



# The Development Bank of Southern Africa

## Annual Report 1986-87



# Milestones

- 22 November 1979:** 'Carlton Conference' in Johannesburg between the South African government and business leaders at which the then Prime Minister of South Africa, Mr P W Botha, mooted the idea of a development bank for Southern Africa.
- 23 July 1980:** Summit meeting between heads of government of South Africa, Transkei, Bophuthatswana and Venda, at which a declaration to promote private investment was approved and announced. Subsequently this was ratified by the government of Ciskei as well.
- 1981:** A new regional development policy was formulated by these governments and those of the self-governing territories in South Africa, based on eight development regions (later increased to nine) transcending political borders.
- 12 November 1981:** At the 'Good Hope Conference' in Cape Town between the South African government and business leaders, representatives of the private sector were informed about the new regional development policy and of progress towards the establishment of the Development Bank of Southern Africa.
- 30 June 1983:** The Agreement constituting the Development Bank of Southern Africa was signed in Cape Town by the original member governments, South Africa, Transkei, Bophuthatswana, Venda and Ciskei. The first Council of Governors had its inaugural meeting at which members of the Board of Directors were elected and a chief executive was appointed.
- 1 September 1983:** The Bank officially opened.
- 1 February 1984:** The Bank began operations in temporary offices in Sandton by taking over the administration of 96 approved projects and 42 projects in the pipeline with a loan value of R354,6 million from the government of South Africa. In addition, 15 new project applications were submitted to the Bank.
- 31 March 1984:** The Bank's staff numbered 198.
- 19 September 1984:** First loan agreement on a project appraised by the Bank itself was signed.
- 31 March 1985:** The total commitments of the Bank in respect of financial support for projects had increased to R656 million. The total number of projects in the project cycle had increased from the original 138 to 272 with a total estimated Bank loan value of R1 254 million and a total estimated investment value of R2 462 million. The Bank's staff numbers had reached 291.
- 31 March 1986:** The total commitments of the Bank in respect of financial support for projects had increased to R1 017 million. The total number of projects in the project cycle had increased to 452 with a total estimated Bank loan value of R2 438 million and a total estimated investment value of R3 801 million. The Bank now had 378 staff members.
- January 1986:** Preparation for the construction of the Bank's permanent headquarters at Midrand started. It is envisaged that the Bank will move to these premises before the end of 1988.
- 31 March 1987:** The total commitments of the Bank in respect of financial support for projects had increased to R1 511 million. The total number of projects in the project cycle had increased to 611 with a total estimated Bank loan value of R3 881 million and an estimated total investment value of R5 197 million. The Bank now had 484 staff members.



## Annual Report 1986-87

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# The Development Bank of Southern Africa

The Bank was established on 30 June 1983 as an outcome of widely held views that new initiatives with regard to development in Southern Africa were urgently needed. It started operating in September of the same year. In just over three years of operations the Bank has approved financial support totalling more than R1 500 million to a large variety of development projects.

The Bank facilitates development through loan finance and support for projects that advance the level of development to those communities and regions in Southern Africa which are in need of such assistance. The Bank also provides a number of other services such as technical assistance loans and grants for and advice on project preparation and development planning, as well as research, training and publications on development.

The objectives of the Bank are:

- ☐ to reduce imbalances in the levels of economic development existing in Southern Africa
- ☐ to promote the investment of public and private capital and to utilize funds from financial markets and other resources to promote development
- ☐ to provide finance for development projects on terms which are more flexible and less demanding than those of conventional loans
- ☐ to provide technical assistance and training for all the phases of development projects, namely the identification, preparation, evaluation, financing, implementation and management of a project or programme.

In the past development programmes tended to concentrate on the peripheral areas of the Southern African economic system. The Bank's experience over the past few years has shown

that the objectives should also be pursued in the less developed communities in and around the metropolises of Southern Africa. The importance of supporting local governmental and other development agencies in ways that will enhance their capacities and financial bases, has also been proven. This will enable such agencies to use the Bank's services and facilities to better advantage. Important lessons have also been learnt to utilize the private sector and its resources optimally in development, and on ways in which this can be done.

The Bank's clients have mainly been its participating governments and their development agencies, but a wider range of development agents is evolving. At present the member countries of the Bank are South Africa, Transkei, Bophuthatswana, Venda and Ciskei. The six self-governing territories in South Africa also participate in the Bank's activities through the membership of South Africa.

Political boundaries or constitutional structures do not circumscribe the need for development. It is therefore the Bank's policy to operate in an apolitical manner and not to involve itself in affairs of its borrowers that are not directly related to development. Southern Africa is regarded as one integrated economy made up of a number of regions, each with distinctive developmental features and requiring development strategies to address those issues which are of particular importance to it.

This apolitical approach is reflected in the Bank's structure and functioning:

- ☐ The twelve Governors and four alternate Governors of the Council, to which the Bank is accountable, are appointed by the member governments. This Council meets twice a year and has delegated all its powers relating to the operations of the Bank to the Board of Directors.

Board members at the February 1987 meeting. Seated, from the right, are Dr S S Brand (Chairman and Chief Executive) Mr M T de Waal, Prof W L Nkuhlu, Mr J A J Maree and Mr J N Lawana. Standing from the left are Messrs P H Swart, J B Maree, G S Muller, M R Madula, N Meshulam and J A Botes





☐ On 31 March 1987 the Board of Directors under the chairmanship of the Bank's Chief Executive consisted of ten members and nine alternate members. Half of the directors are appointed and half elected by the member governments. Directors are required to have a particular knowledge and experience of development matters, and the majority are from the private sector. The Board is responsible for the general conduct of the Bank's operations.

☐ Applications for financial support and other forms of assistance are appraised by the Bank's professional staff and considered by its management and Board of Directors on the basis of whether the project in question is in a region's developmental interest, for example by avoiding duplication of facilities and by promoting cooperation between authorities, whether it is economically justified and has been planned on a cost-effective basis, etc.

☐ The Bank does not seek to promote the political or constitutional aspirations of any government or political movement.

In the Bank's short history a number of policy and operational principles have been firmly established:

☐ The Bank places strong emphasis on sound preparation and execution of projects.

☐ The Bank actively supports and assists participating governments in their development planning, policy formulation, institution building and resource mobilization. The principles in terms of which it appraises projects are derived from the development policies of the participating governments.

☐ The Bank purposefully promotes cooperation between authorities in Southern Africa, even between those with widely differing viewpoints, as this can contribute to

more efficient, effective and sustainable development programmes and projects.

☐ The Bank strives to assist governments in improving the effectiveness, efficiency and capacity of their development institutions. It refrains from getting involved with the implementation of development projects. By extending loans and providing other services it strives to support development but not to undertake development work in its own right.

☐ The Bank favours grassroots, small-scale and community-oriented approaches.

☐ The Bank constantly seeks opportunities and ways of involving the private sector in the development field to the largest possible extent, including the use of private sector consultants and contractors to supplement the planning and implementing capacity of its borrowers.

The funds provided to the Bank by the member governments as share capital and contributions to its Development Fund have so far been adequate to finance its operations. While capital markets have therefore not had to be resorted to, it is envisaged that these sources, both locally and abroad, will in due course be invited on a regular basis to provide additional funds for development in Southern Africa. Indications are that the Bank's track record will ensure an enthusiastic response when the time arrives to approach the capital markets.

The Bank has supported economic development projects in mining, agriculture, forestry, fisheries, industry and agro-industry, commerce and tourism, socio-economic programmes such as integrated rural and urban development, small business and human resources development as well as bulk infrastructure programmes such as water resources, transportation, energy and posts and telecommunications.

**President of the Council**

*Prof O P F Horwood*

**South Africa**

Mr R F Botha  
*Minister of Foreign Affairs*

Councillor S T Boya  
(since January 1987)  
*Mayor of Daveyton City Council*

Dr D J de Villiers  
*Minister of the Budget and Welfare, House of Assembly*

Mr B J du Plessis  
*Minister of Finance*

Dr G P C de Kock  
*Governor of the South African Reserve Bank*

Mr J C Heunis  
*Minister of Constitutional Development and Planning*

Dr G van N Viljoen  
(since January 1987)  
*Minister of Education and Development Aid*

**Transkei**

The Hon G S K Nota  
*Minister of Finance and Audit*

The Hon S M Qaba  
(alternate)  
*Minister of Transport*

**Bophuthatswana**

The Hon S L L Rathebe  
*Minister of Manpower and 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 until October 1986)  
*Adviser to Department of Finance and Economic Affairs*

Mr P W D Buwa  
(alternate since November 1986)  
*Director-General: Finance*



# Board of Directors

## **Chairman and Chief Executive**

Dr S S Brand

## **Nominated directors**

### **South Africa**

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

Mr A J van den Berg  
(alternate until December 1986)  
*Director of Companies*

Mr P J van Rooy  
(alternate since January 1987)  
*Managing Director: Industrial Development Corporation of SA*

### **Transkei**

Prof W L Nkuhlu  
*Vice-Chancellor and Principal: University of Transkei*

Mr A S Nkonyeni  
(alternate)  
*Director of Companies*

### **Bophuthatswana**

The Hon B E Keikelame  
*Minister of Economic Affairs*

Mr J A J Maree  
(alternate)  
*Managing Director: Bophuthatswana National Development Corporation*

### **Venda**

Mr J A Botes  
*Chairman: Venda Development Corporation*

Mr M R Madula  
(alternate)  
*Director-General: Economic Affairs*

### **Ciskei**

Dr D H M Bridgman  
(until January 1987)  
*Presidential Adviser on Development*

Mr N Meshulam  
(since January 1987)  
*Director of Planning*

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

## **Elected directors**

Dr D C Krogh  
*Director of Companies*

Mr J B Maree  
*Chairman: Escom Electricity Council*

Mr G S Muller  
*Deputy Chairman: Nedbank Group*

Mr R A Plumbridge  
*Chairman: Gold Fields of South Africa*

Dr A P Scholtz  
(until October 1986)  
*Managing Director: North West Cooperative*

Mr P H Swart  
(alternate until December 1986, full director since January 1987)  
*Executive Director: SA Agricultural Union*

Dr W J de Villiers  
(alternate)  
*Director of Companies*

Mr N J Kotze  
(alternate since January 1987)  
*President: Transvaal Agricultural Union*

Mr P J Liebenberg  
(alternate)  
*Chief Executive: Nedbank Group*

Mrs M Maponya  
(alternate since January 1987)  
*Director of Companies*

# The Bank's organization

The three major programmes into which the Bank's activities can be classified are:

- The **development programme**, consisting of project investment, technical assistance, guarantee and agency programmes, the latter being programmes administered by the Bank on behalf of other lenders.
- The **assignment programme** supporting the other programmes, and consisting of data and policy research investigations, other commissions and the *ex post* evaluation of projects.
- The **resources and support programmes**, consisting of the mobilization, utilization and development of manpower and financial resources, and other internal support functions required for the Bank to execute its activities.

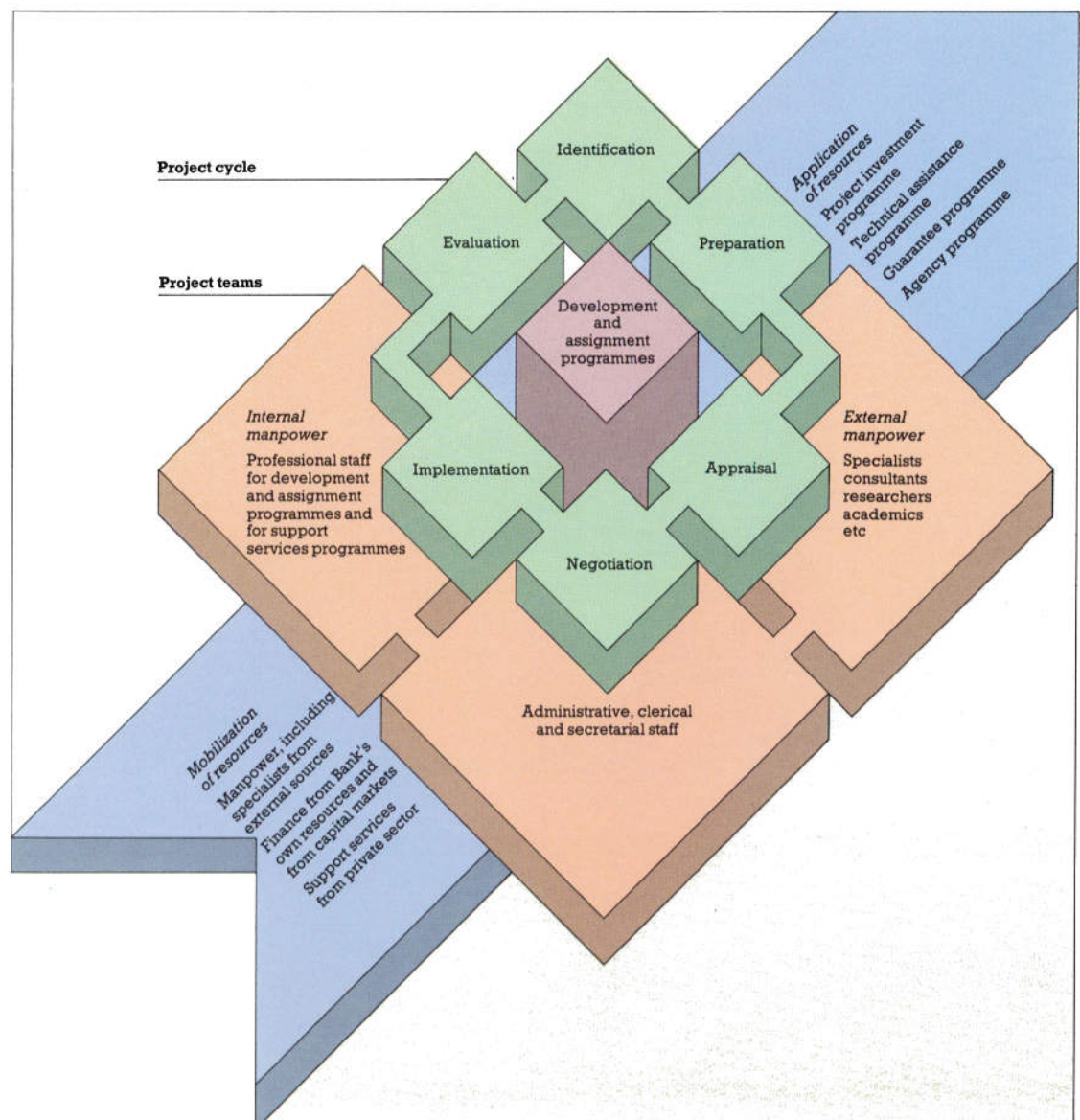
The Bank had a staff complement of 484 as at 31 March 1987, of which about 66 per cent was professionally qualified in a wide range of disciplines. To supplement its own manpower

resources, the Bank also makes use of a variety of specialists from the private and academic sectors.

Internal and external manpower resources are utilized in an interactive functional approach. A project or assignment team, in which the various required professional skills and abilities are combined, is appointed to manage the activity related to a particular project or assignment in the different phases of the project cycle. The team's work culminates in a report that is submitted to the Bank's Management Committee or its Board of Directors for a decision.

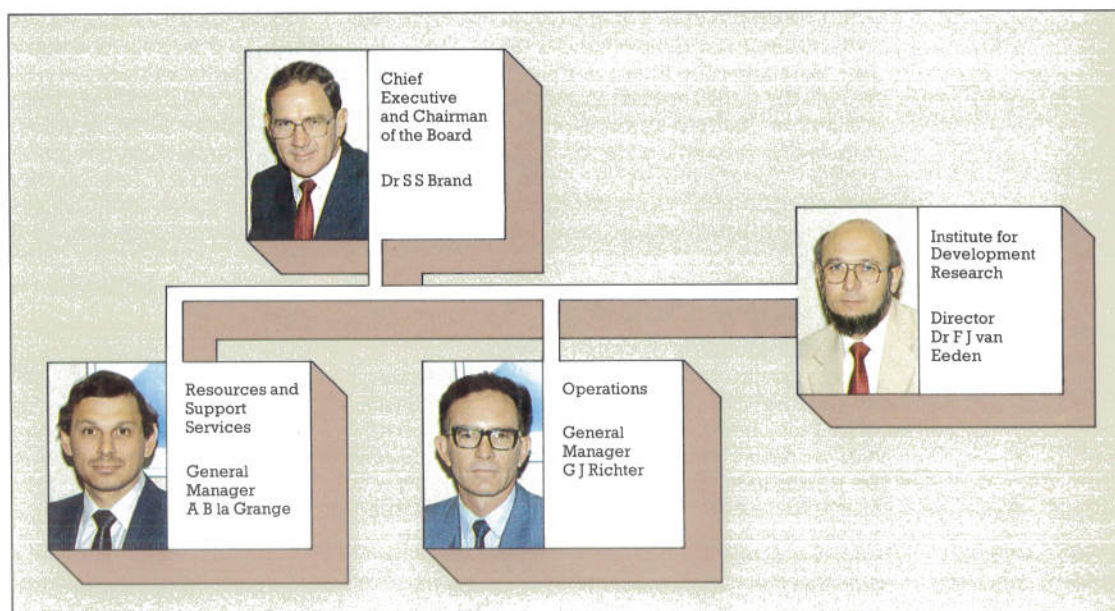
During the past year the Bank's organizational structure was developed to strengthen the functional matrix approach followed in applying its manpower resources. The Board of Directors revised the organizational structure towards the end of the financial year and the Bank's programmes are implemented within this structure.

## The project team approach





## Top management structure



The **Institute for Development Research** is divided into the Data and Policy Research divisions managed by Dr D T du Plessis and Dr A A Ligthelm, respectively, while provision is also made for an *ex post* evaluation function and a secretariat for strategic planning.

**Operations** is organized into the following areas of responsibility with the respective managers reporting to the General Manager:

- ☐ Development planning and programming, and rural and community development  
Senior divisional manager: D W Schoeman
- ☐ Economic sectors  
Senior divisional manager: N T Christodoulou
- ☐ Urban development  
Senior divisional manager: J Kruger
- ☐ Infrastructure development  
Divisional manager: Dr P N W Freeman
- ☐ Human resource development  
Manager: Dr D F Coetzee
- ☐ Engineering services  
Manager: M W Marler
- ☐ Architectural services  
Manager: Mrs E B Keyser

**Resources and Support Services** is organised into the following areas of responsibility with the respective managers reporting to the General Manager:

- ☐ Manpower, training and administration  
Senior divisional manager: J T Koorts
- ☐ Finance  
Divisional manager: H J Venter
- ☐ Computer services  
Manager: G R Tate
- ☐ Financial analysis  
Manager: Dr F V Viljoen
- ☐ Legal and secretarial services  
Manager: J C Prinsloo
- ☐ External relations and publications  
Manager: F K S van Rensburg
- ☐ Specialist mobilization  
Manager: T J Louw
- ☐ Development institutions  
Special adviser: G du P Maree

The **Chief Executive** also has the following staff functions reporting to him:

- ☐ Special Adviser: Dr M Reichardt
- ☐ Assistant to the Chief Executive:  
T J September
- ☐ Internal Auditor: I R Manning. Reports independently to the Audit Committee of the Board of Directors

After three full years of operation the Bank has now come through its establishment phase. It has overcome the initial teething problems inevitably experienced in setting up a new institution. In the course of the past year stock was taken of where it stands and where it is going. This culminated in the drawing up of the first comprehensive strategic plan for the Bank, which was approved by the Board of Directors and the Council of Governors.

## Performance to date

The establishment of the Bank was accompanied by high expectations about the impact that it could have on the scope and rate of development in Southern Africa. As with all similar development organizations, it will never be possible to meet such expectations fully. However, as reported in other sections of this report, a level of activity has been reached which justifies the conclusion that the Bank's support for development programmes has become significant in relation to the overall level of activity in the less developed areas of Southern Africa, and more particularly in the TBVC countries and the self-governing territories of South Africa.

A number of projects were approved in the urban areas of South Africa, outside the self-governing territories. Progress was also made in negotiations on support for projects in non-participating neighbouring states. These were the first significant steps towards extending the geographical scope of the Bank's activities.

In addition, breakthroughs were achieved in developing and agreeing with borrowers on approaches to such development dimensions as agriculture, small business, urban and community development. These approaches have the potential to bring about a significant shift in the emphasis of development programmes towards the mobilization and effective utilization of local initiative and resources in the less developed areas, which is the theme running through the rest of this report.

Meanwhile, continuing support is being given to programmes and projects that divert resources from the core economic areas to the peripheral development areas where this can be done on an economically rational basis.

Considerable progress has also been made in raising the receptiveness of governments to the potentially valuable role that the private sector can play in development, and in raising the awareness of the private sector of the opportunities for profitable business operations presented by development. Significant success has also been attained in encouraging cooperation between governments and other public entities on development projects, thus avoiding the duplication of efforts and wastage of resources.

## Influence on development policies

The Bank can also point to significant success in influencing the development policies of its participating governments towards development programmes and projects that meet the requirements of efficiency and effectiveness of resource use, sustainability and community acceptance. This has been achieved through the interaction that takes place between the Bank and its borrowers during the preparation and appraisal of projects and during the ensuing negotiations on loan agreements, through the Bank's technical assistance programme and its assignment programme. All this is dealt with in other sections of this report.

It is indicative of the impact that the Bank has achieved in this connection that it is increasingly being asked by its participating governments, individually and collectively, to do the ground work for major policy evaluations and for the formulation of new policy directions.

It can therefore be concluded that the Bank has succeeded in establishing itself and making its presence felt on the development scene in Southern Africa. Significant progress has been made towards the objectives set for it at its founding, and further refined by interaction between its Council of Governors, its Board of Directors and its Management. In drawing up its strategic plan, the Bank has attempted to lay down guidelines for the future direction and scope of its activities.



## Future directions

The Bank's Board and Management accept that in Southern Africa a period of accelerated change in the social, political and economic spheres lies ahead and may continue over a number of years. Although the outcome is uncertain, and is likely to remain so for some time to come, it can be accepted that these changes will involve greater demands for developments that can help bring about a broadening of opportunities for a wider spectrum of the population of Southern Africa and also help reduce the differences between communities, both in respect of earnings in the market-place and in the provision of public goods and services.

