year.
  - Post-transaction reviews: A review of transactions after they have been processed and completed can be effective in identifying fraudulent or corrupt activity. In addition to the possibility of detecting fraudulent transactions, such a strategy can also have a significant fraud prevention effect as the threat of detection may be enough to deter a staff member who would otherwise be motivated to engage in fraud and corruption.
  - Forensic data analysis: The Bank’s computer system is an important source of information on fraudulent and sometimes corrupt conduct. Software applications will be used during internal audits, surprise audits and post-transaction reviews to assist in detecting any possible fraud and corruption.
  - Management accounting reporting review: Using relatively straightforward techniques in analysing the Bank’s management accounting reports, trends can be examined and investigated which may be indicative of fraudulent conduct.

The Bank will continue to implement a strategy to ensure appropriate management accounting report reviews are conducted.

- External audit
  The Bank recognises that the external audit function is an important control in the detection of fraud. The Chief Financial Officer will continue to hold discussions with all engaged external auditors to ensure that due consideration is given, by the auditors, to ISA 240 “The Auditors’ Responsibility to Consider Fraud in the Audit of a Financial Statement”.

**Response strategies**

- Reporting fraud and corruption – a whistle blowing policy
  One of the key obstacles to fighting fraud and corruption is the fear by employees of being intimidated to identify or “blow the whistle” on fraudulent, corrupt or unethical practices witnessed in the work place. Those who often do “blow the whistle” end up being victimised and intimidated. For this reason, the Bank has adopted a Whistle Blowing Policy setting out the detailed procedure which must be followed in order to report any incidents of fraud and / or corruption. This policy is designed to comply with the provisions of the Protected Disclosures Act.

  Any suspicion of fraud and corruption will be treated seriously and will be reviewed, analysed, and if warranted, investigated. If an employee becomes aware of a suspected fraud, corruption or any irregularity or unethical behaviour, such employee has the duty to report in terms of a Whistle Blowing Policy.

- Investigating fraud and corruption
  All allegations of fraud and corruption should be investigated in terms of the relevant human resources disciplinary procedures.
In investigating all suspected acts of fraud and corruption, the Bank must have regard for due process and must respect the legal rights of all involved.

The outcomes of the disciplinary proceedings (especially dismissals) should be communicated to the rest of the Bank so as to act as deterrence for potential would-be-transgressors and communicate a zero tolerance approach to fraud and corruption.

**Maintenance strategies**

- **Review of the effectiveness of the Fraud Prevention Plan**
  
  The Bank will conduct a review of the Fraud Prevention Plan annually to determine the effectiveness thereof.

- **Review and updating the Fraud Prevention Plan**
  
  This Plan should be maintained and reviewed annually to ensure that the Bank’s focus of detection and prevention remains relevant as the internal and external operating environment continually changes the DBSA fraud risk profile.

  The Chairperson of the Audit & Risk Committee shall have oversight and provide guidance on the review of the Plan.
Annexure 5.3: DBSA Corporate structure
DBSA Corporate Plan

Annexure 5.4: Composition of the Board of Directors and Executive Management Team

Board of Directors

Mr Phillip Jabulani Moleketi (56)
Director of Companies

Mr Frans Msokoli Baleni (53)
General Secretary: National Union of Mineworkers

Prof Andrew Boraine (54)
Chief Executive: Cape Town Partnership,
Adjunct Professor: African Centre for Cities: University of Cape Town
Acting CE: WC Economic Development Partnership.

Dr Claudia Manning (47)
Managing Director: DAI Johannesburg,

Ms Thembisa Dingaan (40)
Consultant and Director of Companies

DBSA Non-executive & Independent Director as from: 1 January 2010.
Chairman of the DBSA Board as from: 1 September 2010.

Academic qualifications:
Advanced Management Programme (AMP), Harvard Business School, Boston.
Masters of Science in Financial Economics, University of London.
Post-graduate diploma in Economic Principles, University of London.

Other directorships:
Harth Fund Managers: Non-executive Director.
Brait Societe Anonyme: Non-executive Chairman.
Vodacom: Non-executive Director.
Remgro (Pty) Ltd: Non-executive Director.
MMI Holdings: Non-executive Director.

DBSA Non-executive & Independent Director as from: 1 January 2010.
Deputy Chairman of the DBSA Board as from: 1 September 2010.

Academic qualifications:
BA Hons (Economic History), University of Cape Town.

Other directorships:
Cape Town International Convention Centre Company (Pty) Ltd (Convenco): Director.

DBSA Non-executive & Independent Director as from: 1 August 2005.

Academic qualifications:
BA Hons (Economic History), University of Cape Town.

Other directorships:
Basil Read Holdings: Non-executive Director.
Sangena Investments: Non-executive Director.

DBSA Non-executive & Independent Director as from: 1 August 2007.

Academic qualifications:
H Dip Tax, University of the Witwatersrand.
LLM, Harvard University, Boston.
LLB, University of KwaZulu-Natal.
BProc, University of KwaZulu-Natal.

Other directorships:
Adapt IT Holdings Limited: Non-executive Director.
Apollo Tyres South Africa (Pty) Limited: Non-executive Director.
Cardiac Mobile (Pty) Ltd: Non-executive Director.
Imperial Holdings Limited: Non-executive Director.
Mustek Ltd: Non-executive Director.
Skweyiya Investment Holdings (Pty) Ltd: Executive Director.
Ukhamba Holdings: Non-executive Director.
Africap (Pty) Ltd: Non-executive director.
University of KwaZulu-Natal: Member of Council (Covering Body).
Zeigler Investments (Pty) Ltd: non-executive Director.
Board of Directors (continued)

Mr Omar Aboobaker Latiff (59)
Director/Partner:
PricewaterhouseCoopers

Dr Lungile Bhengu-Baloyi (55)
Founder & Director:
Development and Leadership Consulting

Ms Busisiwe Mabuza (50)
Director of companies

Ms Dawn Marole (53)
Chairman: Executive Magic Consulting

Ms Mary Vilakazi (36)
Independent consultant

DBSA Corporate Plan
2015
Board of Directors (continued)

Mr Patrick Dlamini (43)
Chief Executive officer: DBSA

DBSA Staff member and CEO as from 1 September 2012.

Academic qualifications:
Advanced Executive Programme, Kellogg School of Management.
EDP, University of the Witwatersrand's Business School.
Business Studies Unit, Natal Technikon.
B Com, University of KwaZulu-Natal.

Other directorships:
BOPHYLD: Director.
Bridges Worldwide SA: Director.
Xcargo: Director

Ms Kameshni Naidoo (39)
Chief Financial Officer

DBSA Staff member and Group Executive as of 1 September 2012.

