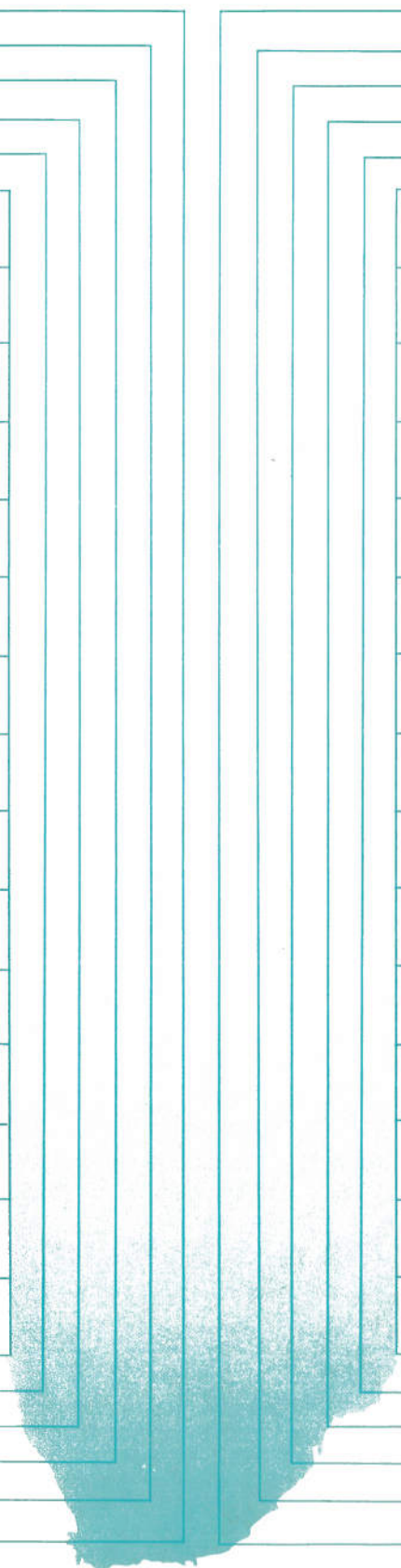




Development Bank of Southern Africa

Annual Report 1985-86



HISTORY

MISSION

AND OBJECTIVES

On 30 June 1983, after extensive negotiations, the heads of government of South Africa, Transkei, Bophuthatswana, Venda and Ciskei signed the Agreement establishing the Development Bank of Southern Africa and thus became the founding members of the Bank. In addition the Agreement made provision for the self-governing states of Gazankulu, KaNgwane, KwaNdebele, KwaZulu, Lebowa and Qwaqwa, whose governments had given their support to the establishment of the Bank, to participate in the Bank's activities as constituent parts of South Africa. The Agreement further provided for other independent countries in Southern Africa to become members, as well as for associate membership for countries outside the region.

The establishment of the Bank was accompanied by a rationalization of a variety of development aid functions and institutions in the various participating countries, aimed at promoting a regional economic development policy in Southern Africa transcending political borders, to which all the participating governments had subscribed.

The Bank formally opened on 1 September 1983 and commenced operations on 1 February 1984, in offices in Sandton. This report therefore reflects the second full year of operations.

The mission of the Bank as expounded in its Establishment Agreement is to promote economic development in its broadest sense, increasing productivity and thus raising the standard of living of the people in the less developed areas of the Southern African economic region within the Bank's membership.

Its objectives are:

- ☐ to reduce imbalances in the levels of economic development between the less developed and the more developed areas of the region
- ☐ to promote the investment of public and private capital for developmental purposes, and to utilize capital funds raised by it in financial markets and other resources available to it, for financing development
- ☐ to provide finance to meet the important developmental requirements of participating governments on terms which are generally more flexible and less demanding than those of conventional loans
- ☐ to provide technical assistance and training in the identification, preparation, evaluation, financing, implementation and management of development programmes.

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FUNCTION, CONTROL AND STRUCTURE

Major programmes

In the pursuit of its objectives, the Bank has three major programmes which encompass its activities:

The **development programme** consists of the project investment, technical assistance, guarantee and agency programmes.

The Bank's involvement in these activities is conducted in terms of a systematic process internationally known as the project cycle, which consists of six phases: identification, preparation, appraisal, negotiation, implementation and evaluation.

The **assignment programme** supplements and provides support to the development programme and consists of data and policy research, consultancy services and training assignments, all of which are undertaken for both the Bank and its clients.

The **resources and support programme** includes the mobilization, utilization and development of financial and manpower resources required for the Bank to execute its activities.

The clients for the Bank's development and assignment programmes are governments of participating states and their development agencies, local authorities, other public institutions and non-governmental organizations fulfilling a development role. Profit-oriented enterprises in the private sector can generally not be borrowers. The Bank does not provide general budgetary assistance to its borrowers, only support for specific projects and programmes of a capital nature. It is prescribed in the Establishment Agreement that the Bank shall not be influenced in its decisions by the political character of the participating government concerned and that only economic considerations shall be relevant to the Bank's decisions.

Finance

The Bank can obtain financial resources in three forms: its share capital, contributions made to a development fund by its members and loans raised on the local and foreign capital markets. Of the initial authorized and subscribed share capital of R2 000 million, R200 million has been issued and is being paid up by the member states in the first five years of the Bank's existence, leaving R1 800 million in callable shares as a liability of the member governments against which loans can be raised in the capital markets. For the first five-year period of the Bank's existence, the South African Government has pledged

R1 500 million, to be extended annually in the form of a five year top-up cycle, to be paid into the Development Fund.

Control and structure

Council of Governors

The Bank is governed by a Council of Governors appointed by the member governments. The number of Governors appointed per member state is determined by the voting power of the member. Governors serve for a term of five years and the President of the Council is elected annually. Present Governors are:

South Africa

Prof O P F Horwood, *President of the Council*
Mr R F Botha, *Minister of Foreign Affairs*
Dr G P C de Kock, *Governor of the South African Reserve Bank*
Dr D J de Villiers, *Minister of Trade & Industry*
Mr B J du Plessis, *Minister of Finance*
Mr J C Heunis, *Minister of Constitutional Development and Planning*

Transkei

The Hon S M Qaba, *Minister of Finance*
The Hon K G Nota (alternate), *Minister of Commerce, Industry & Tourism*

Bophuthatswana

The Hon S L L Rathebe, *Minister of Manpower & Co-ordination*
The Hon R Cronje (alternate), *Minister of State Affairs*

Venda

The Hon Gota F N Ravele, *Minister of Economic Affairs*
The Hon Gota E R B Nesengani (alternate), *Minister of Foreign Affairs*

Ciskei

The Hon Chief M E P Malefane, *Minister of Finance*
Mr I Melville (alternate), *Adviser to Department of Finance and Economic Affairs*

The Council of Governors meets twice a year and has delegated all its powers relating to the operations of the Bank to the Board of Directors.

Board of Directors

The Board of Directors is chaired by the Chief Executive. Half the members are appointed by the member governments and the other half are elected by the Council of Governors. The Board is responsible for the general conduct of the operations of the Bank.

Directors are appointed and elected for a term of office of four years. The following directors and their alternates served on the Board in 1985:

Chairman and Chief Executive

Dr S S Brand

The Board of Directors met nine times during the 1985/86 financial year. Some of the Board members attending the March 1986 meeting are: Prof W L Nkuhlu, Mr J B Maree, Mr J A Botes, Mr M T de Waal and Dr S S Brand



Mr G S Muller, Dr W J de Villiers, The Hon B E Keikelame, Mr J A J Maree and Mr A S Nkonyeni



Nominated directors

South Africa

Mr M T de Waal
Chairman: Industrial Development Corporation of SA Ltd

Mr A J van den Berg
(alternate)
Director of Companies

Transkei

Prof W L Nkuhlu,
Vice-Principal: University of Transkei

Mr A S Nkonyeni
(alternate)
Director of Companies

Bophuthatswana

The Hon B E Keikelame
Minister of Economic Affairs

Mr W J J van Graan
(alternate for the period 1 April 1985 to 22 February 1986)
Managing Director: Bophuthatswana National Development Corporation

Mr J A J Maree
(alternate from 22 February 1986)
Managing Director: Bophuthatswana National Development Corporation

Venda

Mr J A Botes
Chairman: Venda Development Corporation

Mr M R Madula
(alternate)
Secretary for Economic Affairs

Ciskei

Dr D H M Bridgman
Presidential Adviser on Development

Mr J N Lawana
(alternate)
Financial Director: Ciskei Government

Elected directors

Dr D C Krogh
Executive Deputy Chairman: Lifegro Assurance Ltd

Mr J B Maree
Chairman: Electricity Council, Escom

Mr G S Muller
Managing Director: Nedbank Ltd

Mr R A Plumbbridge
Chairman: Gold Fields of South Africa Ltd

Mr A P Scholtz
Managing Director: North West Cooperative Ltd

Dr W J de Villiers
(alternate)
Director of Companies

Mr P J Liebenberg
(alternate)
Chairman: Finansbank Ltd

Mr P H Swart
(alternate)
Executive Director: SA Agricultural Union



Mr A J van den Berg,
Mr P H Swart,
Mr J N Lawana,
Dr D C Krogh and
Dr D H M Bridgman

Mr G J Richter,
Divisional Manager:
Programmes and
Projects



Dr F J van Eeden,
Divisional Manager:
Development Research
and Specialist Services



Mr A B la Grange,
Divisional Manager:
Finance and
Management Services



Mr J T Koorts,
Divisional Manager:
Manpower, Training and
Administration



Dr M Reichardt,
Special Adviser



Internal organizational structure

In April 1985 the Bank was organized into four main divisions:

The Programmes and Projects Division is divided into twelve departments. The Programmes Department co-ordinates regional and state development planning activities in the Bank while the Projects Departments are responsible for the various phases of the project cycle of the development programme. The Projects Departments are structured according to the economic sectors and development programmes handled by the Bank.

The Development Research and Specialist Services Division is responsible for policy and data research and renders financial, agricultural and technical consultancy services. All these functions are performed both for the Bank itself and for its clients.

The Finance and Management Services Division is responsible for the mobilization, control and investment of the Bank's financial resources and co-ordinates financial and project accounting activities as well as legal, data processing and systems development services.

The Manpower, Training and Administration Division is responsible for the mobilization, administration and development of human resources, both internally and in support of the Bank's participating states, and provides the administrative support for the Bank as a whole.

There are also three staff functions in the **Chief Executive's Office**, those of Internal Audit, the Special Adviser on the financial status of participating governments, and External Relations and Publications.

CHAIRMAN'S REPORT

The setting

The past year was characterized by both positive and negative developments in the environment within which the Development Bank of Southern Africa operates. On the economic side a turning point in the recession was reached, although the standstill on the foreign debt of South Africa placed a damper on the prospects for the whole region, which will last for some time to come. On the political and security sides, it was a time of change both within and in the relations between countries. Against this background there was an intensification of social tension and unrest in several countries, with loss of life and damage to physical assets and institutions.

Fortunately these developments have so far had relatively little direct negative effect on the momentum of Bank-supported projects and programmes. Obviously the Bank cannot isolate itself from the current events. On the one hand, the conduct of its operations has been affected by the recessionary conditions of the past two years in Southern Africa through such influences as the freer availability of professional staff, the high interest rates obtainable on investment of the Bank's liquid assets, and the competitive prices obtained on tenders put out by the Bank's borrowers on Bank-supported projects. On the other hand, the build-up of the Bank's rate of disbursement on a variety of approved projects helped to maintain at least a certain level of activity in several economic sectors that were in other respects experiencing extremely slack demand.

However, in carrying out the Bank's mission it is essential to look beyond the short term and to retain a longer term perspective on events. In such a perspective, close attention must evidently be given to the economic implications of the processes of political reform and international adjustment that are taking place in and between the countries of Southern Africa.

In general terms it must be expected that these processes will, as they have already done, bring about pressures towards equitable opportunities in the economic sphere, towards alleviating poverty for those large numbers of people in Southern Africa who live on the periphery of the more developed parts of the economy, and towards the elimination over time of the differences that exist in the provision of public services between different communities and regions in the subcontinent. It is of the utmost importance that these pressures be responded to positively, but in ways that will take into account the serious imbalances between

population numbers, human needs and scarce resources that characterize most of Africa – including those parts of Southern Africa in which the Bank operates.

From this viewpoint, which encompasses the very essence of the Bank's mission, there have been some encouraging developments during the past year. Public attention and government policies in the participating states have increasingly focused on the issues identified below, to which the Bank has been devoting its attention and resources since its inception:

- ☐ the inevitability of urbanization and the need to channel and utilize this process as a force for good in all the participating states
- ☐ the crucial role that balanced rural development has to play in complementing successful urbanization
- ☐ the important role of sound agricultural development in the rural development process
- ☐ the promotion of small business as an essential component of both rural and urban development
- ☐ the development of human resources as a way of increasing productivity and achieving a more acceptable distribution of incomes
- ☐ privatization of services and functions traditionally provided by the public sector but which can be supplied more efficiently by private initiative
- ☐ deregulation aimed at providing more scope for private sector activities generally, and for small business and informal activities in particular
- ☐ the importance of establishing local community needs, involving local communities fully in the identification, planning and implementation of development projects, and providing support to local community initiatives.

As will be apparent from those sections of this report setting out the Bank's development approach and recording its activities during the past financial year, the Bank has not only shown an awareness of the importance of these issues for all its participating states, but has also been actively supporting a variety and increasing volume of activities to deal substantively with these issues. To this end it



Dr S S Brand, Chairman
and Chief Executive

has continued to develop its own capacity and has worked in close co-operation with participating governments and their development agencies, with non-governmental organizations active in the development field, with the private consulting and contracting professions, and with researchers at universities and research institutions.

Resources

With the aim of expanding its own capacity, the Bank continued, with considerable success, to recruit a well-qualified and balanced staff complement. Attention was also given to orienting and developing the skills of staff, as will be apparent from the relevant sections of this report.

On the financial side, not only was the contribution by South Africa to the Development Fund maintained at a level which should make it possible to ensure continuity in the Bank's development programme, but the Bank was also able to secure an additional R25 million contribution for the Development Fund from funds made available by South Africa as part of a special employment creation programme. These funds are being used to expand the Bank's support for accelerated small business development programmes undertaken by development agencies in the participating states. The expeditious manner in which this initiative was launched at short notice has clearly demonstrated what can be achieved by the Bank and its participating states in a short time through joint identification of a strategy and common efforts to implement it.

The inevitable postponement – as a result of the South African debt standstill – of planning for making a first entry into overseas capital markets, which had been well advanced, will not affect the Bank's ability adequately to support development in the short to medium term. Contact is being maintained with overseas financial institutions. The continued interest shown by these institutions indicates that the opportunity will again arise for the Bank to take up funds in these markets in good time to supplement its other resources when so required.

Meanwhile, the transfer of assets and liabilities of the Corporation for Economic Development was taken further and virtually completed during the financial year reported on here. Besides taking on existing assets and new loans to development corporations in the participating states, the successful conversion issue of Development Bank loan stock, while not raising new funds, was an important first step towards establishing the Bank's name in

the local capital market. This whole operation was concluded in a way that considerably strengthened the balance sheets of the development agencies in the self-governing states in South Africa, which form an important category of borrowers of the Bank.

Joining forces

With the Bank's basic approach of not being an implementing agency in its own right, but making its development contribution by supporting the efforts of implementing agencies in the developing areas of Southern Africa and assisting in building up their effectiveness, co-operation with participating governments and their development agencies is of crucial importance. To this end the various training efforts undertaken by the Bank were also put at the disposal of participating states.

In addition to the daily contact between staff of the Bank and its borrowers at the operational level, the Chief Executive and top management of the Bank made regular visits to participating states to meet political leaders and senior officials. An interim meeting of the Council of Governors was held, as well as a meeting with cabinet-level representatives of the self-governing states. Without detracting from the authority delegated to the Board in respect of the operations of the Bank, these various meetings were extremely useful in helping the Bank to keep in touch with the development objectives of participating governments and ensuring an understanding of the Bank's approach on the part of those governments.

The Bank also continued and intensified the use that it makes of private consultants on its own project teams, and further attention was given to building up a consultants' register both for the Bank's own purposes and to enable it to advise its borrowers on suitable consultants. On the implementation side as well, several projects were approved that were initiated and are being implemented by non-governmental organizations. Attention was also given to increased exchange of information and skills with other organizations in the development field, such as the Urban Foundation, and through conferences and seminars with the research community in the participating states and elsewhere.

By way of structured interviews with a selection of opinion leaders from various categories of people who are affected by or can affect the Bank's activities, a sounding was taken of the ways in which the Bank is perceived by these publics. This exercise provided management, the Board and the

Council of Governors with useful indications of the Bank's strengths and weaknesses. Action has already been taken on some of the matters identified and similar soundings are to be repeated at regular intervals.

Scope

The extension of the functional scope of the Bank's activities was taken a step further in respect of human resource development. In addition to the support given by the Bank to education and training projects within guidelines already approved by its Board, as reported last year, the Bank also handled under its agency programme the appraisal of education projects supported by South Africa on a bilateral basis in the TBVC countries (Transkei, Bophuthatswana, Venda and Ciskei). Negotiations are continuing with a view to taking over these functions as a part of the Bank's normal operations. Similarly, in the field of housing, while continuing its approach of supporting primarily infrastructure development, the Bank has experimented with several ways of playing the role of catalyst in mobilizing private funds for housing, and it also initiated an in-depth study of such sources of financing for housing.

Geographically, the Bank accepted its first application for projects in South Africa outside of the self-governing states, namely an application from the Small Business Development Corporation for the financing of small business facilities in various developing towns and cities. Consideration is also being given to applications from certain developing local authorities in South Africa, while negotiations were initiated on the role to be played by the Bank in the financing of projects, in both KwaZulu and Natal, identified by the KwaZulu-Natal Planning Council. As reported in the relevant sections, the Bank also approved and accepted for preparation and appraisal several co-operation projects that will be implemented and operated across political borders.

In non-participating countries in Southern Africa, the Bank has come much closer to involvement in certain projects which have already been identified, and exploratory discussions have taken place on others. Negotiations were also initiated with the interim government of South West Africa/Namibia with a view to entering into a contract in terms of which the Bank will administer a development fund to be created in that territory.

As during last year, staff members of the Bank continued to make contact with development institutions abroad. This included attendance by the Chief Executive of the annual meetings

of the World Bank and International Monetary Fund in Seoul, South Korea, and a subsequent visit to the World Bank headquarters in Washington, DC. Without exception, the Bank's staff continued to be received positively during such visits.

Domestic matters

The transfer of a tract of land in the Midrand area by South Africa to the Bank was confirmed during the year. Architects and other consultants were briefed and a start was made with the planning of the Bank's permanent headquarters. On present indications it should be possible to occupy the new building by the second half of 1988. Meanwhile it has been necessary to lease additional space in a building adjoining the temporary headquarters in Sandton to house increased staff numbers.

Appreciation

When looking back at the substantial progress made by the Bank during the past financial year, it is once again evident that it was only possible on account of the enthusiastic and able efforts of a large number of people involved in various ways with the Bank's activities. The moral and material support and the ungrudging co-operation afforded by participating governments and their agencies, and in particular by the Council of Governors, not only made it all possible, but also validated the actions of the Bank in carrying out its mission. As in previous years the members of the Board of Directors, most of whom have served since the inception of the Bank and are continuing their terms of office in the new financial year, gave generously of their valuable time, their insight into development issues and their wide-ranging experience of business matters to guide management in the carrying out of the Bank's activities.

The rapid expansion in the Bank's operations placed particularly heavy demands on the staff and management. Despite increasing numbers it was possible to maintain a positive morale and an impressive *esprit de corp*. I wish to thank all members of staff for making this possible, and in particular my colleagues in management for the leadership they have provided under demanding circumstances.

The Bank has continued to enjoy considerable public interest in the participating countries, and I also wish to express my thanks once again for the generous coverage the Bank's activities have been given in the media.

S S Brand

Chairman and Chief Executive

THE BANK'S POLICY AND APPROACH

This section of the report reflects the overall framework of development policy in those parts of Southern Africa served by the Bank, the Bank's strategic planning and policy formulation, the development planning function and multi-year programming by the Bank, and policy formulation on a sectoral basis as well as on specific issues.

The overall policy environment in Southern Africa

One of the most outstanding characteristics of the Southern African economic system is the marked variation in levels of economic development between different regions and communities in the subcontinent. Only 3 per cent of the gross domestic product of the region included within the Bank's membership is generated in the TBVC countries and the self-governing states in South Africa. Of the 97 per cent share of the rest of South Africa, 70 per cent accrues in the four big metropolitan areas.

Against this background and with the aim of regional cooperation, the TBVC countries and South Africa, including the self-governing states, agreed in 1981 on a regional development policy. A feature of this policy was the identification of economic development regions disregarding political borders between the countries and states involved, and the establishment of consultative structures between the independent countries on matters pertaining to agriculture, industries, commerce and tourism, transport, posts and telecommunications, health and welfare, manpower and education, urban development and housing, juridical matters, financial relations, and regional co-operation.

A further key element of this regional development policy was the concern of all governments to obtain the co-operation and support of the private sector in development. This led, *inter alia*, to the establishment of the Small Business Development Corporation as a joint venture between the private sector and the South African Government, and a declaration by all the governments in the region to promote private sector participation in their economies.

The establishment of the Development Bank of Southern Africa was one of the important developments that resulted from these regional initiatives. The Bank is therefore actively guided in its development approach by the features, contents and stipulations of this regional policy environment and the related agreements reached between its participating governments. It has operated

within strategic guidelines approved by its Board of Directors in this context soon after the establishment of the Bank. A strategic planning function has since been initiated to expand these guidelines and keep them up to date with developments in this environment and in the capacity of the Bank itself.

