

**GUIDANCE NOTE GN600(a)****on****CODE SERIES FS600, STATEMENT 600****THE MEASUREMENT OF THE EMPOWERMENT FINANCING AND ENTERPRISE  
DEVELOPMENT ELEMENT - TRANSFORMATIONAL INFRASTRUCTURE****1. Introduction**

The Financial Sector Code (“the Code”) recognises the need for the financial sector to dedicate funding to infrastructure projects in underdeveloped areas where communities have historically been denied equitable access to economic resources. The definition of Transformational Infrastructure (“TI”) was intended to focus financing efforts on entities that provide infrastructure that will contribute towards reducing infrastructure backlogs and increase the potential for economic growth and development in South Africa.

Transformational Infrastructure projects are projects that support economic development in underdeveloped areas and contribute towards equitable access to economic resources. Such infrastructure projects could be in the following sectors:

- transport
- telecommunications
- water, waste water and solid waste
- energy
- social infrastructure such as health, education, and correctional service facilities
- municipal infrastructure and services

**2. Objectives**

The objective of this document is to provide a Transformational Infrastructure Municipal Index and guidance on the scoring principles.

- 2.1.1. Specify the Target Market
- 2.1.2. Specify the key measurement principles for TI
- 2.1.3. Specify the process for determining a TI score
- 2.1.4. Specify the Municipal Index

### 3. Definitions

#### 3.1. Banked Deals

Transformation Infrastructure deals in place before the commencement date of the Financial Sector Code. Deals done during the period 2009 – 2011 should be according to the Financial Sector Charter and must be audited/verified by an independent party. Reporting for 2012 onwards will be according to the definitions contained in the Financial Sector Code.

#### 3.2. Stock Measurement

This is effectively a measure of the amount (or 'stock') of financing shown on the balance sheet of a measured entity at the measurement date. A weighted average of the monthly balances over the 12 months prior to the measurement date is to be used to smooth out seasonal and other distortions.

#### 3.3. Transformational Infrastructure

Debt financing of, or other forms of credit extension to, or equity investments in South African projects in areas where gaps or backlogs in economic development and job creation have not been adequately addressed by financial institutions.

### 4. Target Market

TI will be any infrastructure that will promote the social and equitable economic development of a specific location, community, region or district. This will include but is not limited to:

- Education which includes schools, learning centres, higher education, etc.
- Road and rail infrastructure which will include new access roads, upgrading of existing roads, etc.
- Community infrastructure such as water, electricity, sewerage, drainage, purification and treatment, amongst others, except those that are specific to Affordable Housing projects in which case they will be included under that sub-element.
- Safety and security, which includes police stations, prisons, etc.
- All telecommunications infrastructure whether that be land, cellular, or data.
- Health, which includes hospitals and clinics etc.
- Municipal infrastructure and services including Government buildings.
- Industrial Development Zone type infrastructure including logistics hubs.

## 5. Measurement Principles

The basis of measuring the qualifying funding to TI will be the stock measure.

### 5.1. Municipal and Sub-Place Index

The Measurement and calculation of Transformational Infrastructure (TI) projects will be using the broadened index which comprises of 22 000 sub-places stratified into 10 (ten) groupings and scored from 1-10. Investments in less developed areas would score more points, whilst investments in more developed areas (sub places) would attract less points.

#### Example

If measured entities (Banks & Life Offices) make investments towards Targeted investments in subplaces ranked (1), they can claim 100% of their investments towards Empowerment financing targets/scores.

If measured entities make investments in areas ranked, as sub place (10), they can only claim 10% of their investments towards Empowerment financing targets/scores. *Please follow the link for the **Broadened Municipal and Sub-Place Index**.*

### 5.2. National Infrastructure Development Projects e.g. Parastatal Bonds / Financial Intermediaries

A 25% rating shall apply for the financing of national capital raising initiatives.

Should funding be syndicated, each member will score on their individual contribution subject to any multiplier applicable on the project as a whole.

### 5.3. Ring Fenced Projects

Projects funded but not measured using the Municipal index approach, or the National rating, will be "ring-fenced" projects and require the provision of detailed information on transformation impact focusing on economic beneficiaries in order to justify how the scoring will be done if higher than the general Municipal index method. To avoid confusion the ring-fenced projects means a funding method which provides for a rating of up to 100% where an entity conducts a fundraising exclusively for transformational infrastructure in an under-developed area of the municipality as defined by the Financial Sector Council.

The following is specifically noted in this regard:

- It will remain the responsibility of the measured entities verification agency to ensure the appropriate calculation of the developmental impact of any project or instrument;
- The verification agency or auditor may rely on a report produced by an independent competent person/s, for this purpose;
- The FSC Council will remain responsible for monitoring and overseeing the effectiveness of this process.