

LOAN AGREEMENT

in respect of

UGU SANITATION REFURBISHMENT PHASE 2

made and entered into by and between

UGU DISTRICT MUNICIPALITY

and

THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED




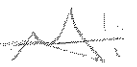


 

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S U M M A R Y

1. LOAN AMOUNT : R25 000 000.00.
2. LOAN PERIOD : 15 years.
3. FIXED INTEREST RATE : 5%.
4. GRACE PERIOD FOR
CAPITAL REPAYMENT : 2 years.
5. CAPITAL REPAYMENT : 26 equal Six-monthly instalments,
commencing on the last day of the 5th
Half-year after the Half-year during which
the first disbursement was advanced to
the Borrower.
6. INTEREST REPAYMENT : Payment shall commence on the last day
of the Half-year during which the first
disbursement was advanced to the
Borrower
7. PROJECT FILE NO. : KZN 101980.2.

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 Ugu District Municipality;
- 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;
- 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 Ugu Sanitation Refurbishment Phase 2, 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;
- 1.1.16 "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;
- 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, R25 000 000.00 (twenty five 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 5% per annum.

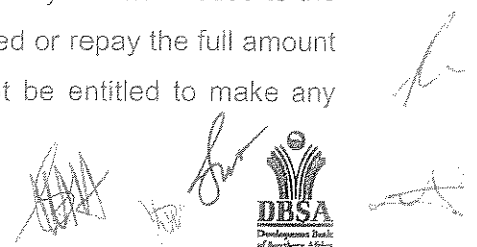
3.1.2 Interest on the amount from time to time outstanding shall be compounded Six-monthly and shall be due and payable on the last day of each Half-year. If payment of interest falls on a day other than a Business Day, such interest shall be payable on the next succeeding Business Day.

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 26 (twenty six) equal Six-monthly instalments, commencing on the last day of the 5th 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



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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 5th 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 5th 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 only 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 in the event that the Borrower deviates from the drawdown schedule contained in clause 3 of Annexure A, effective 3 (three) months from the date of the 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.

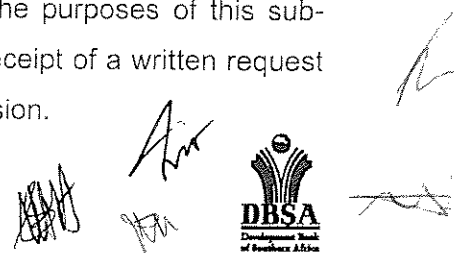
8. PAYMENT(S)

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

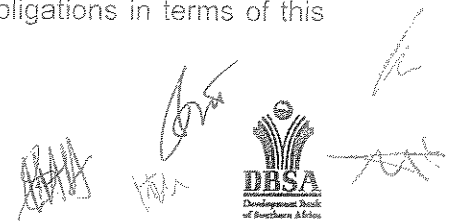
- 9.1 The Borrower may, by giving 30 (thirty) days written notice to the DBSA, cancel any undrawn portion of the Loan provided that such cancellation shall not jeopardise the proper completion of the Project; it being understood that upon the giving of such notice the instalments referred to in clause 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 5th 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.



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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



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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 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

The client must submit the project list to the KZN DAEA in order to determine the approval or exemption requirements of KZN DAEA. Should KZN DAEA require an EIA, or any other form of environmental assessment or the compilation and implementation of a plan the Client must ensure that such assessment is undertaken or plan implemented to the satisfaction of KZN DAEA and the DBSA project team. The Client must issue the DBSA project team with a copy of all authorisations required by DAEA.

12. FURTHER TERMS AND CONDITIONS

12.1 Should DAEA require any projects to have CEMP's, the Borrower will provide the DBSA project team with copies of the CEMP's and reports of all deviations from the CEMP's. The CEMP's should include inputs from DAEA and will be to the satisfaction of the municipality and the DBSA project team.

12.2 The Borrower warrants that no asbestos will be used in any of the projects listed on the programme.


12.3 The Borrower warrants that it 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 this programme and it shall comply or

ensure compliance with same. 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.

