

Development Bank of Southern Africa  
Annual Report 1988/89





# Milestones

## **1979:**

The 'Carlton Conference' in Johannesburg between the South African government and business leaders at which the then Prime Minister of South Africa, Mr P W Botha, put forward 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 supported the new regional development policy and the 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.

## **June 1983:**

The Agreement constituting the Development Bank of Southern Africa was signed in Cape Town by the original member governments, South Africa, Transkei, Bophuthatswana, Venda and Ciskei. The first Council of Governors had its inaugural meeting, at which members of the Board of Directors were appointed and elected and a Chief Executive, Dr Simon Brand, was appointed.

## **September 1983:**

The Development Bank of Southern Africa officially opened.

## **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.

## **September 1984:**

The first loan agreement on a project appraised by the Bank itself was signed.

## **1986:**

The Council of Governors of the Bank approved an extended brief which authorized the Bank to support 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 the 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. For the first time the Bank also became involved in financing urban development projects in South Africa outside of the self-governing territories.

## **1988:**

The first involvement of the Bank in non-member neighbouring countries through the approval of DBSA finance for seven technical assistance and investment projects to the value of R131 million for Lesotho. These projects form part of a R400 million programme for advance infrastructure projects related to the Lesotho Highlands Water Scheme. A loan for R217 000 was approved for a technical assistance project to study the agro-forestry potential of Mozambique.

## **March 1988:**

The Bank had 911 projects in the project cycle and had approved an accumulative 457 projects on which it was expected to make a total financial contribution of almost R2 800 million.

## **December 1988:**

The Bank moved its headquarters to the new Midrand premises and was fully operational in the new premises by the beginning of the new year.

## **January 1989:**

An evaluation report on the regional industrial development programme, containing the findings and recommendations of an external Panel of Experts and based on research carried out and managed by the Bank since July 1987, was presented to the governments concerned.

## **March 1989:**

The Bank has 1 175 projects in the project cycle and has approved an accumulative 614 projects on which it expects to make a total financial contribution of R3 818 million. The permanent staff complement of the Bank is 692 while 832 consultants and other experts are also contracted.

In its budgeting process for 1989 the Bank prepares for the first time to actively raise loans on the local and international capital markets.



# Development Bank of Southern Africa Annual Report 1988/89

## The Development Bank of Southern Africa

- ☐ **supports economic 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.
- ☐ **makes provision for a wide range of development projects** through its loan finance in the fields of state and regional, rural and agricultural, urban, business and entrepreneurial, bulk infrastructure and human resource development.
- ☐ **provides a number of other services** which include technical assistance loans and grants for, and advice on, development policy and planning, institutional development and financial management as well as project preparation, research, training and publications on development.
- ☐ **strives to attain its objectives**, which include the promotion of economic development in its broadest sense and the reduction of disparities in the levels of economic development which exist between the different regions, through the promotion of the investment of public and private capital and the use of funds from financial markets and other resources for development.
- ☐ **pursues four major programmes** in carrying out its objectives:
  - the **development programme**, which includes technical assistance projects, public investment projects and private investment projects;
  - the **agency programme**, which includes projects administered by the Bank on behalf of other lenders;
  - the **assignment programme**, which includes research on data and development policy issues;
  - the **mobilization, utilization and development** of manpower and financial resources and other internal support functions enabling the Bank to carry out its activities.
- ☐ **strives to support all developing areas**, regions and states in Southern Africa in its efforts to establish a sustainable development process.

In addition to its present member countries, membership to the Bank is also open to any independent country in Southern Africa. Associate membership is available to any other independent country.

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During 1988/89 the Bank was organized into two major complexes — the Operations Complex and the Resources and Support Services Complex — as well as the Institute for Development Research.

The Bank had a permanent staff complement of 678 at 31 March 1989 with a further fourteen contract appointments and secondments, bringing the total employee figure to 692. About 75 per cent of the total staff complement were professionally qualified in a wide range of disciplines. To supplement its own manpower resources, the Bank also made use of a variety of consultants and specialists from the private and academic sectors, and a cumulative total of 832 appointments were made by the financial year-end.

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 top management of the Bank, from the front, Dr Simon Brand (Chairman and Chief Executive), Deon Richter (General Manager Operations), Nick Christodoulou (acting General Manager for part of 1988/89), Andre la Grange (General Manager Resources and Support Services) and above, Dr Freek van Eeden (Director of the Institute for Development Research and Special Advisor to the Chief Executive since January 1989)

## Council of Governors

### Governors:

Prof O P F Horwood (**President**); Mr R F Botha (South Africa); Mr 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 J F M Matutu (Transkei); the Hon Gota E R B Nesengani (Venda); the Hon S L L Rathebe (Bophuthatswana); Dr G van N Viljoen (South Africa).

### Alternate Governors:

Mr P W Buwa (Ciskei); the Hon R Cronje (Bophuthatswana); the Hon G S K Nota (Transkei); the Hon G M Ramabulana (Venda).

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 1988 the supplementary meeting was held at Thaba Nchu in Bophuthatswana.



## Board of Directors

### Directors:

Dr S S Brand (**Chairman and Chief Executive**); Mr J Barker (from January 1988); Mr J A Botes; Dr W J de Villiers; the Hon B E Keikelame; Dr D C Krogh; Mr J B Maree; Mr N Meshulam (to October 1988); 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 (to December 1988); Mr P J Liebenberg; Mr M R Madula; Mr M Maki (from January 1988); Mrs M Maponya; Mr J A J Maree; Mr A S Nkonyeni; Mr P J van Rooy.

The Board met eight times during the financial year under review. One meeting was held in Bophuthatswana, 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.

Board members and senior management attending the first Board meeting held at the Bank's Midrand headquarters.

Seated in front:  
Dr S S Brand (Chairman and Chief Executive) and Prof W L Nkuhlu

Middle:  
Mr A B la Grange  
Mr J A Botes  
The Hon B E Keikelame  
Mr M Maki  
Mrs M Maponya  
Mr J Barker  
Mr A S Nkonyeni and  
Dr M Reichardt (Special Advisor)

Back:  
Mr J Prinsloo (Secretary)  
Dr D C Krogh  
Mr N J Kotze  
Mr G S Muller  
Mr G J Richter  
Dr F van Eeden and  
Mr P H Swart





The completion of the new Midrand headquarters of the Bank in December 1988 was the culmination of five years of planning and construction to create a corporate head office for the Bank. The move from Sandton to Midrand and the occupation of the new premises during December 1988 also coincided with the five-year anniversary of the Bank.

During the establishment process of the Bank in 1983, the original members of the Bank accepted an offer by the South African government to make available a suitable site in the vicinity of Johannesburg for the development of the permanent headquarters of the Bank. During 1985 a 25 hectare tract of land in a prime position next to the Ben Schoeman highway in the Midrand municipal area was made available to the Bank. The 25 hectares have since been officially incorporated as a suburb of Midrand and named *Headway Hill*.