An essential condition for such developments is that a sustainable balance be maintained between the demands that will be placed on the economic system of the subcontinent and the availability of scarce resources. Helping to bring this about falls squarely within the Bank's brief. It will be a major challenge for the Bank to play a significant and constructive role in supporting development while meeting this condition.

This will require an accurate reading of social, political and economic trends by the Bank. As a development institution, while working in close interaction with the governments of the day and their institutions, the Bank must take a longer view than governments can normally do. It must therefore attempt to direct its support activities towards programmes and projects that are likely to have validity almost irrespective of the precise nature of future developments in the political sphere.

This is a formidable challenge. It should be made easier by:

- ☐ the scope allowed by the definition of the Bank's mission in its Establishment Agreement, namely the promotion of economic development in its broadest sense
- ☐ the fact that the groups towards which the Bank's activities are mainly aimed are also those who are expected through the process of political reform to achieve greater influence in the socio-political dispensation of Southern Africa
- ☐ the consequently increasing awareness in the public and private spheres that development matters are not peripheral, but will increasingly occupy centre stage in Southern Africa.

## Specific strategies

Against this background the Bank has set specific strategies for itself. These are aimed, firstly, at broadening the representativeness of its governing bodies and its staff. They are also aimed at further widening the geographical scope of its operations and of its contact with other development agencies, both in the Bank's participating states, in Southern Africa generally, and worldwide.

In all these respects certain developments have already taken place during the past year. This is evident in new appointments to the Council of Governors and Board of Directors, and in increasing success in drawing into the Bank's trainee programme and its staff a more representative group of professionally trained people of a high calibre. Further important developments are:

- ☐ the increasing number of projects in the urban areas of South Africa that have entered the Bank's project cycle
- ☐ a series of discussions with emerging Black local authorities and with development institutions in the private sector
- ☐ the taking into the Bank's project cycle of some substantial projects in non-participating neighbouring states and the resultant interaction with planning bodies of those countries, and with international development institutions that are also involved in the relevant projects.

It is encouraging to be able to report that the Bank has experienced a high degree of positive acceptance in all these contexts, reflecting recognition of its professional and apolitical approach.

Operational strategies to which attention is being given in terms of the strategic plan are aimed at expanding the impact of the development approaches that the Bank has developed in conjunction with its borrowers. This growing impact is to be sought both quantitatively and through influencing the policies of participating governments and of other development agencies, and the approach of consultants to these bodies. To support this, renewed attention will be given to expanding the funding base of the Bank by:

- ☐ beginning to raise loans from the local and international capital markets
- ☐ continuing to promote more intensive involvement of the private sector in development through cofinancing arrangements, direct private investment and the provision of consultancy services.

Continued support will also be given to programmes and projects aimed at strengthening the capacity of less developed areas and less advantaged communities to initiate and carry out projects. This involves:

- ☐ projects aimed at the upgrading of human resources involved in development
- ☐ continuing to make contributions towards the further development of sound financial relations between South Africa, as the more developed partner, and other governments and authorities in the subcontinent.

Related to this, further attention will be given to better coordination between the Bank's activities and the development cooperation activities of South African government agencies. The coordination of multilateral and bilateral development assistance is an issue with which most international development institutions are faced. It is therefore encouraging that it has been possible during the past year for the Bank to confirm agreement with relevant South African authorities on guidelines for sound coordination between their respective activities.

Finally, more attention will clearly have to be given to raising the level of public awareness and understanding of development matters generally, and of the Bank's specific role in this connection.

### Physical accommodation

During the past financial year the South African Government made land available in Midrand to the Bank for its permanent headquarters. The planning and design of the building were completed, groundworks and landscaping done, and the contract for the construction of the headquarters building awarded. It is envisaged that the move to the new building will take place during the last quarter of 1988.

### Acknowledgements

Although the Bank has become a fairly large organization in terms of staff numbers, it has been possible to an encouraging extent to maintain a team spirit. This augurs well for the success of its future operations. It has been made possible by the continued enthusiastic teamwork of all members of Management and by the commitment and efforts of the impressive array of highly skilled people in various disciplines who have made their services available to the Bank. I wish to record my sincere appreciation for the support I have thus far enjoyed in carrying out the functions of the Bank.

Appreciation is also due for the enthusiastic and valuable support given by the Council of Governors and the Board of Directors to the activities of the Bank. During the course of the year Mr S T Boya and Dr G van N Viljoen were appointed to the Council by South Africa. Mr I Melville retired as the alternate for the Ciskei member of the Council of Governors and was replaced by Mr P W D Buwa.

Several members and alternate members retired from the Board of Directors because of changes in their spheres of responsibility and the taking on of new commitments.

Mr A J van den Berg, Dr D H M Bridgman and Dr A P Scholtz, who had all been members of the Board since the establishment of the Bank and had made extremely valuable contributions during this first establishment phase, and some even earlier than that, have left the Board during the year and Mr M T de Waal gave notice of his intention to do so. My deep appreciation for their valued services is hereby recorded, and they are wished well in their new tasks. Messrs N Meshulam, P J van Rooy, N J Kotze and Mrs M Maponya are welcomed as new members and alternate members who joined the Board during the course of the year.

S S Brand  
Chairman and  
Chief Executive



In addition to major political and social changes, the people of Southern Africa face difficult structural economic adjustments in the coming decades. While the population is increasing at a rate of 2,5 per cent per annum, economic growth has been retarded by such factors as a scarcity of capital, low productivity of labour, low confidence levels, shortages of entrepreneurial skills and negative international influences. Moreover, the distribution of growth between regions and communities is widely felt to be unsatisfactory. Concentrated efforts to raise the economic growth rate, promote regional development, support orderly urbanization and improve opportunities for less advantaged communities are therefore essential.

Much hope in this respect lies in the fact that there is still an abundance of certain idle and underutilized physical and human resources present in the Southern African economic system. The challenge is to put these resources to socially desirable use in the production of goods and services without making excessive demands on those resources that are already scarce. A large proportion of such idle and underutilized resources is specifically present in the less developed regions and among the less advantaged communities of Southern Africa. A development strategy of self-reliance for the people involved through small-scale, labour-intensive techniques can play an important role in effectively mobilizing those resources.

Such a strategy of self-reliant development in Southern Africa cannot only help to utilize 'small-scale' resources efficiently and effectively but it also possesses the qualities of sustainability and of self-fulfilment for the people involved. Development projects and programmes will not become successful long-term activities after their implementation if they do not win and hold the support of the people. However, if they are accepted and supported

by local communities they will become powerful instruments to induce positive change in social attitudes and behaviour.

### Self-reliance and the regional development policy

In the Bank's participating states self-reliance and people involvement are facilitated and supported through the implementation of the regional development policy to which all eleven of the Bank's participating governments subscribed in 1981. The adoption of this policy implied an important shift in direction and in approaches to development in Southern Africa. Previously there was a tendency to approach development as a centrally initiated, planned and executed process. Now the regional development policy puts specific emphasis on the devolution of responsibility for development to the lowest possible level. The intention is that both individuals and communities take responsibility for identifying development needs and opportunities and for initiating or expanding a self-sustaining development process at grassroots level.

In this approach, for such a self-sustaining development process to take root and to flourish, the private sector and especially small farmers and small business entrepreneurs, including those in the informal sector, become the real generators of wealth. The role of government is limited to creating a favourable environment. It plays a supporting role, aimed at removing external constraints such as unnecessary regulatory restrictions on business activities, overcoming internal entrepreneurial constraints such as inadequate technical know-how, and providing positive support by supplying infrastructure.

Self-reliance and people involvement: a garden scheme in Qwaqwa





In its present participating states, the Bank functions within the framework of this regional development policy. Its primary task is one of assisting its participating governments and other development agents in realizing the objectives of the policy. It has defined its responsibility as being primarily in three areas, all in support of self-reliance and people involvement:

- ☐ decentralized institution building
- ☐ the financing of coherent and integrated support programmes for local initiative and entrepreneurship
- ☐ the financing of viable projects that can optimally mobilize and utilize local initiative and resources.

### Decentralized institution building

The regional development policy makes provision for three levels of community involvement. First of all, nine development regions have been demarcated. At this regional level special institutions such as regional development advisory committees and regional liaison committees have been established. They formulate and work towards the implementation of coherent development strategies for each region that are appropriate to the development needs and potential of that region. Where required, the Bank gives high priority to providing support and guidance as well as technical assistance to these institutions.

The next level of community involvement is the subregional level. Within the broader regional approach, development becomes more meaningful and concrete if it is planned and implemented within the framework of a development programme addressing the specific needs and potential of a subregion. Within subregions the advantages of co-operation between communities or their representative authorities, local authorities, provincial administrations, private sector organizations, etc, can be more easily identified and a 'community of interests' more clearly defined. The character of such subregions can be urban and/or rural.

A large number of technical assistance projects supported by the Bank are focused on determining coherent and integrated development strategies and programmes for specific subregions within the more broadly defined development regions. The approach is to encourage the active involvement of governments and public agencies as well as that of the communities in the subregions in such a planning exercise.

The third level of community involvement is the local level, which can again be either rural or urban in nature and where the development needs of a specific community are being addressed. At this level the initiative lies with the local community itself to identify and articulate development needs, and often also to take direct responsibility for the formulation and implementation of development actions as

### People involvement – a case study

A pilot project to fence roads in Gazankulu which has been supported by the Bank is an illustration of the opportunities there are to stimulate people, community and small business involvement. This is also the case with large-scale infrastructural investments. Such an approach enhances the development impact of the infrastructural investment and therefore its economic justification.

An application was received from the Gazankulu government in 1980 for the fencing of the Middle Letaba Dam road. It did not meet the Bank's normal criteria as the development impact would have been minimal. However, the Department of Works of Gazankulu, with the support of the Bank, restructured the application into a pilot project which would attempt an alternative approach to fencing that would have a substantial development impact.

This approach involved the hand manufacture of fencing net by rural village-based fence makers. It brought about significant community involvement, job creation and the development of entrepreneurial skills. The project was implemented as follows:

Fence and board trainers were trained by a consultant at the Shangaan Tsonga Development Corporation for three days. Three local entrepreneurs, two in Giyani and





well as for the mobilization of the required resources. Such involvement at the local level of community leaders and grassroots organizations also creates an atmosphere in which community organizations can find a balance between their contrasting roles of being both critics of the existing order and proponents of constructive solutions.

The Bank is intensively involved in advising its participating states on the strengthening and extension of the local authority system in urban areas and in encouraging governments to place responsibility for urban development in the hands of local authorities as direct representatives of the communities involved. Various investigations on behalf of participating governments are also under way to define a more meaningful role for traditional authorities and other structures in the rural environment at local level.

Advice and technical assistance is also provided by the Bank to non-governmental organizations (NGOs) that have either been established at local level by communities or private sector organizations which offer support services at local level on their own initiative. The Bank actively encourages its participating governments to give greater prominence to the role of such voluntary local institutions in development, and there are already several examples of projects supported by the Bank that are being planned and implemented by NGOs or local authorities.

The Bank also advises and guides these local institutions on the identification, preparation and implementation of development projects, and often intercedes to obtain the necessary approval and support from the governments concerned.

At all three levels the Bank constantly gives advice on ways to utilize private sector resources to the maximum in accordance with the declared policy of participating governments. This may involve the outright privatization of certain functions hitherto undertaken by the government, but where this is not practicable or advisable, borrowers are urged to utilize private sector consultants and contractors. The involvement of small contractors or subcontractors in government projects can play an important role in creating employment, making use of local resources and utilizing simple and appropriate technologies. Moreover, this facilitates the greater involvement of people in their own development.

### Coherent support programmes

Within the Bank's broad approach of people participation and the optimum utilization of latent potential, and taking into consideration the approach and priorities of its borrowers, increasing emphasis is being placed on coherent support programmes for local initiative and entrepreneurship.

It is the Bank's belief that people perform

The hand manufacturing of fencing net brought about community involvement, job creation and the development of entrepreneurial skills in Gazankulu



one in Nkowankowa, produced approximately seventy boards for fence making over three months.

The following production units produced 65 km of handmade fencing net within six months:

- five individual entrepreneurs based in the rural villages of Nkomo, Dzingidzingi, Nkuri, Xikukwana and Thomo, supported by the Shangaan Tsonga Development Corporation
- two community groups of fifteen fence makers each, based in Dzingidzingi and Hlaneki and supported by the Shangaan Tsonga Development Corporation
- a community group comprising thirty-five fence makers, based in Radoo village, who were supported by the Rural Economic Development Workshop.

Local contractors employing local labour and labour-intensive methods erected the fence along the Giyani Middle Letaba Dam road.

The project provided significant job and entrepreneurial opportunities. The positive reaction of the communities concerned, as well as of the Gazankulu government, provided a positive basis for expanding such approaches to become part and parcel of a dynamic development programme with full people participation in Gazankulu.



Local initiative and entrepreneurship are also promoted in this housing development project in Gazankulu



optimally and obtain self-fulfilment when they are involved in activities in which they themselves took the initiative. Their abilities are, however, wasted when their actions become too dependent on others. To assist them to function productively, support is needed to gain access to opportunities in the market, through the removal of either external environmental or internal entrepreneurial constraints. External environmental constraints include inadequate institutional and infrastructural support, inappropriate policies and legislation, restrictive administrative and social structures, and the limited availability of inputs and marketing services. Internal constraints include factors over which the individual has some control, such as liquidity problems and a lack of knowledge, skills and education.

To meet these needs the Bank gives priority in its assistance strategy to a variety of support programmes undertaken by its borrowers and directed at farmers, small businesses, communities and self-help housing.

These support programmes consist of various elements such as the provision of infrastructure, mechanization services, marketing services, extension services, financial services and training, and they are ideally provided as an integrated package. Such programmes can make a tremendous contribution to development without requiring substantial investments. They are applicable in both the formal and informal sectors and can be implemented in both the city and the countryside. They focus on the individual entrepreneur and are thus in strong contrast to projects where individual initiative is substituted by public sector action, as for instance in state farming. In its involvement with such support programmes the Bank takes particular care to coordinate its actions with those of other development institutions.

### Project finance

As shown in Annexure 1 the Bank finances a wide variety of projects, some classified as being in economic sectors, others in socio-economic sectors and yet others as bulk infrastructure. Some of these projects, such as those in rural and human resource development, are clearly oriented towards people, something which is less obvious in the case of others, such as infrastructure projects. However, self-reliant development dictates that the human factor should in all cases be prominent. Issues raised by the Bank in appraising a project are, for example, whether the project will play a catalytic role in supporting integrated development, whether it will ensure a healthier population and thus increase productivity, be affordable to the people intended to benefit from it, utilize local resources, be sustainable over the long term, be culturally accepted, and whether the local community has been consulted.

During the processes of project identification, preparation and implementation, the Bank encourages and guides its borrowers to promote participation by the people affected by such projects. Only in such a way can it be ensured that the development objectives, the strategy decided upon and the design approach fully recognize the development needs and expectations of the people to be affected.

The Bank has had experience of many instances in which project applications were drastically revised after the necessary participation by the people concerned. The Bank believes that it is only in this way that self-reliant and people oriented development can be achieved.



In this report on the Bank's activities, the utilization of resources in the development and assignment programmes is discussed. This is followed by a report on the mobilization of resources.

Development is a process of structural change that takes place over the medium to longer term. This report therefore not only deals with the year under review, but also describes trends over the three years of the Bank's operations as well as expected trends in the next five years. Details of the Bank's activities are listed in the financial statements and the annexures.

### Utilization of resources

#### Development programme

##### Overall perspectives

Certain trends in the utilization of resources that could be detected during the two previous years of operation began to emerge more clearly during the 1986/87 financial year. These trends reflected directions of development in the level and composition of programmes being handled by the Bank and its borrowers. They also give an indication of expected future developments. Some of the more important of these trends are outlined below.

##### Strategic planning and policy formulation

During its three years of operation the Bank has encouraged its participating governments and other borrowers to give increased attention to overall development planning, as well as the formulation of regional and subregional development strategies and sound development policies, with the emphasis on sectoral policies and strategies. This has led to a strong increase in approaches and applications to the Bank for support in addressing these issues. Such support can take the form of:

- ☐ guidance and advice during meetings
- ☐ drafting of policy documents
- ☐ joint assignments between the Bank and its borrowers
- ☐ financial support in the form of technical assistance to enable borrowers to appoint experts to study and formulate recommendations, and assistance in formulating the briefs for these experts or consultants
- ☐ assistance and advice on the recruitment of professional people to enhance the institutional capacity of borrowers.

To establish systematic processes of planning, programming and budgeting, as well as policy formulation, appropriate institutional structures with the required capacity must be created. The Bank therefore also assists in devising appropriate structures and in the orientation and training of the personnel of borrowers.

Within the Bank increased attention has been given to reviewing and evaluating progress with development in each development region and participating state. This has contributed to the formulation, in close consultation and in agreement with participating governments, of strategic development guidelines to be applied by the Bank in the appraisal of projects.

In the same way a number of sectoral policy papers were approved by the Board of Directors. These are for internal use, but also form the basis of advice and guidance to borrowers. The policy papers are regularly revised on the basis of experience and insights gained through interaction between the Bank and its borrowers.

The processes of development planning and policy formulation are increasingly linked to the identification of priority projects, the programming of development activities and the budgeting process. Since the establishment of coherent and efficient systems to achieve this are likely to take several years, mainly because of the dearth of skilled and experienced professional personnel, the Bank has made available its capacity to support borrowers in this respect.

These developments have led to a temporary shift of emphasis away from the identification, preparation and implementation of development projects, but are regarded as of utmost importance in establishing a sound basis for future development. Already they have contributed to the more effective and efficient application of scarce resources.

##### Integrated programme approach

During the year there was a significant increase in the number of applications for Bank support for coherent programmes as distinct from individual projects. This reflected efforts to avoid *ad hoc* and uncoordinated identification of projects as well as the recognition of the integrated nature of development needs and the development process.

The programme approach has manifested itself in particular in sectors such as:

- ☐ agriculture, in the form of farmer support programmes and a coffee production programme
- ☐ the planning of urban and rural programmes on land transferred by the South African Government to self-governing territories and independent states
- ☐ small business support programmes
- ☐ integrated urban development programmes
- ☐ integrated rural development programmes.

The programme approach is also increasingly apparent in across-border cooperation arrangements between participating states, and more recently also with other neighbouring states. Examples of such programmes are the KwaZulu/Natal urban development programme in Region E, the Lower Fish River



## Private sector investment in an industrial project

In the past, many larger industrial projects in developing areas were implemented with the public sector playing a leading role and providing the financial resources. In most of these cases the private sector's role was limited to providing technology, technical know-how and management services.

The Transkei Development Corporation (TDC) approached the Bank for financial assistance with an industrial project for the processing of wood, with an estimated total cost of R28,3 million. The original proposal provided for a public sector financial contribution of R14,1 million.

In an effort to maximize the private sector's involvement, the Bank advised the Transkei government and the TDC to restructure the project in such a way that the private sector would assume full responsibility within the framework of normal private sector investment and to limit the public sector's role as far as possible to the provision of basic infrastructure.

The Bank was prepared to assist in this reformulation of the project proposal. It was also willing to consider bridging arrangements for an appropriate period during which certain steps could be implemented to alleviate the constraints for full private sector involvement, such as the security of land tenure.

The original proposal provided for a 49:51 shareholding between TDC and the private sector, but after taking the relevant issues into consideration it was agreed that a 26:74 shareholding arrangement would provide the same security to the private sector, carry the

same legal status, but would limit the financial involvement of the public sector. It was further agreed that, in order to maximize private sector involvement, the TDC contribution of 26 per cent of the share capital, plus a *pro rata* portion of the operational capital, amounting to R5,5 million, would be funded by a private financial institution, secured by a guarantee of the Transkei government, with a back-up guarantee from the Bank. In addition the public sector involvement would be further decreased over three years with a reduction from 26 to 10 per cent in the TDC shareholding.

The Bank further agreed to provide a similar back-up guarantee of R5,7 million for private sector funding for the factory buildings and housing for key personnel, but limited to three years to facilitate phasing in the full privatization of the project.

At present the Bank is assisting borrowers with the preparation of projects, especially in the field of commercial development, property development and industrial development. Maximum scope is provided for private sector involvement. Discussions and negotiations are taking place with private sector institutions to determine ways and means of providing for maximum private sector involvement in such projects.

Constraints which are at present inhibiting private sector investment are systematically addressed at project level. This enables the reformulation of policies by the authorities towards a positive climate for viable private sector involvement and investment.

water supply and irrigation programme in Region D, the Komati River Basin development scheme which involves cooperation between South Africa and Swaziland, and the Lesotho Highlands water scheme, which will especially benefit development in Regions H and C.

This trend towards multifaceted programmes often results in a smaller number of individual projects to be processed by the Bank, but at the same time there is an increase in the average investment and loan value per project.

### Privatization

In line with the fundamental principles of the regional development policy, as well as with the declaration by the Bank's member governments to promote private investment, the Bank actively promotes the limiting of public sector involvement in development wherever a significant role for the private sector is possible.

For projects with the potential to involve the private sector as investor or source of finance, the Bank limits its own role to that of a 'bank of last resort'. Here the Bank assists borrowers in the preparation and structuring of projects to make private sector involvement viable. This

often requires that particular constraints to private sector involvement be addressed by the participating government concerned. The Bank would in such instances advise on steps needed to improve the general investment climate and on required changes in policy or legislation. It would also assist in identifying suitable private interests, and in negotiations with such interests.

Where necessary, the Bank also considers support in the form of guarantees, bridging finance, technical assistance or cofinancing arrangements to overcome constraints and to facilitate private sector involvement.

Projects addressed in this way have ranged from industrial and commercial projects to housing and residential infrastructure, and even other forms of infrastructural development. During the year there was a significant increase in project applications which required such attention.

### Extended involvement in South Africa

During the Bank's first two years of operation it received only a limited number of project applications from areas in South Africa outside of the self-governing territories. In the past year



## Private sector involvement in urban development

An application was received for a loan of R1 million to provide residential infrastructure for approximately 215 stands, part of a residential development in Phuthaditjhaba, Qwaqwa, for the higher income group. A project team of the Bank helped the Qwaqwa authorities to investigate private sector financing.