- 12.4 The Borrower will ensure that a well planned community awareness and information campaign is launched about the Project.
- 12.5 The Borrower will ensure that sound empowerment principles are applied in the construction and operation of the Project.
- 12.6 The DBSA team will participate in the Steering Committee or Working Group meetings of the project.
- 12.7 The DBSA will monitor and evaluate the implementation of the project. For the latter purposes, the Borrower will, on a regular basis, provide DBSA with progress reports.
- 12.8 The client will provide the DBSA with audited financial statements, within 6 months from the end of its financial year.
- 12.9 The Borrower will provide the DBSA project team with reports of all deviations from the Construction Environmental Management Plans (CEMP) and regular audits, and also report all major environmental incidents pertinent to the projects under DBSA support. The CEMP's will include inputs from DAEA, and will be to the satisfaction of the municipality and the DBSA project team.
- 12.10 Any event of default under this Agreement shall be tantamount to an event of default in respect of the DBSA loan portfolio under the Project No 101980/01 and vice versa, and the DBSA, shall accordingly, when it becomes aware of the relevant facts or circumstances, be entitled to exercise any of its rights in terms of this Agreement and the Loan Agreement under the Project No 101980/01. 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, in law, have against the Borrower, including the right to demand specific performance by the Borrower of its obligations in terms of the Agreement.

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



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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.
- 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
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: Ugu District Municipality
28 Connor Street
PORT SHEPSTONE
4240; or

Postal address: P O Box 33
PORT SHEPSTONE
4240; or

Telefax number: (039) 688 5702

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

Disbursements of the funds will be effected, following the submission of duly signed invoices from the Recipient, to the satisfaction of the DBSA, to a maximum amount of R25 000 000.00.

THUS DONE AND SIGNED AT PORT HERCULE ON THE 20th DAY OF MARCH, 2006. 7

AS WITNESSES:

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 W. Va. ON THE 15 DAY OF June 2006

AS WITNESSES:

1

2.

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

PROJECT DESCRIPTION

1. PROJECT OBJECTIVE

The Ugu District Municipality developed a vision that provides a strategic focus to the Council. It is noted that the target of 2009 set in the vision is ambitious and the intention is to review it after the 2005/2006 local elections. Its vision is: 'By 2009 Ugu will have developed sustainable agriculture; tourism and commerce with balanced infrastructure and social amenities.'

The primary objective of the project is to refurbish and where necessary, augment the existing waterborne sewerage infrastructure in the urban areas along the lower KwaZulu-Natal south coast as to ensure that this infrastructure:

- Is capable of complying with the requirements of the National Water Act regarding, inter-alia, the final effluent standards and the prevention of spillages of untreated wastewater;
- Is operated efficiently and effectively so as to promote community health and hygiene;
- Is adequate to prevent accidental pollution of bathing beaches that have obtained 'Blue Flag' status or that have applied for that status, thereby enhancing the tourism potential of the area;
- In the short term to achieve cost recovery on the sanitation account and to enable the cross subsidization of the rural component over the longer term.

2. PROJECT DESCRIPTION

2.1 Background

All waterborne sewerage in general gravitates to the sea front areas which will then have to be pumped back to inland treatment works. A substantial number of pump stations and treatment works are operating close to and sometimes above capacity. Pollution occurs especially during wet weather and during peak holiday seasons, at times when it can be least afforded. Sewage spillage also occurs during power failures as only a few pump stations are equipped with diesel standby units. Ugu

District Municipality is gradually implementing a telemetry system to provide immediate warnings of operational failures.

The beaches are being monitored by an independent Blue Flag Committee which can accept, confirm or withdraw the Blue Flag status of tourist beaches. This would be contrary to Ugu's IDP which aims to sustain and encourage the development of tourism as the primary economic driver for the lower south coast. Therefore, maintaining and improving the waterborne sanitation system is essential for the Municipality's economic development positioning.

