

**LOAN AGREEMENT**

in respect of


**MSUNDUZI MUNICIPAL INFRASTRUCTURE PROGRAMME PHASE VI**

made and entered into by and between

**MSUNDUZI LOCAL MUNICIPALITY (KZ225)**

and

**THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED**

J.W.2 H <sup>ikd</sup> 



**TABLE OF CONTENTS****PAGE**

MEMORANDUM OF LOAN  
SUMMARY

ii

**CLAUSE**

1. INTERPRETATIONS .....	1
2. THE LOAN .....	4
3. INTEREST .....	4
4. REPAYMENT OF LOAN AND PAYMENT OF INTEREST .....	5
5. COMMITMENT FEE .....	6
6. LATE PAYMENT .....	6
7.1 EARLY REPAYMENT [FOR FIXED RATE] LOANS .....	6
8. PAYMENT(S) .....	7
9. CANCELLATION/TERMINATION OF DRAWDOWNS .....	8
10. EVENTS OF DEFAULT .....	8
11. CONDITIONS PRECEDENT .....	10
12. FURTHER TERMS AND CONDITIONS .....	10
13. ARBITRATION .....	11
14. GENERAL .....	13
14.1 PROJECT NOTICE BOARDS .....	13
14.2 DOMICILIUM .....	13
14.3 WHOLE AGREEMENT .....	14
14.4 NON-VARIATION .....	14
14.5 NON-ENFORCEMENT/INDULGENCE .....	14
14.6 TERMS AND CONDITIONS OF DISBURSEMENT .....	15
SIGNATURE PAGE .....	16
ANNEXURE A PROJECT DESCRIPTION .....	17
ANNEXURE B SOURCE AND APPLICATION OF FUNDS STATEMENT .....	22
ANNEXURE C AUTHORISATION - BORROWER .....	23
ANNEXURE D AUTHORISATION - DBSA .....	24

**SUMMARY**

1. LOAN AMOUNT : R50 000 000,00 (fifty million Rand).
2. LOAN PERIOD : 15 years.
3. FIXED INTEREST RATE : 7.97%.
4. GRACE PERIOD FOR CAPITAL REPAYMENT : NIL.
5. CAPITAL REPAYMENT : 30 equal six-monthly instalments, commencing on the last day of the 1<sup>st</sup> Half-year after the Half-year during which the first disbursement was advanced to the Borrower.
6. PROJECT FILE NO. : KZN 102416.

J.W. 24/10/16



## 1. INTERPRETATIONS

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

- 1.1.1 "this Agreement" means this Agreement together with any Annexures thereto;
- 1.1.2 "Borrower" means Msunduzi Local Municipality (KZ225);
- 1.1.3 "Business Day" means any day other than a Saturday, Sunday and a Public Holiday;
- 1.1.4 "the DBSA" means 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" means 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 "Half-year" or "Six-monthly" means 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;
- 1.1.7 "Interest Payment Date" means the last Business Day of each Interest Period;
- 1.1.8 "Interest Period" means each period of 6 (six) months commencing on 1 April or 1 October of each calendar year. The first Interest Period shall begin to run from the date of the first disbursement to 31 March or



H J.W. Z<sup>KB</sup>  
 SA

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;

- 1.1.9 "Loan" means the financing granted to the Borrower in terms of clause 2;
- 1.1.10 "On-lending" means 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;
- 1.1.11 "Parties" means collectively, the Borrower and the DBSA;
- 1.1.12 "Project Agent" means a person nominated in writing by the Borrower to act on its behalf in respect of the Project;
- 1.1.13 "Project" means Msunduzi Municipal Infrastructure Programme Phase VI, as described in more detail in Annexure A attached hereto;
- 1.1.14 "Reference Banks" means four major Banks in the Johannesburg Interbank market selected by the DBSA;
- 1.1.15 "Reset Date" means 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;

Handwritten initials and signatures: "A", "J.W. 2<sup>KB</sup>", and a signature.

- 1.1.16 "Reset Period" means a period of 6 (six) months commencing from each Reset Date;
- 1.1.17 "Unwinding Costs" means 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 by the DBSA, in respect of funding any part or all of the Loan;
- 1.1.18 "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; and
- 1.1.19 "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.
- 1.2 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.

*H. I.W. ZKB*

*[Handwritten signature]*

- 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 safety page or on some other screen page.
- 1.7 This Agreement shall bind the Borrower and its successors-in-title.