Academic qualifications:
CA (SA).
Advanced Certificate in Auditing University of Johannesburg.
Bachelor of Accountancy University of KwaZulu-Natal.

Other directorships:
None

Mr Anthony Frank Julies (48)
Chief Director: Strategy and Risk Management (National Treasury)

DBSA Non-Executive Director as from: 1 January 2013.

Academic qualifications:
MBA Banking, University of London.
Master of Arts (Economics), Wesleyan University.
Bachelor of Education (B.Ed), University of Western Cape.
Higher Diploma in Education (HDE), University of Western Cape.

Other directorships:
SANRAL Non-executive Director
Executive Management

Mr TP Nchocho (46)  
Group Executive: South Africa Financing  
DBSA staff member as from: 1 February 2002.  
Group Executive as from: 1 April 2010.  
Academic qualifications:  
M.Sc (Development Finance), London School of Economics.  
Programme for Venture Capital and Private Equity, Wits Business School.  
MBA, Graduate School of Business Leadership, University of South Africa.  
BCom, University of the North.  
Directorships:  
Old Mutual Housing Impact Fund: Trustee (DBSA nominee).  
New Africa Mining Fund: Trustee (DBSA nominee).  
Shanduka Value Partners Fund: Trustee (DBSA nominee).  
Africa Agricultural Fund: Advisory Board member.

Mr Paul Currie (52)  
Group Chief Risk Officer  
DBSA staff member and Group Executive as from: 17 May 2010.  
Academic qualifications:  
Advanced Management Programme, INSEAD.  
MBA (with distinction), Institute of Financial Management, Manchester Business School and University of Wales.  
CA (SA).  
Postgraduate Diploma in Accountancy, University of Port Elizabeth.  
BCom (Accounting), University of Port Elizabeth.  
BSc (Physiology), University of Cape Town.  
Directorships:  
Pan Infrastructure Development Fund Trust: Trustee

Ms Dolores Mashishi (45)  
Group Executive: Corporate Services  
DBSA staff member and Group Executive as from: 1 September 2011  
Academic qualifications:  
Management Development Programme, Wits Business School.  
MSc Ed: Development Psychology, University of Illinois, Chicago.  
BED: Psychology, Wits University.  
BA Ed: Education and Psychology, University of North West.  
Directorships:  
None

Ms Sinazo Sibisi (46)  
Group Executive: Infrastructure Delivery  
DBSA staff member as from: 1 November 2007  
Group Executive as from: 1 April 2012.  
Academic qualifications:  
Partner Development Programme, GIBS.  
Executive Development Programme, IMD, Lausanne.  
Post-Graduate Diploma in HRM, University of Cape Town.  
BA Honours in History with Economic and Social History, Birmingham University, UK.  
Directorships:  
None

Mr Rieaz (Moe) Shaik (54)  
Group Executive: International financing  
DBSA staff member and GE as of 13 August 2012  
Academic qualifications:  
AMP, Harvard Business School, Boston.  
Masters degree in Optometry (Cum Laude) University of Kwazulu-Natal.  
B Optometry, University of Kwazulu-Natal.  
BSc (Computer Science), University of Kwazulu-Natal.  
Directorships:  
None

Mr Michael Hillary (43)  
Group Executive: Financing Operations  
DBSA Staff member and Group Executive as of 1 October 2012  
Academic qualifications:  
MBA, University of Witwatersrand.  
BCom Hons, University of Witwatersrand.  
CAIB (SA), Institute of Bankers.  
Directorships:  
None
Annexure 5.5: Enterprise Risk Management Framework

Purpose

The document outlines the Enterprise-wide Risk Management (ERM) Framework adopted as a coherent guide for the implementation of an integrated risk management system for the DBSA Group.

Background

For the DBSA to deliver successfully on its mandate and vision, risks need to be understood and responded to in a proactive and coherent manner. The DBSA Board is ultimately responsible for the effective management of risks within the Bank and has adopted an enterprise-wide management (ERM) approach to managing risk exposures. This approach was introduced to ensure that the DBSA takes a holistic view of the risks inherent to its strategy, operations and business and that the management of risks are embedded into the mainstream planning, business and decision making processes. This involves the embedding of frameworks, policies, methodologies, processes and systems for managing all risk exposures.

Risk is managed on three levels in the Bank, namely strategic, operational and business.

- Strategic risk, as the chance that unforeseen opportunities or threats may render the DBSA’s strategy ineffective or uncompetitive or that events or circumstances may occur which could hinder the ability of the DBSA to implement its strategy successfully.

- Operational risk, as the chance that internal or external events and circumstances can have a disruptive impact on the reliability, continuity, quality and efficiency of the DBSA’s operations or cause damage to tangible assets and harm to intangible assets.

- Business risk, as the chance that unknown events or circumstances can result in deviations from the returns expected on individual business propositions or impact on the planned outcomes of specific value creating initiatives.

There are three primary focus areas, namely enterprise-wide risk management, which includes the management of risks related to people, processes and systems, regulatory compliance, legal risk and business continuity, credit and investment risk management, which includes development impact and investment risk; and financial risk management, which includes the management of market and capital management risks.

As shown in Diagram 1 overleaf: DBSA Enterprise Risk Management System, the DBSA’s risk management system comprises the following interrelated functions.

- Risk governance, which entails the functions performed in the creation of an enabling environment for the management of risk and assurance on the effective functioning of the risk management system at DBSA Group level.

- Risk control, which entails the functions performed in understanding and responding to each of the risks inherent in the DBSA’s strategy, operations and business and the monitoring of the effectiveness of risk responses.

- Risk oversight, which entails the planning, measuring, reporting, reviewing and disclosing risk management exposures at various levels of aggregation.

- Risk assurance, which entails a broad spectrum of centralised services and resources provided in support of the governance, control and oversight of risk.
The Group Risk Assurance Division provides risk policies, strategies and best practice standards for the DBSA as a whole, in order to mitigate the main risk exposures inherent in its mandate. Each division is responsible for controlling and monitoring the risks in its operating environment whilst the Group Risk Assurance Division undertakes risk monitoring and consolidated reporting at a Bank-wide level, drawing on and aggregating the risk reporting from the divisions. The Board’s Finance, Audit & Risk Committee is mandated to oversee the implementation of the Bank’s ERM framework, and assesses key risk reports and indicators on a quarterly basis.