The Allied Building Society was approached and agreed to finance the residential infrastructure for the first phase of 39 residential stands, at a total cost of approximately R600 000, as well as the erection of housing units by owners or local builders for an estimated R2 million.

The building society provided the short-term bridging finance for the provision of residential infrastructure, as well as the long-term finance for the purchase of houses, without any guarantee or risk underwriting from the Bank.

The servicing of the sites was completed in May 1987 and the construction of houses started in June. The preparation of further phases of this project is continuing with the Bank's advice and technical inputs. The building society indicated its willingness to provide finance for the rest of the project.

The Bank's involvement in urban development has increased rapidly, and success has been achieved by promoting private sector involvement. Government's role and Bank finance are as far as possible limited to the provision of bulk infrastructure for residential development. For the very low income groups the emphasis is on self-help housing but with more active involvement of both the public and private sectors to provide technical assistance through technical centres which give individuals advice and finance.

A major housing development project in Phuthaditjhaba, Qwaqwa



there was a significant increase in approaches by potential borrowers and in actual applications for such projects, emanating mainly from development needs in urban areas. This trend is expected to continue.

Because of the more complex institutional structure within South Africa compared with the other participating states, the need arose for the Bank and the South African government jointly to investigate certain issues relating to cooperation and to guidelines on the respective roles of the Bank and various other institutions.

### *Institutional constraints*

As mentioned in previous reports, the institutional capacity of many of the Bank's borrowers to plan, implement, manage and maintain projects is a constraint. This becomes more apparent as the number of approved projects rises. Through the year this called for increased attention to assisting borrowers in addressing such institutional constraints. This took the form of advice, guidance, investigations and technical assistance to provide the financial means for investigations, aimed at developing appropriate institutional frameworks and action programmes to establish the required organizational capacity. As a dearth of professional and experienced personnel is very often the main constraint, borrowers are in some instances assisted by the Bank in the recruitment and training of personnel for their organizational needs and also for the more specific needs with regard to particular projects.

### *Financial position of borrowers*

Several of the Bank's participating governments and other borrowers experienced financial constraints during 1986/87. This had an inhibiting effect on the expansion of the Bank's development programme, since borrowers are expected to make a contribution to the capital cost of projects. They must also be able to meet future recurrent expenditure generated by projects as well as the interest payments and redemptions on project loans.

These financial constraints were partly the result of the prevailing adverse economic climate in Southern Africa. They are, however, also related to institutional factors such as financial relations between governments and their institutional capacity in respect of financial management. The resolution of these issues is a precondition for a more dynamic and sustainable development process in the less developed areas of Southern Africa. The Bank's management and professional staff were enlisted by the respective governments during the past year to assist them in addressing these issues. Significant progress has been achieved, to the extent that the normal appraisal and approval of projects are again in full progress.



### Internal Bank matters

During its first two years the Bank's organization and procedural systems had to be established on more or less hypothetical expectations about the nature and volume of work. After three years of operation this kind of planning can now be based on empirically identified trends and on the basis of an internal evaluation of the effectiveness and efficiency of the Bank's actual operational systems. This has already led to adjustments in and refinement of the organization, systems and procedures of the Bank, which will receive further attention during the 1987/88 financial year.

### Flow of projects

Project applications under the investment, guarantee, and technical assistance programmes are dealt with in terms of a systematic process of cooperation between the Bank and its borrowers, internationally known as the project cycle. The phases of this cycle should be seen as logical steps to prepare for sound investment decisions by borrowers and the Bank simultaneously, and also for the sound implementation of approved projects. The

process provides for the following aspects in the preparation of sound investment decisions:

- ☐ The planning of a project must be based on a clear definition of the development objectives. These objectives should be derived from the development policy and strategy of the participating state concerned, and should take full account of the development needs of the people to be served.
- ☐ Alternative ways and means of achieving the development objectives should be considered. An analysis should identify the best option in terms of the development impact, effectiveness in terms of the objectives, and efficiency in terms of the utilization of scarce resources. Such an analysis includes addressing fundamental issues in respect of development policy and strategy, appropriate technology, appropriate norms and standards, people participation, opportunities for local entrepreneurs, employment creation, institutional requirements and financial considerations.
- ☐ A description of a project must be formulated in terms of a comprehensive

### Development principles applied in project preparation

In many rural areas of Southern Africa, the provision of water is a basic need of communities and is required to stimulate economic activities. Very often large-scale, capital-intensive engineering schemes are not affordable to the authorities or communities concerned.

The Bank approved an R80 million loan for a rural water supply project in the Cacadu district, Transkei, an area which urgently requires development.

The project has several unique features: It uses labour-intensive construction methods and appropriate standards of design, and stimulates community involvement. It comprises a 20m-high dam on the Cacadu River, a pumping station, a treatment plant and pipelines to distribute water to Cacadu (previously Lady Frere) and a number of villages in the district. The project will provide 70 000 people with a reliable supply of water at a capital cost of approximately R300 per person.

### Community involvement

In many projects of this nature, the traditional approach is to make the water distribution system in a village the responsibility of government. Very often the full cost is carried by government, and no tariffs apply. However, in the case of the Cacadu rural water supply scheme, the water will be taken to a reservoir on the edge of each village. The responsibility for distribution within the village will lie with the community concerned. User charging will be phased in, with the affordability to the community taken into account.





approach addressing all issues which will have a direct and indirect bearing on the successful implementation of the project. This includes the determination of the cost of recurrent and capital expenditures required to plan, implement, operate and maintain the project.

□ Once the above-mentioned aspects have been dealt with, the planning and design of a project can proceed. This includes the formulation of clear and comprehensive briefs to consultants and the appointment of appropriate consultants by the borrower.

### **Identification phase**

This phase of the project cycle entails the identification of priority development projects by borrowers, the preliminary preparation and submission of project applications to the Bank, and the first consideration of such an application by the Bank through what is known as the pre-appraisal process. This requires close interaction between the Bank and the applicant. The Bank's management is then able to decide whether the application qualifies for consideration. Issues to be addressed in more

detail during the preparation and appraisal of the project are determined, and the composition of the Bank's project team which is to continue cooperation with the applicant is also decided upon.

The number of project applications received increased from 134 in 1984/85 to 263 in 1985/86, but decreased to 200 during 1986/87.

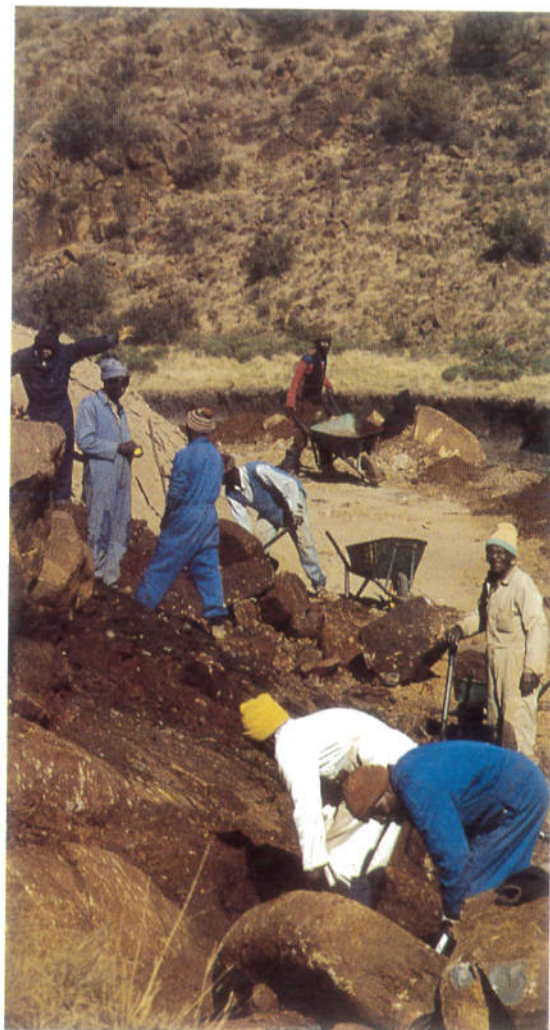
As already mentioned, there was a tendency during 1986/87 towards applications for support of integrated programmes, often resulting in an increase in the average loan amount per application.

Projections indicate that the number of project applications will stabilize around 250 to 300 per year in future, ie approximately 1,5 per working day. The realization of these projections will depend on factors such as financial prospects and resource capacity in development regions.

### **Preparation phase**

The preparation phase requires intensive interaction between the Bank and its borrowers to prepare for investment decisions as

The Cacadu project in Transkei



### **Labour intensiveness and appropriate standards**

The labour-intensive construction method used in Cacadu is unique in modern water supply in Southern Africa as it was decided that a masonry dam would be constructed. This is the first time in approximately 70 years that this technique is to be used on a large dam construction project. Stone masonry was practised extensively in the early part of the century, but is now very seldom applied in dam construction.

However, in this project there were several reasons for using this method: Firstly, the use of stone is a skill which still exists in Transkei; secondly, the dam site lends itself to the application of stone masonry and suitable stone is available on or near the site; and thirdly, it is an extremely labour-intensive method of construction, utilizing the maximum of local materials and the minimum of materials such as cement and shuttering which have to be imported to the site.

The excavation of trenches is also done by hand labour rather than by machines. The project reflects appropriate standards of 25 litres per person per day.

The project is regarded by the Bank as an important test project to establish how successfully these techniques and approaches can be applied in future in similar projects.



discussed above. However, the first responsibility for the project remains throughout with the borrower. The project team of the Bank plays an advisory and supporting role.

Only 142 projects were accepted into the pipeline from the pre-appraisal process during 1986/87. The decrease from the high level of 240 in 1985/86 was mainly due to the exceptionally high level of applications received during the previous year, the late receipt in the year of a large percentage of applications and the constraints affecting the development programme as discussed earlier, which often required that more fundamental issues be addressed before applications could be considered further. The number of applications accepted into the pipeline is expected to increase again to 180 during 1987/88.

The acceptance of the 142 projects brought the number of projects in the development programme of the Bank to 611, representing an estimated financial contribution by the Bank of R3 881 million and an estimated total investment value of R5 197 million (Figure 1 and Annexure 3).

#### Appraisal phase

The appraisal phase partly overlaps the preparation phase. From the Bank's side it starts with the compilation of information as it becomes available during the preparation phase. This phase is concluded with a comprehensive appraisal report, which is the

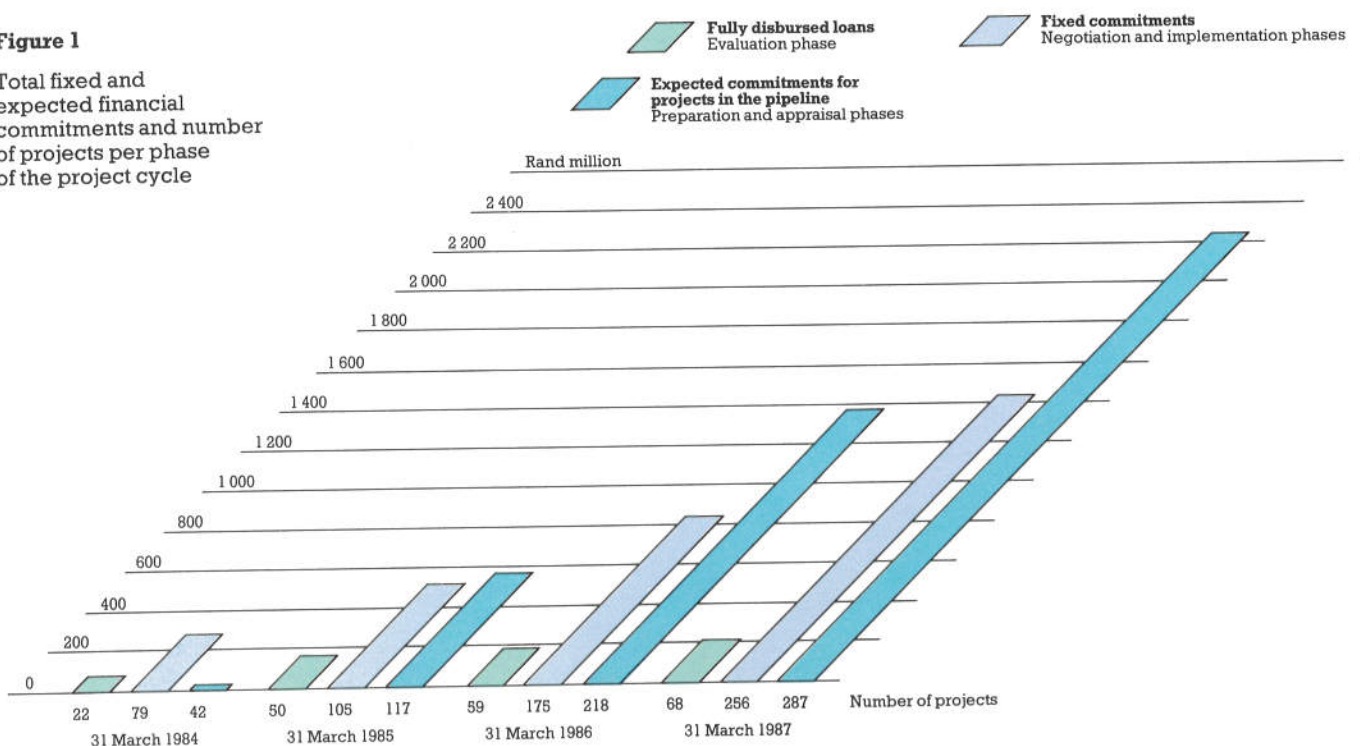
basis for the consideration and approval of projects by the Bank, and for borrowers to come to a final investment decision on the project.

The increased attention being given by borrowers to the sound and comprehensive preparation of projects enables the Bank to increase significantly the annual level of new commitments undertaken. Total commitments entered into during 1986/87 is almost double that of the previous year, namely R604 million as against R383 million. During the year 105 projects were approved compared to 99 in the previous year (Annexures 1 and 3). As discussed above, this number has become a less significant indicator because of the trend towards integrated programmes.

A significant number of large projects in the form of integrated programmes, especially cooperation programmes between states, are reaching advanced stages of preparation and are due to be finally appraised during 1987/88. Together with the significant progress with the preparation of a large number of other projects, this indicates that there will be a sharp increase in the level of new commitments of the Bank during the present year. If progress in respect of preparation and appraisal can be maintained, the level of new commitments approved could be in the order of R1 500 million during 1987/88. This would be more than 2,5 times the level achieved in 1986/87. This value of new commitments expected to be achieved during 1987/88 is also more than the total accumulated commitments achieved over

Figure 1

Total fixed and expected financial commitments and number of projects per phase of the project cycle





the previous three years of operations (see Figure 1).

### Negotiation and implementation phases

After approval, a project moves into the negotiation phase of the project cycle. This 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 preparation of tender documentation takes place and tender procedures are finalized so that the implementation of the project can begin immediately after the signing of the loan agreement.

Due especially to the combination of financial and institutional constraints mentioned earlier, a significant number of approved projects were delayed, sometimes for extended periods, during 1986/87. Most of these projects are, however, expected to move into implementation during early 1987/88, since many of the constraints have now been resolved.

As a result of the increasing number of projects being approved by the Bank, borrowers are required to give more attention to the management of project implementation. Inadequate institutional capacity sometimes delays the implementation of projects, as well as affecting the sound preparation of further projects to be considered by the Bank.

Loans are disbursed as claims are received from borrowers in respect of actual

expenditure on projects as implementation progresses.

The expected flow of funds for 1987/88 to 1991/92 is illustrated in Figure 2. For 1987/88 it amounts to R341 million, compared to R248,4 million in 1986/87, and this is expected to increase to nearly R1 100 million in 1991/92. This strongly rising trend in the expected annual flow of funds is directly related to an increasingly higher level of commitments.

### Evaluation phase

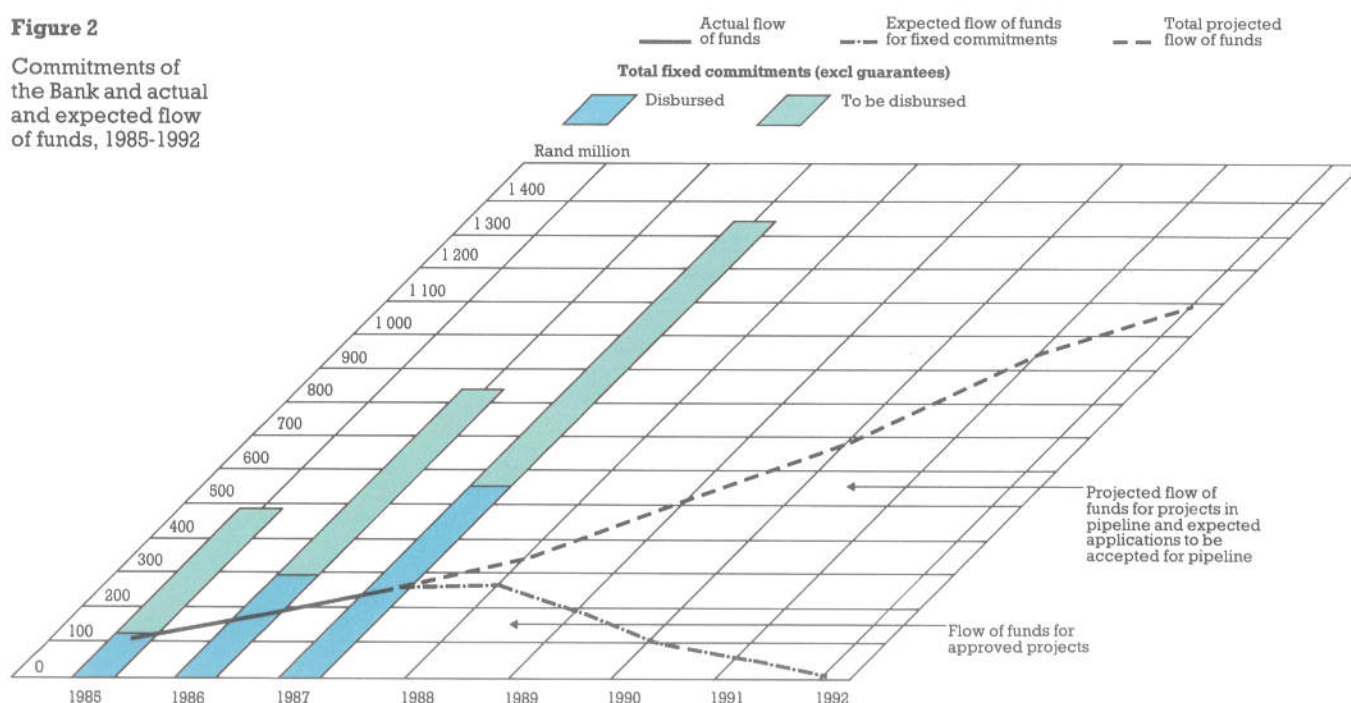
The evaluation phase represents the last phase of the project cycle. It entails a joint evaluation by the Bank and the borrower of the outcome of a project. The evaluation process focuses on:

- ☐ the effectiveness of such an investment in terms of development objectives established during the preparation phase
- ☐ the efficiency of the investment in terms of resource use
- ☐ the identification of lessons to be learnt for purposes of similar projects in the future.

This phase starts with the formulation of a completion report by the project team of the Bank responsible for a project, in close consultation with the borrower. This first step is followed by an in-depth evaluation. A separate evaluation unit is at present being established for this purpose in the Bank's Institute for Development Research.

**Figure 2**

Commitments of the Bank and actual and expected flow of funds, 1985-1992





## **The basis of financial terms**

The terms applicable to the financial contributions of the Bank depend on the characteristics of a project. The following guidelines apply in this respect.

### **Investment projects**

#### **Interest rate**

Interest rates are determined by a financial analysis of a project. For projects which cannot generate a direct financial return, for example a rural road, soft terms of 5-6 per cent are considered. Where a project can generate a significant income, but the financial analysis indicates unavoidable but limited financial shortfalls in the flow of funds, for example in an industrial project, financial terms are determined at a higher level and are more related to prevalent market rates. Although a financial analysis is a part of the appraisal of each project, marginal differences between similar projects do not influence the interest rates of loans so that these rates can be as consistent as possible.

#### **Loan period**

The loan period is based on the economic lifespan of the asset to be created, as

determined during the appraisal. This could mean a loan period of 40 years or more for assets such as larger dam schemes. Assets such as operational equipment, which cannot be financed from private sources, are financed over 5-8 years.

#### **Grace period**

Grace periods are considered for loan redemption and interest payments. Such periods are based on the financial analysis and the determination of the period required for the project to be fully implemented and for the benefits of the investment becoming effective.

#### **Technical assistance**

In respect of technical assistance (excluding pre-investment facilities) two options apply: a loan option and a grant option.

Standard terms for the loan option are an interest rate of 4 per cent, a loan period of 10 years and grace periods based on the period required for benefits to become effective. If the grant option is preferred, the grant will not be more than 60 per cent of total project cost.

## **The four development sub-programmes**

### **Project investment**

This sub-programme is the main operational activity of the Bank and represents 85 per cent of the total number of projects in the project cycle and 92 per cent of the total fixed and expected financial commitments. It involves loans by the Bank to finance capital expenditure on approved projects.

A pre-investment facility is also available from the Bank to provide technical assistance to borrowers to finance the preparation of capital projects. During the year there was a large increase in the number of pre-investment applications received and approved. A total of 81 pre-investment projects in all phases of the project cycle represents a 60 per cent increase on the previous year. The total loan value involved increased from R14,2 million to R24 million. This trend indicates increased attention by borrowers to the sound preparation of investment decisions.

### **Technical assistance**

This sub-programme provides for the financing of investigations by borrowers and their consultants. Such investigations form part of development planning and policy formulation, programming of development activities and the addressing of institutional issues. Technical assistance can also be considered to facilitate institutional restructuring as well as for projects of an experimental nature.

During 1986/87, 17 technical assistance projects, excluding pre-investment facilities, representing a financial contribution of R3,2 million by the Bank, were approved.

The technical assistance programme does not represent a large percentage of the allocation of funds by the Bank. However, this does not reflect its operational importance, as it focuses on the mobilization of expertise to ensure the effective and efficient application of resources for development.

