

LOAN AGREEMENT

PROJECT # 101922/1

in respect of

MSUNDUZI MUNICIPAL INFRASTRUCTURE PROGRAMME PHASE IV

Made and entered into by and between

MSUNDUZI LOCAL MUNICIPALITY

and

THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED

6/11.
Jus T. W. Z. H. Yaw

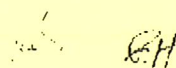


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SUMMARY

1. LOAN AMOUNT : R24 735 000.00
2. LOAN PERIOD : 15 years
3. FIXED INTEREST RATE : indicative rate being the Government Yield Curve + 127 basis points fixed payable six monthly, (final rate to be determined at the date of signature of the Loan Agreement by the last signing party.
- 3.1. GRACE PERIOD FOR CAPITAL REPAYMENT : 1 year
4. CAPITAL REPAYMENT : 28 equal six-monthly instalments, commencing on the last day of the 3rd Half-year after the Half-year during which the first disbursement was advanced to the Borrower
5. PROJECT FILE NO. : KZN 101922

for L. W. 24/9/05

1. INTERPRETATIONS

1.1 In this Agreement, unless the contrary appears from the context, the following words have the meanings as stated:-

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| 1.1.1 | "this Agreement" | means this Agreement together with any Annexures thereto; |
| 1.1.2 | "Borrower" | Msunduzi Local Municipality; |
| 1.1.3 | "Business Day" | means any day other than a Saturday, Sunday and a Public Holiday; |
| 1.1.4 | "the DBSA" | the Development Bank of Southern Africa Limited, reconstituted and incorporated in terms of Section 2 of the Development Bank of Southern Africa Act No. 13 of 1997; |
| 1.1.5 | "Fixed Rate Loan" | the amount of Loan disbursed and outstanding from time to time in respect of which the Fixed Interest Rate as determined in clause 3.1 shall apply; |
| 1.1.6 | "Funding Cost Margin" | shall mean a margin representing an average cost of borrowing to the DBSA as shall reasonably be determined by the DBSA from time to time; |
| 1.1.7 | "Government Yield Curve" | means the interpolation between the R157 and R186 |
| 1.1.8 | "Half-year" | from the first day of April to the 30th day of September and/or from the first day of October to the 31st day of March during the next calendar year; |
| 1.1.9 | "Interest Payment Date" | the last Business Day of each Interest Period; |
| 1.1.10 | "Interest Period" | each period of 6 (six) months commencing on 1 April or 1 October of each calendar year. The first Interest |

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Period shall begin to run from the date of the first disbursement to 31 March or 30 September, whichever immediately follows disbursement. Each Interest Period thereafter shall begin to run from the date of expiry of the preceding Interest Period, even if the first day of this Interest Period is not a Business Day. Notwithstanding the foregoing, any period less than six months running from the date of a disbursement to the date of 31 March or 30 September immediately following this disbursement shall be deemed an Interest Period;

1.1.11 "Loan"

the financing granted to the Borrower in terms of clause 2;

1.1.12 "On-lending"

the transfer, by the Borrower, of any amount(s) to any third parties, from the proceeds of the Loan, excluding payments for the procurements of goods and services;

1.1.13 "Operating Cost Margin"

shall mean a margin for operating expenses as shall reasonably be determined by the DBSA from time to time;

1.1.14 "Parties"

collectively, the Borrower and the DBSA;

1.1.15 "Project"

Msunduzi Local Municipal Infrastructure Programme Phase IV, as described in more detail in Annexure A attached hereto;

1.1.16 "Project Agent"

a person nominated in writing by the Borrower to act on its behalf in respect of the Project;

1.1.17 "Reference Banks"

means four major Banks in the Johannesburg Interbank market selected by the DBSA;