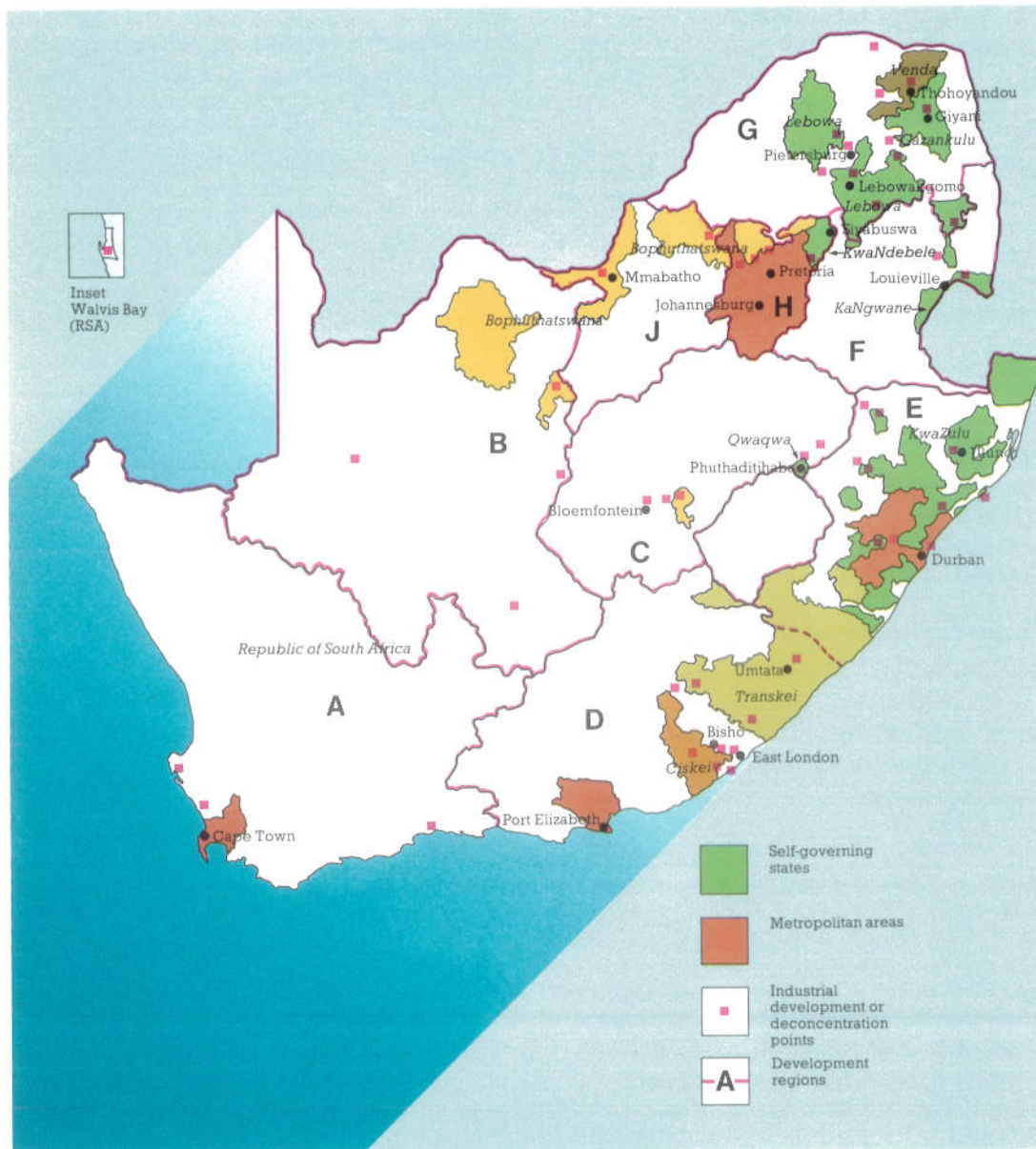
The activities of the Bank are further directed towards rendering effective support to participating states and their development agencies, and through them to communities, in their efforts to promote a dynamic economic development process in Southern Africa. These efforts can be summarized as follows:

- ☐ the establishment of systematic and coherent processes in respect of development planning and policy formulation
- ☐ the co-ordination and programming of development activities and expenditure
- ☐ the identification of priority development projects and the planning, implementation, management and maintenance of such projects
- ☐ the establishment of an effective and efficient institutional structure within participating states and development regions with the capacity to carry out the above functions
- ☐ the creation of a positive climate and opportunities for the private sector to invest successfully, by applying sound economic policies and by creating an environment of stability and order.

In its role of supporting these functions the Bank is responsible for mobilizing resources in the form of expertise and finance to supplement the resources available in development regions, and then making these resources available through the systematic process of the project cycle. This requires close and systematic co-operation with participating states and their development agencies.

The Bank's role in development planning

In terms of its mission and available means the Bank fulfils a supportive function in advising and assisting participating governments in their development planning, policy formulation and mobilization of resources for development. In this process the status and competence of each government is taken as given by the Bank and fully acknowledged. The Bank's development policy is therefore



Development regions in which the Bank operates

derived from the development policies set out by its participating governments, taking into account the resource potential of the various states and development regions.

It was realised after the inception of the Bank that a development project can hardly be appraised in isolation, and that its development impact is determined by its rationality (efficiency and effectiveness), as well as by its relevance in terms of the applicable development goals and strategy of the specific development region and state within which it is to be situated. While the Bank's strategy and policy formulation should be in accordance with agreements between its participating states and be derived from the situation and policies which exist in each participating state, the Bank should evidently also be aware of the latest development thinking and research, and of the experience

of other developing countries and development institutions when considering project applications.

A planning and policy formulation process was therefore initiated within the Bank itself, parallel to the similar processes in participating states, to investigate the development situation in each state and to determine the level and status of development planning and policy formulation. On this basis an appropriate assistance strategy is formulated and regularly updated, spelling out how the Bank could and should support development and consider project applications. The contents of these investigations, conclusions reached and alternative options to be considered for the future are available for use by participating states in their own planning processes and in preparing applications for Bank assistance.

Multi-year programming

The multi-year development programme is a demand and supply analysis of the Bank's operations, based on a combination of planning and policy perspectives gained by the Bank in its assistance strategies. It involves a realistic projection of what can be expected in future from participating states in the form of project applications, and of the likely capacities in terms of institutional and financial resources, both within the Bank and within each of the participating states, to prepare, implement and manage the applications foreseen and the resulting approved projects. The multi-year development programme covers both main elements of the Bank's operations, namely the development programme and the assignment programme, and it is also the basis for the Bank's own manpower and financial planning.

Policy formulation on a sectoral basis

The broad policy guidelines contained in development planning and strategy formulation, as referred to above, can only serve as general guidelines. From project applications received it is evident that each sector of the economy has its own specific complexities.

The Bank has therefore adopted specific approaches, derived from the overall policy environment in its participating states, from study of development literature and of experience elsewhere and from its own experiences gained from its consideration of project applications received, to guide it in the appraisal of projects in the different economic sectors. In this respect the assignment programme of the Bank has contributed substantially to focusing attention on specific development issues and developing a perspective and policy framework on how these issues should be addressed on a sectoral basis within the Southern African context. This also serves as a basis for advice and technical assistance rendered to participating states and other borrowers.

For illustrative purposes the active participation of the Bank in attending to policy formulation for a few selected economic sectors will briefly be discussed.

Integrated rural and agricultural development

Balanced development within a regional context requires an emphasis within the Bank and its participating states on the development of rural areas. Integrated rural

development as a process in which a whole range of activities are co-ordinated in a planned and rational approach is difficult to achieve, and the Bank is supporting a number of projects in which approaches to the implementation of such a process are being tested on a small scale in respect of their viability and replicability. Projects at present being funded include self-help rural water and food production schemes, the establishment of woodlots, the provision of other basic services in rural areas employing appropriate technology, and saving clubs aimed at mobilizing local resources for increased agricultural production.

Agriculture is a potentially important vehicle for the development of rural areas. Agricultural projects ranging from purely commercial, large-scale ventures or central service units to small farmer settlement and support schemes, or a combination of these, were considered by the Bank for financing. The general approach followed in appraising such agricultural projects is that the farming model selected should be supported by an appropriate management structure and financial system, and that the terms and conditions of Bank support should be modelled around the development impact and financial viability of the project.

As in the case of other functions, the financial involvement of the Bank in agricultural development is mainly directed at fixed capital investment, although working capital requirements of agricultural projects on a revolving fund basis are also financed through suitable intermediaries where no other appropriate primary sources for such financing are available.

Evidence of the success of the small farmer approach as a way of advancing a variety of development objectives is increasingly recorded in the Bank's participating states and elsewhere in the developing world. This applies in particular when small farmers are comprehensively supported by an appropriate institutional framework, supplying services such as applied, locally oriented research, technology, credit, marketing facilities, training and extension. This success is further noted in particular where farmers have been actively encouraged to participate in planning and operational decisions. For these reasons the Bank has directed its support for agricultural projects especially towards farming models promoting small farmer development.

An important feature of agriculture in Southern Africa is that small farmers in the less developed areas stand at a significant



This village pilot project in Gazankulu is a typical example of a small scale and self-help rural water and food production project which the Bank supports in its integrated rural development programme



disadvantage in terms of such supportive structures as mentioned above, compared to farmers in the more developed parts of the subcontinent. Small farmers therefore require substantial support and encouragement, especially during the initial period of settlement and establishment. These issues and the potential development impact of a project influence the extent and terms of the Bank's support for projects formulated in terms of the respective farming models.

Commercial estate farming ventures are viewed by the Bank as the domain of the local or foreign private sector, but support is offered in instances where there is a lack of basic physical infrastructure for such development.

In respect of all farming models, it has become clear that significant agricultural development in the TBVC countries and the self-governing states in South Africa can only be achieved if this development is *inter alia* supported by a comprehensive system of agricultural credit that allows private and public sector financial resources to be mobilized to finance production inputs, the marketing of products, other credit requirements of farmers, and for drought relief. The Bank has therefore initiated and is actively supporting an in-depth investigation, recently launched through the multilateral SATBVC system, to determine the financial needs of agriculture in these states and to consider an appropriate institutional framework for meeting those needs.

Industrial development

In terms of the regional development policy agreed to in 1981 by the Bank's participating governments, additional industrial infrastructure at the identified industrial development and deconcentration points would only be provided on the basis of proven effective demand, at least in so far as it would require state or state-related support.

Infrastructure was also not to be duplicated within a region, so as to avoid underutilization of such facilities. These policy guidelines are being applied by the Bank in the appraisal of project applications for industrial infrastructure. Further considerations in the appraisal of such projects are that the development corporations in question should assess the viability of individual industries without allowing for the effect of temporary locational incentives, and that cost- and market-related tariffs and rents should be charged on infrastructure services and leased factory buildings. As a rule the Bank does not provide financing for custom-designed factory buildings, considering that to be the domain of the private sector.

Important needs for across border co-operation have been identified to utilize available infrastructure within development regions and to co-operate in utilizing new infrastructure to be created. The Bank plays an active role in promoting such co-operative measures.

Commercial and tourism development

The mobilization of private resources is the overriding consideration in respect of commercial and tourism development. The utilization of available and potential local purchasing power is of great importance for development in the various regions and justifies special attention to the commercial sector. As with other economic sectors, the Bank is careful to provide financial assistance to these sectors only where a range of development objectives, including the development of local initiative, are served, while leaving outright commercially oriented activities by established business concerns to be financed from private sources.

Urban development and housing

The philosophy of support for private initiative and the consequential move towards privatization subscribed to by all participating governments are the bases used by the Bank in formulating its guidelines for the appraisal of urban development projects.

Through 'learning by doing', the Bank has now not only gained a better perspective of both potentials and needs, in the area of urban development and particularly in respect of housing, but has also embarked on a number of experimental approaches in response to project-related needs, such as guarantees to raise funds on the capital and money markets

The Potsdam informal urban settlement for which the Bank approved a pre-investment loan under its integrated urban development programme. Urban development and housing is viewed as an important sector for the active participating of the private sector in development



to strengthen the financial bases of local building societies, and buy-back agreements with private sector developers.

The Bank has also concentrated on strengthening its internal expertise in the institutional and self-help housing fields to enable it to render a wider spectrum of service and advice to participating governments, often on an informal basis.

Urban development projects considered and approved include:

- ☐ technical assistance and assignments to formulate policies and strategies
- ☐ project loans for urban infrastructure
- ☐ guarantees to mobilize private financial resources
- ☐ assignments to assist in the establishment of appropriate institutional mechanisms.

The prevailing economic climate in Southern Africa has assisted the Bank in its objective to promote private sector involvement in urban development. The sharp drop in activity levels in the construction industry in South Africa has motivated this industry to explore alternatives to their traditional markets, such as the potential markets in the TBVC countries and the self-governing states.

The adoption of the principle of orderly urbanization by the South African Government has also served to place more emphasis on supporting and developing the economic base of less developed urban areas, and on the need to allocate more development resources towards such applications.

Human resource development

The importance of human resource development within the Bank's participating states to bring about, support and sustain development is fully recognized by the Bank. However, in terms of understandings reached at the time of the establishment of the Bank, ongoing basic educational programmes are regarded as a normal budgetary responsibility of participating governments and South Africa supports such programmes in the other participating states on a bilateral basis.

Even so, because of the importance for development of especially certain occupationally directed forms of education and training, the Board of Directors decided at an early stage that the Bank could consider project applications for certain training

functions that could be directly related to economic development. This includes technical and vocational training, agricultural training, and the provision of basic skills for the labour force. Subsequently, as a result of a large number of requests that the Bank has received to increase its involvement in the human resource development field, negotiations have been entered into to expand these guidelines to include support for certain tertiary education and training facilities.

Bulk infrastructure

The provision of physical infrastructure can contribute directly and indirectly to an improved quality of life for all people living in a region. Moreover, it is not only the direct users of infrastructure that are the sole beneficiaries; the community and economy of a country as a whole can also benefit.

Keeping in mind the tremendous pressures on government budgets to provide all kinds of facilities and services, it remains the ultimate objective that physical infrastructure should, where possible, be provided by the private sector or on corporate principles by appropriate public institutions. To reach this objective, a prerequisite is that both investment in infrastructure and the operational costs of providing a service should be recovered from beneficiaries in such a way that they offer attractive opportunities for further investment. However, not all bulk infrastructural projects provide opportunities in this respect. Furthermore, the following practical realities of introducing a fair and appropriate cost recovery system should be noted:

- ☐ Beneficiaries may not all be direct users. This complicates the formulation and introduction of appropriate tariff structures.
- ☐ Beneficiaries may not have the available means to pay for the use of a service, yet at the same time may not have a choice whether they want to use a service or not.
- ☐ A minimum provision of a service, eg water or energy, is often classified as a basic need without which members of the community cannot live.
- ☐ Subsidized tariff policies followed by neighbouring states sometimes make the introduction of economic tariff structures difficult.
- ☐ The sudden introduction of economic tariffs in an area with a history of low and highly subsidized tariffs may be a political risk.

A decision on the most appropriate and fair tariff structure is therefore a practical question of what is rational in terms of specific circumstances that prevail. The Bank has adopted a flexible approach towards the introduction of such tariff structures by attaching appropriate terms and conditions to loans, but has taken every opportunity to convince governments that there should be a definite movement towards cost recovery in future if the tremendous pressure on government budgets is to be alleviated somewhat. From the viewpoint of moderating the demand for infrastructural services as well, the Bank believes that the introduction of user charges remains an important principle, even if it is acknowledged that it can in some instances at best only contribute marginally towards cost recovery.

Small business development

The Bank's strategy for assistance to the small business sector is based on the consideration that the specific needs of this sector necessitate support on a much wider scale than the provision of finance only. To ensure an integrated approach, the provision of other forms of assistance, including counselling, training and support services, is therefore viewed as of equal importance. Any comprehensive small business development programme will therefore consist of at least the above-mentioned elements, but can be extended as further needs are identified.

Research indicates that by far the most important source of non-farm-employment in rural areas and small urban centres is self-employment in small-scale manufacturing, trade and service activities in both the formal and informal sectors. Therefore, in terms of the principles underlying the regional development strategy, the promotion of the small business sector could provide a major stimulus for a more even distribution of economic activity. Of further importance is that small businesses do not only contribute significantly to the creation of employment opportunities, but also enhance the exploitation of local resources and facilitate the promotion of entrepreneurial skills. They serve all sectors of the economy and enhance sound development principles by, *inter alia*, providing scope for the application of appropriate technologies.

Economic planning and development of small-scale business activities have, however, received limited attention to date in the broader Southern African context, and more specifically in the TBVC countries and the self-governing states in South Africa. To address this deficiency and assist in the

development of viable approaches, the Bank has recently initiated an accelerated programme of support for small business development, based on a comprehensive policy framework for the promotion of small business activities in less developed areas that was formulated by the Bank in consultation with its participating states. As discussed in the next section of this report funds allocated to the Bank as part of the South African Government's special initiatives for the creation of employment opportunities are being utilised to supplement the funds already previously made available by the Bank for small business development. Projects include all the elements identified above to ensure a comprehensive approach, and are integrated with other development programmes and projects where appropriate.

Policy formulation regarding specific issues

Regional co-operation

As was reported in the 1984/85 Annual Report, important initiatives in respect of regional co-operation have been introduced within the area of the Bank's membership. It is, however, apparent that considerable potential for further initiatives exists throughout Southern Africa.

There is a substantial level of goodwill and willingness among the Bank's participating states to co-operate in regional development projects, and it is apparent that the total concept of regional development and co-operation is gaining momentum in Southern Africa.

Regional development and co-operation imply a rationalization of the development process, a concerted effort to avoid duplication of structures and harmonize development policies, and the mutual development and utilization of basic infrastructure which in turn requires the formulation of a coherent policy for the region as a whole. To promote interregional co-operation, a need also exists for appropriate institutional arrangements on regional and subregional levels.

The Bank as a multilateral organization can play an important role in addressing these issues outside the political sphere and with reference only to the socio-economic and development impact of a project.

The number of co-operation projects in the development programmes of the Bank is increasing rapidly as the potential and benefits of such arrangements are being identified by participating governments and

communities. Co-operation projects refer to those instances where projects are jointly undertaken by different governments or communities, implying across-border co-operation, or where a project's economic and financial viability is dependent on clear across-border arrangements. The successful preparation and implementation of co-operation projects requires special attention to:

- ☐ clear arrangements in respect of the sharing of benefits and costs
- ☐ clear arrangements in respect of respective responsibilities during the preparation, implementation, management and maintenance of such projects
- ☐ the creation of appropriate and efficient co-operative institutions to undertake some or all of the actions necessary with special emphasis on determining an effective decision-making process.

It has been found in practice that several issues come to the fore during the identification and preparation of co-operation projects such as the availability of several public sources of finance on different terms and conditions for similar functions, different viewpoints of development agencies involved in respect of priorities, constraints in respect of existing legislation, regulations and proclamations. Experience has, however, indicated that the establishment of a sound institutional framework which includes clear arrangements in terms of responsibilities and the establishment of a systematic preparation process can overcome the problems encountered.

The Bank is at present formulating guidelines to stimulate a climate of socio-economic co-operation between its participating states and has also initiated an assignment on appropriate institutional arrangements to promote regional co-operation.

Privatization

Because of different historical backgrounds, different mixes of public and private provision of infrastructure and other goods and services exist in the Bank's various participating states.

However, in 1980 the door for greater private sector participation was opened when the governments of the SATBVC countries jointly declared their belief that the private business sector can and must play a vital role in the economic development of their countries and in raising the standard of living of all their people. They also resolved to encourage private investment in their countries.

In support of this philosophy, the Bank sees its role as one in which it will in a certain way serve as a 'Bank of last resort' and thus finance only those projects whose contributions to the economic development of the community are real but indirect and take a long time to materialize, and which will therefore not normally be considered by private financial institutions. As already indicated earlier in this report, the Bank strives in its support for physical and social infrastructure as well as activities in other economic sectors, to limit public sector involvement and rather act as a catalyst in the attraction of private finance and enterprise towards undertaking the more directly revenue-yielding development projects.

PROGRESS WITH BANK ACTIVITIES

Introduction

As described in the previous section, the partnership between the Bank and its participating states first of all entails special attention to the formulation of clear policies and strategies in a regional as well as a sectoral context. However, this process can neither take place in isolation nor reach finalization without actual projects being planned and implemented. Rather, the addressing of issues during the preparation of a project, and the conclusions thus reached, form important inputs into the process of development planning and policy formulation. The levels that the Bank's programmes achieved during the year under review clearly indicate further significant progress in this respect by the Bank and its participating states.

The activities of the Bank are reported on first by discussing the utilization of resources by the development, agency and assignment programmes. This is then followed by a report on the mobilization of resources. As development is a process of structural change that takes place over the medium to longer term, this report not only deals with the year under review, but also describes trends over the two years of the Bank's operations as well as expected trends over the next five years. Details of the Bank's activities in the development and assignment programmes are listed in the annexures.

Utilization of resources

Development programme

Although the agency programme forms part of this programme, it is discussed separately.

Overall trends in respect of the phases of the project cycle

Identification phase

This phase of the project cycle entails the identification of priority development projects by borrowers and the preliminary preparation of such project applications to be put forward to the Bank. Since the Bank's inception, the number of new project applications accepted by the Bank has increased to a rate of approximately 240 per annum. Indications are that this rate is likely to increase in the foreseeable future to around 290 per annum, or approximately 1.5 per working day. This has resulted in a significant increase in the extent of the development programme, as illustrated in Figure 1. (The figures for the total number of projects exclude applications for pre-investment loans to avoid double counting, as pre-investment refers to the preparation of investment

projects already in the project cycle.) The total number of projects increased to 452 at the end of the 1985/86 financial year, representing a 66 per cent increase, while the estimated loan value of all projects increased to R2 480 million – a 98 per cent increase since the beginning of the year.

Preparation phase

The preparation phase determines the effective and efficient application of resources. This phase represents a systematic planning process, which is the responsibility of the borrower but requires close interaction with the Bank. It includes the following important steps:

- ☐ the clear definition of the development objectives of a project as derived from the development policy and strategy of a participating state, and by taking fully into account the development needs of the community to be served
- ☐ the identification of alternative ways and means to achieve the development objectives, and the implications of these alternatives for the borrower
- ☐ definition of the project after identifying the approach which appears to represent the most effective and efficient application of resources
- ☐ the identification and consideration of fundamental issues in respect of development policy and strategy, appropriate technology, standard institutional requirements and financial considerations
- ☐ the planning and design of the project based on conclusions and decisions reached in respect of the above considerations. This includes the formulation of clear and comprehensive briefs to consultants and the appointment of consultants by the borrower.

The sound preparation of a project by a borrower in close consultation with project teams appointed by the Bank greatly facilitates the appraisal and final consideration of a project by the Bank.

The large inflow of project applications experienced during the past two years resulted in a significant increase in the number of projects in the preparation phase (expected commitments), but in many cases an advanced stage of preparation for final appraisal and approval can only be reached

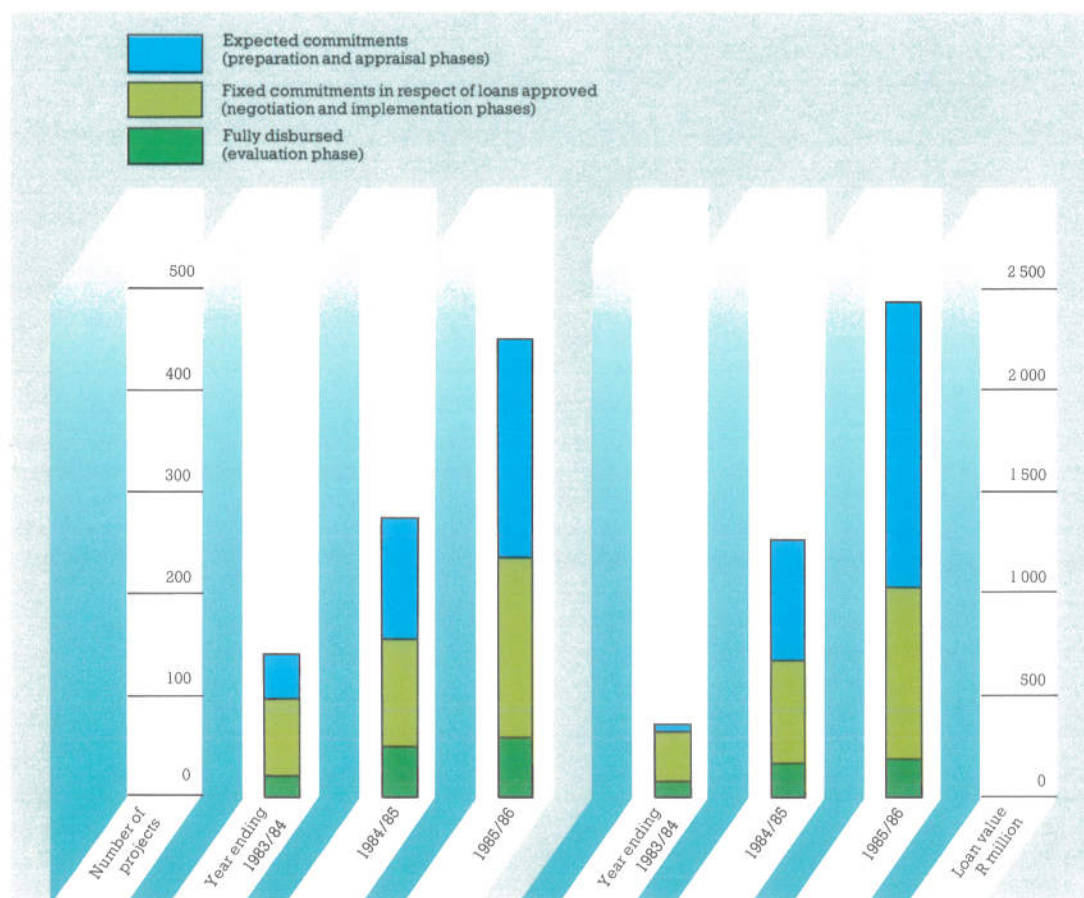


Figure 1
Number of projects and fixed and expected financial commitments per phase of the project cycle

(Position as at the end of each financial year)

during 1986/87 and the following financial years. As indicated in Figure 1, at the end of the 1985/86 financial year, 48 per cent of all projects were in the preparation and appraisal phases.

