The Development Bank of Southern Africa
Annual Report 1987-88

Milestones

1979: 'Carlton Conference' in Johannesburg between the South African government and business leaders at which the then Prime Minister of South Africa, Mr PW Botha, mooted the idea of a multilateral development bank for Southern Africa.

1981: A new regional development policy based on eight development regions (later increased to nine) transcending political borders, was formulated by the governments of South Africa, Transkei, Bophuthatswana and Venda (and subscribed to by Ciskei after its independence) and those of the self-governing territories in South Africa. Representatives of the private sector were told about the new regional development policy and of progress towards the establishment of the Development Bank of Southern Africa at the 'Good Hope Conference' in Cape Town between the South African government and business leaders.

30 June 1983: The Agreement constituting the Development Bank of Southern Africa was signed in Cape Town by the original member governments; namely 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 appointed and 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 from the government of South Africa the administration of 96 approved projects and 42 projects in the appraisal phase with a loan value in the order of R350 million.

19 September 1984: First loan agreement on a project appraised by the Bank itself was signed.

1986: The Council of Governors of the Bank approved an extended framework which made it possible for the Bank to accept and appraise a wider range of projects in the field of education and training.

At the request of South West Africa/Namibia, the Bank began administering a development fund for that region.

1987: Preparation began for the construction of the permanent headquarters of the Bank in Midrand, on a site donated by the South African government. It is envisaged that the Bank will move to these premises during the latter part of 1988.

For the first time the Bank also became involved in financing urban development projects in South Africa outside the self-governing territories.

1988: The first involvement of the Bank in non-member neighbouring countries through the approving of DBSA finance for seven technical assistance and investment projects to the value of R138,1 million for Lesotho. These projects form part of a R300 million programme for advance infrastructure projects related to the Highlands Water Scheme in Lesotho.

R217 000 is approved for a technical assistance project to study the agro-forestry potential of Mozambique.

31 March 1988: The Bank has over 900 projects in the project cycle and has approved an accumulative 457 projects on which it expects to make a total financial contribution of almost R2 800 million. These projects will be implemented over a number of years. The staff complement of the Bank is 529 while 312 individual consultants and specialists representing 195 different institutions from the private sector are employed by the Bank as members of its project and assignment teams.

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In the five years since the establishment of the Bank on 30 June 1983, it has made a significant contribution towards the physical development and the process of development planning in the developing regions of Southern Africa.

The Bank facilitates development through loan finance for projects that advance the level of development of those communities and regions in Southern Africa which are in need of such assistance. The loans provide for a wide spectrum of projects in the fields of rural and agricultural development, urban development, business and entrepreneurial development, as well as bulk infrastructure and human resource development.

The Bank also provides a number of other services such as technical assistance loans and grants for and advice on development policy and planning, institutional development and financial management as well as project preparation. These services further include research, training and publications on development.

The objectives of the Bank are:

☐ to promote economic development in its broadest sense, increase productivity and thus raise the standard of living of the people in the less developed areas of the Southern African economic region

☐ 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, appraisal, financing, implementation and management of a project or programme.

In pursuing these objectives, the Bank has three major programmes. The first, the development programme, includes loans, technical assistance, guarantee and agency sub-programmes, the latter being programmes administered by the Bank on behalf of other lenders. The second is the assignment programme in which the Bank undertakes research on data and development policy issues. The third major programme includes the mobilization, utilization and development of manpower and financial resources and other internal support functions to enable the Bank to carry out its activities.

At present the member countries of the Bank are South Africa, Transkei, Bophuthatswana, Venda and Ciskei (the SATBVC countries). The six self-governing territories in South Africa, namely Gazankulu, KaNgwane, KwaZulu, KwaNdebele, Lebowa and Qwaqwa, also participate in the activities of the Bank through the membership of South Africa.

In the first few years of its existence, the Bank was primarily involved in the financing of projects in the developing areas of the TBVC countries and the self-governing territories in South Africa. These areas remain the main focus of Bank programmes, but it has also become increasingly involved elsewhere in South Africa outside the self-governing territories, especially in integrated urban development programmes. Following on seven infrastructure projects which were approved for emerging local authorities in Natal outside of KwaZulu during 1987, almost R30 million was approved for projects in the developing urban areas of Daveyton and Vosloorus in the Transvaal. Negotiations on Development Bank involvement in infrastructure development in several other developing urban areas in South Africa, in close co-ordination with other development agencies involved, are also in progress.

The impact made by the Bank in its relatively short period of existence has also resulted in enquiries from non-member neighbouring countries in Southern Africa concerning financing of development projects, as well as technical assistance in a number of development issues. These enquiries have taken concrete form in Lesotho where a significant programme of more than R300 million has been defined for support by the Bank. A technical assistance project to investigate the viability of an agro-forestry project in the south of Mozambique was also agreed upon. Further projects in other neighbouring countries are also under consideration.

The Bank is proscribed in its Articles of Agreement from seeking to promote the political or constitutional aspirations of any government or political movement. In the belief that political borders or constitutional structures do not circumscribe the need for development, it is the policy of the Bank not to involve itself in affairs of its borrowers that are not directly related to economic development.

Southern Africa is regarded as one integrated economy made up of economic development regions, each with its own distinctive development features and requiring development strategies to address those issues which are of particular importance to it. Each project application is appraised within the context of a development programme for the region concerned. The Bank purposefully promotes co-operation between authorities in Southern Africa, even between those with widely differing political viewpoints, as this can contribute to more efficient, effective and sustainable development programmes and projects.

In the short history of the Bank a number of policy and operational principles have been firmly established. The crucial requirements for approval of projects are economic merit, financial feasibility, appropriate technology and the capability of the borrower to implement and operate the project effectively. Strong emphasis is placed on sound preparation and execution of projects, and governments and their development agencies are actively

Board members attending a meeting on 21 April 1988

Seated:
Prof W L Nkuhlu,
Mr N J Kotze,
Mr J N Lawana,
Dr S S Brand (Chairman and Chief Executive),
Mr P H Swart,
Mrs M Maponya

Standing:
Mr G S Muller,
Mr P J van Rooy,
Dr W J de Villiers,
The Hon B E Keikelame,
Mr R A Plumbridge,
Mr A S Nkonyeni

supported and assisted in their development planning, policy formulation, institution building and resource mobilization.

While the Bank also strives to assist governments in improving the effectiveness, efficiency and capacity of their development institutions, it refrains from itself becoming involved in the implementation of development projects. By extending finance 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 and constantly seeks opportunities for 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.

Increasing success is being achieved by the Bank in its efforts to mobilize private sector investment and involvement in the developing areas of Southern Africa. The Bank plays a facilitating role in this respect by selectively providing guarantees for private investment or by giving advice to both the development agencies and the private sector which could lead to the implementation of projects that qualify for private sector financing.

The funds provided to the Bank by its member governments as share capital and contributions made by South Africa to its Development Fund have so far been adequate to finance its operations. While capital markets have therefore not been 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 to the Bank for development in Southern Africa. Indications are that the track record of the Bank will ensure an enthusiastic response when the time comes to approach the capital markets.

The Bank is also specifically structured in such a way that it can administer grants from any public or private source in accordance with the arrangements agreed to between the Bank and the grantor. In the case of development funds being made available for the Southern African region or a particular part thereof, from whatever sources locally and abroad, arrangements could be made to structure separate funds with their own trustees, with the Development Bank providing the full spectrum of services required to administer and manage such funds and submit recommendations to their trustees. A step in this direction is the development fund of South West Africa/ Namibia for which the Bank has been rendering professional services since 1986.

In addition to its direct financial and technical assistance functions the Bank, at the request of its member governments, has since 1986 become involved in financial stabilization of the individual TBVC governments. The Bank plays an independent monitoring and advisory role in the stabilization programmes which are aimed at the achievement of balanced budgets, sound financial relations between South Africa and the TBVC countries and of a comprehensive system of development co-operation in Southern Africa. The function is closely related to the continuing brief of the Bank to remain abreast of the financial planning and the creditworthiness of its borrowers.

Governors:
Prof O P F Horwood **(President)**; Mr R F Botha (South Africa);
Councillor S T Boya (South Africa); Dr G P C de Kock (South Africa);
Dr D J de Villiers (South Africa); Mr B J du Plessis (South Africa); Mr J C Heunis (South Africa);
The Hon Chief M E P Malefane (Ciskei); The Hon G S K Nota (Transkei);
The Hon S L L Rathebe (Bophuthatswana); The Hon Gota F N Ravele (Venda);
Dr G van N Viljoen (South Africa).

Alternate Governors:
Mr P W D Buwa (Ciskei); The Hon R Cronje (Bophuthatswana);
The Hon Gota E R B Nesengani (Venda); The Hon S M Qaba (Transkei) (until October 1987).

The Council meets twice a year. The Annual General Meeting is normally held during June at the headquarters of the Bank, with a supplementary meeting in November elsewhere in one of the participating states of the Bank. During 1987 the supplementary meeting was held at Mpekweni in Ciskei.

Directors:
Dr S S Brand **(Chairman and Chief Executive);** Mr J A Botes; Dr W J de Villiers;
The Hon B E Keikelame; Dr D C Krogh; Dr J B Maree; Mr N Meshulam; Mr G S Muller;
Prof W L Nkuhlu; Mr R A Plumbridge; Mr P H Swart.

Alternate Directors:
Mr N J Kotze; Mr J N Lawana; Mr P J Liebenberg; Mr M R Madula; Mrs M Maponya;
Mr J A J Maree; Mr A S Nkonyeni; Mr P J van Rooy.

The Board met nine times during the financial year under review. One meeting was held in KaNgwane, and the others at the headquarters of the Bank. The Board has constituted from its members an Audit Committee, and to keep abreast of the financial situations of participating governments, a Financial Surveillance Committee. These two committees respectively met twice and once during the year.

The Organization of the Bank

The Bank had a staff complement of 529 at 31 March 1988, of whom about 75 per cent were professionally qualified in a wide range of disciplines. To supplement its own manpower resources, the Bank also makes use of a variety of consultants and 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 a particular project or assignment in the different phases of the project cycle. The work of such a team culminates in a report that is submitted to the Management Committee of the Bank or its Board of Directors for a decision, while the team also retains responsibility for monitoring the implementation of the project or assignment.

The **Operations Complex,** under the General Manager Mr Deon Richter, is organized into the following areas of responsibility.

☐ Development Policy, Planning & Programming
Mr Danie Schoeman
(Senior Divisional Manager)

☐ Rural, Agricultural & Business Development
Mr Nick Christodoulou
(Senior Divisional Manager)
Dr Johan van Rooyen
(Divisional Manager Agriculture)

☐ Urban Development
Mr Johan Kruger
(Senior Divisional Manager)
Dr Stef Coetzee
(Divisional Manager)

☐ Infrastructure Development
Dr Peter Freeman
(Divisional Manager)

☐ Human Resource Development
Dr Derrick Coetzee
(Divisional Manager)

☐ Operations Specialists
Mr Egon Buermann
(Divisional Manager)

☐ Operations Planning Unit
Ms Madie Hanekom
(Departmental Manager)

The **Institute for Development Research** is divided into a division for Policy Research, a division for Data Research and a unit for *ex post* project evaluation as well as the secretarial work for the strategic planning process of the Bank. The three Divisional Managers, reporting to the Director Dr Freek van Eeden, are, respectively: Dr André Ligthelm, Dr Dan du Plessis and Dr Willem Engelbrecht.

The **Resources and Support Services Complex,** under the General Manager Mr André la Grange, is organized into the following areas of responsibility.

☐ Manpower, Training and Administration
Mr Johan Koorts
(Senior Divisional Manager)
Mr Jannie Zaaiman
(Divisional Manager)

☐ Finance
Mr Hercules Venter
(Divisional Manager)

☐ Financial Services
Dr Vorster Viljoen
(Divisional Manager)

☐ Computer Services
Mr Graham Tate
(Departmental Manager)

☐ Legal & Secretarial Services
Mr Jan Prinsloo
(Departmental Manager)

☐ Specialist Mobilization
Mr Teo Louw
(Departmental Manager)

☐ External Relations
Mr Frans van Rensburg
(Departmental Manager)

☐ Special Adviser: Development Institutions
Mr Gert Maree
(Departmental Manager)

☐ Internal Auditing
Mr Ian Manning
(Departmental Manager)

A **Special Adviser**, Dr Manfred Reichardt, reports to the Chief Executive on the overall financial situation of the participating governments.

The top management of the Bank, from left, Mr Deon Richter, General Manager Operations, Dr Simon Brand, Chairman and Chief Executive, Mr André la Grange, General Manager Resources and Support Services, and Dr Freek van Eeden, Director of the Institute for Development Research

The economic background

During the past year the activities of the Bank took place against the background of a moderate revival of economic activity in Southern Africa. However, given the present structure of the economic system and the limits imposed upon it by the continuing restricted access to foreign capital markets, it is widely recognized that the potential of this revival is limited. It is therefore even more important than it would have been under more favourable economic prospects that the strategy of the Bank should clearly take into account certain structural features of the Southern African economic system.

The first of these, namely the very large disparities between the levels of economic activity achieved and the quality of life experienced in different regions and sub-regions and by different communities in the subcontinent, relates to the very mission of the Bank. A further structural feature is reflected in the similarity of the less advantaged regions and communities in Southern Africa to the typical socio-economic characteristics of countries elsewhere in the Third World, such as high population growth and the pressures this places on government services and the creation of economic opportunities, low levels of economic activity and the accompanying inadequacy of revenue bases for financing public sector services, and the consequent dependence on inflows of resources from elsewhere to sustain positive development processes. A last structural feature that needs to be taken into account is the extent to which the different regions and communities are closely interwoven in a variety of economic interactions such as labour flows, transfers of financial resources through the public sector, and private flows of goods and services.

Under these circumstances not only does development towards addressing the above-mentioned disparities require positive economic growth, but such growth in its turn depends in large measure on structural changes in the economic system. An appropriate development strategy then requires that the income-generating potential of the more developed sectors of the economy be sustained, that some flow of resources takes place from the more developed to the less-developed sectors of the economy, and that these less-developed sectors be restructured in ways that can realise their employment and income-generating potential while at the same time supporting growth in the more developed sectors of the economy, for example through the movement of labour from the less developed to the more developed sectors.

The participating governments of the Bank have agreed to pursue such strategies within the framework of a regional development policy that emphasizes the decentralization of responsibility in respect of economic development to the regional and local levels, self-reliance and involvement of the people concerned in the development process, the recognition of the interdependence among economic regions, subregions and areas, and the full recognition of the leading role which private initiative can play in the development process. The last-mentioned aspect of this policy has been chosen as the theme for, and is dealt with in different sections of, this annual report of the Bank.

Development strategy and policies

Against this background, while recognizing that certain constraints upon the realisation of the development strategy are still evident, it is gratifying to be able to report further progress by the Bank during the past year in addressing the development needs of its participating states. This progress is dealt with in more detail elsewhere in this report. What should be underlined is that the rising level of support that the Bank has been able to provide could not have materialized were it not for the increasingly close communication and co-operation between the Bank and its borrowers, whether these be participating governments, local authorities or other development agencies. In particular, the pre-investment and technical assistance facilities of the Bank have been used to increasing effect to enable participating governments and their agencies to improve not only the preparation of individual projects, but also the policy framework and the institutional support systems within which such projects are implemented and operated.

At the overall policy level special attention was given by the Bank during the past year to a framework within which to promote the role of the private sector and enhance business activities in developing areas. This policy framework places particular emphasis on environmental adjustments in development areas that would make it more attractive for outside private interests to invest in these areas, and on parallel measures to provide support to emerging enterprises with the support of suitable local development agencies. Significant progress was also achieved during the past year in introducing or strengthening planning processes aimed at formulating development strategies at the regional and subregional levels.

Against the background of these policy frameworks, extensive work was also undertaken by the Bank and its borrowers to establish frames of reference for programme and project appraisals in respect of specific sectors such as rural and agricultural development, urban development, and tourism development. At the request of member governments, the Bank has played a leading role as research manager for a thorough evaluation of the present regional industrial development policy with a view to measuring its effectiveness as a component of the regional development policy subscribed to by all participating governments of the Bank. At the request of regional liaison committees in the different development regions, the Bank also supported specific studies on the formulation of regional strategies, such as the formulation of an industrial development strategy for region D.

Expanding horizons

On the basis of the progress made in supporting development in the TBVC states and self-governing territories in these various ways, further progress was achieved in extending the geographic scope of the activities of the Bank. In close consultation with the South African government agencies involved, progress was made towards formulating clear guidelines for the involvement of the Bank in developing urban areas in South Africa outside the self-governing territories. As reported elsewhere, several project loans in support of emerging local authorities responsible for urban development programmes have already been entered into.

The basis was also strengthened, through the involvement of the Bank in a substantial programme of development in Lesotho and through a modest first involvement in Mozambique, for a significant and growing role in non-member neighbouring countries. This was achieved on the strength of the demonstrated usefulness of the Bank as a development institution and an increasing recognition of the contribution it can make to putting into effect more effective development programmes in such countries.

It can be accepted that over and above the substantive contributions that the Bank has already made to development in Southern Africa, this widening in the geographic scope of its activities will considerably strengthen its credibility as an institution with a role to play in all less developed areas in Southern Africa, as envisaged in its Articles of Agreement.

Strengthening capacities

In the process of becoming more and more involved in developing urban areas in South Africa, particular attention had to be given, as with the earlier borrowers of the Bank, to the overall financial situation of the authorities involved. Much has been learnt from the further increasing involvement of the Bank in arrangements between South Africa, as the economically and financially stronger country in the region, and the TBVC states on financial and economic adjustment in those countries. Such insights can also be fruitfully applied in addressing the financial situation of a variety of emerging government institutions, such as developing local authorities, through sound co-operation between the various authorities involved.

During the past year the Bank also stepped up its appraisal of the institutional capacities of its participating governments and their development agencies. This was done partly on its own initiative, in carrying out the injunction in its Articles of Agreement that it should keep abreast of the ability of its borrowers to meet their commitments under loans extended by the Bank, and partly at the request of participating governments.

A sound basis has also been laid for the programming of public sector investments in support of economic development to ensure the optimum allocation and utilization of scarce resources. The Bank has given special attention to managing its operational activities within a system of regional, state and sectoral programmes, and encourages its borrowers to do the same.

On-going attention was given by the Bank to improving its own capacity for dealing with the variety of matters referred to in this report. Several new divisions were created by reorganization and managerial strengthening of previously existing departments, with resultant reassignments of managerial responsibilities. A special task team has also been looking into the operational procedures of the Bank with a view to achieving improved effectiveness.

Significant progress was made in extending the capacity of the Bank through the use of external consultants. Particular attention also continued to be given to development and orientation of staff members. In view of the extent to which the Bank has fallen short of its manpower recruitment targets while increasing its activities to the extent shown elsewhere in this report, a considerable increase in the productivity of staff took place, which is an achievement to be noted.

Physical accommodation

Progress with the new headquarters of the Bank in Midrand is proceeding and the move to the new building is planned to take place towards the end of 1988.

Appreciation

As in previous years the progress achieved by the Bank during the past year in carrying out its mission stands to the credit of all parties involved in its activities. The continued support of the Council of Governors and participating governments for the directions taken by the Board of Directors and Management made it possible to pursue these directions vigorously. The guidance provided by the Board, arising as it did from the unique blend of collective wisdom gathered together in it, imparted the necessary confidence to Management to do so. As already mentioned, the staff of the Bank carried a far heavier load than could reasonably have been expected of them, and deserve a great deal of credit for thus enabling the Bank to reach new heights. The senior management team of the Bank must be singled out for the leadership they provided and for making it possible to maintain the required momentum.