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- 1.1.18 "Reset Date" the first Business Day of April and October of each calendar year or such other dates as may be agreed to in writing by the Parties;
- 1.1.19 "Reset Period" a period of 6 (six) months commencing from each Reset Date;
- 1.1.20 "ZAR-JIBAR-SAFEX" In relation to each Interest Period for Floating Rate Loan, shall mean the mid-market yield rate (rounded upwards, if necessary, to the nearest one thousandth of a percentage point) for deposits in South African Rand for a six month period which appears on the Reuters Screen SAFEX Page as of 11:00 am, Johannesburg time, two Business Days prior to the commencement of the relevant Interest Period;
- 1.1.21 "ZAR-JIBAR- Reference Banks Rate" In relation to each Interest Period for Floating Rate Loan, shall mean the yield rate determined on the basis of the mid-market deposit rate for South African Rand for a six month period quoted by the Reference Banks at or about 11:00 am, Johannesburg time, two Business Days prior to the commencement of the relevant Interest Period;
- 1.2 Headings to the clauses of this Agreement, the table of contents and summary are for reference purposes only and are not intended to affect the interpretation thereof.
- 1.3 Any reference to the singular shall include the plural and vice versa.
- 1.4 Any reference to a natural person shall include an artificial or corporate person and vice versa.
- 1.5 Any reference to one gender shall include the other.
- 1.6 Any reference to ZAR-JIBAR and/or ZAR-JIBAR-Reference Banks Rate shall include any other substitute rate, calculated in the same manner as either of these two rates whether

such substitute rate appears on the Reuters screen SAFEX page or on some other screen page.

- 1.7 This Agreement shall bind the Borrower and its successors-in-title and/or successors-in-Law.

2. THE LOAN

- 2.1 The Loan shall be:-

2.1.1 an amount not exceeding, in aggregate, R24 735 000.00 (twenty four million seven hundred and thirty five thousand Rand); and

2.1.2 utilised exclusively for the Project and the Borrower, hereby, undertakes that it shall comply with all provisions of this Agreement.

- 2.2 The Loan proceeds shall be paid by the DBSA to, and on the order of, the Borrower in such disbursements and in accordance with all provisions contained in this Agreement.

- 2.3 No On-Lending shall be effected unless provided for in this Agreement.

3. INTEREST

The Loan shall bear interest on the amount from time to time outstanding at a Fixed Rate as follows:

3.1 FIXED INTEREST RATE

3.1.2 The Loan shall bear interest on the amount from time to time outstanding at a nominal fixed rate indicative rate being the Government Yield Curve + 127 basis points fixed payable six monthly. (indicative rate, final rate to be determined at the date of the signing of the Loan Agreement by the last signing party.

3.1.2 Interest on the amount from time to time outstanding shall be compounded six-monthly and payable on the last day of each Half-year. Payment shall commence on the last day of the Half-year during which the first disbursement was advanced to the Borrower from the proceeds of the Loan.

4. REPAYMENT OF LOAN AND PAYMENT OF INTEREST

- 4.1 The capital amount of the Loan shall be repaid in 28 (twenty eight) equal six-monthly instalments, commencing on the last day of the 3rd (third) Half-year following the Half-year during which the first disbursement was made to the Borrower from the proceeds of the Loan; and thereafter at the end of each succeeding Half-year until the Loan together with interest thereon shall be fully repaid; provided that subject to the provisions of clause 7, the Borrower may, with 30 (thirty) days written notice to the DBSA, make repayments in excess of the abovementioned or repay the full amount outstanding, provided further that the Borrower shall not be entitled to make any repayments prior to the date on which the first instalment shall fall due in terms of this Agreement; provided further that this shall not jeopardise the proper completion of the Project.
- 4.2 An instalment shall be a fixed amount, determined as at the outset of the 3rd (third) Half-year following the Half-year during which the first disbursement was made to the Borrower from the proceeds of the Loan; calculated as being sufficient to amortise the outstanding amount, plus interest at the rate set out in clause 3.1 above, in 28 (twenty eight) equal six-monthly payments. Should, at the outset of the said 3rd (third) Half-year, part of the Loan still not be drawn by the Borrower, the amount of instalments shall be adjusted as and when drawings take place, in order to achieve amortisation over the original period of the Loan.

5. COMMITMENT FEE

- 5.1 The DBSA shall be entitled, in respect of the Fixed Rate Loan, to charge a commitment fee of 0,5% (nought comma five per centum) per annum on all the undisbursed portion of the Loan as follows:
- 5.1.1 in case where the Borrower has elected a fixed interest rate option, the DBSA shall be entitled to charge such a commitment fee effective 3 (three) months from the date of conclusion of this Agreement;
- 5.1.2 in case where the Borrower has exercised the Conversion Option, the DBSA shall be entitled to charge such a commitment fee effective 3 (three) months from the date of the exercise of the Conversion Option by the Borrower.
- 5.2 Payment of the commitment fee shall be made on the same terms and conditions as the other amounts due in terms of this Agreement.