Appraisal phase

The intensive attention given to the preparation phase over the last two years by both borrowers and project teams of the Bank resulted in a sharply rising trend in the number of projects in the final stages of planning and which are ready for appraisal and final consideration by the Bank. During the past year, 99 projects, representing 139 loans, were approved in comparison with 55 projects (representing 67 loans) during the previous year.

A target of 150 projects to be approved has been set for the 1986/87 financial year. The trend is indicated in Figure 2. This positive trend has been enhanced by the following factors:

- ☐ the experience gained by borrowers and their consultants as well as project teams of the Bank

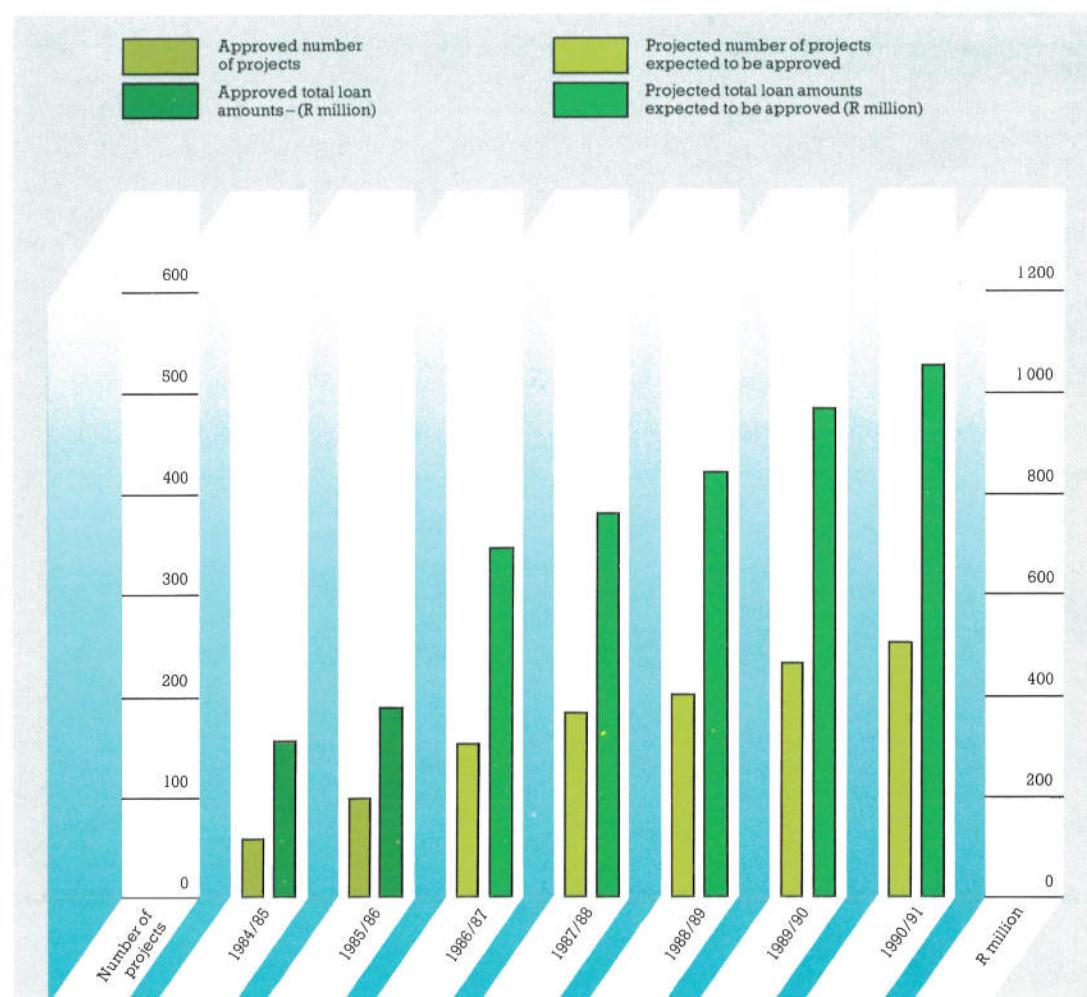
- ☐ the progress in the resolving of fundamental policy issues and the formulation of appropriate policies and strategies for different types of projects can now serve as a basis for the sound preparation and consideration of similar projects in the future

- ☐ progress in establishing a sound system of co-operation and communication between the Bank and its borrowers.

The projects approved in the course of the past year represent a total loan value of R377 million in comparison with R310 million the previous year. This relatively small increase is due to the fact that the previous year's total loan amount included industrial development projects that were prepared and already largely committed before the Bank became operational. These projects had to be considered by the Bank as phasing-in projects in terms of arrangements for the rationalization of development institutions and the transfer of development aid functions from South Africa. A significant increase in the total loan value of projects to be considered for approval during 1986/87 is expected, and an

Figure 2
Number of projects and total loan amounts approved for the period 1984/85 – 1985/86 and expected to be approved for the period 1986/87 – 1990/91

(Position as at the end of each financial year)



amount of R690 million has been programmed for this purpose.

Negotiation and implementation phases

After approval, a project moves into the negotiation phase, which entails the borrower's consideration of the terms and conditions of the loan as approved by the Bank, as well as the finalization and signing of loan agreements. The system established between the Bank and its borrowers in respect of procedures and communication required during this phase to a great extent avoided the delays that were experienced during 1984/85 and a general improvement in this phase has been evident.

On 31 March 1986, almost 39 per cent of all projects were in the negotiation and implementation phases (fixed commitments). This represented projects with a total loan commitment by the Bank of R836 million, indicating that significant capital investment has occurred and can still occur as a result of the operations of the Bank since 1 February

1984. During the implementation phase the loans are disbursed as progress is made with the implementation of projects, usually over a period of two to five years.

The multi-year programming of the flow of funds for the five-year period 1986/87 to 1990/91 is illustrated in Figure 3. The progress being made with the establishment of the Bank's operations as well as the establishment of a sound system for co-operation with borrowers throughout the project cycle forms the basis for this multi-year financial programme. The significant rise in the number of projects which move into the implementation phase as an increasing number of projects are being approved, will result in a high growth rate in the annual flow of funds over the next five years. The actual realization of this multi-year programme will, however, depend on whether important development constraints and policy issues such as those identified in the section on policy formulation of this report can be resolved.

Although delays are still being experienced before claims for the disbursement of loans are received, progress has been achieved in terms of arrangements and procedures for preparation and disbursement of claims. This is also starting to contribute to a higher level of actual flow of funds.

Evaluation phase

The evaluation phase represents the last phase of the project cycle, in which emphasis is put on a joint evaluation by the Bank and the borrower of the outcome of a project which has been fully implemented. The evaluation process focuses on the effectiveness of such an investment in terms of development objectives established during the preparation phase, the efficiency of such an investment in terms of resource use as well as the identification of lessons to be learnt for purposes of the handling of similar projects in the future. During the establishment phase of the Bank's operations, the capacity to fully address the evaluation phase was limited. Nevertheless, during the past year seven completion reports have been prepared by project teams in close consultation with borrowers as a first step in the evaluation process. The organizational planning of the Bank provides for a separate unit to be established to take responsibility for both programme and project evaluation.

Activities by programme

Project investment programme

The financial requirements (expected and committed loan amounts) for projects in the project cycle in the three development programmes (technical assistance, project investment and guarantee programmes) are depicted in Figure 4. In terms of the requirements for financial support, the project investment programme is obviously the dominant programme. At the end of the 1985/86 financial year this programme represented 82 per cent of the total number of projects in the project cycle and 94 per cent of total fixed and expected commitments. The total number of projects in this programme increased by 63 per cent, from 228 to 372, over the past year. This is an increase of 215 per cent over the past two years.

Technical assistance programme

As indicated, sound investment decisions with regard to projects are dependent on the necessary attention being given to systematic processes for the formulation of sound development policies and strategies, development planning at macro-level and proper project preparation. The technical

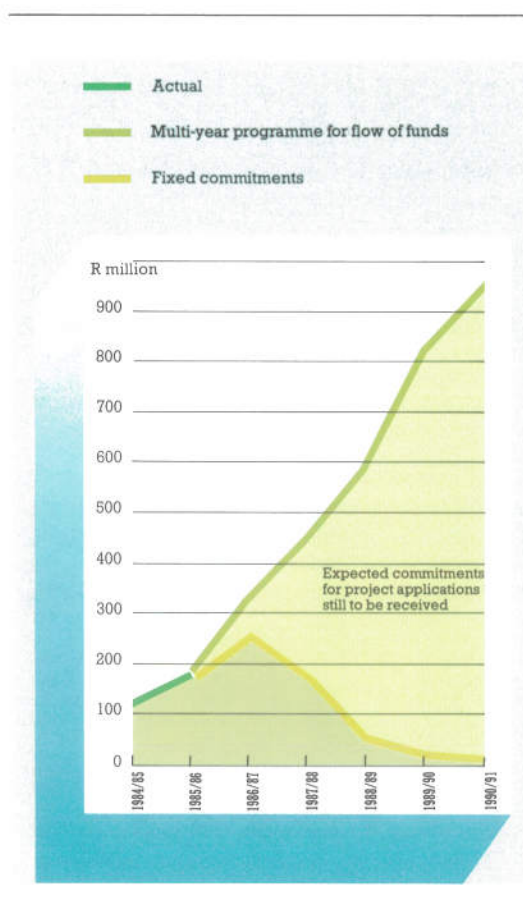
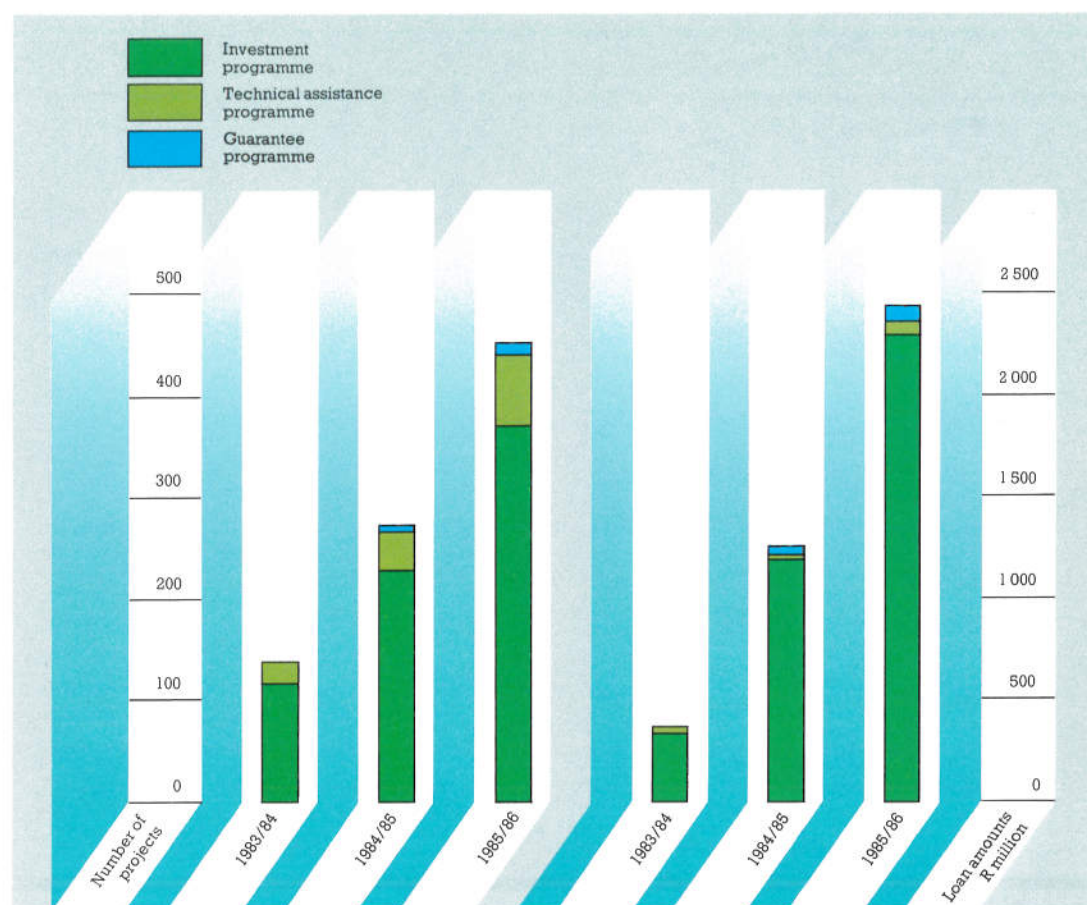


Figure 3
Actual and expected
flow of funds, 1984/85
to 1990/91

assistance programme of the Bank has specifically been established to support this aspect and thereby put participating states and other borrowers in a better position to establish systematic and sound processes in respect of policy formulation and planning. Applications for this purpose are also handled on a project-for-project basis. The emphasis that has been put on sound development planning in terms of the regional development policy, and on the project cycle, encourages participating states to give this aspect increasing attention. This trend has been further enhanced by an improved awareness on the part of participating states and other borrowers of the facilities provided by the Bank as well as an improved understanding of the development approach followed. This has resulted in an exceptionally large increase in the number of technical assistance applications received, namely 73 during 1985/86, representing a 193 per cent increase. Financial assistance from the Bank takes the form of either a loan of 90 per cent of the project cost or a grant of 60 per cent of project cost. In most cases the borrower is given the option in this respect. The total loan value involved in these projects increased from R14, 9 million to R20, 6 million.

Figure 4
Total number of fixed
and expected
commitments per
programme, 1 April
1985 to 31 March 1986

(Position as at the end
of each financial year)



The increased use that is being made of the pre-investment facility of the Bank, whose purpose is to assist with the sound preparation of investment projects, is of special significance. This facility provides for a technical assistance loan to be made available for expenditure necessary during the preparation of an investment project. Up to the end of the past financial year a total of 50 applications for the pre-investment facility were received, while 30 technical assistance loans have been approved for this purpose over the two years of operation. Indications are that a further increase in the use of this facility can be expected during the 1986/87 and subsequent financial years.

Over and above technical assistance projects which have been approved for purposes of the macrodevelopment planning (including planning for specific subregions or development areas) as well as in terms of the pre-investment facility, technical assistance has also been approved for the following purposes:

- ☐ projects of an experimental nature, especially in respect of community projects at grassroots level
- ☐ projects to support the establishment of an appropriate institutional framework and the necessary organizational capacity for development purposes
- ☐ applied research projects which will provide important inputs for the formulation of sectoral development policies and strategies.

The importance of the technical assistance programme should not be viewed in terms of the relatively small percentage of financial resources involved, but rather in terms of its contribution towards the preparation of sound investment decisions by participating states, development agencies and the Bank.

Guarantee programme

This programme provides for Bank support by way of guarantees where the potential exists for the mobilization of financial resources from the private sector to finance a

specific project or programme. Over the past two years such guarantees were approved for the financing of housing needs and residential infrastructure to the value of R21 million. A substantial part of this went towards enabling some building societies in the TBVC countries to raise funds on the South African money and capital markets. For a variety of reasons this did not turn out to be a successful approach. However, the Bank's approach remains that guarantees should serve as an instrument to facilitate private sector involvement in, and mobilize financial resources for, the development process. This programme is therefore being viewed as part of the catalyst role of the Bank in mobilizing private resources, but once a full market process has been established in specific areas or for specific development functions, a gradual withdrawal by the Bank would be appropriate. In view of the importance of mobilizing private sector involvement in the development process, it is expected that this programme will be increasingly used over the forthcoming years in support of a private initiative approach towards development.

Functional allocation of resources

The functional and regional allocation of resources is important for both the Bank and its borrowers. Because of the nature of the co-operation between the Bank and its borrowers, with the responsibility resting first of all with borrowers to attend to development planning, to identify projects, to put forward applications and to prepare projects, the projects in the project cycle of the Bank reflect in the first place the priorities and initiatives of borrowers. It is furthermore important to note that the Bank does not operate within pre-determined allocations or quotas either on a sectoral or on a regional basis. The Bank can and does influence the nature of project applications received over the longer term through its role in advising and guiding participating states and development agencies with regard to appropriate development strategies and policies, as described earlier in this report.

This overview of the functional and regional allocation of resources focuses on an analysis of loans approved over the past two financial years as well as projects in the project cycle on 31 March 1986. The structure thus described is therefore basically a function of the project applications received over this two-year period and can be changed significantly by the composition of project applications received in future.

During the year under review a standard framework for the classification of

development functions within the scope of the Bank's activities was established. This classification is closely related to the international functional classification of expenditure items. The framework provides for four main categories and within each category various economic sectors and economic programmes have been identified:

Economic development planning

Development planning

Economic sectors

Mining and mineral development
Agricultural development
Forestry development
Fisheries development
Agro-industry development
Industrial development
Commercial development
Tourism development

Socio-economic programmes

Integrated rural development
Integrated urban development
Small business development
Human resource development

Bulk infrastructure programmes

Water resource development
Transportation development
Energy development
Posts and telecommunications development

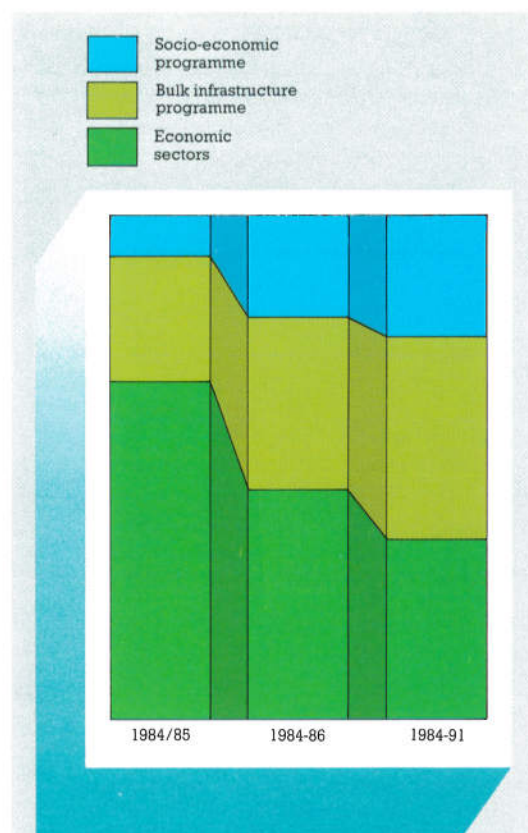
The trend of the function and allocation of loans approved within the main categories is depicted in Figure 5. The relative importance of the economic sectors has decreased from 67 per cent of the total value of loans approved during 1984/85 to 46 per cent of all loans approved over the two-year period 1984/1986. This trend is expected to continue as indicated by projects at present in the preparation and appraisal phases of the project cycle.

This declining trend in the percentage of the total loan value of projects approved for the economic sectors does not necessarily indicate that either the Bank or its borrowers consider public sector support for economic sectors to be unimportant. The trend should rather be viewed as a clear indication that the objectives of the regional development policy are being addressed, namely that the tendency of the past to over-emphasize industrial development, and in so doing not to address other priority needs, is avoided, and special priority is given to, *inter alia*, the development of rural areas, urban areas, small business, human resources and infrastructure.

This trend has been further emphasized by another important policy consideration, that

Figure 5
Percentage allocation of financial resources to the three main functional categories in terms of loans approved up to 31 March 1986 and expected to be approved for all projects in the project cycle.

(Note: Development planning is not included due to its percentage being less than one for all periods)



the public sector should take responsibility for creating a positive investment climate and infrastructure for the private sector to flourish, but that it should not be financially involved in those areas of activity that are properly private sector responsibilities. The Bank-supported projects, even within the category of economic sectors, therefore take on the nature of infrastructural support and thereby provide the scope for private sector investment.

As part of this trend and as indicated by Figure 5, the relative importance of socio-economic programmes as well as bulk infrastructure increased in terms of loans approved over the past two years, and this trend is expected to continue, based on all projects at present in the project cycle. As described previously, this trend is further enhanced by the intensive attention being given both by participating governments and by the Bank to key issues of policy and strategy in respect of the socio-economic programmes as well as infrastructure and agriculture. As such policy issues are being resolved and clear strategies determined, the identification and preparation of projects within these programmes will be greatly facilitated.

Table 1 provides a summary of loans approved per function for the year under review and also indicates the spread of financial terms of loans approved for the various sectors.

Figure 6 indicates trends in the relative allocation of the Bank's resources for the various economic sectors, socio-economic programmes and infrastructural programmes in terms of loans approved and for all projects in the project cycle.

Development planning

The allocation of financial resources to development planning represents a small percentage, but as indicated under the discussion of the technical assistance programme, the importance of this function is not reflected in the allocation of financial resources because it is focused on the mobilization of expertise to prepare sound investment decisions.

Agriculture, forestry, fisheries and agro-industry development

The rising trend indicated in Figure 6 for the economic sectors of agriculture, forestry, fisheries and agro-industry is in accordance with the priority of these sectors stated in the regional development policy. This trend is expected to be further enhanced by the intensive work undertaken in respect of the formulation of appropriate policies and strategies, as well as the establishment of an appropriate institutional framework which includes an appropriate structure to provide for the financing needs of agricultural development. The large number of agricultural projects at present in the preparation phase and for which a large number of pre-investment facilities have been provided, also indicates a significant increase in actual capital investment in this sector in future years.

Industrial and commercial development

The first year of the Bank's operations was dominated by the approval of industrial projects, but as anticipated in the previous annual report, a clear shift in the relative attention and allocation of financial resources was manifest during 1985/86 and is expected to continue in the following years.

