

LOAN AGREEMENT

in respect of

MSUNDUZI MUNICIPAL INFRASTRUCTURE PROGRAMME PHASE VII

made and entered into by and between

MSUNDUZI LOCAL MUNICIPALITY (KZ225)

and

THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED


DBSA
Development Bank
of Southern Africa

[Signature]

[Signature]

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SUMMARY

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|----|---------------------------------------|---|--|
| 1. | LOAN AMOUNT | : | R90 000 000.00. |
| 2. | LOAN PERIOD | : | 15 years. |
| 3. | FIXED INTEREST RATE | : | 8,7%. |
| 4. | GRACE PERIOD FOR
CAPITAL REPAYMENT | : | None. |
| 5. | CAPITAL REPAYMENT | : | 30 (thirty) equal Six-monthly instalments,
commencing on the last day of the 1 st
(first) Half-year after the Half-year during
which the first disbursement was
advanced to the Borrower. |
| 6. | INTEREST REPAYMENT | : | Payment of interest shall commence on
the last day of the Half-year during which
the first disbursement as advanced to the
Borrower. |
| 7. | PROJECT FILE NO. | : | KZN 102797. |

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 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 and "Party" shall mean anyone of them;
- 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 Infrastructure Programme Phase VII, 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;
- 1.1.16 "Reset Period" means a period of 6 (six) months commencing from each Reset Date; and
- 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.

- 1.2 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 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, R90 000 000.00 (ninety 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 8,7% (eight comma seven per centum) per annum.
- 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 The interest rate for each Interest Period shall be compounded Six-monthly based on the actual number of days elapsed and a 365-day year (irrespective of whether it is a leap year) and shall be payable in arrears on each Interest Payment Date.
- 3.1.4 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 1st (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 1st (first) 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. Should, at the outset of the said 1st (first) 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 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 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:
 - 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 Reinvestment Rate.

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.
- 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 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
 - 10.2.9 any misrepresentation 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 VII.
- 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 develop a detailed business plan with clear actions and milestones to address the water losses, asset maintenance plan and appropriate consolidated billing and cost recovery systems to control, generate and issue municipal accounts and enforce payment. This plan needs to be developed in consultation with all role players inclusive of community representatives, politicians, officials and any other stakeholders.
- 12.6 The Borrower undertakes to submit to the Department of Agriculture and Environmental Affairs (DAEA) in the province a list of all the projects to be funded through this loan for review and inputs, and the Borrower will provide the DBSA with a copy of a letter confirming receipt or the response to the submission.
- 12.7 The Borrower undertakes to comply with all relevant legislative and regulatory requirements, and where required, will provide the DBSA with copies of such environmental authorisations pertaining to all the projects funded through this loan.
- 12.8 The Borrower will provide the DBSA with copies of the reports of all environmental studies, including EMP's undertaken in respect of all the projects funded through this Loan.
- 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.


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- 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 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.

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- 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.

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
1258 Lever Road
Headway Hill
MIDRAND
SOUTH AFRICA; or

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

Telefax number: (011) 313 3086


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(ii) In case of the Borrower:-

Physical address: Msunduzi Local Municipality (KZ225)
City Hall
Commercial Road
PIETERMARITZBURG
3201; or

Postal address: Private Bag X205
PIETERMARITZBURG
3200; or

Telefax number: (033) 392 2532

14.2.2 Each of the Parties shall be entitled from time to time, by written notice to the other, to vary its domicile 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 domicile 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 domicile 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.


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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


14.6.1 The appraisal of the individual projects included in the Programme Phase VII will be in terms of the Norms and Criteria and the Terms and Conditions, and approved by the Regional Manager in terms of Delegated Authority. The DBSA Programme Team is in the process of appraising the projects, which will be completed before the disbursement takes place.

14.6.2 The full (once-off) disbursement of the loan 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 R90 000 000.00 (ninety million Rand).



1. 

2. 


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

THUS DONE AND SIGNED AT ... Madison ... ON THE 9th ... DAY OF August ... 2007.

1. J. H. Miller
2. Oliver

FOR AND ON BEHALF OF THE DBSA,
DULY AUTHORISED THERETO IN
TERMS OF ANNEXURE E ATTACHED
HERETO

PROJECT DESCRIPTION

1. SCOPE OF THE PROGRAMME PHASE VII

The Programme Phase VII relates to the Msunduzi Municipality's approved capital expenditure budget for 2006/2007 of R176 421 893, which will be funded as follows:

Funding Source	(R)
Council (including the DBSA's loan funding)	110 000 000
Department of Housing	10 000 000
Integrated National Electricity Programme	4 000 000
Municipal Infrastructure Grant	52 421 893
Total	176 421 893

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

2. PROGRAMME PHASE VII DESCRIPTION

The portion of the Programme Phase VII outlined above that the DBSA will be contributing to comprises of six categories of infrastructure projects with a cost break down as listed below:

CATEGORY OF MUNICIPAL INFRASTRUCTURE	AMOUNT (R)
Water:	20 000 000
Sanitation:	20 000 000
Electricity and Street Lighting:	15 000 000
Roads and Storm Water Drainage:	20 000 000
Waste Management	3 000 000
Municipal Buildings:	12 000 000
Total:	90 000 000

The projects included form part of the Msunduzi Municipality's Capital expenditure programme for the 2006/2007 financial year.