## 2. THE LOAN

2.1 The Loan shall be:-

2.1.1 an amount not exceeding, in aggregate, R50 000 000,00 (fifty million 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

3.1.1 The Capital shall bear interest on the amount from time to time outstanding at a nominal fixed rate of 7.97 % per annum.

*Handwritten signatures and initials:*  
 H- T.W-2 kb  
 [Signature]



- 3.1.2 Interest on the amount from time to time outstanding shall be compounded six-monthly and shall be due and payable on the last day of each Half-year. If payment of interest falls on a day other than a Business Day, such interest shall be payable on the next succeeding Business Day.
- 3.1.3 Payment shall commence on the last day of the Half-year during which the first disbursement was advanced to the Borrower.

#### 4. REPAYMENT OF LOAN AND PAYMENT OF INTEREST

- 4.1 The capital amount of the Loan shall be repaid in 30 (thirty) equal six-monthly instalments, commencing on the last day of the 1<sup>st</sup> (first) 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 1<sup>st</sup> 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 30 (thirty) equal six-monthly payments. Should, at the outset of the said 1<sup>st</sup> 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.

H  
I. W. Z<sup>RB</sup>  
[Signature]



## 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 effective 3 (three) months from the date of conclusion of this Agreement.
- 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.

## 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 the Fixed Rate/interest rate of the Loan plus 2% (two per centum). Penalty interest shall be compounded six-monthly and payable on demand.

## 7. EARLY REPAYMENT

### 7.1 FIXED RATE LOANS

- 7.1.1 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, subject to the payment of a prepayment fee on the principal amount being prepaid. The prepayment fee shall be determined or calculated as follows:

*H* *T.W.Z* <sup>KB</sup>  
*[Signature]*

7.1.1.1 where the interest rate of the Loan is less than or equal to the Reinvestment Rate (defined herein below), the Borrower shall be liable to pay Unwinding Costs only (if any) on the prepaid amount;

7.1.1.2 where the interest rate of the Loan is greater than the Reinvestment Rate, the Borrower shall pay to the DBSA an amount 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 Loan as well as 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 Zero Curve published on Reuters. The date used for the present value calculation shall be that of the prepayment.

## 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.

H. I.W. 2<sup>KB</sup>



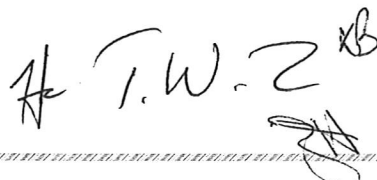
- 8.4 All payments under this Agreement to the DBSA shall be effected to the credit of such banking account(s) of the DBSA as the DBSA may from time to time direct, in writing.
- 8.5 Payments to the DBSA in terms of this Agreement shall be effected without deduction and free from any taxes, charges, 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 1st (first) 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

*H. T.W. Z* <sup>KB</sup>  


Borrower commit 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 any fact or circumstance shall have occurred which in the opinion of the DBSA may affect the ability or willingness of the Borrower to comply with all or any of its obligations under 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; and

H T.W.Z<sup>RB</sup>

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.

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. CONDITIONS PRECEDENT

None.

## 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 all the projects included in the Programme Phase VI.
- 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 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.
- 12.5 The Borrower will implement appropriate consolidated billing and cost recovery systems to control, generate and issue municipal accounts and enforce payment.
- 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 the KZN DAEA require an Environmental Impact Assessment (EIA), or any other form of environmental

Handwritten signatures and initials: "H", "J.W.Z", and "rb".



The logo of the Development Bank of Southern Africa (DBSA) is located in the bottom right corner. It features a stylized figure with arms raised, above the text "DBSA" and "Development Bank of Southern Africa".

assessment, the Borrower will ensure that such EIA or assessment is undertaken to the satisfaction of the KZN DAEA and the DBSA. The Borrower will issue the DBSA with a copy of all authorisations required by the KZN DAEA.

- 12.7 The Borrower will compile and implement Construction Environmental Management Plans (CEMP's) for all construction projects as required by the DAEA. The CEMP's will include inputs from DAEA, should DAEA require this. The CEMP's must be compiled to the satisfaction of the DAEA.
- 12.8 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 VI, 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.
- 12.9 The Borrower will ensure the proper maintenance of the assets created through this loan, including water loss control and make the necessary budgetary provision.
- 12.10 The projects funded by this loan will entail the upgrading, rehabilitation, replacement, alteration of existing and the installation of new municipal infrastructure, and will exclude recurrent expenditure (all overhead costs, including operational and maintenance costs).

### 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 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

AK T.W. Z<sup>KB</sup>

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.

He T.W. Z<sup>h</sup>

## 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 X321  
PIETERMARITZBURG  
3200; or

Telefax number: (033) 395 1397.