As a result of the boom in property development nationwide, a further 9 000 stands are being planned for the area which will add an additional 33% to the existing sewage flows to be treated. As a result of the current situation, developers insist on installing small private on-site treatment schemes which create monitoring and maintenance problems for the Municipality. Therefore, the only sustainable solution is to upgrade the whole system to cater for the above and future needs.

2.2 Project Description

The project focuses on the following elements in Port Shepstone, Margate, Ramsgate, Melville and Port Edward:

- Replacement of aged or inadequately rated pumping equipment and pipework and the provision of standby diesel generating facilities at selected pump stations.
- Refurbishment or replacement of aged or inadequately sized pump stations and the replacement of aged or inadequately sized gravity and rising sewer mains at selected pump stations.
- Refurbishment or replacement of ageing mechanical and electrical plant in treatment facilities.
- Extensions at Port Shepstone and Margate WWTW and the construction of new Melville activated sludge WWTW.

2.3 PROJECT DETAILED COSTING

The following table gives an indication of the estimated cost per element (excluding VAT):

Table: Detailed Project Cost Estimates (Phase 2)

Area	Installation	Work required	Estimated Capital Cost	
Mellville	Melville WWTW	New pumpstation, 160 mm diameter X 550 meter rising main. New 0.5 Ml/day activated sludge WWTW.	6 170 000	
Port Shepstone	Mbango WWTW	Install 3 aerators. Construct new sludge screw press and refurbish existing sludge screw press	4 000 000	
Margate	Margate WWTW	Adds 2 Ml/day extension.	10 000 000	
Margate	Margate WWTW	Construct 1.2 Ml aerobic digester.	1 200 000	
Margate	Margate WWTW	Construct 1 Ml flow balancing tank (reduce load on the effluent pipeline)	1 500 000	
Margate	Hunters Stream Sewer	Refurbish sewer pipeline and manholes.	900 000	
Ramsgate	Pumpstation No 7	Construct emergency holding tank.	400 000	
Ramsgate	Duzamanzi Pumpstation	Replace existing pumpsets, pipework, electrics. Install new diesel standby unit with weatherproof canopy. Improve access road.	800 000	
Ramsgate	Balancing Tank Pumpstation	Replace existing pumpsets, pipework, electrics. Construct 160 mm X 70 meter rising main. Install new diesel standby unit with weatherproof canopy.	720 000	
Ramsgate	Tidal Pool Pumpstation	Refurbish existing pumpset, add pumpset, change pipework and electrics.	479 000	
Ramsgate	Sewage Treatment Works	Convert existing pond system into activated sludge plant.	5 493 000	
Port Edward	Red Desert WWTW	Refurbish aerators, sludge pumps and standby chlorinator.	300 000	

Reports			600 000	
				27 600 000

3. DBSA PROJECT DISBURSEMENTS

	31 Mar 07	28 June 07	30 Sep 07	31 Dec 07	30 April 08
DBSA Disbursements	R1 383 635	R9 739 866	R6 949 123	R3 968 352	R2 959 024
Cumulative amount	R1 383 635	R11 123 501	R18 072 624	R22 040 976	R25 000 000

4. MONITORING ARRANGEMENTS

- A Working Group will be formed. The DBSA will be represented in the Working Group.
- The Working Group will monitor the programme on regular basis. The DBSA will also conduct field visits to observe and monitor the programme during the project implementation.
- The Borrower shall submit regular reports to the DBSA on the progress made with the implementation of the Project, in terms of the Project Description.
- The log frame Matrix below would be used as a tool to monitor progress of this project.