Regulatory and best practice requirements, as well as on-going changes to the regulatory environment within which the DBSA operates require an increased focus on compliance. This includes the need to ensure compliance with not only the applicable legislation, but also supervisory requirements and industry guidelines. The DBSA’s compliance risk management is aligned with the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa. The compliance framework supports the active management of compliance risk, which entails a four-phase cyclical approach to identify, assess, manage and monitor compliance risk. Compliance risk is the risk that processes procedures and controls implemented by the DBSA to comply with applicable laws and regulations are not followed and/or inadequate and ineffective. The failure to manage compliance risks can result in financial penalties, criminal prosecution, reputational damage and greater regulatory scrutiny and intervention. Compliance Risk Management Plans address and manage compliance risk by outlining compliance risks applicable to the DBSA and its business units and relevant controls implemented to manage and mitigate those risks.

The DBSA Board and Executive Management formally endorse the establishment of the compliance function and are committed to ensuring that business within the DBSA is run with integrity, complies with all regulatory and best practice requirements and is conducted in accordance with the highest ethical standards.

Credit and investment risk management

The Board has delegated the responsibility for the management of credit and investment risk to its Board Credit and Investment Committee, supported by the management level Credit and Development Impact Committee. The Board Credit and Investment Committee is responsible for the approval of all transactions that would result in the Bank’s aggregate exposure to a single obligor exceeding R100 million. The Credit and Development Impact Committee, which is chaired by the Chief Risk Officer, is responsible for approving all transactions that would result in the Bank’s aggregate exposure to a single obligor exceeding R25 million, but not reaching R100 million. The Committee is also responsible for recommending aggregate exposures of more than R100 million to the Board Credit and Investment Committee. Aggregate exposures between R10 million and R25 million are jointly approved by the Chief Risk Officer and the Group Executive of the division making the application, while those below R10 million are jointly approved by the Head of Risk responsible for the division and the Group Executive of that division. Going forward, all approvals will be evaluated by the Credit and Development Impact Committee.

In managing credit and investment risks further, the Bank, through its Group Risk Assurance Division, also seeks to embed policies and processes on credit and investment risk appetite and prudential limits regarding capital availability in the Bank’s activities. It also guides the formulation of risk strategy and businesses’ risk positioning by ensuring that sound risk principles and practices are adopted and maintained. Finally the Bank, in support of its mandate, seeks to align development impact with credit and investment risks decisions, and to optimise reward by evaluating risk exposures and on-going outcomes in tandem.

Financial risk management

Financial risk management is discussed in detail in the 2012/13 Integrated Annual Report, note 45 from pages 104 to 114.
**Annexure 5.6: Key Enterprise-wide Risks**

The DBSA Board and EXCO continuously review the top corporate risks to ensure an appropriate understanding of the DBSA’s operating environment. Various key risk indicators have been developed to provide an early warning signal for areas of concern. Most recently, these risks were submitted and discussed at the Audit & Risk Committee meeting held during August 2013 and are listed in the table below.