The consultants' brief placed emphasis on an innovative and versatile approach with the aim of establishing a complex that was both functional and in harmony with the site and surrounding landscape. The Bank also prescribed a development that would be cost-effective and energy-efficient with low maintenance requirements. Initially sixteen architects' firms were given this brief and had to submit their individual conceptual designs to a board of adjudicators chaired by the Head of the University of Port Elizabeth School of Architecture. The final choice was made and the contract awarded to the Pretoria-based firm of Stauch Vorster and Partners.

On the side of the Bank a project team was appointed to liaise with the external contractors and consultants. Leading the project team was Mr J Nieuwoudt, a former General Manager of the Bank. The process which led to the final design and plans was long and elaborate, with several important parameters set by the Bank which the architects had to take into consideration.

Among these was the fact that the Bank receives significant exposure in national and international circles, and that the design had to be in keeping with the developing state of the participating countries of the Bank. At the same time the organizational structure of the Bank, its unique service functions and the close interaction between its various departments had to be taken into account. Note was also taken of proposed future development adjacent to the Bank.



Above:  
The Bank's offices in  
Sandton from 1984 to 1988



Left:  
The new Midrand  
headquarters occupied in  
December 1988



With all this in mind it was decided that neither a single-storey nor a high-rise building was appropriate. The final design comprises four three-storey office wings at the heart of which is a central core providing conference facilities for project team, management and board meetings, library facilities and an auditorium, with the computer department housed in the basement of the central core.

The tract of land made available to the Bank was not serviced and the access road, electricity supply, sewerage connection and temporary and permanent water supply had to be planned, designed and implemented.

Building activities during the first months of 1987 centred mainly on the completion of the mass infrastructure and bulk earthworks contracts, preparation of final documents for tenders for the building, electrical works, fire protection services and air-conditioning systems, and the first phase of the landscaping contract.

Negotiations with consultants regarding an innovative basis for remuneration were completed and the planning of a comprehensive cost control and cost management system was initiated. The contract for the construction of the headquarters complex was awarded to Murray and Roberts Buildings at a contract price of R26,2 million, escalation excluded.

With the move from the rented Sandton premises of the Bank, occupied since 1984, to the new Midrand offices, employees were faced with a totally new working environment. With the assistance and guidance of consultant interior planners, the working environment has been planned to be contemporary and unique in almost all respects with an interior design considered most appropriate.

Use was made of locally made and available materials for all the interior finishes and, while there were practical and structural issues which influenced the final choice of design and decor, the initial concept remains largely unchanged, with neutrality and subtlety the main focus throughout the building.

The design of the Bank's Midrand headquarters went hand-in-hand with a number of scientific studies carried out on the climatic conditions experienced in the surrounding area. The Bank is fortunate that the factors which often necessitate air-conditioning — such as energy-generating reflection from adjacent buildings, lack of free air flow, abnormally high or low temperatures and pollution — are not prevalent at the Midrand site. To make optimal use of these environmental benefits, the office wings are not air-conditioned and the dress code while on-site at the Midrand offices is informal.

Interior views of the central stairway and dome and reception area at the new headquarters



#### Consultants involved

- ☐ Mr J Nieuwoudt: DBSA Project Manager
- ☐ Stauch Vorster: Architects
- ☐ Van Wyk & Louw: Civil and structural engineers
- ☐ Farrow Laing & Partners: Quantity surveyors
- ☐ De Lange Mitchell & Du Preez: Electrical and mechanical engineers
- ☐ Rosmarin & Associates: Town planning
- ☐ Van Themaat Raath & Van Zyl: Security
- ☐ Patrick Watson: Landscape
- ☐ Digital Designs: Audio-visual
- ☐ Neville Bramley & Associates: Fire protection
- ☐ Head Interiors: Interior design



In the first report on the activities of the Development Bank of Southern Africa for 1983/84, tasks were set for the Bank in terms of:

- ☐ achieving greater effectiveness in the utilization of resources for realizing the development objectives of participating governments
- ☐ achieving greater effectiveness in mobilizing both financial and human resources for the development efforts of the participating governments
- ☐ extending the scope of development co-operation both within and beyond the present participating states.

In looking back on the first five full years' operation of the Bank, as is done in this report, it is apparent that sound progress has been achieved in all three aspects.

### **Realization of objectives**

The core reason for the existence of an economic development institution like the Development Bank of Southern Africa is the unacceptably large differences in the quality of life, access to economic opportunities, and control over economic resources between different regions and different sections of the population of Southern Africa. This calls for interventions which can help bring about a more equitable distribution of access to opportunities and resources for all and thereby support a sustainable development process that will benefit all the people of Southern Africa, but in particular those communities that have been by-passed by the past patterns of economic growth. Such interventions can take the form of channelling financial and human resources, influencing policy and supporting institutional development in ways which contribute to realizing the potential of deprived communities and less developed areas. It is the mission of DBSA to promote such interventions in ways that can mobilize private resources rather than simply extend the role of the already overburdened public sector.

The extent to which DBSA has made progress in the pursuit of this mission is evident from the increase over the five years in the number of projects implemented, approved and under consideration, as shown in the body of this report. However, it has become increasingly clear over this period that the services which the Bank renders, do not only consist of the financing of individual projects. The Bank has been able, in co-operation with borrowers, to use the projects supported by it as vehicles for the introduction of policy changes which should in the long term contribute greatly towards a more effective use of resources in furthering the development objectives of its borrowers, and thereby the needs of the communities it serves. Examples of such policy changes are the acceptance of the principle of user charging for services and its step-by-step introduction by participating governments, the revision of design standards in a variety of investment projects with a view to achieving affordability and sustainability, and an increased emphasis on support for emerging individual initiative instead of large-scale state-supported enterprises in different economic sectors.

The Bank has also become increasingly involved in giving advice on and support for structural economic reforms, encompassing aspects such as economic development policies and planning, institutional development, and the introduction of effective financial and management systems. In respect of Transkei, Bophuthatswana, Venda and Ciskei, this role of the Bank has been formalized in the Joint Financial Adjustment Programmes introduced for each of them. Similar advice and support have also been provided to the governments of self-governing territories in South Africa and to emerging local authorities. Over the past five years a clear shift in emphasis has taken place in the overall activities of the Bank towards these kinds of services, contributing significantly towards a more favourable environment in which the Bank can carry out its support for development projects.

### **Resources**

The ability of the Bank to carry out its mission effectively depends first and foremost on the quality and motivation of the people working for the organization. In keeping with the principle adopted by the Bank that key interventions in development should be achieved without expanding the role of the public sector, the Board and management have decided that, following the first years of rapid growth, during which considerable success was achieved in recruiting people highly knowledgeable in a variety of applicable disciplines and with the personal qualities required to handle the full spectrum of development issues,





Dr Simon Brand

the time has come to consolidate and to concentrate on the more effective utilization of the human resources gathered together in the Bank. The intention is therefore to maintain an organization with a staffing level not much different from the present.