### **Guarantees**

Guarantees are considered by the Bank where shown to be necessary to mobilize financial resources from the private sector to finance a specific project or programme. Although guarantees were not extensively utilized over the past three years, this sub-programme is expected to increase significantly as the number of applications increase for projects where private sector finance can be appropriate. This refers especially to the mobilization of finance for housing and for property development of a commercial nature. During 1986/87, guarantees to the amount of R103 million were approved.

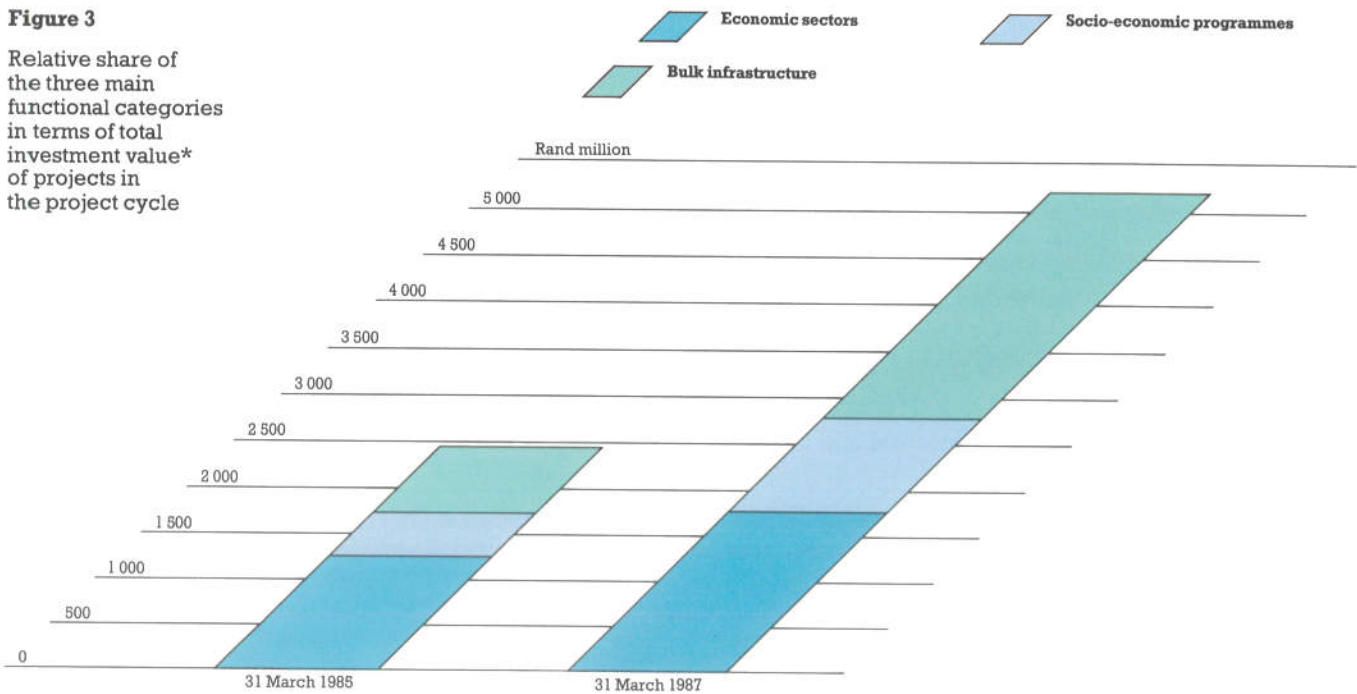
### **Agency sub-programme**

The establishment agreement of the Bank authorises it to provide services to participating states in respect of development activities that fall outside the scope of the Bank's normal activities. Since the start of its operations the



**Figure 3**

Relative share of the three main functional categories in terms of total investment value\* of projects in the project cycle



\*Total investment value: financial contribution by Bank + borrower + private sector and/or communities concerned

Bank has, at the request of South Africa, provided professional services to process projects to be financed by South Africa itself:

☐ the Winterveld development programme in Bophuthatswana

☐ the Collywobbles power station project in Transkei, where South Africa previously provided a guarantee.

Initially, certain education and training projects were also handled in this way. With the expansion in the scope of the Bank's activities in respect of human resource development that was decided on earlier, it was arranged with South Africa to take over these projects as normal Bank projects as from the beginning of the year under review.

In February 1986 a development fund of R40 million was established for South West Africa/Namibia by a resolution of the interim cabinet of that territory. The Control Board of the Fund was authorised to obtain the Bank's advice on the policy, strategy and operational procedures to be adopted by the Fund. The Bank was subsequently contracted to handle operational functions on behalf of the Fund, under the guidance and control of the Control Board. These functions, with which the Bank has already made a start, include development planning and programming, advisory functions, consultancy, research, training of the Fund's own staff and the processing of projects through the project cycle.

During the year under review 21 projects with a value of R129,1 million in the various phases of

the project cycle were handled by the Bank under the agency sub-programme. These projects are not included in the figures, tables and financial statements in this report as they do not involve financial commitments by the Bank.

#### Functional allocation of resources (figures 3/4)

##### *Economic development planning*

The increased attention by participating governments and other borrowers to development planning and policy formulation is financially supported by the Bank by way of technical assistance loans and grants for development planning projects. This support enables borrowers to mobilize private and academic expertise. Over and above assignments undertaken by the Bank itself in support of development planning, dealt with later in this report, there were eleven technical assistance projects by year-end. The strong rise in the number of such applications that occurred in 1986/87 is expected to continue in 1987/88.

Until recently such applications focused on the planning needs of individual participating states. However, the Bank has begun to experience a new trend. A number of applications were received for support of planning activities to formulate appropriate development strategies for development regions. These applications indicate that the objectives of the regional development policy are being actively pursued. They originate from the regional liaison committees, with the



## Functional classification of the Bank's activities

### Economic development planning



Development planning

### Economic sectors



Mining and mineral development



Agricultural development



Forestry development



Fisheries development



Agro-industrial development



Industrial development



Commercial development



Tourism development

### Socio-economic programmes



Integrated rural development



Integrated urban development



Small business development



Human resource development

### Bulk infrastructural programmes



Water resource development



Transportation development



Energy development



Posts & telecommunications development

support of the governments involved in the specific development region.

### Economic sectors

The trend of previous years in respect of the economic sectors was continued in 1986/87. At the end of the year these sectors had 192 projects in the pipeline with a total estimated Bank loan value of R996 million. This was 26 per cent of the total estimated Bank loan value of all projects as against 35 per cent a year earlier. This decline partly reflects the Bank's approach of limiting its financial support to mainly the provision of infrastructure. It was also the result of a larger inflow of project applications in other main categories with relatively higher loan values. A further contributing factor was the slowdown in private sector investment in Southern Africa over the past few years, which has affected *industrial development* in particular. Towards the end of the year under review, a rising trend in the applications for industrial development was again manifested.

During the second half of 1986/87 there was a significant increase in the number of applications for *commercial development*. Such projects help to ensure that the increasing purchasing power in developing areas is recirculated in those areas rather than leaking out to adjacent developed areas. They also provide facilities required by local entrepreneurs and by larger commercial firms from outside such areas. The Bank assists borrowers, who are usually local parastatals, in preparing such property developments to provide for full participation and funding by private interests. It also assists in negotiations with the private sector to mobilize the required private resources.

Special priority is accorded by both the Bank and its borrowers to *agricultural development*. Programmes in this field initiated by the public sector were in the past mostly directed towards conservation and stabilization of agricultural resources through the so-called betterment approach, and on selective production increases through large-scale, capital-intensive schemes. As experienced elsewhere, these large-scale, centrally managed projects did not achieve a genuine economic transformation in the less developed rural areas of Southern Africa, even though production levels did increase in some instances and significant employment opportunities were generated on some projects.

In recent years this approach to agricultural development has increasingly been questioned on account of its limited development impact and its high requirements for management and capital, which are both scarce factors in development. Conversely, it has been proven in practice that small farmers can produce marketable surpluses and generate significant employment and economic spillovers.

The smallholder's ability to allocate resources efficiently and to react rationally to market



signals has increasingly been recognized. Consequently, small farmer support programmes feature more prominently in agricultural development strategies. This enables these farmers to contribute substantially towards agricultural production and increased standards of living in rural areas. During the year significant progress was achieved in the formulation of policy guidelines in respect of coherent and integrated farmer support programmes.

An increasing number of projects of this nature are reaching final stages of preparation and appraisal and are being approved by the Bank. As indicated in Figure 4, 15 agricultural projects with a total Bank loan value of R51,7 million were approved during 1986/87. These projects mainly consisted of farmer support programmes and projects for the settlement of small farmers on developed agricultural land.

Some examples of success in mobilizing private sector funds for development through the Bank's intervention are:

- the replacement of approved loan financing by the Bank to KwaZulu sugar-cane farmers by funding from the private sector
- a forestry project in Transkei in which the private sector is now assuming a greater share of the risk than intended before the Bank's involvement.

#### Socio-economic programmes

Many rural areas were neglected in the past and a serious deterioration of both the resource

base and the quality of life occurred. The Bank actively encourages its participating governments and other borrowers to give increased attention to the *integrated development of rural areas*.

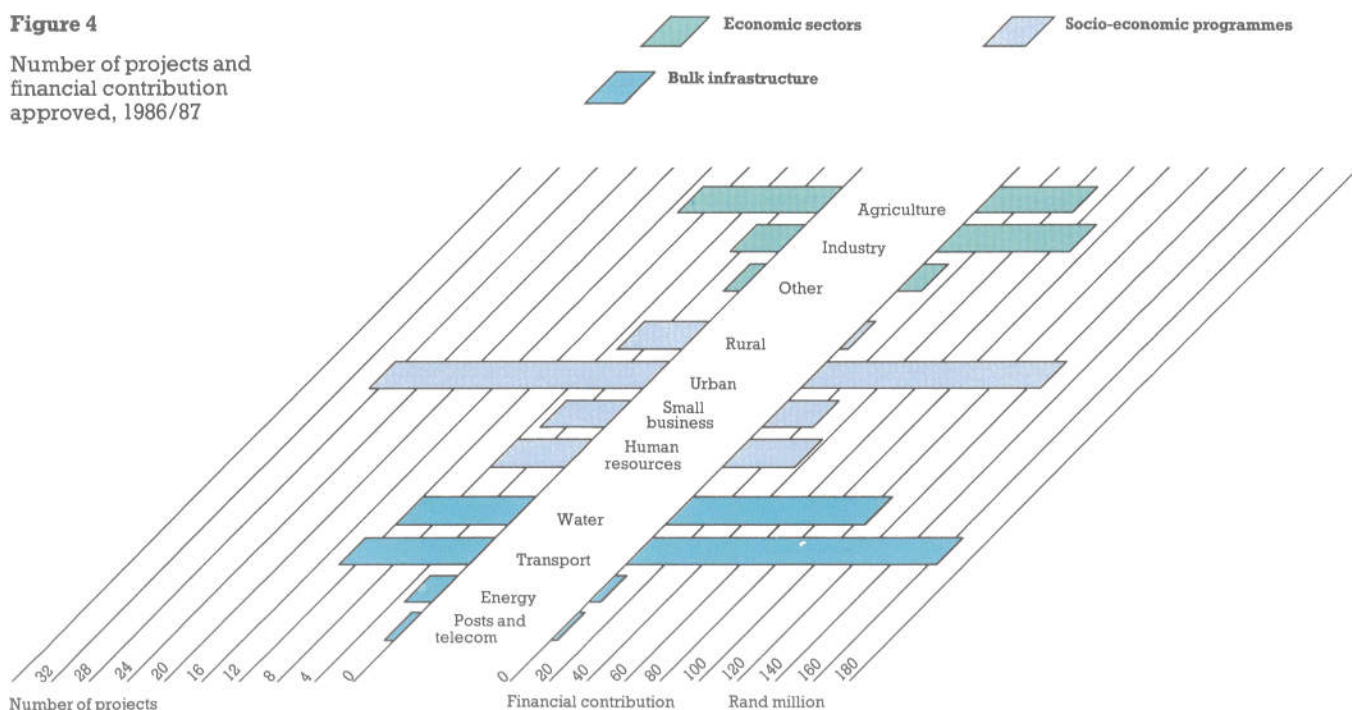
The importance of integrated development programmes is increasingly being recognized by participating governments. However, progress is seriously inhibited by the functional or sectoral structuring of government administrations and development agencies. The resulting over-emphasis of dividing lines demarcating areas of responsibility is a serious constraint to achieving an integrated and coordinated approach.

Moreover, recognition of the importance of active participation by the people concerned in the planning and implementation of rural development, and of the potentially important role of NGOs, is often lacking. The increased attention being given to the formulation of appropriate strategies and policies, as well as to institutional aspects, indicates that significant rural development programmes will take form in future.

*Urban development* in less developed areas of Southern Africa was for many years viewed simply as the provision by government of basic facilities to house people in specifically demarcated areas. Inadequate attention was given to related needs for employment opportunities and the stimulation of economic activities in and around urban areas. Services and housing were provided at such highly subsidized rates that there was hardly any

**Figure 4**

Number of projects and financial contribution approved, 1986/87





incentive for private sector developers and financial institutions to participate in urban development programmes. Even where employment opportunities were created in nearby industrial growth centres, attention was often not given to an integrated urban development process.

In the Bank's support to its borrowers during the identification and preparation of urban development projects, emphasis is placed on:

- ☐ the demands, needs and aspirations of the people concerned
- ☐ the economic development potential
- ☐ the importance of creating an economic base for urban development.

Furthermore, the basic philosophy is pursued that beneficiaries of services should contribute towards benefits received in such a way that private sector involvement is promoted and enhanced as much as possible. To marry this approach with affordability of services, strong emphasis is also placed on appropriate standards.

Only a limited number of applications for urban development projects were received during the first year of operations. This situation has changed drastically and a sharp increase in the number of urban development projects in the project cycle was experienced during the past two financial years. At the end of 1986/87, 127 urban development projects with a total estimated Bank loan value of R428,8 million had been accepted into the pipeline. Present indications are that these figures may more than double over the next two years.

The Bank's approach is not to consider finance for housing as such, but rather to encourage and support the private sector to play the roles of developers and financiers. The same applies to residential infrastructure. Bank loans are concentrated on the provision of bulk and connector services to prepare the way for such private involvement.

The year was characterized by a significant increase in applications for support to formulate appropriate urban development strategies and policies, to assist and advise in the establishment of local authorities and to advise on appropriate institutional structures in the public sector to support urban development. By addressing these important issues, a sound basis is being established for the effective and efficient implementation of expanding urban development programmes.

The coherent *small business support programmes* implemented by the participating states of the Bank since 1986/87 received special attention from both the local development agencies and the Bank. Constraints were addressed to achieve a higher rate of implementation. These coherent programmes were made possible through arrangements with South Africa to make a financial contribution towards those elements of the programmes that require mainly recurrent expenditure, namely training, counselling and

research. Also, emergency funds were established to assist small businesses encountering problems due to the prevailing economic recession.

These elements were financed by South Africa under its special employment programme, while the Bank in its turn provided loan financing for the creation of physical facilities. Through the creation of new job opportunities or the maintenance of existing job opportunities, 24 000 people should benefit from these programmes. Furthermore, the mobilization of often latent entrepreneurial potential achieved by these programmes has obvious benefits for promoting a system of free enterprise. Inadequate capacity of local development corporations for the handling of such coherent small business support programmes, which turned out to be a major constraint on the rate of implementation, is receiving the urgent attention of the Bank and its borrowers.

Since the start of its operations the Bank selectively considered projects for the training of manpower, but this programme was significantly expanded during 1986/87 following a policy decision by the Bank's Council of Governors. An extended framework was approved which made it possible to accept and appraise a wider range of projects in the field of *education and training*. At the end of the year there were 53 *human resource development* projects with a total estimated Bank loan value of R312,7 million. These projects were distributed as follows between educational and training functions:

- ☐ agricultural education and training: 14 projects
- ☐ technical education and training: 16 projects
- ☐ teacher training: 6 projects
- ☐ university facilities: 12 projects
- ☐ other education and training: 5 projects

The Bank is, however, not involved in the financing of facilities for ordinary primary and secondary education, as these functions are financed out of normal budgetary allocations of participating governments.

### **Bulk infrastructural programmes**

The financing of bulk infrastructure in support of the development process in the less developed areas of Southern Africa is a basic function of the Bank and paves the way for private sector investment. The significant backlog in the less developed areas in respect of infrastructure has been reflected in a continuously rising flow of applications to the Bank during its three years of operation. At the end of the year there were 153 such projects with an estimated Bank loan value of R2 069,9 million. This amount was more than the total of the other three main categories combined and is due to the large number of applications received, and the high investment value of such projects.



## Grassroots community projects

In developing areas, both rural and urban, there is a dire need to address the basic needs of communities and to stimulate economic activity. The financial means and organizational capacity of the public sector are not nearly sufficient to address such needs. There is also an underestimation of the willingness and capability of communities to take responsibility for addressing these needs and mobilizing resources. Non-governmental development organizations (NGOs) are often better placed and geared to support community initiatives than a government administration.

It is, however, important for local initiatives to be positively supported. The Bank encourages its participating governments to stimulate such developments, and is prepared to support and assist communities and NGOs in addressing constraints. Although still limited in number, there is an increasing flow of approaches and applications to the Bank to support community initiatives. The following is a good example.

The Bank received an application from the communities of the tribal areas of Qadi and Nyuswa in KwaZulu to provide support for a local water supply scheme. Traditionally, the responsible government is approached to provide the infrastructure. Very limited, if any, responsibility is taken by a community. In this case, the local communities took the initiative and responsibility for addressing their basic needs and for stimulating economic activity. The communities' nutritional needs were to be provided for by agricultural activity through gardens where individuals could grow food for local consumption.

The two tribal authorities involved delegates responsibility and authority for the planning,

implementation and maintenance of the envisaged developments to the Qadi/Nyuswa Development and Services Board. The latter is elected by the communities. This initiative is actively supported by an NGO, The Valley Trust. A panel of experts from the private and academic sectors provided guidance and advice, especially concerning technical and financial matters.

Furthermore, the Umgeni Water Board in adjacent Natal provided finance for some of the elements of the scheme.

Previously, communities undertaking such schemes on their own initiative could not count on government support. In most instances there is no provision for governments to provide guarantees for funds mobilized by communities themselves in developing areas.

The project team of the Bank assisted actively with the preparation of the project proposal. Negotiations took place with the KwaZulu government to provide the necessary mechanisms in order to effectively support such local initiatives, and it agreed to guarantee a loan to the Qadi/Nyuswa Board.

It was agreed that the responsibility for the preparation of the project, the appointment of consultants, the approval of the design, and the implementation would rest with the Board. Technical advice would be rendered by the departments of the Chief Minister and of Works of KwaZulu.

This approach opens the way for local initiatives, with the support of NGOs, to play a much greater role in addressing the development needs of KwaZulu.

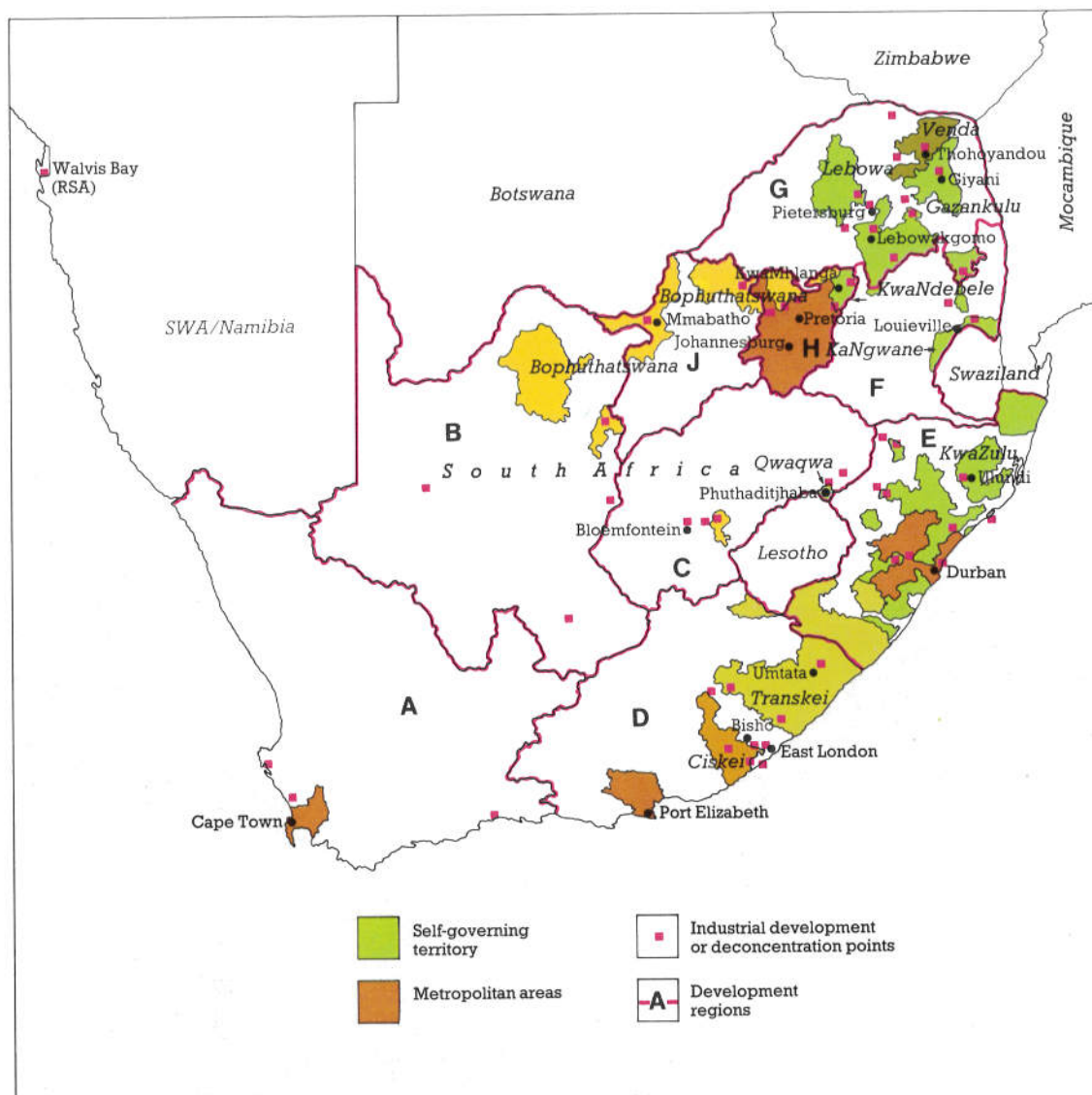
Using labour-intensive methods, a 19 km extension to an existing pipeline for the development of water resources for the Qadi/Nyuswa community is being constructed.