Integrated rural development

Despite the high priority accorded to integrated rural development by the Bank, project applications relating to such development represent a small percentage of the total applications received. As already

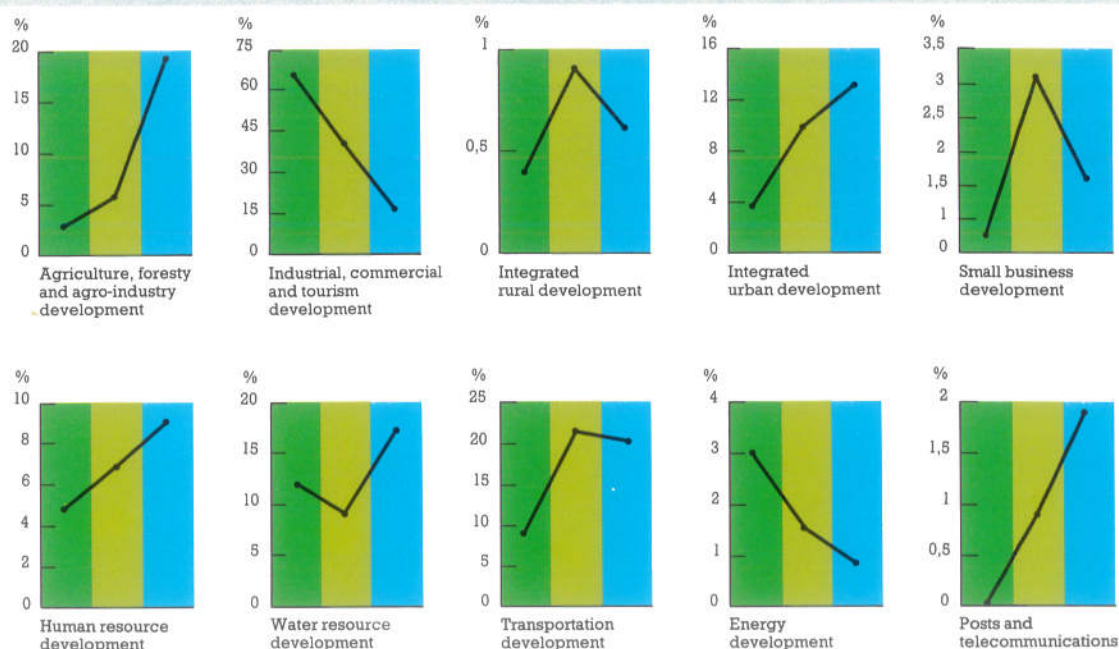
Table 1: Details of approved Bank financial contribution per function, 1 April 1985 – 31 March 1986

Development functions	Loan period	Interest rate	Grace period, years		Total value of Bank contribution, R'000				Number of projects	Number of loans
			for loan repayment	for interest payment	Project investment loans	Technical assistance		Guarantee		
	Loans	Grants				Pre-investment loans				
	Years	%								
Development planning development	10	4	1-4	1-4		473			2	2
Mining & mineral development							45		1	1
Agricultural development	2-25	4-15	1-9	1-5	8 311	162	323	345	9	13
Forestry development	20-35	5	3-22	3-8	3 818				1	2
Fishery development										
Agro-industrial development	5-20	9, 5-14	1-2	1-2	8 255		118		4	6
Industrial development	10-20	5-15	1-2	1-3	74 536		110		9	12
Commercial development										
Tourism development										
Integrated rural development	20-34	5-8	9	9	3 319	135	1 442		5	8
Integrated urban development	3-20	4-16	1-5	1-5	65 232	132	473	970	20	27
Small business development	6-20	5-12	0, 5-1	0, 5-1	20 311				7	18
Human resource development	10-20	4-5	1-3	1-3	30 382			1 368	9	14
Water resource development	10-20	4-10	1-4	1-4	24 554	234		158	6	7
Transportation development	10-20	4-7	1-5	1-5	116 320		654	1 926	21	22
Energy development	10-20	4-13	0,5-1,5	0,5-1,5	5 025		330	810	4	6
Posts & telecommunications development	15	12	3	1,5	6 525				1	1
Total					366 588	1 136	3 495	5 577	99	139

Figure 6

The percentage allocation of resources per function according to loans approved and all projects presently in the pipeline

Loans approved in 1984/85
 Loans approved in 1984-86
 Loans approved and expected to be approved for projects in the pipeline, 1984-91



discussed, important issues such as appropriate strategies and the establishment of appropriate institutional capacities will need to be further addressed before this statement of priority can be translated into extensive development activities. The projects approved in this programme thus far have generally been of an experimental nature, to prepare the way for more extensive development activities in this programme.

Integrated urban development

The relative importance of the integrated urban development programme of the Bank is indicated in terms of the rising trend in projects approved for this purpose, as well as projects in the preparation and appraisal phases. An even stronger trend is expected in terms of project applications to be received in due course.

Small business development

Following the decision by the Bank to allocate to small business development the full R25 million allocated to it by the South African Government in terms of its special employment programme, there was a large percentage increase in the loan value approved for this function during 1985/86. This forms part of an initiative by the Bank to support participating states in establishing coherent small business programmes.

It is estimated that the Bank will allocate R49,5 million to the small business programme during the two financial years 1985/86 and 1986/87. This will result in an estimated total investment of R88,9 million, which includes additional amounts allocated by the South African Government and contributions by the borrowers of the Bank. It is further estimated that 23 000 permanent employment opportunities will be created or maintained by this programme. A further 7 000 temporary employment opportunities will be generated during the implementation period of the programme. This trend can therefore be expected to continue through further expected applications.

Human resource development

A continuously rising trend is visible in this programme which aims to develop the extensive human resources of Southern Africa. This trend could be enhanced by the possible conclusion of arrangements with the South African Government in respect of the transfer of further development aid functions related to this programme.

Bulk infrastructure programmes

These programmes deal with the development of water resources, transportation, energy, and posts and telecommunications.

For all programmes in this category, with the exception of energy development, a relatively larger percentage allocation of financial resources is indicated by Figure 6. A turn-about in the trend for energy development is also expected because of indications that a number of applications with a high investment value can be expected during the coming years. A brief description of each project approved per function during the year under review is contained in Annexure 1.

Allocation of resources per development region

The demarcation of development regions in terms of the regional development policy is shown on the map of Southern Africa included in this report. This demarcation was revised by the governments concerned during the year under review; a new development region, J, was identified and certain development areas that previously formed part of Region F were incorporated into Region G. The percentage allocation of financial resources of the Bank to these development regions is indicated in Figure 7.

The predominance of Region D, especially in terms of percentage of all projects in the project cycle (fixed and expected commitments for the period 1984–1991), is not only in accordance with the regional priorities established in terms of the regional development policy, but also reflects the approach of Transkei and Ciskei to make full use of the facilities offered by the Bank. It must be kept in mind that this trend has been strongly influenced during the short period of the Bank's existence by the fact that ongoing development aid programmes in respect of the TBVC countries were taken over from South Africa. The fact that two of these countries are in Region D had the effect that the Bank's operations could start off at a relatively high level of activity in this region.

Region E represents the second largest percentage allocation of financial resources in terms of number of loans approved over the two-year period of the Bank's operations. This trend can also be regarded as being in line with the priorities accorded by the regional development policy. A sharp decline in the percentage allocation is, however, indicated by the percentage taken up by projects in this region in terms of the total loan value of

projects in the project cycle. Indications are that the Bank can expect a large number of project applications from this region during the course of the 1986/87 financial year.

The exclusion of certain development areas from Region F as discussed above had the technical effect of bringing down the percentage allocation of financial resources to this region. The large number of project applications from this region which are expected for 1986/87 can significantly change this region's relative position.

In a similar way the demarcation of Region J had the effect of significantly reducing the percentage allocation of resources to Region B.

Care should be taken in the evaluation of the present regional allocation of resources (Figure 7). Not only should the relative priorities of regions in terms of development needs be kept in mind, but also the fact that these regions differ significantly in terms of geographic size, population pressure and availability of alternative sources of finance. Furthermore, because of the rather short period since the Bank's establishment, the

development programmes for each participating state are in most cases still in the process of being fully established. The high annual rate of new applications expected for the coming five years can therefore be expected to have an important bearing on the structure of the allocation of resources to the development regions.

Co-operation projects

The Bank has continued to propagate regional development and co-operation whenever a project with across political border implications is identified. Basic to the regional development policy, these projects are brought to the attention of participating states concerned.

Several new projects, either to be undertaken jointly or where economic and financial viability is dependent on clear across border arrangements, have been identified. It seems as if the participating states are increasingly relying on the Bank to act as mediator and address potential co-operation projects outside the political sphere. The active participation of the Bank in the multilateral and regional liaison forums, although in an

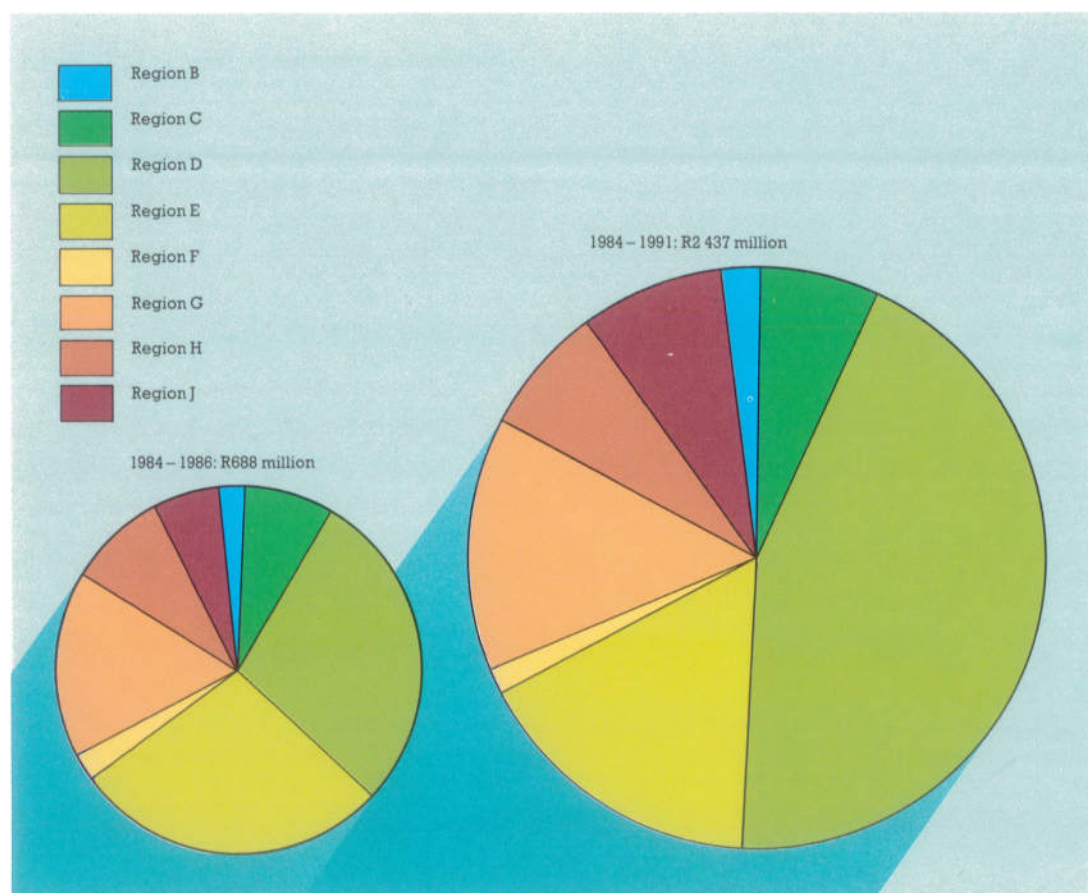


Figure 7
The allocation of financial resources per development region according to loans approved up to 31 March 1986 and expected to be approved for all projects in the project cycle

observer capacity, is also contributing towards this trend.

It can be expected that the number of co-operation projects will increase considerably in future. In addition to the seven projects referred to in the previous annual report, another four projects are at present regarded as co-operation projects. In total, three co-operation projects have been approved during the year under review.

Agency programme

The Establishment Agreement of the Bank provides for the provision of services to participating states in respect of development actions that fall outside the scope of its normal activities. On this basis such services have been provided during the 1985/86 financial year to South Africa on an agency basis for the following projects where the South African Government is giving development assistance on a bilateral basis:

- ☐ the Winterveld development programme in Bophuthatswana
- ☐ the Collywobbles power station in Transkei where South Africa previously made a guarantee available
- ☐ educational projects, mainly at tertiary level.

The agency functions entail the development activities required by the application of the project cycle, but do not involve the development funds available to the Bank for its normal activities. The agency services are therefore handled on a cost recovery basis.

Assignment programme

Assignments for internal Bank purposes are normally undertaken in direct support of the Bank's operations, but in this respect a long-term view is taken. The approach is thus not only to react to immediate operational needs but also to anticipate and influence future needs by constantly looking for new ideas and reviewing existing ones.

Most assignments undertaken for the Bank's participating states consist of consultancy services on request. As in the case of its development programme, the Bank sees itself as a supplier of 'last resort' and does not wish to compete with private consultancy firms. There are at present gaps in this market which only the Bank can fill, but it is hoped that this will be a temporary situation. It is thus foreseen that the Bank's responsibilities in respect of consultancy services will eventually be limited to assisting participating states, where so required, to make optimum use of private consultancy firms.

A summary of the number and type of assignments completed during 1985/86, as well as those that were still in progress at the end of the reporting period, is contained in Table 2. A list of assignments completed during the year is contained in Annexure 2.

Data research

Development information files

These files are available on request and give a quantitative exposition of important features of the Bank's participating states. They were initiated for internal decision-making purposes. As this programme progressed,

Table 2: Number of different types of assignments completed and in progress, 1 April 1985 – 31 March 1986

Nature	Bank assignments		Client assignments		Total assignments	
	Completed	In progress	Completed	In progress	Completed	In progress
Data research						
Development information files	5	2			5	2
Economic and social memoranda	2	1			2	1
Statistical studies	2				2	
Policy research						
Position papers	3	5			3	5
Policy and planning studies	8	48			8	48
Consultancy services						
Planning and economic studies			38	35	38	35
Technical studies			11	7	11	7
Project co-ordination and advisory services			5	25	5	25
Training assignments	2	2	2	3	4	5
Total	22	58	56	70	78	128

statistical needs within the participating states came to the fore. The research was thus undertaken to fit their needs as well, with their assistance. In the process these states are also assisted in the establishment of their own data banks.

Five files were completed during this financial year.

Economic and social memoranda

As in the case of the development information files, economic and social memoranda were initiated for internal use but are also available to, and are compiled in collaboration with, participating states. The memoranda are based on the development information files, but consist predominantly of written expositions and diagrams of the main characteristics revealed by the statistics on the various dimensions of the development files. A number of maps and a selection of development indicators calculated from the statistics contained in the development information files are also included. Two memoranda were completed during the year.

Statistical studies

Statistical studies are conducted on an *ad hoc* basis and consist predominantly of surveys to obtain baseline data. These data are used to evaluate the impact of development projects. During the period under review one base line study and one study on Venda's national accounts were completed.

Policy research

Position papers

Position papers, or state-of-the-art studies, give a résumé of the theory of development as well as international and Southern African experience with regard to specific topics. The studies are compiled for use within the Bank, but some are published for wider consumption. Three papers were completed during the year.

Policy and planning studies

Policy and planning studies are undertaken to assist in policy formulation and planning both in the Bank and in the Southern African economic region as a whole. Eight assignments were completed during the year.

Consultancy services

Planning and economic studies

These studies are undertaken to assist the decision-making process in the Bank's

participating governments and their development agencies and consist mostly of viability studies in the industrial and agricultural sectors. During the year thirty-eight such studies were completed.

Technical studies

Technical studies requested by participating states are predominantly in the agricultural sector where soil studies are of great importance. Eleven studies were carried out.

Project co-ordination and advisory services

These services consist mainly of assignments in which the Bank's professional staff act as consultants or project co-ordinators on behalf of a participating state. Five assignments were completed during the year.

Training assignments

Training assignments include the determination of training needs, the development of training programmes and the arrangement of training courses and seminars in the Bank itself or in the participating states. Four assignments were completed.

Quarterly journal

The Bank publishes a quarterly journal, *Development Southern Africa*, to provide academics and researchers concerned with development, including the Bank's own staff, with a channel to publish, discuss and review all aspects of development. This journal, entered its third year of publication in 1986 and has found wide support from readers and authors alike. Its quarterly circulation is 1 500. The submissions for the publication of papers and other contributions received exceed the number which can be published.

Mobilization of resources

This dimension of the Bank's activities encompasses the mobilization of human and financial resources for the Bank and its participating states, and of the support of the private sector for the development efforts of participating governments.

Mobilization of human resources

Much of the future success of the Bank depends upon the extent to which it will be able to attract and retain the requisite quality of employees, and the extent to which the current high levels of motivation and commitment can be maintained and even improved. To this end, a career development approach is followed within the Bank with the objective of developing the potential of every

employee to optimal levels. The lessons learned from this approach, and the various instruments devised to this end, are highly relevant to the manpower needs experienced by the participating states. The Bank has, during the review period, become increasingly involved in assisting other development institutions in various manpower mobilization and development strategies.

The Bank's staff complement grew considerably during the period under review, from 291 to 378, necessitating an increasing move towards a systems-centred approach, rather than an informal approach to staff administration. Nevertheless, the accent remains on the avoidance of unnecessary and irksome administrative requirements, and the Bank has attempted to retain as much as possible of the personal, supportive style which was characteristic during its establishment.

Turnover of professional staff during the report period was virtually non-existent, indicating that the Bank has managed to create an environment within which knowledge workers may find a high level of personal fulfilment, although other prevailing factors obviously also played a role.

During the final quarter of the review period, an intensive manpower planning exercise was undertaken to determine the Bank's internal future manpower requirements. It became clear that the expected work-load and the Bank's internal ability to handle projects, rather than the availability of funds, was likely to be the major constraint in attaining the Bank's objectives. Based on the multi-year programming, the Bank's manpower requirements to perform successfully in the preparation, appraisal and project monitoring functions under optimal conditions were determined for the next five years.

In order to avoid the danger of merely extrapolating current work patterns and procedures and thus arriving at a figure which does not reflect the growing experience of employees and development of systems and procedures, the following assumptions were made in determining future manpower needs:

- ☐ that all employees are adequately trained and experienced from the beginning of their employment
- ☐ that productivity will continually increase over time as the Bank becomes more experienced in handling various categories of projects
- ☐ that systems and procedures will be streamlined, that project teams will be

smaller and that the most productive use will be made of existing skills across divisional boundaries within the Bank

- ☐ that external consultants will be used more extensively
- ☐ that management will provide policy guidelines on complex projects at an early stage.

Despite these assumptions, the increase in the Bank's activities will still require a growth in staff complement of about 50 per cent during the next two years. The approaches required to upgrade and streamline skills and procedures, to attract and retain the required quality of staff and to use external consultants effectively were already introduced within the report period.

Substantial efforts were made to equip employees with appropriate attitudes, approaches, knowledge and skills to enable them to meet the objectives of the Bank. The following special programmes were offered.

Study schemes for full-time employees

The Bank operates a study scheme which allows any full-time employee to advance his or her academic knowledge in an area which is considered relevant to the activities of the Bank. During 1985, twenty-four employees availed themselves of this scheme.

Personnel orientation programme

To ensure that a common framework of understanding of the Bank's mission and operational philosophies, two orientation courses were held during November/December 1985, where 105 employees attended lectures covering development and development issues. The first such orientation courses were held in August/September 1984.

The trainee programme

This programme was initiated towards the end of 1984 in order to meet the Bank's manpower needs in terms of development workers. This was necessary as people with the required expertise and experience are in very short supply in Southern Africa. The objective is to train a pool of qualified and experienced people from all communities who will assume leadership roles in development in Southern Africa.

To date, twenty-two trainees have been appointed, three of whom have completed the programme and have been appointed to the permanent staff.

The maximum period for a trainee is two years, during which time in-house training is combined with academic study. Each trainee has a mentor who guides and assists with the in-house training. In order to obtain maximum exposure to the Bank's activities, trainees are encouraged to rotate within various Bank departments and functional areas.

The minimum qualification in order to become a trainee is a bachelor's degree and enrolment for a postgraduate qualification within an approved field and at an approved institution.

It is envisaged that the trainee programme may, in future, produce more trained manpower than can be accommodated within the Bank. The view has been taken that the development of such people in excess of its own requirements, who can work in other development organizations within the participating states, is a meaningful contribution towards development.

Other training

Much attention was paid to the training and development of individuals and teams within the Bank. A variety of internal courses were conducted over the past year and, in addition, where the Bank was unable to provide the training needed, employees were allowed to attend outside courses and seminars. A number of specialist employees and outside speakers also addressed employees on topical matters year under the Bank's seminar programme.

Mobilization of the support of the private sector

One of the main tasks the Bank has set itself is the mobilization of private sector participation in the development process. It strives to achieve this through the creation of the necessary development infrastructure, by abstaining from providing finance if in its opinion such finance is available from private sources on terms which are reasonable for the recipient, taking into account the nature of the project as prescribed in the Establishment Agreement, and by identifying opportunities in the less developed areas for specific involvement of private interests.

The instruments used by the Bank to encourage private sector involvement include guaranteeing private sector funds invested, co-financing agreements with the private sector on specific projects, providing for parts of total projects to be financed through entrepreneurial funds or private banks loans, providing technical assistance that paves the way for future private sector involvement, for

instance through demonstrating the economic and financial viability of the project, and advising participating governments on factors that discourage private sector involvement.

When the Bank receives loan applications for projects that it regards as more suitable for private sector involvement, it draws this to the attention of the applicant, pointing out factors that may constrain private sector involvement, and suggesting ways in which such constraints can be overcome. To overcome initial reluctance of private interests to commit themselves to the project, the Bank may consider guaranteeing an investment for a given period. Similarly, to allow governments to take the necessary steps to remove constraints on private sector involvement, it may consider providing bridging finance on the express condition that refinancing from private sources be done after a given period. In the final instance the responsibility for involving the private sector and mobilizing such funds as may be forthcoming from this sector lies with the governments and development agencies of the participating states.

Mobilization of financial resources

The Bank was specifically set up and geared to mobilize private sector resources, to apply together with the available public sector resources towards the promotion of economic development in the less developed areas of the Southern African economic region. The intention was and remains that the borrowing operations of the Bank would constitute an important source of financing for its lending operations to participating governments and their agencies.

The ability of the Bank to mobilize funds in the capital markets is defined in the Establishment Agreement where it is specifically provided that it may borrow funds in any capital market, guarantee securities it has issued or in which it has invested, and buy and sell securities it has issued or guaranteed or invested in. The operations of the Bank in this respect are, however, limited by a provision that the total amount outstanding of loans placed by the Bank in the capital market shall not exceed the reserves, surplus and the unimpaired subscribed capital (callable shares) of R1 800 million of the Bank. On 31 March 1986 the unimpaired portion amounted to R1 615, 6 million. This implied guarantee was more clearly defined in 1985 by adding a further provision to the Agreement whereby the callable shares would only be subject to call when required to meet capital market obligations and guarantees issued by the Bank.

The Bank has adopted a long-term funds mobilization strategy aimed at establishing itself as a prime borrower in the financial markets. The Bank will gradually and with the necessary circumspection take up capital market loans to give effect to its stated aims of mobilizing private sector resources for development.

Information contained in this report is a reflection of the financial policies with regard to the undermentioned aspects which are, of course, mutually interdependent.

Financial policy

The effectiveness of the Bank's operations is not measured by the financial return on its investments but rather by the extent to which these investments meet development objectives implied in its mission as formulated in the Establishment Agreement.

Reserve policy

As the tendency exists in the initial years for surplus income to be higher than in later years, the Bank's policy is to utilize the surplus income as it becomes available annually to build up non-distributable reserves. Not only will the reserves serve as a safeguard against unforeseen contingencies but they will be available to be recycled for new development projects. The borrowing capacity of the Bank will also be built up for the years when the limits of this capacity would otherwise be reached.

Liquidity policy

The Bank's liquidity policy is designed to permit it to maintain flexibility in its borrowing programme, to allow it to meet future demands for funds and to continue its projected loan commitment programme. This flexibility enables the Bank to plan its capital market borrowings rather than put itself at the risk of adverse capital market conditions or having to cut back immediately on its lending programme when such conditions arise.

The Bank is at this early phase of its operations still building up its loans portfolio and has only limited outstanding debt. At 31 March 1986 about 30 per cent of total funds were employed in investments with financial institutions and therefore not in development projects. The Bank is thus, by circumstance and not by policy, in a relatively liquid position.

Credit risk policy

The Bank only provides loans to the governments of its participating states and, on

the basis of a government guarantee of repayment, to other public and non-governmental entities.

As prescribed in the Establishment Agreement the Bank regularly investigates the financial position of its borrowers to determine whether they will be able to meet their obligations in terms of servicing Bank loans. A specialist with international experience of country financial risk assessment has been appointed in the Bank to carry out financial evaluations of all participating states and to provide advice, if so requested, to the respective governments.

A first round of evaluations and consultations was completed in 1985. It showed that the average indebtedness of the TBVC countries and the self-governing states in South Africa, which as a group are the main borrowers and guarantors of the Bank, was equivalent to about 45 per cent of their combined gross domestic product. This is slightly below the average debt level of other African states for which recent data are available. The average annual debt service amounted to about 5.7 per cent of annual revenue and regular budgetary grants received by these states, a level which should allow them to comfortably service their outstanding debt.