<table>
<thead>
<tr>
<th>Risk event</th>
<th>Current controls</th>
<th>Inherent risk</th>
<th>Residual risk (after taking into account controls)</th>
<th>Progress</th>
<th>Accountability / responsibility and timelines</th>
</tr>
</thead>
</table>
| Inability to secure deals competitively (competition from the Commercial Banks and International DFI’s, economic climate. External) | • Chief economist analyses local and global market conditions.   
• Dedicated market analysts.   
• Competition between emerging and traditional powers for influence in Africa, mitigates the risk to supply concessional and grant funding to some extent.   
• Lines of credit in place with other DFI’s to tap into funding.   
• Continuous review of alternative sources of funding (Treasury strategy)   
• New pricing model implemented. | Critical | High | Controls needs improvement Implementation date: March 2015 | Chief Executive Officer/ Chief Financial Officer/ CRO |
| Inability to manage returns/margins/yield and operational inefficiencies / ineffectiveness (internal) | • Portfolio management processes in place.   
• Pro-active Business Support and Recovery function.   
• Credit monitoring of individual and portfolio exposures.   
• Scenario/ sensitivity analysis and stress testing – anticipating impact and appropriate responses as well as identifying opportunities.   
• Rigorous review of resource allocation and investment/ project selection.   
• Budgetary controls.   
• Management fees revised to recoup costs relating to non-financing activities.   
• Client Administration unit is administering the perfection of collateral and recovery fees.   
• Project Assessment Tool (PAT)   
• Established committees in place   
• True North consultants assisting with pricing model. | High | Moderate | Controls need some Improvement Implementation date: March 2015 | Chief Executive Officer/ Chief Financial Officer/ GE: Financing Operations/ GE: Risk |
| Failure to deliver on infrastructure targets (asset portfolio, development impact and lack of bankability/ inability to support M2/M3 and Tier 2 SOE market with debt financing). | • SAM model, DIR and PAT models assesses development impact during appraisals.   
• The Operations Evaluations Unit monitors and reports on development impact.   
• Chief economist analysis local and global market conditions.   
• Continuous monitoring of the execution of strategy and tracking of projects, against approved BSC.   
• Committees review and provide oversight role in respect of all projects.   
• Strategic Mandates Committee addresses the impact of national mandates to DBSA targets.   
• Scenario/ sensitivity analysis and stress testing.   
• Stakeholder Strategic Partnerships unit formed and centralised from the office of the | High | Moderate | Controls need some Improvement Implementation date: March 2015 | Chief Executive Officer/ GE: Financing Operations/ GE: Risk/ Chief Financial Officer/ GE: SA Financing/ GE: International Financing |
<table>
<thead>
<tr>
<th>Risk event</th>
<th>Current controls</th>
<th>Inherent risk</th>
<th>Residual risk (after taking into account controls)</th>
<th>Progress</th>
<th>Accountability / responsibility and timelines</th>
</tr>
</thead>
</table>
| Non/under recovery of costs from non-finance activities (e.g. ASIDI, Jobs Fund, agencies) | • Dedicated legal skills to review contracts and MOA’s.  
• Pricing model has been developed to determine the true costs of implementing these mandates.  
• Infrastructure Delivery division implements projects on a cost recovery basis.  
• Corporate and Board committees in place.  
• Continuous monitoring of the execution of strategy against approved Balance Score Card BSC.  
• Additional activities outside of core mandate will only be considered based on a full cost recovery basis from the Programme Sponsor.  
• Principal Agents appointed to coordinate and monitor the logistics plan in all contracts  
• Adopt integrated infrastructure planning/turnkey approach.  
• Establishing infrastructure intelligence capability within IDD.  
• Cancelled contract with Current Recruitment agent  
• IDD business processes developed  
• Established Legal Services unit.  
• Sensitivity / scenario analysis and stress testing. | High | High | Controls need improvement  
| Failure to deliver on non-financing mandates (all including Green Fund, Jobs Fund, agencies, ASIDI, housing, health etc.) | • Establishing infrastructure intelligence capability within IDD.  
• Recruiting relevant skills  
• IDKC reviews the impact of new mandates on the banks’ ability to deliver.  
• Additional activities outside of core mandate will only be considered based on a full cost recovery basis.  
• Board and Senior Management keeps Bank on track. | High | Moderate | Controls need some improvement  
Implementation date: March 2015 | GE: Infrastructure Delivery/ GE: Financing Operations, GE: Corporate Services/ Chief |
<table>
<thead>
<tr>
<th>Risk event</th>
<th>Current controls</th>
<th>Inherent risk</th>
<th>Residual risk (after taking into account controls)</th>
<th>Progress</th>
<th>Accountability / responsibility and timelines</th>
</tr>
</thead>
</table>
| Ineffective and inefficient internal processes and systems to meet the requirements of business. | • Committee structures in place in this regard:  
  - BSC, CSC, ICT SteerCO  
  - Approved Strategy  
  - Asset Management Committee.  
  - Defined policies.  
  - Change control process.  
  - ICT risk registers.  
  - ICT Budget. | Critical | High | Controls need some improvement  
 Implementation date: March 2015 | All Group Executives |
| Insufficient number, types and levels of skilled staff after organisational review, and staff not used effectively to drive | • Capacity building, talent management and succession planning in place.  
  • Knowledge management processes in place.  
  • Performance management system and utilisation of resources in place.  
  • Management development programmes.  
  • Incentivisation of staff through effective reward and recognition structures.  
  • Recruitment of unfilled vacancies underway. | Critical | High | Controls need improvement  
 Implementation date: March 2015 | GE: Corporate Services |
| Sensitivity/ scenario analysis and stress testing. | • Proactive shareholder engagement  
  • Detailed Mandates register has been compiled that gives an idea of how many initiatives are embarked on.  
  • Mandate operational guidelines in place.  
  • Signed agreements with stakeholder articulate the objectives of the programme as well as responsibilities of each stakeholder.  
  • Communication policy in place.  
  • Appointed spokespersons to deal with media.  
  • Media training and procedures in place.  
  • Confidentiality clauses in contracts.  
  • PSP contract are in place  
  • Regular monitoring report  
  • Early warning systems  
  • Committee structures are in place.  
  • Regular engagement with current client and client satisfaction assessments.  
  • Establishment of best practice partnerships  
  • Dedicated Infrastructure intelligence.  
  • For the Jobs Fund, co-funding commitment letters required at appraisal of project (prior to contracting). In instances where co-funding cannot be raised, it is reverted to IC for decision making.  
  • IDD business processes developed | Critical | High | Financial Officer/ Chief Executive Officer/ |
<table>
<thead>
<tr>
<th>Risk event</th>
<th>Current controls</th>
<th>Inherent risk</th>
<th>Residual risk (after taking into account controls)</th>
<th>Progress</th>
<th>Accountability / responsibility and timelines</th>
</tr>
</thead>
</table>
| business performance. | • Timely recruitment of executive positions through head hunting (CEO, CFO)  
• Preservation of institutional memory and assurance of effective transition through use of internal staff to act in vacant positions. | | High | High | Controls need some Improvement  
Implementation date: March 2015  
Chief Executive Officer/GE: Financial Operations. |
| Inability to timeously adapt business model to changes in business environment | • Environmental scanning  
• Integrated marketing and communication strategy drafted and to be implemented.  
• Consultative approach to development of corporate strategy and BSC.  
• Ongoing review of strategy against changes (internal/external).  
• Quarterly business review meetings.  
• Consultative process/approach to develop marketing strategy with Corporate Strategy and Marketing Unit. | | High | Low | Controls are in place and monitored on an ongoing basis  
Corporateg Secretariat |
| Fraud and Corruption | • Fraud Prevention Plan  
• Internal audit reviews  
• Established credit and procurement policies  
• Dow Jones website utilised to check politically exposed persons, etc. as part of the FICA process, during project appraisal and CP compliant process.  
• Fraud Hotline.  
• Escalation procedures around lack of implementing founded forensic matters.  
• Fraud awareness training is offered to existing and new employees. | | High | Low | Controls are in place and monitored on an ongoing basis  
GE: Risk |
| Inability to monitor new legislation, material changes or compliance with legislation, e.g. FICA | • Proactive Compliance Unit function, where compliance risk management plans are in place to regularly measure, monitor and report on non-compliance is done.  
• Established compliance risk management policies, processes and systems are currently implemented.  
• Conditions Precedent Checklists are compiled by Legal Services Unit and signed off by the business units, checked, reviewed and signed off by Portfolio Management, Legal Services, Credit and the CRO.  
• FICA checklists are completed by business units and verified and signed off by Compliance Unit.  
• Detecting mechanism is place.  
• Established Legal Unit.  
• Training is done by Compliance Unit. | | High | Low | Controls are in place and monitored on an ongoing basis  
GE: Risk |
Annexure 5.7: DBSA funding plan and borrowing programme for 2014/15

Introduction

The purpose of this annexure is to provide National Treasury with the DBSA borrowing programme for the 2014/15 financial year.

Key points

- The total gross borrowings from 1 April to 31 December 2013 were **R8.2 billion**.
- There was an increased focus on diversifying the Bank’s funding sources to achieve a funding mix at optimal cost to promote financial sustainability of the Bank.
- The focus to implement the asset-lead liability-lag strategy that resulted in disbursements being funded from the short term which is subsequently refinanced with liabilities with an appropriate profile. The post funding solution aimed at achieving matching is being implemented.
- Submitted an application for a prescribed foreign currency borrowing limit to National Treasury.
- Quantification of the final projected borrowings subject to the Corporate Plan targets finalisation.
- The DBSA mandate was recently extended from SADC region to the rest of African continent. The impact of this was not taken into account.
- The callable capital to be increased to R20.2 billion in line with letter of undertaking in 2012.

Funding to December 2013

Gross borrowings, which is the aggregate of all debt that was rolled and raised, amounted to **R8.2 billion** in the financial year to end-December 2013 compared to gross borrowings of **R4.7 billion** for the financial year ended 31 March 2013.