S S Brand
Chairman and
Chief Executive

This report on the activities of the Bank, based on a central theme of private sector involvement and entrepreneurial development, provides an overview of the mobilization and utilization of resources in the year under review, with reference to trends over the first four years of the operations of the Bank and expected trends for the next five years.

Since sound investment decisions at the project level can only be achieved within the context of sound overall strategies and policies, this overview should be read against the background of the frame of reference set out in the Chairman's Report. Further details of the activities are listed in the Financial Statements and in the Annexures.

Utilization of resources

Development programme

The development programme of the Bank consists of the following sub-programmes:

☐ The investment programme, which comprises projects of a capital nature, including financial assistance towards the cost of project preparation, referred to as pre-investment finance.

☐ The technical assistance programme, consisting of projects where financial support is required by borrowers to mobilize expertise to address issues at the level of policy formulation, development planning and institutional development.

☐ The guarantee programme, under which the Bank plays a facilitating role by, among other things, considering guarantees, where appropriate, on projects to be financed from private sources.

☐ The agency programme, which consists of projects that are not financially supported by the Bank but in respect of which the Bank is requested by the provider of finance to offer its professional services and act as its agent.

All projects forming part of the development programme are dealt with in terms of a systematic process of co-operation between the Bank and its borrowers, internationally known as the project cycle. The phases of this cycle, from identification through preparation, appraisal and negotiation to implementation and *ex post* evaluation, are logical steps to prepare for sound investment decisions by both a borrower and the Bank, and also for the successful implementation of approved projects.

Flow of projects

Trends which became apparent during the first three years of operations of the Bank showed up strongly during the financial year, as shown in figure 1:

☐ Following on the already high numbers of project applications received in previous years, a sharp rise to an inflow of 459 applications, or 2,3 applications per working day, was experienced during the past year. This is a reflection first of all of the extensive development needs of Southern Africa, as well as of the sound level of co-operation established between the Bank and its borrowers.

☐ 318 project applications were accepted by the Bank for preparation and appraisal, bringing the cumulative total to 919 projects accepted by the Bank since it started operations. The estimated financial contribution by the Bank to all these projects, with a total estimated investment value of some R7 280 million, is R5 885 million. Projects in preparation and appraisal phases increased significantly from 287 at the end of the previous financial year to 461 on 31 March 1988.

☐ The number of projects approved during the financial year increased to 136, which brings the accumulative total number at present in implementation to 367. The additional financial commitments entered into by the Bank during the course of the year through approval of new projects or revision of previously approved financial contributions, totalled R965,9 million. This is a historical achievement in co-operation between the Bank and its borrowers, as it is the first financial year in which such new commitments approached R1 billion. This new level of project approvals is not only expected to be maintained in future, but is also expected to increase significantly over the next five years.

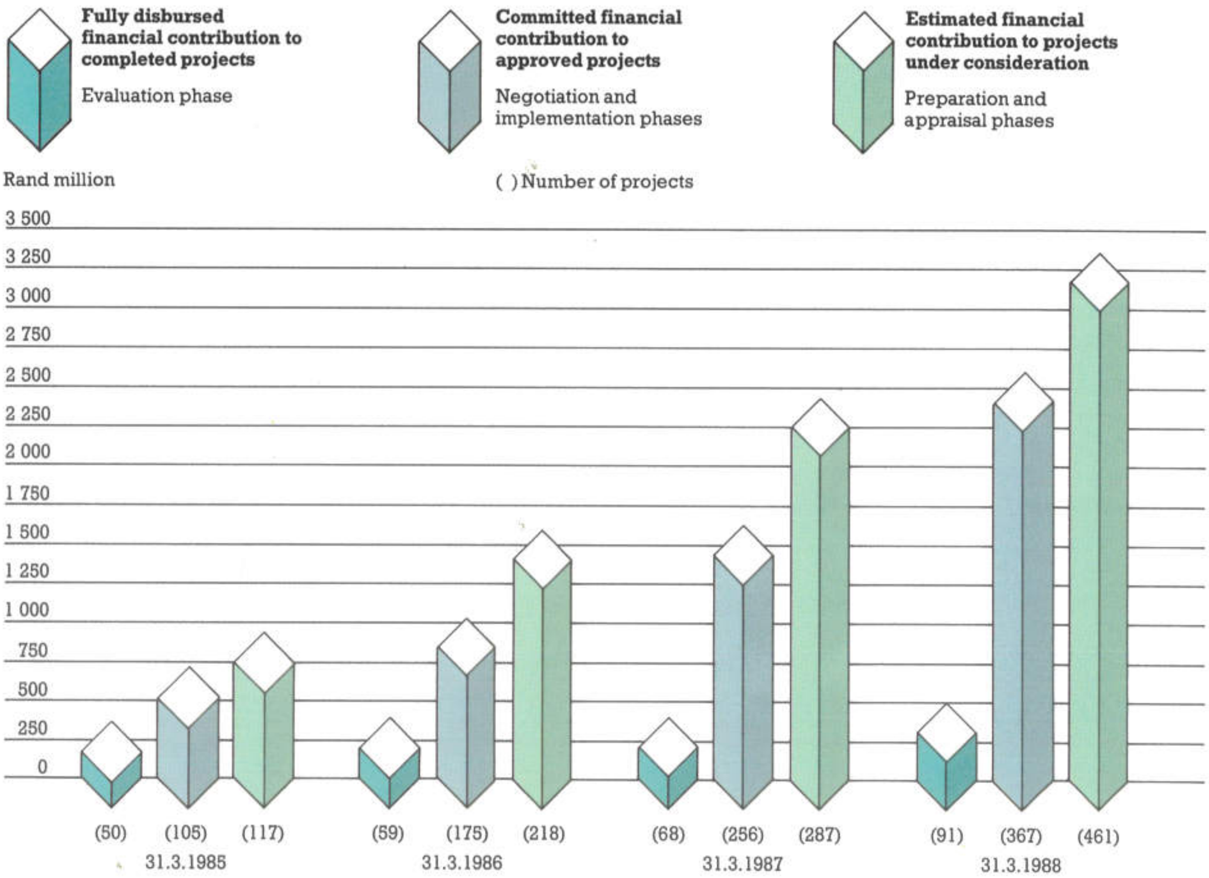
The high level of newly approved projects brought into sharper focus institutional constraints experienced by some borrowers in concluding loan agreements and during the implementation of projects. A thorough analysis is currently being undertaken of these constraints, with a view to bringing them to the serious attention of borrowers and to assist in resolving them. A stage has clearly also been reached where a shift in emphasis should take place from the processing of new applications and the preparation of new projects towards measures required to ensure the efficient and effective implementation of already approved projects. Increasing attention to the operational management of implemented projects as well as to the maintenance of existing and new capital assets by the borrowers of the Bank is also required. Already technical assistance provided to borrowers during the course of 1987/88 includes support for studies to address some of these issues.

An encouraging trend is the increasing use made by borrowers of the pre-investment facility offered by the Bank to assist them in mobilizing the expertise required for thorough preparation of projects. Commitments in respect of pre-investment projects increased from R9,1 million to R16,1 million.

There was also a significant increase in funds approved for technical assistance as a result of increasing attention being given to policy, development planning, institutional development and financial issues, namely R11,8 million for 1987/88 compared with R3,5 million the previous year.

Twenty-six projects were handled on an agency basis. A rising trend is expected in this respect, especially as far as the role of the Bank

Figure 1
Accumulative committed and expected financial contributions to projects in the various phases of the project cycle



in providing professional services to the development fund of South West Africa/ Namibia is concerned.

Flow of funds

Past and expected flows of funds are depicted in figure 2. During implementation of a project, which for an investment project normally takes from three to five years, a borrower puts forward claims for disbursement of financial contributions by the Bank. The flow of funds on a project is therefore directly related to progress achieved with its implementation. However, if the Bank is not satisfied that a project is being implemented according to the agreement with a borrower, disbursements can be withheld until such issues are resolved. Delays are often also experienced if borrowers are not in a position to put forward adequately substantiated claims, because of deficiencies in their financial systems.

The actual flow of funds achieved thus far was consequently below the level which could have been expected from the strong rise in the level of new commitments entered into annually by the Bank. This can be ascribed to delays experienced after the approval of projects. A significant increase in the flow of funds is nevertheless expected for 1988/89, namely R400 million compared with the R283,1 million achieved during 1987/88.

A further strong rise in the flow of funds is expected to reach R1 billion within the next five years. This projection is based on the assumption that the level of new commitments entered into per annum will be maintained above the R1 billion level, while it is also expected that the post-approval constraints experienced up to now will increasingly be resolved.

Functional allocation of resources

A high level of financial resources was committed by the Bank to each of the six main development functions during 1987/88 in comparison with the previous financial year (see figure 3). However, as indicated in figure 4, despite a substantial increase in the total investment value of approved projects, no significant change took place in the relative share of these six main development functions.

Economic development policy and planning

Although technical assistance provided by the Bank for development policy and planning takes up only a small percentage of total financial contributions approved annually, the importance of this function to provide a sound basis for investment decisions in respect of all development functions can hardly be stressed too strongly. Such technical assistance projects play an important role in assisting participating states and their development institutions to establish appropriate policy formulating and planning systems. Special attention is given to determining the content and extent of development planning required at various levels. Serious problems are experienced by most participating states in respect of their institutional capacity to handle planning. This is accorded a high priority by the Bank in determining appropriate support to its borrowers. The approach followed puts strong emphasis on the mobilization of the necessary expertise from the academic and private sectors.

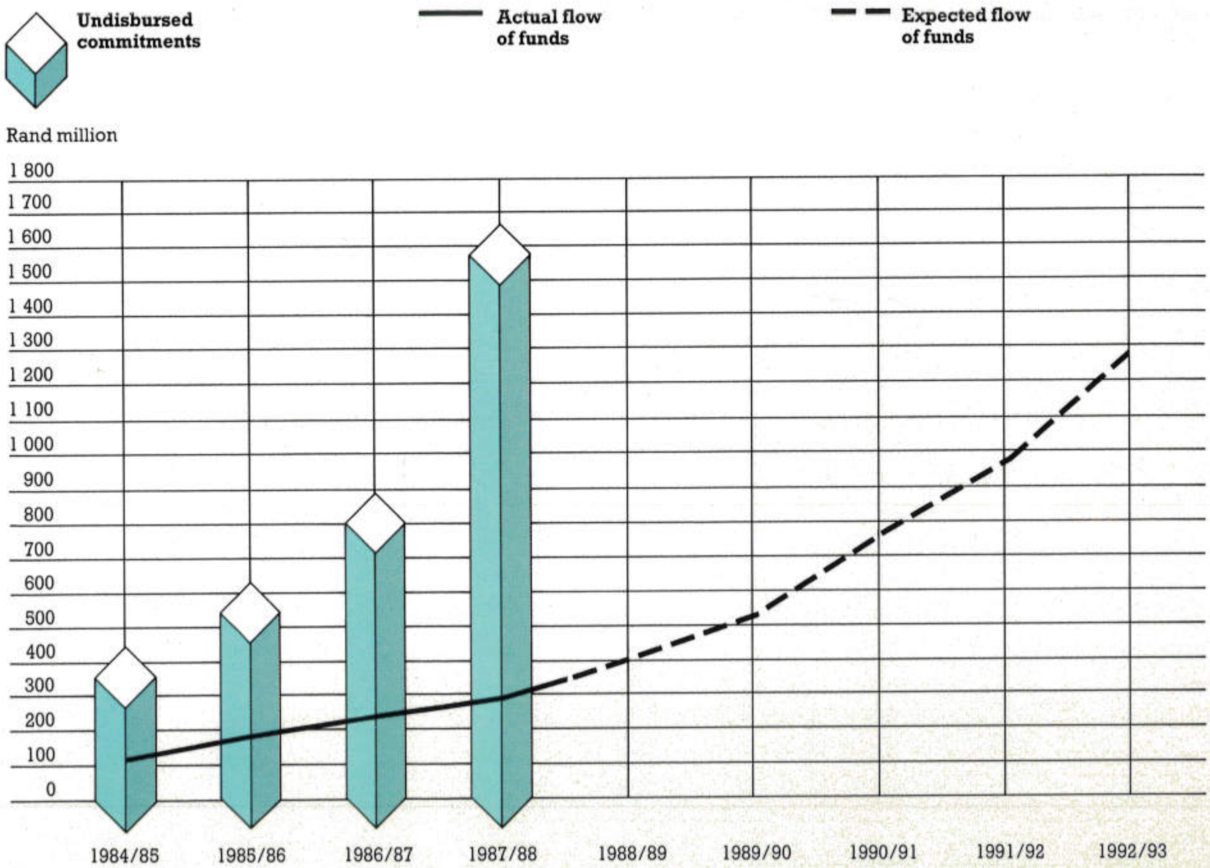
Rural and agricultural development

Rural development often did not receive the necessary effective attention in the past, with the result that in most areas a sustainable rural development process was not established. Many rural areas were neglected and a serious deterioration of both the resource base and quality of life occurred.

During the past year significant progress was achieved with the formulation of guidelines on coherent rural development policies and strategies. However, further work is required in developing these policies and strategies as experience is gained in this field. Progress is furthermore seriously inhibited by institutional constraints. In particular, the strong demarcation of responsibilities of government departments and development agencies on functional and sectoral lines makes it difficult to achieve an integrated and co-ordinated approach. Important decisions were taken during the year under review by some participating states to overcome this problem, for example by redefining the missions of departments and corporations that were previously only responsible for agricultural development, to include responsibility for co-ordinating rural development as a whole.

The advice rendered by the Bank further underlines the importance of active participation by the communities concerned in the planning and implementation of rural development, as well as the potentially

Figure 2
Flow of funds and undisbursed financial commitments



important role of non-governmental organizations in supplementing the limited capacities available in the public sector.

In virtually all rural areas, agriculture based on the emergence of individual local farmers is potentially the most important sector to establish an economic base. The Bank is therefore strongly encouraging its borrowers to institute coherent support services for emerging farmers. This has resulted in a number of projects of this nature already having been approved, involving virtually all the participating states.

The progress achieved in emphasizing an integrated approach is reflected in the fact that the Bank is currently supporting 16 integrated rural development programmes, each consisting of a range of projects in different economic sectors.

There was a significant rise in the financial contribution by the Bank to rural and agricultural development projects during 1987/88 — an amount of R113,5 million was approved against R52,8 million in the previous financial year. To support this trend, a separate division was established in the Operations complex to take responsibility for this function.

Urban development

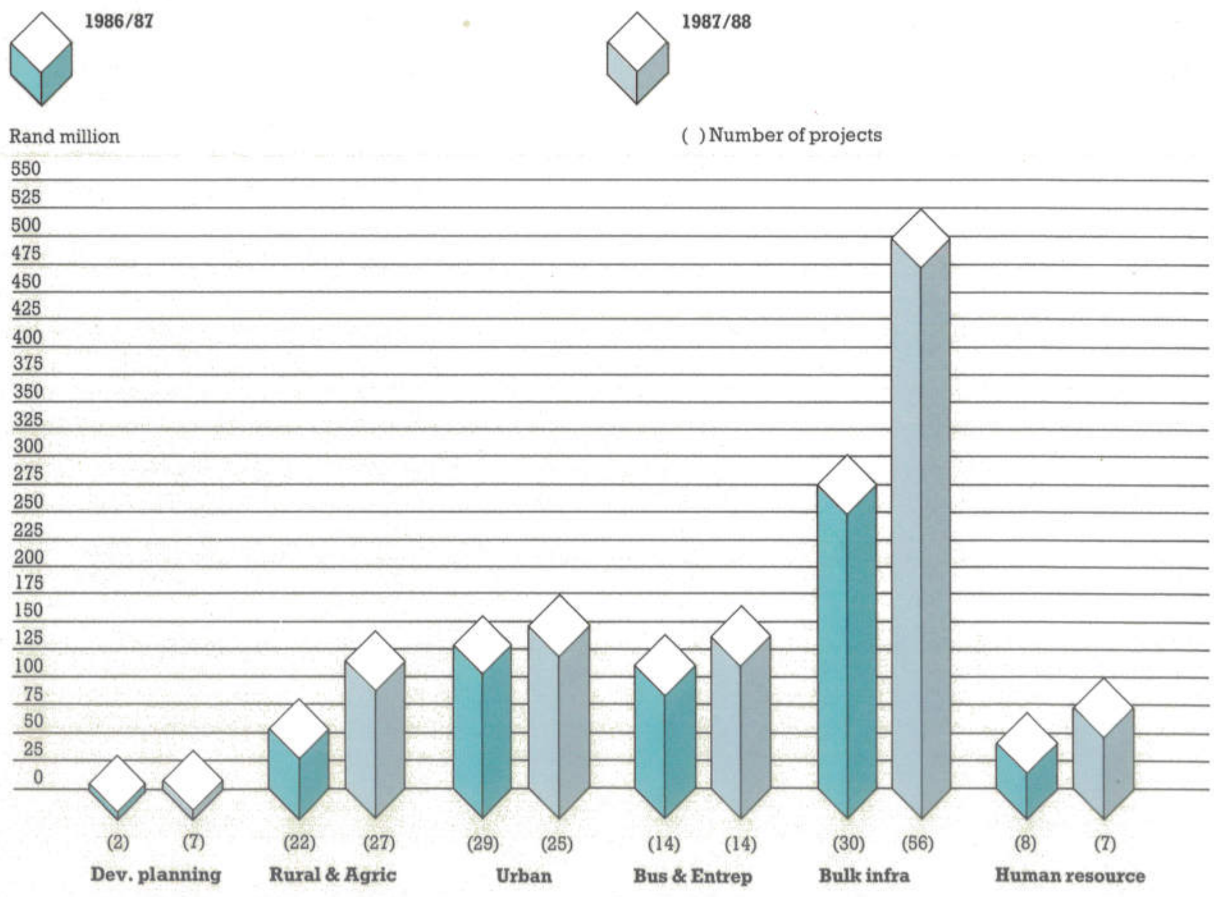
The Bank also encourages its participating governments to pursue a coherent approach to urban development, aimed at upliftment in the quality of life of urban communities and also at establishing a sustainable development process. The high inflow of project applications of this nature suggests that the allocation of financial resources by the Bank to this function will increase significantly.

Special emphasis is placed on the role of the private sector, both in establishing an economic base for urban development and through the provision of financial resources required for housing and other services. Seven such projects were approved during 1987/88 with private developers becoming involved at their own risk and with the financial involvement of the Bank being limited to the provision of bulk infrastructure.

Support required by local authorities to expand their capacity to manage urban development programmes is also receiving increasing attention from the Bank.

The geographic scope of Bank support to urban development broadened significantly during

Figure 3
Financial contribution by the Bank to approved projects by main development function — 1986/87 and 1987/88



the year under review. The South African government decided during the year to investigate the potential role of various sources of finance for urban development and, in so doing, also to establish guidelines for the role of the Bank in less developed urban areas in South Africa outside the self-governing territories. While the outcome of these investigations is still awaited, the Bank has already become involved in the Natal (seven towns), Witwatersrand (Daveyton and Vosloorus) and Western Cape (Khayelitsha) regions, and consideration is also being given to projects in other areas. The Bank was requested to consider support for the second phase of the KwaZulu/Natal urban development programme and because of the wide scope of this programme, it is expected that the Bank will need to allocate a significant percentage of its financial resources to this programme.

The Bank also received two applications in respect of urban development in Maseru, aimed at providing inter alia for the housing needs related to the Lesotho Highlands Water Project.

