ANNUAL REPORT

sadc dfrc

southern african development community development finance resource centre

Vision

To be a Centre of Excellence for development finance solutions

Mission

To support Development Finance Institutions and Governments to achieve national and regional development and integration through capacity building, research and advisory services

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Profile

Mandate

The Southern African Development Community - Development Finance Resource Centre (SADC-DFRC) is a subsidiary institution of SADC established under the SADC Protocol on Finance and Investment (the FIP). It is collectively 'owned' by the SADC Development Finance Institutions (DFI) Network, also an FIP organisation, with a current membership of forty (40) national DFIs. Through technical and capacity building support, as well as policy research, advocacy and advisory services, our mandate is to promote the effective mobilisation of resources by the financial sector, in particular the DFIs, for investment in key areas with the potential to stimulate sustainable and inclusive growth, generate employment and alleviate poverty, in line with the objectives of SADC under the Revised Regional Indicative Strategic Development Plan (RISDP).

Focal Areas

The Strategic Plan of the DFRC (2019 – 2024) identifies the following key activity areas and sectors:

Capacity Building

- Training/Skills development
- Support to Small, Medium and Micro Enterprise (SMME) Programmes
- Support to Public Private Partnerships (PPP)/Infrastructure Programmes
- Other Human Resource Development Services

Policy Research and Advisory Services

- Policy, Regulatory and Supervisory Environment for DFIs
- Support Financial Inclusion
- Enabling Environment for SME, Industrial and Infrastructure Development
- Advisory Services, Research and Advocacy on development finance

Sectoral Focus

- Small and Medium-sized Enterprise Development
- Industrial Development
- Infrastructure Development
- Public Private Partnerships
- Agriculture sector

Working Approach

The DFRC is a lean organisation manned by a small group of professional staff in key strategic areas in line with its mandate. To effectively deliver on the mandate, therefore, the DFRC has adopted a collaborative approach which involves utilisation of strategic development and technical partners in the selected focal areas. In this regard, the DFRC operates as facilitator and catalyst to DFIs, SADC Member States Governments, State – Owned Enterprises (SOEs) and other key development stakeholders.

Financing of Activities

The DFI Network members finance the bulk of the administrative budget of the DFRC through annual contributions while programme activities are funded through a cost recovery approach coupled with funding from international cooperating partners (ICPs) or donor sources. Technical and strategic partnerships are also leveraged on to support DFRC programme activities.

Reporting Structures

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

The SADC DFI Network, presently consisting of forty (40) members, all signatories to the establishing memorandum of understanding and are members of the SADC DFI Sub-Committee, has the overall responsibility of the DFRC and supervises it through a Board of Trustees. The Board is appointed by the Network from its membership as constituted under the SADC Protocol on Finance and Investment.

The DFRC has a functional relationship with the SADC Secretariat through the Directorate of Finance Investment and Customs (FIC) while operational links exist with the other directorates of the SADC Secretariat.

GOVERNANCE STRUCTURE

Shareholders
SADC-DFI Network Members

Chairperson of the SADC DFI Network
Mr Charles Singili
Managing Director
TIB Development Bank
Tanzania

Chairperson of the Board of Trustees
Mr Elfas Chimbera
Acting Chief Executive Officer
Agricultural Development Bank of Zimbabwe

Board of Trustees
Eight members, appointed for two-year terms, including two members appointed ex-officio

Audit and Risk Committee
Three members, tenure in line with Board term

Chief Executive Officer
Mr Stuart Kufeni

BOARD OF TRUSTEES

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

Board Members

Mr Elfas Chimbera

Acting Chief Executive Officer
Agricultural Development Bank of Zimbabwe
Trustee since February 2020
Board Chairperson

Mr Henda Esandju Nicolau da Silva Ingles

Chairman and Chief Executive Officer
Banco de Deselvolvimento de Angola
Trustee since December 2019
Deputy Board Chairperson

Mr Charles Singili

Managing Director
TIB Development Bank (Tanzania)
Trustee since December 2018
Chair - SADC DFI Network (Ex-officio)

Mr Nixon Marumoloa

Chief Executive Officer
Botswana Savings Bank
Trustee since December 2018
Chairperson - Audit & Risk Committee

Mr Sydney Soundy

Executive Manager: Strategy and Communications
Land and Agricultural Development Bank of South Africa
Trustee since December 2018

Ms. Khetsiwe Mdluli - Dube

Acting Managing Director
Industrial Development Company of Eswatini
Trustee since March 2020

Mr Sadwick Mtonakutha

Director: Finance, Investment and Customs (FIC) Directorate
SADC Secretariat
Trustee since December 2016 (Ex-officio)

Mr Tomas Rodrigues Matola

Chief Executive Officer
Banco Nacional de Investimento (Mozambique)
Trustee since December 2019

AUDIT AND RISK COMMITTEE

The DFRC Board presently has one committee, the Audit and Risk Committee that assists the Board in carrying out its functions of providing strategic guidance to the institution, in particular, overseeing the financial reporting and disclosure and the internal controls and risk management systems. The Audit and Risk Committee derives its mandate from the Audit and Risk Charter.

The Audit and Risk Committee is comprised of the following Board members:

Mr Nixon Marumoloa (Chairperson)

Ms. Khetsiwe Mdluli - Dube

Mr Sydney Soundy

BOARD CHAIRPERSON'S STATEMENT

Mr Elfas Chimbera
Board Chairperson

It is with great pleasure that I present the 2019/20 Annual Report of the SADC Development Finance Resource Centre.

The DFRC, continuing to build on past successes, made great strides in meeting its mandate and fulfilling its mission of supporting development finance institutions and national governments of SADC member states to achieve national and regional development goals through capacity building, policy research and advisory services.

During the financial year under review, the DFRC completed the development of its 2019-2024 Strategic Plan. To ensure its continuing institutional relevancy and that it provides effective support to development finance efforts in the region, the DFRC's plan is not only aligned to its mandate under the SADC Protocol on Finance and Investment (the FIP) but also focuses on prioritised sectors of the revised Regional Indicative Strategic Development Plan (RISDP) which encompass industrial (including SMME) and infrastructure development.

The strategic plan, supported by a two-year rolling Business Plan (2019-2021) to operationalise it, was approved by the Board in March 2019. The new plan also came with a revamped organisational structure to ensure that the various strategic initiatives of the plan are achieved in the course of the next five years. This entailed closing of identified staff gaps and, to this end, two new senior positions for Research and SMMEs would be filled.

It is pleasing to note that implementation of strategic initiatives of the plan has seen the DFRC make significant progress and achieve some milestones, including putting in place a Staff Training Plan; develop a Stakeholder Engagement Strategy; and on the human resource management front, develop a new Performance Management System. Implementation of these key initiatives will overlap into the coming financial year, 2020 – 2021.

With regard to programme implementation, the year under review was marked by a higher-than-projected level of capacity building interventions provided to the SADC DFI Network members and government departments as well as non-member organisations. The DFRC also continued with the strategic objective to offer targeted programmes in response to capacity building requirements by individual institutions. This entailed delivery of customised and therefore demand-driven programmes.

A total of twenty-five (25) programmes were run during the course of the year and these were attended by more than six hundred and fifty (650) participants from the SADC region and other regions. Following commitment by members the previous year to promote women participants in line with the SADC Protocol on Gender, it is disappointing that this year the DFIs have regressed. At 36% women participation this year, we are way below the 45% recorded last year and far from the 50% SADC threshold. There is no doubt that DFIs have much more to do to bring up the proportion of women participants and that higher ratios could be achieved. As for DFRC, it will continue on its gender streaming efforts, including the introduction of workshops aimed at promoting women participation in respective member organisations.

In the delivery of training programmes and conferences, particularly on critical regional policy, regulatory and institutional matters, the DFRC has continued to take guidance from the United Nations Sustainable Development Goals (SDGs) as well as the SADC Industrialisation Strategy and Roadmap of SADC, the latter under the auspices of the Revised Regional Indicative Strategic Development Plan (2015/2020). This has seen the SDGs Working Groups of the DFI Network continue to share and review projects that furthered the realisation of the SDGs across all sectors targeted by the RISDP vis.: small micro and medium enterprises (SMMEs), industrial, agriculture and infrastructure development.

As for policy and advisory services, besides policy-oriented fora for senior executives such as DFIs chief executives, the Board followed closely the performance of network member DFIs on the African Development Bank – supported Prudential Standards, Guidelines and Rating System (PSGRS) of the Association of African Development Finance Institutions (AADFI), a partner organisation of the DFRC.

The PSGRS seeks to provide the standards and guidelines by which DFIs adhere to best practices of corporate governance, operational guidelines and financial prudence. Through a peer review system and self-assessment process, the PSGRS provides a framework by which DFIs and policy makers can improve the operational and regulatory environment of DFIs.

In this respect, it is pleasing to note that of the thirty (30) institutions in the top PSGRS Survey 'Table of Honour' for 2019, sixteen (16) or more than fifty percent were from our membership. These DFIs scored a weighted average of 80% and above. It is my fervent hope that these DFIs will put this exceptional performance to their advantage in their efforts to mobilise financial resources. At the same time, those DFIs that did not do so well are encouraged to take the following year to improve areas of poor performance as highlighted by the survey.

SADC DFI Network membership, notwithstanding strong efforts to boost it, declined in the 2019-20 financial year. The SME Bank of Namibia, following its closure by the central bank, ceased to be a member of the SADC DFI Network thus reducing membership of the Network from forty-one (41) to forty (40). Efforts to recruit new members are on-going and the DFRC is currently in discussions with two DFIs who have expressed the desire to join the SADC DFI Network.

The audit of the DFRC for the financial year 2019/20 was disrupted by the onset of the COVID – 19 virus which was declared a pandemic by the World Health Organisation in March 2020. Consequently, our external auditors, Ernest and Young, only completed their work late in August 2020. This notwithstanding, I would like to report that, in spite of a marginal loss of US$12,728 for the 2019/20 financial year, the DFRC has been declared a financially viable entity.

As regards to institutional governance matters, the Network elected new members to the DFRC Board at the December 2019 meeting in Luanda, Angola. The Board, therefore, welcomed two (2) members, namely Mr Henda Esandju Nicolus da Silva Ingles, Chairman and Chief Executive Officer of Banco de Deselvolvimento de Angola and Mr Tomas Rodrigues Matola, Chief Executive Officer of the Banco Nacional de Investimento, Mozambique.

The Agricultural Development Bank of Zimbabwe represented by Mr Elfas Chimbera, Acting CEO, assumed the Chairmanship of the Board while Mr Henda Esandju Nicolau da Silva Ingles, was appointed Deputy Chair. We also bade farewell to Mr Gisbertus Mukulu, former Board Chair and Chief Executive Officer of National Housing Enterprise and Ms Anabela Ernesto Mucavele, Financial Director at the Small Investment Promotion Company (GAPI-SI) and former Chair of the Audit and Risk Committee, whose terms had expired.

Mr Nixon M. Marumoloa, Chief Executive Officer of the Botswana Savings Bank, was appointed Chair of the Audit and Risk Committee and the two new members to this committee are Mr Sydney Soundy, Executive Manager: Strategy and Communications at the Land and Agricultural Development Bank of South Africa and Ms Khetsiwe Mdluli – Dube, Acting Chief Executive Officer of the Industrial Development Company of the Kingdom of Eswatini.

On behalf of the Board, I would like to extend my gratitude to the retiring members for their invaluable contributions during the course of their tenure and, at the same time, welcome the new Board as we embark on the second year of the 2019-2024 Strategic Plan.

Further, on behalf of the Board and members of the SADC DFI Network, I would also like to extend my sincere gratitude to the SADC Secretariat for the continued support and commitment to the SADC DFI Network and the SADC-DFRC. We look forward to continued collaboration in driving forward the regional development agenda.

Lastly and by no means least, I would like to extend my gratitude to the SADC-DFRC management and staff for their professionalism and commitment to duty in delivering on their given mandates.

Elfas Chimbera
CHAIRPERSON
BOARD OF TRUSTEES

MANAGEMENT AND STAFF

The Management Team is responsible for the execution of strategy and day to day management of the institution. In addition to managing their own departments, Managers may also be called to inform and report to the Board on matters of their departments.

Mr Stuart Kufeni
Chief Executive Officer

Mr Kogan Pillay
Manager - Public Private Partnerships

Ms Vero Kgakge
Finance and Administration Manager

Mr Langalakhe Mahamba-Sithole
Capacity Building Advisor

Staff *(Mr Kenneth Setimela – not in picture)*

CHIEF EXECUTIVE OFFICER'S STATEMENT

Mr Stuart Kufeni
Chief Executive Officer

The DFRC notched further successes in its mandated activities of capacity building, policy research and advisory services during financial year 2019/20 as implementation of the first Business Plan under the 2019/24 Strategic Plan commenced in earnest in spite of financial resources and institutional capacity constraints.