Table 1: Funding: Borrowings as at 31 December 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New DFI lines</td>
<td>1 545</td>
</tr>
<tr>
<td>New Domestic Bonds</td>
<td>546</td>
</tr>
<tr>
<td>New Money Market + Commercial Paper net of repayments</td>
<td>3 954</td>
</tr>
<tr>
<td>New borrowings in FY 2014*</td>
<td>6 045</td>
</tr>
</tbody>
</table>

As at 31 December 2013, the new borrowings of R6 billion was within the Board approved limit of R10 billion for the 2013/14 financial year. The bulk of the funding was sourced from the capital and money markets to facilitate the asset lead liability lag strategy. The composition of funding for the financial year to date, relative to recent years is illustrated overleaf.
Proposed borrowing programme for the 2014/15 financial year

Derivation of borrowing requirements

The size of the annual borrowing requirements is driven by the following considerations:

- Projected loan disbursements.
- Current and projected loan interest and capital repayments.
- Debt service and repayments.
- Operational expenses.
- Liquidity levels required in terms of the policy.

Estimates of the following variables are made:

- Interest income and expense, with floating-rate interest receipts and payments are projected based on expected market interest rate changes and yield curve movements.
- Loan capital repayments received.
- Debt capital repayments made.
- Operational expenses.
- Available liquidity at the start of the new financial year.
- The projected prudential liquidity level required by the end of the financial year.

Contractual obligations of the Bank are certain as the Bank does not hold any liabilities of which the maturities are behaviour driven – as would be the case with most deposits in deposit taking institutions. Hence, given the nature of the Bank’s business, the difficulties in predicting the timing and size of projected loan disbursements remains the single largest risk factor in as far as liquidity risk management is concerned, and even more so as it relates to periods beyond 12-months. Further to this, the Bank’s dependence on wholesale borrowing implies that liquidity risk management should remain cognisant of prevailing and expected market conditions, as temporary market liquidity squeezes could have a significant adverse impact on both margins, and in extreme circumstances, on business continuity. The
preliminary projected borrowing requirement for the next three financial years is shown in Table 2 below.

### Table 2: Borrowing requirement – preliminary projections

<table>
<thead>
<tr>
<th>R million</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning liquidity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan capital asset receipts</td>
<td>4 171</td>
<td>6 251</td>
<td>8 340</td>
</tr>
<tr>
<td>Capital injection</td>
<td>2 500</td>
<td>3 000</td>
<td>-</td>
</tr>
<tr>
<td>Loan interest receipts</td>
<td>4 675</td>
<td>5 623</td>
<td>7 001</td>
</tr>
<tr>
<td>Fee &amp; other income</td>
<td>214</td>
<td>215</td>
<td>212</td>
</tr>
<tr>
<td><strong>Cash inflows</strong></td>
<td>11 560</td>
<td>15 089</td>
<td>15 553</td>
</tr>
<tr>
<td>Debt capital repayments</td>
<td>(6 922)</td>
<td>(7 018)</td>
<td>(8 481)</td>
</tr>
<tr>
<td>Debt interest repayments</td>
<td>(2 438)</td>
<td>(2 801)</td>
<td>(3 608)</td>
</tr>
<tr>
<td>Operational expenses</td>
<td>(938)</td>
<td>(974)</td>
<td>(1 012)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(50)</td>
<td>(50)</td>
<td>(50)</td>
</tr>
<tr>
<td>Disbursements</td>
<td>(15 400)</td>
<td>(17 800)</td>
<td>(22 000)</td>
</tr>
<tr>
<td><strong>Cash outflows</strong></td>
<td>(25 748)</td>
<td>(28 643)</td>
<td>(35 151)</td>
</tr>
<tr>
<td>Net cash flows</td>
<td>(14 188)</td>
<td>(13 554)</td>
<td>(19 598)</td>
</tr>
<tr>
<td>Additional liquidity per policy</td>
<td>(1 419)</td>
<td>(1 355)</td>
<td>(1 960)</td>
</tr>
<tr>
<td><strong>Borrowing requirement current year</strong></td>
<td>(15 607)</td>
<td>(14 909)</td>
<td>(21 558)</td>
</tr>
<tr>
<td>Debt/equity ratio</td>
<td>195.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Provisional funding plan

The provisional funding plan includes drawing on lines of credit, bank facilities, capital market issuances and taps, money market issuances and private placements. Actual funding and final split between the different funding sources that the Bank has access to, will be driven by expected disbursement outcomes, market demand for DBSA paper and pricing considerations. As part of the strategy to diversify funding sources the Treasury Unit continually monitors markets, both domestic and offshore, in order to identify opportunities to lower the Bank’s borrowing cost, whilst at the same time expanding the universe of investors and lenders in order to secure access to the quantum of funding required on a timely and cost effective basis.

The projected funding sources comprise funding from the domestic capital market, DFI, money market (as part of the asset lead liability lag strategy) and National Treasury capital injection for 2014/15 and 2015/16 financial years. Specific tenors and interest rate bases (fixed vs. floating) of new long-term debt issuance will be driven by investor and client demand, market conditions, building the bank’s funding curve, demand/supply imbalances and their associated cost impact at the time of issuance. Any new funding will be sourced and structured to achieve better matching for an appropriate funding solution in the development loan book for the short, medium and long term taking into account tenors and interest rate bases.

#### Foreign Currency Borrowing

Committed borrowing facilities with foreign DFIs and with commercial banks remain pivotal in the bank’s efforts to diversify the Bank’s medium- to long-term funding strategy and achieve matching, given the volatile nature of capital markets and the growing size of the Bank’s funding requirements. These facilities form the main source of foreign borrowings for the DBSA, the level of which is driven by the anticipated need for foreign currency funding towards on-lending in SADC region and to extent to which commitments are made to SA projects eligible for specific foreign currency denominated lines of
credit, in which case the drawn currency is swapped to appropriate currency in order to hedge the resultant currency risk.

New facilities with DFI and commercial banks are currently under negotiation and are subject to agreement on key terms and pricing. A total of R3.2 billion equivalent (at exchange rate of R10.447 to the $ and R14.36 to the Euro) is currently available from committed facilities as at 31 December 2013 as shown in Table 3.

Table 3: Available committed funding facilities as at 31 December 2013

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Original loan currency</th>
<th>Loan amount (currency’ m)</th>
<th>Available amount (currency’ m)</th>
<th>Amount utilised (currency’ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KfW Renewable Energy</td>
<td>EUR</td>
<td>50</td>
<td>50</td>
<td>-</td>
</tr>
<tr>
<td>KfW SAPP</td>
<td>EUR</td>
<td>30</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>JBIC Export Credit</td>
<td>USD</td>
<td>100</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>JBIC Green Line</td>
<td>USD</td>
<td>50</td>
<td>50</td>
<td>-</td>
</tr>
<tr>
<td>KEXIM</td>
<td>USD</td>
<td>50</td>
<td>50</td>
<td>-</td>
</tr>
</tbody>
</table>

Foreign borrowings are utilised to match fund loan book assets to minimise the foreign currency risk and to obtain cost efficient funding. The source of the foreign borrowings will be from foreign DFI’s and foreign currency facilities from commercial banks. Opportunities for offshore public debt issuances are continuously evaluated to identify opportunities to reduce the cost of funding and to diversify the investor base in support of the revised DBSA strategy.