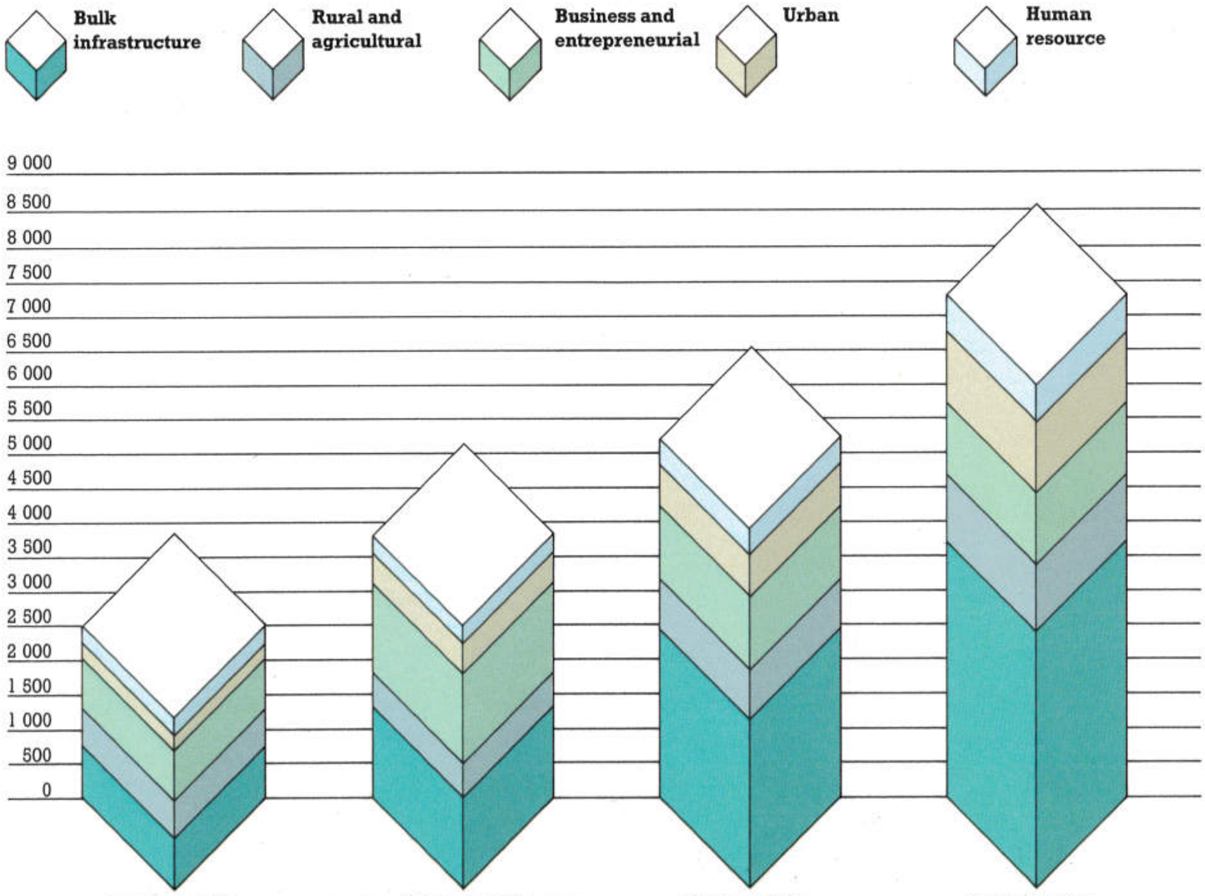
Business and entrepreneurial development

This function received priority attention during 1987/88, in particular with a view to addressing the need for a clear policy framework to foster greater private sector involvement in the development process. Specific attention was given to spelling out clearly the appropriate roles of the public and private sectors.

The interaction between the Bank and its participating states which resulted from this, gave rise to several requests for advice on restructuring the role of development corporations within such a policy framework. In reaction to such requests, the Bank is assisting participating states to formulate appropriate policies and strategies, to determine the missions of development corporations as derived from such policies, and to address restructuring issues

Figure 4
Relative share of the six 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



Due to the relatively small share of development planning, it is not reflected in the above

Functional classification of the Bank's activities

Economic development policy and planning

including policy analysis, policy formulation and development planning.

Rural and agricultural development

including integrated rural planning, community support, rural infrastructure, agriculture, forestry and fisheries development.

Urban development

including urban infrastructure, support for housing development and development of the full urban fabric.

Business and entrepreneurial development

including mining, construction, manufacturing, commerce, property development, tourism, general support of private sector's role and specific support for emerging businesses.

Bulk infrastructure development

including transportation, water resource, energy, and posts and telecommunications development.

Human resource development

including formal and non-formal entrepreneurial training, technical and tertiary level education and training.

concerning the organization and financial basis of such corporations.

Experience during the first three years of operation of the Bank clearly showed up the need for the Bank to play a strong catalytic role in the mobilization of private sector finance for development in less developed areas. A systematic process was introduced during the past year to assist borrowers with the preparation of projects in ways that would encourage the private sector to become involved, and where necessary to assist in negotiations with the private financial sector to obtain the finance required. A special top management committee has been established within the Bank to give policy guidance and to co-ordinate the activities of the Operations and the Resources and Support Services complexes in this respect. Projects supported in this way range over the full spectrum of economic activity, including the provision of finance for housing, property development to provide office and commercial facilities, and tourism development.

Special attention was accorded to the evaluation of small business support projects already in implementation. These interim evaluations serve an important function by advising borrowers to adjust the content of such projects, as well as by serving as inputs in the preparation of similar projects to follow.

The importance of this function was given recognition with the establishment of a fully-fledged operational division for business and entrepreneurial development. This new division will give special attention to the need to formulate appropriate policies and strategies for the various sectors of the economy such as mining, construction, manufacturing, commerce and tourism.

Bulk infrastructure development

Bulk infrastructure projects represented nearly fifty per cent of funds approved for projects during 1987/88. A loan of R106 million was approved by the Bank for the financing of the northern access route for the Lesotho Highlands Water Scheme, one of three advance infrastructure projects supported by the Bank in this Scheme. A still bigger loan of R148,8 million for a railway line to support mining development in north-eastern Venda has also been approved in principle, but further preparation for the project is still required and final approval is expected during 1988/89.

Bulk infrastructure development, already previously the main area where the financial resources of the Bank were allocated, thus further strengthened this position in the year under review. This reflects the extensive needs of developing areas for investment in basic infrastructure, which have resulted in a continuing high flow of project applications to the Bank. Bulk infrastructure projects are, of course, also capital-intensive by nature. The long-term investments required, which often do not generate a direct financial return, tend to limit the scope for private sector investment in this area.

Excavating rock for the southern access road which forms part of the Lesotho Highlands Water Scheme. The upgrading of a 55 km road and the construction of a new 10 km road is being undertaken by local contractors and labour as far as possible to maximize the creation of job opportunities. The Bank approved two loans for almost R20 million for this project, which forms part of seven technical assistance and investment projects to the value of R300 million for advance infrastructure for the Highlands Water Scheme in Lesotho

At policy level special attention was accorded to developing a framework for cost recovery from consumers. This could, in respect of at least some kinds of infrastructure, be a first step towards creating favourable conditions for the privatization of such infrastructure services, since inadequate cost recovery is one of the factors that inhibit private sector involvement even in infrastructural functions that are otherwise suitable for privatization.

A number of technical assistance applications were received in which participating governments identified their needs to establish policies in the public transport field. Attention is being given to the necessary support required for private transport operators to obtain financing and to operate efficiently.

The Bank continued to address development issues which arise during the preparation of infrastructure projects, such as technology and design approaches to encourage labour-intensiveness or 'labour enhancement', as well as provision for participation by emerging local contractors. Design approaches to provide fully for the utilization of local goods and services in the construction process are also regarded as important to enhance the development impact of such investments.

In the field of telecommunication projects attention was given to the definition of economic and financial criteria to serve as frames of reference during the preparation and appraisal of such projects.

The institutional capacity of many borrowers continues to be an important constraint on the planning, implementation and maintenance of infrastructure projects. An extensive programme of appraising the institutional capacity of borrowers was set up during the past year. Based on the findings of these investigations the Bank will give special attention during 1988/89 to assisting borrowers to resolve such constraints.

Increasing attention is being given to the rendering of technical assistance for the planning of development of water resources as this is accorded a high priority by virtually all participating governments. The need for close across-border co-operation in this respect is evident in Southern Africa and this is strongly encouraged and supported by the Bank.

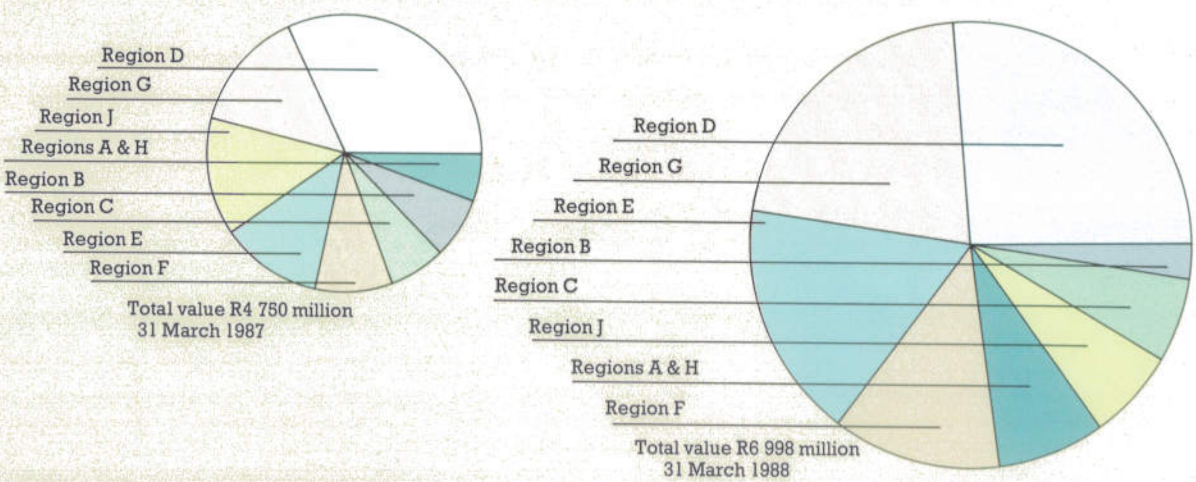
Human resource development

Athough the Bank is not involved in the financing of ordinary primary and secondary education, the priority accorded by borrowers to education and training was reflected in the increase in the applications received by the Bank. The increasing recognition of the importance of systematic and coherent manpower planning was manifested in a rising trend in applications for technical assistance to formulate overall manpower and teacher training strategies, as well as technical education and training strategies. A number of applications were also received for projects to establish multi-purpose training centres to address the skills training needs of adults and out-of-school youths.

A continuing flow of applications was also experienced for education and training facilities at tertiary level, especially in respect of facilities for university training, teacher training and training at technicons.

The role of the private sector received particular attention, through consultation to

Figure 5
Relative share of the nine development regions in the total investment value* of all projects



*Total investment value of a project: Financial contribution by Bank + Borrower + Private sector and/or communities concerned

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

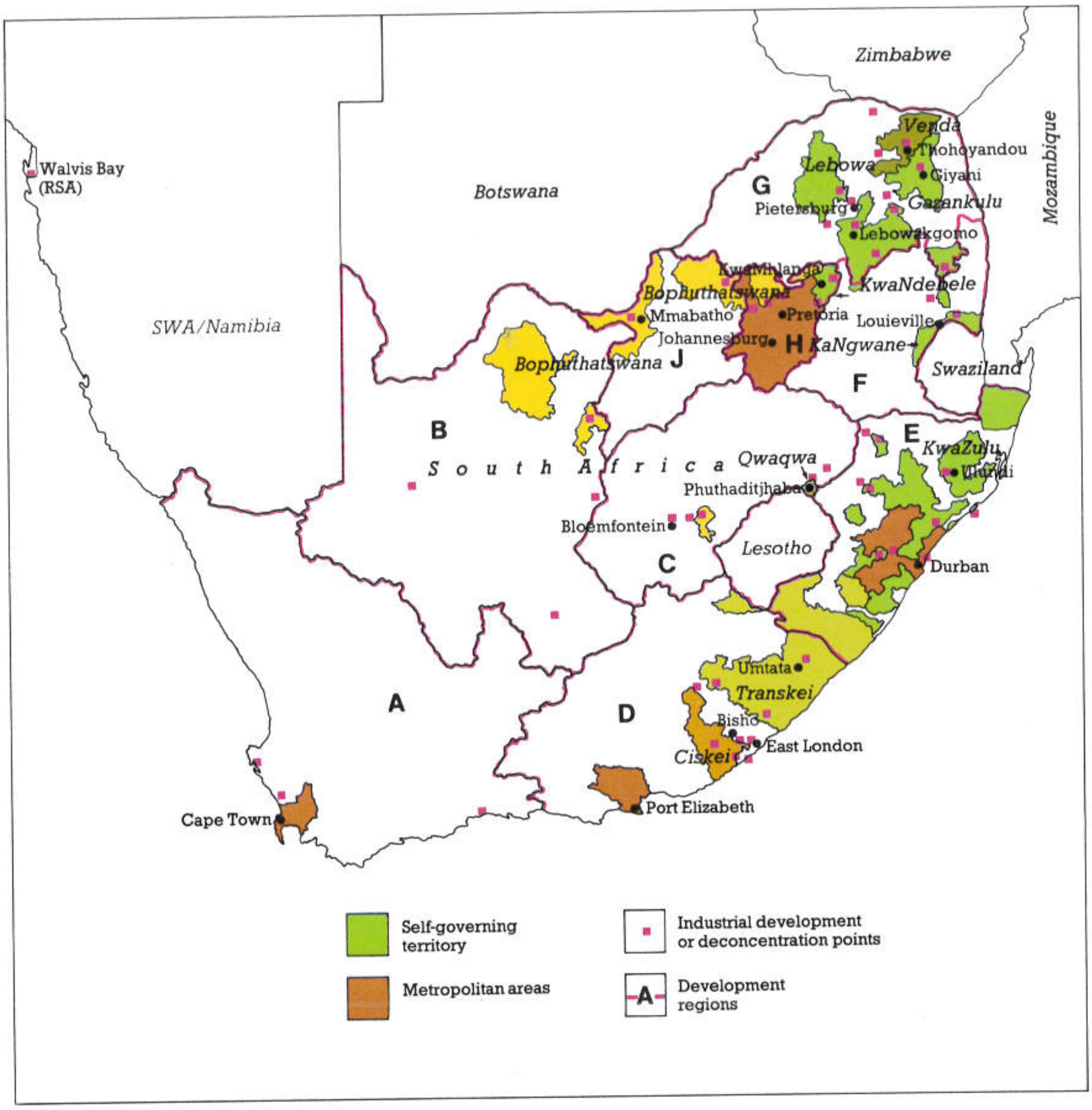
E: Natal and KwaZulu in South Africa; northern Transkei

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



Promoting the role of the private sector in development

The member governments of the Bank have all subscribed to a framework of principles based on the belief that a dynamic economic development process is enhanced by allowing as much scope as possible for market forces to determine and private enterprises to decide which goods and services to provide, and how, when, where and for whom to do so. This implies that the economic role of the public sector should, beyond the provision of certain collective and meritorious goods and services, the maintenance of law and order and of the integrity of the financial system, be limited to supporting and facilitating the role of the private sector. Private individuals and enterprises should have the right to select, with the minimum of arbitrary interference, the type of economic activity in which their resources are to be employed most efficiently and effectively in the provision of goods and services to satisfy the needs of the people of a particular country, territory or region. Having drawn these lines, it is important that the public sector should not undertake entrepreneurial activities which private sector entities are potentially or actively both able and willing to undertake.

The private sector is defined as the whole range of entities engaged in economic activities at own risk, from the individual in the informal sector through small and medium-sized farmers and businesses to large and established business conglomerates. The common characteristic of such private-sector entities is that their investment decisions are based on the perception of market opportunities and the balance between the risks and returns of acting on such market opportunities. Actions by the public sector to encourage private sector involvement in development should therefore be market-oriented — they should be aimed at determining what the factors are that prevent private entrepreneurs from getting involved in economic activity, and what would be required for them to decide to become so involved.

A public sector strategy towards support of the private sector must start with a distinction between various categories of private enterprises, ranging from emerging to fully determine manpower needs and by providing for its representation on controlling and advisory bodies for technical education and training facilities. The privatization of residential accommodation for students and of catering services and sports and recreational facilities, also received increasing attention.

Geographic scope of activities

The total area of jurisdiction of the shareholders of the Bank has been demarcated into nine development regions in terms of the regional development policy. These regions differ significantly in terms of geographic size, natural resources, economic potential, population pressure and availability of an own income base.

The Bank has no preconceived notions about the allocation of resources between the development regions. This depends rather on the initiative and 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. Figure 5 indicates the relative share of each development region in the financing made available by the Bank, as reflected in the total estimated investment values of all projects in the project cycle.

With a share of 26,3 per cent, Region D is still the most prominent. Due to a high volume of project applications, Region G achieved the highest increase in its relative share during the year under review, namely from 14,5 per cent to 21,3 per cent. The Bank became involved for the first time in urban development in Region A through support requested for the Khayelitsha development programme.

The more recent involvement of the Bank in neighbouring states which do not form part of the nine development regions, increased significantly during the past financial year. The requests from South Africa and Lesotho for the Bank to consider financial support for advance infrastructure for the Lesotho Highlands Water Scheme resulted in a programme which expanded significantly and now includes projects in the form of roads and bridges, urban development, business development and construction camps as well as institutional development. The financial contribution already approved plus future expected contributions are estimated at R308 million. A technical assistance project for R217 000 was also approved for a study on the agro-forestry potential of Mozambique.

Progress was also made in inter-governmental negotiations concerning a project to construct two dams to develop the water resources of the Komati River Basin. It is the intention that these developments will take place by way of close co-operation between South Africa and Swaziland. In South Africa, Region F, especially KaNgwane, is expected to benefit significantly from these investments.

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established, and between external and internal constraints on private initiative. External constraints are aspects in the socio-economic environment, such as land tenure and licensing regulations, over which the individual enterprise has little influence. Internal constraints relate to managerial competence, as well as to the normal business functions of production, marketing, purchasing, staffing, training and finance, all of which influence business efficiency and effectiveness and must be addressed within the individual enterprise itself. Emerging enterprises face internal as well as external constraints and may require assistance to overcome both. In contrast, the need of established businesses for support would be mainly for overcoming external constraints. Since the full range of private enterprises, from established to emerging, can be identified within each economic sector in Southern Africa, the degree of support by the public sector required to mobilize the private sector would vary within each economic sector, from very limited support for fully established enterprises to intensive and wide-ranging support for those which are emerging.

Experience has shown that emerging entrepreneurs can make an important contribution to a developing economy in terms of the generation of entrepreneurial activities and thereby to employment opportunities and incomes for the local people. This suggests that the public sector needs to pay particular attention to support of such entrepreneurs and to addressing the constraints faced by such businesses.

In carrying out its mission the Development Bank endeavours to assist its participating governments in achieving their role and function within the framework of principles described above. During the past financial year the Bank concentrated its efforts in this connection at policy, institutional, programme and project levels. Some illustrative examples appear on the following four pages.

Mobilizing private sector financial resources in support of local entrepreneurial initiatives

The upgrading and extension of existing commercial facilities for the Umtata City Centre Shopping Complex through private sector funding (Trust Bank). The Bank provided back-up arrangements of R4 million

In the past, financial support for entrepreneurial initiatives in developing areas was mainly vested in the public sector. It recently became apparent that, in order to broaden this resource base and recognize the commercial nature of such entrepreneurial activities in the economy, it was necessary to find mechanisms to mobilize appropriate private financial resources and actively involve such institutions in the development process.