LOG FRAME MATRIX: UGU SANITATION REFURBISHMENT PHASE 2

GOAL:	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<ul style="list-style-type: none"> To support broad based economic development 	<ul style="list-style-type: none"> Economic performance 	<ul style="list-style-type: none"> GDP/GAV or Social Accounting Matrix tools 	
OBJECTIVES: (OUTCOMES) <ul style="list-style-type: none"> Achieve compliance with legislation in terms of sanitation Enable sanitation to an additional 9 000 sites Protection of sensitive environment 	<ul style="list-style-type: none"> Approvals Building work Blue Flag status 	<ul style="list-style-type: none"> Permits Building statistics Blue Flag Committee 	<ul style="list-style-type: none"> The project will be able to improve the municipality's income generation potential Sustainable development will be supported by the project
OUTPUTS: <ul style="list-style-type: none"> Replacement of pumping equipment, pumping stations and piping Standby electricity generating facilities Replacement of rising and gravity sewer mains Improvement of treatment facilities. 	<ul style="list-style-type: none"> Construction work completed by Sept 2008 Commissioning of new systems General system failures 	<ul style="list-style-type: none"> Site meetings Steering committee meetings Municipal records of blockages and spillages 	<ul style="list-style-type: none"> No construction delays or serious cost overruns are assumed No supplier delays or cost overruns are assumed.
ACTIVITIES: <ul style="list-style-type: none"> Construct new Melville pumpstation & rising main. Construct 0.5 Ml/day activated sludge WWTW at Melville. Install 3 aerators at Mbango and construct new sludge screw press. Adds 2 Ml/day extension, construct 1.2 Ml aerobic digester and 1 Ml flow balancing tank at Margate WWTW. Refurbish Hunters Stream sewer pipeline and 	<ul style="list-style-type: none"> Approval of designs Procurement for different contracts Procurement of equipment 	<ul style="list-style-type: none"> Steering committee meeting 	<ul style="list-style-type: none"> The designs will enable the achievement of the required performance standards The contractors and sub-contractors will be able to complete their task as per contracted time frames.



<p>manholes.</p> <ul style="list-style-type: none"> ▪ Construct emergency holding tank at Ramsgate PS No 7. ▪ Replace existing pumpsets, pipework, electrics and install new diesel standby unit with weatherproof canopy, improve access road at Duzamanzi PS. ▪ Replace existing pumpsets, pipework, electrics, construct rising main, install new diesel standby unit with weatherproof canopy at Ramsgate BS Pumpstation. ▪ Refurbish existing pumpset, add pumpset, change pipework and electrics at Tidal Pool PS. ▪ Convert existing pond system into activated sludge plant at Ramsgate WWTW. ▪ Refurbish aerators, sludge pumps and standby chlorinator at Red Desert WWTW. 			
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SOURCE AND APPLICATION OF FUNDS STATEMENT

MILE STONES	ACTIVITIES	TIME FRAMES	TOTAL COST	DBSA CONTR.
PROJECT PREPARATION	DESIGN WORK	Jan to Mar 2007	R 344 500	
CONSTRUCTION	CONSTRUCTION WORK	Mar 2007 to April 2008	R 27 255 500	R 25 000 000
TOTAL			R 27 600 000	R 25 000 000

Note: Client and other contributions may be changed to suit future needs as they develop over time.

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

The bottom right corner of the page contains several handwritten signatures in black ink. To the right of the signatures is the logo of the Development Bank of Southern Africa (DBSA). The logo features a stylized sunburst or fan-like shape above the letters 'DBSA' in a bold, sans-serif font. Below 'DBSA' is the full name 'Development Bank of Southern Africa' in a smaller, lighter font.

DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED**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 on 19 September 1985 as amended on 20 March 1997, determined on 1 July 2006 that:

PAUL CAMBO BALOYI

in his capacity as Chief Executive

OR

LEONIE VAN LELYVELD

in her capacity as Chief Financial Officer

OR

LEWIS MAXWELL MUSASIKE

OR

SNOWY JOYCE KHOZA

OR

MAGARE LUTHER MASHABA

OR

SAMSON GWEDE MANTASHE

OR

ERNEST ARTHUR DIETRICH

in their capacities as Executive Managers

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

ADMASU YILMA TADESSE

In his capacity as acting Manager: Office of CEO

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CHRISTINA JOANNA GOLINO

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

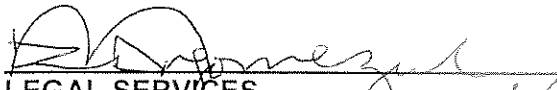
in their capacities as Managers: Business Units (DSP Related)

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.

24/04/2007
DATE


LEGAL SERVICES