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6. LATE PAYMENT

6.1 The Borrower shall be liable to the DBSA for the payment of penalty interest on all amounts payable, yet unpaid, in terms of this Agreement should the Borrower:-

6.1.1 fail to pay on the due date any amount owing or which may become owing to the DBSA in terms of this Agreement; or

6.1.2 with the DBSA's written consent defer the payment of any amount so owing.

6.2 Penalty interest shall be calculated with regard to the actual period during which the amount payable remained unpaid at a rate equal to 2% (two per centum) above the agreed interest rate specified in this agreement.

7. EARLY REPAYMENT

The Borrower shall, at any time upon giving the DBSA at least 30 (thirty) days prior written notice, be entitled to prepay the full and/or portion of the outstanding Loan amount, subject to the payment of a prepayment penalty fee by the Borrower for each year of the remaining Loan Period, on the full and/or portion of the outstanding Loan amount being prepaid, at the time of prepayment and such prepayment penalty fee shall be determinable as follows:

7.1 PREPAYMENT PENALTY FOR FIXED RATES

7.1 The Borrower shall, subject to thirty (30) days written notice to the DBSA, be entitled to prepay any portion or the entire principal amount of the DBSA Loan on any Interest Payment Date. However, the Borrower shall be liable to pay a prepayment penalty fee on the principal amount being prepaid otherwise than on the Interest Payment Date relative to that prepaid principal amount. The prepayment penalty fee ("**Prepayment Penalty Fee**") shall be determined or calculated as follows:

7.1.1.1 where the Loan interest rate is less than or equal to the reinvestment rate defined herein below, the Borrower shall be liable to pay Unwinding Costs on the amount prepaid;

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7.1.1.2 where the interest rate of the Loan is greater than the reinvestment rate, as defined hereinafter the Borrower shall pay to the DBSA a fee equal to the difference calculated on a present value basis to the DBSA's prejudice, between the interest which the prepaid principal amount would have produced had there been no prepayment and the interest which would be produced by a reinvestment of the same amount having the same repayment schedule as the prepaid principal amount of the DBSA Loan including any Unwinding Costs.

7.1.2 The reinvestment rate shall be the rate at which the DBSA can invest the funds in the relevant Interbank Market, for the period equal to the remaining Loan Period as determined at the relevant Interest Payment Date of such prepaid principal amount.

7.1.3 The discount rate used shall be equal to the discount rate forecast by the Bond Exchange Zero Curve sheet Swaps PF published daily by BESA. The date used for the present value calculation shall be that of the prepayment.

"Unwinding Costs" any and all actual costs, expenses and disbursements incurred by the DBSA in taking out a new hedge position, closing out, settling or unwinding any hedge transaction deposits or funding transactions that may have been entered into by the DBSA or reacquiring any negotiable instruments that have been issued in respect of funding any part or all of the DBSA Loan.

8. PAYMENT(S)

8.1 All payments to or by the Parties under this Agreement shall be effected in South African Rand.

8.2 All payments under this Agreement to the Borrower shall be effected to the credit of such banking account(s) of the Borrower as the Borrower may from time to time direct, in writing.

8.3 The Borrower shall furnish the DBSA with all the necessary information regarding its officials who are authorised to apply for drawdowns on the Borrower's behalf.

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- 8.4 All payments under this Agreement to the DBSA shall be effected to the credit of such banking account(s) of the DBSA as the DBSA may from time to time direct, in writing.
- 8.5 Payments to the DBSA in terms of this Agreement shall be effected without deduction and free from any taxes, charges, fees or other costs whatsoever.
- 8.6 Whenever any payment falls due on a Saturday, Sunday or Public Holiday under the laws to which either of the Parties are subject, such payment shall be made on the next succeeding business day.