Considerable success has also been achieved in mobilizing human resources outside of the Bank to support its mission. A substantial pool of consultants with knowledge of development matters in general and of Bank procedures and requirements in particular has been developed, and the Bank is also playing an increasing role in training people in development for employment by the participating governments, in other levels of government and in parastatal bodies.

It remains the firm intention of the management of the Bank that the composition of its personnel should increasingly more closely reflect the composition of the total population of Southern Africa. This aim is being pursued within the overall approach of creating in the Bank circumstances that will enable each employee to make the most of his or her abilities and to achieve a superior quality of working life. One requirement for putting into practice the belief strongly held by management that the Bank must provide equal opportunities for all its staff, is the development of an accepted organization culture which encompasses tolerance for societal and cultural variety. Another is that it must be recognized that inequalities exist in Southern Africa in general social conditions and in access to services such as education, and that therefore particular support in coping with such inequalities and their effects on individual performance may have to be given to staff members from deprived backgrounds, if equal opportunities in the Bank itself are to be meaningful.

In respect of financial resources, the Bank continues to benefit from the sound financial structure which has been made possible by the share capital contributions of all its member governments and by the substantial contributions made by the South African government to the Development Fund of the Bank. Loan servicing by the borrowers of the Bank is also rapidly forming a significant part of the cash flow of the Bank. Since the financial projections indicate that disbursements will significantly exceed the inflow of funds from the other two sources during the 1989/90 financial year, the third important source of financing for the Bank, namely the local and international private capital markets, is to be actively attended to during this year.

A third important resource required by the Bank to carry out its mission effectively is access to strategically significant information about its environment and its clients, and the gathering of internal information that can support decision making, as well as monitor the performance of the Bank. The data division of the Institute for Development Research has completed extensive information files on all the participating states of the Bank, a regular surveillance of the financial situation of all borrowers has been established, and the generation of internal data on the Bank itself has been attended to. The further development of this resource has been identified as an area that will require considerable management attention in the period ahead.

Through an ongoing organizational development programme, considerable attention has been given in the past year to reorganization and the development of more effective procedures in the Bank. The aim is to build into the management of the Bank the principles of delegation and accountability, with as few management levels as possible. It is the intention that those members of staff who carry out the mission of the Bank at the front line and in direct contact with client groups should, by being fully conversant and identifying with the mission, policies and value system of the Bank, take full responsibility while being able to rely on the backing of management, with all the resources of the Bank.

### Scope of activities

Over the first five years, the scope of activities of the Bank has increased considerably in the ways intended, both functionally and geographically. In addition to the functional activities supported by the Bank at its inception, support for further activities such as certain forms of education and training was added. As already mentioned, the scope of Bank activities has also increased considerably towards providing advice and support for structural change.

After initially concentrating mostly on supporting development in Transkei, Bophuthatswana, Venda and Ciskei and in the self-governing territories in South Africa, the Bank has become increasingly involved in support for development in the less developed urban areas of South Africa outside the self-governing territories. Partially as a consequence of this, support for urban development has become the most rapidly growing part of the activities of the Bank.

The involvement of the Bank in Lesotho, and on a smaller scale in several other non-member neighbouring countries, is assuming significant proportions, illustrating considerable progress in extending the role of the Bank towards becoming a truly Southern African



institution. This has assisted greatly in increasing contact and co-operation with international development agencies. It is the intention to carry on in this direction.

**Appreciation**

It can be seen from this report that during the first five years of its existence the Development Bank of Southern Africa has established itself as a significant development organization in Southern Africa and has gained credibility with its borrowers and in the outside world. This was largely due to the high level of commitment of our management and staff and to the support given by the Council of Governors and the Board of Directors. A particular word of thanks is extended to Mr J Nieuwoudt who, after his retirement from the Bank, took responsibility on a contract basis for overseeing the building programme of the new Midrand headquarters of the Bank and in no small measure contributed to the successful outcome of this project.

A handwritten signature in dark ink, appearing to read 'S S Brand', written over a horizontal line.

S S Brand  
Chairman and  
Chief Executive



## Five-year highlights

Financial data	1988/89 Rmil	1987/88 Rmil	1986/87 Rmil	1985/86 Rmil	1984/85 Rmil
<b>Total assets</b>	2 106,5	1 656,1	1 357,5	1 051,4	485,1
<b>Capital employed</b>					
Share capital	200,0	164,0	128,0	92,0	56,0
General reserve	167,6	129,3	81,9	47,3	20,4
Development Fund	1 525,6	1 154,6	919,8	675,4	400,4
Capital market loans	80,8	123,2	175,9	210,4	
<b>Employment of capital</b>					
Loans	1 657,3	1 176,2	925,5	497,5	309,8
Investments	411,9	457,3	410,1	521,6	171,4
<b>Loans disbursed</b>	493,2	283,1	246,1	173,7	119,5
<b>Outstanding commitments</b>	2 268,2	1 733,8	947,7	569,1	360,3
<b>Other</b>					
Interest received	122,4	102,8	95,0	51,5	33,2
Interest paid	13,9	20,6	26,5	2,4	
Technical assistance grants	2,4	2,0	2,4	1,8	1,2
Expenditure	56,7	41,9	31,2	20,7	15,0
Operating surplus	54,0	41,3	37,6	29,3	20,1



## Mobilization of resources

In executing its functions, the Bank relies mainly on its human and financial resources, which are highlighted in this section. An overview of the utilization of these resources is given after the financial statements.

## Human resources

During the first five years, emphasis was placed on a comprehensive recruitment strategy and on basic training. Recruitment took place mainly from candidates with some previous experience in other institutions involved in development, as well as from professionals who had developed their expertise outside the development context. Bearing in mind the needs of institutions involved in development, the Bank is careful not to impair the capacity of other development institutions through active recruitment from their ranks.

The initial years had a very low employee turnover rate, but the last two years showed an acceleration of turnover to a level comparable with other organizations. This is ascribed to the upturn in the economy as well as to more concerted recruitment efforts by other institutions amongst Bank employees by virtue of their training and experience in development. It is, however, gratifying that many employees leaving the Bank remain involved in development, and this is viewed as a contribution by the Bank to the pool of development skills and experience.

Since its inception, the Bank has deliberately followed a policy of making extensive use of external consultants and specialists. These consultants and specialists mostly assist in the appraisal and monitoring of projects and undertake certain assignments. During 1988/89 the Bank appointed 230 external consultants and specialists to assist with the execution of its functions bringing the cumulative number of consultants appointed by the Bank to 832. The more traditional consulting functions of planning, design and supervision of projects are carried out by consultants appointed by the borrowers of the Bank, but financed through preparation assistance loans from the Bank when required.