## Development regions in Southern Africa

- A: Western Cape in South Africa
- B: Northern Cape in South Africa; a Bophuthatswana district
- C: Orange Free State and Qwaqwa in South Africa; a Bophuthatswana district
- D: Eastern Cape in South Africa; Ciskei and southern Transkei
- E: Natal and KwaZulu in South Africa; northern Transkei
- F: Eastern Transvaal and Kangwane in South Africa
- G: Northern Transvaal, Lebowa and Gazankulu in South Africa; Venda
- H: Pretoria-Witwatersrand-Vaal Triangle and KwaNdebele in South Africa; Bophuthatswana districts
- J: Western Transvaal in South Africa; Bophuthatswana districts



This category of projects has up to now been dominated by project applications for *water resource development* and *transportation developments*. *Energy and posts and telecommunications projects* are beginning to play a more significant role.

The main consideration for Bank support of infrastructural projects is the potential development impact of such projects, addressed within a cost-benefit framework. Further issues addressed during preparation and appraisal of such projects are appropriate standards, less capital-intensive design approaches, user charging, and the management and maintenance requirements.

### Trends by development region (see map)

The Bank has no preconceived notions about the allocation of resources towards each development region. It depends rather on the initiative and the progress with development planning and project identification and preparation in each region. It also depends on a region's relative need to supplement its own resources with support from the Bank.

Regions differ significantly in terms of geographic size, resources, population pressure and availability of alternative sources of finance. Figure 5 indicates the potential share of each development region in the finance made available by the Bank, as reflected in total investment values. This figure shows that Region D still took up the largest share of Bank resources, namely 31,6 per cent at the end of the 1986/87 financial year. This reflects the active utilization of Transkei and Ciskei of the services of the Bank, but also highlights the fact that on-going development aid programmes in respect of the TBVC countries were taken over from South Africa in 1983. The share of Region D in Bank resources is, however, declining as an increasing trend in project applications from some of the other development regions is at present being experienced.

The share of Region F rose significantly from 0,5 to 9 per cent during the year. This was mainly due to applications received for the Komati/Lomati River Basin development as a cooperation effort between South Africa (including KaNgwane) and Swaziland. The



significant amounts involved in the construction of two dams and further developments resulting from this, which partly fall in Region F, resulted in a sharp increase in the percentage allocation envisaged for this region.

The relative share of Region E declined somewhat during 1986/87, but is expected to increase again as applications are received for the second phase of the KwaZulu/Natal urban development programme.

Because of the significant change in the share of Region F, the relative positions of most of the other regions decreased. Nevertheless, there was a significant rise in the receipt of applications especially for Regions B, C, G and J.

### Assignment programme

The Bank's assignment programme consists of investigations and other commissions undertaken either for its own use or at the request of its participating states and development institutions. They are usually undertaken to support policy formulation and operational decision-making processes and are done by Bank staff or by outside expertise appointed and supervised by the Bank.

Assignments should not be confused with technical assistance projects. The Bank is directly responsible for the execution of an assignment and appoints consultants and researchers to undertake the assignment if it is not done internally. Technical assistance projects are undertaken by consultants appointed by the participating states, albeit with financial support and advice from the Bank.

Assignment teams are responsible for the execution of assignments. Various departments in the Bank and outside expertise are

represented on such teams according to the nature of the assignment.

The different kinds of assignments undertaken by the Bank are discussed below. A summary of assignments completed during 1986/87 and those still in progress is given in Table 3 in Annexure 3. Annexure 2 lists the assignments completed during the year.

### Data research

Assignments on data research are primarily undertaken to provide for the Bank's own data needs. Where approval from participating governments can be obtained, documentation is published to render a service to the rest of the development community. Information by participating state has been placed on a relatively sound foundation and various publications are already available or are in the process of being completed. Participating states are now assisted to create and improve their capacity to establish and operate their own data banks. In doing so, the Bank strives to achieve comparability between the information systems of participating states.

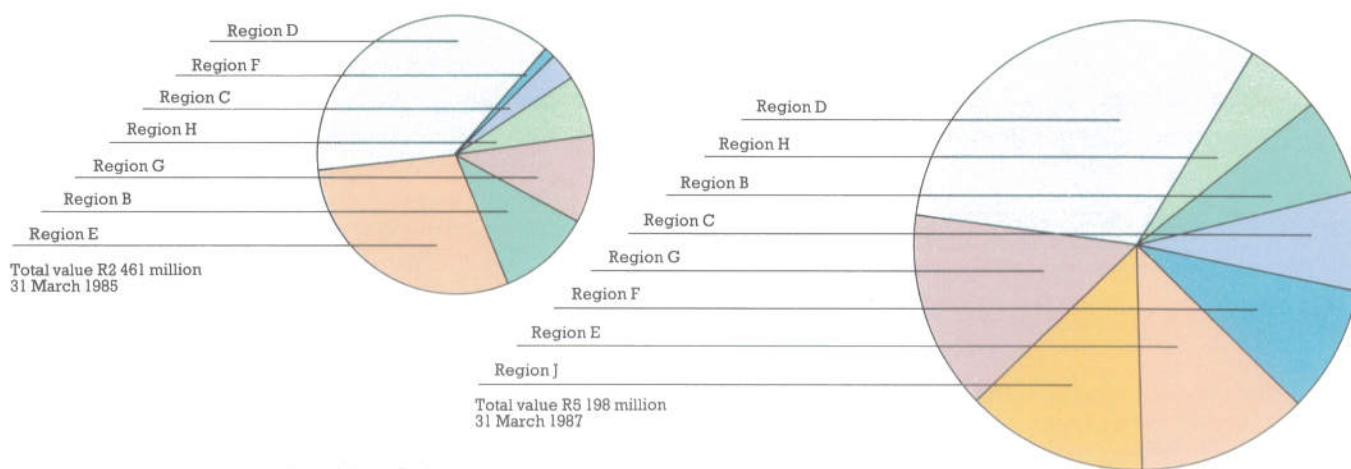
A start has also been made to collect, systematize and analyse information for each of the nine development regions. These assignments will be undertaken in close cooperation with regional interests and local research capacity is utilized where available. It is envisaged that reports on two regions will be published in 1987/88.

### Policy research

Policy research assignments provide important qualitative inputs for the decision-making process, both in the Bank and in the participating states and their institutions. Assignments under this heading fall into three

**Figure 5**

Relative share of the nine development regions in the total investment value\* of projects in the project cycle



\*Total investment value of a project: financial contribution by Bank + borrower + private sector and/or communities concerned



groups, namely research papers, policy evaluation studies, and studies on analytical techniques. A wide variety of assignments were completed during 1986/87, including for example a research paper on urbanization, a study on alternative ways of supporting financial adjustment in participating states, and a study on land tenure systems.

During 1987/88 emphasis will be placed on a comprehensive assignment in which the industrial development programme as an element of regional development in Southern Africa will be evaluated. This assignment is undertaken on request of the Development Council of Ministers of the Bank's member governments. Extensive use will be made of outside researchers. The final evaluation will be done by a panel of experts from the private sector and the academic world, who will be appointed by the five governments concerned.

### Ex post project evaluation

Assignments in this field are undertaken after disbursement of Bank loans has been completed and some time has elapsed since implementation. The aim is to establish the successes and shortcomings of a project, to

take these into consideration in future projects.

Ex post project evaluation is a newly established Bank function and no assignments have yet been completed.

### Planning studies

Planning studies include the development of guidelines on the methodology and systematics of planning, the establishment of planning frameworks, the compilation of state and regional assistance strategies, and *ad hoc* planning studies.

Various studies to assist participating states with planning and with policy formulation are in progress. The Bank has also begun to compile state assistance strategies. To this end development appraisals are undertaken which contain the latest available assessment of the situation in a state within its wider regional context. The state assistance strategy will be derived from these appraisals.

### Economic and technical consultancies

Economic and technical consultancies are undertaken at the request of participating states and their agencies, and consist of studies

## Bank publications

In an effort to promote development research and general awareness of the importance of development, the Bank has embarked on a continuing programme of publications. The following have already been published:

**Development Southern Africa:** a quarterly academic journal to promote research and discussion on development issues relating to Southern Africa. In 1986/87 four editions of altogether 780 pages were published, and included contributions from a wide spectrum of development specialists. Subscription fees are R20 per year (Southern Africa) and R25 (elsewhere). Close on 2 000 copies are distributed quarterly.

**Headway:** a one-page newsletter on Bank activities and policies as well as on development issues in Southern Africa. Some 3 000 copies are distributed free of charge every six weeks.

**Development information files:** comprehensive statistical reports on the independent states and the self-governing territories. Each file includes information on a state or territory's institutional framework, natural features, population profile, population settlements, labour and employment, macro-economic analysis, agriculture and mining, manufacturing, construction, trade, services and tourism, electricity, water, transportation and communication, and community and social services. Files on Ciskei, Gazankulu, KaNgwane, Lebowa, Qwaqwa and Venda are available at R100 each, while files on the other participating states are being prepared.

**Agreement establishing the Development Bank of Southern Africa:** a brochure available free of charge.

**Research papers** have been published on the following subjects and are available at the prices indicated: *DBSA in the Southern African development framework* (R4), *Regional economic development in the Southern African development area* (R12), *Tourism and development* (R6), *Economic development in Southern Africa and the role of DBSA* (R9), *Road transport in Southern Africa with special reference to passenger transport* (R20), *Implications of systems of land tenure on development in Southern Africa* (R6), and *Urbanization and urban growth in the SATBVC states* (R15,50).

**Ciskei:** *Introductory economic and social memorandum* is available at R40 a copy and is the first of a series of such memoranda.

**Wall map:** *Independent and national states in Southern Africa*, a wall map of 555 x 175 mm available at R5 a copy.

**Publications** which will appear shortly include statistical abstracts of the SATBVC countries and of the self-governing territories in South Africa, a general information brochure and an updated wall map, and it is envisaged that the outcome of a number of assignments will be published, such as on guidelines for the preparation of projects, and on the mobilization of the private sector.

Publication enquiries can be directed to the Managing Editor, DBSA, PO Box 784433, Sandton, 2146 (phone 011-445-9111).



addressing institutional constraints and problems encountered during the preparation and implementation of programmes and projects.

A number of such consultancies were completed during the year under review, while others are still in progress. Assignments previously undertaken in respect of the viability of industries located in terms of the industrial development programme and technical studies in respect of agricultural development are being phased out. Those still in progress are undertaken in such a way that clients are assisted to take over the responsibility themselves, or to involve private sector expertise.

#### **Assignments on operational policy and project design**

Assignments on operational policy and project design form the basis of operational decision-making in the Bank. In respect of operational policy, assignments are undertaken to formulate guidelines and to develop basic frameworks for the various functional areas of operation such as agricultural development, small business development and integrated urban development. As far as project design is concerned, assignments are undertaken to develop and establish appropriate norms, standards and design approaches.

Assignments are also undertaken to establish systematic procedures in respect of the various phases of the project cycle.

#### **Training assignments**

Training assignments include the determination of training needs, the development of training programmes and the presentation of training courses and seminars in the Bank itself and in the participating states. These assignments focus on development issues directly related to the Bank's operations supplementing training services provided by other institutions. The most important categories of such assignments are internal orientation courses for new staff and development courses arranged for officials from the participating states as well as for consulting firms who are regularly appointed on Bank project teams.

#### **Management and administrative policy assignments**

Management and administrative policy assignments are for internal Bank purposes and cover a wide variety of subjects. Examples of such assignments are those undertaken to facilitate the Bank's strategic planning process and to assist in formulating policies and procedures for the utilization of private consultants by the Bank. The erection of the Bank's permanent headquarters at Midrand is also managed as an assignment and classified under this heading.

### **Mobilization of resources**

The activities included under this heading are the mobilization of human and financial resources for the Bank and its participating states.

#### **Human resources**

During the year under review a major effort was made to recruit, select and orient new employees. The rapid increase in applications and requests for the Bank's support and services, experienced over the three years of operations, necessitated a concomitant expansion in organizational capacity.

The manpower plan for 1986/87 called for a significant increase in staffing of the Bank against the background of a relatively small specialist manpower market. Some 700 employment interviews were conducted, resulting in the appointment of 141 new employees. Care had to be exercised in handling applications from persons already employed by institutions in the participating states in order not to impair their institutional capacity. As an alternative to employing persons already involved in the development field, much success was achieved in the appointment of staff from outside the development sphere, for example from the consulting professions, and in reorienting them towards development issues as opposed to established First World practice.

Three orientation seminars of between two and four days each for new employees, involving intensive participation by senior management, were attended by 263 professional and service staff members. These seminars enhanced understanding of development issues and Bank practice among new employees, and raised levels of motivation and commitment.

Altogether 298 staff members attended skills training courses in subjects ranging from management to report writing, and 95 employees were sponsored by the Bank to attend external courses in a wide variety of appropriate subjects. The Bank's study aid scheme for employees was used by 35 employees. The trainee scheme also yielded its first dividends with the appointment of six trainees to permanent positions in the Bank. The trainee scheme remains open also to nominees from participating states, but no such candidates were presented during the year.

A series of recruitment and information visits to universities yielded a response of over 500 firm applications for entry into the trainee scheme. From these applications, 13 applicants with exceptional potential were appointed as trainees, bringing the total number of trainees on the programme to 22. A number of these will become eligible for appointment in institutions in participating states after completion of their traineeship.

With the rapid growth in staff numbers over the past two years, the Bank increasingly requires the use of formal management systems.



## New headquarters complex

The contract for the construction of the Bank's headquarters was awarded to Murray & Roberts, at a contract price of R26,2 million. Construction has already started and should be completed in late 1988 when the lease on the present facilities in Sandton expires.

During the Bank's establishment process in 1983 it was agreed by the original members of the Bank that South Africa would make available a suitable site for the development of the Bank's headquarters. A 25 ha tract of land in a prime position next to the Ben Schoeman Highway in the Midrand municipal area was made available to the Bank.

The consultants were asked for an innovative and versatile design to establish a complex that

is both functional and in harmony with the site and surrounding landscape. The development had to be cost and energy effective with a low maintenance requirement.

The siting and design of the building aim to make optimum use of natural light and ventilation, with the use of artificial air-conditioning kept to a minimum. Indigenous vegetation will be planted to supplement the present grassed parkland.

In cooperation with the consultants a modern, innovative but practical and appropriate complex was designed. New perspectives and more knowledge were obtained on design and cost criteria as well as professional fees. These aspects will be applied in the Bank's approach to and appraisal of similar projects.

A perspective of the Bank's new headquarters



However, to prevent a depersonalization of the work environment, care is exercised to maintain open lines of communication, a high level of participation by employees at all levels, and personal attention by management to the circumstances and aspirations of individuals. This approach, supported by the intrinsic value of the Bank's activities to the majority of its employees, has resulted in a high level of motivation and an exceptionally low staff turnover.

The Bank experienced increasing calls for assistance over a wide spectrum with regard to the manpower requirements of its borrowers. The Bank's policy of avoiding the possible complications and negative results of outright secondment of its staff to participating states was maintained. Various mechanisms have, however, been used to enable borrowers to develop the skills and experiences of their employees, for example by having selected employees spend varying periods of time in an

internship or trainee capacity within the Bank, or perform their functions in their home departments under tutelage of Bank staff who make regular visits to this end.

There was a dramatic increase in the number of requests for technical assistance projects aimed at strengthening the institutional capacity of organizations in the participating states. Such projects range from the development of individual professionals to large-scale orientation seminars for employees on development issues. By March 1987, 27 such projects, ranging from basic consultation projects to full-scale technical assistance projects, had been handled by the Manpower Development Department. The rising number of such projects and the realization of the importance of the manpower development aspect of institutional development have led to initial planning being undertaken for a specialist department to address manpower development issues related to the Bank's



Developing their careers by developing Southern Africa: the Bank's trainee programme is gaining momentum. From the left: Junior Potloane (from the Qwaqwa Development Corporation), James Aling, Frik Viljoen and Herman Scholtz with Eleanor Meiring in front



functional areas of operation.

It has become clear that the Bank's educational function with regard to development issues should not be underestimated. A small conference secretariat was therefore created to serve both the external and the internal need for conferences, symposia, and other events designed to promote, through the dissemination of information, the development mission of the Bank.

### **The private sector**

The Bank increasingly focused its attention on the mobilization of the private sector's support and participation in the development process (see also the section on privatization on p 16). Use was made of the Bank's guarantee programme, bridging finance and of cofinancing agreements with the private sector to create the necessary investment climate that could attract private sector involvement. Valuable contact was further pursued with the participating states and their development agencies to address specific constraints to private sector participation in the various development regions.

More effective use and a higher level of involvement of external specialists were attained compared to the previous financial year. The Bank also critically evaluated its advisory services functions and decided to terminate those functions that could be better provided by the private sector, such as engineering, architectural and industrial advisory services.

### **Financial resources**

Financial resources are obtained by the Bank in four forms: share capital contributions by member governments, contributions to the Bank's Development Fund, loans raised on the

local and foreign capital markets, and the repayment of loans granted by the Bank.

Of the initial authorized and subscribed share capital of R2 000 million, R200 million is being paid up by member states in the first five years of the Bank's existence. A total amount of R128 million had been paid up as at 31 March 1987. The remaining R1 800 million in callable share capital stands as a liability of the member states against which loans can be raised in the capital markets and against which the Bank's guarantees are issued. On 31 March 1987 the unimpaired portion of callable share capital amounted to R1 582,9 million, leaving that amount as the available limit against which the Bank can plan and undertake its fund mobilization activities in the financial markets.

In further carrying out a commitment made by the government of South Africa when the Bank was established, an amount of R244,3 million was paid over to the Bank's Development Fund during the past financial year, bringing the cumulative total of such contributions to the Development Fund as at 31 March 1987 to R919,8 million. The outstanding commitment of the South African government on 31 March 1987 amounted to R821,2 million, of which the programming is subject to further negotiation.

The Bank has not raised any new funds in the capital markets but still views these markets in terms of a long-term funds mobilization strategy aimed at establishing the Bank as a prime borrower in the financial markets. The intention remains that the borrowing operations of the Bank in these markets would constitute an important and ongoing source of financing. Capital market funds will gradually and with the necessary circumspection be taken up to give effect to this aim.

The capital market commitments shown in the balance sheet represent a conversion issue to take over outstanding commitments of institutions rationalised during the Bank's establishment process. The supporting assets in the form of loans to development institutions carry a full South African government guarantee for capital and interest payments. The outstanding capital market commitment in respect of this transaction amounted to R177,5 million at 31 March 1987.

The repayment of interest and capital on loans granted by the Bank were fully and promptly made by the borrowers on due dates during the past financial year. As grace periods expire in respect of loans granted, it is expected that these repayments will represent an increasingly important source of funds.

The Bank further strengthened its involvement in advising and assisting the participating states and their development institutions in the planning and management of their financial affairs. Due care was exercised in appraising projects on the basis of sound financial and economic analysis and in granting loans directly or indirectly supporting and strengthening the repayment capacity of borrowers. As prescribed in the Bank's



## **Progress with Bank activities**

Establishment Agreement, the financial position of borrowers is continuously monitored to ensure their ability to meet obligations in terms of serving Bank loans.

### **Financial policies**

The following financial policies were applied during the financial year and are reflected in the financial report as submitted in the following section.

### **Performance measurement**

The effectiveness of the Bank's operation is not measured primarily by the financial return on its investments but rather by the extent to which these investments meet development objectives implied in its mission as set out in the establishment agreement. Assignments are at present undertaken to determine a system of yardsticks in this respect.

### **Reserve policy**

The inflow of funds is currently at a higher level than actual cash disbursements. This tendency in the initial years of the Bank's existence contributes largely to the surplus income as recorded from year to year. The Bank's policy is to utilize these surpluses to build up non-distributable reserves as a safeguard against unforeseen contingencies as well as for new development projects. The accumulation of reserves also increases the borrowing capacity of the Bank.

### **Liquidity policy**

The Bank's liquidity policy is designed 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.

In this early phase of its operations the Bank is still building up its loans portfolio. At 31 March 1987 about 30 per cent of total funds were employed in investments with financial institutions and therefore not in development projects. The Bank is thus at this stage, by circumstance and not by policy, in a relatively liquid position, although at a lower relative level of liquidity than during the previous year if compared to total commitments, which have been rising.

### **Credit risk policy**

The Bank provides loans to the governments of participating states as well as to other public and non-governmental development agencies and institutions involved in development activities. Where finances are made available to borrowers other than governments, this is done against the guarantee of repayment provided by the participating government in whose territory the development project is located.