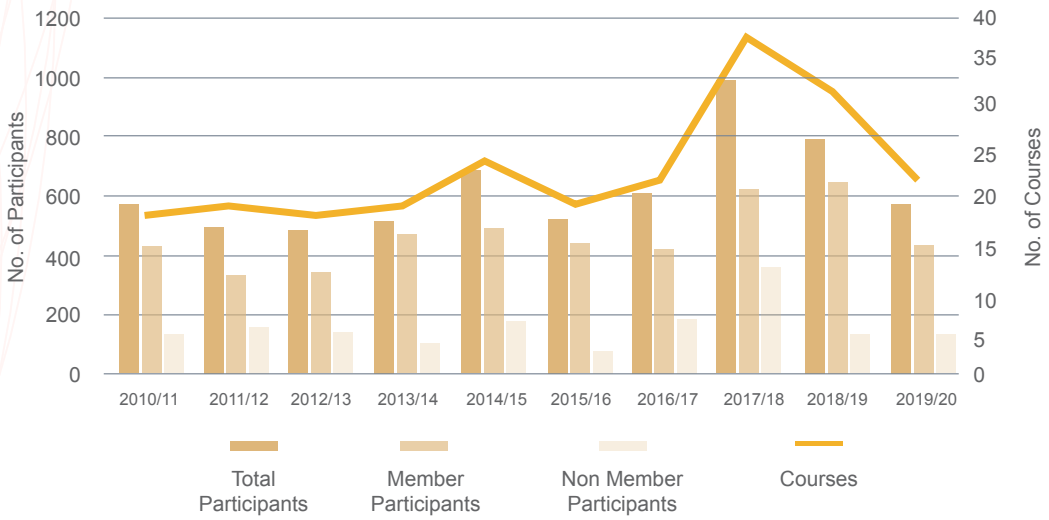
Programme activity during 2019/20 saw DFRC deliver twenty-five (25) training courses and seminars. Though DFI participation was lower than the previous year due to a slowdown in demand for customised institution-specific courses, demand for DFI courses by non-members, especially governments and state -owned entities (SOEs) remained strong. This response by non - members is on account of growing popularity of DFRC programmes not only in the region but also beyond and attests to the value, rigor and professionalism of our programme offer.

The appointment of a new Senior Officer for SMEs during the course of the year, in line with the strategic thrust to place the sector at the centre of DFRC programming, resulted in an uptick in courses and workshops on the SME sector above previously attained levels. Consequently, to advance and promote SMEs, the December 2019 DFI Chief Executive Forum discussed the theme, "Small and Medium Enterprises: Underpinning SADC Industrialisation Strategy". This presented members at senior level, the platform to discuss and share information and experiences on the SME sector and to prioritize it in their operations as an enabler for regional industrialisation under the SADC development agenda.

A further feature of the DFRC programme delivery for 2019/20 financial year is the coming on board of strategic partners as co-sponsors. This is in line with strategic plan initiatives to leverage the support of key technical partners to develop and run training programmes as well as policy seminars. We anticipate extending these partnerships to the field of policy research and surveys. Such partnerships will enable DFRC to access information and technical support for the benefit of the network membership. In addition, the sharing of human and financial resources such partnerships entail augurs well for generating savings and spreading resources to a wider area of influence. As we progress forward, more technical partners will be sought and the resultant relationships formalised through memoranda of understanding (MoUs).

At twenty – five (25) programmes achieved for 2019/20, the DFRC did not only exceed its target for the year but, as a consequence, the target for participants as well. A total of six hundred and fifty – six (656) participants attended the programmes, way above the target for the year. Chart 1 and Table 1 below show the trends in participation and the programmes undertaken by DFRC.

Chart 1: Programme Participation



The upward spike in programmes in the period 2017/2018, as mentioned earlier, is attributed to an exceptional rise in in-house programmes from both members and non-members. In-house training remains the preferred training option as it allows for tailor-making to suit the requesting institution's requirements. Overtime, as targeted in the business plan they should become the dominant form of training programmes delivery by DFRC.

Table 1: Key Performance Measures

QUARTER	PROGRAMME EVALUATION INDEX (PEI)			OTHER MEASURES			
Quarter Ending	Actual (%)	Target (%)	Variance (%)	No. of Programmes (No.)		Attendance (No.)	
				Actual	Target	Actual	Target
June 2019	89	80	5	7	3	155	75
Sept 2019	90	80	10	7	3	182	75
Dec 2019	93	80	9	5	3	154	75
March 2020	84	80	11	4	3	76	75
Cumulative Average Score				**Total**		**Total**	
Total/Ave	**89**	**80**	**9**	**25**	**12**	**656**	**300**

* (PEI) = Perfomance Evaluation Index

A composite measure of programmes performance, facilitator performance, administrative and logistical arrangements

NB: Three programmes arranged jointly with partner institutions were not evaluated.

Table 1 above further illustrates the performance of the programmes as rated by means of the Programme Evaluation Index (PEI) which basically assesses the suitability and quality of a programme and content. In addition, the facilitator is also assessed in terms of knowledge and effectiveness of delivery of subject. Against these criteria, all twenty – five programmes attained PEIs above the 80% DFRC minimum threshold and as a result averaged a high 89% for the financial year.

Under policy research and advisory programmes, the DFRC continued to prioritise the consolidation of Prudential Standards, Guidelines and Rating System (PSGRS) and its institutionalisation among network members. In this regard, we are pleased to note that DFRC's endeavours are paying dividends. In a recent survey of PSGRS participation by region in Africa, the Southern Africa region has persistently eclipsed other regions in terms of attendance for the past seven years, the most recent year being 2019. This means that more and more DFIs within the region are adopting best practices of corporate governance, operational guidelines and financial prudence critical to their operations and capacity to mobilise funding as their creditworthiness is improved as a result.

Further, in the 2019 PSGRS survey, of the thirty institutions constituting the PSGRS "Table of Honour", consisting of those scoring 80% or above, sixteen (16) were from SADC DFI network membership. The PSGRS Survey and Peer Review, moving forward, remains a key area of focus for the DFRC with the objective to improve the creditworthiness of our members and thus lay the platform to transition to international credit ratings of the likes of Moody's, Fitch and Standard and Poors.

The DFRC continued to play a critical coordinating role for infrastructure development acceleration in the region through ongoing advisory engagements with DFIs and private sector entities in the SADC region. Working closely with the DFIs in the region, the DFRC continues to play a pivotal role as a catalyst for the development of bankable infrastructure projects. This has been further highlighted as the African Development Bank (AfDB) has requested that the DFRC house and manage a Project Implementation Unit (PMU) to support project preparation activities.

Efforts by DFRC to form strategic partnerships for the furtherance of its mandate which have in the past seen it sign memoranda of understanding (MoUs) continue and various organisations have been identified for this purpose. In this respect, on 10th December 2019, the DFRC signed a Memorandum of Understanding with the Chartered Institute of Development Finance (CIDEF) whose mandate is to promote development finance capacity in research, training and capacity building. The two entities will work together to promote development finance networks and capacity building in Africa as well as conduct research and case studies to benefit the region.

The 2019/24 Strategic Plan identifies a number of crucial initiatives that underpin the success of DFRC in meeting its mandate and become the 'Centre of Excellence for development finance solutions'. Among these initiatives are Stakeholder Engagement and Marketing Strategy, the Human Resources Management Framework and Plan and the IT Platform.

Looking ahead, the success of the DFRC in meeting its mandate to the satisfaction of stakeholders, among these the members of the DFI network, will largely be a function of the implementation of these initiatives. Terms of reference were completed and the process to secure consultants, is underway and implementation will preoccupy DFRC in financial year 2020/21.

We look forward to the successful implementation of these initiatives, among others, under the ambit of the overall 2019/24 Strategic Plan critical to the future success of the DFRC as facilitator and catalyst of development in the SADC region.

Stuart Kufeni
CHIEF EXECUTIVE OFFICER

PROGRAMMES FOR FINANCIAL YEAR 2019/2020

The DFRC interventions aimed at enhancing skills of the DFI Network members through training and development programmes, technical assistance, secondments and attachments as well as policy research and advisory services continue to grow with each ensuing year.

In total, twenty-five programmes were held during the course of the financial year and six hundred and fifty-six (656) participants attended with the majority from member DFIs and a significant number from government and other development stakeholders. The participation by non – member organisations attests to the consistently high quality of DFRC programme delivery. Reflecting the strategic thrust to increasingly leverage the support of critical technical partners, some programmes were run jointly with technical partners.

Table 2 below is a summary of the programmes delivered highlighting key features such as the objectives, programme evaluation and attendance. These are expanded on in the following sections.

Table 2: Capacity Building Programmes

	Programmes	Objectives	Venue	Dates	Attendance	Evaluation Index
1	Export Credit Finance	To enable participants to understand the basic principles relevant to export credit finance which allow them to improve their financial structuring skills in developing a new project or projects.	Zimbabwe	8th – 10th April 2019	17	87.4%
2	Executive Development for Women	To understand elements of a Leadership Culture from women perspective.	Zimbabwe	11th –12th April 2019	23	88.5%
3	Introduction to Public Private Partnership	To assist those who wish to use PPPs to develop and implement projects with basic skills to understand and prepare a PPP Project	Eswatini	22nd – 24th May 2019	21	93.1%
4	18th CEOs Forum	To allow DFIs the opportunity for self – assessment as to their role and the extent to which, individually or under the auspices of their governments, they have actively adopted and implemented green finance in their operations.	Zimbabwe	6th June 2019	74	81.2%
5	Agribusiness Value Chain Development and Finance for CEDA	To Understand value chain concepts and competitiveness and be able to assess risks and identify strategic opportunities to strengthen value chains	Botswana	24th – 27th June 2019	31	91.6%
6	Prudential Standards, Guidelines and Rating System	To review and discuss the Prudential Standards, Guidelines and Rating System tool	South Africa	26th – 27th June 2019	20	84%
7	Corporate Governance	To raise awareness of the concept, practice and relevance of good corporate governance in the context of development finance institutions and the challenges they face	Angola	23rd – 26th July 2019	13	92.2%

	Programmes	Objectives	Venue	Dates	Attendance	Evaluation Index
8	Structured Trade Finance	To enhance competencies of trade finance professionals and corporate bankers in structured trade financing	Tanzania	27th July – 2nd August 2019	28	91%
9	Corporate Governance for FINCORP	To raise awareness of the concept, practice and relevance of good corporate governance in the context of development finance institutions and the challenges they face	Eswatini	31st July – 1st August 2019	15	92.2%
10	Enterprise Risk Management	To develop skills to integrate risk management in daily business operations and decision - making across all divisions of the institution for business continuity and sustainable business performance.	Kenya	26th – 30th August 2019	44	86.4%
11	Credit Risk Management for NDB	To provide an appreciation of the principles and techniques for Credit Risk Management from the Strategic rather than Operational Perspective.	Botswana	2nd – 6th September 2019	32	92.9%
12	Corporate Governance for PPADB	To raise awareness of the concept, practice and relevance of good corporate governance in the context of development finance institutions and the challenges they face	Botswana	16th – 18th September 2019	15	98.5%
13	Corporate Governance for BEDCO	To raise awareness of the concept, practice and relevance of good corporate governance in the context of development finance institutions and the challenges they face	Lesotho	22nd – 24th September 2019	13	93.3%
14	Expanding Renewable Energy for Access and Development: The Role of Development Finance Institutions	To identify barriers and binding constraints that DFIs face for financing renewable and accessible energy in SADC countries and identify and share best practices for DFI engagement in renewable and accessible energy finance in SADC countries	Botswana	14th – 15th October 2019	27	90.6%
15	CEO's Colloquium	To deepen participant's understanding of the requirements of leadership in dynamic organizations today	South Africa	15th – 16th October 2019	13	94%
16	Intermediate Public Private Partnership	To help participants gain broader understanding of government service delivery facilitation, public debt management, promotion of public sector savings, efficiency in public sector delivery and the attraction of public and private partnerships (PPP) as a model for financing projects.	South Africa	12th – 14th November 2019	11	91.5%
17	Capacity Building Review and Talent Management	To review capacity building efforts and the enhancement of communication skills and talent management within the development finance environment.	South Africa	27th – 29th December 2019	26	86.7%