In order to achieve this broadening of the resource base, whenever the Bank receives applications for projects which are perceived to be potentially economically sound and commercially viable, it will direct its support towards identifying and instituting processes to remove the constraints inhibiting the involvement of the private sector as a funding source. Assistance and support will be provided to the development agency and entrepreneur involved with the preparation of a viability study in order, firstly, to establish and confirm the commercial viability of the project and secondly, to provide a basis for negotiation with private sector funding institutions to identify ways of removing constraints inhibiting their participation. Two projects that aptly illustrate this approach are the Umtata City Centre Shopping Complex (Transkei) and Phasha's Shopping Mall (Lebowa).

In both these property development projects, initiated by local entrepreneurs, a detailed analysis of the expected yields and costs revealed that the proposed ventures would be commercially viable and could carry market-related financial terms. The Bank then facilitated a series of meetings between the relevant development agencies, the entrepreneurs, and appropriate private sector financial institutions which were identified in terms of the nature of the specific financial requirements of the projects.

While reaction of the financial institutions approached was positive in terms of their willingness to finance commercial property ventures of this nature, reservations were expressed relating to their initial entry into relatively underdeveloped property markets.

In both the projects the lack of experience of the local property developers in terms of an established and successful track record of ventures executed without substantial public sector support was identified as a major constraint. Furthermore, the relatively underdeveloped nature of the property market in these developing areas made it difficult to place a long-term market value on the proposed property development venture. This put into question the value of asset security normally required by private sector funding institutions. This constraint was further aggravated in the Phasha Shopping Mall project as the current land tenure system in Lebowa is not conducive to long-term asset security for the private sector.

The above resulted in the private sector funding institutions being hesitant to commit themselves to providing long-term finance for the projects without at least limited public sector support. In the case of the Umtata City Centre Shopping Complex, public sector support to overcome the constraints was provided in the form of a limited guarantee made available by the Transkei Development Corporation and backed up by the Development Bank that could only be exercised if default had occurred on the part of the entrepreneur and would only become binding after the seventh year of implementation of the project. It is expected that the constraints as identified by the private sector will have proved to be unfounded during this time, and that the need for such a guarantee will become redundant.

Because of the additional land tenure constraint in the case of the Phasha Shopping Mall project, an interim guarantee based on the outstanding capital balance of the loan was provided, until the land tenure system in Lebowa has been amended to facilitate the free and unhindered transfer of land between parties. With such reform of the land tenure system the guarantee would be renegotiated to revert back, in all probability without public sector support, to normal lending criteria provided by such institutions to property developers.

On the basis of the above, private sector finance was successfully mobilized for the projects. The need for limited public sector support through the provision of such guarantees is viewed by the Bank as a necessary interim measure until private sector investors have sufficient confidence in the long-term potential of the property market in developing areas. Furthermore, the linking of such appropriate public sector support to specific constraints ensures that normal market conditions can be achieved when such constraints are removed. The successful mobilization of private sector resources for these projects clearly illustrates the need to search continuously for innovative mechanisms in order to create a climate conducive to attracting private sector investment in developing areas.

Promoting entrepreneurial development in livestock farming

Two case studies

Commercial livestock production by emerging entrepreneurial farmers is considered to be a particularly intricate and complex activity in developing areas with communal land tenure. However, within the available natural resources (grazing) and marketing options, this type of farming has considerable economic potential as a vehicle to promote entrepreneurial activity in agricultural and rural development. Strategies whereby emerging entrepreneurial livestock farmers in developing areas are comprehensively supported to obtain access to necessary services, inputs and funds are currently promoted in various of the Bank's participating states.

Two examples of different approaches are the Bethanie Pilot Cattle Project and the Supingstadt Livestock Farmer Support Programme in Bophuthatswana.

☐ The Bethanie livestock project involves 20 cattle owners individually farming with commercial-size herds of selected cattle in the Bethanie tribal area. The project focuses on participants who have been encouraged to adopt sound livestock and veld management practices on 2 000 ha of tribal land on a voluntary basis. This project followed a request from the Bakwena Ba Magopa tribe to the Bophuthatswana government and its agricultural corporation, Agricor, for assistance towards livestock development and veld improvement. The tribe agreed to set aside an area to be farmed by selected volunteers on a pilot project basis to demonstrate the economic, financial and ecological benefits of an alternative approach to communal livestock farming. Ownership of livestock, herd management and the selling of animals are conducted on an individual basis with each farmer operating as an independent entrepreneur making decisions and taking risks. A comprehensive support system provides access to all necessary farming requisites, infrastructure, marketing and extension services. Farming is conducted within agreed upon management principles. A management committee, with support from Agricor, oversees adherence to these principles.

To date this approach has been positively received and resulted in a substantial development impact with a recent request from the local Tribal Authority to expand the project by an additional 2 500 ha of tribal land and further volunteer participants. The recently established tribal co-op will be expanded during subsequent phases of development.

☐ The Supingstadt project is structured to accommodate all 197 livestock holders of the Ba Hurutshe ba ga Suping tribe, with approximately 2 100 large stock units on 16 000 ha of land. A comprehensive programme of livestock farmer support services will be introduced. While broad-based participation is encouraged, pertinent arrangements will be directed towards emerging entrepreneurs.

In view of the various restrictions inhibiting commercial livestock farming activities by individual entrepreneurs on communally owned land, an approach providing for both co-operative and individual decision making and risk taking will be instituted.
Livestock holders, while retaining individual ownership of their livestock, will be grouped together into co-operative production units managing commercial size herds. Each group of livestock holders will be responsible for implementing agreed upon veld and livestock management and marketing principles for their composite herd. However, as livestock ownership is on an individual basis, farming decisions will have direct cost and income implications to individual participants. Entrepreneurial responsibility is therefore apparent in this approach. It is envisaged that consolidation of herd ownership will also occur in the long run.

An elected co-operative management committee supported by Agricor will oversee the implimentation of this project. Final negotiations to complement this project are being conducted between Bophuthatswana, the Ba Hurutshe ba ga Suping tribe and the Bank.

These two approaches towards promoting and structuring entrepreneurial development in livestock farming have recently been accepted by the Multilateral Technical Committee on Agriculture and Environment Affairs as important strategies for the demonstration of economically viable livestock development within an ecologically sound farming system in communal land tenure systems.

Involving the private sector in urban development

The following three case studies illustrate the support of the Bank to borrowers in the preparation and structuring of projects enabling full private sector involvement, while at the same time ensuring full participation of the communities concerned.

Mtumbane project near Port St Johns in Transkei

Mtumbane is an established but very low-income community with the typical problems of such a settlement being apparent, namely uncertainties in respect of land tenure, technical inappropriateness of structures, lack of infrastructure and services, a lack of access to finance and a dire need to upgrade the quality of life in general. Such a situation is concomitant to the following issues:

1. Subsidies for housing have been applied without any clear criteria and with a significant budgetary implication on Government.
2. Public resources are insufficient to meet requirements for infrastructure, government services and housing.
3. The community is representative of a large portion of the total population of Transkei conventionally seen as a credit risk.

It was decided by Transkei, in consultation with the Development Bank, to approach the development of Mtumbane as an experimental project on an innovative basis. The community was encouraged to establish a residents' association which, as a legal entity, would be able to borrow funds from a commercial bank. The association was also made responsible for assessing the credit risk of individual members based on mutually agreed criteria. Funds are not directly handled by the association. Instead it issues vouchers which are exchanged for building materials at a technical aid centre established as part of the project.

Negotiations with First National Bank to finance the residential upgrading required through the residents' association were successful. It was further agreed that the Development Bank would share part of the risk by offering a guarantee. An amount of R800 000 was then made available by First National Bank on this basis, while the Development Bank offered further support by way of technical assistance for the necessary urban planning and surveying as well as for the establishment of the technical aid centre.

If this approach proves to be successful it will be a significant step forward in determining methods to address the extensive needs of the many low-income urban communities in Southern Africa.

The development of Bisho in Ciskei

Bisho, the capital of Ciskei, has the potential to become an important regional service centre.

The Mtumbane area in Transkei and (above) the technical aid centre under construction

Initially developments within Bisho were approached by way of public sector contracts and finance. Ciskei decided to introduce full private sector involvement by way of an incremental approach which would be supported by the Development Bank on a project-by-project basis. The first project of this nature involved the provision of 200 houses, including residential infrastructure, for the middle- and higher-income demand in Bisho. It was agreed during negotiations between a private developer, the Ciskei government and the Development Bank, that the Bank would finance the connector infrastructure to be implemented by the town council, while bridging finance would be made available for internal reticulation. The private developer took responsibility for the development of the houses with a buy-back guarantee by the Ciskei government backed by the Development Bank for 33 per cent of the total investment. In the end the development took place without the buy-back guarantee being put into effect.

In a subsequent similar urban development project, private sector developers were requested to submit proposals for the construction of 800 houses at Bisho Park. The Development Bank indicated that it would be prepared to consider buy-back guarantees, but on residential infrastructure only. After testing the market, the houses were developed by the private sector without utilizing the buy-back facility, proving that middle-income development can be undertaken by the private sector in the conventional way.

The latest developments at Amatola View have been undertaken totally by private sector developers at their own risk with no assistance from the Development Bank other than guidance and a nominal loan amount made available for an initial survey. This development was further supported through the Bank assisting the Ciskei Building Society to mobilize private financial resources by making an initial guarantee available and with financial advice.

This illustrates that the successful involvement of the private sector can be achieved by way of an incremental approach in a situation where urban development was initially dominated by the public sector.

The development of Seshego in Lebowa

The project originated with an application to the Development Bank for financing of urban bulk infrastructure, but with the intention of also developing serviced sites through active private sector involvement. This in itself represented a movement away from past policies where this was once regarded as a full state responsibility. A task team on privatization was subsequently formed in Lebowa with Bank representation and an invitation proposal to the private sector identified 22 potential developers.

Reaction was received from 15 private sector developers of which three were initially short-listed and the final choice of one was based on clear selection criteria. Four hundred of the available 500 serviced sites in Seshego were sold at cost to the private-sector developer to be developed and sold at market prices. The developer provided electricity and tarred roads and, together with the original cost of the sites and the building costs of the houses, was able to sell the houses at the market price of approximately R34 500 each. Two building societies were involved in providing long-term bonds.

The remaining 100 sites were sold to small local builders at subsidized prices, although the Development Bank was of the opinion that market prices should also apply. These stands were also fully developed.

The project not only contributed to appropriate policy adjustments by Lebowa, but stimulated further private sector involvement in other urban areas of Lebowa. Entrepreneurial opportunities were created for, among others, local estate agents, while the original private-sector subcontractors involved developed sufficient skills to become independent in running their own construction businesses.

Masibulele College of Education

A case study in privatization, local entrepreneurial opportunities and labour-intensiveness.

The Masibulele College of Education, currently under construction at Whittlesea in Ciskei, represents innovations in important aspects of privatization, entrepreneurial development and labour-intensiveness. Student residential accommodation is to be fully privatized on an experimental basis as student rentals for board and lodging are an important source of income to this community. Parents have also shown a preference for a stable, traditional study environment for their children.

During the planning of the physical facilities special attention was given to design criteria which would provide opportunities for small-scale local entrepreneurs to participate in the construction phase. Provision was also made for training of the labour force in order to enhance their skills and to provide a basis for some of them to establish themselves as entrepreneurs in their own right.

The investment loan included provision for a Clerk of Works on site during the construction period to ensure adequate supervision of and advice to small local subcontractors, as well as training for the workforce.

Assignment programme

Assignments are undertaken either in support of the Bank's own operational activities or at the request of its participating governments or their development agencies. In the case of the latter, needs are often identified at multilateral forums and the Bank is thus commissioned by a group of its participating states.

As in the case of Bank-supported projects, assignments go through a cycle of actions during which care is taken that optimum results can be achieved. After the identification by the Bank or its clients of the need for an investigation, notification is submitted to management in which the nature of, as well as a motivation for the assignment is given. In the second phase of the cycle the assignment brief is prepared in detail and proposals are made regarding an assignment team, which can consist of internal Bank staff as well as external consultants. Cost and time estimates are also given. The third phase, known as negotiation, is one in which the assignment is discussed with the client, submitted for approval to the Bank's management and agreement with consultants and borrowers is concluded.

After conclusion of these planning phases the assignment team starts with the execution. Regular feedback is given to the Bank's management as well as to the client. At the end of this process the assignment report is discussed with the client, publications are prepared, seminars arranged, and other follow-up actions taken. Because of the applied nature of assignments and research undertaken by the Bank, much attention is given to the dissemination of results to ensure that these come to the attention of those who can use them.

A brief description of assignments, classified into eight categories, is given below.

Data research

During the year under review Development Information Files as well as Introductory Economic and Social Memoranda were completed for all the Bank's participating states with the exception of KwaZulu and South Africa. Statistical Abstracts for the SATBVC states and the self-governing territories in South Africa were also published. All these assignments were undertaken as joint ventures between the Bank and the respective governments.

A start has also been made with the compilation of Development Information Reports for development regions G and D and it is envisaged that the same will be done for the other regions in due course. The establishment of data banks in the various participating states also received attention and such an assignment has been started in Bophuthatswana. The objective of these ventures is to assist participating states in the establishment of internal data-generating processes.

Policy research

The policy research programme of the Bank focused on three key development areas: agriculture, regional industrial development and human resource development. In the case of agricultural development research a major study on livestock development strategies in Southern Africa was completed, while assignments on small farmer development are in the early stages of research.

As far as regional industrial development is concerned, a thorough evaluation of the whole programme was undertaken on request from the SATBVC Multilateral Development Council of Ministers. Twenty sub-assignments by consultants and academics constituting the final phase of the evaluation have been completed, and the second phase of the research, which serves as the basis of an evaluation report by a panel of private and academic experts is still in progress. It was planned that the second phase would be completed during May 1988 and that the Panel would complete its reports towards the end of July 1988.

In the field of human resource development an in-depth study on disparity and inequality in education in Southern Africa was completed and the results were brought to the attention of the governing bodies of the Bank and the respective educational authorities in the participating states. A start was also made with further studies concerning formal as well as non-formal education.

Ex post project evaluation

The aim of *ex post* project evaluation is to establish the successes and shortcomings of Bank-supported projects and programmes that have been fully implemented. The intention is to review past projects in order to understand possible shortcomings and thus avoid repeating the same mistakes. Simultaneously note is taken of successes so that these strong points can be replicated in future projects and programmes.

The first assignments of this nature have already been identified and will be attended to in the new financial year.

Planning studies

Assignments completed during the year under review encompassed both urban and rural areas and consisted of commissions from participating states and initiatives taken in the Bank itself. Various state, regional and urban development appraisals are still in progress. The aim of these assignments is an evaluation of present policies and strategies, analysis of trends, identification of constraints, and the establishment of development opportunities. These appraisals are used by both the Bank and its participating states in the formulation of strategies and the appraisal of development projects and programmes.

Economic and technical consultancies

While only one viability study classified under this heading was completed during the year under review, various assignments are still in progress. Investigations and advice on the erection of office complexes and commercial centres are particularly prominent.

Three new assignments which were approved concern development in Lesotho. Two of these assignments are being undertaken on behalf of the Lesotho government and are linked to the Lesotho Highlands Water Scheme. The first of these investigations is the provision of office accommodation in Maseru while the second focuses on the stimulation of the private sector housing market in Lesotho. The third assignment has been undertaken to assist the World Bank with its appraisal of the Second Urban Development Programme. The Bank's role is to appraise the functioning of the Maseru Municipal Council.

Assignments on operational policy and project design

All these assignments are undertaken in support of the Bank's own operational activities. The assignments completed concern the role of non-government organizations, rural water supply and road maintenance.

Five of the ongoing investigations have been undertaken to improve the functioning of development institutions. Others deal with issues such as water purification, sanitation, farmer support programmes and business development.

Bank publications

In an on-going effort to promote development research and general awareness of the importance of development, the Bank continues its programme of publications. The following are available from the Bank.

- **Development Southern Africa**, a quarterly academic journal promoting research and discussion on development issues relating to Southern Africa with contributions from a wide spectrum of development specialists. Subscription fees are R20 per year (Southern Africa) and R25 (elsewhere).

- **Development Information Files**, which comprise comprehensive data research and statistical reports on the Bank's participating states. Each file consists of ten separate sections dealing with a complete spectrum of development data relating to the particular state. Each section consists of a concise description and a number of tables, graphs and maps.

  Files on Transkei, Venda, Ciskei, Gazankulu, KaNgwane, Qwaqwa and Lebowa are now available. Files on the remaining states are in the process of being compiled. The price is R120 per complete file or R12 per section.

- **Introductory Economic and Social Memoranda** on the participating states, based on the information files, are compiled by the Bank and set out the characteristics encountered when analysing the statistics on the various development dimensions contained in the files. At present memoranda on Ciskei and Venda are available at R40 each. Memoranda on the remaining participating states are at present being compiled.

- **Statistical Abstracts** on the Bank's participating states are compiled annually on behalf of these states. Two separate publications, one on the SATBVC countries and one on the self-governing territories, have been published and are available at R25 each.

- **Research papers** have been published on the following subjects and are available at the prices indicated:

  (1) *DBSA in the Southern African development framework* (June 1985, 36pp) ... R4

  (2) *Regional economic development in the Southern African Development Area* (June 1985, 122pp) ... R12

  (3) *Tourism and development* (July 1985, 61pp) ... R6

  (4) *An introduction to economic development in Southern Africa and the role of DBSA* (August 1985, 78pp) ... R9

  (5) *An introductory perspective on road transport in Southern Africa with special reference to passenger transport* (November 1985, 208pp) ... R20

  (6) *Systems of land tenure: Implications for development in Southern Africa* (April 1986, 60pp) ... R6

  (7) *Urbanization and urban growth in the SATBVC states* (January 1987, 155pp) ... R15,50

  (8) *Evaluation of the South African special programmes for creating employment* (March 1987, 230pp) ... R23

- **A new wall map** of Southern Africa is also available at R20. The map (1 000 × 1 240 mm) shows all the independent states and self-governing territories in Southern Africa, including neighbouring countries not members of the Bank. The map shows all the major urban development areas, major towns and cities, roads, railways, industrial development regions, growth and deconcentration points.

- **Headway**, a regular newsletter dealing with the Bank and general development activities in Southern Africa, is distributed free of charge.

- A **15-minute video** dealing with the Bank and its activities is available on loan.

Publications enquiries can be directed to the External Relations Department, Development Bank of Southern Africa, PO Box 784433, Sandton, 2146 (phone 011-445-9111).

Training assignments

The two training assignments completed were undertaken for the Venda Agricultural Corporation and the Bophuthatswana government.

Among the six assignments still in progress the compilation of a manual for use by agricultural extension officers and an investigation of the Bank's role in the education and training of personnel involved in development work are especially noteworthy. The latter stemmed from the Bank's involvement in development in the SATBVC states during which the importance of education programmes and training courses for personnel involved in development work, on both the macro and micro levels, became apparent. The Bank itself, as well as the various civil services, the development corporations, local authority institutions and development consultants in the private sector, can benefit from such courses. Since its establishment the Bank has been involved in this function, but in the light of its importance it is necessary once again to review the situation.

Management and administrative policy assignments

The construction of the Bank's new headquarters in Midrand is being executed as a Bank assignment.

Among the new assignments approved are a study on the Bank's corporate culture and an investigation into the Bank's image as perceived by its various publics. These studies are undertaken as part of the Bank's strategic planning process.

Mobilization of resources

The activities dealt with here are the mobilization of human and financial resources that the Bank requires to execute its activities.

Human resources

During the first four years of its operations the Bank had to start up its activities without being able to draw significant numbers of employees with direct experience of development banking from Southern Africa. Instead it had to recruit from available manpower with some previous experience in other development organizations, and from the ranks of professionals who had initially developed their expertise outside of the development context.