9. CANCELLATION/TERMINATION OF DRAWDOWNS

- 9.1 The Borrower may, by giving 30 (thirty) days written notice to the DBSA, cancel any undrawn portion of the Loan provided that such cancellation shall not jeopardise the proper completion of the Project; it being understood that upon the giving of such notice the instalments referred to in clause 4.1 supra shall be reduced pro rata.
- 9.2 If the DBSA reasonably concludes, after consultation with the Borrower, that any portion(s) of the Loan will not be required to finance the Project, the DBSA may by notice to the Borrower terminate the right of the Borrower to make drawdowns in respect of such undrawn portion; it being understood that upon giving of such notice the instalments referred to in clause 4.1 supra shall be reduced pro rata.
- 9.3 If the DBSA has not received a final application for a drawdown under the Loan from the Borrower at the end of the 3rd (third) Half-year following the Half-year during which the first disbursement was made to the Borrower from the proceeds of the Loan, the DBSA may terminate further disbursements to the Borrower on 30 (thirty) days written notice to the Borrower unless the DBSA, after consideration of the reasons for the delay, has determined a later date for the purposes of this sub-clause. The DBSA shall only consider an extension on receipt of a written request from the Borrower and shall notify the Borrower of its decision.

10. EVENTS OF DEFAULT

- 10.1 The DBSA shall be entitled, after giving the Borrower 30 (thirty) days written notice, to suspend drawdowns from the Loan or to terminate this Agreement and to claim from the Borrower immediate payment of all the outstanding amounts should the Borrower commit

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any breach of this Agreement, provided that the DBSA may, at its entire discretion, dispense with the giving of the 30 (thirty) days notice.

10.2 Without derogating from the generality of the foregoing, the DBSA shall be entitled to exercise its rights in terms of clause 10.1 above, upon the happening of any of the following events:-

10.2.1 the Borrower failing to repay the capital amount and to pay interest in terms hereof, and failing to remedy such breach within the notice period referred to in 10.1 above requiring it to do so;

10.2.2 any attachment being made or any execution being levied against the Borrower;

10.2.3 any failure to repay any of the DBSA's loans or breach of any agreement entered into between the Borrower and the DBSA and/or with any other lender/creditor;

10.2.4 should the DBSA, after consultation with the Borrower, reasonably conclude that the Borrower would probably not be in a position to perform its financial obligations in terms of this Agreement;

10.2.5 the Borrower proposing any rescheduling, reorganisation or rearrangement of the whole or part of its indebtedness with the DBSA or any of its creditors;

10.2.6 the Borrower's business operations or any significant part thereof, being interrupted for a continuous period of at least 3 (three) months;

10.2.7 any approval, licence, authorisation or other requirement necessary to enable the Borrower to comply with any of its obligations in terms of this Agreement is modified, revoked or withdrawn whilst this Agreement is still in force;

10.2.8 any order is made or resolution passed or other action taken for the dissolution or termination of the existence of the Borrower;

10.2.9 any representation, warranty or statement made in, or in connection with, this Agreement or any opinion delivered by or on behalf of the Borrower under this Agreement is found to be incorrect.

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- 10.3 The exercise of the rights by the DBSA in terms hereof shall be without prejudice and/or in addition to any other rights which the DBSA may then have against the Borrower in law, including the right to demand specific performance by the Borrower of its obligations in terms of this Agreement.

11. SUSPENSIVE CONDITION

The Borrower will provide the DBSA with a written undertaking, to the satisfaction of the DBSA, to address the issues referred to under clause 12 of this agreement.

12. FURTHER TERMS AND CONDITIONS

- 12.1 The Borrower will submit written confirmation to the DBSA to the effect that the Provincial Government is fully informed of and supports the Programme Phase IV.
- 12.2 The Borrower undertakes to inform the DBSA of the Borrower's intentions to enter into any further long term debt obligations.
- 12.3 The Borrower undertakes to provide the DBSA with its audited financial statements within six (6) months from the end of its financial year.
- 12.4 The Borrower will implement appropriate consolidated billing and cost recovery systems, to control, generate and issue municipal accounts and enforce payment. The DBSA intends to support the Borrower in this regard with technical assistance, information and advice.
- 12.5 The Borrower will furnish the DBSA with a report on cost recovery for service charges on a six-monthly basis. The report will contain information on progress made and targets and actions intended to improve cost recovery, linked to a time frame.
- 12.6 The Borrower will submit the identified projects to the KwaZulu Natal Department of Agriculture and Environmental Affairs (KZN DAEA) in order to determine their approval requirements. Should KZN DAEA require an Environmental Impact Assessment (EIA), or any other form of environmental assessment, the Borrower will ensure that such assessment is undertaken to the satisfaction of KZN DAEA and the DBSA. The Client must issue the DBSA with a copy of all authorisations required by KZN DAEA.