*Handwritten signature: J.W. Z<sup>RB</sup>*





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.

*H. J.W. 2 kb*



*[Handwritten signature]*

## 14.6 TERMS AND CONDITIONS OF DISBURSEMENT

- 14.6.1 The appraisal of the individual projects included in the Programme Phase VI will be in terms of the Norms and Criteria (Annexure A) and the Terms and Conditions in clause 12 of this Agreement, and approved by the Regional Manager in accordance with the approved DBSA policy on Delegated Authority.
- 14.6.2 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 B), read together with the Programme Description (Annexure A), to the maximum amount of R50 000 000 (fifty million Rand).

THUS DONE AND SIGNED AT Pietermaritzburg ON THE 19 DAY OF June 2006.

AS WITNESSES:

1. [Signature]

2. [Signature]

[Signature]

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

THUS DONE AND SIGNED AT ..... ON THE ..... DAY OF ..... 2006.

AS WITNESSES:


1. \_\_\_\_\_

2. \_\_\_\_\_

\_\_\_\_\_

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

[Signature] [Signature]



**DBSA**  
Development Bank  
of Southern Africa

## PROJECT DESCRIPTION

### 1. SCOPE OF THE PROGRAMME PHASE VI

The overall Programme Phase VI relates to the Msunduzi Municipality's capital expenditure budget for 2005/2006 of R229m, which will be funded as follows:

Funding Source	Rm
Grants	141
Own Resources	38
DBSA	50
<b>Total</b>	<b>229</b>

### 2. PROGRAMME PHASE VI DESCRIPTION

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

#### 2.1 Projects and Cost Break-down

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

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

CATEGORY OF MUNICIPAL INFRASTRUCTURE	AMOUNT (R)
Water:	7 820 000
Sanitation:	1 580 000
Electricity and Street Lighting:	21 760 000
Roads and Storm Water Drainage:	17 060 000
Municipal Buildings:	1 780 000
<b>Total:</b>	<b>50 000 000</b>

The projects included form part of the Msunduzi Municipality's Capital expenditure programme for the 2005/2006 financial year.

*A* *T.W.Z* <sup>13</sup>

## 2.2 Programme Goal

The development goal of the Programme Phase VI is to provide basic municipal infrastructure for the Msunduzi Municipality 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 VI is to facilitate and enhance social and economic development in the greater Msunduzi municipal area, through the provision and rehabilitation of the necessary municipal infrastructure to address backlogs, mainly benefiting formerly disadvantaged communities.

## 2.4 Programme Outputs

The programme outputs include the following:

Loan funding of R50 000 000 to the Msunduzi Municipality for the purpose of appointing contractors to build, upgrade and extend municipal services in the categories of municipal 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 excluding projects in the water, sanitation, electricity, roads and storm water drainage economic sectors 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 VI.
- 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.

*H. J. W. Z<sup>kb</sup>*



- 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.t.o. planning, human, financial and other necessary resources and community interaction will be made.

### 3.5 Technical

- The Msunduzi Municipality 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 Msunduzi Municipality'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.

### 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 Msunduzi Municipality.
- The principle of cost recovery on an equitable basis from the beneficiaries of trade services rendered will be adhered to.

Handwritten signature: J.W. Z



Handwritten signature

## LOGFRAME

## MSUNDUZI MUNICIPAL INFRASTRUCTURE PROGRAMME PHASE VI

PROGRAMME GOAL/OBJECTIVES/ OUTPUTS	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS
<p><b>GOAL:</b></p> <p>To facilitate and enhance social and economic development in the Msunduzi Municipality's area, by addressing backlogs, mainly benefiting formerly disadvantaged communities.</p>	<p>Financially viable and sustainable municipality and communities.</p>	<p>Auditor's reports.</p> <p>DBSA's Borrower Appraisal.</p>	<p>That the recommendations will be implemented.</p>
<p><b>OBJECTIVES:</b></p> <p>Providing the necessary municipal infrastructure, including water, sanitation, electricity and street lighting, roads and storm water drainage, waste management and municipal buildings.</p>	<p>Improved quality of service to all and financial ability of the Msunduzi Municipality to implement the policy of limited free water.</p> <p>Educated consumers with changed attitudes towards economic water and electricity consumption and user charging.</p>	<p>Project report, monitoring reports and full review report, other independent report(s). Verification of field data through random samples.</p>	<p>That the recommendations will be implemented.</p>
<p><b>OUTPUTS:</b></p> <p>Addressing quality of service and backlogs.</p> <p>Educating consumers on the economic usage of water and electricity and the need to pay for services.</p>	<p>Improved quality of service and progressive reduction of backlogs.</p> <p>Improved revenue collection and reduced water and electricity consumption, leakage and wastage, and ultimately, the reduction of tariffs.</p>	<p>Supervision and monitoring.</p> <p>Improved consumer satisfaction.</p> <p>Improved understanding of consumers.</p>	<p>That the recommendations will be implemented.</p>