The average budget deficit, before borrowing, of this group of states reached the level of 24 per cent of GDP in 1985. On average, 44 per cent of their recurrent budget expenditure is covered by revenue from own sources, the rest being financed by grants-in-aid from South Africa in terms of established agreements.

Taken as a whole, the overall financial situation in this group of participating states appears to be manageable, but in some instances a change of policy and remedial measures, involving reductions in planned government expenditure and increases in the average level of revenue obtained from own sources, are indicated. The Bank has entered into discussions with participating governments with a view to providing advice and assistance in this connection.

Although all loans to borrowers other than governments are secured by government guarantees, each project for which a loan is requested, as well as the financial status of the borrower in question, is carefully appraised by the Bank on the basis of sound financial and economic analysis. Loans are approved only for projects that directly or indirectly strengthen the repayment capacity of its borrowers or guarantors.

FINANCIAL

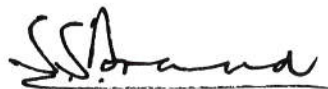
REPORT

BALANCE SHEET

at 31 March

	Note	1986 R'000	1985 R'000
Capital employed:			
Share capital	2	92 000	56 000
General reserve	3	47 302	20 416
Development Fund	4	675 430	400 430
Capital market loans	5	210 401	
Deferred income	6	26 221	8 288
		<u>1 051 354</u>	<u>485 134</u>
Employment of capital:			
Development loans	7	497 545	309 785
Investments	8	521 557	171 413
Net working capital	9	32 252	3 936
		<u>1 051 354</u>	<u>485 134</u>

Pages 34 to 40 signed for and on behalf
of the Board of Directors by



S S Brand
Director
12 May 1986
Sandton



W L Nkulu
Director
12 May 1986

INCOME STATEMENT

for the year ended 31 March

	Note	1986 R'000	1985 R'000
Income			
Interest received	10	51 551	33 246
Other	11	2 969	2 998
		<u>54 520</u>	<u>36 244</u>
Interest paid	12	- 2 381	
Technical assistance grants		- 1 791	- 1 212
		<u>50 348</u>	<u>35 032</u>
Operating income			
Less expenditure		23 462	16 205
Auditors' remuneration		54	48
Furniture, equipment and motor vehicles	13	2 432	1 232
Directors' fees and expenses		110	99
Operating expenditure		<u>20 866</u>	<u>14 826</u>
Surplus income transferred to general reserve		<u><u>26 886</u></u>	<u><u>18 827</u></u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year
ended 31 March

			1986	1985
	Accruals R'000	Cash R'000	Total R'000	Total R'000
Source of funds				
Surplus income	4,696	22,190	26,886	18,827
Share capital		36 000	36 000	36 000
Development Fund contribution		275 000	275 000	160 298
Development loan repayments	264	6 049	6 313	4 725
Capital market loans	350	210 051	210 401	
Increase in deferred income	17 933		17 933	7 376
	<u>23 243</u>	<u>549 290</u>	<u>572 533</u>	<u>227 226</u>
Applied as follows				
Increase in development loans	20 418	173 655	194 073	127 841
Increase in investments		350 144	350 144	95 923
Net increase in working capital	2 825	25 491	28 316	3 462
	<u>23 243</u>	<u>549 290</u>	<u>572 533</u>	<u>227 226</u>
Analysis of changes in working capital items				
Increase in working capital				
Accounts receivable	2 697		2 697	2 557
Interest receivable	11 508		11 508	
Bank balances and cash		25 491	25 491	826
	<u>14 205</u>	<u>25 491</u>	<u>39 696</u>	<u>3 383</u>
Decrease in working capital				
Accounts payable and provisions	1 486		1 486	- 79
Interest payable on capital market loans	9 894		9 894	
	<u>11 380</u>		<u>11 380</u>	<u>- 79</u>
Net increase in working capital	<u>2 825</u>	<u>25 491</u>	<u>28 316</u>	<u>3 462</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1986

1. Accounting policies

The principal accounting policies adopted by the Bank are:

1.1 Fixed assets

Fixed assets consisting of furniture, office equipment, computer equipment and motor vehicles are written off in the year of acquisition. This policy is in compliance with the approach followed by similar international institutions.

1.2 Interest received on development loans

1.2.1 Deferred income

Certain agreements for development loans provide for a moratorium period in respect of the payment of interest. During this period interest is capitalized and becomes payable together with the loan over the contract period. Interest so capitalized is treated as deferred income, until such time as it is due and payable when it is transferred to income as interest received. This policy is in compliance with the approach followed by similar international institutions.

1.2.2 Direct portion

Interest charged outside the moratorium period is capitalized and taken directly to income as interest received.

1.3 Investments

Investment securities are valued at the lower of cost or market value. Gains or losses on sales of investments are recorded as an element of income from investments.

1.4 Capital market loans issued at a discount

The discount on issue of capital market loans is amortized over the period of the repayment of those loans.

2. Share capital

2.1 Authorized and subscribed

200 000 shares at a par value of R10 000 each

1986 R'000	1985 R'000
---------------	---------------

2 000 000	2 000 000
-----------	-----------

2.2 Issued capital

20 000 shares at a par value of R10 000 each

200 000	200 000
---------	---------

2.3 Less

Balance to be paid up in equal annual allocations of 3 600 shares from 1986/87 to 1988/89

108 000	144 000
---------	---------

2.4 Paid-up capital

9 200 (5 600 – 1984/85) shares at a par value of R10 000 each

92 000	56 000
--------	--------

3. General reserve

Balance at 1 April

Transfer from income statement

20 416	1 589
26 886	18 827
47 302	20 416

These funds are not distributable to the members in the normal course of business.

	1986 R'000	1985 R'000
4. Development Fund		
Balance at 1 April	400 430	240 132
Transfer from SA in consideration of a commitment taken over		298
Contribution by SA	275 000	160 000
	<u>675 430</u>	<u>400 430</u>
The Development Fund consists of grants received and does not constitute a liability.		
5. Capital market loans		
DBSA local stock	239 170	
less net discount to be amortized	28 769	
Discount to be amortized	29 119	
Discount on issue of DBSA local stock	<u>- 350</u>	
	<u>210 401</u>	
On 28 February 1986 the Bank issued DBSA stock with a nominal value of R239,170 million at a clean price of R210,051 million. The issue was done to take over outstanding Corporation for Economic Development (CED) capital market commitments (refer note 8). The discount on issue of R29,119 million will be amortized over the period of the repayment of these loans. The stock has a coupon rate of 10 per cent and will be redeemed over the period 31 October 1986 to 31 October 2001. The amount to be redeemed in 1986/87 is R37,320 million.		
6. Deferred income		
Balance at 1 April	8 288	913
Interest capitalized	18 210	7 598
	<u>26 498</u>	<u>8 511</u>
Less interest transferred to income statement	277	223
	<u>26 221</u>	<u>8 288</u>
A further amount of R0,443 million is due and payable during the next financial year and will be transferred to the income statement from deferred income as interest received.		
7. Development loans		
Balance at 1 April	309 785	186 669
Loans advanced	173 655	119 499
Loan advanced by SA Dept of Foreign Affairs		298
Interest capitalized	20 418	8 044
	<u>503 858</u>	<u>314 510</u>
Less repayments of loans	6 313	4 725
	<u>497 545</u>	<u>309 785</u>
An amount of R14,972 million is repayable during the next financial year.		

	1986 R'000	1985 R'000
8. Investments		
Fixed deposits	288 265	171 413
Investment in listed government and public corporation stock and debentures at market value (cost price R24,678 million)	24 505	
CED local stock*	208 787	
	<u>521 557</u>	<u>171 413</u>
9. Net working capital		
Current assets	44 973	5 277
Accounts receivable	6 484	3 787
Interest receivable on CED local stock	11 508	
Bank balances and cash	26 981	1 490
Less current liabilities	12 721	1 341
Accounts payable and provisions	2 827	1 341
Interest payable on capital market loans	9 894	
	<u>32 252</u>	<u>3 936</u>
10. Interest received		
Investments	46 685	32 578
CED local stock	2 381	
Development loans:		
Direct interest	2 208	445
Transferred from deferred income	277	223
	<u>51 551</u>	<u>33 246</u>
11. Other income		
Refund – taxes and duties	2 371	2 208
Advisory and agency services	551	765
Other	47	25
	<u>2 969</u>	<u>2 998</u>

*On 28 February 1986 the Bank bought CED stock with a nominal value of R208,787 million. The stock will be cancelled and assets in the form of loans to national development corporations will be taken over from the CED. The South African Government guarantees capital and interest payments on these loans.

	1986 R'000	1985 R'000
12. Interest paid		
Interest on capital market loans	2 031	
Discount on issue of DBSA local stock	350	
	<u>2 381</u>	
13. Cumulative furniture, equipment and motor vehicles written off to date		
Balance at 1 April	1 709	477
Amount written off	2 432	1 232
	<u>4 141</u>	<u>1 709</u>
14. Commitments and contingent liabilities		
14.1 Financing of the staff motor scheme is done through a financial institution. The Bank guarantees the liabilities of its employees amounting to R3,295 million in this regard.		
14.2 Financing of the staff housing scheme is partly done through a banking institution. Guarantees of R1,088 million were issued by the Bank in support of certain loans granted.		
14.3 An amount of R0,176 million of the Bank's investments with building societies serves as collateral security for certain bonds granted by building societies to staff of the Bank.		
14.4 There are commitments of R286,368 million in respect of loan agreements concluded but not fully disbursed and R252,070 million in respect of loans approved by the Bank are still under consideration by the prospective borrowers.		
14.5 There are commitments of R3,652 million in respect of technical assistance projects concluded but not fully disbursed and R1,135 million in respect of technical assistance approved by the Bank are still under consideration by the prospective recipients.		
14.6 The Bank has issued a loan guarantee of R1,280 million and guarantees for loans of R20,000 million approved by the Bank are still under consideration by the prospective borrowers.		
15. Liability for normal income tax		
No provision has been made for income tax as the Bank is exempted therefrom in terms of the Establishment Agreement.		

AUDITORS'

REPORT

Report of the auditors to the members of the Development Bank of Southern Africa.

We have examined the annual financial statements set out on pages 34 to 40. Our examination included such auditing procedures as we considered necessary.

In our opinion these statements fairly present the financial position of the Development Bank of Southern Africa at 31 March 1986 and the results of its operations for the year then ended, in conformity with generally accepted accounting practice for similar institutions.



ERNST & WHINNEY
Chartered Accountants (SA)

12 May 1986
JOHANNESBURG

ANNEXURE 1

Loans approved according to function,
1 April 1985 – 31 March 1986

DEVELOPMENT PROGRAMME

Development planning



Bophuthatswana

Project title:

An economic planning study for Thaba'Nchu district

Technical assistance

Loan amount:

R257 400

Total project cost:

R286 000

The project is an economic planning study for the Thaba'Nchu district of Bophuthatswana as part of the Bloemfontein/Botshabelo/Thaba'Nchu subregion to determine an appropriate development strategy that will guide the future physical, socio-economic and administrative development in the Thaba'Nchu district. This project can potentially contribute to regional co-operation in that subregion.

Venda

Project title:

Sinthumule/Kutama integrated development strategy

Technical assistance

Loan option:

R216 225

Grant option:

R144 150

Total project cost:

R240 250

The project entails the formulation of an integrated development strategy for the Sinthumule/Kutama region of Venda in which specific development programmes and projects will be identified, leading to an improvement in the quality of life of residents in the area.

Mining and mineral development



Venda

Project title:

Inventory of coal resources

Technical assistance

Grant amount:

R45 000

Total project cost:

R50 000

The inventory study requires the detailing of the quality and extent of Venda's coal resources in order to provide a sound foundation on which to base future investment decisions.

Agricultural development



Ciskei

Project title:

Citrus development phase II

Investment programme

Loan I : R4 983 000

Loan II: R1 778 000

Total project cost:

R11 954 000

This project entails the upgrading of and extension to citrus orchards riparian to the Tyumie, Kat and Keiskamma rivers. Concomitant to the privatization and farmer settlement policy of Ciskei, Ciskeian citrus farmers will be progressively settled on the project. By 1990 twenty farmers should be settled and by 1995 the whole project should be fully privatized.

Lebowa

Project title:

Phokoane maize project

Investment programme

Loan I : R61 000

Loan II : R583 000

Loan III: R541 000

Total project cost:

R1 630 000

The eventual establishment of commercial farmers on economic units on land previously used for grazing. During the first three years, the project comprising 2 335 ha will be physically established by the Lebowa Agricultural Company. After the initial three-year period commercial farmers will be established. A small section of the project will be retained as a service unit to support the project and the intended co-operative.

Transkei
Project title:
Ncora interim maintenance funding
Investment programme

Loan amount:
R350 000
Total project cost:
R864 300

This project is funding certain capital expenditure incurred in the 1985/86 financial year which is regarded as essential for the maintenance of this project. The project is being replanned with the objective of establishing small scale and commercial farmers.

Ciskei
Project title:
Farm system research
Technical assistance

Grant amount:
R278 000
Total project cost:
R595 000

This research project is focusing on the small farmer, his needs and opportunities and the role he can play in agricultural and rural development. This research is firstly to develop a methodology of exposing general rural and farming needs and devising programmes to meet them; secondly the description, analysis and development of new improved farm systems to support farmers outside a formal development project; and thirdly the description, design and testing of the institutional and socio-economic parameters as these relate to the settling of farmers on formal development projects.

Transkei
Project title:
East Pondoland sugar
Technical assistance

Loan amount:
R15 480
Total project cost:
R17 200
Grant amount:
R45 000
Total project cost:
R50 000

This entails professional investigations into, and an assessment of the needs, abilities and aspirations of, the Pondo People in Area 6, East Pondoland, as far as an introduction of sugar-cane is concerned. The grant was made to assess the feasibility and viability of sugar and/or alternative crop projects in the area. This project has regional co-operation implications for all sugar producing areas of Southern Africa.



Various agricultural development projects were approved during the year which focus on the settlement of individual small farmers

Lebowa

Project title:

An agricultural inventory for the Mapulaneng District

Technical assistance

Loan amount:

R162 000

Total project cost:

R180 000

This investigation involves the compilation of an agricultural inventory for the catchment area of the Sand River in the Mapulaneng district of Lebowa. This project will provide the framework for alternative agricultural development actions. The agricultural inventory will take into consideration all claims on the natural resources in the demarcated area as well as the development policies and objectives of the Lebowa Government and the needs and aspirations of the local inhabitants.

Bophuthatswana

Project title:

Tlhaping Tlharo water scheme

Pre-investment

Loan amount:

R63 000

Total project cost:

R70 000

The investigation concentrates on available subsurface water resources to locate reliable resources for human and agricultural consumption through a borehole drilling and testing programme.

Lebowa

Project title:

Grootfontein irrigation and dairy scheme

Pre-investment

Loan amount:

R120 000

Total project cost:

R133 000

The investigation consists of surveys into the human and agricultural resources of the Grootfontein area. Specialist consultants will be appointed by the borrower to do the various investigations and to report back on their findings. These reports will then be used to develop preliminary farming models suitable for the project area, taking into consideration the physical restrictions of the area, the needs, desires and aspirations of the local inhabitants, as well as the stated objectives. The financial viability and feasibility of the proposed farming models will be analysed and the economic and fiscal impact of the development on the area, subregion and Lebowa as a whole will also be investigated.

Venda

Project title:

Dzindi agricultural development

Pre-investment

Loan amount:

R162 000

Total project cost:

R180 000

The project entails studies required to design an irrigation and dryland project to accommodate the settlement of Venda farmers on economically viable farming units. The study area covers the catchment areas of the Dzindi and Dzondo Rivers to the confluence with the Levubu River.

Transkei

Project title:

Umzimkulu afforestation

Investment programme

Loan amount:

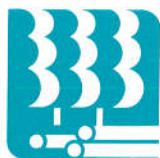
R3 818 000

Total project cost:

R10 713 000

This is an integrated agricultural and afforestation project on 3 418 ha in the Umzimkulu district, as phase I (pilot development) of a possible larger project. The afforestation will include the provision of fencing, construction of roads, fire protection, communication equipment, buildings, silviculture and the purchase of vehicles. The private sector will play an important role by partly financing the project and providing managerial inputs.

**Forestry
development**



Ciskei
Project title:
Ciskei abattoir
Investment programme

Loan I : R194 000
Loan II: R804 000
Total project cost:
R1 508 000

The abattoir will be established at Zwelitsha and will serve both Ciskei and South Africa. The provision of the abattoir will support the livestock industry in Ciskei and promote an integrated regional livestock industry.

KwaZulu
Project title:
Sugar cane
Investment programme

Loan I: R6 681 600
Loan II: R574 900
Total project cost:
R60 905 900

The objective of the long-term loan (Loan I) is to establish new sugar-cane and to re-establish sugar-cane lost during the cyclone Diomonia. The medium-term loan (Loan II) is aimed at the provision of funds to organizations such as the KwaZulu Finance Aid Fund to contribute to the provision of support services required by millers and KwaZulu entrepreneurs. This loan will help to establish a viable sugar industry in KwaZulu with the emphasis on local small-scale entrepreneurs. The major portion of the project cost will be contributed by the private sector and the KwaZulu Government. This project is a good example of the supportive role the Development Bank can play in the mobilization of development funds and in promoting regional co-operation across borders.

KwaZulu
Project title:
Grain processing research and development
Technical assistance

Grant amount:
R6 000
Total project cost:
R10 000

The objective of the project is to test the technical performance of a grain dehuller using maize in a rural area in KwaZulu and to determine consumer acceptance of the end product in that area. If the project is successful, it will lead to the establishment of small-scale maize milling enterprises throughout KwaZulu. The longer term goal is to expand this technology into other developing areas of Southern Africa. The project consists of a dehuller/hammermill unit to be used for processing maize produced by small-scale maize farmers in the Ngutu area of KwaZulu, where the milling service will be provided by a small-scale entrepreneur.

Gazankulu
Project title:
Pilot silk production
Technical assistance

Grant amount:
R112 000
Total project cost:
R214 057

The aim of the project is to determine the possible viability and expansion of commercial silk production in the Bank's participating states by establishing a pilot silk production project at the New Forest Irrigation Scheme in Gazankulu. Agreement was reached that the results obtained will be of use to other participating states as well and therefore also constitute a form of regional co-operation in Southern Africa.

Agro-industrial development



The Ciskei abattoir is in the implementation phase of the project cycle. The project was accepted for the preparation and appraisal phases during the previous financial year and it is an example of a regional co-operation project benefiting two of the Bank's participating states.

Industrial development**Bophuthatswana**

Project title:

Bophuthatswana National Development

Corporation: industrial development project I

Investment programme

Loan I : R12 902 000

Loan II : R3 224 000

Loan III: R10 360 000

Total project cost:

R39 253 000

The project consists of the provision of additional industrial infrastructure in the industrial areas of Garankuwa, Mogwase and Thaba'Nchu, the provision of standard type factories and the provision of financial assistance to the Bophuthatswana National Development Corporation for loans to industrialists for privately owned factories in order to sustain the industrial development programme of Bophuthatswana.

Gazankulu

Project title:

Mkhuhlu factory buildings

Investment programme

Loan amount:

R1 312 000

Total project cost:

R1 640 000

Six standard factory buildings are to be constructed at the industrial development point of Mkhuhlu in order to provide facilities necessary for the promotion of industrial development in the Mhala district of Gazankulu.

Gazankulu

Project title:

Mkhuhlu infrastructure

Investment programme

Loan amount:

R498 000

Total project cost:

R622 000

The objective of this phased provision of infrastructural services to 13 industrial stands at the industrial development point of Mkhuhlu is to provide facilities necessary for industrial development in the Mhala district of Gazankulu.

KwaNdebele

Project title:

Ekandustria industrial development No II

Investment programme

Loan amount:

R11 700 000

Total project cost:

R27 960 000

To facilitate industrial investment in KwaNdebele, the project provides for the erection of 22 standard factory units at Ekandustria (KwaNdebele) and one factory complex at Siyabuswa, as well as the further development of infrastructure in both areas to complement the planned construction of factory buildings.

Qwaqwa

Project title:

Phuthaditjhaba industrial development No II

Investment programme

Loan I : R7 288 000

Loan II: R768 000

Total project cost:

R20 610 000

To ensure the availability of industrial facilities at the Phuthaditjhaba industrial development point, the project will provide for the provision of infrastructure in Industrial Area 3, the construction of 30 000 m² standard factory buildings or extensions to existing factory buildings and the construction of an industrial complex for small manufacturing activities.

Transkei

Project title:

Transkei industrial development project I

Investment programme

Loan amount:

R13 210 000

Total project cost:

R16 400 000

The project entails the construction of 38 standard factories totalling 40 000 m², to be erected in the industrial areas of Butterworth, Umtata and Ezibeleni.



Venda
Project title:
Thohoyandou standard factories
Investment programme

Loan amount:
R12 544 000
Total project cost:
R41 845 000

The project entails the design and construction of standard factories of various sizes at the Thohoyandou industrial development point. By creating adequate production space, the industrial development programme of Venda will be stimulated, thereby enhancing job creation and the generation of income within the region.

Venda
Project title:
Thohoyandou infrastructure
Investment programme

Loan amount:
R730 000
Total project cost:
R730 000

This project entails the development of fifteen industrial sites at Thohoyandou to promote industrial development, thereby creating employment opportunities for local inhabitants and generating incomes to stimulate the local economy.

Transkei/Ciskei/South Africa
Project title:
Industrial development strategy for Region D
Technical assistance

Grant amount:
R110 000
Total project cost:
R110 000

The project entails a grant for the compilation of a strategy for industrial development within Region D. This project gives effect to the need for joint action and across border co-operation in order to optimize development.

Transkei
Project title:
Local energy and forestry programme I
Investment programme

Loan I : R1 680 000
Loan II: R1 639 000
Total project cost:
R4 485 000

The project entails the establishment of woodlots as well as their maintenance by the Department of Agriculture and Forestry. The project will take into account the local initiatives in tree planting.

Gazankulu
Project title:
Village pilot project
Technical assistance

Grant amount:
R143 520
Total project cost:
R239 000

This is a pilot project to test some of the variables involved in a community development approach in which community clubs have taken the initiative in various projects with support from the Gazankulu Government.

Infrastructure and industries at Seshego, Lebowa. Nine industrial development projects were approved by the Board during the year compared to thirteen during the previous financial year. The Bank generally only finances industrial infrastructure and endeavours to mobilize private sector resources for industrial projects

**Integrated rural
development**



Transkei

Project title:
Establishment of savings clubs
Technical assistance

Grant amount:
R900 000
Total project cost:
R900 000

This loan facilitates the mobilization of savings by rurally based people by providing a facility to expand the African Co-operation Action Trust Savings Club system throughout Transkei. The planned increase in savings clubs is from a present 450 to approximately 1 250 clubs.

Transkei

Project title:
Local energy and forestry programme II
Technical assistance

Grant amount:
R397 566

The pilot project, which involves technical assistance grants to the African Co-operation Action Trust, the Transkei Appropriate Technology Unit and to agro-forestry research, is to establish the viability of communities supplying firewood for fuel thereby creating new employment and increasing local involvement and initiative.

Venda

Project title:
Tshitale integrated development programme
Technical assistance

Loan option:
R135 000
Grant option:
R90 000
Total project cost:
R150 000

The first phase of this programme entails professional investigations into and an assessment of the natural and human resource base of the Tshitale subregion. The second phase entails an analysis of the data by a planning forum (consisting of representatives from the Venda Government, parastatals and the Bank). The third phase will result in the formulation of appropriate development strategies and projects for the Tshitale subregion.

Integrated urban development**Bophuthatswana**

Project title:
Mogwase sewage purification
Investment programme

Loan amount:
R4 144 000
Total project cost:
R5 180 000

The project involves the construction of a 3,75 megalitre per day sewage treatment plant in order to strengthen the infrastructural base of Mogwase as an industrial development point.