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- 12.7 Borrower will provide the DBSA with reports of all deviations from the Environmental Management Plan (EMP) in terms of regular audits, and report all major environmental incidents pertinent to the projects funded by the DBSA. The Borrower will address all inputs by the KZN DAEA to the EMPs to the satisfaction of the KZN DAEA.
- 12.8 Borrower warrants that no asbestos products unless permitted by legislation, will be used in any of the projects included in the Programme Phase IV.
- 12.9 The Borrower will obtain or cause to be obtained from the relevant government authorities any authorisation(s) and/or permit(s)/licenses which are or may be required in terms of the relevant environmental and/or water legislation prior to the implementation of projects contained in the Programme Phase IV, and shall comply or ensure compliance thereto. The Borrower agrees to furnish the DBSA with copies of any such authorisation(s) and/or license(s), including the records of the authorisations for projects currently under implementation.
- 12.10 Before any disbursement against the project and/or element, as more fully described in the Project Description, shall take place, the specific project and/or element will have to be included in the Borrower's approved capital budget(s).
- 12.11 Implementation of and disbursements against projects and/or elements will be subject to the Borrower meeting the appraisal Norms and Criteria as contained in the Project Description, to the satisfaction of the DBSA.
- 12.12 The Borrower undertakes to ensure that projects to be funded in terms of this agreement, are effected efficiently and cost-effectively by utilizing construction capacity internally or externally.
- 12.13 The Borrower will ensure the proper maintenance of the assets created through this loan by submitting a maintenance plan, to the satisfaction of the DBSA, and make the necessary budgetary provision.

13. ARBITRATION

- 13.1 Any dispute arising out of or relating to this Agreement concerning the interpretation of the terms and conditions of this Agreement or of compliance by any Party with the terms/conditions of this Agreement which is not resolved amicably through consultations or negotiations shall, subject to the other provisions of this Agreement, be settled by

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arbitration in terms of the Arbitration Act No. 42 of 1965, as amended from time to time; provided that a claim by the DBSA for the repayment of any monies due under this Agreement shall not be regarded as a dispute for the purpose of this clause and neither Party shall therefore be obliged to refer such a claim to arbitration.

- 13.2 In case of arbitration a tribunal shall be composed of one arbitrator who shall be appointed by the Parties by agreement or failing such agreement, by the chairperson of the Association of Arbitrators, who shall, in appointing such arbitrator, have regard to the qualifications and experience of the appointee in relation to the nature of the dispute over which he/she has to adjudicate. In case the arbitrator resigns or becomes unable to act, a successor shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and the successor shall have all the powers and duties of his/her predecessor.
- 13.3 The arbitration shall be held at the place and in accordance with whatever procedures the arbitrator considers appropriate. In particular, the arbitrator, may, if he/she deems appropriate, conduct the arbitration in an informal and summary manner and without requiring pleadings or discovery of documents and without observing the rules of evidence. The proceedings shall be confidential and neither the Parties nor the arbitrator shall disclose to third parties any information regarding the proceedings, the award, or settlement terms unless the parties otherwise agree in writing.
- 13.4 After the institution of arbitration proceedings the tribunal may proceed with the arbitration notwithstanding any failure, neglect or refusal of either Party to comply with the provisions hereof or to take part or to continue to take part in the arbitration proceedings. The arbitrator shall within 30 (thirty) days of the termination of the proceedings render a final and binding written award including interest and costs, and furnish the Parties with written reasons for his/her judgment.
- 13.5 The provisions of this clause may be invoked by any Party by delivering to the other Party a demand, in writing, that an arbitrator be appointed to adjudicate in respect of a specified dispute.
- 13.6 Nothing contained in this clause 13 shall be construed as preventing either Party from approaching a court of competent jurisdiction for urgent interim relief pending the award of the arbitrator.