As far as the permanent staff complement is concerned, the Bank is fast approaching its optimum operating level, and it is envisaged that after the first years of rapid growth, staff numbers will stabilize at a level not much different from the present. Although the staff-related expenditure increased by R12 million to R39 million during the financial year, incremental growth in this expenditure will not be of the same magnitude as during the first five years. The number of permanent employees of the Bank reached a total of 678 on 31 March 1989, with a further fourteen contract appointments and secondments bringing the overall staffing figure to 692 at the end of the 1988/89 financial year. This is well within the manpower establishment of 778 for the Bank authorized by the Board of Directors for the human resources plan of the Bank.

Strict selection criteria were maintained, extending to factors beyond formal qualifications and experience, such as an assessment of candidates' suitability to operate in the dynamic arena of a multilateral institution in the development sphere. It is envisaged that future recruitment will increasingly take place at these entry levels, with appropriate training and career planning to develop this resource fully.

Attention has now, in accordance with a decision by the Board, shifted to the development and retention of staff in a consolidation phase, rather than on further growth in numbers, following the initial phase of rapid growth of the organization. In preparing for this next phase, a number of investigations and assignments were launched and a study visit was undertaken to the World Bank, the International Monetary Fund, the Inter-American Development Bank in Washington and other overseas and Southern African organizations. The insight gained enabled the Bank to learn from the experience of other institutions which have matured beyond the phase of development that the Development Bank has now entered. Towards the end of 1988 these activities culminated in the establishment of a comprehensive and integrated Organizational Development Programme (ODP). The objective of the ODP is to attain a high level of excellence through the optimal development and utilization of the available human resources, and the revision of procedures and systems affecting the overall operations of the Bank. The first phases of this programme have already been implemented, including a secretarial programme, the implementation of a project assistance system, further development of the trainee system and the streamlining of various systems, policies and procedures. As the ODP is a long-term process, it is envisaged that a significant further phase will be implemented during 1989.

The Development Bank is now firmly established as a major source of economic development expertise and it is envisaged that the further training and development of its



human resources will result in higher productivity and will contribute to an even higher level of support for the development of developing communities in Southern Africa.

### Financial resources

The financial resources of the Bank are the share capital contributions by its members, contributions to the Development Fund, loans obtained from the financial markets, recoveries for agency functions performed and the servicing of loans granted by the Bank. The issued share capital of R200 million was fully paid up during 1988/89 as prescribed in the Establishment Agreement of the Bank. This completed the five annual payments as agreed to by the member states and left a balance of R1 800 million of the authorized share capital as callable share capital. The callable share capital is subject to call only as and when required by the Bank to meet its obligations incurred on the loans placed by the Bank in the financial markets and the guarantees issued by the Bank. On 31 March 1989 the unimpaired portion of callable share capital amounted to R1 772 million, leaving that amount as the available limit against which the Bank can undertake its fund mobilization activities in the financial markets.

With the establishment of the Bank, the South African government committed itself to a five-year cycle of funding of its Development Fund. The Development Fund consists of grants received and does not constitute a liability. The commitment of South Africa amounted to R1 500 million over the first five years of operation, later extended to R1 741 million over the first six years. The cumulative contribution to the Fund at 31 March 1989 amounted to R1 526 million, leaving an outstanding amount of R216 million in terms of this agreement. The South African government has undertaken to settle this outstanding balance at such times and in such amounts as South Africa and the Bank deem desirable. It was recently agreed with the Bank that South Africa would commit itself to a further five-year funding programme amounting to R1 695 million (in 1989 real values). A first contribution of R375 million for the 1989/90 financial year has already been confirmed.

The Bank is now in a position to start implementing its 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 finance. The capital market commitments of the Bank had declined to R81 million at 31 March 1989. The loan portfolio of the Bank had reached the level of R1 687 million, an increase of close on 41 per cent over the previous financial year. During the 1988/89 financial year the servicing of loans granted by the Bank was fully and promptly met by all borrowers on due dates, in fact the financial statements reflect an acceleration of payments by borrowers over and above their actual commitments. This constitutes an increasingly important additional source in the funding strategy of the Bank.

The operating surplus of the Bank amounted to close on R54 million for the 1988/89 financial year, indicating that the Bank was able to cover fully its recurrent expenditure from operating income. Although the effectiveness of the operations of the Bank is not measured primarily by the financial return on its investments but rather by the extent to which these investments meet development objectives, it is evident that the funding structure and the average return on the loan portfolio places the Bank on a sound financial footing from which to start mobilizing funds from the local and international financial markets.

Since 1984, 54 trainees have entered the trainee programme of the Bank of which 26 have been appointed as permanent employees. This year 19 trainees participated in the programme. Pictured here are, seated from the left: Sean Webster, Noviwe Qegu, Herman Louw, Chanel Barnard and Karen Goldschmidt. Standing: Mohanlal Pachai and Michael Koukis





**Financial policies**

In determining its financial policies the Bank follows the practice set by similar international institutions. The following financial policies were applied during the financial year and are reflected below.

**Reserve policy**

The total surplus of R38 million for 1988/89 was transferred to the general reserve, which now amounts to R168 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 are maintained to cover potential losses which, although not specifically identified, may be present in any portfolio of loans.

**Liquidity policy**

The total amount of funds in cash and on investment represents 18 per cent of the total outstanding commitments of the Bank in respect of the development programme. It has been the policy to maintain a liquidity ratio of approximately 20 per cent of the total outstanding commitments during the first years of operation of the Bank. Taking account of the greater degree of accuracy with which disbursements during future years can be programmed, the policy in respect of the applicable liquidity ratio will be reconsidered.

**Credit risk policy**

The Bank provides loans to governments as well as to other public and non-governmental development agencies and institutions involved in development activities. Loan applications and support programmes for borrowers are continually monitored against their debt position. Due care was exercised in appraising projects on the basis of sound financial and economic analysis, while the overall financial planning and management of borrowers are receiving increasing attention and support.

*(Continued on page 25)*





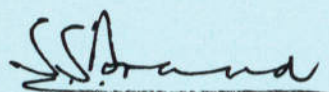
# Balance sheet

at 31 March

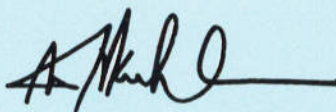
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	Note	1989 R'000	1988 R'000
<b>Capital employed</b>			
Share capital	2	200 000	164 000
General reserve	3	167 552	129 289
Development Fund	4	1 525 644	1 154 644
Capital market loans	5	80 747	123 228
Capitalized interest	6	132 569	84 921
		<u>2 106 512</u>	<u>1 656 082</u>
<b>Employment of capital</b>			
Fixed assets	7	32 208	14 080
Loans	8	1 657 247	1 176 234
Investments	9	411 862	457 340
Net working capital	10	5 195	8 428
		<u>2 106 512</u>	<u>1 656 082</u>