The Bank has applied for a foreign currency borrowing limit with the Minister of Finance in terms of Section 66.7(b) of the PFMA amounting to ZAR29 billion made up of existing facilities of ZAR11.1 billion and new borrowings of ZAR17.9 billion for 2013/14 to 2015/16 financial periods, which is 60% of the borrowing requirement reflected in the 2013/14 Corporate Plan. Feedback from National Treasury on the foreign currency borrowing limit is awaited.

The outstanding debt in foreign currency is summarised below.

**EURO FUNDING**

- DFI: EUR164 million
- ZAR equivalent (EUR/ZAR 14.21): ZAR 2.4 billion

**US DOLLAR FUNDING**

- Commercial Banks: US$268 million
- DFI: US$632 million
- ZAR equivalent (USD/ZAR 10.37): US$0.8 billion
- ZAR 8.7 billion

**TOTAL**

ZAR 11.1 billion

**Preference shares**

In terms of the DBSA Act the Bank can issue redeemable preference shares on approval of the Minister of Finance. Redeemable preference share issuance would allow the Bank to reach a wider investor base whilst at the same time achieving cost savings relative to debt issuances of similar tenor. As a result an application was made to the Minister to authorise the Bank to issue preference shares. On request of the Minister a market assessment of potential appetite was submitted for further consideration. The matter remains under discussion with the National Treasury.
Domestic Funding developments

The Bank will be more active in the bond market. In November 2013, the Bank issued a new floating rate bond (DVF 16) maturing in 2016 amounting to **R546 million**. In December 2013 commercial paper amounting **R1 billion** was issued. The charts below depict the historical spreads of the Bank’s outstanding bonds above their respective government benchmarks as well as on a floating-rate/swap basis.

**DV bond spreads**

The Bank will be more active in the bond market. Chart 1 below depicts the historical spreads of the Bank’s outstanding bonds above their respective government benchmarks. Whereas, Chart 2 reflects, the historical DV bond spreads relative to swaps which have narrowed considerably in recent years, primarily as a result of the partial correction of the swap spread anomaly that has persisted for the last three years. The spread compression has resulted in a downward revaluation of both the debt securities and hedging instruments designated at fair value through profit and loss.

### Chart 1: DV Historical Bond Spreads

- **DV bond spreads to govt (bps)**

### Chart 2: DV Bond Spreads to Swaps

- **DV bond spreads to swaps (bps)**

**Source: JSE, I-Net Bridge, DBSA**

Money market funding has been primarily used as part of the asset-lead-liability lag strategy that was adopted which resulted in diversification of funding and optimising the cost of debt. The Bank’s DMTN programme registered with the JSE stands at **R35 billion**, of which **R14.7 billion** remains available. In addition to the facility offered by the DMTN, the Bank’s funding sources are supplemented by its access to money market paper of up to 12-months maturity, as well as private placements in a diverse range of maturities and structures. International market and issuance conditions will nevertheless continue to be assessed in order for the Bank to capitalise on opportunities that may arise, both to meet its foreign currency demand, and to alleviate domestic market dependence as and when opportune.

**Borrowing terms and conditions**

The Bank’s domestic bonds are issued under the JSE listed DMTN Programme, which captures the terms and conditions of the bond funding. These terms are typical to all bond issuers and no extraordinary covenants are contained in the documentation. Bilateral facilities, both from DFIs and commercial banks similarly are executed under terms and conditions typical of international loan agreements, with many of the Bank’s lenders adopting, or approximating the standards of the Loan Market Association (LMA).

Some of the conditions include:

- The ownership of the Bank, with the requirement that the SA government retains control of the Bank.
- The leverage of the Bank, measured in terms of the Bank’s regulatory debt-equity ratio.
- The appointment of external auditors of the Bank from time to time.
Credit ratings, with the typical requirement that the Bank retains an investment grade rating.

**Asset liability management**

All borrowings are made with due consideration of the Bank’s asset-liability profile and inherent interest rate and currency risk exposure from time to time. In recognition of the importance to strike a balance between maintaining interest rate risk exposure within acceptable risk parameters and achieving an acceptable return, the Board-approved interest rate and foreign exchange risk parameters applicable from time to time will continue to be adhered to. As at preparation of the Borrowing Programme these included:

- The Bank’s 12-month cumulative re-pricing gap to total earnings to be contained to within 22.5% of total interest earning assets. To contain longer-term net interest income volatility, the desired interest rate risk profile (net maturity profile) should over time approach a uniform ladder structure. The latter is a risk reduction strategy in which an asset portfolio is constructed to have approximately equal amounts invested in each maturity within a given range in order to reduce interest rate risk by minimising the amount re-pricing in any given maturity bucket.

- The weighted average duration gap of the Bank’s net assets and liabilities (i.e. duration gap limit) to be contained to a maximum of 5 years.

- At a 99% confidence level to maintain the 10-day value-at-risk (VaR) of the ZAR value of foreign currency exposures (excluding equity investments) within the maximum limit of 0.5% of shareholders’ capital and reserves.

Although funding options and flexibility remain limited relative to the Bank’s product offerings to its clients, the depth and liquidity of the ZAR spot and derivatives markets, both with respect to currency exchange and interest rates afford the Bank a plethora of options through which to ensure that the overall risk exposure remains within the Board-defined risk parameters which govern the Bank’s market risk management. The risk management strategy is governed by the Board-approved hedging policy which limits the use of derivative instruments solely for risk management purposes and with respect to transactions aimed at achieving the desired risk and net income profile.

The maturity profile of the Bank’s debt book is depicted in the chart below:

**Chart 3: Debt Maturity Profile**

Credit ratings

The credit rating reviews were conducted by Standard and Poor’s (S&P’s), Fitch and Moody’s. All three rating agencies maintained the DBSA’s rating and the table below summarises the ratings as at 31 December 2013. Key considerations taken into account include adequate capitalisation, the certainty of government support in the event of financial distress, capital injection to support the Bank’s new
strategy, high single name lending concentration and weak earnings stability. The ratings are summarised in Table 4.