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14 GENERAL**14.1 PROJECT NOTICE BOARDS**

The Borrower shall, at its own cost, ensure that, immediately upon commencement of construction/building operations, contemplated by this Agreement, if it is decided to erect a Project notice board, the said board shall clearly advertise the fact that such construction/building operations, have been financed or co-financed, as the case may be, by the DBSA.

14.2 DOMICILIUM

14.2.1 The Parties choose domicilium citandi et executandi ("domicilium") for all purposes arising from or pursuant to this Agreement, as follows:-

(i) In case of the DBSA:-

Physical address: Development Bank of Southern Africa Limited
Headway Hill
MIDRAND
SOUTH AFRICA; or

Postal address: P O Box 1234
HALFWAY HOUSE
1685; or

Telefax number: (011) 313 3086

(ii) In case of the Borrower

Physical address: Msunduzi Local Municipality
City Hall
Commercial Road
Pietermaritzburg
3201; or

Postal address: Private Bag 321
Pietermaritzburg
3200; or

Telefax number: (033) 395 1011

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14.2.2 Each of the Parties shall be entitled from time to time, by written notice to the other, to vary its domicilium to any other address which is not a Post Office or Poste Restante.

14.2.3 All notices made by either Party to the other ("the addressee") which:-

- (i) is delivered by hand during the normal business hours of the addressee at the addressee's domicilium for the time being shall be presumed to have been received by the addressee at the time of delivery;
- (ii) is posted by prepaid registered post to the addressee at the addressee's domicilium for the time being shall be presumed to have been received by the addressee on the seventh day after the date of posting; Provided that the Parties agree that all other forms of correspondence and/or requests may be done through fax and/or electronic mail (e-mail).

14.3 WHOLE AGREEMENT

This Agreement (including the Annexures) constitutes the entire Agreement between the Parties and no representations, warranties, undertakings or promises of whatever nature which may have been made by any of the Parties, their agents or employees, other than those herein contained, shall be binding or enforceable against them.

14.4 NON-VARIATION

No variation, amendment or addition to this Agreement shall be valid unless the same has been reduced to writing and signed by or on behalf of the Parties.

14.5 NON-ENFORCEMENT/INDULGENCE

The non-enforcement of any provision of this Agreement or any indulgence which either Party may grant to the other Party shall be without prejudice to the rights of such first-mentioned Party to insist upon strict compliance by such other Party with all the provisions of this Agreement or to enforce its right in respect of which such indulgence was granted.

14.6 TERMS AND CONDITIONS OF DISBURSEMENT

The appraisal of the individual projects included in the Programme Phase IV will be in terms of the Norms and Criteria (Annexure I) and the Terms and Conditions (Annexure II),

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and approved by the Regional Manager in accordance with the approved DBSA policy on Delegated Authority.

The disbursement of each claim will only be made after it has been fully evaluated to the satisfaction of the DBSA and submission to the DBSA of fully documented proof of payment by the Borrower to the supplier, consultant and/ or contractor, of actual claims (or in-house expense incurred), as approved by the Borrower or its authorised representative. Each disbursement is to be effected in accordance with the Application and Source of Funds Statement (Annexure II), read together with the Programme Description (Annexure III), to the maximum amount of R24 735 000 (twenty four million seven hundred and thirty-five thousand Rand).

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THUS DONE AND SIGNED AT London ON THE 27th DAY OF July 2005.

AS WITNESSES:

1.

2.

FOR AND ON BEHALF OF THE
BORROWER, DULY AUTHORISED
THERE TO IN TERMS OF ANNEXURE C
ATTACHED HERETO

THUS DONE AND SIGNED AT MIDRAND ON THE 1st DAY OF AUGUST 2005.

AS WITNESSES:

1.

2.

FOR AND ON BEHALF OF THE DBSA.
DULY / AUTHORIZED THERETO IN
TERMS OF ANNEXURE D ATTACHED
HERETO

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ANNEXURE A

PROJECT DESCRIPTION

1. SCOPE OF THE PROGRAMME PHASE IV

The overall Programme Phase IV relates to the Msunduzi Municipality's (MM's) capital expenditure budget for 2004/2005 of R187m, which will be funded as follows:

Funding Source	Rm
Grants	138
Own Resources	19
External Loans	30
Total	187

Note: The DBSA funding is part of the 'external loans'.