Pages 14 to 23 signed for and on behalf  
of the Board of Directors by



S S Brand  
Director  
25 May 1989  
Midrand



W L Nkuhlu  
Director  
25 May 1989  
Midrand



# Income statement

for the year ended 31 March

	Note	1989 R'000	1988 R'000
<b>Income</b>			
Interest received	11	122 366	102 751
Other	12	4 619	3 112
		<u>126 985</u>	<u>105 863</u>
<b>Less</b>		<b>16 354</b>	<b>22 627</b>
Interest paid	13	13 921	20 583
Technical assistance grants		2 433	2 044
<b>Net operating income</b>		<b>110 631</b>	<b>83 236</b>
<b>Less: Expenditure</b>		<b>56 665</b>	<b>41 911</b>
Auditors' remuneration	14	468	655
Directors' fees and expenses		152	165
Operating expenditure	15	56 045	41 091
<b>Operating surplus</b>		<b>53 966</b>	<b>41 325</b>
<b>Less: Furniture and equipment</b>	16	<b>15 703</b>	<b>2 180</b>
<b>Surplus transferred to general reserve</b>		<b>38 263</b>	<b>39 145</b>



# Cash flow statement

for the year ended 31 March

16

	Note	1989 R'000	1988 R'000
<b>Cash retained from operating activities</b>		4 625	21 117
Cash generated by operations	A	4 323	21 806
Cash utilized to increase/decrease(–) working capital	B	302	– 689
<b>Cash utilized in investment activities</b>		27 350	– 57 939
Increase(–)/decrease in investments		45 478	– 47 227
Investment to expand operations Construction of head office building		– 18 128	– 10 712
<b>Cash effects of financing activities</b>		363 119	232 634
Development Fund contribution		371 000	250 000
Decrease in bank balances and cash		2 931	10 709
Proceeds from share capital issued		36 000	36 000
Capital market loans redeemed/repurchased		– 46 812	– 64 075
<b>Cash available for investment in earning assets</b>		395 094	195 812
<b>Investment in earning assets</b>		395 094	195 812
Net increase in loans advanced			

## Notes to cash flow statement

	1989 R'000	1988 R'000
<b>A. Cash generated by operations</b>		
Net income	38 263	39 145
<b>Non-cash items</b>		
Capitalized interest	– 38 271	– 21 930
Discount amortized	4 331	4 591
	4 323	21 806
<b>B. Cash utilized to increase/decrease(–) working capital</b>		
Increase/decrease(–) in accounts receivable	1 724	– 479
Increase/decrease(–) in interest receivable	– 1 868	987
Increase in accounts payable and provisions	– 2 109	– 2 488
Decrease in interest payable on capital market loans	1 951	2 669
	– 302	689



**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 are capitalized.

**1.2 Other operating assets**

Other operating assets consisting of furniture, office equipment and computer equipment 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 Capitalized interest**

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 transferred to income as interest received when it becomes due and payable.

**1.3.2 Direct portion**

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

**1.4 Investments**

Listed government and public corporation stock are stated at the lower of cost or market value on the item-by-item method. With effect from 1 April 1988, the method of arriving at cost was amended. Where cost contains premiums or discount on purchase, such amounts are amortized on a straight line basis over the period to redemption. In previous years the share premiums and discounts were not amortized. 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 these loans and is recorded as an element of interest paid. In previous years the surplus arising on the repurchase of capital market loans in advance of redemption date was deferred and amortized over the period to the redemption date. With effect from 1 April 1988 the surplus is transferred to income and is recorded as an element of interest received.

**1.6 Grants**

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

**1.7 Refund of taxes and duties**

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

**2. Share capital****2.1 Authorized and subscribed**

200 000 shares at a par value of R10 000 each

1989  
R'000

1988  
R'000

2 000 000

2 000 000

**2.2 Issued capital**

20 000 shares at par

200 000

200 000

**2.2.1 Less**

Balance of shares to be paid in 1988/89

36 000

**2.2.2 Paid-up capital**

20 000 (16 400 – 1987/88) shares at par

200 000

164 000

**2.3 Callable capital**

180 000 shares at par

1 800 000

1 800 000



**3. General reserve**

	1989 R'000	1988 R'000
Balance at 1 April	129 289	75 012
as previously reported		81 849
prior year adjustment relating to the years before 1987		-6 837
Transfer from income statement	38 263	39 145
as previously reported		38 278
restatement of 1988 results		867
Establishment surplus (see Note 4)		15 132
	<u>167 552</u>	<u>129 289</u>

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

**Prior year adjustment**

During the current year there were certain changes in accounting policies adopted by the Bank.

**- Capital market loans**

With effect from 1 April 1988 the method of calculating the amortization of the discount on issue of capital market loans was changed in order to reflect the discount more timeously in the financial statements. In addition, the surplus arising on the repurchase of capital market loans in advance of redemption dates, which in previous years was deferred and amortized over the period to the redemption date, is with effect from 1 April 1988 transferred to income and recorded as an element of interest received.

**- Investments**

With effect from 1 April 1988 the method of arriving at the cost of investments was changed. Where cost contains premiums or discounts on purchase, such amounts are amortized on a straight line basis over the period to redemption. In previous years these premiums or discounts were not amortized. This change in policy had no material effect on the carrying value of investments at 31 March 1989 or in previous years, and accordingly no prior year adjustment is reflected in respect thereof.

The restatement of opening capital market loans, with the application of the new policies, resulted in an overall decrease in the general reserve at the beginning of the year of R5,970 million, which has been shown in the income statement by way of a restatement of results for the year ended 31 March 1988 of R0,867 million (increase in net operating income) and the balance of R6,837 million, relating to the years before 1988, is shown as an adjustment to the balance on the general reserve at 31 March 1987.



	1989 R'000	1988 R'000
<b>4. Development Fund</b>		
Balance at 1 April	1 154 644	919 776
Contribution by SA	371 000	250 000
	<u>1 525 644</u>	<u>1 169 776</u>
Establishment surplus transferred to general reserve		15 132
	<u>1 525 644</u>	<u>1 154 644</u>
Commitments by the South African government to the Development Fund:		
– outstanding under the first six-year cycle of funding payable by arrangement between the Bank and the South African government	215 700	571 568
– in respect of the new five-year cycle of funding agreed to between the South African government and the Bank in 1988 (in 1989 real values)	1 695 000	
	<u>1 910 700</u>	<u>571 568</u>
The Development Fund consists of grants received and does not constitute a liability.		
<b>5. Capital market loans</b>		
DBSA local stock		
Balance at 1 April	136 524	200 599
Less: Redeemed/repurchased during the year	46 812	64 075
	<u>89 712</u>	<u>136 524</u>
Less: Net discount to be amortized	8 965	13 296
Discount to be amortized	29 119	29 119
Discount on issue of DBSA local stock amortized	20 154	15 823
	<u>80 747</u>	<u>123 228</u>
On 28 February 1986 the Bank issued DBSA stock with a nominal value of R239,170 million at a clean price of R210,051 million. The discount on the issue of R29,119 million is 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 1991 to 31 October 2001.		
The loans are redeemable as follows:		
0–1 year		25 629
1–3 years	6 230	6 230
3 years and longer	83 482	104 665
	<u>89 712</u>	<u>136 524</u>

**6. Capitalized interest**

	1989 R'000	1988 R'000
Balance at 1 April	84 921	51 949
Interest capitalized	51 597	36 258
	<u>136 518</u>	<u>88 207</u>
<b>Less:</b> Interest transferred to income statement	3 949	3 286
	<u>132 569</u>	<u>84 921</u>

An amount due and payable during the next financial year will be transferred to the income statement from capitalized interest as interest received.