Bophuthatswana

Project title:
Mogwase outfall sewerage
Investment programme

Loan amount:
R3 285 000
Total project cost:
R3 650 000

An outfall sewerage is to be constructed to link both the residential and industrial areas of Mogwase with the new sewage treatment plant.

Bophuthatswana

Project title:
Odi electrification of houses phase I
Investment programme

Loan amount:
R10 211 000
Total project cost:
R11 345 000

The construction of a new electrical reticulation network and the upgrading of the existing reticulation network at Garankuwa and Mabopane is the first phase of a total project with the object of improving the urban environment in Bophuthatswana.

Ciskei
Project title: Bisho residential infrastructure
Investment programme

Loan I : R532 800
Loan II: R640 000
Total project cost:
R2 353 000

The objective of this project is to assist the Government in retaining the momentum of private sector initiatives in urban development. The project entails the provision of connector and residential infrastructure for 180 residential plots in Bisho.

Ciskei
Project title: Bisho prestigious school infrastructure
Investment programme

Loan amount:
R508 000
Total project cost:
R724 000

This project entails the construction of connector infrastructure for a prestigious, fee-paying school to accommodate 300 students. The building and the relevant scholarships will be financed by the Anglo American and De Beers Chairman's Fund.

Ciskei
Project title: Installation of domestic water meters
Investment programme

Loan amount:
R2 100 000
Total project cost:
R2 624 000

This involves the installation of water meters in five Ciskei towns where domestic water is at present not metered. The metering of water is a function of the envisaged local authorities. Furthermore the project is aimed at water conservation within Ciskei.

Ciskei
Project title: Ciskei Building Society: Bridging finance
Investment programme

Loan amount:
R20 000 000

The objectives are the strengthening of the financial base of the Ciskei Building Society as an interim arrangement and the retention of the momentum of private sector housing initiatives in Ciskei while the mobilization of private sources of finance is being investigated.

KwaZulu
Project title: Osizweni sewage pump
Investment programme

Loan amount:
R4 935 600
Total project cost:
R5 484 000

This project entails the upgrading of the sewage treatment works in Osizweni while an outfall sewer will also be laid from the Madadeni industrial area to the Madadeni sewage treatment works where limited extensions are also provided.

This project has been necessitated by the increase in the urban population which now constitutes the second biggest urban centre in KwaZulu. It will lead to an improved urban environment, while the viability of the industrial area of Madadeni will also be improved.

Lebowa
Project title: Seshego urban infrastructure (phase I)
Investment programme

Loan amount:
R2 950 200
Total project cost:
R3 278 000

A main water supply line and a main gravity sewage line are to be constructed to accommodate future residential and industrial growth in Seshego.



The Bank experienced a rising trend in projects approved in the integrated urban development programme during the year under review. The Bank's support of urban development focuses on mobilizing private sector resources for urban development projects such as housing

Transkei

Project title:
Umtata purification works
Investment programme

Loan amount:

R5 070 600

Total project cost:

R5 634 000

The project is the second phase of Umtata urban infrastructure. It consists of the extension of the existing purification works at Thornhill from a 20 Ml to a 60 Ml per day capacity which includes the construction of a new pump station to ultimately accommodate eleven pumps.

Transkei

Project title:
Ncamedlana reservoir II
Investment programme

Loan amount:

R853 982

Total project cost:

R948 869

The project entails the construction of a second reservoir on the Ncamedlana bridge mainly to ensure adequate water pressure to certain dwelling units in the Northcrest residential area. The proposed reservoir will also provide additional storage capacity in the Ncamedlana supply zone which will ultimately include the business district.

Transkei

Project title:
Transkei National Building Society bridging
finance
Investment programme

Loan amount:

R10 000 000

Total project cost:

R15 000 000

The project comprises, as an interim arrangement, the provision of bridging finance to the Transkei National Building Society to enable it to grant loans for the financing, acquisition, erection and/or improvement of housing facilities in Transkei, while the mobilization of private sources of finance is investigated.

Ciskei

Project title:
Mdantsane city planning
Technical assistance

Grant amount:

R323 300

Total project cost:

R538 900

This project consists of integrated planning so that the coherent implementation of development actions can be undertaken, which will effectively promote and support Mdantsane at both national/regional and local levels.

Transkei/South Africa

Project title:
Queenstown/Ezibeleni/Ilinge development
strategy
Technical assistance

Grant amount:

R150 000

Total project cost:

R150 000

The project comprises a grant for the preparation of a development strategy for the Queenstown/Ezibeleni/Ilinge urban areas, as part of an ongoing planning process, with a view to giving guidance to socio-economic, physical and administrative development issues and research. This is another example of regional co-operation that can be established on a project-by-project basis.

Transkei

Project title:
Butterworth master plan
Technical assistance

Loan amount:

R132 300

Grant option:

R88 200

Total project cost:

R147 000

The project entails the preparation of a master plan to guide the social, physical and economic development in the urban area of Butterworth and its immediate surroundings.

Bophuthatswana

Project title:

Mogwase housing unit 5

Pre-investment

Loan amount:

R135 000

Total project cost:

R150 000

This includes the planning and preliminary design of a proposed suburb called Mogwase unit 5 which will consist of approximately 500 residential sites to support the urbanization process in Bophuthatswana by promoting housing development processes for different income groups.

Ciskei

Project title:

Potsdam bulk and connector infrastructure

Pre-investment

Loan amount:

R450 000

Total project cost:

R500 000

The preparation of appropriate engineering design for bulk and connector infrastructure is a necessary prerequisite for the successful implementation of further urban projects supportive of orderly urbanization in the Potsdam/Mdantsane area.

Ciskei

Project title:

Bisho infrastructural development

Pre-investment

Loan amount:

R261 500

Total project cost:

R290 000

The compilation of a preliminary pre-investment engineering design is being undertaken by consultants to enable subsequent detailed design to be carried out, and tenders to be called for the implementation of bulk water, electricity, sewage and eastern collector road. A stormwater management system design and transport study are also being carried out to facilitate the development of public parks and future transport routes in Bisho.

Transkei

Project title:

Port St Johns esplanade wall

Pre-investment

Loan amount:

R121 500

Total project cost:

R135 000

The objective of the project is to ensure the future of the town as a tourist centre as well as to prevent regression in the development of the town. The study is to determine ways of halting erosion of the coastline and the flooding of the town by the Umzimvubu River.



The flood damage to this road led to the pre-investment project for the Port St Johns esplanade wall

Bophuthatswana
Project title:
Odi electrification of houses phase I
Guarantee programme

Guarantee value:
R5 000 000

The provision of a back-up guarantee to a South African financial institution as a debenture issue by the Bophuthatswana Building Society for the wiring of houses in Garankuwa and Mabopane.

Ciskei
Project title:
Bisho residential infrastructure
Guarantee programme

Guarantee value:
R1 280 000

The objective of this project is to assist the Ciskei Government in retaining the momentum of private sector initiatives in urban development. The project entails the provision of a buy-back arrangement which serves as a risk-undertaking instrument for a private developer.

Small business development



Ciskei
Project title:
Small business
Investment programme

Loan amount:
R5 246 000
Total project cost:
R8 884 000

The project entails the construction of commercial service and industrial facilities at various locations throughout Ciskei, as well as the provision of training, consulting and loans to small business enterprises.

Gazankulu
Project title:
Small business
Investment programme

Loan amount:
R2 560 400
Total project cost:
R4 550 400

The project aims to create employment in Gazankulu by supporting a comprehensive small business development programme which will facilitate the stimulation of overall economic development and of entrepreneurial skills, and a more equal spatial distribution of economic activity.



A Transkeian woman at her sewing machine and small business complexes being constructed as an element of the comprehensive small business development programme



KwaNdebele

Project title:

Small business

Investment programme

Loan amount:

R1 222 000

Total project cost:

R12 931 000

The programme is designed to facilitate and support the promotion of a comprehensive small business development programme in KwaNdebele. It entails the establishment of an emergency fund for the financing of existing small businesses; financing of training programmes and counselling services for small business entrepreneurs; and loan financing and financing of physical facilities for the establishment of small business enterprises.

KwaZulu

Project title:

Small business

Investment programme

Loan amount:

R2 562 000

Total project cost:

R3 492 000

This project entails the construction of small factory complexes at various locations in KwaZulu and two community-based projects comprising a market stall complex at Inanda and a tourist/handicraft centre at Ezingolwini.

KwaZulu/South Africa

Project title:

Urban areas small business

Investment programme

Loan I : R3 993 600 (South Africa)

Loan II: R1 092 800 (KwaZulu)

Total project cost:

R10 312 455

The project pertains to the provision of small industries parks at Kwa-Thema, Atteridgeville and KwaNobuhle, and commercial centres at Mbekweni, Khayelithsha, Glebe and Umlazi Station in KwaZulu. Loans to small entrepreneurs to be established in these facilities, and counselling and training needed to support these entrepreneurs will be provided as part of the project. It is envisaged that the promotion of the small business sector in the less developed urban areas of Southern Africa will not only contribute towards the creation of employment opportunities within these areas, but will ultimately contribute towards the establishment of a sound economic base.

Lebowa

Project title:

Small business

Investment programme

Loan amount:

R3 030 400

Total project cost:

R3 788 000

This project forms an integral part of the small business development programme of the Lebowa Government and Lebowa Development Corporation. The programme will endeavour to establish a proper balance between small, medium and large business enterprises and, apart from the provision of financial assistance, assistance on a much wider scale, eg advisory services and training, will be provided to enhance the long-term objectives of this programme.

Qwaqwa

Project title:

Small business

Investment programme

Loan amount:

R604 200

Total project cost:

R1 469 000

The programme endeavours to support a comprehensive small business development programme to stimulate overall economic development, enhance entrepreneurial skills and contribute to a more equal spatial distribution of economic activity. It entails establishing an emergency fund for the financing of existing small businesses, financing of training programmes and counselling services for small commercial entrepreneurs, industrialists and builders, loan financing and financing of physical facilities for enterprises for the above entrepreneurs.

Human resource
development**Bophuthatswana**

Project title:
Odi manpower centre
Investment programme

Loan I : R16 341 000
Loan II: R4 590 000
Total project cost:
R23 750 000

This involves the development of a training centre to help meet the critical shortage of skilled tradesmen, operators, clerical and administrative manpower in the densely populated Odi I and Moretele I districts of Bophuthatswana and adjoining areas, and to provide the unemployed with the opportunity of acquiring marketable skills and thus improve their quality of life. This project will also benefit the wider Southern African region in general.

Ciskei

Project title:
Zwelethemba Technical College
Investment programme

Loan I : R617 000
Loan II: R147 000
Total project cost:
R848 125

The project entails additional accommodation for, and renovations to, the existing Zwelethemba Technical College at Zwelitsha to accommodate N4 and N6 courses and block release courses for apprentices and to create a better educational environment. The new accommodation consists of classrooms, workshops, a resource centre and administration facilities.

Ciskei

Project title:
Vulindlela Technical Centre
Investment programme

Loan I : R1 696 000
Loan II: R367 000
Total project cost:
R2 292 324

The project consists of a doubling of the existing facilities at Vulindlela Technical Centre in Mdantsane. The extended centre will accommodate 2 000 primary pupils in Standards 4 and 5 from surrounding schools, who will receive technical orientation. It will also accommodate 600 secondary pupils from surrounding schools, who will receive technical subjects as part of their academic curriculum.

Ciskei

Project title:
Lennox Sebe College of Education
Investment programme

Loan amount:
R1 443 900
Total project cost:
R1 604 340

The project is part of a proposed phased development of the existing Lennox Sebe College of Education, Zwelitsha. The project is intended to provide an additional 208 student residence places for women to alleviate over-crowding and to provide suitable accommodation for women students. It is also intended to cover essential upgrading of the existing buildings. The college is important in a regional context as it trains secondary teachers for the whole of Southern Africa.

Ciskei

Project title:
Hlaziva In-service Centre
Investment programme

Loan amount:
R199 250
Total project cost:
R221 392

The project is part of the proposed phased development of the existing Hlaziva In-service Centre in Mdantsane. This centre addresses both the further development of qualified teachers and the upgrading of underqualified teachers. It is intended to provide additional office accommodation and supporting facilities for 28 in-service lecturers. It is also intended to cover essential upgrading of the existing buildings. The centre is important in relation to the need for quantitative and qualitative improvement of Ciskei's teachers.

KwaNdebele

Project title:
Gemsbokfontein nucleus project
Investment programme

Loan I : R536 000
Loan II : R425 000
Loan III: R168 000
Total project cost:
R1 738 000

The project concerns the provision of practical training to KwaNdebele farmers and staff of the Department of Agriculture and comprises a training component and a supporting agricultural production section.

Venda

Project title:
Thohoyandou technical high school
Investment programme

Loan amount:
R3 852 000
Total project cost:
R4 280 000

The project entails the planning and erection of Phase I of a technical high school at Thohoyandou. The school will accommodate 500 boys and girls up to Standard 10, including residential accommodation for 200 boys. Mechanical, electrical and construction subjects will be offered for matric together with technical drawing, mathematics, physical science and languages. The school will serve Venda's needs for pupils equipped to pursue a technological career at tertiary level, at a technikon or university.

Transkei

Project title:
Tsolo Agricultural College
Pre-investment

Loan amount:
R508 000
Total project cost:
R564 000

A loan has been approved to enable Transkei to design and plan the new buildings and the upgrading of existing facilities and infrastructure at the Tsolo Agricultural College and to undertake a proper agricultural land-use survey and planning.

Transkei

Project title:
Umtata College of Education
Pre-investment

Loan amount:
R859 500
Total project cost:
R955 600

This project entails the design of a master plan of a new college of education in Umtata. The facility when completed will accommodate 1 000 students of whom 720 will be in residence.

Bophuthatswana

Project title:
Mmabatho water supply phase III
Pre-investment

Loan amount:
R12 350 000
Total project cost:
R13 790 000

The project is the third phase of a total project to augment the water supply to Mmabatho. This phase entails the construction of two reservoirs at the treatment plant, pipeline to Signal Hill, a pumpstation, a reservoir at Signal Hill, and the main supply line to Mmabatho. This is another example of regional co-operation between South Africa and Bophuthatswana in securing a water supply for Mmabatho.

**Water resource
development**

Gazankulu

Project title:
Giyani mass water reticulation stage II
Investment programme

Loan amount:
R6 800 000
Total project cost:
R9 280 000

The project will provide piped water to 25 rural villages which fulfil an important role in the economic development of the Giyani subregion of Gazankulu.

Lebowa

Project title:
Shatale emergency water supply
Investment programme

Loan amount:
R733 300
Total project cost:
R915 300

The construction of pump stations, chlorination facilities and delivery mains to provide an emergency supply of chlorinated water from the Mutlumubi River to the proclaimed township of Shatale until the completion by the Lebowa Government of the Berettaspruit storage weir and the subsequent filling thereof. Thereafter the works will supplement and be used in conjunction with the Berettaspruit supply.

Lebowa/South Africa

Project title:
Lebowa/Groblersdal joint water scheme
Investment programme

Loan amount:
Lebowa R2 553 348
Groblersdal R2 117 670
Total project cost:
Lebowa R2 553 348
Groblersdal R2 647 087

The project provides for the bulk supply of water from the Olifants River to the towns of Groblersdal and Motetema. The project serves as an example of regional co-operation across state borders and illustrates the effective use of limited natural resources and capabilities for the benefit of both Groblersdal and the inhabitants of the adjacent area of Lebowa.

Ciskei

Project title:
Ciskei water development plan
Technical assistance

Loan option:
R234 000
Grant option:
R156 000
Total project cost:
R260 000

A water development plan is to be prepared setting guidelines for the future development and management of all water resources throughout Ciskei. Regional co-operation across political borders has been established in an effort not to duplicate data that is already available from South African sources.

Ciskei

Project title:
Ciskei water project
Pre-investment

Loan amount:
R157 500
Total project cost:
R175 000

The project involves the investigation of alternative proposals to determine the most economical scheme for the supply of potable water for human consumption and stock watering in the rural villages in Debe, Peddie, Wesley and Zwelitsha districts and for the urban area of Peddie and the holiday resorts along the Ciskei coast.



The pump station for the Lebowa/Groblersdal joint water scheme



The Fish River in Ciskei. Six projects for the development of water resources were approved for five of the Bank's participating states during the year

Bophuthatswana

Project title:

Mogwase-Saulspoort road

Investment programme

Loan amount:

R2 700 000

Total project cost:

R4 080 000

This loan will go towards the upgrading and bituminous surfacing of three existing sections of gravel road in the Mankwe district of Bophuthatswana, namely the road from Mogwase to Saulspoort (13,3 km), the link road to Manyane Gate of the Pilanesberg Game Reserve (1,3 km), and the link road to the George Stegman Hospital (1,5 km).

Transportation development



Bophuthatswana

Project title:

Kudube-Mabopane road phase I

Investment programme

Loan amount

R6 100 000

Total project cost:

R7 460 000

The project entails the construction and bituminous surfacing of the first phase, stretching from Kudube to Soutpan Road, of the main arterial route from Kudube in Moretele I district to Mabopane in Odi I district. The total project traverses South African as well as Bophuthatswana territory and is an example of across border co-operation between participating states concerned.

Bophuthatswana

Project title:

Hebron-Jericho road phase I

Investment programme

Loan amount:

R5 000 000

Total project cost:

R5 000 000

The project provides for the construction and bituminous surfacing, as the first phase, of an 18,5 km section of the road from Hebron to Jericho in the Odi I district of Bophuthatswana.

Bophuthatswana

Project title:

Thaba'Nchu/Seloshesha airport phase I

Investment programme

Loan amount:

R4 000 000

Total project cost:

R5 900 000

A 2 000 m asphalt runway, radio location beacon, parking apron, and one kilometre access road with parking facilities are to be constructed as a first phase in the building of an appropriate designed airport at Thaba'Nchu. Cognizance was taken of the subregional needs in considering this project.

KwaZulu

Project title:
Inanda stone quarry and cemetery access
road
Investment programme

Loan amount:
R1 899 000
Total project cost:
R2 110 000

Access will be provided to both the proposed Inanda stone quarry and to the Inanda cemetery through the provision of these roads. The road to the quarry is 3 km long and asphalt surfaced while that to the cemetery is 2 km long and is gravel surfaced. The quarry will provide about 200 work opportunities both in its commercial operation and in small business opportunities, as well as substantially reducing the cost of stone used in the future development of Inanda.

KwaZulu

Project title:
Mbazwane-Manzengwenza road
Investment programme

Loan amount:
R1 125 000
Total project cost:
R1 250 000

The loan is for the exploitation of renewable timber resources from the KwaZulu-owned Mbazwane and Manzengwenza plantations, as well as timber-related light industries which will benefit from the upgrading of this 47 kilometres of existing low standard road to gravel standard. Accessibility to the northern regions of Maputaland will also be enhanced.

KwaZulu

Project title:
Ulundi airport
Investment programme

Loan amount:
R2 900 000
Total project cost:
R3 700 000

Ulundi Airport serves both entrepreneurs involved in the development of Ulundi and the need for government communication and administration of remote and relatively inaccessible parts of rural KwaZulu. Its upgrading permits for practically all-weather operation and for more cost-effective operation over the existing facility.

Lebowa

Project title:
Nebo-Jane Furse tarred road
Investment programme

Loan amount:
R7 956 000
Total project cost:
R8 840 000

The project entails the upgrading and surfacing of a two-lane bitumen standard rural road of an existing section of gravel road approximately 27 km in length, from Malaita village to the Jane Furse hospital-cum-settlement in the Nebo district of Lebowa, together with the construction of two link roads with a total length of approximately 3 km. An estimated number of commuters varying between 3 250 and 6 250 per day are totally dependent on this road, while 100 buses use the road daily. More than 7 000 private car owners were registered in the Nebo district in 1984.

Transkei

Project title:
Rehabilitation of the N2 road
Investment programme

Loan amount:
R33 440 000
Total project cost:
R37 152 000

The project comprises the reconstruction and widening of two sections of the N2 National Road (total 62 km) with its accompanying bridges and culverts, provision of a new base course layer and surfacing over the whole width of the road.

Transkei
Project title:
Walaza bridge Lady Grey road
Investment programme

Loan amount:
R14 000 000
Total project cost:
R15 670 000

The project entails the upgrading and bituminous surfacing of the main arterial route from Walaza bridge to the Transkei western border on the road towards Lady Grey (52,6 km). The road will facilitate general economic development in the Herschel District.

Transkei
Project title:
Libode-Dangwane road phase II
Investment programme

Loan amount:
R16 000 000
Total project cost:
R18 000 000

The project comprises the construction to surfaced standards of phase II of the Libode-Dangwana section of road for 15,3 km along the R61 route from Umtata to Port St Johns. The road should stimulate agricultural development in East Pondoland and tourism potential along the Wild Coast.

Venda
Project title:
Sibasa-Wylliespoort road phase I
Investment programme

Loan amount:
R4 500 000
Total project cost:
R5 000 000

The project includes a number of components such as detailed inspection, drilling investigations, laboratory testing, proposals for remedial work and monitoring by the consultants. The project loan also covers the cost of the remedial construction work and the supervision and costs of the mediation process.

Venda
Project title:
Sibasa-Wylliespoort road phase II
Investment programme

Loan amount:
R8 800 000
Total project cost:
R9 780 000

The project consists of the upgrading and surfacing of 20,6 km of the Sibasa-Wylliespoort road, and comprises an eastern section (11,2 km) between Sibasa and Phiphidi Waterworks and a western section (9,4 km) for the end of Phase I to the Hakhaku turn-off near Siloam Hospital.



The Libode-Dangwane road in Transkei. Transportation development forms part of the Bank's bulk infrastructure development programme. Twenty-one such projects were approved during the year

Venda

Project title:
Thohoyandou airport – additional
requirements
Investment programme

Loan amount:
R7 900 000
Total project cost:
R8 775 000

The project entails the construction of an airport at a site 16 km from Thohoyandou in a south-westerly direction. The project makes provision for bituminous surfacing of a 1 800 m × 30 m runway, a concrete parking apron, water supply, appropriate navigational aids, fencing and a terminal building of 394 m². In addition the project includes construction of 8 km from the Louis Trichardt main road to the entrance of the airport.

KwaNdebele

Project title:
Vlaklaagte-Tweefontein road
Ekangala-Vlaklaagte road
Pre-investment

Loan I : R150 000
Loan II: R410 000
Total project cost:
R620 000

The loans are to investigate alternative proposals and prepare route locations and feasibility reports, as well as to undertake detailed design studies in respect of the upgrading and bituminous surfacing of two existing gravel roads in KwaNdebele, respectively 16 km and 50 km in length.

Transkei

Project title:
Traffic counting system
Technical assistance

Grant amount:
R114 000
Total project cost:
R140 000

The grant is to assist with the establishment of a continuous traffic counting programme. The grant covers the first year of the programme during which four permanent stations will be established and counts will be made at one hundred temporary stations.

Transkei

Project title:
Planning for various road projects
Technical assistance

Loan amount:
R540 000
Total project cost:
R550 000

The project comprises the preliminary planning for the upgrading and bitumen surfacing of various road projects in the 'Transkei : National, main and secondary roads programme'.

Gazankulu

Project title:
Dwarsloop-Thulamahshe road
Pre-investment

Loan amount:
R315 000
Total project cost:
R350 000

The project entails financing of the preliminary planning and detailed design for the upgrading, realignment and bituminous surfacing of approximately 24 km of existing gravel road between Dwarsloop and Thulamahshe in the Mhala district of Gazankulu. The improvement of road infrastructure in the district is needed to support existing and future agricultural, small business, light industrial and tourism development as well as to contribute towards improved overall communication and mobility of the population within the area affected by the road and thereby contribute to the enhancement of their general standard of living.