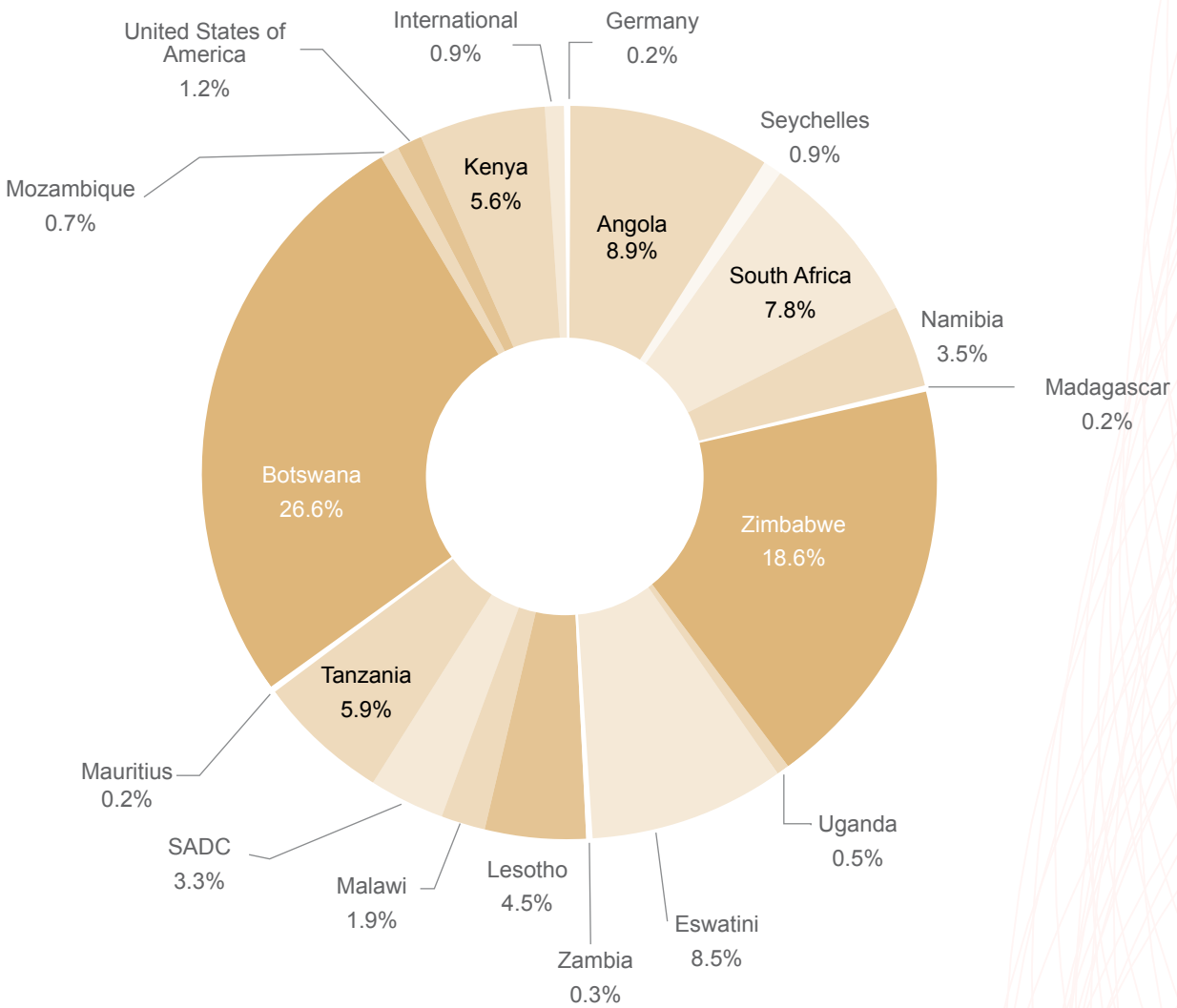
	Programmes	Objectives	Venue	Dates	Attendance	Evaluation Index
18	19th CEOs Forum	To unpack the role and expected contribution of SMEs as envisaged under the regional strategy; discuss the common issues that affect SMEs and thus impede the realisation of their full developmental potential; and share experiences among themselves with a view to proffer best practices and, collectively propose the way forward to enhance their participation within the SADC region.	Angola	5th December 2019	77	82.7%
19	Negotiation Skills for CEDA	To enhance skills on how to prepare, have clear aims and objectives, how and when to use different negotiating styles, strategies and tactics.	Botswana	19th – 20th February 2020	16	88.3%
20	Credit Risk Management for NDB	To provide an appreciation of the principles and techniques for Credit Risk Management from the Strategic rather than Operational Perspective	Botswana	24th – 25th February 2020	13	94.6%
21	Finance for Non Finance Managers	To expose non-Finance managers to the essential skills of accounting and financial management for effective interaction with the finance function	Zimbabwe	4th – 6th March 2020	19	94.7%
22	Debt Management	To enhance debt management skills to minimise borrowing costs and maintain risk at acceptable levels, and to deal with loan workouts and debt restructuring	Zimbabwe	9th – 11th March 2020	28	91.9%
23	Blended Finance for African DFI's	To enhance African DFIs' skills and capabilities to implement key development finance mobilisation programmes for purposes of financing and achieving the SDGs in Africa, including across areas such as financial inclusion, lending to MSMEs, renewable energy, agricultural finance, and local currency financing.	Botswana	9th – 10th December 2019	27	N/A
24	Corporate Governance Essentials for the Competition and Consumer Authority	To raise awareness of the concept, practice and relevance of good corporate governance.	Botswana	21st January 2020	17	N/A
25	The First Sector Specific JICA Seminar for Japanese Companies and SADC Infrastructure DFIs	To present specifics of how they promote, finance and monitor infrastructure development projects to Japanese Private Companies	South Africa	20th February 2020	45	N/A

***NB:** The DFRC collaborated on programmes 23 – 25 with other institutions and these were not evaluated nor captured on other tables and charts*

Participation by Country

Country participation is dominated by Botswana which had the highest number of participants with a share of 26.6% of the total followed by Zimbabwe with 18.6%. The high level of participation by Botswana largely reflects increased recourse to tailor-made or institution–specific programmes and to some degree the high level of membership in the country. The physical proximity by Botswana DFIs to the DFRC secretariat to some extent contributes to the high participation levels.

Chart 2: Participation by Country



Participation by Institution

Individual DFIs have made substantial use of the training services through country and institution-based programmes. The DFRC, in line with its strategic plan goals, has been actively engaging with individual DFIs to develop and implement customised programmes. Table 3 below shows participation levels by member DFIs with the National Development Bank of Botswana as the major beneficiary.

Table 3: Participation by Institution

No	Organisation Name	Country	Attendence	%Attend	Male	%Male	Female	%Female
1.	Agricultural Bank of Namibia (ABN)	Namibia	2	0.45	2	100	0	0
2.	Agricultural Bank of Zimbabwe (AGRIBANK)	Zimbabwe	23	5.2	16	69.6	7	30.4
3.	Banco de Desenvolvimento de Angola (BDA)	Angola	18	4.07	11	61.1	7	38.9
4.	Banco de Poupanca e Credito (BPC)	Angola	12	2.71	8	66.7	4	33.3
5.	Banco Sol	Angola	14	3.17	9	64.3	5	35.7
6.	Basotho Enterprises Development Corporation (BEDCO)	Lesotho	20	4.52	12	60	8	40
7.	Botswana Development Corporation (BDC)	Botswana	9	2.04	5	55.6	4	44.4
8.	Botswana Housing Corporation (BHC)	Botswana	10	2.26	5	50	5	50
9.	Botswana Investment and Trade Centre (BITC)	Botswana	6	1.36	1	16.7	5	83.3
10.	Botswana Savings Bank (BSB)	Botswana	7	1.58	5	71.4	2	28.6
11.	Citizen Entrepreneurial Development Agency (CEDA)	Botswana	51	11.54	31	60.8	20	39.2
12.	Development Bank of Mauritius (DBM)	Mauritius	1	0.23	1	100	0	0
13.	Development Bank of Namibia (DBN)	Namibia	4	0.9	2	50	2	50
14.	Development Bank of Seychelles (DBS)	Seychelles	5	1.13	2	40	3	60
15.	Development Bank of Southern Africa (DBSA)	South Africa	23	5.2	15	65.2	8	34.8
16.	Development Bank of Zambia (DBZ)	Zambia	1	0.23	1	100	0	0
17.	Environmental Investment Fund of Namibia (EIF)	Namibia	4	0.9	2	50	2	50
18.	Eswatini Development and Savings Bank (ESWATINI BANK)	Eswatini	14	3.17	7	50	7	50
19.	Eswatini Development Finance Corporation (FINCORP)	Eswatini	20	4.52	14	70	6	30
20.	Eswatini Housing Board (EHB)	Eswatini	1	0.23	1	100	0	0
21.	Export Development Fund (EDF)	Malawi	11	2.49	8	72.7	3	27.3
22.	Gapi-Sociedade de Investimentos (GAPI-SI)	Mozambique	4	0.9	1	25	3	75
23.	Industrial Development Company of Eswatini (IDCE)	Eswatini	4	0.9	4	100	0	0
24.	Industrial Development Corporation (IDC)	South Africa	9	2.04	5	55.6	4	44.4
25.	Industrial Development Corporation of Zimbabwe (IDCZ)	Zimbabwe	22	4.98	12	54.5	10	45.5
26.	Infrastructure Development Bank of Zimbabwe (IDBZ)	Zimbabwe	27	6.11	16	59.3	11	40.7
27.	Land and Agricultural Development Bank (LANDBANK)	South Africa	4	0.9	4	100	0	0
28.	Lesotho National Development Corporation (LNDC)	Lesotho	5	1.13	4	80	1	20
29.	National Development Bank (NDB)	Botswana	50	11.31	24	48	26	52
30.	National Development Corporation (NDC)	Tanzania	4	0.9	4	100	0	0
31.	National Housing Enterprise (NHE)	Namibia	8	1.81	5	62.5	3	37.5
32.	National Industrial Development Corporation of Eswatini (NIDCE)	Eswatini	1	0.23	1	100	0	0
33.	NORSAD Finance Limited	Botswana	4	0.9	4	100	0	0
34.	Small and Medium Enterprises Development Corporation (SMEDCO)	Zimbabwe	22	4.98	12	54.5	10	45.5
35.	Societe Nationale de Participations (SONAPAR)	Madagascar	1	0.23	1	100	0	0
36.	Tanzania Agricultural Development Bank (TADB)	Tanzania	5	1.13	3	60	2	40
37.	TIB Development Bank (TIB)	Tanzania	16	3.62	11	68.8	5	31.3
	Total		**442**	**100%**	**269**	**60.9%**	**173**	**39.1%**

Participation by Non-Members

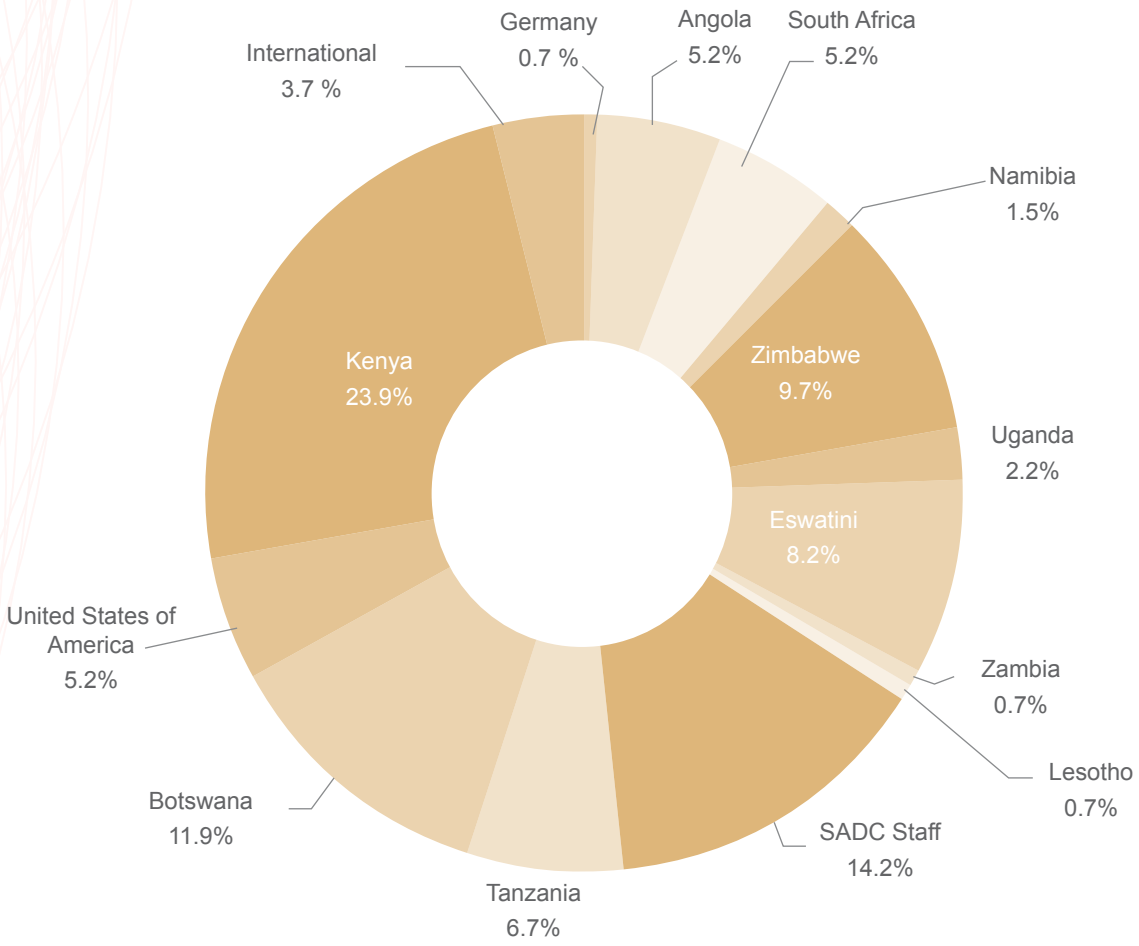
During the period under review participation by non-members has been significant, largely due to the involvement of state-owned enterprises. The increasing number of non-members coming on board reflects both the high value of programmes the DFRC is offering as well as impact of efforts to spread the DFRC outreach beyond the immediate SADC region and to other development stakeholders.