4 705	2 781
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**7. Fixed assets**

At cost	32 208	14 080
Building	30 097	13 570
Infrastructure	2 111	510

The head office has been 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 25,06600 ha. Infrastructure development costs will be partially recovered from Midrand Town Council in the future and will be offset against this amount.

**8. Loans****8.1 Development loans\***

	1 550 752	1 040 958
Balance at 1 April	1 040 958	748 002
Loans advanced	493 163	283 126
Interest capitalized	85 919	54 902
Moratorium interest	51 597	36 258
Direct interest	34 322	18 644
	<u>1 620 040</u>	<u>1 086 030</u>
<b>Less:</b> Repayment of loans	69 288	45 072

**8.2 Other loans\***

	106 495	135 276
Balance at 1 April	135 276	177 518
<b>Less:</b> Repayment of loans	28 781	42 242
	<u>1 657 247</u>	<u>1 176 234</u>

\*Amount repayable during the next financial year

45 469	29 066
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\*Amount repayable during the next financial year

3 676	29 499
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	1989 R'000	1988 R'000
<b>9. Investments</b>		
Fixed deposits	370 923	282 632
Listed government and public corporation stock at market value*	17 939	109 626
Negotiable certificates of deposit	23 000	65 082
	<u>411 862</u>	<u>457 340</u>
*Cost price of securities	<u>18 454</u>	<u>112 991</u>
Maturity		
0-1 year	376 799	258 482
1-3 years	29 797	122 200
3-6 years		76 658
Longer than 6 years	5 266	
	<u>411 862</u>	<u>457 340</u>
<b>10. Net working capital</b>		
<b>Current assets</b>	16 791	19 866
Interest receivable	10 985	12 853
Accounts receivable	4 195	2 471
Bank balances and cash	1 611	4 542
<b>Less: Current liabilities</b>	11 596	11 438
Accounts payable and provisions	7 858	5 749
Interest payable on capital market loans	3 738	5 689
	<u>5 195</u>	<u>8 428</u>
<b>11. Interest received</b>		
Investments	68 591	61 267
Development loans	38 271	21 930
- Direct interest	34 322	18 644
- Transferred from capitalized interest	3 949	3 286
Other loans	15 504	19 554
	<u>122 366</u>	<u>102 751</u>



	1989 R'000	1988 R'000
<b>12. Other income</b>		
Refund – payroll taxes	3 000	2 000
Advisory and agency services	494	317
Other	1 125	795
	<u>4 619</u>	<u>3 112</u>
<b>13. Interest paid</b>		
Interest on capital market loans	12 572	17 439
Discount on issue of DBSA stock amortized	1 349	3 144
	<u>13 921</u>	<u>20 583</u>
<b>14. Auditors' remuneration</b>		
For the audit	87	80
For consulting services		
– internal management information system	352	348
– on behalf of Joint Financial Adjustment Committees	2	214
– other	16	9
Expenses	11	4
	<u>468</u>	<u>655</u>
<b>15. Operating expenditure</b>		
Consultants' fees	4 175	3 135
Communication	853	609
Data processing	2 132	1 035
Office rental	2 563	2 950
Staff-related	39 483	27 508
Subsistence and travelling	4 923	4 289
Other	1 916	1 565
	<u>56 045</u>	<u>41 091</u>
<b>16. Furniture and equipment written off</b>	25 108	9 406
<b>16.1 Furniture and other equipment</b>	6 668	4 194
Balance at 1 April	4 194	3 513
Amounts written off in financial year	2 474	681
<b>16.2 Computer equipment</b>	18 440	5 212
Balance at 1 April	5 211	3 713
Amounts written off in financial year	13 229	1 499
Total amount written off in financial year	<u>15 703</u>	<u>2 180</u>



	1989 R'000	1988 R'000
<b>17. Commitments and contingent liabilities</b>		
<b>17.1 Financing of the staff motor scheme</b>		
Financing of the staff motor scheme is done through a financial institution. The Bank guarantees the liabilities of its employees in this regard	3 795	4 465
<b>17.2 Financing of the staff housing scheme</b>		
Financing of the staff housing scheme is partly done through a banking institution. Guarantees are issued by the Bank in support of certain loans granted	4 040	3 144
<b>17.3 Collateral securities</b>		
Certain of the Bank's investments with building societies serve as collateral security for bonds granted by building societies to staff of the Bank	420	329
<b>17.4 Loan agreements</b>		
<b>17.4.1</b> Commitments in respect of loan agreements concluded but not fully disbursed	1 214 195	799 470
<b>17.4.2</b> Commitments in respect of loan agreements approved by the Bank and still under consideration by the prospective borrowers	923 710	770 265
<b>17.5 Technical assistance projects</b>		
<b>17.5.1</b> Commitments in respect of technical assistance projects concluded but not fully disbursed	5 720	2 988
<b>17.5.2</b> Commitments in respect of technical assistance projects approved by the Bank and still under consideration by the prospective recipients	640	1 592
<b>17.6 Loan guarantees</b>		
<b>17.6.1</b> Guarantees issued by the Bank	102 000	117 000
<b>17.6.2</b> Guarantees approved by the Bank but still under consideration by the prospective borrowers	13 069	17 089
<b>17.7 Capital commitments</b>		
Commitments in respect of contracts for the completion of the head office of the Bank	626	17 476

## 18. Liability for normal income tax

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

## 19. Pension Fund

At 31 March 1989, 672 (1988 – 503) employees were members of the Development Bank Pension Fund, to which the Bank contributed R3,0 million (1988 – R2,3 million). There were 5 (1988 – 3) beneficiaries to whom benefits amounting to R65 071 (1988 – R30 140) 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 usually 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 triannual actuarial valuation conducted on 31 March 1987 concluded that the Fund was financially sound.



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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 14 to 23.

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 1989 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)

25 May 1989  
Johannesburg



This section of the report focuses on progress with Bank activities over the first five full years of its operation. An indication is also given of expected future trends. This overview should be read within the frame of reference set out in the Chairman's report and the section on the mobilization of financial and human resources.

## Utilization of resources

### Support for investment

The resources mobilized by the Bank are used to give development support to the developing regions in Southern Africa. The primary clients of the Bank are the poorer people and communities in Southern Africa, with governmental bodies and developmental agencies, acting as borrowers, as important intermediaries between the Bank and these primary clients. The purpose of the support by the Bank is to supplement resources available within regions for development and, in so doing, to support a sustainable development process in Southern Africa. Attention is given not only to the need for financial resources but also to the important resources of knowledge and skills that are required for a sustainable development process.