Transkei	Loan amount:
Project title:	R330 600
Kinira River/Maclear road phase I	Total project cost:
Pre-investment	R8 340 000

The project entails the planning of part of the road from Kinira River near the north eastern border of Transkei to Mount Fletcher. This is a three-phase project. The phase under consideration consists of the 26 km of bitumen-surfaced road. This is an important trans-country link which could maximize economic benefits to the Transkei.

Transkei	Loan amount:
Project title:	R270 000
Magusheni-Lusikisiki road	Total project cost:
Pre-investment	R330 600

The loan provides for technical assistance for the pre-investment planning for the upgrading and surfacing of approximately 76 km of gravel road from Magusheni to Lusikisiki. This planning will include detailed design, preparation of contract documentation and any further investigations as agreed upon.

Venda	Loan amount:
Project title:	R450 000
Sibasa-Wylliespoort road phase III	Total project cost:
Pre-investment	R500 000

The project comprises the planning and detailed design for the upgrading and surfacing of a 30 km section of the Sibasa Wylliespoort road. Phase III comprises the section between the turn-off to Khakhu in the east (end of phase II) and the intersection with the Louis Trichardt/Messina road at Wylliespoort in the west at a cost of R500 000. This phase will constitute the last phase of this route.

Lebowa	Loan amount:
Project title:	R2 700 000
Major electrical substations and supply lines	Total project cost:
Investment programme	R3 436 000

The project entails the construction and completion of two electrical substations and improvement of the associated reticulation, to provide for the electrical power needs of Mahwelereng and Lenyenye and surrounding areas for industrial, commercial and agricultural development and to improve the quality of life of the inhabitants.

Transkei	Loan I (pre-investment): R315 000
Project title:	Loan II (investment): R1 685 000
Collywobbles flood protection works	Total project cost:
Pre-investment and investment programme	R2 200 000

The project comprises the construction of flood protection works at the recently constructed Collywobbles hydro-electric power station on the Mbashe River.

Energy development



**Posts and
telecommunications
development**

Transkei

Project title:
22 kV transmission line to Cala
Investment programme

Loan amount:
R640 000
Total project cost:
R800 000

The project entails construction of a 30 km 22 kV electrical transmission line from Ncora to Cala and a 5 km spur from Cala line to a jointly operated TBC and SABC transmitter tower.

Venda

Project title:
Venda electricity corporation
Technical assistance and pre-investment

Loan amount (pre-investment): R495 000
Grant amount (technical assistance): R330 000
Total project cost:
R550 000

The project serves to facilitate the establishment of the Venda Electricity Corporation (VEC) by the Venda Government. Financial assistance in this regard will be for the appointment of core personnel, training of technicians and for essential electricity system planning and a tariff study.

Transkei

Project title:
Ezibeleni electronic telephone exchange
Investment programme

Loan amount:
R6 525 000
Total project cost:
R7 250 000

Situated at an industrial development point, the project comprises a containerized electronic automatic telephone exchange with aerial cable links to Queenstown, Lady Frere and Ilingwe, as well as a microwave radio link to Umtata. 1 400 subscriber lines are provided and future expansion of up to 5 000 lines is possible. This project therefore forms an important element of a larger national grid for Transkei.

ANNEXURE 2

ASSIGNMENT PROGRAMME

The following assignments were completed during the year under review:

Development information files

- ☐ Republic of Venda: Development information 1985.
- ☐ Republic of Ciskei: Development information 1985.
- ☐ Gazankulu: Development information 1985.
- ☐ KaNgwane: Development information 1985.
- ☐ Qwaqwa: Development information 1985.

Economic and social memoranda

- ☐ Republic of Bophuthatswana: Introductory economic and social memorandum
- ☐ Republic of Ciskei: Introductory economic and social memorandum

Statistical studies

- ☐ Baseline data study in rural Transkei
- ☐ Calculation of the gross domestic product of Venda

Position papers

- ☐ An introductory perspective on road transport in Southern Africa
- ☐ The concept of an export processing zone and its application to Southern Africa.
- ☐ The evolution of development thinking: Lessons for appropriate development strategies in Southern Africa.

Policy and planning studies

- ☐ A framework for agricultural development planning with specific reference to the developing states in Southern Africa
- ☐ An investigation into the sources of finance and the concomitant institutional arrangements for agricultural development (Terms of reference for an investigation by the Multilateral Technical Committee on Agriculture and Environment Affairs)
- ☐ Cost recovery in respect of infrastructural projects: General policy framework
- ☐ Differential tax systems in Southern Africa: Submission for the Margo Commission of Inquiry into the tax structure of South Africa
- ☐ Guidelines for rural water supply

- ☐ Ideal balance sheet and other ratios for DBSA
- ☐ Qamata Agricultural Scheme: Opinion survey
- ☐ The determination of the Bank's interim accommodation needs.

Planning and economic studies

(The client's name is given in brackets)

- ☐ The determination of the viability of industries for purpose of the industrial development programme (Qwaqwa Development Corporation: 19 assignments; Lebowa Development Corporation: 1 assignment; Venda Agricultural Corporation: 1 assignment)
- ☐ An indication of commercial farm unit sizes in the Lower Fish River Valley of Ciskei (Ciskei Agricultural Corporation)
- ☐ Appraisal of the activities of Venda Development Corporation (Venda Development Corporation)
- ☐ Bophuthatswana: Research on housing requirements and income profiles (Bophuthatswana Government)
- ☐ Buffelspruit irrigation project (KaNgwane Government)
- ☐ Citrus viability: Ciskei citrus projects (Ciskei Agricultural Corporation)
- ☐ Commercial cattle farming (KwaNdebele National Development Corporation)
- ☐ Commercial silk production (Shangaan/Tsonga Development Corporation)
- ☐ Hout River intensive lamb production scheme (Lebowa Agricultural Company)
- ☐ Kudala broiler project (Shangaan/Tsonga Development Corporation)
- ☐ Malonga pilot project (Venda Agricultural Corporation)
- ☐ Marketing trends in the pig industry (Qwaqwa Agricultural Company)
- ☐ Pig production in KwaNdebele (KwaNdebele Government)
- ☐ Strassburg processing of fruit and vegetables (Lebowa Agricultural Company)
- ☐ Tswelopele irrigation project: Farmer settlement investigation and opinion survey (Lebowa Agricultural Company)

- ☐ Tubatshe cotton ginning mill (Lebowa Agricultural Company)
- ☐ Upper Mutale Valley development plan (Agriven)
- ☐ Venda Agricultural Corporation: Report on financial policy (Venda Agricultural Corporation).

Technical studies

(The client's name is given in brackets)

- ☐ Buffelspruit detailed soil survey (KaNgwane Government)
- ☐ Buffelspruit: Land-use plan (KaNgwane Government)
- ☐ Hout River intensive lamb production scheme: Soil survey (Lebowa Agricultural Company)
- ☐ Investigation into alternative building structures for broiler production (Qwaqwa Agricultural Company)
- ☐ Lower Fish River joint irrigation project: A preliminary agricultural investigation (Ciskeian and South African Governments)
- ☐ Nwanedi integrated agricultural development programme: Phase 1 (Venda Agricultural Corporation)
- ☐ Summary of the available potential of underdeveloped areas in the Upper Mutale Valley (Venda Agricultural Corporation)
- ☐ Thukela irrigation project: Crop adaptation study (KwaZulu Government)
- ☐ Waste wood disposal: Nkowankowa (Shangaan/Tsonga Development Corporation)
- ☐ West Nkomazi reconnaissance soil survey (KaNgwane Government)
- ☐ Zebediela dryland project: Extended soil survey (Lebowa Agricultural Company)

Project co-ordination and advisory services

(The client's name is given in brackets)

- ☐ Botshabelo: Standard factories (South African Development Trust Corporation)
- ☐ Dimbaza video tape factory (Ciskei Peoples Development Bank)
- ☐ Ekandustria: Industrial township management (KwaNdebele National Development Corporation)
- ☐ Guidelines for the management and operation of the sewage and industrial effluent system at Ekandustria (KwaNdebele National Development Corporation)
- ☐ Phuthaditjhaba: Standard factories (Qwaqwa Development Corporation)

Training assignments

(The client's name is given in brackets)

- ☐ Labour management course (Venda Agricultural Corporation)
- ☐ On-the-job training and implementation of urban management systems (Ciskei Government)
- ☐ Seminar on transportation issues facing developing economies
- ☐ The determination of human resource development needs in the Bank.

ANNEXURE 3

PARTICIPATING STATES

In this annexure, some salient features of each participating state are provided, as well as a short description and a table of the Bank's exposure in that particular state.

	1980	1985
Population ('000)	1 511	1 721
Migrant workers	218 000	246 000
Commuters	102 000	116 000
Gross domestic product (R million)	616	1 163
Gross national product (R million)	1 194	2 640
GNP per capita (R)	691	1 342
Government income (excluding loans) (R million)	309 ¹⁾	669 ²⁾
Government expenditure ³⁾ (R million)	306 ¹⁾	997 ²⁾
Primary pupils ('000)	318	356
Secondary pupils ('000)	117	162

Bophuthatswana

Bophuthatswana forms part of four of the development regions of Southern Africa. As a result different considerations might apply whenever the regional impact of various project applications are considered.

A feature is that the number of project applications received stabilised around 20 per annum and did not increase as much as applications from most other participating states. More than 20 project applications are also already fully disbursed. Urban development is expected to become a major sector of the economy in the near future. As a result project applications for urban development are expected to increase. The designated agency function is performed by a special committee in Bophuthatswana, but the Department of Economic Affairs acts as the formal point of communication with the Bank.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	20	22	81 646	82 270
Fixed commitments	20	28	48 079	145 444
Expected commitments	20	24	101 361	109 674
Total	60	74	231 086	337 388

¹⁾ Actual income and expenditure.

²⁾ Estimates of income and expenditure.

³⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

Ciskei

	1980	1985
Population ('000)	683	750 ¹⁾
Migrant workers	56 000	60 000
Commuters	38 100	48 000
Gross domestic product (R million)	130	397
Gross national product (R million)	305	825
GNP per capita (R)	412	1 019
Government income (excluding loans) (R million)	113 ²⁾	425 ³⁾
Government expenditure ⁴⁾ (R million)	125 ²⁾	592 ³⁾
Primary pupils ('000)	174	197
Secondary pupils ('000)	46	56

The number of project applications accepted for the project pipeline by the Bank increased to 72. The bulk of these applications addressed the challenge of urban development while bulk infrastructure also received emphasis. Another positive development has been project applications on agricultural development and especially the identification of several livestock projects. It is expected that these trends will continue in future, while the deregulation policy adopted by this country promises to stimulate economic activity even further.

The designated agency function is performed by the Planning Directorate in Ciskei. As a result much emphasis is put on development planning as a prerequisite for the identification of projects. This is viewed as a positive development.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	8	8	31 909	31 909
Fixed commitments	18	30	85 506	107 709
Expected commitments	26	34	130 391	288 444
Total	52	72	247 806	428 062

¹⁾ Preliminary figure at present subject to an investigation.

²⁾ Actual income and expenditure.

³⁾ Estimates of income and expenditure.

⁴⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

	1980	1985
Population ('000)	517	620
Migrant workers	50 000	65 000
Commuters	8 800	9 900
Gross domestic product (R million)	74	230
Gross national product (R million)	182	530
GNP per capita (R)	321	773
Government income (excluding loans) (R million)	56 ¹⁾	189 ²⁾
Government expenditure ³⁾ (R million)	54 ¹⁾	203 ²⁾
Primary pupils ('000)	123	171
Secondary pupils ('000)	22	39

Gazankulu

The total number of project applications increased from 9 at the start of the year to 26. Fixed commitments by the Bank increased by 70 per cent over the year. The largest increase was experienced in expected commitments which increased to 16.

The Bank's financial contribution (including expected commitments) towards the provision of bulk infrastructural services increased from 16 to 65 per cent of its total contribution to Gazankulu. This resulted in a relative decrease in its contribution towards economic development from 83 to 33 per cent. The amounts involved, however, increased by nearly 43 per cent. The Bank's total contribution towards Gazankulu's development increased by more than 260 per cent.

The designated agency function is performed by the Department of Finance.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	—	1	—	1 875
Fixed commitments	4	9	16 588	26 199
Expected commitments	5	16	18 407	98 232
Total	9	26	34 995	126 306

¹⁾ Actual income and expenditure.

²⁾ Estimates of income and expenditure.

³⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

KaNgwane

	1980	1985
Population ('000)	312	448
Migrant workers	48 000	62 000
Commuters	35 600	47 000
Gross domestic product (R million)	49	108
Gross national product (R million)	183	485
GNP per capita (R)	508	951
Government income (excluding loans) (R million)	24 ¹⁾	107 ²⁾
Government expenditure ³⁾ (R million)	23 ¹⁾	117 ²⁾
Primary pupils ('000)	77	106
Secondary pupils ('000)	13	23

The Bank's total involvement in KaNgwane remained unchanged during the year under review. Expectations are, however, that the situation will change in the new year. Based on applications received by the end of 1985/86, which are still to enter the pipeline, the Bank's potential contribution towards KaNgwane's development could well increase by more than 340 per cent. The largest increase is expected to be in financing the provision of bulk infrastructure. Industrial and agricultural development are also expected to receive priority.

The designated agency function is performed by the Office of the Department of the Chief Minister and Economic Affairs.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	—	—	—	—
Fixed commitments	4	4	9 909	9 594
Expected commitments	2	2	2 500	3 218
Total	6	6	12 409	12 812

¹⁾ Actual income and expenditure.

²⁾ Estimates of income and expenditure.

³⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

	1980	1985
Population ('000)	158	286
Migrant workers	44 000	72 000
Commuters	5 900	20 000
Gross domestic product (R million)	16	52
Gross national product (R million)	103	411
GNP per capita (R)	513	1 147
Government income (excluding loans) (R million)	17 ¹⁾	66 ²⁾
Government expenditure ³⁾ (R million)	11 ¹⁾	69 ²⁾
Primary pupils ('000)	42	82
Secondary pupils ('000)	7	19

KwaNdebele

The number of project applications from KwaNdebele accepted for the project pipeline by the Bank increased during the past year to 17. This increase was mainly due to the number of applications received for urban development, which is a reflection of the need for the expansion of urban infrastructure in KwaNdebele.

Investment in transportation development also received priority, demonstrating the importance of labour mobility between KwaNdebele and the PWV area.

The designated agency function is performed by the Department of Finance and Economic Affairs.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	—	—	—	—
Fixed commitments	1	4	6 225	20 836
Expected commitments	6	13	44 430	58 488
Total	7	17	50 655	79 324

¹⁾ Actual income and expenditure.

²⁾ Estimates of income and expenditure.

³⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

KwaZulu

	1980	1985
Population ('000)	3 483	4 382
Migrant workers	261 000	308 000
Commuters	363 900	432 000
Gross domestic product (R million)	437	1 062
Gross national product (R million)	1 594	4 044
GNP per capita (R)	426	862
Government income (excluding loans) (R million)	272 ¹⁾	787 ²⁾
Government expenditure ³⁾ (R million)	271 ¹⁾	845 ²⁾
Primary pupils ('000)	729	956
Secondary pupils ('000)	149	221

The KwaZulu development programme of the Bank more than doubled during the past year to a total of 34 project applications. It is expected that this trend will gain even more momentum in the next financial year.

The relative dominance of industrial development projects on the development programme decreased substantially during the past year. However, the number of transportation and urbanization applications showed a substantial growth. Given the present backlog in infrastructural services experienced in KwaZulu, it could be expected that the noted trend towards infrastructural development will continue for the foreseeable future.

The designated agency function is performed by the Department of Economic Affairs.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	—	1	—	45
Fixed commitments	4	10	71 625	101 471
Expected commitments	12	23	79 944	147 726
Total	16	34	151 569	249 197

¹⁾ Actual income and expenditure.

²⁾ Estimates of income and expenditure.

³⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

	1980	1985
Population ('000)	1 756	2 157
Migrant workers	175 000	207 000
Commuters	62 000	76 000
Gross domestic product (R million)	207	540
Gross national product (R million)	626	1 604
GNP per capita (R)	324	678
Government income (excluding loans) (R million)	140 ¹⁾	436 ²⁾
Government expenditure ³⁾ (R million)	142 ¹⁾	438 ²⁾
Primary pupils ('000)	475	535
Secondary pupils ('000)	92	171

Lebowa

Lebowa's lending programme has gained momentum during 1985/86, for the total number of projects has increased fourfold.

The initial emphasis was on industrial development but has now shifted towards agricultural and infrastructural development. Given that Lebowa's economy depends heavily on agriculture and has not as yet fully utilized its agricultural potential, the stimulation of this sector is appropriate.

The designated agency function is performed by the Department of Economic Affairs and Planning.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	—	1	—	3 944
Fixed commitments	3	10	19 614	30 849
Expected commitments	8	34	16 416	83 220
Total	11	44	36 030	118 013

¹⁾ Actual income and expenditure.

²⁾ Estimates of income and expenditure.

³⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

Qwaqwa

	1980	1985
Population ('000)	159	209
Migrant workers	43 000	57 000
Commuters	2 800	2 800
Gross domestic product (R million)	25	110
Gross national product (R million)	125	363
GNP per capita (R)	619	1 365
Government income (excluding loans) (R million)	25 ¹⁾	115 ²⁾
Government expenditure ³⁾ (R million)	26 ¹⁾	151 ²⁾
Primary pupils ('000)	49	66
Secondary pupils ('000)	15	21

A prominent trend during 1985/86 has been the acceleration in the number of project applications to the Bank, which has more than doubled.

Increased emphasis has been put on socio-economic programmes, especially urban development. Initially the emphasis was largely focused on industrial and agricultural development, mainly due to the need for the creation of employment opportunities in Qwaqwa.

The designated agency function is performed by the Department of Finance and Economic Affairs.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description No	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	—	2	—	617
Fixed commitments	6	6	46 384	51 629
Expected commitments	—	6	—	89 342
Total	6	14	46 384	141 588

¹⁾ Actual income and expenditure.

²⁾ Estimates of income and expenditure.

³⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

	1980	1985
Population ('000)	17 949	19 477
Gross domestic product (R million)	55 752	104 338
Gross national product (R million)	49 626	89 992
GNP per capita (R)	2 978	5 015
Government income (excluding loans) (R million)	13 310 ²⁾	29 730 ³⁾
Net borrowing (R million)	1 742 ²⁾	3 215 ³⁾
Government expenditure ⁴⁾ (R million)	13 595 ²⁾	32 977 ³⁾
Primary pupils ('000)	2 684	2 786
Secondary pupils ('000)	769	944

South Africa¹⁾

South Africa approached the Bank for financial assistance on several co-operation projects during the past year. These projects are undertaken jointly by South Africa and another state and are financed by the Bank. In this respect, agreements on water provision were concluded with the Lebowa Government and Groblersdal Municipality during early 1986. Recent indications are that South Africa will also allow selected development institutions from both the public and private sectors to approach the Bank with loan applications. Recent examples are applications from the Small Business Development Corporation, town councils and non-government organizations. It can therefore be expected that the Bank's exposure in the urban development centres of South Africa will increase. All applications from South Africa are co-ordinated by its Department of Finance as the designated agency for all formal communication with the Bank.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	—	—	—	—
Fixed commitments	—	2	—	6 111
Expected commitments	—	6	—	53 507
Total	—	8	—	59 618

¹⁾ Excluding the self-governing states.

²⁾ Actual income and expenditure.

³⁾ Estimates of income and expenditure.

⁴⁾ Including grants, loans and transfers to the TBVC and self-governing states to an estimated amount of R995 million in 1980/81 and R3 210 million in 1985/86.

Transkei

	1980	1985
Population ('000)	2 623	3 000
Migrant workers	355 084	412 000
Commuters	—	—
Gross domestic product (R million)	603	1 359
Gross national product (R million)	1 161	2 909
GNP per capita (R)	390	853
Government income (excluding loans) (R million)	326 ¹⁾	872 ²⁾
Government expenditure ³⁾ (R million)	335 ¹⁾	984 ²⁾
Primary pupils ('000)	582	690
Secondary pupils ('000)	151	193

The number of project applications received from Transkei in 1985/86 decreased from 41 during 1984/85 to 30. During the year, 37 projects were accepted for preparation and appraisal resulting in an 88 per cent increase in the number of projects that are still regarded as expected commitments. Fixed commitments increased by 66 per cent to 48 projects. It is notable that applications for urban development doubled and constituted some 30 per cent of all applications received.

During the past year major emphasis was again placed on development of bulk infrastructure but a trend towards socio-economic programmes has become evident, particularly in respect of integrated urban development.

The designated agency function is performed by the Department of Finance.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	19	20	46 532	47 901
Fixed commitments	29	48	143 605	269 712
Expected commitments	32	50	185 558	418 739
Total	80	118	375 695	736 352

¹⁾ Actual income and expenditure.

²⁾ Estimates of income and expenditure.

³⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

	1980	1985
Population ('000)	345	460
Migrant workers	35 000	45 000
Commuters	5 600	6 000
Gross domestic product (R million)	72	245
Gross national product (R million)	146	446
GNP per capita (R)	385	884
Government income (excluding loans) (R million)	68 ¹⁾	226 ²⁾
Government expenditure ³⁾ (R million)	68 ¹⁾	277 ²⁾
Primary pupils ('000)	114	135
Secondary pupils ('000)	26	46

Venda

During 1985/86 the number of projects in all phases of the project cycle increased from 26 to 39, an increase of 50 per cent. The movement of project applications through the project cycle reveals no major bottlenecks with fully disbursed projects increasing from 3 to 6, fixed commitments from 17 to 22 and expected commitments from 6 to 11.

An analysis of the functional allocation of projects, in all phases of the project cycle, reveals a shift in the bias towards bulk infrastructure projects from 52 per cent to 41 per cent. This was primarily due to an increased number of applications for agricultural and agro-industrial projects.

The designated agency function is performed by the Planning Directorate situated with the Office of the President.

The table reflects the actual position in number of project applications and expected loan amounts as at 1 April 1985 and 31 March 1986.

Description	Number of projects		Loan amount (R'000)	
	1 April 1985	31 March 1986	1 April 1985	31 March 1986
Fully disbursed projects	3	6	9 700	28 325
Fixed commitments	17	22	51 444	66 154
Expected commitments	6	11	11 860	54 642
Total	26	39	73 004	149 121

¹⁾ Actual income and expenditure.

²⁾ Estimates of income and expenditure.

³⁾ Deficit to be financed in principle by means of savings, grants and/or loans.