*Handwritten signatures and initials:*  
 A. I.W.2  
 RB  
 [Signature]

Optimal utilisation of empowerment opportunities.  Capacitating staff to perform the work relating to improved cost recovery in the future.	Number of empowerment opportunities utilised.  Staff capable of doing the work relating to improved cost recovery in the future.	Monetary value of contracts.  Testing of staff capabilities.	
<b>ACTIVITIES:</b>  Establishment of Programme Steering Committee.  Appointment of consultants and contractors.  Submission of monitoring reports.  Processing of claims.	Acceptance of projects, loans, and terms and conditions of loans.  Steering Committee meetings and minutes.  Tenders and adjudication.  Council approval.  Consultants and contractors appointed.  Local labour/ emerging contractors employed.  Training done and skills transferred.  Construction is done (buildings, roads and storm water drainage, electricity and water).	Signing of loan agreement.  Site inspections and minutes of site meetings.  Monitoring/ progress reports.  Progress disbursements.  Number of locally employed people and small contractors.  Skilled and trained workers and contractors.  Completion report with developmental impact statistics.	That the recommendations, will be implemented and terms and conditions complied with.  That the funds will be available (from all contributors).  That the assumed capacity will be available for implementation.  That the development impact objectives will be achieved.

H. I. W. Z<sup>15</sup>

*[Handwritten signature]*



## SOURCE AND APPLICATION OF FUNDS STATEMENT

DESCRIPTION	DBSA (R)	%	OTHER (R)	%	BORROWE R (R)	%	TOTAL (R)	%
Water:	7 820 000	3,4	22 560 000	9,9	6 260 000	2,7	36 640 000	16
Sanitation:	1 580 000	0,6	4 160 000	1,9	1 140 000	0,5	6 880 000	3
Electricity and Street Lighting:	21 760 000	9,5	60 370 000	26,4	16 340 000	7,1	98 470 000	43
Roads and SW Drainage:	17 060 000	7,5	47 870 000	21,0	12 920 000	5,5	77 850 000	34
Municipal Buildings:	1 780 000	0,8	6 040 000	2,6	1 340 000	0,6	9 160 000	4
<b>Total:</b>	<b>50 000 000</b>	<b>21,8</b>	<b>141 000 000</b>	<b>61,8</b>	<b>38 000 000</b>	<b>16,4</b>	<b>229 000 000</b>	<b>100</b>

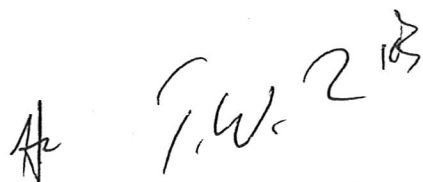
A T.W. 2 B

ANNEXURE C

AUTHORISATION

BORROWER

FARHAD CASSIM JEE



**DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED****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 8 February 2006 that:

**MANDLA SIZWE GANTSHO**  
in his capacity as Chief Executive

OR

**LEONIE VAN LELYVELD**  
in her capacity as Chief Financial Officer

OR

**JACOB HENRY DE VILLIERS BOTHA**

OR

**LEWIS MAXWELL MUSASIKE**

OR

**SNOWY JOYCE KHOZA**

OR

**MAGARE LUTHER MASHABA**  
in their capacity as Executive Managers

OR

**ERNEST ARTHUR DIETRICH**  
acting Executive Manager

OR

**JEANETTE SIBONGILE NHLAPO**  
In her capacity as Chief Operating Officer, DBSA: Development Fund

OR

**SAMUEL RAPULANE MOGOTOTOANE**  
in his capacity as Manager: Legal Services

OR

**GREGORY NIGEL JOSEPH WHITE**  
In his capacity as Manager: Office of CEO

OR

**CHRISTINA JOANNA GOLINO**

*H* *T.W. Z* *B*



25

OR

**BANE MOEKETSI MALEKE**

OR

**PUMLA MANNYA**

OR

**MAKGOTLA DANIEL PETER MOKUENA**

OR

**EMILE DU TOIT**

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 SERVICES**

*Handwritten signature: J.W. Z...*