The larger part of the financial support provided by the Bank is for public investment projects. Included in this is support for the creation of infrastructure by development agencies to provide a base for private sector investment.

Projects may include superstructures such as factory buildings or facilities for education and training, which are only financed by the Bank if the private sector is not able or willing to invest directly because of constraints prevailing in developing areas. As will be discussed below, in such instances the Bank gives special attention to assisting its borrowers to remove such constraints by addressing structural economic reforms.

To a significant extent, therefore, the development support given by the Bank provides opportunities for private investment through the creation of infrastructure and the provision of support services to emerging entrepreneurs.

The support of the Bank to private investment projects also takes the form of a facilitating role through the provision of assistance for the preparation of such projects. In many instances development agencies identify projects and act as their promoters, while the Bank offers advice and financial assistance if required so that these projects can be prepared to the point where private initiative will start playing a role. Where required, the Bank also assists with liaison and negotiation with the private sector to identify appropriate developers and sources of finance. Where necessary and appropriate, the Bank can also consider making limited guarantees available to mobilize private sector financial resources.

In principle, such private investment projects can fall within any of the economic sectors. Success has thus far been achieved especially in housing, commercial development and property development. With the increasing acceptance by governments of the important role of the private sector, and with the increasing realization by private sector firms of the long-term profit opportunities that can arise from expanding their activities to developing areas, the facilitating role of the Bank is expected to show strong growth. However, because of the nature of the involvement of the Bank in these instances, this growth will not be reflected in the statistics on projects approved and funds committed and disbursed by the Bank.

Support is also given by the Bank to projects aimed at providing direct support to emerging entrepreneurs, including small farmers. Such projects include infrastructure, physical facilities, credit and training.

### Support for structural economic reforms

It has been increasingly realised world-wide that sustainable development in developing areas is not achievable by focusing purely on making financial resources available for investment in projects. Because of constraints experienced by borrowers in their efforts to expand development programmes, it is important to address structural economic reform issues, an aspect which has been stressed by the Bank from its inception. Interaction and co-operation between the Bank and its borrowers lead to the identification of such structural issues and to the steady increase in requests and applications to the Bank for assistance in addressing such issues. This has become a significant part of the operational activities of the Bank, in the form of advice, research assignments and technical assistance. It has also become necessary, as part of the organizational development of the Bank, to enhance its own capacity to support borrowers adequately and effectively in these ways.



The following dimensions of structural economic reform that require special attention, and in which the Bank has been playing an increasing role, have emerged:

#### □ Development policy

Since it is virtually impossible to plan and implement effective and efficient development programmes and projects within a framework of unclear or poor policy, it is important to formulate clear development policies for states and regions, based on sound economic and developmental principles. The regional development policy adopted by the participating states of the Bank in 1982 has served as a frame of reference for states and regions to formulate overall and sectoral policies for development. The harmonization of such development policies and strategies is addressed in multilateral forums that have been set up between the shareholders of the Bank.

#### □ Development planning and strategy

Well-founded policies are only one aspect of development; the institution of a sound development planning process and the formulation of practical development strategies are also prerequisites for the effective and efficient utilization of scarce public sector resources. In terms of the objectives of the regional development policy, increasing attention is being given to the formulation of coherent development strategies for regions, subregions and specific urban and rural areas.

#### □ Appropriate technology and technical approaches

Special attention is given to technologies and technical approaches appropriate to a development environment, with the emphasis, *inter alia*, on appropriate standards to ensure the cost-effective attainment of development objectives. To enhance the development impact of investment projects, these projects are being designed with a view to optimizing labour intensiveness or labour enhancement, to provide for maximum procurement of goods and services produced in developing areas and to provide for opportunities for local emerging contractors and other entrepreneurs. In project design, special attention is also given to minimizing any potentially negative social and/or environmental impact and maximizing the potentially positive impact.

#### □ Institutional development

Structural institutional reform is required in a developmental context if a sustainable private-sector oriented development process is to be established. Such structural reform can range over a wide spectrum covering such issues as land reform and deregulation. Organizational development is often also required in the public sector to establish the capacity to plan, implement and maintain development projects and also to promote the efficient use of scarce resources. The Bank is at present giving special attention to the appraisal of the capacity of borrowers to manage development programmes and projects supported by the Bank and to provide technical assistance for organizational development if required. Another important institutional issue concerns the development principle promoted by the Bank of providing maximum scope for communities to participate fully in the planning, implementation and management of development projects directly affecting their quality of life.

#### □ Financial management and systems

Special attention to financial management is required, not only to ensure the efficient use of resources, but also to provide for the continuous availability of such resources to support development. In the Southern African context, financial systems are not only important for specific development agencies, but also for the financial relationship between central government and regional and local authorities, as well as between governments.

The Bank is in the process of enhancing its own capacity to appraise the financial structure of borrowers and to provide technical assistance in financial adjustment programmes, which are often required to strengthen the financial base of a borrower. Many important financial policy issues require special attention as part of this process, such as expanding the revenue base by way of appropriate tax and user-charging policies, professional debt management, the identification of appropriate sources of finance, limiting of recurrent expenditure by enhancing efficiency, by privatization and by revising subsidy policies, the strengthening of the capacity of financial management and control, including training, and the introduction of appropriate systems of planning, programming and budgeting.

#### Coherent Bank support programmes for states and regions

At the end of the first year of its operations, the Bank was involved in a limited number of projects in some states and regions, while in others there was no involvement. Due to the large inflow of applications for development support experienced over the first five years,