Table 4: Credit ratings

<table>
<thead>
<tr>
<th>Agency</th>
<th>Type</th>
<th>Short term</th>
<th>Long term</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>National</td>
<td>F1+(zaf)</td>
<td>AA+(zaf)</td>
<td>Stable</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Foreign-currency issuer rating</td>
<td>Not rated</td>
<td>Baa1</td>
<td>Negative</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>Foreign currency Local currency</td>
<td>A-2</td>
<td>BBB A-</td>
<td>Negative</td>
</tr>
</tbody>
</table>

Recommendation

The projected borrowing requirement for the 2014/15 financial year amounts to **R15.6 billion**. As an added measure to build in some flexibility to cater for market volatility, possible client defaults, funding for strategic projects and other factors that may impact on the projections made, it is recommended that the Board approve total new borrowings for 2014/15 financial year amounting to **R18 billion**.

The Borrowing Programme will be reviewed and revised as loan disbursements, debt service, required liquidity, and retained income change. The implementation of the borrowing strategy will further be influenced by the Bank’s liquidity policy requirements, development strategy, market conditions, liquidity cost management, and investor demand. The approval of the Board will be sought, should actual funding requirements exceed the proposed borrowing level.
### Annexure 5.8: Materiality and significance framework

#### For the purpose of the interpretation of and compliance with the Public Finance Management Act, No 1 of 1999

<table>
<thead>
<tr>
<th>Material for Section 55 (2)(b)–Disclosure, in the Annual Report, of:</th>
<th>Proposed Framework</th>
<th>Resulting figures for 2014/15&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Underlying principles</th>
</tr>
</thead>
</table>
| - Particulars of material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure.  
- Particulars of any criminal or disciplinary steps taken as a consequence of such losses, irregular expenditure or fruitless and wasteful expenditure.  
- Particulars of any losses recovered or written off other than in the ordinary course of business.  
- Particulars of any financial assistance received from the State and commitments made by the State on behalf of the DBSA. | **Quantitative:**  
0.3% of Revenue  
Revenue is represented by 'Interest Income' per the DBSA annual financial statements.  
**Note:** *Fruitless and wasteful expenditure disclosure*  
Irrespective of the value of any fruitless and wasteful expenditure, all losses incurred, will be disclosed in the annual financial statements. | R12.2 million | - Each loss due to criminal conduct, irregular expenditure or fruitless and wasteful expenditure, as identified, will be evaluated in context of the expense category to which it relates to determine whether it qualifies for disclosure in the Annual Report, as required by Section 54.  
- In line with good business practice, as well as the requirements of the Act, the Bank is committed to the prevention, detection of and taking appropriate action on all irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Bank (Section 51(1)(b)(ii)). To this end the Bank’s systems and processes are designed and continually reviewed to ensure the prevention and detection of all such expenditure, irrespective the size thereof. |

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<sup>2</sup> Based on the 2012/13 audited financial statements (latest available).
### Significant for Section 54 – Information and approval by the Minister of “qualifying transactions”, i.e.:

- Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.
- Acquisition or disposal of a significant shareholding in a company.
- Acquisition or disposal of a significant asset.
- Commencement or cessation of a significant business activity.
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.

### Quantitative:

Approval from the Executive Authority is required for the following equity transactions:

- Direct equity investments resulting in a shareholding of at least 20% in a company.
- Regardless of the percentage holding, a direct equity investment exceeding 7.5% of total assets (as per the 2012/13 financial year) of the Bank.
- Acquisition/disposal of assets (excluding financial market assets, equity investments and development loans) exceeding 1% of total assets (as per the 2012/13 financial year) of the Bank.

<table>
<thead>
<tr>
<th>Proposed Framework</th>
<th>Resulting figures for 2014/15</th>
<th>Underlying principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>R4.05 billion</td>
<td>R539 million</td>
<td>- The PFMA is not intended to affect the autonomy of the organisation, but its stated objectives are to ensure transparency, accountability and sound management of revenue, expenditure, assets and liabilities of the institutions to which the Act applies. Therefore, the legislature could not have intended for the public entities to report and seek approval on matters of a daily basis.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The business of the DBSA is conducted within the framework of the mandate, objects and powers contained in the DBSA Act, as well as the business and financial direction set out in the corporate plan.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The DBSA also has defined accountability and approval structures from the Board, as the shareholder representative, to the CEO and management.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The responsibility for the day-to-day management of the DBSA vests in line management through a clearly defined organisational structure and through formally delegated authorities.</td>
</tr>
</tbody>
</table>
Annexure 5.9: DBSA Employment Equity Plan

The purpose of this annexure is to provide the National Treasury with an extract of the DBSA Employment Equity (EE) Plan as required per Practise Note 4 of 2009/10.

DBSA’s employment equity vision

In support of the overall DBSA Vision, the EE vision is to build a team of the highest quality of employees that represents the demographics of the country.

The EE Plan has been developed and will be implemented to enhance the achievement of the EE vision. This vision is in line with the DBSA’s strategic objective of continuing transformation by employing staff in line with employment equity requirements. The vision will be realised by implementing the non-numerical goals contained in the Bank’s EE Policy and the EE numeral goals and measures contained in this document.

DBSA five year EE plan for the period 2013-2017

In establishing the numerical goals for the DBSA, the methodology, key challenges, lessons learnt, potential growth rate of the DBSA, benchmarks and the BBBEE scorecard has been taken into consideration in setting the target for 2013 – 2017. The key focus is to improve and or set realistic targets to ensure the DBSA has a representative workforce.

Table 2: Proposed Summary of the 5-year EE Goals (2013 – 2017)

<table>
<thead>
<tr>
<th>Occupational categories</th>
<th>Black</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Black female</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>85.7%</td>
<td>80.0%</td>
<td>80.0%</td>
<td>80.0%</td>
<td>80.0%</td>
<td>42.9%</td>
<td>45.0%</td>
<td>47.0%</td>
<td>48.0%</td>
<td>49.0%</td>
<td>49.0%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Senior management</td>
<td>51.7%</td>
<td>57.0%</td>
<td>58.0%</td>
<td>59.0%</td>
<td>60.0%</td>
<td>21.5%</td>
<td>25.0%</td>
<td>28.0%</td>
<td>30.0%</td>
<td>35.0%</td>
<td>40.0%</td>
<td></td>
</tr>
<tr>
<td>Mid management professionally qualified</td>
<td>88.1%</td>
<td>70.0%</td>
<td>71.0%</td>
<td>73.0%</td>
<td>74.0%</td>
<td>75.0%</td>
<td>40.30%</td>
<td>40.0%</td>
<td>40.0%</td>
<td>40.0%</td>
<td>40.0%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Jnr management, skilled technical</td>
<td>65.8%</td>
<td>70.0%</td>
<td>73.0%</td>
<td>75.0%</td>
<td>78.0%</td>
<td>80.0%</td>
<td>36.7%</td>
<td>37.0%</td>
<td>38.0%</td>
<td>40.0%</td>
<td>43.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Semi-skilled</td>
<td>93.0%</td>
<td>94.0%</td>
<td>94.0%</td>
<td>94.0%</td>
<td>94.0%</td>
<td>53.5%</td>
<td>41.0%</td>
<td>44.0%</td>
<td>47.0%</td>
<td>50.0%</td>
<td>55.0%</td>
<td></td>
</tr>
<tr>
<td>Unskilled</td>
<td>10.00%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>92.3%</td>
<td>92.0%</td>
<td>92.0%</td>
<td>92.0%</td>
<td>92.0%</td>
<td>92.0%</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>76.0%</td>
<td>77.0%</td>
<td>78.0%</td>
<td>79.0%</td>
<td>80.0%</td>
<td>80.0%</td>
<td>37.7%</td>
<td>41.0%</td>
<td>42.0%</td>
<td>45.0%</td>
<td>47.0%</td>
<td>50.0%</td>
</tr>
</tbody>
</table>