This meant that the majority of the Bank's staff were, and still are, on a steep learning curve while required at the same time to be fully operational. Moreover, as an organization the Bank can never lose sight of the fact that its own internal needs represent only a small proportion of the overall need for development skills in the entire Southern African region. Available capacity should therefore be used in a manner which enables all organizations involved in the economic development sphere to continue operating while at the same time improving their skills and expertise.

During the year under review the major manpower activity of the Bank remained the recruitment of staff. In response to the various recruitment campaigns, 2 681 applications for appointment to the Bank were received, and over 900 employment interviews were conducted. Based on these interviews, 187

The permanent headquarters of the Bank under construction in Midrand. The Bank will occupy these new premises from 1989 offers of employment were made, of which 146 were eventually accepted.

However, the acceleration of employee turnover to more than 20 per cent per annum which resulted mainly from the upturn in the economy, as well as from other factors mentioned below, negated much of the success of recruitment since two out of every three appointments were replacements.

With the realization that, next to finance, its manpower represents its only real resource, the Bank maintained the strict selection criteria that have applied since its inception. These extend to factors beyond formal qualifications and experience, and include an assessment of candidates' suitability to operate in the dynamic social, political and economic arena represented in the Bank's area of operations. Bearing in mind the needs of institutions in its participating states, the Bank remains very careful not to impair the capacity of other development institutions by active recruitment from their ranks.

Because of these constraints the numbers of suitable staff required could not be recruited, and the Bank's Manpower Plan for 1987/88, which called for a staff complement of 637 by the end of the financial year, fell short of this figure by 110.

It was, however, decided that minimum quality criteria were not to be sacrificed for quantity, and through the exceptional dedication and application of employees the Bank still managed to achieve most of its strategic objectives for the year.

By virtue of their training and unique experience, Bank employees are also increasingly sought after by other development organizations. This contributed to the rise in the initially low staff turnover figure during the year. It is fortunate that many employees leaving the Bank, especially from the professional categories, move to institutions also involved in the economic development sphere where they may be said to remain contributors to the overall mission of development. The Bank does not regard such resignations as a loss in terms of its own mission, but rather as a contribution towards broadening the pool of development skills and experience throughout Southern Africa.

Development of its own manpower remains a strategically important issue for the Bank and various programmes for the orientation, training and development of employees in the Bank were continued during the year.

The following are an indication of activities in this respect:

Induction and orientation: All new employees attended initial induction training (typically on the day that they assumed duties) and 90 new employees attended more extensive orientation courses, lasting between one and three days.

Internal training: 101 candidates attended internal training courses for a total of 172 man-days' training in work-related subjects such as communication skills, management, and effective meetings.

External training: Considerable use is made of available external training resources, and 184 employees attended external training courses in subjects ranging from language skills to project management.

Academic study: 96 employees were assisted by the Bank in furthering their academic training.

Trainee scheme: 10 new trainees were appointed during the year, while 9 trainees who had completed their traineeships were placed in permanent positions. Three trainees resigned during the year.

In addition to meeting its internal training needs, the Bank recognizes that the need for training and guidance of staff at other development-related institutions remains a pressing one. A Conference Secretariat was therefore formed and during the year under review was responsible for the arrangement or initiation of 15 events, covering a wide spectrum of general or sector-specific, development-related subjects. The call for this type of activity is clearly on the increase and it is envisaged that the Secretariat will continue to play a vital role in communicating aspects of development to selected target audiences in the development field. Strategies are being devised to broaden the scope of dissemination of development information to a wider audience to assist in creating a favourable climate for the Bank's role in supporting development.

Specialist mobilization

Since its inception the Bank has followed a policy to limit the size of its internal staff complement by making extensive use of private sector consultants and specialists.

The Bank defines a consultant or specialist as an individual or firm with extensive experience and recognised expertise in a specific field of activity, with proven ability to perform a particular service and give comprehensive and independent advice without influence from external interest. A consultant could thus be appointed from autonomous institutions, such as universities, private consulting firms, or through personal capcity.

For the optimal use of specialists the Bank has established a database of consultants and specialists from which a selection for appointment can be made and, at the same time, the borrowers of the Bank could be advised of available expertise for the appointment of consultants for their projects.

Consultants and specialists appointed by the Bank mostly assist in the appraisal, monitoring and evaluation of projects and in undertaking assignments, while the more traditional functions of planning, design and supervision of projects are carried out by consultants appointed by the borrowers.

Clearly, however, the Bank could never hope to be the sole source of development-related training in the region. For this reason, close co-operation is continually sought with universities and other educational and training institutions which represent a potential source of knowledge, not only for the Bank, but for the entire development field.

During the year two courses for Bank employees were designed and run in conjunction with neighbouring universities. It was concluded that this approach holds major promise, both for increasing the store of knowledge within the Bank and to enable universities to experience at first hand the requirements and nature of training needs in the development field. Contact with universities also included the planning of several joint projects related to the structure and staffing of the Bank, as well as recruitment visits to universities, which have by now become a regular activity. It is hoped that these joint activities will act as a stimulus to universities to take a far stronger lead in tertiary education for development.

The cumulative effects of careful selection, orientation and training and of an organizational culture which fosters analytic thinking, have been to establish the Development Bank as a major repository of economic development expertise, be it in the operational or in the research spheres. The next challenge is the wider dissemination of this expertise by way of training, education, and selective support to borrowers and other interested parties.

Financial resources

The financial resources of the Bank are the share capital contributions by its member governments, contributions to the Development Fund, loans obtained from the financial markets and the servicing and redemption 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 governments in the first five years of the Bank's existence. A total amount of R164 million had already been paid up as at 31 March 1988. 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 1988 the unimpaired portion of callable share capital amounted to R1 683,9 million, leaving that amount as the available limit against which the Bank can plan and undertake its fund mobilization activities in the financial markets.

The contributions to the Development Fund of the Bank in terms of the commitment made by South Africa when the Bank was established, brought the cumulative total of the Fund at 31 March 1988 to R1 154,6 million. The outstanding commitment of South Africa amounted to R571,6 million on 31 March 1988, of

Financial adjustment programmes

When financial difficulties experienced by the governments of the TBVC countries came to a head in 1986, a Joint Presidential Committee between South Africa and Ciskei and Joint Financial Adjustment Committees between South Africa and Transkei, Bophuthatswana and Venda respectively, were formed to resolve the short-term issues and to work out medium- to longer-term programmes to address the fundamental causes of the difficulties experienced. In each case the Chief Executive of the Development Bank was appointed as chairman and convenor and the Bank was asked to manage the secretarial and staff work. It was given this central role in the process because it was considered a neutral institution by all the governments involved, and in addition had already done considerable groundwork, with the full co-operation of the respective governments, to keep abreast of their financial situations.

The financial adjustment programmes thus introduced are aimed at achieving a sustainable balance over a period of several years between expenditure, own revenue and external budgetary assistance, while allowing for the judicious use of appropriate loan financing of capital projects and for orderly debt servicing. Since these programmes were introduced, the combined budgetary deficits of the TBVC states have been reduced from R1 331 million in 1986/87 to R706 million in 1987/88, and combined deficits of R711 million are budgeted for the current financial year. It is expected that if the approaches adopted are carried forward consistently over several years, the objectives of the programmes could be reached within one to four years, with no further reliance on inappropriate financing methods being necessary.

Progress has also been made with arrangements to convert inappropriate short-term credit facilities into more suitable instruments of debt for each country and then to have the consolidated debt rescheduled to fit in with the expenditure levels projected in terms of the financial adjustment programmes.

Strong commitment to carrying out these approaches has been obtained from all the governments. This commitment includes progress towards the introduction of an objective system of financial relations between South Africa and the TBVC countries, based on agreed norms and standards of government expenditure.

The experience with the adjustment programmes in respect of the TBVC countries is directly relevant to the management of the fiscal situation of both the self-governing territories and emerging local authorities in South Africa, which face similar financial issues.

which R371 million will be paid during the 1988/89 financial year and the balance as agreed between the Bank and the South African government.

The capital market commitments of the Bank had declined to R117,3 million at 31 March 1988. 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 will 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 loan portfolio of the Bank has now reached the level of nearly R1 200 million, showing an increase of 27 per cent over the previous financial year. The repayment and servicing of loans granted by the Bank were fully and promptly met by all borrowers on due dates. These repayments are an increasingly important source of funds and enable the Bank to recycle these funds to new development projects.

The operating surplus of the Bank amounted to just more than R38 million for the 1987/88 financial year, which indicates that the Bank was able to cover fully its recurrent expenditure from operating income. The effectiveness of the Bank's operations 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 statement.

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.

Pre-investment

The standard terms applicable to technical assistance loans also apply to pre-investment loans. Such loans are however incorporated in those for investment if the latter are approved at a later stage.

Terms of approved loans per function — 1987/88

Terms	Dev planning	Rural & agric	Urban	Business & entrep	Human resource	Bulk infra
Loan period (yrs)	10 – 10	4 – 20	5 – 20	6 – 20	8 – 20	10 – 22,5
Interest %	4 – 4	4 – 12,5	4 – 12	4 – 12	4 – 6	4 – 11
Cap grace (yrs)	0,5 – 2	0 – 6	0,5 – 5	0,5 – 2	0 – 2	1 – 7
Int grace (yrs)	0,5 – 2	0 – 4	0,5 – 5	0 – 2	0 – 2	1 – 7

Financial policies

The following financial policies were applied during the financial year and are reflected below.

Reserve policy

The total surplus of R38,3 million for 1987/88 was transferred to the general reserve which now amounts to R135,3 million. It is anticipated that the ability of the Bank to generate reserves in future years will show a steady decline due to increased pressure on its liquidity. For this reason the Bank will continue with its policy to strengthen the balance sheet by transferring operating surpluses to general reserve. These non-distributable reserves increase the borrowing capacity of the Bank and also serve as a safeguard against unforeseen contingencies.

Liquidity policy

The total amount of funds in cash and on investment represents 28 per cent of the total commitments of the Bank in respect of the development programme. The Bank is of the opinion that the liquidity ratio should not be allowed to drop lower than 20 per cent. To enable the Bank to maintain a favourable liquid position, it has designed a flexible funds mobilization strategy based on the demand for funds from its borrowers, and the minimization of possible risks inherent in adverse money and capital market conditions.

Credit risk policy

The Bank provides loans to the governments as well as to other public and non-governmental development agencies and institutions involved in development activities. Loan applications from prospective borrowers are continuously monitored against their debt servicing ability as well as the total debt position. The advisory role of the Bank in the planning and management of the financial affairs of the participating states and their development institutions was further strengthened and due care was exercised in appraising projects on the basis of sound financial and economic analysis. A committee of the Board of Directors oversees these surveillance functions.

Balance sheet

as at 31 March

	Note	1988 R'000	1987 R'000
Capital employed			
Share capital	2	**164 000**	128 000
General reserve	3	**135 259**	81 849
Development Fund	4	**1 154 644**	919 776
Capital market loans	5	**117 258**	175 875
Deferred income	6	**84 921**	51 949
		1 656 082	1 357 449
Employment of capital			
Fixed property	7	**14 080**	3 368
Loans	8	**1 176 234**	925 520
Investments	9	**457 340**	410 113
Net working capital	10	**8 428**	18 448
		1 656 082	1 357 449

Pages 30 to 38 signed for and on behalf of the Board of Directors by

S S Brand
Director
19 May 1988
Sandton

W L Nkuhlu
Director
19 May 1988
Sandton

Income statement

	Note	1988 R'000	1987 R'000
Income			
Interest received	11	101 005	95 023
Other	12	3 112	2 649
		104 117	97 672
Less		21 748	28 833
Interest paid	13	19 704	26 485
Technical assistance grants		2 044	2 348
Net operating income		82 369	68 839
Less expenditure		44 091	34 292
Auditors' remuneration	14	655	333
Directors' fees and expenses		165	111
Furniture, equipment and motor vehicles	15	2 180	3 085
Operating expenditure		41 091	30 763
Surplus transferred to general reserve		38 278	34 547

Funds flow statement

for the year ended 31 March

	1988 R'000	1987 R'000
Financial resources provided by		
Operations	18 613	27 029
Net income	38 278	34 547
Non-cash items		
Deferred income	−21 930	−11 563
Discount amortized	2 265	4 045
Financing activities	286 000	280 346
Development Fund contribution	250 000	244 346
Share capital issued	36 000	36 000
Decrease/increase(−) in non-earning assets and liabilities	−692	10 436
Fixed assets	−10 712	−3 368
Working capital	10 020	13 804
Increase in financial resources invested in earning assets	303 921	317 811
Increase/decrease(−) in earning assets	303 921	317 811
Loans repaid	−87 314	−64 187
Loans advanced	283 126	246 084
Investments	47 227	97 343
Repayment of capital market loans	64 075	38 571
Surplus on repurchase of stock	−3 193	
Net increase in earning assets	303 921	317 811

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**

In previous years the carrying value of listed government and public corporation stock was determined on the basis of the lower of cost or market value, as computed using the portfolio method. With effect from 1 April 1987 the method was changed to the item-by-item method. This change in policy had no material effect on the carrying value of investments nor on the net income of the previous year. Gains or losses on the sale of investments 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. The surplus arising on the repurchase of capital market loans in advance of redemption date is deferred and amortized over the period to the redemption date.

1.6 **Grants**

All grants received, other than those specifically earmarked, are placed directly in 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.

2. Share capital

	1988 R'000	1987 R'000
2.1 **Authorized and subscribed**		
200 000 shares at a par value of R10 000 each	2 000 000	2 000 000
2.2 **Issued capital**		
20 000 shares at par	200 000	200 000
2.3 **Less**		
Balance of 3 600 shares to be paid in 1988/89	36 000	72 000
2.4 **Paid-up capital**		
16 400 (12 800 – 1986/87) shares at par	164 000	128 000

	1988 R'000	1987 R'000
3. General reserve		
Balance at 1 April	81 849	47 302
Transfer from income statement	38 278	34 547
Establishment surplus (see note 4)	15 132	
	135 259	81 849

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

	1988 R'000	1987 R'000
4. Development Fund		
Balance at 1 April	919 776	675 430
Contribution by South Africa	250 000	244 346
	1 169 776	919 776
Establishment surplus transferred to general reserve	15 132	
	1 154 644	919 776
Outstanding commitments by South Africa towards the Development Fund	571 568	836 700

The Development Fund consists of grants received and does not constitute a liability.

	1988 R'000	1987 R'000
5. Capital market loans		
DBSA local stock		
Balance at 1 April	200 599	239 170
Less: Redeemed/repurchased during the year	64 075	38 571
	136 524	200 599
Less: Net discount to be amortized	22 459	24 724
Discount to be amortized	29 119	29 119
Discount on issue of DBSA local stock amortized	6 660	4 395
	114 065	175 875
Add: Surplus arising on repurchase of stock	3 193	
	117 258	175 875

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 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 1988 to 31 October 2001.

The loans are redeemable as follows:	1988 R'000	1987 R'000
0 – 1 year	25 629	51 089
1 – 3 years	6 230	26 880
3 years and longer	104 665	122 630
	136 524	200 599

	1988 R'000	1987 R'000
6. Deferred income		
Balance at 1 April	51 949	26 221
Interest capitalized	36 258	27 447
	88 207	53 668
Less: Interest transferred to income statement	3 286	1 719
	84 921	51 949
An amount due and payable during the next financial year will be transferred to the income statement from deferred income as interest received.	2 781	2 748
7. Fixed property		
At cost		
Building under construction	14 080	3 368

The building will be the head office of the Bank and is being constructed on land donated to the Bank by South Africa, being Portion 465 (a portion of portion 442) of the farm Randjiesfontein 405, registration division JR, measuring 25 ha.

	1988 R'000	1987 R'000
8. Loans		
8.1 **Development loans**	1 040 958	748 002
Balance at 1 April	748 002	497 545
Loans advanced	283 126	246 084
Interest capitalized	54 902	35 917
Deferred interest	36 258	27 447
Direct interest	18 644	8 470
	1 086 030	779 546
Less: Repayments of loans*	45 072	31 544
8.2 **Other loans**	135 276	177 518
Balance at 1 April	177 518	208 787
Interest capitalized		1 374
	177 518	210 161
Less: Repayments of loans†	42 242	32 643
	1 176 234	925 520
*Amount repayable during the next financial year	29 066	27 162
†Amount repayable during the next financial year	29 499	41 636

	1988 R'000	1987 R'000
9. Investments		
Fixed deposits	282 632	237 435
Listed government and public corporation stock at market value (1987 cost price)*	109 626	137 596
Negotiable certificates of deposit	65 082	35 082
	457 340	410 113
*Cost price of securities (1987 market value)	112 991	147 386
Maturity		
0–1 year	258 482	175 480
1–3 years	122 200	131 663
3–6 years	76 658	102 970
10. Net working capital		
Current assets	19 866	30 067
Accounts receivable	15 324	14 816
Bank balances and cash	4 542	15 251
Less: Current liabilities	11 438	11 619
Accounts payable and provisions	5 749	3 261
Interest payable on capital market loans	5 689	8 358
	8 428	18 448
11. Interest received		
Investments	59 521	58 408
Development loans		
– Direct interest	38 198	34 896
– Transferred from deferred income	3 286	1 719
	101 005	95 023

	1988 R'000	1987 R'000
12. Other income		
Refund – payroll taxes	2 000	2 000
Advisory and agency services	317	488
Other	795	161
	3 112	2 649
13. Interest paid		
Interest on capital market loans	17 439	22 440
Discount on issue of DBSA local stock amortized	2 265	4 045
	19 704	26 485
14. Auditors' remuneration		
For the audit	80	66
For consulting services		
– internal management information system	348	265
– on behalf of Joint Financial Adjustment Committees	214	
– other	9	
Expenses	4	2
	655	333
15. Furniture, equipment and motor vehicles written off		
Balance at 1 April	7 226	4 141
Amount written off in financial year	2 180	3 085
	9 406	7 226

16. Commitments and contingent liabilities

		1988 R'000	1987 R'000
16.1	**Financing of the staff motor scheme** Financing of the staff motor scheme is done through a financial institution. The Bank guarantees the liabilities of its employees in this regard.	4 465	4 587
16.2	**Financing of the staff housing scheme** 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.	3 144	2 589
16.3	**Collateral securities** 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.	329	210
16.4	**Loan agreements**		
16.4.1.	Commitments in respect of loan agreements concluded but not fully disbursed	799 470	514 404
16.4.2.	Commitments in respect of loan agreements approved by the Bank and still under consideration by the prospective borrowers	770 265	271 402
16.5	**Technical assistance projects**		
16.5.1	Commitments in respect of technical assistance projects concluded but not fully disbursed	2 988	3 887
16.5.2	Commitments in respect of technical assistance projects approved by the Bank and still under consideration by the prospective recipients	1 592	1 378
16.6	**Loan guarantees**		
16.6.1	Guarantees issued by the Bank	117 000	85 000
16.6.2	Guarantees approved by the Bank but still under consideration by the prospective borrowers	17 089	38 039
16.7	**Capital commitments** Commitments in respect of contracts for the construction of the new head office of the Bank	17 476	26 180

17. Liability for standard income tax

No provision is made for income tax as the Bank is exempted therefrom in terms of its Establishment Agreement.

18. Pension fund

At 31 March 1988, 534 (1987 — 480) employees were members of the Development Bank Pension Fund, to which the Bank contributed R2,3 million (1987 — R1,8 million).
There were 3 (1987 — 2) pensioners to whom pensions amounting to R30 140 (1987 — R27 153) were paid. The Fund is governed by the Pension Funds Act. It is a defined benefit plan under which amounts to be paid as retirement benefits are determined by reference to the employee's pensionable remuneration and years of service to the Bank. Membership of the Fund is compulsory for all employees on the permanent staff who are aged between 21 and 55 at date of appointment. The Fund was last valued at 31 March 1987 when it was found to be actuarially sound.