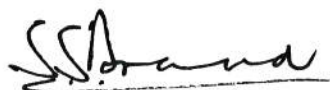


# Balance sheet

at 31 March

	Note	1987 R'000	1986 R'000
<b>Capital employed</b>			
Share capital	2	128 000	92 000
General reserve	3	81 849	47 302
Development Fund	4	919 776	675 430
Capital market loans	5	175 875	210 401
Deferred income	6	51 949	26 221
		<u>1 357 449</u>	<u>1 051 354</u>
<b>Employment of capital</b>			
Fixed property	7	3 368	
Loans	8	925 520	497 545
Investments	9	410 113	521 557
Net working capital	10	18 448	32 252
		<u>1 357 449</u>	<u>1 051 354</u>

Pages 36 to 43 signed for and on behalf  
of the Board of Directors by



S S Brand  
Director  
22 May 1987  
  
Sandton



W L Nkuhlu  
Director  
22 May 1987



# Income statement

for the year ended 31 March

	Note	1987 R'000	1986 R'000
<b>Income</b>			
Interest received	11	95 023	51 551
Other	12	2 649	2 598
		<u>97 672</u>	<u>54 149</u>
<b>Less</b>			
Interest paid	13	26 485	2 381
Technical assistance grants		2 348	1 791
<b>Operating income</b>		68 839	49 977
<b>Less expenditure</b>		34 292	23 091
Auditors' remuneration	14	333	141
Directors' fees and expenses		111	110
Furniture, equipment and motor vehicles	15	3 085	2 432
Operating expenditure		30 763	20 408
<b>Surplus income transferred to general reserve</b>		<u>34 547</u>	<u>26 886</u>



# Funds flow statement

for the year ended 31 March

	1987 R'000	1986 R'000
<b>Financial resources provided by</b>		
Net income	34 547	26 886
Non cash items		
Deferred interest	- 11 563	- 2 485
Discount amortized	4 045	350
Investments written down		173
<b>Financial resources provided by operations</b>	27 029	24 924
<b>Development Fund contribution</b>	244 346	275 000
<b>Share capital issued</b>	36 000	36 000
<b>Decrease/increase(–) in non earning assets and liabilities</b>		
Fixed assets	- 3 368	
Working capital	13 804	- 28 316
	<u>317 811</u>	<u>307 608</u>
<b>Increase/decrease(–) in earning assets</b>		
Loans repaid	- 64 187	- 6 313
Loans advanced	246 084	173 655
Investments	97 343	350 317
Capital market loans		- 210 051
Repayment of capital market loans	38 571	
<b>Net increase in earning assets</b>	<u>317 811</u>	<u>307 608</u>

# Notes to the financial statements

## 1. Accounting policies

The financial statements are prepared on the historical cost basis in conformity with generally accepted accounting practice followed by similar international institutions. The principal features of the accounting policies adopted and applied on a basis consistent with the previous year, unless otherwise stated, are set out below.

### 1.1 Fixed property

All costs directly related to the construction of the head office at Midrand are capitalized.

### 1.2 Other operating assets

Other operating assets consisting of furniture, office equipment, computer equipment and motor vehicles, are written off in the year of acquisition. Proceeds on disposal of these assets are reflected as recoveries.

### 1.3 Interest received on development loans

#### 1.3.1 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.

#### 1.3.2 Direct portion

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

### 1.4 Investments

The securities are valued on a portfolio basis at the lower of cost or market value. Gains or losses on sale of securities are recorded as an element of income from investments.

### 1.5 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.

### 1.6 Grants

All grants received, other than those specifically earmarked, are taken directly to the Development Fund.

### 1.7 Refund of taxes and duties

Refund of payroll taxes is reflected as other income and the refund of general sales tax and duties is offset against expenditure.

	1987 R'000	1986 R'000
<b>2. Share capital</b>		
<b>2.1 Authorized and subscribed</b>		
200 000 shares at a par value of R10 000 each	<u>2 000 000</u>	<u>2 000 000</u>
<b>2.2 Issued capital</b>		
20 000 shares at par	200 000	200 000
<b>2.3 Less</b>		
Balance to be paid up at par in equal annual allocations of 3 600 shares from 1987/88 to 1988/89	72 000	108 000
<b>2.4 Paid-up capital</b>		
12 800 (9 200 – 1985/86) shares at par	<u>128 000</u>	<u>92 000</u>



	1987 R'000	1986 R'000
<b>3. General reserve</b>		
Balance at 1 April	47 302	20 416
Transfer from income statement	34 547	26 886
	<u>81 849</u>	<u>47 302</u>
These funds are not distributable to the members in the normal course of business.		
<b>4. Development Fund</b>		
Balance at 1 April	675 430	400 430
Contribution by SA	244 346	275 000
	<u>919 776</u>	<u>675 430</u>
Outstanding commitments by SA towards the Development Fund	<u>821 224</u>	<u>824 570</u>
The Development Fund consists of grants received and does not constitute a liability.		
<b>5. Capital market loans</b>		
DBSA local stock		
Balance at 1 April	239 170	239 170
Less: Redeemed 31 October 1986	38 571	
	<u>200 599</u>	<u>239 170</u>
Less: Net discount to be amortized	24 724	28 769
Discount to be amortized	29 119	29 119
Discount on issue of DBSA local stock amortized	- 4 395	- 350
	<u>175 875</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 made to take over outstanding Corporation for Economic Development (CED) capital market commitments. The discount on the 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 1987 to 31 October 2001.		
Amount redeemable during the next financial year	<u>52 340</u>	<u>37 320</u>
<b>6. Deferred income</b>		
Balance at 1 April	26 221	8 288
Interest capitalized	27 447	18 210
	<u>53 668</u>	<u>26 498</u>
Less: Interest transferred to income statement	1 719	277
	<u>51 949</u>	<u>26 221</u>
An amount due and payable during the next financial year will be transferred to the income statement from deferred income as interest received.	<u>2 748</u>	<u>443</u>

	1987 R'000	1986 R'000
<b>7. Fixed property</b>		
At cost		
Building under construction	3 368	
The building will be the head office of the Bank and is being constructed on land donated to the Bank by SA.		
<b>8. Loans</b>		
8.1 Development loans	748 002	497 545
Balance at 1 April	497 545	309 785
Loans advanced	246 084	173 655
Interest capitalized	35 917	20 418
Deferred interest	27 447	18 210
Direct interest	8 470	2 208
	779 546	503 858
Less: Repayments of loans*	31 544	6 313
8.2 Other loans	177 518	
Loans ceded from the CED	208 787	
Interest capitalized	1 374	
	210 161	
Less: Repayments of loans†	32 643	
	925 520	497 545
*Amount repayable during the next financial year	27 162	14 972
†Amount repayable during the next financial year	41 636	
<b>9. Investments</b>		
Fixed deposits	237 435	288 265
Securities in listed government and public corporation stock at cost price (1986 market value)*	137 596	24 505
Negotiable certificates of deposit	35 082	
CED local stock		208 787
	410 113	521 557
*Market value of securities	147 386	24 505
<b>10. Net working capital</b>		
Current assets	30 067	44 973
Accounts receivable	14 816	6 484
Bank balances and cash	15 251	26 981
Interest receivable CED local stock		11 508
Less: current liabilities	11 619	12 721
Accounts payable and provisions	3 261	2 827
Interest payable on capital market loans	8 358	9 894
	18 448	32 252



	1987 R'000	1986 R'000
<b>11. Interest received</b>		
Investments	58 408	46 685
Development loans		
– Direct interest	8 470	2 208
– Transferred from deferred income	1 719	277
Other loans	26 426	
CED local stock		2 381
	<u>95 023</u>	<u>51 551</u>
<b>12. Other income</b>		
Refund – payroll taxes	2 000	2 000
Advisory and agency services	488	551
Other	161	47
	<u>2 649</u>	<u>2 598</u>
<b>13. Interest paid</b>		
Interest on capital market loans	22 440	2 031
Discount on issue of DBSA local stock amortized	4 045	350
	<u>26 485</u>	<u>2 381</u>
<b>14. Auditors' remuneration</b>		
For the audit	66	54
Underprovision prior year	2	1
For consulting services	265	86
	<u>333</u>	<u>141</u>
<b>15. Furniture, equipment and motor vehicles written off</b>		
Balance at 1 April	4 141	1 709
Amount written off in financial year	3 085	2 432
	<u>7 226</u>	<u>4 141</u>
<b>16. Commitments and contingent liabilities</b>		
16.1 <b>Financing of the staff motor scheme</b>		
Financing of the staff motor scheme is done through a financial institution. The Bank guarantees the liabilities of its employees in this regard.	<u>4 587</u>	<u>3 295</u>
16.2 <b>Financing of the staff housing scheme</b>		
Financing of the staff housing scheme is partly done through a banking institution. Guarantees are issued by the Bank in support of certain loans granted.	<u>2 589</u>	<u>1 088</u>
16.3 <b>Collateral securities</b>		
Certain of the Bank's investments with building societies serve as collateral security for certain bonds granted by building societies to staff of the Bank.	<u>210</u>	<u>176</u>

	1987 R'000	1986 R'000
<b>16.4    Loan agreements</b>		
16.4.1. Commitments in respect of loan agreements concluded but not fully disbursed	<u>514 404</u>	<u>286 368</u>
16.4.2. Commitments in respect of loan agreements approved by the Bank and still under consideration by the prospective borrowers	<u>271 402</u>	<u>252 070</u>
<b>16.5    Technical assistance projects</b>		
16.5.1 Commitments in respect of technical assistance projects concluded but not fully disbursed	<u>3 887</u>	<u>3 652</u>
16.5.2 Commitments in respect of technical assistance projects approved by the Bank and still under consideration by the prospective recipients	<u>1 378</u>	<u>1 135</u>
<b>16.6    Loan guarantees</b>		
16.6.1 Guarantees issued by the Bank	<u>85 000</u>	<u>1 280</u>
16.6.2 Guarantees approved by the Bank but still under consideration by the prospective borrowers	<u>38 039</u>	<u>20 000</u>
<b>16.7    Capital commitments</b>		
Commitments in respect of contracts for the construction of the new head office of the Bank	<u>26 180</u>	

## **17. Liability for normal income tax**

No provision is 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 36 to 43. 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 1987 and the results of its operations for the year then ended, in conformity with generally accepted accounting practice for similar institutions.

*Ernst & Whinney*

Ernst & Whinney  
Chartered Accountants (SA)

22 May 1987  
Johannesburg

## Region C



### Approved projects\*, 1986/87

#### Industrial development

##### Botshabelo industrial development and infrastructure (investment loans):

The phased construction of sixteen standard factory buildings, including ablution and office accommodation, and the provision and extension of infrastructure in Botshabelo, an industrial development point in South Africa.

**Borrower:** South African Development Trust Corporation

Loan 1: R5 053 000, 13%, 15 years

Loan 2: R1 891 000, 12%, 20 years

Total cost: R8 679 000

#### Small business development

##### Mangaung light industrial infrastructure (investment loan):

The promotion of small industrial development through the provision of connector infrastructure for water, sewage and electricity to the boundary of the light industrial area and the reticulation of these services to individual sites in the Batho industrial area of Mangaung near Bloemfontein in South Africa.

**Borrower:** City Council of Mangaung

Loan: R172 000, 12%, 20 years

Total cost: R215 000

##### SA Development Trust small business project (investment loans):

To assist entrepreneurs on remaining trust land in South Africa by means of working capital, equipment and physical facilities to establish themselves as small businessmen. A small portion of these funds will also be utilized to stimulate small business development on trust land in Region G.

**Borrower:** South African Development Trust Corporation

Loan 1: R840 000, 12%, 6 years

Loan 2: R52 000, 7%, 15 years

Loan 3: R1 728 000, 9%, 15 years

Total cost: R3 275 000

#### Human resource development

##### Multipurpose training centre (investment loans):

Site works, infrastructure, buildings, furniture and equipment for the establishment of a multipurpose basic skills training centre at Phuthaditjhaba in Qwaqwa. Provision is also made for the transfer of certain machinery and equipment from Kwetlisoeng *ad hoc* industrial school and the Qwaqwa Development Corporation. This project will lead to the upgrading of skills of manpower in the region.

**Borrower:** Qwaqwa Government

Loan 1: R2 629 200, 5%, 10 years

Loan 2: R5 413 000, 5%, 20 years

Total cost: R8 899 700

#### Water resource development

##### Upgrading of Qwaqwa water supply (investment loan):

The second phase of the proposed upgrading of the water supply to urban and rural users in Qwaqwa. The first phase was the construction of the Fika Patso Dam. The second phase entails the piped supply of potable water to the planned university complex and sixteen rural villages, the upgrading of the supply pipeline to Phuthaditjhaba and the upgrading of the Swartwater filter unit to a full-scale purification works. The infrastructure supports urban and industrial development in the area.

**Borrower:** Qwaqwa Government

Loan: R18 900 000, 7%, 20 years

Total cost: R21 000 000

The completed first phase of the Fika Patso Dam for which the Bank approved a loan of R18 million in 1984. The second phase of this project, which was approved during 1986/87, will involve the upgrading of water supply to urban and rural areas in Qwaqwa



\*Loan detail provided: loan value, annual interest rate, loan period. Grace periods not indicated. Guarantee detail provided: amount and period, Guarantee fee not indicated.



*Region C continued*

**Posts & telecommunications development**

**Extensions to Seloshesha automatic exchange**  
(investment loan):

The procurement and installation of electro-mechanical equipment required to extend the Seloshesha automatic exchange in Bophuthatswana by 600 lines. Infrastructure in support of urban and industrial development in the area.

**Borrower:** Bophuthatswana Government

**Loan:** R422 100, 13%, 20 years

**Total cost:** R469 000

**Region D**



**Agricultural development**

**Braunschweig food plots** (investment loans):

Phase 1 is for the development of foodplots coupled with village development and settlement of landright owners. Phase 2 provides for the settlement of full-time farmers (irrigation) through privatization in Ciskei.

**Borrowers:** Ciskei Government and Ciskeian Agricultural Bank

**Loan 1:** R331 200, 5%, 20 years

**Loan 2:** R70 200, 8%, 6 years

**Total cost:** R455 800

**Ciskei livestock farmer support programme (project 1)** (investment loans):

This project is part of a proposed phased development and support of the livestock industry in Ciskei and consists of the supply of improved livestock genetic material under a leasing scheme and the provision of production inputs, farm structures, credit, marketing and extension services to livestock farmers in the Hewu district. The programme will be extended to include the other four districts in Ciskei.

**Borrowers:** Ciskei Government and Ciskeian Agricultural Bank

**Loan 1:** R171 900, 6%, 20 years

**Loan 2:** R250 400, 6%, 8 years

**Loan 3:** R1 800 000, 6%, 20 years

**Total cost:** R2 503 000

**Ecotope evaluation system** (technical assistance loan):

Research to identify identical groups of the major ecotope types in Ciskei on which research will be conducted over four years to devise appropriate agrotechnology to be transferred to Ciskeian crop farmers.

**Borrower:** Ciskei Government

**Loan:** R577 800, 4%, 10 years

**Total cost:** R642 000

The Ncora development project in Transkei



*Region D continued*

**Livestock farmer support programme (pilot project 1)** (investment loans):

This project is an important aspect of the broader livestock development strategy for Ciskei. It is designed with a research element as a livestock farmer support framework, also incorporating extension and demonstration.

**Borrower:** Ulimocor (Agricultural Corporation)

**Loan 1:** R68 310, 4%, 20 years

**Loan 2:** R52 960, 5%, 8 years

**Loan 3:** R42 640, 8%, 3 years

**Total cost:** R195 400

**Ncora/Qamanco development** (investment loan):

The promotion of dryland crop production on 500 ha and the establishment of individual small farmers on farming units of not less than 2,5 ha each. The project forms part of the Ncora development project in Transkei.

**Borrower:** Transkei Government

**Loan:** R601 600, 10%, 8 years

**Total cost:** R928 100

**Zanyokwe irrigation scheme** (investment loans):

Infrastructure and comprehensive support services for commercially oriented farmers, foodlot holders and support service entrepreneurs on 518 ha of land in the Kamafurrow, Burnshill, Lenye, Zanyokwe and Lower Mqumeya administrative areas of Ciskei.

**Borrowers:** Ciskei Government and Ciskeian Agricultural Bank

**Loan 1:** R3 266 000, 6%, 20 years

**Loan 2:** R2 942 300, 8%, 10 years

**Total cost:** R7 760 000

**Agro-industrial development**

**Langeni particle board project** (guarantees for loans):

The promotion of forestry and industrial development through the erection of a specialized factory building for a wood particle board factory at Langeni near Umtata in Transkei as well as the required plant and equipment, housing for key personnel and working capital.

**Recipient:** Transkei Development Corporation

**Guarantees:** R5 529 000, 3 years

R5 760 000, 5 years

**Total cost:** R11 289 000



Factory units being constructed at Dimbaza, Ciskei

## Region D continued

### Industrial development

#### Ciskei industrial development project 3 (investment loans):

The phased construction of standard factories and extensions to existing standard factory buildings, including ablutions and office accommodation, totalling an area of 84 000 m<sup>2</sup>, and the provision and extension of infrastructure at Fort Jackson, Dimbaza and Whittlesea industrial areas in Ciskei.

**Borrower:** Ciskei Peoples Development Bank

**Loan 1:** R21 224 000, 13%, 15 years

**Loan 2:** R3 120 000, 12%, 20 years

**Total cost:** R30 430 000

### Integrated rural development

#### Xonxa Dam catchment planning (technical assistance loan):

This project, in four administrative areas within the Xonxa catchment in Transkei, ie Kundula 13, Xonxa 23, Monesi 11 and Crowns 22, comprises firstly the compilation of available information and some additional resource studies; secondly the drawing up of a skeletal land-use plan for the pilot area, including an indication of provisional areas with potential for the development of agricultural and other income earning activities; thirdly a joint evaluation of all existing information; fourthly the preliminary selection of pilot projects; and finally consultation with local communities about possible resulting activities.

**Borrower:** Transkei Government

**Loan:** R77 600, 4%, 10 years

**Total cost:** R86 212

### Integrated urban development

#### Bisho bulk electricity (investment loan):

The detailed design, supervision and provision of bulk electricity supply as part of the first phase of an infrastructure programme to service 800 stands in Bisho Park township in Ciskei.

**Borrower:** Bisho City Corporation

**Loan:** R1 413 900, 10%, 20 years

**Total cost:** R1 571 000

#### Bisho bulk water supply (investment loan):

The detailed design, supervision and construction of a bulk water supply to serve the Bisho municipal area, as well as the first phase of the infrastructure programme to service 800 stands in the Bisho Park township in Ciskei.

**Borrower:** Bisho City Corporation

**Loan:** R3 537 000, 10%, 20 years

**Total cost:** R3 930 000

#### Bisho eastern collector road (investment loan):

The detailed design, supervision and construction of an eastern collector road as part of the first phase of an infrastructure programme to serve 800 stands in Bisho Park township in Ciskei.

**Borrower:** Bisho City Corporation

**Loan:** R1 665 000, 5%, 20 years

**Total cost:** R1 850 000

## Region D continued

#### Bisho Park township development (guarantee):

Risk underwriting in the form of a buy-back guarantee to a maximum of R6 750 000 for serviced stands to private developers who will be involved in developing the proposed Bisho Park township which consists of 2 700 fully serviced residential stands, with the first phase consisting of 800 stands. The houses will be financed and built by private sector developers or home owners at their own risk. The back-up guarantee will in essence be a loan with certain preconditions to be satisfied before disbursement, to allow repurchase agreements to be entered into.

**Recipient:** Ciskei Government

**Guarantee:** R6 750 000, 3 years

**Total cost:** R6 750 000

#### Bisho sewerage (investment loan):

The detailed design, supervision and construction of sewerage connector services as part of the first phase of an infrastructure programme to service 800 stands in the Bisho Park Township in Ciskei.

**Borrower:** Bisho City Corporation

**Loan:** R391 200, 10%, 20 years

**Total cost:** R489 000

#### Ciskei Building Society finance (guarantee):

The provision of a Bank back-up guarantee for the payment of the principal sum in respect of loans raised on the SA financial market to fund the operations of the Ciskei Building Society.

**Recipient:** Ciskei Building Society

**Guarantee:** R45 000 000, 5 years

**Total cost:** R45 000 000

#### Dimbaza: Urban development programme (investment loans):

The development of Dimbaza into a major urban centre through the provision of infrastructure such as the upgrading of roads, the provision of bulk water supply and electricity, the construction of a bridge, a self-help centre and the provision of bridging finance.

**Borrower:** Ciskei Government

**Loan 1:** R2 761 400, 6%, 20 years

**Loan 2:** R674 100, 10%, 20 years

**Loan 3:** R4 000 000, 10%, 6 years

**Loan 4:** R4 960 000, 15%, 5 years

**Loan 5:** R164 700, 10%, 20 years

**Loan 6:** R337 500, 8%, 6 years

**Total cost:** R15 575 000

#### Port St Johns esplanade wall (investment loan):

Measures for the emergency protection of the coastline south of the Umzimvubu rivermouth at Port St Johns in Transkei by means of a six-hundred metre rock armoured embankment.

**Borrower:** Transkei Government

**Loan:** R480 000, 6%, 10 years

**Total cost:** R600 000



*Region D continued*

**Umtata second raw water line** (investment loan):

The construction of a second raw water pipeline to supply water to Thornhill purification works in Umtata, Transkei, from Umtata Dam.

**Borrower:** Transkei Government

**Loan:** R1 880 000, 12%, 20 years  
**Total cost:** R2 350 000

**Small business development**

**Transkei small business development programme** (investment loans):

To establish a proper balance between small, medium and large business enterprises by providing loan financing and financing of physical facilities, counselling services and emergency loans to small business enterprises in Transkei. The project forms an integral part of the small business development programme of the Transkei Development Corporation and Transido.

**Borrower:** Transkei Development Corporation

**Loan 1:** R3 880 000, 12%, 6 years  
**Loan 2:** R1 720 000, 9%, 15 years  
**Loan 3:** R744 000, 7%, 6 years  
**Loan 4:** R496 000, 12%, 6 years  
**Loan 5:** R536 000, 7%, 15 years  
**Loan 6:** R2 008 000, 9%, 15 years  
**Total cost:** R11 730 000



Small business development plays a major part in the Bank's activities. R27,4 million has been approved during the past year for small business development



*Region D continued*

**Human resource development**

**Dr Rubusana College of Education** (investment loans):

The completion of the Dr Rubusana College of Education in Mdantsane in Ciskei through the upgrading of existing buildings, the provision of furniture, equipment and sport facilities. The training of professionally qualified teachers to meet the estimated manpower needs at primary and secondary school level of Ciskei's education system.

**Borrower:** Ciskei Government

**Loan 1:** R258 750, 5%, 20 years  
**Loan 2:** R298 650, 5%, 10 years  
**Total cost:** R619 633

**IThemba training centre** (investment loan):

This loan, for the provision of furniture, machinery and equipment, is subsequent to a loan of R3 million approved during 1984 for the infrastructure, site works, additional training facilities and accommodation units to upgrade and expand the IThemba training centre in Ciskei. The centre will facilitate the upgrading of skills of manpower in Region D.

**Borrower:** Ciskei Government

**Loan:** R2 511 000, 5%, 10 years  
**Total cost:** R2 790 000

**Unitra science laboratories** (investment loans):

Increase and improve the University's capacity to teach science students and teachers by constructing, furnishing and equipping a new science block at Unitra, Transkei, linked to the existing block, as well as making alterations to the latter for improved utilization of space.