It must be noted that the target for black top management and mid management professionally qualified employees has been adjusted downwards from 85.7% to 80% and 88.1% to 75% respectively. These targets have been adjusted taking into consideration the lack of available skills in the labour market and the time constraints in developing these skills. These targets will be revised in 2017 when the next five year plan is developed.

The target for black employees living with disabilities has been increased to 3%.

Conclusion

The DBSA as an organisation have the means, the best practice human resources policies and procedures as well as the top management and stakeholder commitment to transform.
Annexure 5.10: DBSA Environmental Framework

The DBSA recognises the importance of placing poverty eradication and achievement of sustainable development at the centre of its development agenda. The Bank is legally obliged to promote sustainable development through its operations and this is integrated into the Bank’s strategy which highlights the need for effective integration of environment and sustainability issues as the key to ensuring sustainable economic and social development.

**Environmental Policy statement**

The DBSA is committed to the following:

1) Continual improvement of the Bank’s environmental management system in line with the international standard, SANS ISO 14001, on environmental management systems.

2) Pollution prevention emanating from our in-house activities and operations.

3) Comply with all applicable environmental legislative and regulatory requirements and other requirements to which the DBSA subscribes, related to our environmental aspects.

Environmental and sustainability considerations at the DBSA are founded on the following key DBSA documents, the DBSA Environmental Sustainability Strategy, the DBSA Environmental Policy, the environmental management system and the DBSA Environmental Appraisal Procedures. These documents combine to form the DBSA environmental management framework. The DBSA environmental management framework serves as the structure that ensures the DBSA’s operations, programmes and projects are socially responsible, environmentally sound and in line with government requirements.

The DBSA environmental management framework serves to ensure on-going improvement of its environmental performance. To this end the DBSA management and staff take cognisance of the fact that their activities and operations have an impact on the environment and thus take full responsibility to not only address environmental risks and impacts related to their products and services, but also environmental impacts related to their in-house activities and operations. In order to do this the DBSA strengthens its environmental management framework and initiatives with integrated reporting and membership to the United Nations Global Compact.

**Integrated Reporting, Global Reporting Initiative and United Nations Global Compact (UNGC)**

A key component of the organisations environmental framework is the need to not only manage but also monitor, evaluate and strengthen the effectiveness and sustainability of the Bank’s operations, programmes and projects. To this end the DBSA has adopted integrated and sustainable reporting principles which underlie the Bank’s reporting initiatives. In addition, during 2013 the DBSA also became a member of the United Nations Global Compact (UNGC). The UNGC is the world’s largest corporate citizenship initiative that address and integrates Corporate Social Reporting (CSR) requirements with the integrated reporting requirements. As a result the DBSA Annual Report will (as of 2014-2015) be compiled to align with both the integrated and sustainability reporting requirements of the Global Reporting Initiatives Sustainable Reporting Guidelines, as well as the UNGC universally accepted ten principles that address the areas of human rights, labour, environment and anti-corruption.

Thus the DBSA seeks to ensure that it reports on and effectively considers its economics, ethical, governance, social and environmental performance.

**DBSA's contribution towards the development of sustainable South Africa and a green economy**

The Bank is actively involved in broadening its support for the development of a greener economy and sustainable green infrastructure across its mandate areas. In particular the Bank is working with

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8 The DBSA environmental management system is aligned with the international standard, SANS ISO 14001, for international best practice for environmental management systems.
the Department of Environmental Affairs and the National Treasury with the aim of facilitating and ensuring greener infrastructure and sustainable development across the region. The Bank is also involved in the following environment and sustainable development related initiatives:

- Collaboration in the environmental sector with the DEA: This programme, to 2014 is aimed at knowledge sharing, sustainable development and the development of greener infrastructure. This applies to both the built environment and the natural environment, in South Africa. This involves policy work, such as the use of the budget, in the future, in mainstreaming decisions in infrastructure and other incentives to green behaviour.

- Implementing the Green Fund: this is a management of an R800 million Fund to March 2015, to assist a transition to a sustainable society.

- Research and publications related to the greening of the economy, green jobs, climate change and green infrastructure development.

- Funding of the Independent Power Producers and renewable energy projects

- Several Clean Development Mechanism (CDM) projects aimed at carbon emissions reductions.

**Environmentally sustainable operations**

The DBSA’s Environmental Policy and Environmental Framework requires all programmes and projects considered for funding support to undergo a rigorous environmental appraisal as part of the broader investment appraisal process, underscoring its commitment to sustainable and equitable development.

In line with the Constitution of the Republic of South Africa, particularly Section 24 – the environmental rights, the Bank is committed to providing an environmentally safe work place for its employees and to minimising environmental impact. Consequently, the Bank actively seeks to reduce its direct environmental impact on the biophysical environment, namely: air, land and water from all its operations and activities.

In addition the Bank has developed (and continues to refine) its environmental appraisal procedures (EAP), which outline the Bank’s approach to environmental appraisal and due diligence. The DBSA EAPs are aligned with national and international best practice for environmental assessment and are implemented by the Banks environmental specialists, to direct them in how to approach and implement environmental appraisals and due diligence at the Bank. The EAPs ensure that the Bank’s environmental appraisals are applied in a consistent manner that supports and enhances the Bank’s decision-making processes and mitigates and manages environmental risk while also ensuring increased development impact.

With regard to its operations the major environmental aspects that the Bank is working towards reducing its impact include, in order of magnitude of impact by;

- Energy demand management and generation of energy from renewable energy sources.

- Business travel management.

- Office paper use and recycling.

- Solid waste generation and recycling.

- Water consumption reduction.

- Sustainable campus management.

The above initiatives combine to reduce the banks carbon emissions, water use, waste generation and maintain a sustainable campus with the ultimate aim of reducing the Banks ecological impact.