ANNEXURE 4

TABLES

Table 3: Southern Africa, salient features, 1985¹⁾

State	Gross geographical product		Population		Area km ²	Population per km ²	Per capita GGP R
	R million	%	'000	%			
South Africa (excluding self-governing states)	104 338	95,2	19 477	58,1	1 059 160	18,4	5 357
Transkei	1 359	1,2	3 000	9,0	42 000	71,4	453
Bophuthatswana	1 163	1,1	1 721	5,1	40 509	42,5	676
Venda	245	0,2	460	1,4	6 875	66,9	533
Ciskei	397	0,4	750	2,2	7 760	96,6	529
Self-governing states							
Gazankulu	230	0,2	620	1,9	6 565	94,4	371
KaNgwane	108	0,1	448	1,3	3 823	117,2	241
KwaNdebele	52		286	0,9	920 ²⁾	310,9	182
KwaZulu	1 062	1,0	4 382	13,1	31 000	141,4	242
Lebowa	540	0,5	2 157	6,4	21 833	98,8	250
Qwaqwa	110	0,1	209	0,6	655	319,1	526
Total	109 604	100	33 510	100	1 221 100	27,4	3 271
Development region							
A Western Cape	14 200	13,0	3 031	9,0	278 500 ³⁾	10,9	4 685
B Northern Cape/parts of Bophuthatswana	2 616	2,4	1 062	3,2	270 600	3,9	2 463
C Orange Free State/Qwaqwa/part of Bophuthatswana	7 151	6,5	2 239	6,7	118 900	18,8	3 194
D Eastern Cape/Ciskei/southern part of Transkei	7 176	6,5	4 185	12,5	151 900	27,6	1 715
E Natal/KwaZulu/northern part of Transkei	15 354	14,0	8 403	25,1	112 700	74,6	1 827
F Eastern Transvaal/KaNgwane	9 122	8,3	1 882	5,6	82 400	22,8	4 847
G Northern Transvaal/Venda/Lebowa/ Gazankulu	2 900	2,7	3 797	11,3	117 700	32,3	764
H Pretoria-Witwatersrand-Vaal Triangle/KwaNdebele/part of Bophuthatswana	45 401	41,4	7 349	21,9	27 300	269,2	6 178
J Western Transvaal/parts of Bophuthatswana	5 684	5,2	1 562	4,7	61 100	25,6	3 639
Total	109 604	100	33 510	100	1 221 100	27,4	3 271

¹⁾Preliminary estimates

²⁾1982 figure

³⁾Including Walvis Bay (approximately 26 000 km²)

Table 4: Details of approved loans per state and function, 1 April 1985 – 31 March 1986

Projects per function	Borrower	Loan period	Interest rate	Grace period, years		Total value of Bank contribution, R'000				State
				for loan repayment	for interest payment	Project investment loans	Technical assistance ¹⁾		Guarantee	
							Loans	Grants		
		Years	%							
Development planning										
Economic plan, Thaba'Nchu	Govt	10	4	1	1		257			Bophuthatswana
Sinthumule/Kutama development strategy	Govt	10	4	2	2		216			Venda
Subtotal							473			
Mining & mineral development										
Inventory of coal resources	Govt							45		Venda
Subtotal								45		
Agricultural development										
Ncora interim maintenance funding	Govt	2	15	2	2	350				Transkei
East Pondoland sugar										
– Investigation	Tracor					15				Transkei
– Feasibility & viability of sugar	Tracor							45		Transkei
Dzindi agricultural development	Agriven	10	4	2	2				162	Venda
Tlhaping Tlharo water scheme	Govt	10	4	1	1				63	Bophuthatswana
Citrus development phase II										
– Orchards & fixed assets	Ulimocor	25	5	5	5	4 983				Ciskei
– Movable assets	Ulimocor	8	8	2	2	1 778				Ciskei
Farm system research	Govt							278		Ciskei
Phokoane maize project										
– Fixed assets	LDC	15	8	2	2	61				Lebowa
– Movable assets	LDC	8	8	2	2	583				Lebowa
– Inputs	LDC	9	8	9	2	541				Lebowa
Agricultural inventory, Mapulaneng	Govt	10	4	1	1		162			Lebowa
Grootfontein irrigation & dairy scheme	LDC	10	4	1	1				120	Lebowa
Subtotal						8 311	162	323	345	
Forestry development										
Umzimkulu afforestation										
– Share capital for development	TDC	32	5	22	8	1 909				Transkei
– Share capital for development	Tracor	32	5	22	3	1 909				Transkei
Subtotal						3 818				
Fishery development	none									
Agro-industrial development										
Sugar-cane										
– Establish new sugar-cane	KFC	10	9,5	2	2	6 682				KwaZulu
– Provision of funds	KFC	5	9,5	1	1	575				KwaZulu
Grain processing research	KFC							6		KwaZulu
Ciskei abattoir										
– Infrastructure	Ulimocor	15	11	1,5	1,5	194				Ciskei
Buildings	Ulimocor	5	14	1,5	1,5	804				Ciskei
Pilot silk production	STDC							112		Gazankulu
Subtotal						8 255		118		
Integrated urban development										
Bisho residential infrastructure										
– Connecting infrastructure	Govt	20	14	5	5	533				Ciskei
– Residential infrastructure	Govt	3	16	3	3	640				Ciskei
– Buy-back guarantee									1 280	Ciskei
Potsdam bulk & connector infrastructure	Govt	10	4	1	1				450	Ciskei
Bisho prestigious school infrastructure	CTC	15	14	2	2	508				Ciskei

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¹⁾The technical assistance programme provides for an option between a loan and a grant. Where option has not been executed, the loan option has been assumed for the purposes of this table.

Table 4: Details of approved loans per state and function, 1 April 1985–31 March 1986 (continued)

Projects per function	Borrower	Loan period	Interest rate	Grace period, years		Total value of Bank contribution, R'000					State
				for loan repayment	for interest payment	Project investment loans	Technical assistance ^{b)}			Guarantee	
							Loans	Grants	Pre-investment loans		
Years	%										
Ciskei Building Society, bridging finance	CBS	1	13	1	1	20 000					Ciskei
Port St Johns esplanade wall	Govt	10	4	1	1				122		Transkei
Transkei Building Society bridging finance	TNBS	1	13	1	1	10 000					Transkei
Mdantsane city planning	Govt							323			Ciskei
Installation of domestic water meters	Govt	10	12	4	2	2 100					Ciskei
Bisho infrastructural development											
– Water supply	Govt	10	4	1	1				79		Ciskei
– Electricity	Govt	10	4	1	1				20		Ciskei
– Eastern collector road	Govt	10	4	1	1				69		Ciskei
– Stormwater	Govt	10	4	1	1				40		Ciskei
– Transport study	Govt	10	4	1	1				32		Ciskei
– Bulk sewerage	Govt	10	4	1	1				23		Ciskei
Seshego urban infrastructure, phase I	Govt	20	10	2	2	2 950					Lebowa
Odi electrification of houses											
– Guarantee	BBS								5 000		Bophuthatswana
– Loan	Govt	20	10	4	4	10 211					Bophuthatswana
Mogwase sewage purification	Govt	20	10	3	3	4 144					Bophuthatswana
Mogwase outfall sewerage	Govt	20	5	3	3	3 285					Bophuthatswana
Osizweni sewage pump	Govt	20	10	2	2	4 936					KwaZulu
Queenstown/Ezibeleni/Ilinge development strategy	Govts							150			Transkei/ South Africa
Umtata purification works	Govt	20	10	2	2	5 071					Transkei
Ncamedlana reservoir II	Govt	20	10	1	1	854					Transkei
Mogwase housing unit 5	BHC	10	4	1	1				135		Bophuthatswana
Butterworth masterplan	Municipality	10	4	1				132			Transkei
Subtotal						65 232	132	473	970	6 280	
Small business development											
Lebowa small business											
– Finance, small businessmen	LDC	6	12	0,5	0,5	1 288					Lebowa
– Finance, infant businessmen	LDC	6	7	0,5	0,5	144					Lebowa
– Finance, facilities, small businessmen	LDC	15	9	1	1	958					Lebowa
– Finance, facilities, infant businessmen	LDC	15	7	1	1	640					Lebowa
Ciskei small business											
– Finance, small businessmen	CPDB	6	12	0,5	0,5	1 400					Ciskei
– Facilities, small businessmen	CPDB	15	9	1	1	2 677					Ciskei
– Finance, infant businessmen	CSBC	6	7	0,5	0,5	125					Ciskei
– Finance, small businessmen	CSBC	6	12	0,5	0,5	200					Ciskei
– Facilities, small businessmen	CSBC	15	9	1	1	724					Ciskei
– Facilities, infant businessmen	CSBC	15	7	1	1	120					Ciskei
Gazankulu small business development											
– Finance, infant businessmen	STDC	6	7	0,5	0,5	38					Gazankulu
– Finance, small businessmen	STDC	6	9	0,5	0,5	900					Gazankulu
– Finance, training facilities	STDC	20	5	1	1	32					Gazankulu
– Finance, physical facilities	STDC	15	7	1	1	1 261					Gazankulu
– Finance, commercial facilities	STDC	15	9	1	1	329					Gazankulu
KwaZulu small business	KFC	15	8-10	2	2	2 562					KwaZulu
Qwaqwa small business											
– Small business contractors	QDC	6	12	0,5	0,5	40					Qwaqwa
– Working capital & equipment	QDC	6	7	0,5	0,5	208					Qwaqwa
(continued on next page)											

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^{b)} The technical assistance programme provides for an option between a loan and a grant. Where option has not been executed, the loan option has been assumed for the purposes of this table.

Table 4: Details of approved loans per state and function, 1 April 1985–31 March 1986 (continued)

Projects per function	Borrower	Loan period	Interest rate	Grace period, years		Total value of Bank contribution, R'000				State
				for loan repayment	interest for investment payment	Project investment loans	Technical assistance ¹⁾		Guarantee	
							Loans	Grants		
		Years	%							
– Training facilities	QDC	20	5	1	1	95				Qwaqwa
– Market stalls & industrial shelters	QDC	15	7	1	1	261				Qwaqwa
KwaNdebele small business development programme	KNDC	15	9	1	1	1 222				KwaNdebele
Urban areas small business										
– Finance, small business	SBDC	15	9	2	2	3 994				South Africa
– Finance, Umlazi station commercial centre	SBDC	15	9	2	2	1 093				KwaZulu
Subtotal						20 311				
Industrial development										
Phuthaditjaba industrial project										
– Factory buildings	QDC	15	13	2	2	7 288				Qwaqwa
– Infrastructure	QDC	20	12	2	2	768				Qwaqwa
Thohoyandou infrastructure	VDC					730				Venda
Mkhuhlu factory buildings	STDC	15	13	1,5	1,5	1 312				Gazankulu
Mkhuhlu infrastructure	STDC	20	12	1,5	1,5	498				Gazankulu
Thohoyandou standard factories	VDC	15	13	1,5	1,5	12 544				Venda
Ekandustria industrial No II	KNDC	15	11	2	2	11 700				KwaNdebele
Bophuthatswana industrial project I										
– Standard factory buildings	BNDC	15	13	2	2	12 902				Bophuthatswana
– Infrastructure	BNDC	20	12	3	3	3 224				Bophuthatswana
– Private factories	BNDC	15	15	2	2	10 360				Bophuthatswana
Transkei industrial project I	TDC	15	13	1,5	1,5	13 210				Transkei
Industrial strategy, Region D	Govts							110		Ciskei/Transkei/ South Africa
Subtotal						74 536		110		
Commercial development	none									
Tourism development	none									
Integrated rural development										
Local energy & forestry programme I										
– Capital expenditure	Govt	34	5	9	9	1 680				Transkei
– Operating cost	Govt	20	8	9	9	1 639				Transkei
Local energy & forestry programme II										
– Acat woodlot	Acat							25		Transkei
– Tatu woodlot	Tatu							165		Transkei
– Agro-forestry research	Tatu							208		Transkei
Village pilot project	Govt							144		Gazankulu
Establishment of savings clubs	Acat							900		Transkei
Tshitale integrated development	Govt	10	4	1	1		135			Venda
Subtotal						3 319	135	1 442		
Human resource development										
Zwelethemba Technical College										
– Capital improvements	Govt	20	5	1	1	617				Ciskei
– Furniture & equipment	Govt	10	5	1	1	147				Ciskei
Vulindlela Technical Centre										
– Capital improvements	Govt	20	5	1	1	1 696				Ciskei
– Furniture & equipment	Govt	10	5	1	1	367				Ciskei
Lennox Sebe College of Education	Govt	20	5	1	1	1 444				Ciskei
Hlaziva In-service Centre	Govt	20	5	1	1	199				Ciskei
Odi Manpower Centre										
– Physical infrastructure	Govt	20	5	2	2	16 341				Bophuthatswana
(continued on next page)										

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¹⁾The technical assistance programme provides for an option between a loan and a grant. Where option has not been executed, the loan option has been assumed for the purposes of this table.

Table 4: Details of approved loans per state and function, 1 April 1985–31 March 1986 (continued)

Projects per function	Borrower	Loan period	Interest rate	Grace period, years		Total value of Bank contribution, R'000				State
				for loan repayment	interest payment	Project investment loans	Technical assistance ¹⁾		Guarantee	
							Loans	Grants		
Years	%									
– Equipment	Govt	10	5	2	2	4 590				Bophuthatswana
Thohoyandou Technical High School	Govt	20	5	2	2	3 852				Venda
Gemsbokfontein nucleus project										
– Physical infrastructure	Govt	20	5	1	1	536				KwaNdebele
– Infrastructural equipment	Govt	15	15	1	1	425				KwaNdebele
– Equipment & nursery	Govt	10	8	1	1	168				KwaNdebele
Tsolo Agricultural College	Govt	10	4	2	2			508		Transkei
Umtata College of Education	Govt	10	4	2	2			860		Transkei
Subtotal						30 382		1 368		
Water resource development										
Giyani mass water reticulation stage II	Govt	20	8	3,5	3,5	6 800				Gazankulu
Grobblersdal/Lebowa joint water scheme										
– Purification	Municipality	20	10			2 118				South Africa
Pipeline	Govt	20	10	2	2	2 553				Lebowa
Ciskei water projects	Govt	10	4	2	2			158		Ciskei
Shatale emergency water supply	Govt	20	10	1	1	733				Lebowa
Mmabatho water supply phase III	Govt	20	10	4	4	12 350				Bophuthatswana
Ciskei water development plan	Govt	10	4	1	1		234			Ciskei
Subtotal						24 554	234	158		
Transportation development										
Dwarsloop – Thulamahshe road	Govt	10	4	2	2			315		Gazankulu
Nebo-Jane Furse road	Govt	20	5	1	1	7 956				Lebowa
Mogwase – Saulspoort road	Govt	20	5	2	2	2 700				Bophuthatswana
Kudube-Mabopane road phase I	Govt	17	5	1	1	6 100				Bophuthatswana
Hebron – Jericho road phase I	Govt	20	5	1,5	1,5	5 000				Bophuthatswana
Thaba N'chu/Selosesha airport phase I	Govt	20	5	2	2	4 000				Bophuthatswana
Vlaklaagte – Tweefontein road	Govt	10	4	2	2			150		Kwandebele
Elangala – Vlaklaagte road	Govt	10	4	2	2			410		KwaNdebele
Sibasa – Wylliespoort road										
– Phase I	Govt	20	5	2	2	4 500				Venda
– Phase II	Govt	20	5	2	2	8 800				Venda
– Phase III	Govt	10	4	2	2			450		Venda
Thohoyandou airport add requirements	Govt	20	7	5	5	7 900				Venda
Inanda stone quarry & cemetery road	Govt	20	6	1	1	1 899				KwaZulu
Mbazwane – Manzengwenza road	Govt	10	5	1	1	1 125				KwaZulu
Ulundi airport	Govt	20	5	2	2	2 900				Kwazulu
Libode-Dangwane road phase II	Govt	20	5	3	3	16 000				Transkei
Traffic counting system	Govt	10	4	1	1			114		Transkei
Planning for various road projects	Govt	10	4	5	5			540		Transkei
R56 Kinira River Maclear road phase I	Govt	10	4	5	5				331	Transkei
Magusheni-Lusikisiki road	Govt	10	4	5	5				270	Transkei
Walaza Bridge/Lady Grey road	Govt	20	5	3	3	14 000				Transkei
Rehabilitation of N2 road	Govt	20	5	3	3	33 440				Transkei
Subtotal						116 320	654	1 926		

(continued on next page)

¹⁾The technical assistance programme provides for an option between a loan and a grant. Where option has not been executed, the loan option has been assumed for the purposes of this table.

Table 4: Details of approved loans per state and function, 1 April 1985 – 31 March 1986 (continued)

Projects per function	Borrower	Loan period	Interest rate	Grace period, years		Total value of Bank contribution, R'000					State
				for loan repayment	for interest payment	Project investment loans	Technical assistance ¹⁾		Guarantee		
							Loans	Grants		Pre-investment loans	
		Years	%								
Energy development											
Electrical substations and supply lines	Govt	20	10	1,5	1,5	2 700				Lebowa	
Collywobbles flood protection works											
– Design of construction	Tescor	10	4	1	1				315	Transkei	
– Physical infrastructure	Tescor	20	13	0,5	0,5	1 685				Transkei	
22 kV transmission line to Cala	Tescor	20	15	1	1	640				Transkei	
Venda Electricity Corporation											
– Establishment costs	Govt							330		Venda	
– Design of premises	Govt	10	4	1	1				495	Venda	
Subtotal						5 025		330	810		
Posts & telecommunication development											
Ezibeleni electronic telephone exchange	Govt	15	12	3	1,5	6 525				Transkei	
Subtotal						6 525					
TOTAL						366 588	1 136	3 495	5 577	6 280	

Table 5: Fixed and expected commitment (preparation to evaluation phase), summary per participating state and development region

Participating state/region	Position as at 1 April 1985			Position as at 31 March 1986		
	Number of projects	Total expected investment R'000	Total loan value R'000	Number of projects R'000	Total expected investment R'000	Total loan value R'000
South Africa						
Transkei	80	944 067	375 695	118	1 026 593	736 352
Bophuthatswana	60	389 466	231 086	74	635 014	337 388
Venda	26	125 640	73 004	39	210 405	149 121
Ciskei	52	429 791	247 816	72	636 786	428 062
Gazankulu	9	64 047	34 995	26	196 646	126 306
KaNgwane	6	18 787	12 409	6	18 877	12 812
KwaNdebele	7	74 969	47 325	17	128 294	79 324
KwaZulu	16	286 186	151 569	34	438 323	249 197
Lebowa	11	65 394	36 030	44	167 306	118 013
Qwaqwa	5	63 612	44 496	14	208 253	141 588
Total	272	2 461 959	1 254 425	452	3 801 028	2 437 781
Development region						
A Western Cape						
B Northern Cape/parts of Bophuthatswana	45	268 198	152 793	12	52 282	39 317
C Orange Free State/Qwaqwa/part of Bophuthatswana	8	83 727	54 365	19	257 168	157 812
D Eastern Cape/Ciskei/southern part of Transkei	120	936 265	561 089	182	1 461 352	1 060 902
E Natal/KwaZulu/northern part of Transkei	28	723 779	213 991	47	735 409	428 397
F Eastern Transvaal/KaNgwane	7	26 353	16 545	6	18 877	12 569
G Northern Transvaal/Venda/Gazankulu	45	247 515	139 893	110	579 557	355 129
H Pretoria-Witwatersrand-Vaal Triangle/KwaNdebele/part of Bophuthatswana	19	176 122	115 749	34	279 538	180 907
J Western Transvaal/parts of Bophuthatswana				42	416 845	202 748
Total	272	2 461 959	1 254 425	452	3 801 028	2 437 781

¹⁾ The technical assistance programme provides for an option between a loan and a grant. Where option has not been executed, the loan option has been assumed for the purposes of this table.

Table 6: Fixed and expected commitments (preparation to evaluation phase), summary per programme and development function, 31 March 1986

Development functions	Investment programme			General technical assistance			Pre-investment, technical assistance		
	Number of projects	Total expected investment R'000	Total loan value R'000	Number of projects	Total expected investment R'000	Total loan value R'000	Number of projects	Total expected investment R'000	Total loan value R'000
Development planning				10	2 059	1 759			
Economic sectors									
Mining & mineral development				2	1 980	1 548			
Agricultural development	77	433 173	293 399	17	5 732	4 736	14	1 120	1 005
Forestry development	5	56 213	20 052						
Fishery development	1	500	501						
Agro-industrial development	24	408 994	158 778	3	274	164			
Industrial development	32	787 318	356 240	1	110	110			
Commercial development	1	13 800	8 818						
Tourism development	3	13 924	11 121	4	432	381	1	100	82
Subtotal	143	1 713 922	848 909	27	8 528	6 939	15	1 220	1 087
Socio-economic programmes									
Integrated rural development	4	12 337	9 498	12	9 690	6 300			
Integrated urban development	55	299 290	231 892	11	1 093	1 595	16	7 917	8 164
Small business development	13	66 118	39 446						
Human resource development	35	273 551	219 208	4	1 150	869	2	1 520	1 405
Subtotal	107	651 296	500 044	27	12 833	8 764	18	9 437	9 569
Bulk infrastructure									
Water resource development	41	536 659	419 578	3	1 160	1 005	6	750	687
Transportation development	61	579 711	497 338	4	1 968	1 536	10	2 765	2 561
Energy development	10	43 866	15 617	2	660	596	1	350	324
Posts & telecommunications development	10	133 074	45 188						
Subtotal	122	1 293 310	977 721	9	3 788	3 137	17	3 865	3 572
Total	372	3 658 528	2 326 674	73	27 208	20 599	50ⁿ⁾	14 522	14 228

(continued on next page)

ⁿ⁾ Not included in the total as it is already reflected in the investment programme.

Table 6: Fixed and expected commitments (preparation to evaluation phase), summary per programme and development function, 31 March 1986 (continued)

Development functions	Guarantee programme			Total		
	Number of projects	Total expected investment R'000	Loan amount guaranteed R'000	Number of projects	Total investment R'000	Total loan value R'000
Development planning				10	2 059	1 759
Economic sectors						
Mining & mineral development				2	1 980	1 548
Agricultural development				94	440 025	299 140
Forestry development				5	56 213	20 052
Fishery development				1	500	501
Agro-industrial development				27	409 268	158 942
Industrial development				33	787 428	356 350
Commercial development				1	13 800	8 818
Tourism development				7	14 456	11 584
Subtotal				170	1 723 670	856 935
Socio-economic programmes						
Integrated rural development				16	22 027	15 798
Integrated urban development	7	100 770	76 280	73	409 970	317 931
Small business development				13	66 118	39 446
Human resource development				39	276 221	221 482
Subtotal	7	100 770	76 280	141	774 336	594 657
Bulk infrastructure						
Water resource development				44	538 569	421 270
Transportation development				65	584 444	501 435
Energy development				12	44 876	16 537
Posts & telecommunications development				10	133 074	45 188
Subtotal				131	1 300 963	984 430
Total	7	100 770	76 280	452	3 801 028	2 437 781

Table 7: Fixed and expected commitment (preparation to evaluation phase), summary per development programme and project cycle

Development programme	Position as at 1 April 1985			Position as at 31 March 1986		
	Number of projects	Total expected investment R'000	Total loan value R'000	Number of projects R'000	Total expected investment R'000	Value R'000
Investment programme						
Projects fully disbursed	43	291 362	168 940	51	315 937	197 8
Fixed commitments	81	921 081	486 081	136	1 428 075	86
Subtotal	124	1 212 443	655 021	187	1 744 012	1
Expected commitments	104	1 206 004	563 207	185	1 914 516	1
Subtotal	228	2 418 447	1 218 228	372	3 658 528	2 32
General technical assistance						
Projects fully disbursed	7	1 122	1 051	8	1 375	1 1
Fixed commitments	23	8 118	6 327	35	13 291	6 6
Subtotal	30	9 240	7 378	43	14 666	7
Expected commitments	12	12 992	7 539	30	12 542	12
Subtotal	42	22 232	14 917	73	27 208	20
Pre-investment technical assistance						
Projects fully disbursed				30	8 722	
Fixed commitments				30	8 722	
Subtotal				20	5 800	5 800
Expected commitments						
Subtotal				50^{b)}	14 522	14 228
Guarantee programme						
Projects fully disbursed						
Fixed commitments	1	20 000	20 000	4	45 770	21 25
Subtotal	1	20 000	20 000	4	45 770	21 25
Expected commitments	1	1 280	1 280	3	55 000	55 000
Subtotal	2	21 280	21 280	7	100 770	76 25
Total						
Projects fully disbursed	50	292 484	169 991	59	317 312	199
Fixed commitments	105	949 199	512 408	175	1 495 858	842 5
Grand total	155	1 241 683	682 399	234	1 813 170	1 041 3
Expected commitments	117	1 220 276	572 026	218	1 987 858	1 396 3
Grand total	272	2 461 959	1 254 425	452	3 801 028	2 437 7
Agency service						
Projects fully disbursed				3	2 330	
Fixed commitments				18	119 230	
Subtotal				21	121 560	
Expected commitments				9	60 896	
Grand total				30	182 456	

^{b)}The number of projects are not included in the total because they are already included in the investment grand total.