2. PROGRAMME PHASE IV DESCRIPTION

The portion of the Programme Phase IV outlined above that the DBSA will be contributing to is described below:

2.1 Projects and Cost Break-down

The application for the DBSA funding contribution to the Programme Phase V comprises of four categories of projects with a cost break down as listed below:

CATEGORY OF INFRASTRUCTURE	AMOUNT (R)
Buildings:	
Safe City Project Cameras (New)	3 000 000
Roads and Storm Water Drainage:	
City Centre Roads (Upgrading)	2 900 000
Suburban Roads (Upgrading)	1 900 000
Emantshaheni Roads Phase 3 (Upgrading)	1,910 619
Shenstone/ Ambleton Roads Stage 2 (Upgrading)	2 148 681

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Sub Total:	8 859 300
Electricity:	
Networks (Upgrading)	1 500 000
System Reinforcement (New)	2 200 000
Pre-Payment Meter Connections (New)	1 031 000
Riverside Transformers New	3 761 700
Switchgear (New)	2 380 000
Sub Total:	10 875 700
Water:	
Reservoir Roofs (Upgrading)	2 000 000
Grand Total	24 735 000

A large percentage of the projects have been implemented or are currently in implementation. The remainder of the implementation period for the balance of the Programme Phase IV is envisaged to be twelve months.

The Programme Phase IV forms part of the MM's normal business and is an extension Programme Phases I to III already successfully implemented, appraised and assessed with each claim for disbursement (in terms of the DBSA's cost benefit analysis guidelines and criteria).

2.2 Programme Goal

The development goal of the Programme Phase IV is to provide basic municipal infrastructure for the MM to improve the quality of life throughout the city and to attract investment and stimulate business growth and entrepreneurship among all its citizens.

2.3 Programme Objective

The development objective of the Programme Phase IV is to facilitate and enhance social and economic development in the greater MM area, through the provision and rehabilitation of the necessary municipal infrastructure to address backlogs, mainly benefiting formerly disadvantaged communities.

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 I. W. Z. H.
 C. H.
 K. H.

2.4 Programme Outputs

The programme outputs include the following:

Loan funding of R24 735 000 to the MM for the purpose of appointing contractors to build, upgrade and extend municipal services in the categories of buildings, roads and storm water drainage, electricity, and water infrastructure as detailed in the table above.

3. PROGRAMME NORMS AND CRITERIA

The norms and criteria detailed below will serve as a frame of reference in adjudicating the design, implementation and disbursement for the above four categories of projects:

3.1 Economic

- An economic cost/benefit analysis is to be performed for all projects in each category and should indicate a positive economic rate of return and net present value at a discount rate of 5%.
- Each project should be cost-effective, indicate an affordable level of cost recovery and should be within the stated development objectives of the Programme Phase IV.
- The individual projects should take cognisance of the opportunities for economic spin-offs, including business, education and health improvements.

3.2 Environmental

- Legal compliance will be a prerequisite for each project.
- Environmental impacts and associated risks will be identified, mitigated and managed for the entire life-cycle of each project.
- Implementation of environmental mitigation and management measures will be monitored.

for
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B.H. GW

- Implementation of the medium-term TA grant to address identified environmental shortcomings of the Borrower will be monitored based on the TA grant project's plan.

3.3 Social

- Participation of communities affected will be optimised during preparation and implementation of projects.
- Projects will be acceptable to the affected communities.

3.4 Institutional

- An adequate level of institutional capacity will be available within all departments responsible for the implementation of projects.
- Adequate provision for routine maintenance and operation of projects i.e. planning, human, financial and other necessary resources and community interaction will be made.

3.5 Technical

- The MM will provide the DBSA with progress reports and cash flow statements on a 3-monthly basis during project implementation.
- The design of infrastructure will be in accordance with the 'Guidelines for Human Settlement Planning and Design ("Red Book")' as amended and supplemented with the MM's guidelines and norms.
- The levels of services to be provided will be affordable to the affected communities.
- Small contractor and entrepreneurial development will be maximised during the implementation of the projects.