Table 4 and Chart 3 below provides a record of participation by non-members. By country, Kenya provided the largest number of participants accounting for almost 24% of the total followed by Botswana (11.9%), Zimbabwe (9.7%) and Eswatini (8.2%)

Table 4: Participation by Non-Member DFIs

No	Organisation Name	Country	Attendence	%Attend	Male	%Male	Female	%Female
1.	African Development Bank	South Africa	2	1.49	1	50	1	50
2.	Australian International Documentary Conference	International	1	0.75	1	100	0	0
3.	Boston University	United States of America	6	4.48	2	33.3	4	66.7
4.	CABS	Zimbabwe	2	1.49	2	100	0	0
5.	Central Bank of Kenya	Kenya	25	18.66	19	76	6	24
6.	Central Bank of Lesotho	Lesotho	1	0.75	0	0	1	100
7.	China Association for Intercultural Communication	International	3	2.24	3	100	0	0
8.	Commercial Bank of Africa Tanzania Limited	Tanzania	4	2.99	1	25	3	75
9.	Ecobank Uganda	Uganda	3	2.24	1	33.3	2	66.7
10.	Embassy of Zimbabwe - AO	Angola	1	0.75	1	100	0	0
11.	Empower Bank	Zimbabwe	1	0.75	1	100	0	0
12.	Eswatini Civil Aviation Authority (ESWACAA)	Eswatini	7	5.22	4	57.1	3	42.9
13.	EU/SADC	Botswana	1	0.75	0	0	1	100
14.	European Investment Bank	Germany	1	0.75	1	100	0	0
15.	European Union	Angola	2	1.49	1	50	1	50
16.	Export Import Bank of China	International	1	0.75	1	100	0	0
17.	FGC - Fundo de Garantia de Credito	Angola	2	1.49	2	100	0	0
18.	Financial Services Regulatory Authority (Eswatini)	Eswatini	2	1.49	1	50	1	50
19.	Homelink (Private) Limited	Zimbabwe	1	0.75	1	100	0	0
20.	International Renewable Energy Agency (IRENA)	United States of America	1	0.75	1	100	0	0
21.	Japanese International Corporation Agency - ANGOLA	Angola	2	0.75	1	100	0	0
22.	JICA - South Africa	South Africa	2	1.49	1	50	1	50
23.	Ministry of Finance - ZW	Zimbabwe	1	0.75	1	100	0	0
24.	National Bank of Commerce Limited	Tanzania	5	3.73	4	80	1	20
25.	Public Procurement & Asset Disposal Board (PPADB)	Botswana	14	10.45	10	71.4	4	28.6
26.	Reserve Bank of Zimbabwe	Zimbabwe	7	5.22	7	100	0	0
27.	Royal Eswatini National Airways Corporation	Eswatini	2	1.49	2	100	0	0
28.	SADC Centre for Renewable Energy and Energy Efficiency (SACREEE)	Namibia	1	0.75	1	100	0	0
29.	SADC Development Finance Resource Centre (DFRC)	SADC	15	11.19	13	86.7	2	13.3
30.	SADC Secretariat	SADC	4	2.99	3	75	1	25
31.	SDIP Africa Hub	South Africa	1	0.75	0	0	1	100
32.	Sir Ketumile Masire Teaching Hospital (SKTMTH)	Botswana	1	0.75	1	100	0	0
33.	Trade and Development Bank (TDB)	Kenya	7	5.22	5	71.4	2	28.6
34.	University of Pretoria	South Africa	2	1.49	2	100	0	0
35.	Zambia Electronic Clearing House Limited	Zambia	1	0.75	1	100	0	0
36.	Zimbabwe Women Microfinance Bank Limited	Zimbabwe	1	0.75	0	0	1	100
	Total		**134**	**100%**	**98**	**73.1%**	**36**	**26.9%**

Chart 3: Non-member Participation by Country



Participation by Gender

The 2019/20 financial year registered a decrease in terms of total participation by females as illustrated in Charts 4, 5 and 6 below. Female participation was lower at 36% when compared with 45% in the previous year and remains well below the 50% SADC threshold.

The overall poor performance on the gender front is against the background of the adoption by DFIs at a discussion of the Survey on Gender Practices among DFIs which recommended the following:

i) That DFIs be encouraged to develop institutional gender policies within the ambit of their national government gender policies; and

ii) That the DFRC continues to raise awareness and advocacy of gender issues and balance within the DFI Network for both employment and training.

During the period under review, the DFRC continued to advocate for gender balance by encouraging members to promote women participation in both courses and meetings to ensure gender parity.

Chart 4: Participation by Gender

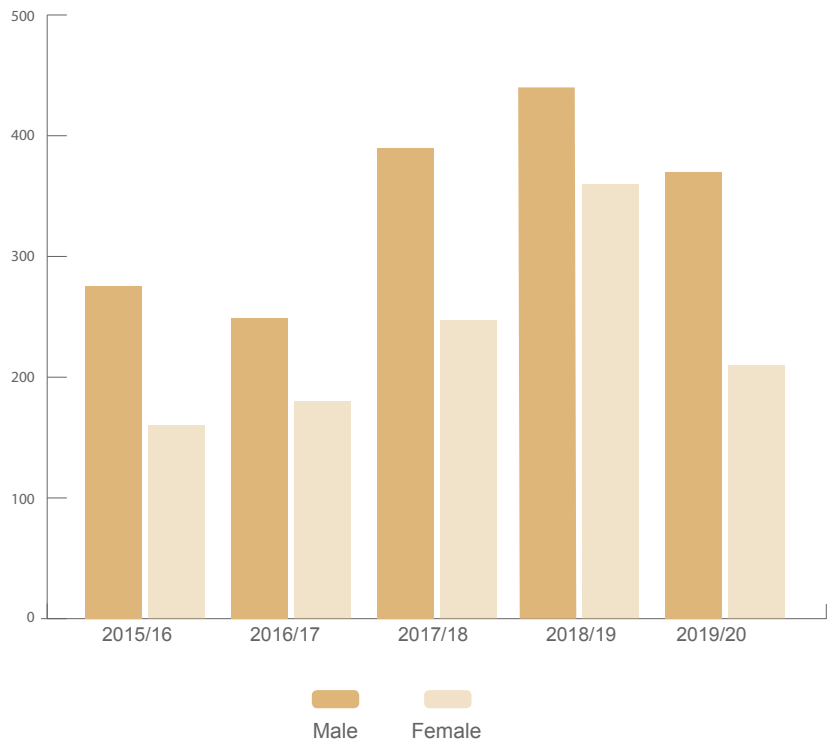
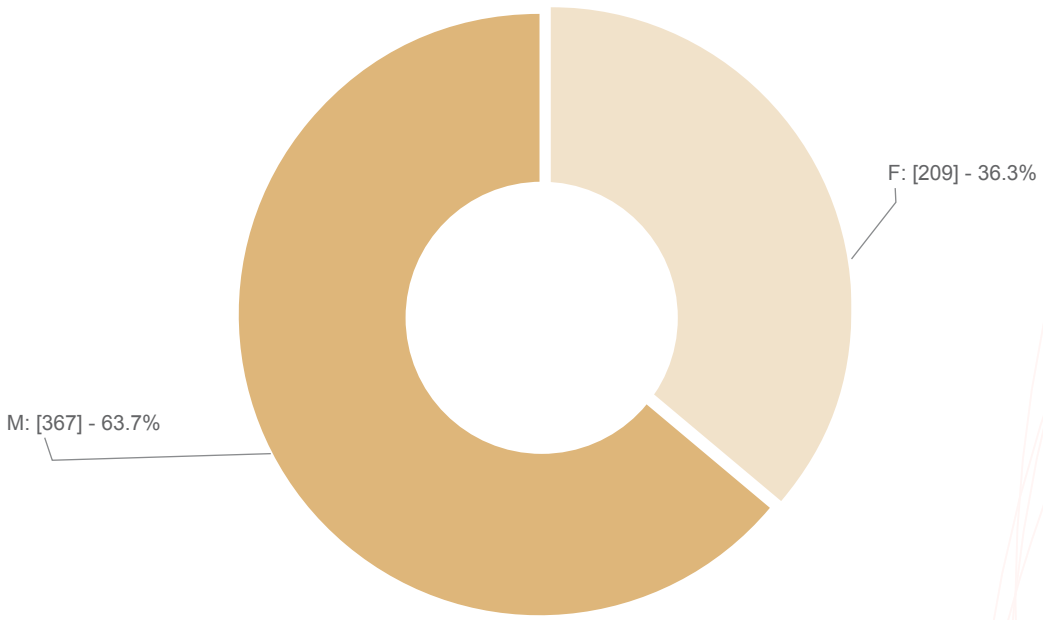
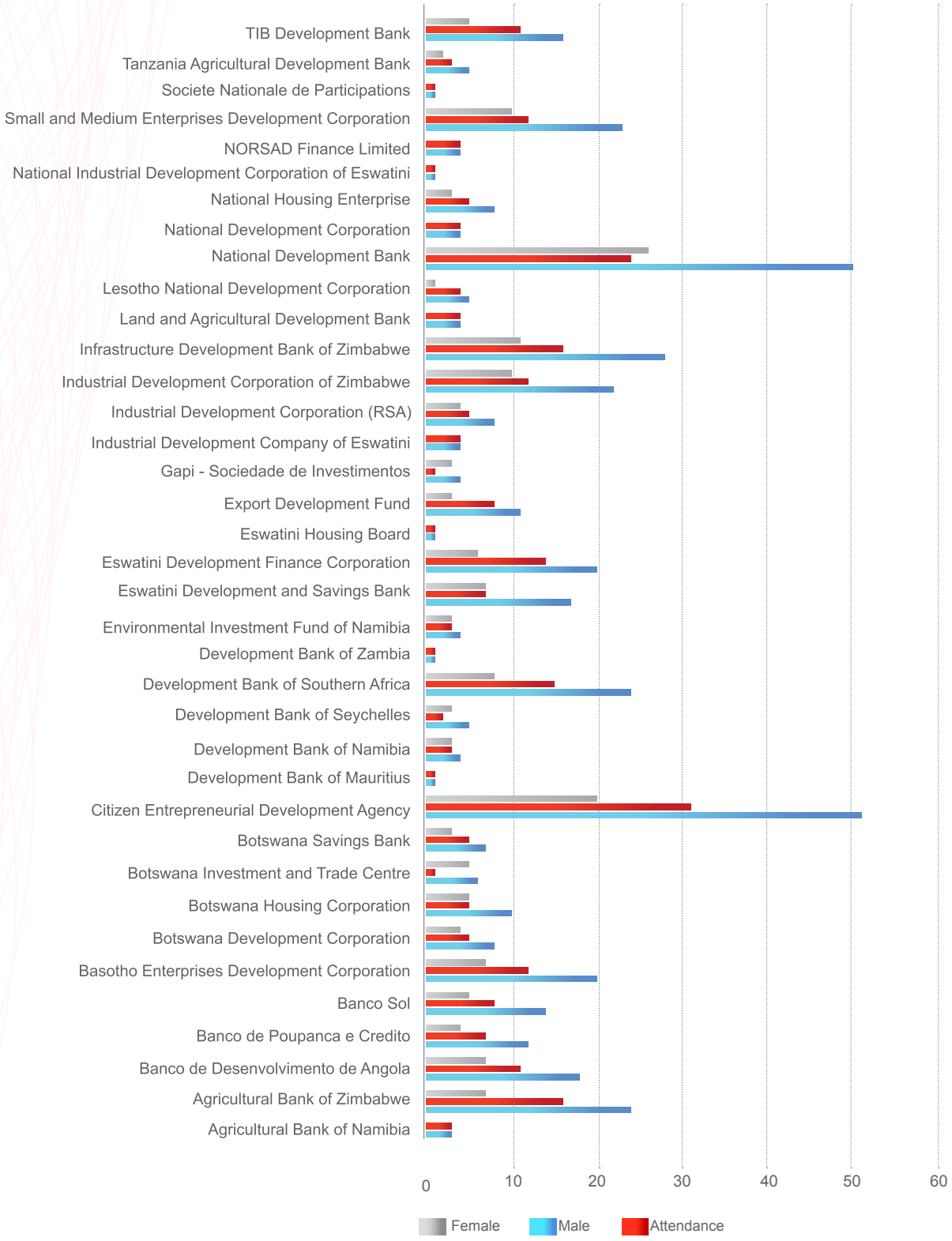


Chart 5: Participation by Gender - 2019/2020



While the DFRC continues with gender streaming efforts, it recognises that the final responsibility rests with DFIs as they recruit and make nominations of participants.

Chart 6: Participation by DFI and Gender



While the majority of DFIs had more males than females participating at DFRC programmes, the National Development Bank of Botswana, GAPI-SI of Mozambique, Development Bank of Seychelles and the Botswana Investment and Trade Centre, recorded higher numbers of female participants.

POLICY RESEARCH AND ADVISORY SERVICES

The policy research and advisory programme supports financial sector strengthening and capital markets development and deepening. The objective is to influence effective policy and regulatory changes, particularly as they relate to the DFI operational environment, so as to enhance the efficient mobilisation of resources to support investment.

Work by DFRC on this front continued to be dominated by the implementation of the Prudential Standards, Guidelines and Rating System (PSGRS) under the Association of African Development Finance Institutions (AADFI). The DFRC partnered with AADFI to manage the PSGRS process among its member DFIs in the SADC region.

SADC DFIs PSGRS Survey Participation

The purposes of the PSGRS and benefits to participating DFIs are multifaceted and can be summarised as follows:

- A useful guidance as to what DFIs' own rules and regulatory policies should be as well as a benchmark to compare these policies and results with other DFIs in Africa.
- A self-regulated early warning system for DFIs to assist them in initiating credible remedial measures before they are forced to do so by owners, regulators or lenders.
- Provision of DFIs' shareholders with useful proposals for possible custom tailoring of existing regulatory requirements imposed on DFIs as well as providing them with some leverage to require weaker DFIs to take corrective measures when they are showing signs of trouble.
- Providing donors with a useful set of standards and yardsticks by which to assess DFIs and their suitability as financial intermediaries worthy of funding and/or technical assistance support.
- Improving the reputation of DFIs that apply the standards through the adoption of best professional practices to enable them to easily present comparable results with similar DFIs in Africa.
- Using their PSGRS certification from AADFI when presenting an application for financing from fund donors for assistance.

PSGRS Survey for 2019

Thirty (30) of the participating institutions in 2019 had weighted scores of 80% and above. The institutions were accorded the recognition of being listed in the Table of Honour of the year as shown in Table 5 below.