**Borrower:** University of Transkei

**Loan 1:** R7 784 200, 5%, 20 years  
**Loan 2:** R855 000, 5%, 10 years  
**Total cost:** R9 599 100

**Water resource development**

**Cacadu rural water supply (phase 1)** (investment loan):

The construction of various water supply components required for the storage, purification and distribution of potable water to 36 rural wards, Cacadu town (Lady Frere), two hospitals and various schools in the Cacadu River catchment of the Cacadu district of Transkei. To ensure greater community participation at village level, water will be supplied up to the village reservoir, from where villagers will be assisted to introduce the internal reticulation of their own choice.

**Borrower:** Transkei Government

**Loan:** R18 000 000, 7%, 20 years  
**Total cost:** R20 000 000

### *Region D continued*

#### **Debenek regional water supply** (investment loan):

The pre-investment planning, detailed design and construction of the first phase of a water supply system to provide potable water to 20 rural villages in the south of the Middledrift district of Ciskei from the existing Debe Dam.

**Borrower:** Ciskei Government

**Loan:** R7 830 000, 7%, 20 years

**Total cost:** R8 700 000

#### **Hydrogeological mapping** (technical assistance loan):

The provision of technical assistance to the Government of Transkei for the development of a national ground water plan by providing finance for the appointment of a consulting firm by the Transkei Department of Agriculture and Forestry.

**Borrower:** Transkei Government

**Loan:** R675 000, 4%, 10 years

**Total cost:** R750 000

#### **Zwelitsha regional water supply** (investment loan):

Planning, detailed design and construction of the first phase of a water supply system to provide potable water to 39 rural villages in the Zwelitsha district of Ciskei.

**Borrower:** Ciskei Government

**Loan:** R8 829 000, 7%, 20 years

**Total cost:** R9 810 000

### **Transportation development**

#### **Dimbaza/Keiskammahoek road** (investment loan):

The reconstruction to bitumen-surfaced road standards of the primary road between Dimbaza and Keiskammahoek in Ciskei, a total length of 20,5 km, to serve the agricultural development at Keiskammahoek and general traffic needs in respect of regional development.

**Borrower:** Ciskei Government

**Loan:** R10 000 000, 5%, 20 years

**Total cost:** R11 100 000

#### **Ilitha/Zwelitsha road** (investment loan):

The reconstruction to bitumen-surfaced standard of the primary road linking Ilitha to Zwelitsha in Ciskei, a major connector and bus route along the development axis between Bisho, Mdantsane and East London.

**Borrower:** Ciskei Government

**Loan:** R4 590 000, 5%, 20 years

**Total cost:** R5 100 000

### *Region D continued*

#### **K D Matanzima airport** (investment loan):

The objective of this development is to improve the operational efficiency of existing services between Umtata and other scheduled origins and destinations. The first phase of the further development of the KD Matanzima airport in Transkei consists of:

☐ Civil works: Apron extension, runway shoulders, water supply, access road, car park, and sewage system

☐ Building works: Passenger terminal building, air freight handling building, and maintenance building

☐ Equipment: Navigational aids, communication equipment, airfield lighting and control equipment, and power supply equipment.

**Borrower:** Transkei Government

**Loan:** R9 918 000, 7%, 20 years

**Total cost:** R11 020 000

#### **Ngangelizwe/Vulindlela/Ikwezi road** (investment loan):

Upgrading the link between the Ngangelizwe and Ikwezi residential areas and the central area of Umtata, as well as the Vulindlela industrial area in Transkei. The residential areas of Ngangelizwe and Ikwezi are expanding rapidly with work opportunities in central Umtata and Vulindlela.

**Borrower:** Umtata Town Council

**Loan:** R8 145 000, 5%, 20 years

**Total cost:** R9 050 000

#### **Road user cost recovery study** (technical assistance loan):

Investigation into the methods of direct cost recovery aimed at raising revenue for the maintenance and upgrading of the Transkei road infrastructure.

**Borrower:** Transkei Government

**Loan:** R54 000, 4%, 10 years

**Total cost:** R60 000

#### **Transkei transportation study** (technical assistance loan):

The economic priority ranking of thirteen road projects and four additional projects identified in Transkei's primary road programme as being potential candidates for loan funding.

**Borrower:** Transkei Government

**Loan:** R67 500, 4%, 10 years

**Total cost:** R75 000

### **Energy development**

#### **Collywobbles hydro power station siltation control works** (investment loan):

The investigation, design, manufacture, construction and installation of floating dredging machinery for siltation disposal as well as the design and rehabilitation of existing storage dam scouring facilities in Transkei.

**Borrower:** Transkei Electricity Supply Corporation

**Loan:** R4 275 000, 13%, 15 years

**Total cost:** R4 750 000



*Region D continued*

**The Wesley/Great Fish River electricity supply system** (investment loan):

The construction of 30 km of 66 kV overhead line from Wesley substation to the Great Fish River, and 23,5 km of 22 kV tap-off lines with 22 kV/380 V transformers to serve existing and future regional development in Ciskei.

**Borrower:** Ciskei Government

**Loan:** R960 000, 10%, 20 years

**Total cost:** R1 200 000

**Posts and telecommunications development**

**The establishment of a post office and two engineering yards including a training centre** (investment loan):

The design and construction of a post office, engineering yards and a training centre at Dimbaza in Ciskei, to provide additional postal services and to support the maintenance of the expanded telecommunications network.

**Borrower:** Ciskei Government

**Loan:** R1 895 000, 12%, 20 years

**Total cost:** R2 105 000

**Region E**



**Agricultural development**

**KwaZulu farmer support programme** (investment loans):

The provision of comprehensive agricultural support services and incentives to emerging farmers, including the financing and supply of inputs, the establishment of contractors, the provision of marketing services and the provision of training and extension.

**Borrower:** KwaZulu Finance and Investment Corporation

**Loan 1:** R164 800, 8%, 20 years

**Loan 2:** R848 000, 6%, 6 years

**Loan 3:** R341 600, 8%, 8 years

**Loan 4:** R86 400, 5%, 10 years

**Total cost:** R4 300 000

**Soil survey** (technical assistance grant):

A soil survey for the KwaZulu Department of Agriculture to facilitate macro-development planning and programming, in conjunction with similar surveys describing water and other resources.

**Recipient:** KwaZulu Government

**Grant:** R44 100

**Total cost:** R49 000

*Region E continued*

**Umvoti irrigation phase 1 Sinamfini** (investment loans):

The settlement of farmers growing sugar-cane under irrigation for delivery to Glendale sugar mill. The farmers will receive financial aid from the KwaZulu Department of Agriculture (R575 000), loan financing from the KwaZulu Finance and Investment Corporation (R745 000) and the Financial Aid Fund of the Sugar Industry (R458 000), and will manage the project through their own cane growers association. This project is the first phase of the larger Umvoti valley irrigation development programme.

**Borrowers:** KwaZulu Government and KwaZulu Finance and Investment Corporation

**Loan 1:** R517 000, 6%, 20 years

**Loan 2:** R634 000, 9,5%, 12 years

**Total cost:** R1 320 000

**Integrated rural development**

**Acat (KwaZulu)** (technical assistance loan):

Acat (KwaZulu) supports rural communities to establish income generating activities on a self-help basis, mainly in micro-agriculture, through stimulating the formulation of savings clubs. The savings club members use their savings to purchase production inputs and members receive training in production techniques.

This project entails technical assistance in a phase of consolidation of current activities and planning of future activities.

**Borrower:** Acat (KwaZulu)

**Loan:** R564 000, 4%, 10 years

**Total cost:** R712 000

**Qadi/Nyuswa pipeline** (investment loan):

The design and implementation of a pipeline for water provision by the local community.

**Borrower:** Qadi/Nyuswa Development and Services Board

**Loan:** R167 000, 5%, 12 years

**Total cost:** R536 500

**Qadi/Nyuswa pipeline** (technical assistance grant):

The support of an experimental institutional structure in KwaZulu to take responsibility for the pipeline project. This structure, the Qadi/Nyuswa Development and Services Board, was elected by the Qadi and Nyuswa people.

**Recipient:** The Valley Trust

**Grant:** R16 200

**Total cost:** R27 000

Bhekuzulu infrastructural development. The Bank approved infrastructural urban development loans to five Black townships in Natal during the year



#### *Region E continued*

##### **Sondela community gardens** (technical assistance grant):

A pilot project in which a communal irrigated food garden is to be established, using a photovoltaic water pump. The technical and financial viability of the technology as well as the success of the transfer of the technology will be evaluated in order to establish the replicability and sustainability of such projects. Aspects to be addressed in this regard will include the economic impact on the rural community in KwaZulu as well as the evaluation of vegetable gardeners' actual water use, crop production and cash sales under less than optimal conditions.

The project is jointly financed by the Bank, the KwaZulu Department of Agriculture, the KwaZulu Finance and Investment Corporation, the CSIR and the Institute of Natural Resources.

**Recipient:** KwaZulu Finance and Investment Corporation

**Grant:** R22 800  
**Total cost:** R58 130

#### *Integrated urban development*

##### **Bhekuzulu urban infrastructure** (investment loan):

The extension of Bhekuzulu at Vryheid in South Africa through the provision of water, sewer and electrical reticulation, as well as roads and stormwater drains to serve the 476 new residential sites in Bhekuzulu.

**Borrower:** Bhekuzulu Town Council

**Loan:** R2 966 500, 12%, 5 years  
**Total cost:** R3 296 100

#### *Region E continued*

##### **Bhongweni urban infrastructure** (investment loan):

Infrastructure to 125 new residential sites as extension of Bhongweni at Kokstad, South Africa, as well as electrical reticulation to an additional 150 residential stands.

**Borrower:** Bhongweni Town Council

**Loan:** R1 517 130, 12%, 5 years  
**Total cost:** R1 685 700

##### **Bruntville urban infrastructure** (investment loan):

The provision of urban infrastructure to 67 residential sites in Bruntville at Mooi River in South Africa.

**Borrower:** Bruntville Town Council

**Loan:** R624 420, 12%, 5 years  
**Total cost:** R693 800

##### **Ezakheni bulk water supply** (investment loan):

A two-stage extension of the existing Tugela water purification works at Ezakheni as part of the total project to supply water to the Ladysmith/Ezakheni urban region in KwaZulu.

**Borrower:** KwaZulu Government

**Loan:** R3 240 000, 10%, 20 years  
**Total cost:** R3 600 000

##### **Ezakheni sewer system: pipeline and sewage works** (investment loan):

The provision of a pumping and gravity sewage pipeline from the Ezakheni/Pieters industrial area to the Ezakheni regional sewage works in KwaZulu. The existing sewage treatment works on the banks of the Tugela River will also be extended.

**Borrowers:** KwaZulu Government and KwaZulu Finance and Investment Corporation

**Loan 1:** R661 500, 10%, 20 years  
**Loan 2:** R8 271 900, 10%, 20 years  
**Total cost:** R9 926 000



*Region E continued*

**Ingwavuma township services** (investment loan):

To raise the raw water storage dam wall and the grouting thereof. This would increase the water storage capacity and hence ensure a constant water supply to Ingwavuma as regional service centre in northern KwaZulu.

**Borrower:** KwaZulu Government

**Loan:** R252 000, 7%, 20 years  
**Total cost:** R280 000

**Itsokolele urban infrastructure** (investment loan):

The provision of 50 serviced residential stands in Itsokolele at Matatiele in South Africa.

**Borrower:** Itsokolele Town Council

**Loan:** R461 070, 12 %, 5 years  
**Total cost:** R512 300

**KFC housing finance** (guarantee):

Bank guarantee to the KwaZulu Finance and Investment Corporation to raise a loan in the South African capital market for housing finance.

**Recipient:** KwaZulu Finance and Investment Corporation

**Guarantee:** R10 000 000, 5 years  
**Total cost:** R10 000 000

**Kwakamakutha sewage works** (investment loan):

The extension of the treatment capacity of the Kwakamakutha sewage works in KwaZulu by providing an anaerobic chamber and eventually an effluent irrigation scheme.

**Borrower:** KwaZulu Government

**Loan:** R828 000, 10%, 10 years  
**Total cost:** R920 000

**Mpumalanga residential infrastructure** (investment loans):

The provision of minor roads, extension of the bus route, stormwater drainage, water reticulation, stand pipes and on-site sanitation to 650 residential sites in Mpumalanga, KwaZulu.

**Borrower:** KwaZulu Government

**Loan 1:** R427 500, 6%, 20 years  
**Loan 2:** R1 039 200, 10%, 5 years  
**Total cost:** R1 774 000

**Ngwelezana site servicing: residential infrastructure** (investment loans):

The provision of bulk infrastructure, the extension of the bus route, residential infrastructure and the provision of minor roads, stormwater drainage, water reticulation and sewer reticulation in Ngwelezana, KwaZulu.

**Borrower:** KwaZulu Government

**Loan 1:** R1 471 500, 6%, 20 years  
**Loan 2:** R1 784 400, 10%, 5 years  
**Total cost:** R3 865 500

*Region E continued*

**Steadville urban infrastructure** (investment loan):

The provision of 290 fully reticulated residential stands in Steadville at Ladysmith in South Africa.

**Borrower:** Steadville Town Council

**Loan:** R638 000, 12%, 5 years  
**Total cost:** R708 900

**Ulundi urban infrastructure: bridge and road** (investment loans):

In order to support development of Ulundi as the capital of KwaZulu and a regional service centre, a bridge is to be built across the Mbilane River on a major collector road to link the residential area with the proposed industrial area and the access road into the town, as well as urban residential infrastructure.

**Borrower:** KwaZulu Government

**Loan 1:** R3 332 000, 15%, 5 years  
**Loan 2:** R2 295 900, 10%, 20 years  
**Loan 3:** R692 100, 6%, 20 years  
**Total cost:** R7 566 000

**Umlazi spinal road upgrading** (investment loan):

The upgrading of approximately 2,4 km of the Umlazi spinal road which traverses the centre of the town and links Umlazi to the arterial network of the Durban metropolitan area.

**Borrower:** KwaZulu Government

**Loan:** R5 580 000, 5%, 20 years  
**Total cost:** R6 200 000

**Umlazi upgrading of water reticulation phases 1 and 2** (investment loan):

To upgrade the primary water reticulation and storage facilities in Umlazi, KwaZulu, to ensure a continuous supply of purified water to users in the high-level supply zone.

**Borrower:** KwaZulu Government

**Loan:** R3 310 200, 10%, 20 years  
**Total cost:** R3 678 000

**Human resource development**

**Mangosuthu Technikon** (investment loan):

To provide additional residential facilities in order to permit maximum utilization of existing academic capacity of the Mangosuthu Technikon in Umlazi, KwaZulu. The technikon provides much needed tertiary level technician training in Region E.

**Borrower:** Mangosutho Technikon

**Loan:** R2 620 800, 6%, 20 years  
**Total cost:** R2 912 000

The finalization of the negotiation phase of the project cycle often results in a formal loan-signing ceremony. The four signatories to the loan agreements for the KwaZulu small business development project are Dr M Spies, Executive Director, and Bishop A H Zulu, Chairman, of the KwaZulu Finance and Investment Corporation; Dr S S Brand, and Mr A P E Mkhwanazi, Secretary, Department of Economic Affairs, KwaZulu



#### *Region E continued*

#### **Small business development**

##### **Small business development project 2** (investment loans):

To establish a proper balance between small, medium and large business enterprises in KwaZulu, financial advice and training assistance will be provided to small businesses.

**Borrower:** KwaZulu Finance and Investment Corporation

Loan 1: R260 000, 7%, 6 years  
Loan 2: R2 604 000, 12%, 6 years  
Loan 3: R116 000, 7%, 15 years  
Loan 4: R5 972 000, 9%, 15 years  
Total cost: R11 190 000

#### **Water resource development**

##### **KwaZulu catchments development potential study** (technical assistance loan):

A survey of existing relevant hydrological and other studies, and the collation and evaluation of data from these studies for the development of water resources in KwaZulu.

**Borrower:** KwaZulu Government

Loan: R396 000, 4%, 10 years  
Total cost: R440 000

##### **Lusikisiki regional water supply (phase 1)** (investment loan):

The construction of various water supply components required for the storage, purification and distribution of potable water to Lusikisiki and immediately surrounding villages, as well as to the hospital, prison, schools and approximately 16 rural villages in the Lusikisiki district of Transkei. The project will test the acceptability of the water kiosk concept to promote user-charging and small business development.

**Borrower:** Transkei Government

Loan: R8 100 000, 7%, 20 years  
Total cost: R9 000 000

#### *Region E continued*

#### **Transportation development**

##### **Kinira/Maclear road phase 1** (investment loan):

The construction to bitumen-surfaced standard of the road between the Kinira River near the northern border of Transkei/Natal and the town of Mount Fletcher in Transkei.

**Borrower:** Transkei Government

Loan: R8 226 000, 5%, 20 years  
Total cost: R9 140 000

##### **Magusheni/Lusikisiki road** (investment loan):

The reconstruction to bitumen-road standards of the roads between Magusheni and Flagstaff (30 km) and from Flagstaff to Lusikisiki (42,6 km), to support current and envisaged development in north-east Transkei.

**Borrower:** Transkei Government

Loan: R30 690 000, 5%, 20 years  
Total cost: R34 100 000

##### **Ulundi-Nongoma-Mkuze River road** (investment loan):

The construction of two sections of the road which forms part of the main link road from Richards Bay to the interior in the south, through Ulundi and Nongoma, to Pongola in KwaZulu and the N2 in the north.

**Borrower:** KwaZulu Government

Loan: R39 720 000, 5%, 20 years  
Total cost: R70 611 000



## Region F



### *Agricultural development*

#### **Buffelspruit irrigation project** (investment loans):

The provision of infrastructural, capital and other inputs for the establishment of 46 commercial sugarcane and banana farmers in KaNgwane. The project will be managed by individual farmers, with managerial support being made available through the farmers' association.

**Borrowers:** KaNgwane Government and KaNgwane Agricultural Development Corporation

Loan 1: R2 069 000, 6%, 20 years  
Loan 2: R911 700, 8%, 10 years  
Loan 3: R363 000, 8%, 8 years  
Loan 4: R486 400, 10%, 5 years  
Total cost R4 787 800

#### **KaNgwane farmer support programme 1** (investment loans):

Comprehensive agricultural support services and incentives to KaNgwane farmers including the construction of thirteen service centres to cater for input supply, credit provision, marketing, training, extension, demonstration and research; the establishment of private contractors by providing tractors and equipment; and the provision of credit for production inputs.

**Borrower:** KaNgwane Agricultural Development Corporation

Loan 1: R260 000, 8%, 20 years  
Loan 2: R960 000, 8%, 8 years  
Loan 3: R240 000, 6%, 6 years  
Total cost: R1 825 000

### *Industrial development*

#### **KaNgwane industrial development project 2** (investment loan):

The design and construction of standard factories and extensions to factories totalling 30 000 m<sup>2</sup> at the Kabokweni industrial park.

**Borrower:** KaNgwane Economic Development Corporation

Loan: R12 560 700, 11%, 15 years  
Total cost: R28 706 000

### *Integrated urban development*

#### **Amending Proclamation R293** (technical assistance loan):

Technical assistance to the KaNgwane Government to prepare legislation on local government, title to land, establishment of urban areas and urban planning, business licences and other related matters to replace Proclamation R293.

**Borrower:** KaNgwane Government

Loan: R108 000, 4%, 10 years  
Total cost: R120 000

### *Small business development*

#### **Small business development programme** (investment loans):

To expand the activities of small industrialists in a small industries park in Kanyamazane, and to provide a source of finance for small businessmen starting their own businesses or expanding existing businesses in KaNgwane.

**Borrower:** KaNgwane Economic Development Corporation

Loan 1: R386 400, 12%, 6 years  
Loan 2: R157 500, 5%, 20 years  
Loan 3: R252 000, 9%, 15 years  
Total cost: R1 180 000

### *Human resource development*

#### **Agriwane training project** (investment loan):

This project provides for the training of farmers, contractors, depot managers, members of farmers, associations and extension officers as part of the KaNgwane farmer support programme.

**Borrower:** KaNgwane Agricultural Development Corporation

Loan: R185 400, 5%, 5 years  
Total cost: R206 000

### *Transportation development*

#### **Kanyamazane-Kabokweni road** (investment loan):

The upgrading to bitumenized standards of the main north-south road in the northern part of KaNgwane.

**Borrower:** KaNgwane Government

Loan: R11 090 150, 5%, 20 years  
Total cost: R12 322 390

## Region G



### Development planning

#### Extended income and expenditure pattern survey (technical assistance grant):

A household income and expenditure pattern and socio-economic sample survey as part of the establishment of a statistical data base for Gazankulu for the purpose of development planning.

**Recipient:** Gazankulu Government

**Grant:** R50 500

**Total cost:** R95 000

### Agricultural development

#### Lebowa farmer support programme 1 (investment loans):

Comprehensive farmer support programmes for 350 farmers in the Mapulaneng district and 680 farmers in the Nebo district of Lebowa.

**Borrower:** Lebowa Development Corporation

**Loan 1:** R92 000, 8%, 20 years

**Loan 2:** R1 153 200, 8%, 8 years

**Loan 3:** R669 360, 6%, 6 years

**Total cost:** R2 393 200

#### Olifants River agricultural planning study (technical assistance loan):

To conduct investigations into the Olifants River catchment area, downstream of the Arabie Dam and up to the confluence of the Steelpoort River in Lebowa.

**Borrower:** Lebowa Government

**Loan:** R266 400, 4%, 10 years

**Total cost:** R296 000

#### Tshaulu irrigation project (investment loans):

The establishment of farmers on plots under irrigation in the Mpaphule tribal area of Venda through the development of a further 126 ha under irrigation and dryland.

**Borrower:** Venda Agricultural Corporation

**Loan 1:** R102 000, 6%, 20 years

**Loan 2:** R193 600, 10%, 10 years

**Total cost:** R478 500

### Industrial development

#### Nkowankowa industrial development project 2 (investment loans):

Construction of standard factory buildings or expansions to factory buildings of 42 000 m<sup>2</sup>, and the provision of infrastructure to 17 ha of land in the Nkowankowa industrial area in Gazankulu.