Paul
T.W. 2/4
G.H. 13/11

3.6 Financial

- Infrastructure to be provided will be affordable in terms of both capital and recurrent costs, to the communities affected as well as the MM.
- The principle of cost recovery on an equitable basis from the beneficiaries of trade services rendered will be adhered to.

LOGFRAME

PROGRAMME GOAL/OBJECTIVES/ OUTPUTS	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL: To facilitate and enhance social and economic development in the Msunduzi Municipality's (MM's) area, by addressing backlogs, mainly benefiting formerly disadvantaged communities.	Financially viable and sustainable municipality and communities.	Auditor's reports. DBSA's Borrower Appraisal.	That the recommendations will be implemented.
OBJECTIVES: Providing the necessary municipal infrastructure, including: Municipal Buildings	Improved quality of service to all and financial ability of the MM to implement the policy of limited free water.	Project report, monitoring reports and full review report, other independent report(s). Verification of field data through random samples.	That the recommendations will be implemented.

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Hw



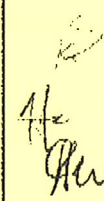
23

Roz ds and Storm	Educated consumers		
Water Drainage	with changed attitudes		
	towards economic		
Electricity	water and electricity		

ANNEXURE B

SOURCE AND APPLICATION OF FUNDS STATEMENT

DESCRIPTION	DBSA (R)	%	OTHER (R)	%	BORROWER (R)	%	TOTAL (R)	%
Buildings:	3 000 000	21	10 000 000	72	1 000 000	7	14 000 000	100
Roads and Storm Water Drainage	8 859 300	28	20 000 000	63	3 000 000	9	31 859 300	100
Electricity	10 875 700	29	25 000 000	66	2 000 000	5	37 875 700	100
Water	2 000 000	3	50 000 000	87	6 000 000	10	58 000 000	100
Other types of infrastructure	0	0	33 000 000	83	7 000 000	17	40 000 000	100
Total	24 735 000	14	138 000 000	76	19 000 000	10	181 735 000	100

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ANNEXURE C

AUTHORISATION

BORROWER

Handwritten signatures and initials:
LW
LH
AF
DW

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ANNEXURE D

AUTHORISATION**MANDLA SIZWE GANTSHO**

in his capacity as Chief Executive of the Development Bank of Southern Africa, in terms of authority delegated to the incumbent of this post by the Board of Directors of the Development Bank of Southern Africa on 19 September 1985, determined on 1 December 2004 that:

MANDLA SIZWE GANTSHO

OR

ZANELE JOYCE MATLALA

in her capacity as Chief Financial Officer

OR

JACOB HENRY DE VILLIERS BOTHA

OR

DISEBO CONSIGLIO MOEPHULI

OR

LEWIS MAXWELL MUSASIKE

OR

SNOWY JOYCE KHOZA

OR

MAGARE LUTHER MASHABA

in their capacity as Executive Managers

OR

JEANETTE SIBONGILE NHLAPO

In her capacity as Chief Operating Officer, DBSA: Development Fund

OR

PULE LESAILANE MOKHOBO

in his capacity as Manager: Legal Services

OR

CHRISTINA JOANNA GOLINO

OR

Handwritten signatures and initials:
A. S. (above)
G.H. T.W. 24 (below)
Pw. (bottom right)

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BANE MOEKETSI MALEKE

OR

PUMLA MANNYA

OR

MAKGOTLA DANIEL PETER MOKUENA

OR

FRENCIEL FRANKTON GILLION

OR

JANINE THORNE

OR

REMBULUWANI BETHUEL NETSHISWINZHE

OR

LOYISO PITYANA

OR

JAMES MFANVELI TWANA NDLOVU

OR

TSHOKOLO PETRUS NCHOCHO

OR

SOLOMON ASAMOAH

in their capacity as Managers: Business Units (DSP Related)

be authorised for and on behalf of the Development Bank of Southern Africa to enter into agreements in terms whereof money is:-

1. lent, or
2. granted for the purpose of technical assistance,

and to perform all acts and sign all documents that may be necessary for the purpose

DATE

LEGAL ADVISOR

{Legal}[v/ord]*KZN 101922

Handwritten signatures and initials:
G.H. (with initials)
T.W. 24