Table 5: PSGRS Table of Honour for 2019

Best Performing Institutions	Results	Rating
Groupe Crédit Agricole du Maroc (GCAM - Morocco)	99%	AA
East African Development Bank (EADB - Uganda)	98%	
Trade and Development Bank (TDB - Kenya)	97%	
Tamwil El Fellah (TEF - Morocco)	97%	
Development Bank of Nigeria PLC (DBN - Nigeria)	95%	
Banque Nationale pour le Développement Économique (BNDE - Burundi)	94%	
Bank of Industry Ltd (BOI - Nigeria)	93%	
Export Development Fund (EDF - Malawi)	91%	
Agricultural Finance Corporation (AFC - Kenya)	91%	
Agricultural Bank of Zimbabwe (Agribank - Zimbabwe)	91%	
Botswana Development Corporation (BDC - Botswana)	91%	
Uganda Development Bank Ltd (UDBL - Uganda)	90%	A+
Development Bank of Southern Africa (DBSA – South Africa)	89%	
GAPI-SI (Mozambique)	89%	
Development Bank of Ethiopia (DBE - Ethiopia)	89%	
Infrastructure Development Bank of Zimbabwe (IDBZ - Zimbabwe)	88%	
Industrial Development Corporation (IDC – South Africa)	87%	
Development Bank of Namibia (DBN)	87%	
Banque de Developpement des Etas des Grands Lacs (BDEGL – D.R. Congo)	86%	
Fonds Africain de Garantie et de Coopération Économique (FAGACE - Benin)	85%	A
Development Bank of Rwanda (BRD - Rwanda)	85%	
Eswatini Development and Savings Bank (EDSB - Eswatini)	83%	
IDB Capital Ltd (IDB - Kenya)	82%	
Industrial Development Bank of Sudan (IDBS - Sudan)	82%	
Industrial Development Company of Eswatini (IDCE - Eswatini)	82%	
Société Financière de Developpement (SOFIDE – D.R. Congo)	82%	
Ecowas Bank for Investment and Development (EBID)	82%	
Agricultural Bank of Namibia (Agribank - Namibia)	81%	
Eswatini Development Finance Corporation (Fincorp - Eswatini)	81%	
Development Bank of Seychelles (DBS - Seychelles)	80%	

Of the 2019 Table of Honour listed institutions, fifteen (15) are from the Southern Africa. These are listed in Table 6 below:

Table 6: SADC DFI Network - PSGRS Table of Honour Achievers

Best Performing Institutions	Results	Rating
Export Development Fund (EDF - Malawi)	91%	AA
Agricultural Bank of Zimbabwe (Agribank - Zimbabwe)	91%	
Botswana Development Corporation (BDC - Botswana)	91%	
Development Bank of Southern Africa (DBSA – South Africa)	89%	A+
GAPI-SI (Mozambique)	89%	
Infrastructure Development Bank of Zimbabwe (IDBZ - Zimbabwe)	88%	
Industrial Development Corporation (IDC – South Africa)	87%	
Development Bank of Namibia (DBN)	87%	
Banque de Developpement des Etas des Grands Lacs (BDEGL–D.R. Congo)	86%	
Eswatini Development and Savings Bank (EDSB - Eswatini)	83%	A
Industrial Development Company of Eswatini (IDCE - Eswatini)	82%	
Société Financière de Developpement (SOFIDE – D.R. Congo)	82%	
Agricultural Bank of Namibia (Agribank - Namibia)	81%	
Eswatini Development Finance Corporation (Fincorp - Eswatini)	81%	
Development Bank of Seychelles (DBS - Seychelles)	80%	

It is important to note that of the fifteen members of the SADC DFI Network on the 2019 Table of Honour, four are appearing for the first time. These are Agricultural Development Bank of Namibia (Agribank), Development Bank of Seychelles (DBS), Industrial Development Company of Eswatini (IDCE), and Société Financière de Développement (SOFIDE) of the DRC.

A further seven (7) of the SADC DFIs have participated consistently in the PSGRS Survey for five (5) or more years and in this category, FINCORP of Eswatini with nine years (9) of participation take the lead, followed by Eswatini Development and Savings Bank (8), Citizen Entrepreneurial Development Agency - Botswana (6), DBSA South Africa (5), GAPI Si Mozambique (5), Infrastructure Development Bank of Zimbabwe (5) and Industrial Development Corporation of South Africa (5).

PSGRS Survey Regional Participation

By region, Southern Africa has over the past decade since inception of the survey largely dominated participation and doing so consistently over the past seven years as illustrated in the following Table 7.

Table 7: PSGRS Survey Participation by Africa Regions

Regions	2009	2011	2013	2014	2015	2016	2017	2018	2019
Central Africa	2	3	0	0	0	1	2	3	2
North Africa	2	2	1	1	1	3	4	3	3
West Africa	14	11	6	4	8	9	9	6	8
East Africa	13	10	12	8	13	11	15	10	11
Southern Africa	5	6	15	20	24	14	19	16	14

Workshop on PSGRS

The notable growth in Southern African DFIs participating in PSGRS surveys is partly attributed to the good working relationship between DFRC and AADFI and the diligent promotion by the DFRC to its DFI Network of the benefits of participating in the PSGRS. In June 2019 the DFRC organised a PSGRS implementation training seminar. The objectives of the seminar were to explain the process and benefits of participating in the PSGRS rating process and to get feedback from DFIs and suggestions on how to improve the survey questionnaire and discuss challenges they encounter with the PSGRS process.

A number of important lessons arose from the PSGRS training seminar, including that:

- Some institutions do not regularly participate in the Peer Review, because they could not pay commission/fees for the self-assessment certification;
- The PSGRS self-assessment process must be participatory and progressive within each institution participating in the Peer Review; all managers and other internal sources of the necessary information, must be consulted;
- Management assumes overall responsibility for the self-assessment process, with the help of an internal coordinator;
- The Board of Directors should validate the self-assessment results on the recommendation of the internal auditor; and
- The internal coordinator should not only be tasked with developing the self-assessment project, but also with ensuring the incorporation of the PSGRS standards into the management tools, i.e. policies, strategies and management procedures.

Adoption of these recommendations would undoubtedly improve the assessment process for PSGRS among DFIs and is encouraged. Overtime, it is the objective of DFRC that all members of the network participate in the PSGRS Peer Review and use this experience to benchmark themselves and improve governance structures and operational and financial guidelines in line with best practices and standards.

Sustainable Development Goals (SDGs)

The DFRC continues its efforts to support the SDG's by facilitating the work of the groups established by the DFI Network. These working groups cover the infrastructure, agriculture, SMME and industrial development sectors. The ultimate goal of these groups is to help with the facilitation of the SDG's through the creation of concrete investment opportunities within the SADC region. Within this process the DFRC plays a coordinating role to support the work of the groups.

The SDGs Working Groups (SDGWG) met twice during the period under review, in June (Victoria Falls) and December 2019 (Luanda). In addition to progress update on how respective institutions contribute to implementation of SDGs, the groups also considered the Terms of Reference developed by the DFRC as a guiding instrument to ensure harmonization of the projects within the DFI Network. The ToRs were adopted by the Network and groups continue to share progress on projects.

The groups are a useful part of the DFI Network and make a meaningful contribution to both national development and regional integration.

(From Left-Right) Mr Charles Singili, Chairman of the SADC DFI Network and Managing Director for TIB Development Bank handing over a token of appreciation to Dr. Mário Eglicênio Ferreira do Nascimento, Chief Executive Officer of the Banco Sol who chaired the June 2019 CEOs forum.

PUBLIC PRIVATE PARTNERSHIPS

In its continued efforts to work in collaboration with partners, the DFRC, with the support of JICA has completed a study of the "Best Practice for Private Participation in SADC". JICA staff are currently reviewing the study and will publish it in the near future. However, its finalization has been delayed due to the COVID-19 crisis. In addition, the DFRC is planning to continue its work with JICA and for the next three years the DFI Network members will be invited to participate in the Project Appraisal training in Tokyo and new dates will be determined and communicated to members.

To further such relationships, the DFRC has partnered with Boston University (BU) and held a workshop on Renewable Energy Projects in SADC, which took place in August. The workshop was attended by local and multilateral DFI's, that culminated in a report detailing projects and will contain a number of policy recommendation for the region which will be finalized and circulated to SADC DFI's. This collaboration will continue as the DFRC has proposed that it develop an MoU with the University to enhance its policy and research capacity.

As part of its strategic thrust, the DFRC has begun to offer its services to other members of the Regional Economic Communities (REC's) and provided the first of such training in PPPs, in collaboration with JICA and the DBSA. This was the first of a continuing process which will be able to expand the membership of the DFI Network and generate additional revenues.

With ongoing emphasis on infrastructure development, the DFRC is continuing its work with the SADC Secretariat Infrastructure and Services Directorate, to develop a pipeline of bankable projects. This has proved a fruitful endeavor as a list of fourteen (14) projects has been developed in the sectors of water, renewables and transport. Once these projects have been finalized details will be provided to network members and the private sector as possible investment opportunities. It should be noted that additional projects are being reviewed as more information becomes available, and they will be added to the priority list as they near the resource mobilization stage.

As part of this process, the DFRC is also working closely with the DBSA and the AfDB in efforts to accelerate this process. A new working relationship is being developed with both institutions. In December 2019, the DFRC submitted a proposal to obtain infrastructure support funding. The application request was to provide support for the development of a Project Implementation Unit (PIU) to be housed and managed by the DFRC during the 2020/21 financial year. This project will be supported for a period of three and a half years to June 2023.

The role of the PIU will be to co-ordinate the appropriate stakeholders and review feasibility studies, recruit Transaction Advisors, work with member states to align their private sector polices and legislation with the SADC PPP Regional Framework and review new projects which require development. The AfDB will provide four million five hundred thousand dollars ($4.5 million) which will positively attract additional support from SADC member states. It is also meant to augment the work of the PPDF particularly to avoid duplication of efforts for project preparation and co-ordinate work done by International Co-operating Partners (ICP's).

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY DEVELOPMENT FINANCE RESOURCE CENTRE

ANNUAL FINANCIAL STATEMENTS
YEAR ENDED (31 MARCH 2020)

CONTENTS

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY DEVELOPMENT FINANCE RESOURCE CENTRE

ANNUAL FINANCIAL STATEMENTS
YEAR ENDED (31 MARCH 2020)

GENERAL INFORMATION

Trustees:
Mr. Elfas Chimbera (Chairperson)
Mr. Henda Esandju Nicolau da Silva Inglês (Deputy Chairperson)
Mr. Charles Singili (Ex –officio: DFI Network Chair)
Mr. Nixon Marumoloa (Chair of Audit and Risk Committee)
Mr. Sydney Soundy
Ms. Khetsiwe Mdluli-Dube
Mr. Tomas R. Matola
Mr. Sadwick Mtonakutha (Ex-officio- SADC Secretariat)

Principal Activities: Capacity building, policy research and advisory services for the SADC - Development Finance Institutions and member states

Physical Address:
Plot 54352
West Avenue, Zambezi Towers
CBD, Tower A, 7th Floor, South Wing
Gaborone, Botswana

Auditors:
Ernst & Young
2nd Floor, Plot 22
Khama Crescent
Gaborone

Bankers:
Standard Chartered Bank of Botswana Limited
First National Bank Botswana

Country of Incorporation and Domicile: Botswana

Functional and Presentation Currency: United States Dollars (US$)

TRUSTEES' STATEMENT OF RESPONSIBILITY

The Trustees are responsible for the financial statements of Southern African Development Community Development Finance Resource Centre and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards.

The Trustees are also responsible for the Secretariat's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Trustees to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The Trustees have no reason to believe that the Secretariat will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditors conduct an examination of the financial statements in conformity with International Standards of Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Trustees.

The annual financial statements for the year ended 31 March 2020 on **page 38 to 71** were authorised for issue by the trustees and are signed on their behalf by:

BOARD CHAIRPERSON **CHIEF EXECUTIVE OFFICER**

DATE: 24/11/2020

TRUSTEES REPORT

The Trustees' present their report for the year ended 31 March 2020.

Operations

The Secretariat's operations and the results thereof are clearly reflected in the attached financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report.

SADC-DFRC is a subsidiary institution of SADC established in July 2003 to serve as a sub-regional centre of excellence to strengthen the SADC Development Finance Institutions (DFIs) Network and to enhance the capacity of the SADC DFIs to deliver on their mandates towards the achievement of the SADC RISDP goals of economic growth, employment generation and poverty alleviation.

Events subsequent to the period end

There have been no facts or circumstances of a material nature that have occurred between the period end date and the date of this report. The Directors are not aware of any matters or circumstances arising since the end of the financial year up until the date these financial statements were authorised for issue ,not dealt with in this report or the financial statements that would significantly affect the operations of the organisation or the results of its operations.

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak a global pandemic. This situation continues to advance and is being monitored with various corrective and preventative measures as detailed below:

- requiring self-isolation quarantine by those potentially affected
- implementing social distancing measures and
- controlling or closing boarders and "locking-down" cities/regions or even entire countries

The organisation closed its offices and implemented a remote working arrangement for its employees. There has been minimal impact on operational outputs as the team continued to execute on their duties on the administration side.

The pandemic is an extraordinary challenge for humanity and for the economy globally, and at the date of finalization of the financial statements its effects are subject to significant levels of uncertainty. The critical judgement and evaluation that management made is whether and, if so, what event in this series of events provides evidence of the condition that existed at the end of the reporting period for the organisation's activities or its assets and liabilities. When making this judgement, the organisation took into consideration all available information about the nature and the timeline of the outbreak and measures already taken.

Management has assessed whether the event is adjusting or non-adjusting and has concluded that the cause of the shut down in the series of events that led to the shutdown is not the outbreak itself, but rather the measure taken by the government before the reporting date. As a result, the event is considered a non-adjusting event and cannot be reflected in the organisation's assets and liabilities as at 31 March 2020.

Number of employees

The average number of employees during the period was 12 (2019: 10).

Auditors

Ernst & Young were appointed as the Auditors of the Secretariat during the year.