2.2 Programme Goal

The development goal of the Programme Phase VII 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 VII 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 R90 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 VII.
- 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.
- 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.

LOGFRAME

MSUNDUZI MUNICIPAL INFRASTRUCTURE PROGRAMME PHASE VII

PROGRAMME GOAL/OBJECTIVES/O UTPUTS	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL: To facilitate and enhance social and economic development in the Msunduzi Municipality'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 water, sanitation, electricity and street lighting, roads and storm water drainage, waste management and municipal buildings.	Improved quality of service to all and financial ability of the Msunduzi Municipality to implement the policy of limited free water. Educated consumers with changed attitudes towards economic water and electricity consumption and user charging.	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.
OUTPUTS: Addressing quality of service and backlogs. Educating consumers on the economic usage of water and electricity and the need to pay for services. Optimal utilisation of empowerment opportunities. Capacitating staff to perform the work relating to improved cost recovery in the future.	Improved quality of service and progressive reduction of backlogs. Improved revenue collection and reduced water and electricity consumption, leakage and wastage, and ultimately, the reduction of tariffs. Number of empowerment opportunities utilised. Staff capable of doing the work relating to improved cost recovery in the future.	Supervision and monitoring. Improved consumer satisfaction. Improved understanding of consumers. Monetary value of contracts. Testing of staff capabilities.	That the recommendations will be implemented.

<p>ACTIVITIES:</p> <p>Establishment of Programme Steering Committee.</p> <p>Appointment of consultants and contractors.</p> <p>Submission of monitoring reports.</p> <p>Processing of claims.</p>	<p>Acceptance of projects, loans, and terms and conditions of loans.</p> <p>Steering Committee meetings and minutes.</p> <p>Tenders and adjudication.</p> <p>Council approval.</p> <p>Consultants and contractors appointed.</p> <p>Local labour / emerging contractors employed.</p> <p>Training done and skills transferred.</p> <p>Construction is done (buildings, roads and storm water drainage, electricity and water).</p>	<p>Signing of loan agreement.</p> <p>Site inspections and minutes of site meetings.</p> <p>Monitoring/ progress reports.</p> <p>Progress disbursements.</p> <p>Number of locally employed people and small contractors.</p> <p>Skilled and trained workers and contractors.</p> <p>Completion report with developmental impact statistics.</p>	<p>That the recommendations, will be implemented and terms and conditions complied with.</p> <p>That the funds will be available (from all contributors).</p> <p>That the assumed capacity will be available for implementation.</p> <p>That the development impact objectives will be achieved.</p>
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 DBS
 Development Bank
 of South Africa


SOURCE AND APPLICATION OF FUNDS STATEMENT

DESCRIPTION	DBSA (R)	%	OTHER (R)	%	BORROWER (R)	%	TOTAL (R)	%
Water:	20 000 000	11,3	15 000 000	8,5	5 000 000	2,8	40 000 000	22,7
Sanitation:	20 000 000	11,3	15 000 000	8,5	5 000 000	2,8	40 000 000	22,7
Electricity and Street Lighting:	15 000 000	8,5	15 000 000	8,5	5 000 000	2,8	35 000 000	19,8
Roads and SW Drainage:	20 000 000	11,3	10 000 000	5,7	4 000 000	2,3	34 000 000	19,3
Waste Management	3 000 000	1,7	1 000 000	0,6	500 000	0,3	4 500 000	2,5
Municipal Buildings:	12 000 000	6,9	10 421 893	5,9	500 000	0,3	22 921 893	13,0
Total:	90 000 000	51,0	66 421 893	37,7	20 000 000	11,3	176 421 893	100