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 30 to 38. 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 1988 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)

19 May 1988
Johannesburg

Approved projects, 1987/88

Region A

Urban development

Khayelitsha: Bulk and connector services (investment project):

The provision of bulk and connector services to various parts of Khayelitsha.

Borrower: Cape Town City Council

DBSA finance: R14 844 000
No of loans: 1
Total cost: R60 986 000

Region B

Business and entrepreneurial development

Urban business development project: Taung (investment project):

The phased provision of small factories at Taung, including the supply of connector services for the sites to be developed. Provision has also been made for funds to the Bophuthatswana National Development Corporation for lending to establish emerging entrepreneurs and for working capital and equipment.

Borrower: Bophuthatswana National Development Corporation

DBSA finance: R2 086 000
No of loans: 3
Total cost: R2 276 000

Region C

Rural and agricultural development

Qwaqwa consolidation land: Agricultural development project 1 (investment project):

The provision of basic on- and off-farm infrastructure and comprehensive agri-support services on 19 201 ha of land divided into 69 mixed farming units each with a potential net farm income of R5 600 per annum.

Borrower: Qwaqwa Agricultural Corporation

DBSA finance: R8 521 000
No of loans: 4
Total cost: R10 521 000

Urban development

Phuthaditjhaba fire station (investment project):

The construction of a fire station and the purchase of equipment for fire and emergency services at Phuthaditjhaba.

Borrower: Qwaqwa Government

DBSA finance: R3 021 800
No of loans: 2
Total cost: R3 319 000

Region C continued

Phuthaditjhaba local authority (technical assistance project):

Investigations into the institutional and financing systems required for the establishment of a local authority for Phuthaditjhaba. The project also consists of assistance with the actual establishment of the autonomous body, assuring its successful functioning and the orientation of those involved.

Borrower: Qwaqwa Government

DBSA finance: R90 000
No of loans: 1
Total cost: R90 000

Thabong bulk and connector services: Phase I (investment project):

The provision of bulk and connector electrical services, roads, stormwater drains, water connector mains and bulk sewerage services.

Borrower: Thabong Town Council

DBSA finance: R15 322 464
No of loans: 1
Total cost: R15 322 464

Business and entrepreneurial development

Bothshabelo industrial development project II (investment project):

The phased construction of factories and the upgrading of existing electrical infrastructure at Bothshabelo in Qwaqwa.

Borrower: South African Development Trust Corporation on behalf of Qwaqwa Government

DBSA finance: R17 538 400
No of loans: 2
Total cost: R21 923 000

Expansion of the Setsing business complex: Phuthaditjhaba (investment project):

The design and installation of infrastructure and services to support the construction of commercial facilities at the existing central business complex in Phuthaditjhaba.

Borrower: Qwaqwa Development Corporation

DBSA finance: R1 446 000
No of loans: 1
Total cost: R1 872 000

Bulk infrastructure development

Phuthaditjhaba main road (investment project):

The upgrading and construction of 3,5 km and 5 km of tarred roads, as well as the construction of a parking area, related public transport facilities, ancillary facilities and the construction of a bridge over the Elands River.

Borrower: Qwaqwa Government

DBSA finance: R10 377 000
No of loans: 1
Total cost: R10 709 000

Pineapple farmers in Ciskei participating in one of the farmer support programmes financed by the Bank. The financial contribution of the Bank to rural and agricultural development increased from R52,8 million in 1986/87 to R113,4 million in 1987/88

Region C continued

Qwaqwa: Expansion of electrical network Phase I (investment project):

The construction and re-equipping of electricity substations, the erection of bulk supply, internal distribution networks and implementation of a metering system.

Borrower: Qwaqwa Government

DBSA finance: R2 043 000
No of loans: 1
Total cost: R2 924 100

Thaba'Nchu roads: Phase I
(investment project):

The upgrading of four sections of road to provide for the increasing needs of road-users using the inadequate existing facilities. The total scheme provides for the rehabilitation of the existing main road between Selosesha and Thaba'Nchu, the tarring of two existing gravel roads, and the construction of one new road.

Borrower: Bophuthatswana Government

DBSA finance: R5 283 000
No of loans: 1
Total cost: R5 345 000

Human resource development

Qwaqwa National Manpower development strategy (technical assistance project):

The investigation of manpower requirements in the formal and informal sectors of Qwaqwa and surrounding areas, and the formulation of a manpower development strategy which will ensure a balance between the supply and demand for various types of manpower.

Borrower: Qwaqwa Government

DBSA finance: R198 000
No of loans: 1
Total cost: R220 000

Region D

Economic development policy and planning

Cathcart-Komga-Stutterheim development strategy (technical assistance project):

The compilation of a development plan for the magisterial districts of Cathcart, Komga and Stutterheim to provide an operational strategy for economic development in the Border area of Region D.

Recipient: Cathcart/Komga/Stutterheim Co-operation Committee

DBSA grant: R45 000
No of grants: 1
Total cost: R50 000

Region D continued

Institution development programme: Transkei Department of Finance: Phase I
(technical assistance project):

The improvement of the Transkei government's institutional capacity for planning, programming, budgeting and financial control by implementing sound training for, and management of the computer system and the replacement of existing hardware and software.

Borrower: Transkei Government

DBSA finance: R3 104 500
No of loans: 1
Total cost: R3 104 500

Lower Fish River: Socio-economic survey
(technical assistance project):

A survey of socio-economic aspects in the Lower Fish River subregion of Ciskei to enable Ciskei to finalise development proposals for the integrated development of the area with special emphasis on the Lower Fish River development project.

Recipient: Ciskei Government

DBSA grant: R40 000
No of grants: 1
Total cost: R40 000

Sample survey for development planning purposes (technical assistance project):

The enumeration and qualification of socio-economic data in Ciskei. This sample survey will directly support the establishment of a data base in Ciskei which is gradually being strengthened, expanded and co-ordinated in terms of development planning requirements.

Borrower: Ciskei Government

DBSA finance: R80 000
No of loans: 1
Total cost: R80 000

Rural and agricultural development

Ciskei livestock farmer support programme: Livestock/pineapple pilot project
(investment project):

The pilot project, situated on 300 ha of the Bira National Ranch, will establish two private integrated livestock-pineapple farmers, each on 12 ha of land for pineapple production, 137 ha natural grazing land for the production of livestock, and one hectare for the homestead and handling facilities.

Borrower: Ulimocor (Ciskei Agricultural Corporation)

DBSA finance: R209 833
No of loans: 3
Total cost: R253 333

Region D continued

Ciskei livestock farmer support programme: Veld condition assessment
(technical assistance project):

The project supports the broader livestock development strategy and programme in Ciskei and entails the development of:
(i) a simplified technique for assessing the veld for livestock production
(ii) an operationally valid model for assessing the carrying capacity of veld based on veld condition for use in land-use planning and livestock management systems
(iii) the presentation of simplified computer-based procedures for applying this model and using veld conditions data in planning veld mangement systems.

Borrower: Ciskei Government

DBSA finance: R292 500
No of loans: 1
Total cost: R325 000

Herschel farmer support project: Phase I
(investment project):

The development of 333 ha of irrigable land, the establishment of commercial irrigation farmers and an institutional framework to supply supportive services to all farmers in the Herschel district, and the privatization of the support services.

Borrower: Transkei Government and Transkei Agricultural Corporation

DBSA finance: R6 875 000
No of loans: 4
Total cost: R10 453 000

Marketing potential: Irrigation crops in Region D (technical assistance project):

A study to determine the market potential for agricultural products in Region D with special reference to commodities produced under irrigation.

Recipient: Regional Liaison Committee

DBSA grant: R92 000
No of grants: 1
Total cost: R93 000

Policy and strategy to promote collective action in agriculture (technical assistance project):

A study which will establish the most appropriate means of promoting collective action in agriculture in Transkei.

Recipient: Transkei Agricultural Corporation

DBSA grant: R15 833
No of grants: 1
Total cost: R18 533

Region D continued

Qamata irrigation scheme
(investment project):

A flood-irrigation scheme for small-scale farmers situated 70 km east of Queenstown and 3 618 ha in extent of which 2 675 ha are irrigated. A total of 2 172 plots have been allocated to small-scale farmers. An area of 120 ha has been set aside for a pilot project on which three types of flood irrigation systems will be tested, as well as the settlement of selected irrigation farmers on units of 2,5 ha each.

Borrower: Transkei Government

DBSA finance: R400 000
No of loans: 1
Total cost: R400 000

Ncora irrigation scheme: Interim maintenance funding (investment project):

The preparation of an overall development plan for the Ncora irrigation scheme and the surrounding area and the maintenance of operational activities in the interim.

Borrower: Transkei Government

DBSA finance: R1 382 000
No of loans: 2
Total cost: R2 431 000

The planning of three integrated rural development programmes
(technical assistance project):

The planning of three integrated rural development programmes for three specified areas in Ciskei. A phased approach is being adopted.

Borrower: Ciskei Government

DBSA finance: R218 000
No of loans: 1
Total cost: R235 000

Xonxa Dam catchment planning
(technical assistance project):

The phased project covers four administrative areas within the Xonxa catchment area and comprises the compilation of available information, additional resource studies, a land-use plan indicating areas with potential for development of agriculture and other income generating activities.

Borrower: Transkei Government

DBSA finance: R174 400
No of loans: 1
Total cost: R193 700

Region D continued

Urban development

Mtumbane upgrading: Phases I and II (investment and guarantee project):

The upgrading of Mtumbane through an innovative approach consisting of three interrelated components. Each component is experimental in nature, attempting to break new ground. The three components consist of individual loan finance to home-owners provided by private sector finance institutions and guaranteed by DBSA, the institution of a technical aid centre, and its establishment costs.

Recipient: Transkei Government

DBSA finance: R240 000
DBSA guarantee: R800 000
No of loans: 1
No of guarantees: 1
Total cost: R1 051 000

Port St Johns development plan (technical assistance project):

The appointment of consultants to conduct the necessary studies and investigations to compile a development plan for Port St Johns.

Borrower: Transkei Government

DBSA finance: R130 000
No of loans: 1
Total cost R130 000

Upgrading of Illinge, involving the establishment of small industries and the improvement and construction of houses on a self-help basis. The Bank also gives priority in its assistance strategy to a variety of support programmes undertaken by its borrowers and directed at farmers, small businesses and local communities.

Region D continued

Potsdam development programme: Phase I — bulk and connector services (investment project):

Investigations into and the preparation of a basic planning report for a central water treatment system and disposal works, the development and impact of a central disposal facility, the selection and preliminary costing of such a facility, as well as the formulation of an appropriate implementation and management framework.

Borrower: Ciskei Government

DBSA finance: R15 331 000
No of loans: 1
Total cost: R16 195 000

Business and entrepreneurial development

Geochemical survey (technical assistance project):

A pilot study to determine whether geochemical surveying is a worthwhile prospecting tool to meet the requirements of Transkei in establishing a data base of mineral potential on a country-wide basis. A strategy to achieve this in a cost-effective manner will also receive attention.

Recipient: Transkei Government

DBSA grant: R57 400
No of grants: 1
Total cost: R95 190

Ilinge upgrading: Self-help housing (technical assistance project):

The upgrading of Ilinge on a self-help basis by assisting the establishment of small industries, through investigations to determine which small businesses can be established and promoted as an integrated part of the self-help project, and the phased construction of houses to demonstrate to the community what can be achieved by means of additions to the existing houses in Ilinge. These houses will initially accommodate an interim technical aid centre offering assistance to homeowners. This will be further supported through the preparation of guidelines for self-help housing.

Recipient: Transkei Government

DBSA finance: R138 788
Technical assistance: R103 788
Grant: R35 000
No of loans: 1
No of grants: 1
Total cost: R150 320

Umtata city centre (guarantee project):

The upgrading and extension of existing commercial facilities in Umtata for existing and new entrepreneurs.

Recipient: Transkei Development Corporation

DBSA guarantee: R4 000 000
No of guarantees: 1
Total cost: R4 000 000

Region D continued

Bulk infrastructure development

Ilinge bulk water supply
(investment project):

A study to determine the best source of bulk water for Ilinge in Transkei. It will explore the viability of supplying water from the nearby Xonxa Dam, or using borehole water and of constructing a small dam close to the town.

Borrower: Transkei Government

DBSA finance: R998 000
No of loans: 1
Total cost: R1 120 000

Bisho/Sada exchange extensions
(investment project):

The provision of a 2 000-line extension to the existing automatic telephone exchange at Bisho, the installation of a 1 000-line new automatic exchange at Sada, and the provision of a transmission system to link the Bisho and Sada areas of Ciskei.

Borrower: Ciskei Government

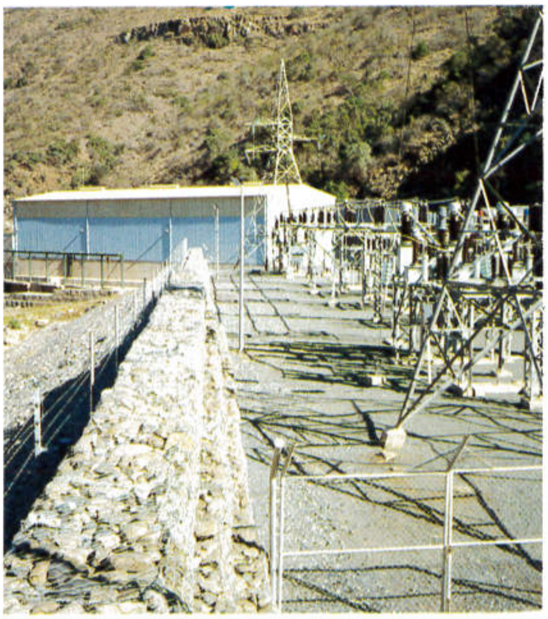
DBSA finance: R28 940 000
No of loans: 1
Total cost: R29 040 000

Butterworth exchange extensions
(investment project):

The provision of a 580-line extension to the existing Butterworth automatic telephone exchange and the installation of an auxiliary automatic exchange at Msobomvu, increasing the exchange capacity in the Butterworth area by 1 352 lines. The project also includes the provision of additional trunk lines between Butterworth and East London, Butterworth and Umtata, and Umtata and Port Elizabeth.

Borrower: Transkei Government

DBSA finance: R7 241 000
No of loans: 1
Total cost: R7 291 000



The Collywobbles hydro power station in Transkei for which the Bank approved a loan of R4 million in 1986/87 for floating dredging machinery and this year approved a technical assistance loan of R300 000 for investigations into siltation problems

Region D continued

Ciskei telephone billing system
(investment project):

The procurement of both the computer hardware and software necessary for transfer of the existing data from the South African Post Office computer to an independent processing system in Ciskei, thereby increasing the efficiency of the telecommunications services in Ciskei.

Borrower: Ciskei Government

DBSA finance: R653 000
No of loans: 1
Total cost: R694 000

Collywobbles hydro power station: Siltation control
(technical assistance project):

A phased pre-feasibility study to provide a permanent solution to the siltation problem which threatens Transkei Electricity Corporation's R42 million Collywobbles hydro station.

Borrower: Transkei Electricity Corporation

DBSA finance: R300 000
No of loans: 1
Total cost: R300 000

Dimbaza exchange extension
(investment project):

The provision of an 800-line extension to the existing automatic telephone exchange in Dimbaza, together with extensions of the distribution networks in Dimbaza and Tembisa in Ciskei.

Borrower: Ciskei Government

DBSA finance: R113 000
No of loans: 1
Total cost: R927 000

Hydrological masterplan:Phase I
(technical assistance project):

Investigations into and the compilation of information on Transkei's surface water potential to enable optional economic development of the resources.

Borrower: Transkei Government

DBSA finance: R891 000
No of loans: 1
Total cost: R990 000

Kat River Basin study: Phase I
(technical assistance project):

An investigation into water resources and requirements in the Kat River catchment area and identification of water resource development options to satisfy existing and further economic development in the area.

Recipient: South Africa/Ciskei Permanent Water Commission

DBSA grant: R224 250
No of grants: 1
Total cost: R247 250

Region D continued

Libode rural water supply scheme: Phase I (investment project):

The construction of various water supply components required for the storage, purification and distribution of water to Libode town, missions, schools and 52 villages.

Borrower: Transkei Government

DBSA finance: R14 450 000
No of loans: 1
Total cost: R15 844 000

Mbashe River Basin study (technical assistance project):

A phased preliminary study to ascertain the potential for development and optimum utilization of available water resources in the Mbashe River basin. The project takes into account short-, medium- and long-term regional and subregional economic development needs.

Borrower: Transkei Government

DBSA finance: R250 000
No of loans: 1
Total cost: R250 000

N2 road rehabilitation: Phase IV (investment project):

The rehabilitation and improvement of the N2 route from Idutywa, including the main street through Idutywa, via Ibeka to 9 km north of Butterworth, a total length of 25 km.

Borrower: Transkei Government

DBSA finance: R26 320 000
No of loans: 1
Total cost: R26 550 000

Prioritisation of Transkei water programme (technical assistance project):

Investigations aimed at producing data required to enable Transkei to prioritise its total water programme. The criteria for the establishment of priorities will include economic, financial and technical considerations with emphasis on the analysis of the development impact of each of the projects in the programme.

Borrower: Transkei Government

DBSA finance: R324 000
No of loans: 1
Total cost: R360 000

Region D continued

Privatisation of Ciskei Transport Corporation (CTC) Bus Company Ltd: Phase I (technical assistance project):

An analysis of the CTC Bus Company within the environment in which it operates in order to recommend an appropriate form of ownership structure which would ensure an efficient and effective transport system for the region in the long term.

Borrower: Ciskei Transport Corporation Bus Company

DBSA finance: R65 000
No of loans: 1
Total cost: R91 000

The augmentation of an electricity network: Mdantsane (investment project):

The augmentation of an 11 kV network in Mdantsane permitting the transfer of the load from the Mdantsane switchhouse to the Fort Jackson substation.

Borrower: Ciskei Government

DBSA finance: R4 212 000
No of loans: 1
Total cost: R4 302 000

Tombo/Port St Johns road (investment project):

This project forms part of the total upgrading of the route which runs from the south-western border of Transkei near Queenstown to the north-eastern border near Mzamba where it joins up with the Natal South Coast road.

Borrower: Transkei Government

DBSA finance: R47 642 444
No of loans: 1
Total cost: R48 983 130

Transkei public transport policy study (technical assistance project):

An investigation into the functions, structures and management of the Transkei Road Transport Corporation as well as possible privatization of certain operations. It will provide a fundamental study of public transport operations in Transkei and review various models for such operations as formulating a public transport policy for Transkei.

Borrower: Transkei Government

DBSA finance: R100 000
No of loans: 1
Total cost: R100 000

Region D continued

Umtata telephone exchange
(investment project):

A 580-line extension to the existing Umtata automatic telephone exchange, increasing the capacity to 4 380 lines, as well as 60 additional trunk lines between Umtata and Port Elizabeth.

Borrower: Transkei Government

DBSA finance: R3 110 000
No of loans: 1
Total cost: R3 140 000

Human resource development

Masibulele College of Education
(investment project):

Facilities for the pre-service training and upgrading of un- and under-qualified teachers at all levels to meet the estimated manpower needs for professionally qualified teachers. Also to contribute to the integrated development of the local community through the provision of a facility with multi-purpose access for adult education and civil and recreational purposes.

Borrower: Ciskei Government

DBSA finance: R9 075 240
No of loans: 2
Total cost: R10 083 600

Umtata College of Education
(investment project):

Construction of buildings, including external siteworks, of Phase I of a college of education for Umtata.

Borrower: Transkei Government

DBSA finance: R35 301 600
No of loans: 2
Total cost: R35 397 600

Region E

Rural and agricultural development

Makhathini irrigation: Farmer settlement Project I (investment project):

The development of 800 ha of land under irrigation and the settlement and agri-support of individual farmers.