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Southern African Development Community Development Finance Resource Centre

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southern African Development Community Development Finance Resource Centre (the Secretariat) set out on pages 38 to 71 which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Southern African Development Community-Development Finance Resource Centre as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Secretariat in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Southern African Development Community-Development Finance Resource Centre. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Southern African Development Community-Development Finance Resource Centre. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The trustees are responsible for the other information. The other information comprises the Unaudited Non-Cash Donation programme activities Report, the Trustees Responsibility Statement and the Trustees Report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Trustees are responsible for assessing the Secretariat's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees

INDEPENDENT AUDITOR'S REPORT

either intend to liquidate the Secretariat or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Secretariat's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Secretariat's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Secretariat's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Secretariat to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young 30/11/2020

Ernst & Young
Practising Member: Bakani Ndwapi

Partner
Membership Number: 19980026
Certified Auditor
Gaborone

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

US $

	Note	2020	2019
Revenue from contracts with customers (member contributions)	1	1 367 813	1 305 030
Total revenue		**1 367 813**	**1 305 030**
Other income	2	112 759	475 978
Interest income using the effective interest method (EIR)	3	423	991
Expenditure			
Staff costs	4	(784 329)	(650 320)
Program expenses	5	(137 326)	(427 946)
Administration and operating costs	6.1	(324 760)	(383 937)
Impairment losses	6.2	(211 569)	(155 735)
Interest expense using the effective interest method (EIR)	6	(38 314)	(57 104)
(Deficit)/Surplus for the year		**(15 303)**	**106 957**
Other comprehensive income			
Other comprehensive income not to be transferred to surplus in subsequent periods:			
Revaluation gain		1 632	1 097
Other comprehensive income for the year		1 632	1 097
Total comprehensive (loss)/ income for the year		**(13 671)**	**108 054**

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2020

US $

Assets	Note	2020	2019
Non-current assets			
Property and equipment	7	842 690	871 366
Current assets			
Trade and other receivables	8	97 903	136 764
Cash and cash equivalents	9	458 750	673 360
Total Current Assets		556 653	810 124
Total assets		1 399 343	1 681 490
Funds and liabilities			
Accumulated surplus		830 310	845 613
Revaluation surplus		12 218	10 586
		842 528	856 199
Non- Current liabilities			
Non -current portion-FNB Loan	10.1	238 228	407 973
Current liabilities			
Trade and other payables	10	213 239	338 210
Current portion- FNB Loan	10.1	105 348	79 108
Total Current Liabilities		318 587	417 318
Total funds and liabilities		1 399 343	1 681 490

STATEMENT OF CHANGES IN FUNDS

for the year ended 31 March 2020

US $

	Accumulated Surplus	Revaluation Reserve	**Total**
Balance at 1 April 2018	738 656	9 489	748 145
Surplus for the year	106 957	-	106 957
Revaluation gain*	-	1 097	1 097
Total comprehensive income/(loss)	106 957	1 097	108 054
Balance at 31 March 2019	845 613	10 586	856 199
(Deficit)/ Surplus for the year	(15 303)	-	(15 303)
Revaluation gain*	-	1 632	1 632
Total comprehensive loss	(15 303)	1 632	(13 671)
Balance at 31 March 2020	830 310	12 218	842 528

*The revaluation gain arises from the changes in the fair value of motor vehicle at year end. Revaluation was carried out at the end of the year by Global Loss Adjusters. The revaluations are carried out in Botswana Pula and converted to the US$ reporting currency at year end at the closing exchange rate.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

US $

	Note	2020	2019
Cash utilised from operating activities	11	(71 545)	386 985
Interest received		423	991
		(71 122)	387 976
Investing activities			
Proceeds on disposal of property and equipment		1 577	14 775
Purchase of property and equipment	7	(9 345)	(15 831)
Cash utilised in investing activities		(7 768)	(1 056)
Financing activities			
Repayments of borrowings		(143 505)	(203 550)
Interest paid		(38 314)	(57 104)
Increase in cash and cash equivalents		**(260 709)**	**126 266**
Net exchange gain on cash and cash equivalents		(46 099)	(139 737)
Cash and cash equivalents at beginning of year		673 360	686 831
Cash and cash equivalents at end of year		458 750	673 360
Cash and cash equivalents comprise:			
Bank balances - current accounts		16 668	25 827
Bank balances - call accounts		442 750	647 533
Cash and cash equivalents at the end of the year		458 750	673 360

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The financial statements are stated in United States Dollars (US Dollars), denoted by US$, which is also the functional & presentation currency. All values are rounded to the nearest USD ($1) except when otherwise indicated.

The financial statements are prepared on the historical cost basis, with the exception of motor vehicles which are measured at revalued amounts.

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

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

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in future are disclosed on page 48.

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

Reporting currency and currency translation

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

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

Property and equipment

Property and equipment is stated at cost except for motor vehicles, less accumulated depreciation and net of accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term constructing projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the entity depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis using the following depreciation rates of the asset as follows:

Computer equipment	33.33% per annum
Motor vehicles	20% per annum
Furniture and fittings	8.33% per annum
Office equipment	15% per annum
Buildings	2% per annum
Building Improvements	5% per annum

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Motor vehicles are measured at fair value less accumulated depreciation and impairment losses recognised at the date of revaluation. Motor vehicles are revalued annually at the end of the reporting period to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss.

A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. The revaluation surplus included in equity in respect of motor vehicles will be transferred directly to retained earnings when the asset is derecognised. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

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

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

Impairment of Non-Financial Assets

The entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Taxation

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

Interest received

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

Donor income

Donor income is credited to the profit or loss when these amounts are received and banked. Donor income for future use is recorded as a liability on receipt. The liability is deferred income and when the costs are incurred the deferred income is amortised and recognised in Profit or Loss and costs expensed in Profit or Loss.

Funds and sponsorship paid directly to service providers by donors for SADC-DFRC programmatic activities are accounted for as non-cash donations. Donor income is recognised in the profit and loss as Other income.

Revenue recognition

The Secretariat adopted IFRS 15 Revenue from contracts with customers in the previous financial year.

In terms of IFRS 15, Revenue from contracts with customers, the Secretariat applies a 5-step approach when reviewing customer contracts in order to determine how revenue is recognised. These steps are:

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligations in the contract
e. Recognise revenue when (or as) the entity satisfies a performance obligation

The Secretariat earns its fee revenue from donor income, DFI member & programme contributions, capacity building programmes and interest. The five-step approach is only relevant to DFI member & programme contributions and capacity building programmes which are derived from contributions from DFI members. Donor income and interest are not within the scope of IFRS 15, particularly interest income is covered under the requirements of IAS 32-paragraph 35.

Performance obligations

DFI member, programme and capacity building contributions are generally accrued at a point in time. The secretariat does not place further pre-conditions and the contributions are therefore computed on fixed percentages based on the budget. The contributions fall due and payable when billed either monthly, quarterly or bi annually as stipulated in the budget.

IFRS 15 considerations:

A contract/agreement exists between the Secretariat and the DFI members
The agreement is subject to DFI member, programme and capacity building contributions.

Performance obligations

The performance period and the performance obligations, described above were met as at the evaluation date

No further asset or liability recognised at 31 March 2020.

There were no significant judgements applied in the revenue recognised as the budget and agreement explicitly state the exact contribution from each member.
No incremental costs were incurred to fulfil the contract with a customer.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Employee benefits

The Secretariat does not have a retirement benefit scheme of its own. Provision is made for gratuity benefit obligations to its present employees, as required under the Botswana Employment Act. Gratuity benefits are not considered to be a retirement benefit plan as the benefits are payable on completion of each individual employee contract and a provision made on a yearly basis. Employee entitlements to annual leave and medical aid, are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by the employee up to the reporting date. Termination benefits are recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The distinction between short-term and other long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.

Financial instruments

Financial instruments carried on the statement of financial position include receivables, cash, deposits and, term finance liabilities, and payables. Financial instruments are recognised when the secretariat becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the secretariat that is not subject to suspensive conditions. Regular way investment transactions are recognised by using trade date accounting.

Financial instruments are classified, at initial recognition, as measured at;

- Amortised cost, or
- Fair value through profit or loss (either mandatory or designated)
- Fair value through other comprehensive income

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired, or liabilities assumed.

Initial recognition & measurement

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost comprise of trade and other receivables and amounts owing by related parties.

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The secretariat does not have any assets held at fair value through other comprehensive income.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at fair value through profit or loss. In addition, the secretariat designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Financial instruments (*Continued*)

On initial recognition, the secretariat designates a financial asset as at fair value through profit or loss when doing so results in more relevant information either because:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- A group of financial liabilities; or a group of financial assets and liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the secretariat is provided internally on that basis to the entity's key management personnel.

The secretariat designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the secretariat's capital and activities on a fair value basis.

A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the statement of comprehensive income as net loss from financial assets held at fair value through profit and loss.

Derecognition

A financial asset is primarily derecognised (i.e. removed from the secretariat's statement of financial position) when: The rights to receive cash flows from the asset have expired, or

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

When the secretariat has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the secretariat continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the secretariat also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the secretariat has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Secretariat could be required to repay.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Financial liabilities at armotised cost

Liabilities such as trade and other payables and amounts owing to other related companies are initially measured at fair value. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss.

Derecognising financial liabilities

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

Impairment of financial assets

The secretariat assesses at each reporting date whether there is an indication that an asset may be impaired.

The Secretariat recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Secretariat expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Secretariat considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Secretariat may also consider a financial asset to be in default when internal or external information indicates that the Secretariat is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Secretariat. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.
Accounting policy on financial instruments-impairment of financial assets details the approach to determining whether an instrument or a portfolio of instruments is subject to twelve-month ECLs or Lifetime ECLs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Financial instruments (*Continued*)

Impairment losses on financial assets subject to impairment assessment

The secretariat applies a simplified approach in calculating ECLs for Trade and other receivables & cash and cash equivalents. Therefore, the secretariat does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Secretariat calculates the ECL by first determining the probability of default. Default exposures are those that satisfy either or all of the following criteria:

a. Material exposures which are more than 120 days past-due;
b. The debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due.
c. Credit impaired exposures

The probability of default is calculated according to the following formula:

PiT PD (Point in Time - Probability of Default) = (Total Exposure of facilities that defaulted observation period)/(Total Exposure in the beginning period).
The Pit PD is applied to the receivable balance in-order to arrive at the amount Exposed to Default. The Loss given default (LGD) is applied to the amount Exposed to Default to determine the Expected Lifetime Credit Loss.
Loss given default (LGD) are assigned using historical experience of recoverability for each class of receivables. Since none of the receivables are collateralized, past-history of recoverability is used for determining the LGD.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Significant accounting judgements, estimates and assumptions

The preparation of the entity's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the entity's accounting policies, management has made judgements, which have the most significant effect on the amounts recognised in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The entity based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Secretariat. Such changes are reflected in the assumptions when they occur.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Impairment assessment

The ECL provision matrix is initially based on the secretariat's historical observed default rates. The secretariat calibrates the matrix to adjust the historical credit loss experience with forward-looking information. The forward-looking information considered includes forecast economic conditions (a positive economic growth rate of 2.6% is projected in 2020, consequently lead to low default by receivables debtors. However forward-looking information was assessed after grouping receivables based on their geographical areas.

Revaluation of property and equipment

The entity carries its motor vehicles at fair value, with changes in fair value being recognised in other comprehensive income. The entity engaged an independent valuation specialist to assess fair value of the motor vehicles as at 31 March 2020. Refer to Note 7 for the motor vehicle disclosures under the property and equipment note.

Going concern assessment

The Board regularly considers and records the facts and assumptions on which it relies to conclude that SADC - DFRC will continue as a going concern. Reflecting on the year under review, the Board of Trustees considered an opinion that adequate resources exist to continue operating and that SADC - DFRC will remain a going concern in the foreseeable future.

(a) Standards issued and effective in the current year

IFRS 16: Leases

The date of initial application of IFRS 16 for the organisation is 1 April 2019. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Effective for annual periods beginning on or after 1 January 2019. The standard did not have any impact on the secretariat as it does not have Leases.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2019

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The standard did not have any impact on the secretariat as it is not subject to tax.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

b) New/Revised International Financial Reporting Standards issued but not yet effective

At the date of approval of these financial statements, the following standards and interpretations were in issue but not effective for the current reporting period.

- IFRS 3 Business Combinations (Revised) requires all of the identifiable assets and liabilities of the acquiree to be included in the consolidated statement of financial position. *This standard has no impact on the Secretariat*

- IFRS 9, IAS 39 & IFRS 7 Financial Instruments – Interest Rate Reform (amended) requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. *This standard is not expected to have a significant impact on the Secretariat*

- IAS 1 & IAS 8 Presentation of Financial Statements - Definition of Material (Amended) clarifies the definition of 'material' and to align the definition used in the Conceptual framework and the standards themselves. *This standard is not expected to have a significant impact on the Secretariat*

- The Conceptual Framework for Financial Reporting describes the objective of and concepts for general purpose financial reporting. It is a practical tool that helps the IASB to develop requirements in IFRS® Standards based on consistent concepts. Consideration of these concepts, in turn, should result in the IASB developing IFRS Standards that require entities to provide financial information that is useful to investors, lenders and other creditors.

- Classification of Liabilities as Current or Non-current: amendments to IAS 1 Presentation of Financial Statements to clarify requirements for classifying liabilities as current or non-current. *This standard is not expected to have a significant impact on the Secretariat*

- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective annual periods beginning on or after a date to be determined). *This standard has no impact on the Secretariat*

- IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of the standard is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. *This standard has no impact on the Secretariat.*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

	2020	2019
1 Members' contributions		
Revenue from contracts with customers (DFI contributions)	1 367 813	1 305 030

Disaggregation of revenue

The secretariat has disaggregated revenue into geographical areas in the following table which is intended to depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic date.