**Borrower:** Shangaan/Tsonga Development Corporation

**Loan 1:** R10 760 000, 12%, 15 years

**Loan 2:** R1 592 000, 11%, 20 years

**Total cost:** R15 440 000

### Commercial development

#### Dwarsloop commercial facilities (investment loan):

The extension of the existing 3 440 m<sup>2</sup> for commercial and service activities. Facilities will be extended to incorporate shoe, furniture and clothing shops, bar/lounge and 150 m<sup>2</sup> of office space. The financing of these extensions is viewed as a bridging measure prior to the involvement of the private sector.

**Borrower:** Shangaan/Tsonga Development Corporation

**Loan:** R644 000, 10%, 15 years

**Total cost:** R805 000

### Integrated rural development

#### Fencing of roads, pilot project (technical assistance grant):

The production of 65 km of handmade fence net by rural village-based fence makers.

**Recipient:** Gazankulu Government

**Grant:** R24 250

**Total cost:** R48 200

#### Fencing of roads, pilot project (technical assistance loan)

The erection of a road fence using handmade fence net along the Giyani/Middle Letaba Dam road. Local contractors using local labour and labour-intensive methods will erect the fence.

**Borrower:** Gazankulu Government

**Loan:** R273 600, 4%, 15 years

**Total cost:** R304 000

### Integrated urban development

#### Gakgapane sewage purification works (investment loan):

Construction of the sewage purification works and main outfall sewer linking the new and old residential areas east of Gakgapane town in Lebowa.

**Borrower:** Lebowa Government

**Loan:** R2 262 150, 10%, 20 years

**Total cost:** R2 513 500

#### National housing policy and strategy (technical assistance grant):

The appointment of consultants to undertake the necessary studies and draft a national housing policy and strategy for Gazankulu.

**Recipient:** Gazankulu Government

**Grant:** R36 000

**Total cost:** R40 000



*Region G continued*

**Small business development**

**Venda small business development**  
(investment loans):

To establish a small business development programme in Venda by supporting small business enterprises. Apart from the provision of financial assistance and finance for physical structures, assistance on a much wider basis, ie advisory services and training, will be provided to enhance the long-term objectives of this programme.

**Borrower:** Venda Development Corporation

**Loan 1:** R64 000, 7%, 6 years

**Loan 2:** R912 000, 12%, 6 years

**Loan 3:** R616 000, 7%, 15 years

**Loan 4:** R592 000, 9%, 15 years

**Total cost:** R2 730 000

**Human resource development**

**Univen: four lecture theatres, administration block and laboratories** (investment loans):

The construction of four lecture theatres, an administration block and a science block, as well as the provision of furniture and moveable equipment at the University of Venda in Thohoyandou to replace existing temporary facilities.

**Borrower:** University of Venda

**Loan 1:** R8 085 600, 5%, 20 years

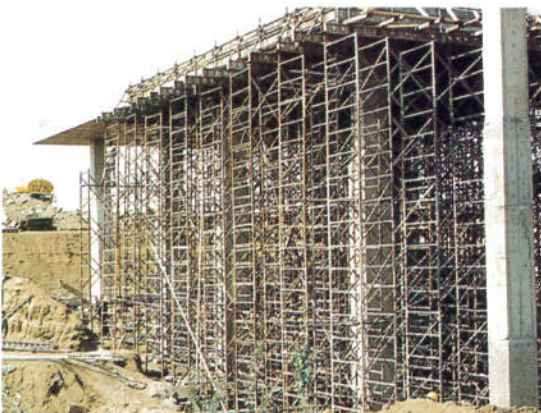
**Loan 2:** R1 078 100, 5%, 10 years

**Total cost:** R10 182 020

Construction of the Univen science block



A bridge on the Marishane/Jane Furse road



*Region G continued*

**Water resource development**

**Nzhelele regional water supply (phase 3)**  
(investment loan):

The construction of various water supply components required for the storage, purification and distribution of potable water to 27 rural villages, Makhado town, Siloam hospital and various schools in the Nzhelele valley of Venda.

**Borrower:** Venda Government

**Loan:** R16 200 000, 8%, 20 years

**Total cost:** R18 000 000

**Ritavi II regional bulk water supply**  
(investment loan):

The construction of a reticulation network for the rural villages surrounding Nkowankowa in Ritavi II in Gazankulu, inclusive of service reservoirs, pump stations and village reticulation networks.

**Borrower:** Gazankulu Government

**Loan:** R11 160 000, 7%, 20 years

**Total cost:** R12 400 000

**Thulamahashe rural mass water reticulation**  
(investment loan):

The construction of pump houses, trunk mains and respective village reticulation as part of the extension of the Thulamahashe urban water reticulation network to the surrounding rural villages.

**Borrower:** Gazankulu Government

**Loan:** R4 230 000, 7%, 20 years

**Total cost:** R4 700 000

**Tours Dam** (investment loan):

The construction of the Tours Dam to create a gross dam capacity of 5,5 million m<sup>3</sup>. The dam is a part of the greater Tours irrigation project in Lebowa. Besides the irrigation component (coffee), the dam supplies water to the surrounding primary areas.

**Borrower:** Lebowa Government

**Loan:** R8 694 000, 6%, 40 years

**Total cost:** R9 660 000

**Transportation development**

**Marishane/Jane Furse road** (investment loan):

Upgrading and surfacing to single carriageway, two-lane bitumen rural road standards of an existing section of gravel road in the Nebo district of Lebowa.

**Borrower:** Lebowa Government

**Loan:** R9 253 000, 5%, 20 years

**Total cost:** R10 281 000

**Sibasa-Wyliespoort road** (investment loan):

The upgrading and surfacing of the final phase of the Sibasa-Wyliespoort road. This section is between the Siloam Hospital and the western border of Venda.

**Borrower:** Venda Government

**Loan:** R10 447 000, 5%, 20 years

**Total cost:** R11 608 000





Two completed projects of the Venda government: The Vanda automatic telephone exchange (above) and the Makonde substation (in the background) which was festively commissioned in 1987



### *Region G continued*

#### **Energy development**

##### **Lebowa electricity infrastructure development study** (technical assistance loan):

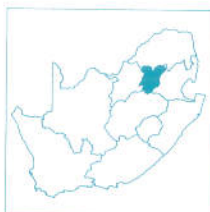
The undertaking of a national electricity infrastructure development study for Lebowa. Major aspects to be investigated include load forecasts, costs/tariffs, network, expansion/prioritization and institutional arrangements.

**Borrower:** Lebowa Government

**Loan:** R108 000, 4%, 10 years

**Total cost:** R120 000

### **Region H**



#### **Industrial development**

##### **KwaNdebele industrial development project 3** (investment loan):

The construction of standard factory buildings or extensions to existing factory buildings at Ekandustria in KwaNdebele.

**Borrower:** KwaNdebele National Development Corporation

**Loan:** R14 272 000, 12%, 15 years

**Total cost:** R17 840 000

#### **Integrated urban development**

##### **KwaNdebele Utility Company low-cost housing programme** (investment loans):

Loan finance as interim mortgage finance to enable low-cost housing construction in KwaNdebele. This facility will be available until long-term mortgage finance is obtained.

**Borrower:** KwaNdebele Utility Company

**Loan 1:** R924 000, 10%, 5 years

**Loan 2:** R5 584 190, 10%, 5 years

**Total cost:** R12 989 740

### *Region H continued*

##### **Water installation Tweefontein H & J** (investment loan):

The installation of water supply systems for the urban areas of Tweefontein H and J in KwaNdebele.

**Borrower:** KwaNdebele Government

**Loan:** R387 000, 10%, 20 years

**Total cost:** R484 000

#### **Transportation development**

##### **Bloedfontein/Zusterhoek road** (investment loan):

The upgrading and surfacing of an existing gravel road in KwaNdebele to two-lane bitumen rural road standards, first the section between Hartbeespoort and Kwamhlanga (12,5 km), then the intersecting road to Gideonsrus (21,2 km), and finally the road from Gideonsrus to Wolwekraal (16,7 km).

**Borrower:** KwaNdebele Government

**Loan:** R16 139 700, 5%, 20 years

**Total cost:** R17 933 000



## Region J



### Development planning

#### **Bophuthatswana data base** (technical assistance grant):

The establishment of a data base for development planning in Bophuthatswana. The project entails the identification and investigation of existing institutions and organizational structures involved in data collection, defining existing data categories, identifying potential users of development information, formulation of a data base management system, identification of training needs, the implementation of the proposed data base system, and monitoring of the functioning of the data base.

**Recipient:** Bophuthatswana Government

**Grant:** R44 550

**Total cost:** R49 500

### Agricultural development

#### **Agriculture crop finance** (guarantee):

The provision of a DBSA back-up guarantee for a private sector loan to Agribank to extend credit facilities to commercial farmers in Bophuthatswana for the procurement of production inputs for the 1986/87 production season.

**Recipient:** Agricultural Bank of Bophuthatswana

**Guarantee:** R30 000 000, 2 years

**Total cost:** R30 000 000

#### **Bethanie cattle project** (investment loans):

Development of approximately 2 000 ha of Bakwena Ba Magopa tribal land in the Bethanie area of Bophuthatswana, as a pilot cattle project. During implementation, strategies whereby livestock owners will voluntarily participate to gain household benefits, the commercialization of their stock farming activities and the conservation of natural resources in sound veld and livestock management practices will be tested.

**Borrowers:** Bophuthatswana Government and Agricultural Development Corporation of Bophuthatswana

**Loan 1:** R65 000, 4%, 20 years

**Loan 2:** R85 000, 7,5%, 5 years

**Total cost:** R300 500

### Small business development

#### **Small business development** (investment loans):

The establishment of an emergency fund to assist small entrepreneurs, the provision of finance for the improvement of training, and counselling programmes for small businessmen. Also the provision of funds for lending to small entrepreneurs for working capital and equipment and for the construction of small factories at various centres.

**Borrower:** Bophuthatswana National Development Corporation

**Loan 1:** R2 160 000, 12%, 6 years

**Loan 2:** R1 172 800, 9%, 15 years

**Total cost:** R4 166 000

### Human resource development

#### **Mmabatho fire station and training academy** (investment loans):

The provision of infrastructure, buildings, equipment and furniture for a national training academy for firemen in Bophuthatswana and a main fire and emergency service in Mmabatho.

**Borrower:** Bophuthatswana Government

**Loan 1:** R3 431 400, 5%, 20 years

**Loan 2:** R531 800, 5%, 5 years

**Total cost:** R4 403 600

The administrative building of the University of Bophuthatswana, part of a project approved in 1984



## Annexure 2: Assignment programme

The following assignments were completed during the year under review (where applicable, the client is identified in brackets):

### Data research

- ☐ Lebowa: Development information 1986
- ☐ Qwaqwa Department of Education: Research, statistical and technical assistance with educational report (Qwaqwa Government)

### Policy research

- ☐ An evaluation of the effectiveness and efficiency of the special programmes for creating employment with special reference to the financial year 1985/86 (Action Committee for Employment Creation in South Africa)
- ☐ An investigation of alternative ways of supporting financial adjustment in the participating states
- ☐ DBSA involvement in agricultural financing
- ☐ Relative needs as a basis for appropriation of DBSA resources to provide for the requirements of the participating states
- ☐ Systems of land tenure: Implications for development in Southern Africa
- ☐ Urbanization and urban growth in the SATBVC states
- ☐ Workshop on the compilation of regional input-output and social accounting matrices for Southern Africa

### Planning studies

- ☐ Evaluation of Qwaqwa Development Corporation
- ☐ Nwanedi integrated agricultural development programme: Phase 2 (Agriven)
- ☐ Settlement and housing policy: Gazankulu (Gazankulu Government)

### Economic and technical consultancy services

- ☐ Factory buildings (21): Ekandustria/Siyabuswa (KwaNdebele National Development Corporation)
- ☐ Factory for Jatex: Ekandustria (KwaNdebele National Development Corporation)
- ☐ Factory for NCS Plastics: Mkhuhlu (Shangaan/Tsonga Development Corporation)
- ☐ Honingklip and Aarnhemburg irrigation project: Reconnaissance soil survey (KaNgwane Government)

- ☐ Lower Fish River agricultural project: Soil survey and micro-climatic study (Ciskei Agricultural Corporation)

- ☐ Mangweni agricultural project: Soil and climate survey (KaNgwane Government)

- ☐ Mangweni irrigation project: Viability study (KaNgwane Government)

- ☐ Mzinti irrigation project: Micro-soil survey and irrigability determination (Agriwane)

- ☐ Papegaai irrigation project: Resource base study (Lebowa Agricultural Company)

- ☐ Post offices (3): KwaNdebele (KwaNdebele National Development Corporation)

- ☐ The determination of the viability of industries for the purpose of the industrial development programme

- ☐ Qwaqwa Development Corporation (12 studies)

- ☐ Transkei Development Corporation (1 study)

- ☐ Venda Development Corporation (2 studies)

### Assignments on operational policy and project design

- ☐ Identification and evaluation techniques for rural development and agricultural projects

- ☐ Seminar on labour-based construction practices and potential in Southern Africa

- ☐ Seminar on some approaches to the establishment of woodlots in a development context

### Training assignments

- ☐ Directorship in an enterprise (Qwaqwa Development Corporation)

- ☐ Training needs in the Statistics Section of the Office of the President: Venda (Venda Government)

### Management and administrative policy assignments

- ☐ Internal strategic appraisal of DBSA

- ☐ The appraisal of the strategic environment of DBSA

- ☐ The status quo with regard to the objectives, strategy, policy and operations of DBSA.



## Annexure 3: Tables

**Table 1: Approved bank financial contributions\***

Sectors and programmes	1985/86				1986/87			
	Number of agreements	Number of projects	Financial contribution by Bank R'000	Total investment value R'000	Number of agreements	Number of projects†	Financial contribution by Bank R'000	Total investment value§ R'000
Development planning	2	2	473	526	2	2	95	145
<b>Economic sectors</b>								
Mining and mineral development	1	1	45	50				
Agricultural development	13	9	9 141	15 656	47	15	51 676	56 789
Forestry development	2	1	3 818	10 713				
Fishery development								
Agro-industrial development	6	4	8 373	62 638	3	1	11 407	11 485
Industrial development	12	9	74 646	149 170	8	5	70 473	87 289
Commercial development					1	1	671	850
Tourism development								
<b>Subtotal</b>	<b>34</b>	<b>24</b>	<b>96 023</b>	<b>238 227</b>	<b>59</b>	<b>22</b>	<b>134 227</b>	<b>156 413</b>
<b>Socio-economic programme</b>								
Integrated rural development	8	5	4 896	6 330	7	7	1 145	1 772
Integrated urban development	27	20	73 087	79 411	44	29	127 739	143 446
Small business development	18	7	20 311	45 426	23	7	27 441	34 486
Human resources development	14	9	31 750	36 253	15	8	38 680	47 238
<b>Subtotal</b>	<b>67</b>	<b>41</b>	<b>130 044</b>	<b>167 420</b>	<b>89</b>	<b>51</b>	<b>195 005</b>	<b>226 942</b>
<b>Bulk infrastructure</b>								
Water resources development	7	6	24 946	29 620	13	12	105 023	116 692
Transportation development	22	21	118 900	143 547	18	14	164 440	209 177
Energy development	6	4	6 165	6 986	3	3	5 343	6 070
Posts and telecom development	1	1	6 525	7 250	1	1	422	469
<b>Subtotal</b>	<b>36</b>	<b>32</b>	<b>156 536</b>	<b>187 403</b>	<b>35</b>	<b>30</b>	<b>275 228</b>	<b>332 408</b>
<b>Total</b>	<b>139</b>	<b>99</b>	<b>383 076</b>	<b>593 576</b>	<b>185</b>	<b>105</b>	<b>604 555</b>	<b>715 908</b>

\*Bank financial contribution for investment loans, technical assistance, guarantees and pre-investment facilities

†Excluding pre-investment facilities

§Total investment value of a project: financial contribution by Bank + borrower + private sector and/or communities concerned

**Table 2: Fixed and expected commitments for projects in the project cycle (preparation to evaluation phases)\***

Sectors and programmes	31 March 1986			31 March 1987		
	Number of projects	Total investment value R'000	Financial contribution by Bank R'000	Number of projects†	Total investment value R'000	Financial contribution by Bank R'000
<b>Development planning</b>	10	2 059	1 759	11	1 510	1 234
<b>Economic sectors</b>						
Mining and mineral development	2	1 980	1 548	2	105	98
Agricultural development	94	440 025	299 140	126	711 835	421 650
Forestry development	5	56 213	20 052	3	15 587	6 518
Fishery development	1	500	501	2	1 757	1 268
Agro-industrial development	27	409 268	158 942	10	79 741	17 110
Industrial development	33	787 428	356 350	38	918 706	528 527
Commercial development	1	13 800	8 818	4	15 918	12 522
Tourism development	7	14 456	11 584	7	10 751	8 772
<b>Subtotal</b>	170	1 723 670	856 935	192	1 754 400	996 465
<b>Socio-economic programme</b>						
Integrated rural development	16	22 027	15 798	26	15 951	10 235
Integrated urban development	73	409 970	317 931	127	524 747	428 820
Small business development	13	66 118	39 446	49	85 985	62 018
Human resources development	39	276 221	221 482	53	396 043	312 738
<b>Subtotal</b>	141	774 336	594 657	255	1 022 726	813 811
<b>Bulk infrastructure</b>						
Water resources development	44	538 569	421 270	55	1 088 628	968 174
Transportation development	65	584 444	501 435	71	963 104	840 905
Energy development	12	44 876	16 537	15	98 712	68 683
Posts and telecom development	10	133 074	45 188	12	268 466	192 092
<b>Subtotal</b>	131	1 300 963	984 430	153	2 418 910	2 069 854
<b>Total</b>	452	3 801 028	2 437 781	611	5 197 546	3 881 364

\*Bank financial contribution for investment loans, technical assistance, guarantees and pre-investment facilities

†Excluding pre-investment facility



**Table 3:** Number assignments completed and in progress, 1986/87

	Bank assignments		Client assignments		Total assignments	
	Completed	In progress	Completed	In progress	Completed	In progress
Data research	1	9	1	3	2	12
Policy research	6	14	1	2	7	16
Ex post project evaluation						
Planning studies	1	7	2	6	3	13
Economic and technical consultancies			25	39	25	39
Assignments on operational policy and project design	3	27			3	27
Training assignments		1	2	5	2	6
Management and administrative policy assignments	3	7			3	7
<b>Total</b>	<b>14</b>	<b>65</b>	<b>31</b>	<b>55</b>	<b>45</b>	<b>120</b>

**Table 4: Development regions, salient features, 1986<sup>1</sup>**

	Regions	A	B	C	D	E	F	G	H	J	Total
<b>Area (km<sup>2</sup>)</b>	278 500	270 600	118 900	151 900	112 700	82 400	117 700	27 300	61 100	1 221 100	
<b>Population ('000)</b>	3 145	1 034	2 432	4 511	8 243	2 004	3 897	7 394	1 716	34 376	
Annual growth (%) <sup>2</sup>	2,3	1,2	2,9	2,2	2,3	3,1	3,7	2,7	2,7	2,6	
Urban population ('000)	2 576	466	1 101	1 919	2 808	612	342	6 135	520	16 479	
Annual growth (%) <sup>2</sup>	2,6	1,5	5,8	3,8	3,6	4,2	5,3	2,8	4,3	3,3	
Non-urban population ('000)	569	568	1 331	2 592	5 435	1 392	3 555	1 259	1 196	17 897	
Annual growth (%) <sup>2</sup>	0,9	1,0	0,9	1,1	1,6	2,6	3,6	1,9	2,0	1,9	
<b>Population density (person per km)</b>	11,3	3,8	20,5	29,7	73,1	24,3	33,1	270,8	28,1	28,2	
<b>Gross geographical product (R million)<sup>3</sup></b>	16 239	3 433	9 898	8 264	17 639	10 599	3 553	52 139	6 760	128 524	
Annual growth (%) <sup>4</sup>	0,8	0,9	(1,2)	0,2	1,4	6,2	3,3	0,8	(1,9)	0,9	
Primary sector (R million)	1 865	1 782	5 790	878	2 121	3 801	1 280	6 235	4 500	28 252	
Annual growth (%) <sup>4</sup>	0,4	1,0	(2,5)	1,0	5,5	8,0	1,8	(1,3)	(2,8)	(0,1)	
Secondary sector (R million)	4 101	278	877	2 148	6 299	4 847	594	18 357	573	38 074	
Annual growth (%) <sup>4</sup>	(1,1)	(1,2)	0,8	(4,6)	(1,0)	6,2	4,4	(0,9)	(1,7)	(0,3)	
Tertiary sector (R million)	10 273	1 373	3 231	5 238	9 219	1 951	1 679	27 547	1 687	62 198	
Annual growth (%) <sup>4</sup>	2,1	1,1	1,9	2,0	2,0	2,7	4,7	2,7	1,5	2,3	
<b>Per capita GGP (R)</b>	5 163	3 320	4 070	1 832	2 140	5 289	912	7 052	3 939	3 739	
Annual growth (%)	(1,5)	(0,4)	(4,0)	(2,2)	(0,9)	3,0	(0,4)	(1,8)	(4,5)	(1,6)	

1. Preliminary estimates by the Bank

2. Percentage per year from 1980 to 1986

3. At current prices

4. Real growth rate, 1980 to 1986

Source: Information obtained from the Bank's participating states. Details on sources obtainable from the Institute for Development Research.

**Development regions****A:** Western Cape in South Africa**B:** Northern Cape in South Africa; a Bophuthatswana district**C:** Orange Free State and Qwaqwa in South Africa; a Bophuthatswana district**D:** Eastern Cape in South Africa; Ciskei and southern Transkei**E:** Natal and KwaZulu in South Africa; northern Transkei**F:** Eastern Transvaal and Kangwane in South Africa**G:** Northern Transvaal, Lebowa and Gazankulu in South Africa; Venda**H:** Pretoria-Witwatersrand-Vaal Triangle and KwaNdebele in South Africa; Bophuthatswana districts**J:** Western Transvaal in South Africa; Bophuthatswana districts