Borrower: South African Development Trust Corporation

DBSA finance: R17 038 386
No of loans: 4
Total cost: R17 038 386

Region E continued

Mhlatuze irrigation: Coffee nursery
(investment project):

The establishment of a coffee nursery to prepare for the settlement of coffee farmers in the Qhubandaba/Mtengu areas of KwaZulu, cash crop farmers and food plots in the Mngampondo/Ofasimba area, and the development of irrigation infrastructure for sugar-cane farming in the Macekane area.

Borrower: KwaZulu Government

DBSA finance: R156 602
No of loans: 2
Total cost: R184 452

Urban development

Evuvukeni/Limehill bulk water supply
(investment project):

The construction of a pumpstation, two reservoirs and 20,2 km of mainwater pipelines to link the existing Oliphantskop water purification works with the reticulation networks as in various towns in the Emnambithi district of KwaZulu.

Borrower: KwaZulu Government

DBSA finance: R7 568 000
No of loans: 1
Total cost: R7 868 000

Ekuvukeni township services: Phase I
(investment project):

The use of local labour to upgrade the existing water standpipe system and to replace the existing bucket latrines with VIP-latrines. The project also provides for higher standards of services to individual stands, as well as the surfacing of 4,6 km of the main bus routes.

Borrower: KwaZulu Government

DBSA finance: R4 732 200
No of loans: 1
Total cost: R4 833 500

Emnambithi integrated development study
(technical assistance project):

The appointment of consultants to make recommendations regarding an integrated development programme for this urban area.

Borrower: KwaZulu Government

DBSA finance: R100 000
No of loans: 1
Total cost: R100 000

A typical rural potable water supply system which addresses the basic needs of community water consumption further stimulating economic activity

Ezakheni bulk water supply: Phase II Project I (investment project):

The installation of additional pipelines and a reservoir to augment the purified water supply to the Pieters industrial area in Ezakheni and the Ladysmith industrial area and residential areas.

Borrower: KwaZulu Government

DBSA finance: R10 323 000
No of loans: 1

Borrower: Borough of Ladysmith

DBSA finance: R10 357 000
No of loans: 1
Total cost: R20 680 000

Kokstad/Bhongweni urban development programme: Phase I (investment project):

The project forms the basis of an urban development programme for the development of the total urban environment and consists of three elements: water, sewerage and electricity with different phases within each element.

Borrower: Kokstad Town Council

DBSA finance: R5 139 900
No of loans: 1
Total cost: R7 236 800

Mondlo bulk water and sewage treatment works (investment project):

The renovation and extension of the Mondlo bulk water supply scheme and the extension of the Mondlo bulk sewage treatment works, including the extension of the reticulation system.

Borrower: KwaZulu Government

DBSA finance: R3 863 000
No of loans: 1
Total cost: R3 937 000

Region E continued

Mondlo integrated development study (technical assistance project):

The appointment of consultants to make recommendations regarding an integrated development programme for the Mondlo urban and tribal area and its economic role in the wider subregion.

Recipient: KwaZulu Government

DBSA grant: R49 000
No of grants: 1
Total cost: R49 000

Umlazi upgrading of water reticulation: Phases III, IV and VI (investment project):

The upgrading of the primary water reticulation and storage facilities in Umlazi. The first two phases will ensure a continuous supply of purified water to users in the high-level supply zone.

Borrower: KwaZulu Government

DBSA finance: R9 504 900
No of loans: 2
Total cost: R9 896 400

Business and entrepreneurial development

KwaZulu industrial development project II (investment project):

The establishment of factories, infrastructure, investment capital and support services at the industrial areas of Isithebe, Madadeni and Ezakheni in KwaZulu. Industrial incentives will be financed by the government over a ten-year period.

Borrower: KwaZulu Finance Corporation

DBSA finance: R64 087 500
No of loans: 2
Total cost: R85 450 000

Bulk infrastructure development

Hydro-powered irrigation: Pilot project (technical assistance project):

A pilot project to monitor and evaluate the field performance, economic competitiveness and social impact of a hydro-powered pump, to assess the appropriateness and potential of the technology for irrigation purposes and other energy applications in developing areas.

Recipient: KwaZulu Government

DBSA grant: R27 000
No of grants: 1
Total cost: R82 100

Region E continued

KwaBhaca rural water supply: Phase I (investment project):

The construction of various water supply components required for the purification and distribution of potable water to Mount Frere town and 57 surrounding villages in Transkei, as well as a hospital and schools in the Mount Frere zone of the KwaBhaca district. Five village water supply schemes from different water sources will be developed, installed and tested in the Tabenkulu area.

Borrower: Transkei Government

DBSA finance: R16 555 000
No of loans: 1
Total cost: R17 820 00

Lusikisiki-Mzamba road (technical assistance project):

An investigation of possible bridge sites, structure types and associated costs over four rivers along the Lusikisiki-Mzamba road.

Borrower: Transkei Government

DBSA finance: R320 000
No of loans: 1
Total cost: R320 000

Mbazwane-Phelindaba road experimental surfacing (technical assistance project):

The KwaZulu Department of Works will bitumen seal a 900 m trial portion of the Manzengwenya-Mbazwane road. The section will be monitored by the CSIR's National Institute for Transport and Road Research to ascertain the suitability of application of bitumen surfacing to the roads in Maputaland.

Borrower: KwaZulu Government

DBSA finance: R250 000
No of loans: 1
Total cost: R250 000

Mbazwane water supply: Phase I (investment project):

The phased implementation of a regional water supply scheme from Lake Sibaya to the Mbazwane area of KwaZulu for rural, urban and commercial enterprises, forming a stable base for further development of Mbazwane as a regional service centre.

Borrower: KwaZulu Government

DBSA finance: R3 245 000
No of loans: 1
Total cost: R3 361 000

Region E continued

Mbokodweni River bridge and approach roads (investment project):

The design and construction of a gravel road and a bridge across the Mbokodweni River connecting Umbumbulu with Umlazi and Durban.

Borrower: KwaZulu Government

DBSA finance: R3 500 000
No of loans: 1
Total cost: R3 600 000

Mpumalanga electricity supply: Phase I (investment project):

The reinforcement of the bulk electricity supply to Mpumalanga through the construction of a substation equipped with 11 kV switchgear and the erection of a 132 kV transmission line between the Eskom supply point and the new substation.

Borrower: KwaZulu Government

DBSA finance: R1 500 000
No of loans: 1
Total cost: R3 470 000

North-eastern Transkei road infrastructure study (technical assistance project):

The development of a programme for the upgrading of road infrastructure in support of, and as a partial catalyst for, improved levels of economic activity in north-eastern Transkei, and to make recommendations as to the maintenance of roads under the jurisdiction of the tribal authorities.

Borrower: Transkei Government

DBSA finance: R87 000
No of loans: 1
Total cost: R100 000

Osizweni bus routes: Phase I (investment project):

The upgrading of 22,7 km of existing gravel bus routes in the Osizweni township of KwaZulu and the construction of the associated stormwater drainage.

Borrower: KwaZulu Government

DBSA finance: R12 645 000
No of loans: 1
Total cost: R14 050 000

Reserve eight road (investment project):

The upgrading of the main spiral road through the Reserve Eight area of KwaZulu promoting access of bulk cane transport to the small-scale cane growers in the area.

Borrower: KwaZulu Government

DBSA finance: R2 565 000
No of loans: 1
Total cost: R2 649 000

Region E continued

Human resource development

James Nxumalo Agricultural High School (investment project):

The training of appropriately qualified manpower for agricultural development in KwaZulu. The high school will expose pupils to practical and theoretical agricultural training and direct pupils towards further study at agricultural training institutions or available job opportunities in agriculture.

Borrower: KwaZulu Government

DBSA finance: R10 900 300
No of loans: 2
Total cost: R10 900 300

Mangosuthu Technikon: Student residence and parking area (investment project):

To provide additional students' residential facilities to permit the maximum utilization of the existing academic capacity.

Borrower: Mangosuthu Technikon

DBSA finance: R2 500 000
No of loans: 2
Total cost: R3 740 000

Region F

Rural and agricultural development

Buffelspruit village project: Phase I (investment project):

The pumping of water from the Lomati River into a reservoir and its reticulation to the 550 homesteads in Buffelspruit village. The project also includes training of the village committee in management skills and of community members in non-agricultural income-generating skills.

Borrower: KaNgwane Government

DBSA finance: R457 000
No of loans: 1
Total cost: R490 000

Region F continued

KaNgwane farmer support project II (investment project):

The construction of new service centres, repair of used tractors and equipment, and the provision of medium-term credit for irrigation equipment to farmers.

Borrower: KaNgwane Agricultural Corporation

DBSA finance: R1 418 000
No of loans: 3
Total cost: R1 778 000

Nkomazi: Soils and hydrology (technical assistance project):

The collation and integration of existing and new physical resource information from the Nkomazi area to service agricultural and integrated rural development planning needs.

Borrower: KaNgwane Government

DBSA finance: R120 000
No of loans: 1
Total cost: R123 000

Urban development

Kwa-Hoyi tribal town: Detail planning (technical assistance project):

Investigations into the resources of the urban environment to advise on the short-term actions to be taken to use these resources to develop small-scale economic activities. The project also includes the overall structural planning of the Hoyi Tribal Authority's land, indicating the location of the main activities with areas to be used for settlement as well as main transportation routes.

Borrower: KaNgwane Government

DBSA finance: R80 000
No of loans: 1
Total cost: R80 000

The formal signing of the loan agreement for the Buffelspruit Village Project in KaNgwane

Region F continued

Matsulu urban infrastructure: Phase I
(investment project):

The provision of sewage purification ponds for Matsulu and the storage and reticulation of purified water.

Borrower: KaNgwane Government

DBSA finance: R832 500
No of loans: 1
Total cost: R925 000

Matsulu urban development programme: Project II: Town planning and land surveying
(investment and pre-investment project):

A phased project comprising the replanning and reconciliation of 50 of the existing sites on the western side of Matsulu to allow more direct linkages with the proposed town centre, and the land surveying of 499 sites for individual land ownership. The project also includes the replanning of sites to make 1 050 new sites available.

Borrower: Matsulu Town Council

DBSA finance: R278 000
No of loans: 2
Total cost: R390 000

Matsulu urban development programme: Project IV: Residential and bulk infrastructure
(investment project):

The provision of water, gravelled roads and stormwater drainage, bulk water infrastructure, sewage reticulation to 90 stands, collector sewerage, and surfaced bus routes to various zones in the Matsulu area.

Borrower: KaNgwane Government

DBSA finance: R5 600 000
No of loans: 2
Total cost: R5 675 000

Business and entrepreneurial development

KaNgwane mini-loan project
(investment project):

The provision of small loans (maximum R1 500 each) to emerging entrepreneurs, predominantly in the manufacturing sector, for the acquisition of materials and equipment enabling them to use their skills in income-generating activities in areas removed from established centres of economic activity.

Borrower: KaNgwane Economic Development Corporation

DBSA finance: R100 000
No of loans: 1
Total cost: R223 000

Region F continued

Bulk infrastructure development

Komlushwa-Tonga-Border gate link road
(investment project):

The construction of a link road between Komlushwe and the national road between Komatiepoort and the Swaziland border, including the provision of an all-weather bridge over the Komati River near Tonga.

Borrower: KaNgwane Government

DBSA finance: R15 990 000
No of loans: 1
Total cost: R16 658 000

Nkomazi regional bulk water programme: Phase I (investment project):

The first phase of a programme to supply potable bulk water to the towns and rural villages in the Nkomazi region of KaNgwane.

Borrower: KaNgwane Government

DBSA finance: R12 835 000
No of loans: 1
Total cost: R12 945 000

Human resource development

Elijah Mango College for Higher Education: Phase I (investment project):

The construction of student residential and administrative facilities together with furniture and equipment necessary for the accommodation of the planned growth of the college at Kabokweni in KaNgwane. The college will provide for 600 academic and residential places for pre-service teacher trainees (three-year course) at secondary level, and in-service teacher trainees and attendees of community-based courses.

Borrower: KaNgwane Government

DBSA finance: R4 124 200
No of loans: 2
Total cost: R4 250 200

Region G

Economic development policy and planning

Gross domestic product: Venda (technical assistance project):

The preparation and provision of reliable and recent gross domestic product figures and the training of Venda officials to prepare such figures independently of outside assistance.

Recipient: Venda Government

DBSA grant: R42 300
No of grants: 1
Total cost: R47 000

Mphephu integrated development strategy (technical assistance project):

The formulation of an integrated development strategy for the Mphephu sub-region of Venda to facilitate rational and coherent planning and subsequent project identification.

Recipient: Venda Government

DBSA grant: R156 000
No of grants: 1
Total cost: R156 000

Special course for Venda Cabinet and other officials (technical assistance project):

The development of a training course on job-related management skills to Venda Ministers and other senior officials to enable the Cabinet and Departments to function effectively and efficiently.

Recipient: Venda Government

DBSA grant: R5 100
No of grants: 1
Total cost: R5 100

Food-garden farmers in the Giyani district of Gazankulu

Region G continued

Rural and agricultural development

Lebowa broiler farming project (investment project):

The establishment in Lebowa of broiler farmers on economically viable units. The project involves the continuation of the existing broiler farming programme in which individual broiler farmers are established throughout Lebowa.

Borrower: Lebowa Development Corporation

DBSA finance: R1 364 000
No of loans: 3
Total cost: R1 796 000

Lebowa coffee development programme: Bushbuck Ridge Nursery (investment project):

The development of a nursery of 1,5 ha enabling the South African Development Trust Corporation to establish a new 100 ha coffee orchard on SA Trust Land at Bushbuck Ridge for the settlement of individual farmers.

Borrower: South African Development Trust Corporation

DBSA finance: R104 861
No of loans: 2
Total cost: R175 678

Lebowa coffee development project I: Nursery development (investment project):

The development of two nurseries totalling 3,4 ha, enabling expansion of coffee production at Tours and Zoeknog irrigation projects and to establish new coffee plantations at Sand River and Thepani in Lebowa.

Borrower: Lebowa Development Corporation

DBSA finance: R381 520
No of loans: 3
Total cost: R476 900

Lebowa farmer support project II (investment project):

The initiation of a comprehensive farmer support programme on approximately 4 000 ha in the Mokerong tribal area of the Mokerong magisterial district of Lebowa.

Borrower: Lebowa Development Corporation

DBSA finance: R4 787 570
No of loans: 3
Total cost: R5 625 300

Middle Letaba bulk irrigation and soil conservation: Project I (investment project):

The settlement of commercial irrigation farmers and the establishment of food-garden farmers in the Giyani district of Gazankulu.

Borrower: Gazankulu Government

DBSA finance: R15 092 000
No of loans: 7
Total cost: R15 653 000

An existing fisheries project at the University of the North in Lebowa. The Bank provided a technical assistance loan for investigations into an integrated agriculture-aquaculture scheme in Lebowa which will also test the market demand for fresh fish

Mogoboya Romodike integrated poultry/fish project (technical assistance project):

The establishment of an intensive integrated agriculture-aquaculture scheme below the Mogoboya Ramodike Dam in the Thabina valley of Lebowa. Phase I is a pilot project to test the feasibility of using the concept as a way of attaining the future involvement of emerging farmers; its potential to produce foodstuffs for the population in the area; and to test the market for fresh fish, poultry and vegetables. The project entails the establishment of one production unit consisting of five fish ponds, three poultry-growing houses and a garden plot of approximately 1 000 m^2.

Borrower: Lebowa Government

DBSA finance: R189 000
No of loans: 1
Total cost: R250 000

Rural village projects (technical assistance project):

A phased programme of village-level community projects. Each entails the establishment of multifaceted village-level projects in which water reticulation schemes at various villages are the first priority.

Borrower: Lebowa Government

DBSA finance: R747 900
No of loans: 1
Total cost: R831 000

Region G continued

Urban development

Local authority policy and legislative framework (technical assistance project):

Investigations into the requirements for the establishment of local authorities to meet the needs of the communities and the Lebowa Government; the preparation of a policy framework for the establishment of local authorities; the drafting of appropriate regulations for the management and administration of local authorities, and orientation and preparation for implementation.

Recipient: Lebowa Government

DBSA grant: R36 000
No of grants: 1
Total cost: R60 000

Business and entrepreneurial development

Development strategy for the small business sector in Lebowa (technical assistance project):

The inventory and study of available information; an empirical survey of and the drafting and formulation of a strategy for small business development in Lebowa.

Recipient: Lebowa Development Corporation

DBSA grant: R38 430
No of grants: 1
Total cost: R42 700

Bulk infrastructure development

Arabie bulk water supply (investment project):

The construction of a potable water supply to 22 rural settlements, one urban settlement, the Tompi Seleka Agricultural College and the Matlala hospital using the recently constructed Arabie Dam as a source.

Borrower: Lebowa Government

DBSA finance: R19 207 000
No of loans: 1
Total cost: R19 760 600

Dwarsloop-Thulamahashe Road: Phase I (investment project):

Upgrading and surfacing of 8,5 km of road between Dwarsloop and Arthurstone in Gazankulu.

Borrower: Gazankulu Government

DBSA finance: R3 396 000
No of loans: 1
Total cost: R3 773 400

Region G continued

Electricity supply to Sinthumule-Kutama area (investment project):

Construction of a 9 km overhead 22 kV transmission line from a bulk supply point at Muraleni provided by the Municipality of Louis Trichardt to consumers in Muraleni, Madabani and Ravele.

Borrower: Venda Electricity Corporation

DBSA finance: R481 000
No of loans: 1
Total cost: R485 000

Introduction of road management system (technical assistance project):

The introduction of a road management system which will ensure transportation infrastructure to support current and envisaged levels of economic activity. The road management system will result in the prioritization of roads for upgrading.

Borrower: Venda Government

DBSA finance: R261 000
No of loans: 2
Total cost: R290 000

Klein Letaba-Elim Hospital road (investment project):

The upgrading and bitumen surfacing of 38,5 km of road near the Elim hospital and the existing road west of Giyani in Gazankulu.

Borrower: Gazankulu Government

DBSA finance: R23 624 800
No of loans: 1
Total cost: R23 640 000

Lebowa road management systems (technical assistance project):

A road management system consisting of a transportation study to forecast future traffic demands; capital works management system to provide a priority list of projects to be upgraded to facilitate orderly funding and construction; a gravel road maintenance management system; a paved road management system and equipment to support the different road management systems.

Borrower: Lebowa Government

DBSA finance: R557 100
No of loans: 2
Total cost: R619 000

Mhlala South regional bulk water supply: Phase I (investment project):

The provision of potable water to eight villages and to an industrial site in the Mkhuhlu area of the Mhlala district of Gazankulu.

Borrower: Gazankulu Government

DBSA finance: R7 521 000
No of loans: 1
Total cost: R10 291 000

Region G continued

Nkowankowa-Berlin Road: Phase I (investment project):

Upgrading and bitumen surfacing of approximately 9 km of the road between Nkowankowa and Berlin in Gazankulu.

Borrower: Gazankulu Government

DBSA finance: R4 437 000
No of loans: 1
Total cost: R4 443 000

Nkowankowa Trunk Main to Industrial Area II (investment project):

The construction of a 2 km pipeline which will supply water from an existing reservoir to the new industrial area of Nkowankowa in Gazankulu.

Borrower: Gazankulu Government

DBSA finance: R338 000
No of loans: 1
Total cost: R350 000

Sinthumule-Kutama Road: Phase II (investment project):

The tarring of the remaining portion of the Sinthumule-Kutama road in Venda for 12,6 km from Ravele to Tshikwarani.