Geographical Area	DFI Contribution	
	2020	2019
Madagascar	12 683	12 226
Zimbabwe	56 680	54 126
Zambia	13 062	12 551
Tanzania	42 916	41 000
Eswatini	72 773	70 236
South Africa	572 056	543 181
Seychelles	12 259	11 749
Namibia	63 730	60 945
Mozambique	25 734	24 774
Mauritius	22 163	21 451
Malawi	11 841	11 446
Lesotho	26 286	25 355
Democratic Republic of Congo	11 361	10 970
Botswana	133 597	128 666
Angola	290 672	276 327
Total Revenue	**1 367 813**	**1 305 030**

Method used to recognise revenue		
Point in Time	**1 367 813**	**1 305 030**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

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

2 Other income

	2020	2019
Other income*	113 693	343 542
Net gain on disposal of property and equipment	698	11 380
Funds donated directly to SADC-DFRC	-	121 056
	114 391	475 978

Other income includes DFIs programme contribution of $52 170 (2019: US $ 150 724) and Capacity building- Non DFIs of US $16 950 (2019: US $ 36 600)

3 Finance income

	2020	2019
Interest income using the EIR method	423	991

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

	2020	2019
4 Staff costs		
Salaries	622 287	497 317
Gratuity*	145 122	124 329
Other benefits	16 920	28 674
	784 329	650 320

- Gratuities are employee benefits payable on completion of each individual employee contract and an accrual is made on a yearly basis. Gratuity contribution is calculated at 25% of the agreed salary as per the employment contract.
- Other benefits includes medical aid benefits for staff amounting to US $11 265(2019:US $11 425) and allowances US $1 945 101 (2019:US $13 384)

Number of persons employed by the Secretariat at the end of the year		
Full Time	12	10

5 Program Expenses		
Program expenses	137 326	427 946

The Public Private Partnerships (PPP) Programme in the current year contributed to about 3 % (2019: 36%) of the total programme costs. Programme expenses are costs incurred in hosting inhouse training programmes to member DFIs.

6 Finance Cost		
Interest Expense using the EIR method	38 314	57 104

The interest expense relates to the Long term- FNB Loan which was used for the purchase of the office space. The loan was received in March 2016. The lending being at Prime lending rate plus 2.5% with prime rate being the publicly quoted basic rate of interest from time to time published by First National Bank. Capital and interest are serviced monthly in arrears in equal instalments for up to 120 months (10-year period).

6.1 Administration Costs		
Administration costs	324 759	383 937

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

Included in administration expenses is depreciation of US $38 774 (2019: US $41 923), exchange losses of US $ 0 (2019: US $46 061), conference costs of US $10 927 (2019: US $26 273), and subsistence allowances of US $ 30 818 (2019: US $35 859), legal costs US$3 897 (2019:US $ 36 898)

6.2. Surplus for the year

Surplus for the year is stated after taking into account of the following;	2020	2019
Audit fees – current	14 166	11 912
Legal costs	3 897	36 898
Bad debts	211 568	155 735
Board costs	45 148	43 891
Depreciation	38 774	41 924
Exchange loss	-	46 061
Staff costs (note 4)	784 329	650 320

7 Property & Equipment

Year ended 31st March 2020

	Buildings**	Buildings Improvements	Motor Vehicles*	Computer Equipment	Office Equipment	Furniture & Fittings	Total
Cost or valuation							
At 1 April 2019	761 425	112 970	26 606	94 478	24 851	41 708	1 062 038
Additions	-	-	-	6 026	2 237	1 084	9 345
Disposals	-	-	-	(10 188)	(723)	(852)	(11 763)
Revaluation adjustments*	-	-	(5 427)	-	-	-	-
Revaluation	-	-	1 632	-	-	-	1 632
At 31 March 2020	761 425	112 970	22 811	90 315	26 365	41 940	1 061 252
Depreciation							
At 1 April 2019	50 763	17 498	5 427	81 057	13 828	22 099	190 672
Depreciation charge for the year	15 229	5 649	5 646	7 661	2 386	2 206	38 775
Revaluation adjustments*	-	-	(5 427)	-	-	-	
Disposals	-	-		(9 853)	(723)	(308)	(10 883)
At 31 March 2020	65 992	23 147	5 646	78 865	15 491	23 997	218 563
Net book value							
At 31 March 2020	695 434	89 824	17 165	11 450	10 874	17 943	842 690

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

7 Property & Equipment

	Buildings	Buildings Improvements	Motor Vehicles	Computer Equipment	Office Equipment	Furniture & Fittings	Total
Cost or valuation							
At 1 April 2018	761 425	112 970	29 945	83 670	31 810	115 850	1 135 670
Additions	-		-	10 808	1 401	3 622	15 831
Disposals	-	-	-		(8 360)	(77 764)	(86 124)
Revaluation adjustments*	-	-	(4 436)	-	-	-	(4 436)
Revaluation	-	-	1 097	-	-	-	1 097
At 31 March 2019	761 425	112 970	26 606	94 478	24 851	41 708	1 062 038
Depreciation							
At 1 April 2018	35 534	11 849	4 436	69 508	20 194	94 393	235 914
Depreciation charge for the year	15 229	5 649	5 427	11 549	1 994	2 076	41 924
Revaluation adjustments*	-	-	(4 436)	-	-	-	(4 436)
Disposals	-	-	-	-	(8 360)	(74 370)	(82 730)
At 31 March 2019	50 763	17 498	5 427	81 057	13 828	22 099	190 672
Net book value							
At 31 March 2019	710 662	95 472	21 179	13 421	11 023	19 609	871 366

**Motor vehicles-The revaluation adjustments relate to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.*

**Buildings-The buildings (new office space over the portion of section 46 on Lot 54352, Zambezi Towers, CBD, Gaborone) are used as security for the FNB Loan.

Additional Information

If the motor vehicles were measured using the cost model, the carrying amount as at 31 March 2020 would be as follows;

	2020	2019
Cost	35 382	35 382
Accumulated depreciation	(29 721)	(28 306)
Carrying amount	5 661	7 076

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

8 Trade and other receivables

	2020	2019
Recoverable program expenditure net of allowance for uncollectible amounts	-	-
Other receivables (Note 8.1)	36 198	28 861
Member contributions net of expected credit losses (Note 8.2)	61 705	107 903
	97 903	136 764

8.1 Other receivables

	2020	2019
Other receivables comprise of the following:		
Prepayments and deposits	2 961	3 296
Staff advances	223	-
Recoverable VAT	33 014	25 565
	36 198	28 861

8.2 Member contributions

	2020	2019
Member contributions are non-interest bearing and are generally on 30-90 days' terms.		
Member contributions due	479 140	313 770
Provision for bad debts	(417 435)	(205 867)
	61 705	107 903

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

Contributions amounting to US $417 435 (2019: US $205 867) are past due and impaired. Other receivables have no contractual repayment period. Member contributions which are past due and not impaired are disclosed on note 14 - on credit risk.

Movement of the provision for impairment of contribution is as follows:

Balance at beginning of year	205 867	200 499
Recovered & reversed	(70 934)	(150 367)
Impairment losses	282 502	155 735
Expected credit loss	417 435	205 867

9 Cash and cash equivalents

	2020	2019
Cash at banks and on hand	16 668	25 827
Short-term deposits	442 082	647 533
	458 750	673 360

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of one day to three months and earn interest at the respective short-term deposit rates.

Included in cash and cash equivalents are bank balances held with Agribank Zimbabwe amounting to US $1 081 (2019: US $57 991). In response to the hard cash shortages in Zimbabwe, the Reserve Bank of Zimbabwe through the Exchange control operations guide (ECOGAD 8) introduced a foreign payments priority list that places restrictions on Agribank Zimbabwe remitting funds outside Zimbabwe (including Botswana) and for SADC-DFRC to withdraw the cash and use it outside Zimbabwe. These balances are held in Zimbabwean RTGS dollar and were converted at the closing rate ruling as at 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

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10 Trade and other payables

	2020	2019
Trade payables	2 279	2 273
Amounts due to DFIs	25 807	691
Other payables	185 153	335 246
	213 239	338 210

Other payables are made up of gratuity payable of US $150 529 (2019: US $ 305 958) and other accruals of US $24 622 (2019: US $19 288), provision for legal costs US $10 000 (2019: US $ 10 000).

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

10.1 Long Term Liabilities

Non- current portion - FNB Loan	238 228	407 973
Current Portion	105 348	79 108
	343 576	487 081

SADC DFRC obtained a loan from FNB amounting to Pula 8 100 000 (US $ 741 150 at an exchange rate of 0, 0915) on 31 March 2016. The loan is secured over the portion of section 46 on Lot 54352, New CBD Gaborone (the office space). Capital and interest are serviced monthly in arrears in equal instalments for up to 120 months (10-year period). The lending being at Prime lending rate plus 2.5% with prime rate being the publicly quoted basic rate of interest from time to time published by First National Bank.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

11. Cash generated from operating activities

	2020	2019
Operating activities		
(Deficit) /Surplus for the year	(15 303)	106 957
Interest received	(423)	(991)
Interest paid	38 314	57 104
Non - cash adjustments:		
Depreciation	38 774	41 924
Gain on disposal of property and equipment	(698)	(11 380)
Unrealised foreign exchange gains	(46 097)	54 632
Working capital adjustments:		
Decrease / (increase) in receivables	38 861	289 068
Decrease in payables	(124 971)	(150 329)
	(71 543)	386 985

12. Related party disclosures

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

Related party transactions entered into during the year are as follows:	2020	2019
Member contributions from DFIs (Note 1)	1 367 813	1 305 030
Board members allowances and travel fares (Note 6.2)	45 148	43 891
Amounts due from DFIs (Note 8.2)	479 140	313 770
Amounts due to DFIs (Note 10)	(25 807)	(691)

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

Short-term employee benefits	447 384	465 012
Gratuity	101 046	117 393
	548 430	582 405

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

13 Commitments and Contingencies

Capital expenditure commitments

SADC - DFRC has no purchase commitments for property and equipment incidental to the ordinary course of business.

Contingent liabilities

As at 31 March 2020, the Secretariat had a contingent liability for legal fees amounting to approximately USD1.8 million. The secretariat sought legal counsel from Kambai Attorneys regarding a claim by a former employee who is seeking reinstatement and payment of salary arrears from the date of termination of employment in October 2018 to the date of the possible reinstatement for approximately USD87,000. The employee was on a fixed term contract. In addition, the employee is suing the Secretariat and the CEO for defamation of character for approximately USD 1.7 million. The cases are before the Lobatse high court with hearing and judgement expected to be finalised on 06 November 2020 for the defamation case and 14 April 2021 for reinstatement of employment case. The secretariat and the lawyers can't quantify with reasonable certainty the amount of outstanding/unpaid bills as the matter is still ongoing and will depend on how the court decides on how the matter should progress. However, according to the lawyer's assessment, it is considered highly unlikely that the case will be successful as it is considered meritless based on the facts of the law. This was disclosed in the financial statements for 31 March 2020.

14 Financial risk management objectives and policies

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

14 Financial risk management objectives and policies (continued)

Foreign currency risk

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

The amounts below are in US Dollars (US$)

	AOA (Angolian Kwanza)	Euro	ZWL$	Botswana Pula
2020				
Cash and cash equivalents	47	82 798	1 081	104 717
Trade and other receivables	-	-	-	-
Long Term Loan- FNB Loan	-	-	-	(343 576)
Trade and other payables	-	-	-	(34 622)
Net exposure	47	82 798	1 081	(273 481)
2019				
Cash and cash equivalents	-	4 434	57 991	117 238
Trade and other receivables	-	-	-	-
Long Term Loan- FNB Loan	-	-	-	(487 081)
Trade and other payables	-	-	-	(22 252)
Net exposure	-	4 434	57 991	(392 095)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

Foreign currency risk (continued)

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

		Increase/ (decrease) in surplus for the year	Increase/ (decrease) in accumulated fund
2020			
Foreign currency risk			
Botswana Pula			
Change in exchange rate	+10%	(26 348)	(26 348)
	-10%	26 348	26 348
Euros			
Change in exchange rate	+10%	8 280	8 280
	-10%	(8 280)	(8 280)
ZWL dollar			
Change in exchange rate	+10%	108	108
	-10%	(108)	(108)
Angolan Kwanza			
Change in exchange rate	+10%	5	5
	-10%	(5)	(5)
2019			
Foreign currency risk			
Botswana Pula			
Change in exchange rate	+10%	(39 209)	(39 209)
	-10%	39 209	39 209
Euros			
Change in exchange rate	+10%	443	443
	-10%	(443)	(443)
RTGS Dollar			
Change in exchange rate	+10%	5 799	5 799
	-10%	(5 799)	(5 799)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

14 Financial risk management objectives and policies (continued)

Interest rate risk

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

Sensitivity Analysis

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

2020		Increase/ (decrease) in surplus for the year	Increase/ (decrease) in accumulated fund
Interest rate risk			
Change in interest rate	+1% -1%	1 152 (1 152)	1 152 (1 152)
2019			
Interest rate risk			
Change in interest rate	+1% -1%	1 863 (1 863)	1 863 (1 863)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

14 Financial risk management objectives and policies (continued)

Classification of Financial Instruments	Debt Instruments at amortised cost	Financial Liabilities at amortised cost	Total
2020			
Trade and other receivables	61 705	-	61 705
Cash and Bank	458 750	-	458 750
FNB Loan	-	(343 576)	(343 576)
Accounts payable		(18 431)	(18 431
Gratuity payable		(147 373)	(147 373)
TA facility-admin funds		(2 130)	(2 130)
Total	**520 455**	**(511 510)**	**(8 945)**

	Loans & Recievables	Financial Liabilities at amortised cost	Total
2019			
Trade and other receivables	107 902	-	107 902
Cash and Bank	673 360	-	673 360
FNB Loan	-	(487 081)	(487 081)
Accounts payable		(20 122)	(20 122)
Gratuity payable		(305 958)	(305 958)
TA facility-admin funds		(2 130)	(2 130)
Total	**781 262**	**(815 291)**	**(34 029)**

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

Financial assets pledged as collateral
The Secretariat has not pledged any financial assets as collateral.