PROJECT CO-OPERATION

1. To ensure that the purposes of the Loan are accomplished, the Parties shall:-
 - 1.1 periodically, and at the request of either Party:-
 - 1.1.1 exchange views, with regard to the progress of the Project, the benefits derived therefrom and the performance of their respective obligations, in terms of this Agreement, as well as other matters relating to the purposes of the Loan; and
 - 1.1.2 furnish each other with all such information, as may be reasonably requested, with regard to the progress of the Project, the benefits derived therefrom and the general status of the Loan;
 - 1.2 promptly inform each other of any fact, which interferes with, or threatens to interfere with, the progress of the Project, the accomplishment of the purposes of the Loan, any related matter, and, in particular, the performance, by either Party, of its obligations, in terms of this Agreement;
 - 1.3 confirm that they have determined the technical, financial and organisational requirements, in respect of planning, management and control of the Project, to ensure the efficient and effective execution and maintenance of the Project and related matters; and
 - 1.4 jointly, determine the criteria to be taken into consideration, when awarding contracts for items and services to be financed by the Loan.
2. The Borrower shall:-
 - 2.1 grant representatives of the DBSA the opportunities reasonably necessary, to visit any relevant area, for purposes related to the Loan;
 - 2.2 in addition to the amount made available, in terms of this Agreement, be responsible for the provision of all other funds necessary for the successful execution of the Project, as set out in Annexure B, including funds to be supplied by third parties, as reflected in the said Annexure B;

- 2.3 be responsible for the management and maintenance of work carried out, within the context of the Project;
 - 2.4 with regard to the procurement of goods and services for the Project, in consultation with the DBSA, invite participation, in tender or quotation procedures on an open bid basis (such documentation to be drawn up, in consultation with the DBSA's Project Team and ratified by the DBSA), from natural persons and bodies corporate, respectively;
 - 2.5 ensure that contractors, to whom contracts are awarded, are insured, and remain insured, in terms of contractors-all-risk-insurance policies, in a manner reasonably acceptable to the DBSA;
 - 2.6 insure, and keep insured at the replacement value thereof, such of its interests in the Project, against such risks, as may be agreed upon by the Parties;
 - 2.7 maintain, or cause to be maintained, records, adequate to identify the operations carried out by means of the Loan, and furnish the DBSA with all such information (e.g. progress reports), concerning the implementation of the Project;
 - 2.8 apply the Loan, in accordance with Annexure B;
 - 2.9 require each contractor, to whom a contract is awarded, to furnish a performance guarantee acceptable to the DBSA, in terms whereof the completion of such contract is guaranteed; and
 - 2.10 preserve all documents and accounting records, relating to the Project, up to the expiry of a period of 9 (nine) years, after signature of this Agreement, and shall allow the DBSA, at the DBSA's cost, at any reasonable time, to have such documents and records audited by a person, nominated by the DBSA.
3. Where the Parties agree that the further appointment of consultants, or the revision of the brief of appointed consultants, is necessary, the following criteria shall obtain:-
- promotion and/or support of the SMME sector;
 - past experience with similar projects;
 - knowledge of local conditions;
 - abilities and qualifications;
 - membership of professional institutions.

**AUTHORISATION
BORROWER**

glw
DBSA
Development Bank
of Southern Africa
[Signature]
[Signature]

**DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED: DELEGATIONS OF SIGNING AUTHORITIES
FOR INVESTMENT LOANS AND TECHNICAL ASSISTANCE**

PAUL CAMBO BALOYI

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 Limited on 20 March 1997, as amended and read with section 5 of the Development Bank of Southern Africa Act No 13 of 1997, determined on 1 October 2006 that:

PAUL CAMBO BALOYI

in his capacity as Chief Executive Officer
and Managing Director

OR

LEONIE VAN LELYVELD

in her capacity as Chief Risk officer
and Acting as Chief Financial Officer

OR

ADMASU YILMA TADESSE

OR

SAMSON GWEDE MANTASHE

OR

ERNEST ARTHUR DIETRICH

OR

LOYISO PITYANA

OR

LEWIS MAXWELL MUSASIKE

OR

SNOWY JOYCE KHOZA

OR

MAGARE LUTHER MASHABA

OR

JEANETTE SIBONGILE NHLAPO

in their capacities as Executive Managers

OR

SAMUEL RAPULANE MOGOTOTOANE

in his capacity as Manager: Legal Services

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OR

CHRISTINA JOANNA GOLINO

OR

BANE MOEKETSI MALEKE

OR

PUMLA MANNYA

OR

MAKGOTLA DANIEL PETER MOKUENA

OR

BEN CHUCHEKA MHLONGO

OR

EMILE DU TOIT

OR

JANINE THORNE

OR

REMBULUWANI BETHUEL NETSHISWINZHE

OR

JAMES MFANVELI TWANA NDLOVU

OR

TSHOKOLO PETRUS NCHOCHO

OR

SOLOMON ASAMOAH

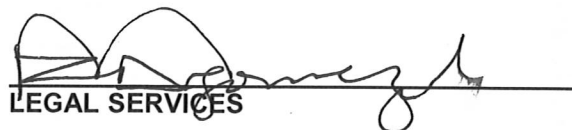
in their capacities as Managers: Business Units

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 contracts or any other documentation in connection therewith that may be necessary for the purpose.

08-08-2007
DATE


LEGAL SERVICES