Borrower: Venda Government

DBSA finance: R4 235 000
No of loans: 1
Total cost: R4 295 000

Thengwe (Makonde)-Masisi power line (investment project):

The supply of electricity to the Tshikondeni coal mine for the exploitation of the high-quality metallurgical coal reserves in north-eastern Venda. The project will also establish a sound structure for any further development of the national electricity supply in north-eastern Venda.

Borrower: Venda Electricity Corporation

DBSA finance: R6 068 000
No of loans: 1
Total cost: R6 571 000

Thengwe-Musodi Road (investment project):

The upgrading of a 43,3 km gravel road between Thengwe and Musodi in Venda.

Borrower: Venda Government

DBSA finance: R18 075 000
No of loans: 1
Total cost: R18 088 000

Region G continued

Tshitale Regional Water Supply (technical assistance project):

The planning of water resources for the entire Tshitale region of Venda, including the assessment of the demand for the expansion of the existing primary water provision, indication of appropriate, cost effective and affordable means for satisfying this demand, and of the availability of secondary water supplies.

Borrower: Venda Government

DBSA finance: R200 000
No of loans: 1
Total cost: R200 000

Venda post and telecommunications development: Phase III: Project I: Nzhelele (investment project):

The procurement and installation of: digital trunk equipment in the existing Thohoyandou exchange, an optical fibre route from Louis Trichard to Thohoyandou, a containerised digital exchange at Nzhelele, manual switching equipment at Tshilwavhusiku and Tshikotha with UHF radio transmission equipment to link it to Louis Trichard, subscriber network equipment at Nzhelele, Tshikotha and Tsilwavhusiku, and the training of 15 learner technicians to maintain the telecommunications services in Venda.

Borrower: Venda Government

DBSA finance: R14 552 000
No of loans: 1
Total cost: R14 763 000

The Vondo dam in Venda which forms the basis of the water resource planning study for the Thohoyandou region

Vondo regional water scheme: Phase II (technical assistance project):

A water resource planning study for the Thohoyandou region in Venda.

Borrower: Venda Government

DBSA finance: R198 200
No of loans: 1
Total cost: R198 200

Region H

Urban development

Bulk and connector services: Vosloorus Phase I (investment project):

The construction of bulk and connector infrastructure at Vosloorus relating to proposed development of the area by private developers and the South African Housing Trust.

Borrower: Vosloorus Town Council

DBSA finance: R19 327 000
No of loans: 1
Total cost: R19 327 000

Region H continued

Daveyton bulk and connector services: Etwatwa West Phase I (investment project):

The construction of housing and related infrastructure, small commercial development, light industrial development, and the provision of recreational facilities as well as social and community facilities.

Borrower: Daveyton Town Council

DBSA finance: R7 209 907
No of loans: 1
Total cost: R7 209 907

Mabopane water main (investment project):

The provision of bulk water reticulation for existing and new developments to the south-west of Mabopane in Bophuthatswana.

Borrower: Bophuthatswana Government

DBSA finance: R1 530 000
No of loans: 1
Total cost: R1 700 000

Business and entrepreneurial development

Simon Skosana recreation and conservation area (technical assistance project):

The conservation of the environment in and the optimal development and exploitation of the economic potential of the Simon Skosana recreational and conservation area in KwaNdebele.

Recipient: KwaNdebele Government

DBSA grants: R150 000
No of grants: 1
Total cost: R150 000

Bulk infrastructure development

Bophuthatswana high voltage transmission lines (investment project):

The construction in region 6 of Bophuthatswana of 20 km of two high-voltage transmission lines from separate Eskom bulk supply points at the Bophuthatswana/South Africa border and the installation of attendant plant and equipment.

Borrower: Bophuthatswana Electricity Corporation

DBSA finance: R17 816 000
No of loans: 1
Total cost: R18 343 000

Region H continued

Rural and agricultural development

KwaNdebele consolidation land: Liming project (investment project):

The incorporation of lime on 7 400 ha land in the Cullinan and Bronkhorstspruit districts in order to correct the pH status, the calcium-magnesium ratio and the aluminium toxicity of the soils. The programme will entail the provision of essential on- and off-farm infrastructure and facilities which are needed for the development of existing farms in both the districts, as well as extensive agri-support elements. A total area of 183 000 ha has been incorporated of which 123 000 ha, on which commercial farmers will be settled, is earmarked for agricultural development.

Borrower: KwaNdebele Government and KwaNdebele National Development Corporation

DBSA finance: R20 052 840
No of loans: 4
Total cost: R33 992 600

Region J

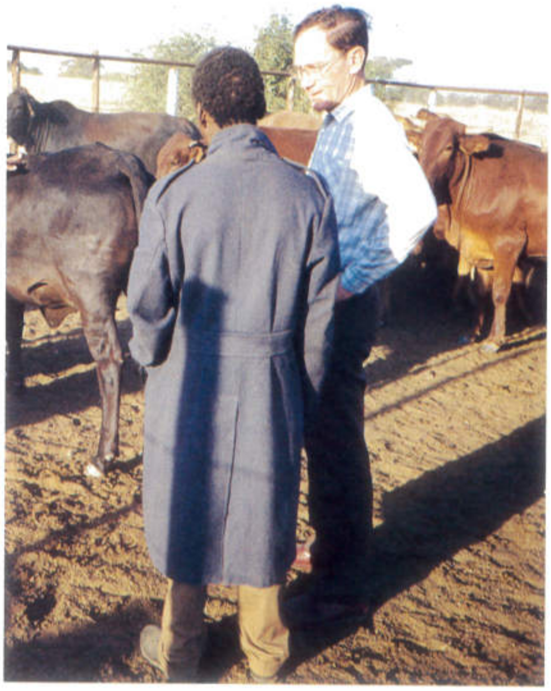
Rural and agricultural development

Suppingstadt livestock farmer support project (investment project):

The promotion of structural change away from subsistence livestock activity to commercial farming by providing comprehensive support service incentives to emerging farmers. The target area, located in the Lehurutshe region of Bophuthatswana, encompasses 1 500 ha of tribal land and 14 500 ha of state-owned land.

Borrower: Bophuthatswana Agricultural Corporation

DBSA finance: R1 751 600
No of loans: 3
Total cost: R2 476 300



Chief Executive Dr Simon Brand in discussions with a farmer of the Bethanie Cattle Project in Bophuthatswana (see case study on page 19). The Bank approved two loans for R150 000 in 1986/87 for this project which promotes entrepreneurial development in livestock farming

Region J continued

Business and entrepreneurial development

Bophuthatswana emerging business development strategy (technical assistance project):

A strategic analysis of constraints and opportunities faced by the emerging business sector and an overall formulation of a business development strategy for Bophuthatswana.

Borrower: Bophuthatswana Government

DBSA finance: R81 000
No of loans: 1
Total cost: R83 000

Bulk infrastructure development

National telecommunications network: Phase III (investment project):

The procurement and installation of: a digital concentrator in the existing Mafikeng exchange, exchange equipment to extend the subscriber-line capacity of the existing Mmabatho exchange, and to interconnect the new digital facilities in Mmabatho and Mafikeng, necessary distribution equipment systems from the two exchanges to their end-users, digital equipment at the Mmabatho exchange for the provision of a subscriber services centre, and the construction of a new exchange-extension building adjacent to the existing Mmabatho exchange building.

Borrower: Bophuthatswana Government

DBSA finance: R13 226 000
No of loans: 1
Total cost: R14 892 000

Human resource development

University of Bophuthatswana Sciences building: Mmabatho campus (investment project):

The construction of a new Sciences building including siteworks, infrastructure and furniture and equipment for 985 full-time students. The facilities include laboratories, research rooms, offices, tutorial computer rooms, stores and workshops for undergraduate and postgraduate teaching and research. The project also entails the development of appropriate curricula, suitable staffing and management of the facility including optimum time and space utilization.

Borrower: Bophuthatswana Government

DBSA finance: R9 831 700
No of loans: 2
Total cost: R9 831 700

Multi-region:

Rural and agricultural development

Agribank crop production finance 1987/88 (guarantee project):

The provision of a DBSA back-up guarantee to enable Agribank to obtain private sector funds for the provision of production credit facilities to commercial farmers for the 1987/88 summer grain production season.

Recipient: Agribank

DBSA guarantee: R32 000 000
Total cost: R45 000 000

Village initiative projects: Phase I (investment project):

The construction of small earthfill dams in eleven villages in Bophuthatswana.

Borrower: Bophuthatswana Government

DBSA finance: R275 000
No of loans: 1
Total cost: R332 000

Urban development

Low cost labour-intensive building: Phase I (technical assistance project):

The experimental investigation, testing and monitoring of an appropriate and innovative low-cost construction method and the effective transfer of this technology in practice.

Recipient: University of Pretoria

DBSA grant: R5 000
No of grants: 1
Total cost: R5 000

Business and entrepreneurial development

Bophuthatswana industrial development project II (investment project):

The construction of 136 000 m^2 of factories at the industrial areas of Babelegi, Garankuwa, Mogwase, Taung, Mmabatho and Selosesha in Bophuthatswana.

Borrower: Bophuthatswana National Development Corporation

DBSA finance: R36 368 000
No of loans: 1
Total cost: R46 840 000

South African urban areas: Small business development project II (investment project):

The financing of a loan for working capital and equipment and physical facilities for small business enterprises and the provision of funds for lending for a building to be partially financed by DBSA. Provision is also made for funds to finance training programmes and counselling services for entrepreneurs.

Borrower: Small Business Development Corporation

DBSA finance: R9 217 000
No of loans: 2
Total cost: R13 681 000

Bulk infrastructure development

Bophuthatswana road priority study (technical assistance project):

A study of 23 road projects in Bophuthatswana, covering a network of 366 km. The project will have an impact as an overall planning process in Bophuthatswana, of which a road programme forms part.

Borrower: Bophuthatswana Government

DBSA finance: R75 000
No of loans: 1
Total cost: R75 000

Institute of Transport in Southern Africa (ITSA) (technical assistance project):

Sponsorship for the Institute of Transport in Southern Africa (ITSA) to invite two representatives from among the Bank's participating states to accompany the annual ITSA overseas tour to obtain experience on deregulation and privatization.

Recipient: Institute of Transport in Southern Africa

DBSA grant: R6 390
No of grants: 1
Total cost: R6 390

Non-member neighbouring countries

Rural and agricultural development

Southern Mozambique forestry development programme (technical assistance project):

The phased investigation of the potential for forestry and other rural development projects in southern Mozambique.

Recipient: South African Paper and Pulp Industry

DBSA grant: R217 800
No of grants: 1
Total cost: R242 000

Urban development

Thetsane: Urban development project (investment project):

The design and construction of connector services for the first 1 700 residential sites of the Thetsane urban development programme in Lesotho.

Borrower: Lesotho Government

DBSA finance: R6 341 000
No of loans: 3
Total cost: R6 341 000

Business and entrepreneurial development

Assessment of demand for office and residential accommodation in Lesotho (technical assistance project):

Studies to assess the net demand/supply situation in Lesotho in respect of office and residential accommodation during the implementation of the Lesotho Highlands Water Scheme.

Recipient: Lesotho Highlands Development Authority (LHDA)

DBSA grant: R90 000
No of grants: 1
Total cost: R90 000

Bulk infrastructure development

Ficksburg bridge (investment project):

The construction of a new concrete bridge with approaches over the Caledon River between Ficksburg in South Africa and Maputsoe in Lesotho.

Borrower: Lesotho Government

DBSA finance: R2 843 000
No of loans: 1
Total cost: R5 255 000

Institutional development: Lesotho Highlands Development Authority (technical assistance project):

The support of sound administrative procedures as well as advice on legal matters and the mobilization of resources to provide such advice; recommendations on the organizational structure of LHDA; the provision of acceptable office and residential accommodation for LHDA employees, consultants and contractors; to implement a computer system strategy appropriate to the needs of LHDA, and to provide additional institutional support.

Recipient: Lesotho Highlands Development Authority

DBSA grant: R235 000
No of grants: 1
Total cost: R1 420 000

Lesotho Highlands Water Scheme: Katse Bridge (investment project):

The construction of a 70 m long and 8,4 m high bridge over the Katse River as part of the total Lesotho Highlands Water Scheme.

Borrower: Lesotho Highlands Development Authority

DBSA finance: R3 122 000
No of loans: 1
Total cost: R3 302 000

Lesotho Highlands Water Scheme: Northern access road — northern portion (investment project):

The upgrading of a 55,4 km track and the construction of 15,2 km of new gravel roads. The project also includes the construction of a major bridge, 465 m long and 80 m high, a smaller bride 90 m long and 30 m high, as well as a 10,4 km mountain pass.

Borrower: Lesotho Highlands Development Authority

DBSA finance: R106 009 000
No of loans: 1
Total cost: R117 001 000

Lesotho Highlands Water Scheme: Southern access road (investment project):

The upgrading of a 55 km road and the construction of a new 10 km road. The project also includes the development of construction camp facilities using local contractors and labour as far as possible to maximize the creation of job opportunities in the area.

Borrower: Lesotho Highlands Development Authority

DBSA finance: R19 500 000
No of loans: 2
Total cost: R22 045 000

Pre-investment loans

Pre-investment loans are provided to borrowers to finance the preparation of capital projects including the preliminary design and feasibility studies related to a project.

A total amount of R8 843 400 was approved during the 1987/88 financial year as pre-investment loans for the following projects:

Region A

Urban development
Khayalitsha Town II, Reticulation Service

Region C

Urban development
Thaba'Nchu Municipal Services

Region D

Urban development
Potsdam Sewage Treatment
Umtata Municipal Low-Cost Housing

Business and entrepreneurial development
Ilinge Small Industries
Kobonqaba Recreation Area

Infrastructure development
Grahamstown — Rini Bulk Water Supply
Idutywa Bus Terminus

Region E

Rural and agricultural development
Mhlatuze Irrigation: Macekane Sugar

Infrastructure development
Magusheni—Mzamba Road

Urban development
Kwa-Hoyi Bulk Infrastructure Development

Region G

Infrastructure development
Acornhoek Bulk Water Supply, Phase II
Cottondale—Thulamahashe Road
Dwarsloop—Thulamahashe Road, Phase II
Hlaneki—Bend Road Links
Magnet Heights—Jane Furse Road
Makonde—Masisi Road
Mhala South Groundwater Investigation Project
Thulamahashe—Mkhuhlu Road

Human resource development
Gazankulu Agricultural College

Region H

Infrastructure development
Kwaggafontein Bus Routes
Verene—Kwaggafontein—Tweefontein Road

Region J

Urban development
Mmabatho Sewage Treatment Plant

The following assignments were completed during the year under review:

Data research

☐ Gazankulu: Introductory economic and social memorandum

☐ Gazankulu socio-economic survey, 1986

☐ KaNgwane: Introductory economic and social memorandum

☐ KwaNdebele: Development information, 1987

☐ KwaNdebele: Introductory economic and social memorandum

☐ Lebowa: Introductory economic and social memorandum

☐ Qwaqwa: Introductory economic and social memorandum

☐ Republic of Transkei: Introductory economic and social memorandum

☐ Republic of Venda: Introductory economic and social memorandum

☐ SATBVC countries: Statistical abstract, 1987

☐ Statistical abstracts on self-governing territories in South Africa

☐ The compilation of regional input-output and social accounting matrices for Southern Africa: Phase I, provisional tables

☐ Transkei development information, 1987

Policy research

☐ A framework for institutional optimization in South West Africa/Namibia agriculture

☐ A socio-economic study of livestock development strategies in Southern Africa

☐ Disparity and inequality in education with references to DBSA's participating states and the requirements to achieve equal education: A position paper

☐ KwaZulu's potential to attract specific types of industries

Planning studies

☐ Cape metropolitan subregion: A development overview

☐ Development perspective: Supply area of the Vondo Regional Water Scheme, Phase 2

☐ Guidelines for the initiation and support of development planning processes at development region level

☐ Mhala development perspective

☐ Odi-Moretele 1: Development appraisal

☐ Practical assistance in structuring urban planning and related systems on central government level in Bophuthatswana

☐ Qwaqwa development appraisal

Economic and technical consultancy services

☐ Viability study of a farm for African Christian Action Trust (SA)

Assignments on operational policy and project design

☐ A study on non-governmental organizations involved in rural and community development in KwaZulu

☐ Development seminar on rural water supply

☐ Road maintenance in developing areas of Southern Africa: Seminar

Training assignments

☐ Compilation of development programme for directors: Venda Agricultural Corporation

☐ Manpower development in the Department of Local Government and Housing: Republic of Bophuthatswana

Salient features, 1987[1]

	Regions									
	A	B	C	D	E	F	G	H	J	Total
Area (km²)	278 500	270 600	118 900	151 900	112 700	80 494	119 606	27 300	61 100	1 221 100
Population ('000)	**3 236**	**1 022**	**2 436**	**4 521**	**8 725**	**2 066**	**4 239**	**7 469**	**1 707**	**35 421**
Annual growth (%)[2]	2,4	1,0	2,4	1,9	2,8	3,1	4,0	2,9	1,0	2,7
Urban population ('000)[3]	2 688	475	1 147	1 799	2 923	612	370	6 054	545	16 611
Annual growth (%)[2]	2,8	1,7	5,5	2,3	3,7	3,5	5,7	2,2	4,5	2,9
Non-urban population ('000)	550	547	1 289	2 722	5 802	1 454	3 869	1 415	1 162	18 810
Annual growth (%)[2]	0,2	0,4	0,2	1,7	2,4	2,9	3,9	6,4	−0,3	2,3
Economically active[4] population ('000)	**1 412**	**310**	**1 013**	**1 350**	**2 483**	**773**	**792**	**3 635**	**668**	**12 436**
Annual growth (%)[2]	3,8	0,2	4,4	6,1	5,2	2,8	5,8	3,5	3,3	4,2
Literacy rate[5]	**80,7**	**60,1**	**71,0**	**63,8**	**65,9**	**63,1**	**60,9**	**79,6**	**63,9**	**69,3**
Population density (person per km²)	**11,8**	**3,8**	**20,5**	**29,8**	**77,4**	**25,7**	**35,4**	**273,6**	**27,9**	**29,0**
Gross geographical product (R million)[6]	**18 656**	**4 175**	**8 565**	**10 636**	**21 125**	**12 342**	**5 571**	**58 949**	**7 724**	**147 743**
Annual growth (%)[7]	0,9	−0,8	−0,5	1,6	1,4	4,3	3,3	0,7	−0,6	1,4
Primary sector (R million)	2 117	2 080	4 050	856	2 009	4 756	2 151	4 730	4 846	27 596
Annual growth (%)[7]	1,5	−1,7	−1,4	1,7	1,4	4,8	0,6	−2,8	−1,7	−0,3
Secondary sector (R million)	5 165	462	1 028	3 639	7 767	4 806	752	21 833	710	46 162
Annual growth (%)[7]	−1,5	1,0	0,7	0,8	−0,1	3,8	5,0	0	1,0	0,3
Tertiary sector (R million)	11 374	1 633	3 487	6 141	11 349	2 780	2 668	32 386	2 168	73 986
Annual growth (%)[7]	1,9	1,0	0,8	2,1	2,6	3,6	7,0	2,2	2,9	1,0
Per capita GGP (R)[6]	**5 765**	**4 085**	**3 516**	**2 352**	**2 421**	**5 974**	**1 314**	**7 893**	**4 525**	**4 171**
Annual growth (%)[7]	−1,5	−1,6	−2,9	−0,3	−1,4	1,2	−0,7	−2,2	−1,6	−1,3

1. Preliminary estimates by the Bank
2. Percentage per year from 1980 to 1987
3. "Urban" is defined as areas with some form of local authority
4. The economically active population comprises workers and the unemployed.
5. Percentage of *de facto* population with some degree of education.
6. At current prices
7. Real growth rate, 1980 to 1987

Source: Basic 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

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