Financial assets received as collateral
The Secretariat has not received any financial assets as collateral

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

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14 Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the organisation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The organisation monitors its risk of a shortage of funds by monitoring its debt rating and the maturity dates of existing debt and other payables. The organisation's objective is to maintain a balance between continuity of funding and flexibility through the use of cash deposits, bank overdrafts and bank loans. As at 31 March 2020, the organisation had available US$ 442 153 (2019: US$ 673 360) in cash deposits. The organisation's borrowings are long term and will mature in 2026 thus funds will not be fully tied towards repayment of the loan but availed to other daily needs of the Secretariat.

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

	On demand	Due not later than one month	Due not later than one year	Due after more than one year	Total
2020					
Financial liabilities					
Long term Liabilities	-	-	105 348	284 936	390 284
Trade and other payables	-	2 130	185 302	-	187 432
Amounts due to the DFIs	-	25 807	-	-	25 807
Total	**-**	**27 937**	**290 650**	**284 936**	**603 523**
2019					
Long term liabilities	-	-	118 678	643 836	762 514
Trade and other payables	-	2 273	325 246	-	327 519
Amounts due to the DFIs	-	691	-	-	691
Total	**-**	**2 964**	**443 924**	**643 836**	**1 090 724**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

14 Financial risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a loss. The Secretariat is exposed to credit risk from its operating activities primarily (trade and other receivables) and from its financing activities, including deposits with banks and financial institutions.

An impairment analysis is performed at the end of each reporting year on an individual basis on all the balances due from DFIs. The calculation is based on the expected credit losses. Some of the factors considered in determining that members contributions are impaired are the non-payment of balances during the agreed payment period and terms, the financial health of the DFI as well as the economic conditions currently prevailing in the DFI's primary operating economy.

The Secretariat's maximum exposure to credit risk for the components of the statement of financial position as at 31 March 2020 and 31 March 2019 is the carrying amounts as illustrated in Note 8.

Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect entities of counterparties whose aggregate credit exposure is significant in relation to the Secretariat's total credit exposure. At year end, significant concentration of credit risk was on the following trade and other receivables:

Write off Policy

The Company writes off trade and other receivable balances, and any related allowances for impairment losses, when there is determination that the receivable is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the debtor's financial position such that the debtor can no longer pay the obligation.

Member contributions which are past due and not impaired are as follows based on the 30-90-day terms;

	2020	2019
0- 30 days	4 720	8 011
30-60 days	1 298	1 050
60-90 days	29 371	(250)
Total	**35 389**	**8 811**

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	2020	2019
SMEDCO Zimbabwe	10 000	9 999
DBSA	-	4 250
IDC Zimbabwe	18 434	2 100
CEDA	-	27 775
BSB	-	14 300
Local Enterprise Authority	-	6 250
Eswatini Development & Savings Bank	19 072	41 893
DBM Mauritius	-	20 989
Banco National De Investimento	25 628	12 551
IDBZ	-	20 629
Export Development Fund	-	5 725
SOFIDE DR CONGO	54 626	43 265
BEDCO	23 344	20 974
Department of Trade	-	-
Banco De Desenvolvimento	-	-
BANCO DE POUPANCA	-	8 8 39
ABN	-	-
Development Bank of Zambia	25 612	16 301
SDSB	-	-
NDC Tanzania	13 670	21 526
Development Bank of Seychelles	-	12 099
BITC	-	5 350
Agribank Zimbabwe	-	1 960
ZIMBAB	-	1500
	190 386	**298 278**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

Impairment Assessment (continued)

The tables below shows the values of the secretariat's financial instruments subject to ECL. The total amount of provision using the simplified approach in calculating the ECLs is $417 435 and is detailed below. A provision was made for impairment of $417 435 based on IFRS 9's expected credit loss model.

Trade and other receivables

Account	Balances at 31 March 2020	Expected Credit Loss	Net Receivables
Accounts receivable	$515 338	($417 435)	$97 903

Amount provided

Trade and other receivables are based on the past trends and history and the loss model based on IFRS 9. The Net Flow rate reveals that collections are periodically and regularly received and hence the LGD is conservatively determined at a percentage of the exposure to default for receivables possessing the same characteristics. In this case the DFIs were grouped based on their geographical locations. Additional separate considerations were made for some that were in significant financial distress.

Fair value of financial instruments

The fair value of all financial instruments approximates their carrying amounts reflected in the statement of financial position.

Capital Risk Management

The secretariat define capital as the total accumulated funds of the Secretariat as noted in the statement of changes in funds. The secretariat's long-term objective for managing capital is to deliver competitive, secure and sustainable returns to maximise long-term DFI member satisfaction. Management is of the view that these objectives are being met. The Secretariat is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

US $

15. Fair Value Measurement

2020

The following table provides the fair value measurement hierarchy of the Secretariat's assets as at 31 March 2020.

Assets measured at fair value	Date of valuation	Totals	Total Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			US $	US $	US $
Motor vehicles	31 March 2020	12 218	-	-	12 218

Fair value of the motor vehicles was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation 31 March 2020, the motor vehicles' fair values are based on valuations performed by Global Loss Adjusters, an accredited independent valuer.

2019

The following table provides the fair value measurement hierarchy of the Secretariat's assets as at 31 March 2019.

Assets measured at fair value	Date of valuation	Totals	Total Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			US $	US $	US $
Motor vehicles	31 March 2019	21 179	-	-	21 179

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15. Fair Value Measurement (Continued)

Reconciliation of the fair value measurement of the motor vehicles is as follows;

	US $
1 April 2017	**4 539**
Total gains and losses recognised in OCI	4 950
1 April 2018	**9 489**
Total gains and losses recognised in OCI	1 097
As at 31 March 2019	**10 586**
Total gains and losses recognised in OCI	1 632
As at 31 March 2020	**12 218**

	Valuation Technique	Significant unobservable inputs	Detailed Information	Range (weighted average)	Sensitivity Analysis
Motor Vehicles	**Use of motor guides and evidence from an independent engineer**	**The model of the vehicle**	**Fortuner 3/0D 4x2S/Wagon**	**N/A**	**N/A**
	Use of motor guides and evidence from an independent engineer	**Age of the vehicle**	**7 years**	**N/A**	**N/A**
	Use of motor guides and evidence from an independent engineer	**Mileage of the vehicle**	**51 227**	**31 - 46% increase in the mileage would result in a 2%-20% decrease in the Fair value of the Vehicle (average decrease of 11%)**	**A 11% decrease would result in the fair value of decreasing by $3 106**
	Use of motor guides and evidence from an independent engineer	**Previous accidents a vehicle has been involved in**	**NIL**	**N/A**	**N/A**

Much attention is given to valuations given in motor-trade guides. These are based on extensive nationwide research of actual selling prices (rather than just advertised prices). Evidence from an independent engineer is also used – particularly where the vehicle is not a standard one (for example, because it has been heavily modified). Information from an insurer's engineer is also used with assessment of the appropriateness of the content and independence of the report done.

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Significant increases (decreases) usage of the motor vehicle per annum in isolation would result in a significantly higher (lower) fair value of the motor vehicle.

Generally, a change in the assumption made for the estimated value of the vehicle is accompanied by:

- The mileage
- Year of registration
- Model type
- Condition of the vehicle

The Secretariat has assessed that the highest and best use of its motor vehicles do not differ from their current use

16 Significant events after reporting date

The trustees are not aware of any event or circumstance arising since the end of the financial year that will require adjustments to the amounts and disclosures recognised in the financial statements.

On 11 March 2020, COVID-19 was declared a global pandemic by the World Health Organisation due to the rising rate and scale of infections. On 20 March 2020 the Botswana President announced a national lock down for 21 days, which was further extended by 14 days. This period of lockdown has gradually been eased with sectors of the economy slowly reopening. The rapid spread of the virus has caused significant disruption in global equity markets and the impact of lock downs in several countries worldwide is expected to reduce GDP growth in 2020, both locally and globally. The impact of this pandemic has been considered in the valuation of assets and liabilities and the Secretariat is considered to continue operating as a going concern. No event, material to the understanding of the financial statements has occurred subsequent to the financial period end and until the approval date of these financial statements

The Trustees have reviewed the organisation's exposure to the effects of the pandemic on SADC DFRC's results, financial position and cash flows and concluded that whilst there is already a direct impact on certain sectors such as hospitality, discretionary retail and offline entertainment, the extent, timing and duration of the impact cannot yet be forecasted or quantified. The Trustees have assessed whether the event is adjusting or non-adjusting and has concluded that the cause of the shutdown in the series of events that led to the shutdown is not the outbreak itself, but rather the measures taken by the government after the reporting date. As a result, the event is considered a non-adjusting event and cannot be reflected in the Secretariat's assets and liabilities as at 31 March 2020.

Though the Trustees have concluded that the event is a non-adjusting event, this will impact the Secretariat's cashflows for the next financial year. The impact of the corona virus will be closely monitored, and the Secretariat has undertaken a variety of measures like the revision of its budgets, cashflow forecasts to mitigate the negative impact of the COVID -19 pandemic.

Considering the above, management has re-assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

APPENDIX 1- SUPPLEMENTARY INFORMATION

for the year ended 31 March 2020

Non-cash donation programme activities

NO	PROGRAMMES	COOPERATING PARTNER/ SPONSOR	DATE	ATTENDANCE
1	Debt Management	SADC-DFRC & Participating DFIs	9-11 March 2019	28
2	Finance for Non-Finance Managers	SADC-DFRC & Participating DFIs	4-6 March 2019	19
3	Export Credit Finance	SADC-DFRC & Participating DFIs	8-10 April 2019	15
4	Executive Development for Women	SADC-DFRC & Participating DFIs	11-12 April 2019	23
5	Introduction to Public Private Partnerships	SADC-DFRC & Participating DFIs	22-24 May 2019	21
6	Agribusiness Value Chain Development and Finance for CEDA	SADC-DFRC & Participating DFIs	24-27 June 2019	31
7	Corporate Governance	SADC-DFRC & Participating DFIs	23-26 July 2019	11
8	Corporate governance for FINCORP	SADC-DFRC & Participating DFIs	31 July -01 August 2019	15
9	Corporate governance for PPADB	SADC-DFRC & Participating DFIs	16-18 August 2019	15
10	Corporate governance for BEDCO	SADC-DFRC & Participating DFIs	22-24 Sept 2019	13
11	Intermediate Public Private Partnership	SADC-DFRC & Participating DFIs	12-14 Nov 2019	10
13	Credit Risk Management for NDB	SADC-DFRC & Participating DFIs	24-25 Feb 2020	13
14	Debt Management	SADC-DFRC & Participating DFIs	9-11 March 2020	26

Funds and sponsorship paid directly to service providers by donors or participating member DFIs for SADC-DFRC programmatic activities are non-cash donations.

APPENDIX 1- SUPPLEMENTARY INFORMATION

for the year ended 31 March 2020

Non-cash donation programme activities

NO	PROGRAMMES	COOPERATING PARTNER/ SPONSOR	DURATION	DATE	ATTENDANCE
1	Public Private Partnership for EHB	SADC-DFRC & Participating DFIs	4 days	5th - 8th June 2019	11
2	Prudential Standards, Guidelines and Rating System Peer Review	SADC-DFRC & Participating DFIs	2 days	26th-27th June 2019	20
3	Structured Trade Finance	SADC-DFRC & Participating DFIs	5 days	29th July - 2nd Aug 2019	28
4	Enterprise Risk Management	SADC-DFRC & Participating DFIs	5 days	26th-30th Aug 2019	44
5	Credit Risk Management for NDB	SADC-DFRC & Participating DFIs	5 days	2nd - 06th Sept 2019	32
6	Expanding Renewable Energy for Access and Development	SADC-DFRC & Participating DFIs	2 days	14th Oct - 15th Oct 2019	27
7	Capacity building review and talent management	SADC-DFRC & Participating DFIs	3 days	27th - 29th Nov 2019	26
8	Negotiation Skills	SADC-DFRC & Participating DFIs	2days	19th - 20th Feb 2020	16
	Grand Total				**444**

The information set out on pages 72 to 73 is not covered by the audit opinion on page no. 36.

SADC-DFI NETWORK MEMBERS

ANGOLA
Banco de Desenvolvimento de Angola
Banco de Poupanca e Credito
Banco Sol

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

DEMOCRATIC REPUBLIC OF CONGO
Societe Financiere De Development

ESWATINI
Eswatini Development and Savings Bank
Eswatini Development Finance Corporation
Eswatini Housing Board
Industrial Development Company of Eswatini
National Industrial Development Corporation of Eswatini

LESOTHO
Basotho Enterprises Development Corporation
Lesotho National Development Corporation

MADAGASCAR
SOciété NAtionale de PARticipations – SONAPAR

MALAWI
Export Development Fund

MAURITIUS
Development Bank of Mauritius

MOZAMBIQUE
Banco Nacional de Investimento
Small Investment Promotion Company – GAPI - SI

NAMIBIA
Agricultural Bank of Namibia
Development Bank of Namibia
Environmental Investment Fund of Namibia
National Housing Enterprise

SEYCHELLES
Development Bank of Seychelles

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

TANZANIA
National Development Corporation
Tanzania Agricultural Development Bank
TIB Development Bank

ZAMBIA
Development Bank of Zambia

ZIMBABWE
Agricultural Development Bank of Zimbabwe
Industrial Development Corporation of Zimbabwe Limited
Infrastructure Development Bank of Zimbabwe
Small and Medium Enterprises Development Corporation

The SADC DFRC is a subsidary Institution of SADC

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