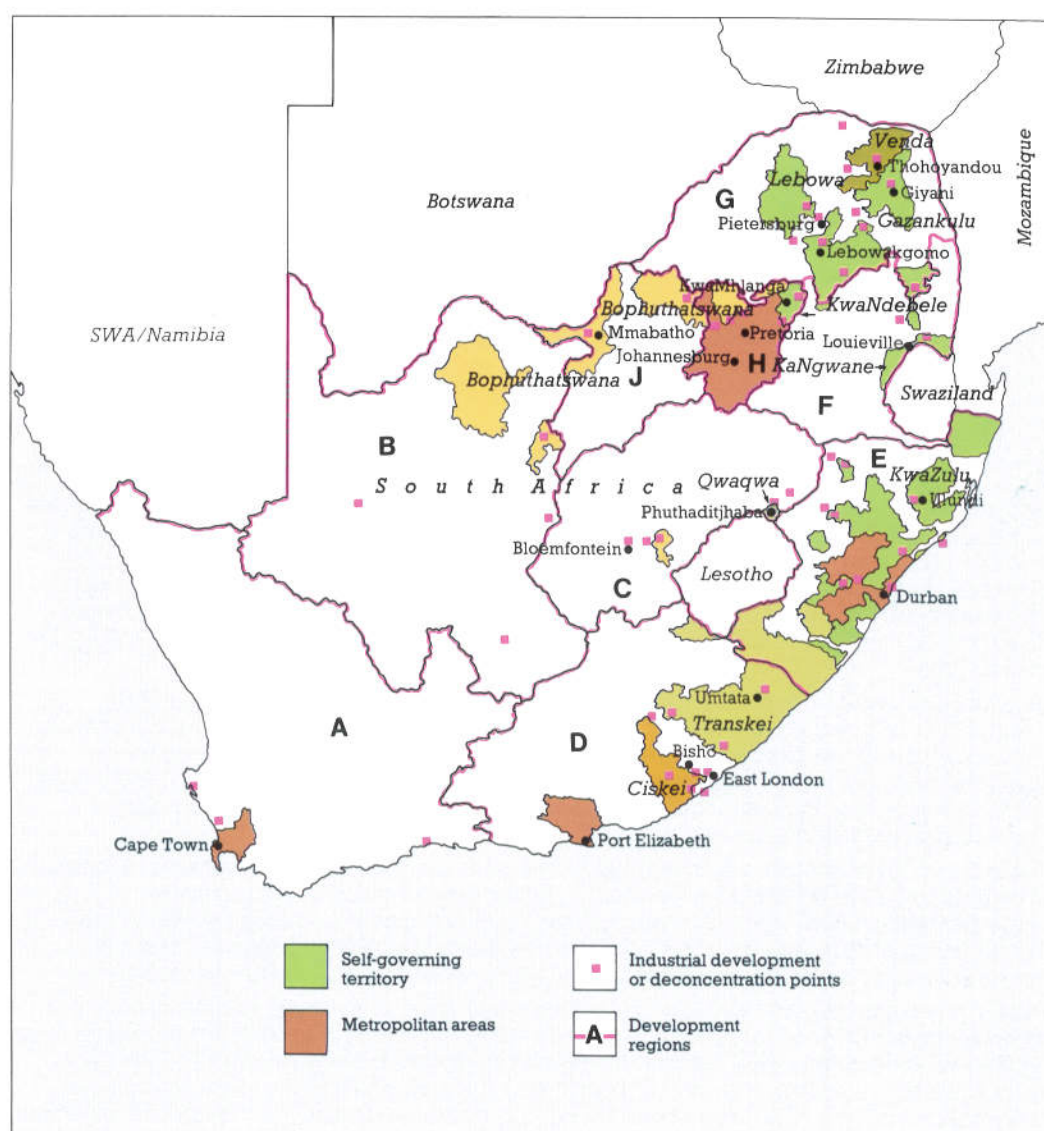


The Bank, together with the KaNgwane Department of Agriculture and Forestry, initiated and organized a competition during the year for architectural students from five universities to design appropriate community facilities for villages in KaNgwane. The competition aimed at involving the village committees in KaNgwane from the briefing stage to implementation, while at the same time exposing future professionals to appropriate design and technology in developing areas. Here two members of a village committee view one of the models



### 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



the Bank is at present supporting a significant part of the development programmes of many states and regions in Southern Africa. This has called for special attention to be given to the planning, programming and budgeting of the support programmes of the Bank towards specific states and regions. This is needed not only to ensure a coherent approach, but also to ensure effective support to attain the development goals, objectives and priorities of states and regions. At the same time, states and regions are strongly encouraged to address the planning and co-ordination of their total economic development programmes. Concurrently, the Bank is structuring its own internal planning, programming and budgeting processes.

### The overall development support programme

The development programme of the Bank consists of projects which are supported to promote the investment process, and public and private investment projects, as well as technical assistance projects which focus mainly on the structural economic issues discussed above.

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. This process emphasizes the principle that borrowers, and not the Bank, are responsible for projects, while providing for the close interaction required with the Bank to ensure effective technical and financial support during all phases. The phases of this cycle, from identification through preparation, appraisal and negotiation to implementation and evaluation, are logical steps to prepare for sound investment decisions by borrowers and sound financing decisions by the Bank. This process ensures a firm basis for the successful implementation of projects approved by the Bank.



### Flow of projects

During the past financial year, 152 projects, representing a financial commitment by the Bank of R1 116 million, were approved. A further R98,9 million was approved to increase previously approved loans to cover cost escalations experienced on projects in the process of implementation. The total level of commitments entered into during the year represents an important milestone in the Bank's activities, as 1988/89 is the first year in which the R1 billion mark has been surpassed. This achievement can largely be attributed to the increasing attention paid by the borrowers of the Bank to the sound preparation of projects. Such preparation expedites decisions by the Bank regarding financial support for projects, as well as final consideration and approval by borrowers concerning the implementation of such projects.

This level of approval of the support of the Bank for projects in 1988/89 brought the cumulative total financial contribution committed by the Bank to projects over the first five years to around R3 818 million, indicated in Figure 1.

Because of the strong inflow of project applications received and accepted into the pipeline, 561 projects, representing an estimated future financial commitment of around R3 249 million, were still under consideration in the preparation and appraisal phases at the end of the 1988/89 financial year. As indicated in Figure 1, there was a significant increase in the scope of Bank activities in support of projects over the first five years: The total of 1 175 projects, representing an estimated investment value of R8 376 million with an estimated financial contribution by the Bank of R7 068 million at the end of the five years, compares with 272 projects, representing an investment value of R2 461 million, with an estimated financial contribution by the Bank of R1 254 million at the end of the first full year of operation.

As reported on in the 1987/88 annual report, the high level of approval of projects is bringing to the fore both institutional and financial constraints experienced by borrowers. A number of borrowers are at present experiencing institutional constraints on the consideration of new loan offers and on the effective management of the implementation of approved projects, while simultaneously having to attend to the sound preparation of projects still to be finally considered.

A number of borrowers are also increasingly experiencing financial constraints, especially in providing for the recurrent expenditure required by projects during and after implementation. Due to the grace periods provided for in most Development Bank loans, the servicing of debt has up to now not been a significant problem. However, this can become a constraint in future if the financial bases of such borrowers are not enhanced.

As already reported, the Bank is at present in the process of strengthening its capacity to appraise institutional and financial constraints experienced by borrowers and to assist them actively in overcoming such constraints. However, in view of these constraints, the Bank is strongly encouraging some of its borrowers to shift the emphasis from identification and preparation of new projects towards measures required to ensure the efficient and effective implementation of already approved projects. The importance of attending to the operational management of fully implemented projects, as well as the maintenance of existing and new capital assets, is also being emphasized.

In recognition by both borrowers and the Bank of the need to address structural reform issues, a rising trend in technical assistance applications is being experienced. A total of 58 technical assistance projects, representing a Bank contribution of R23,3 million, were approved during the 1988/89 financial year.

The encouraging trend towards increasing use being made by borrowers of preparation assistance, offered by the Bank to assist them in mobilizing the expertise required for thorough preparation of projects, continued through the financial year with 37 preparation assistance loans, amounting to R9,7 million, being approved.

### Flow of funds

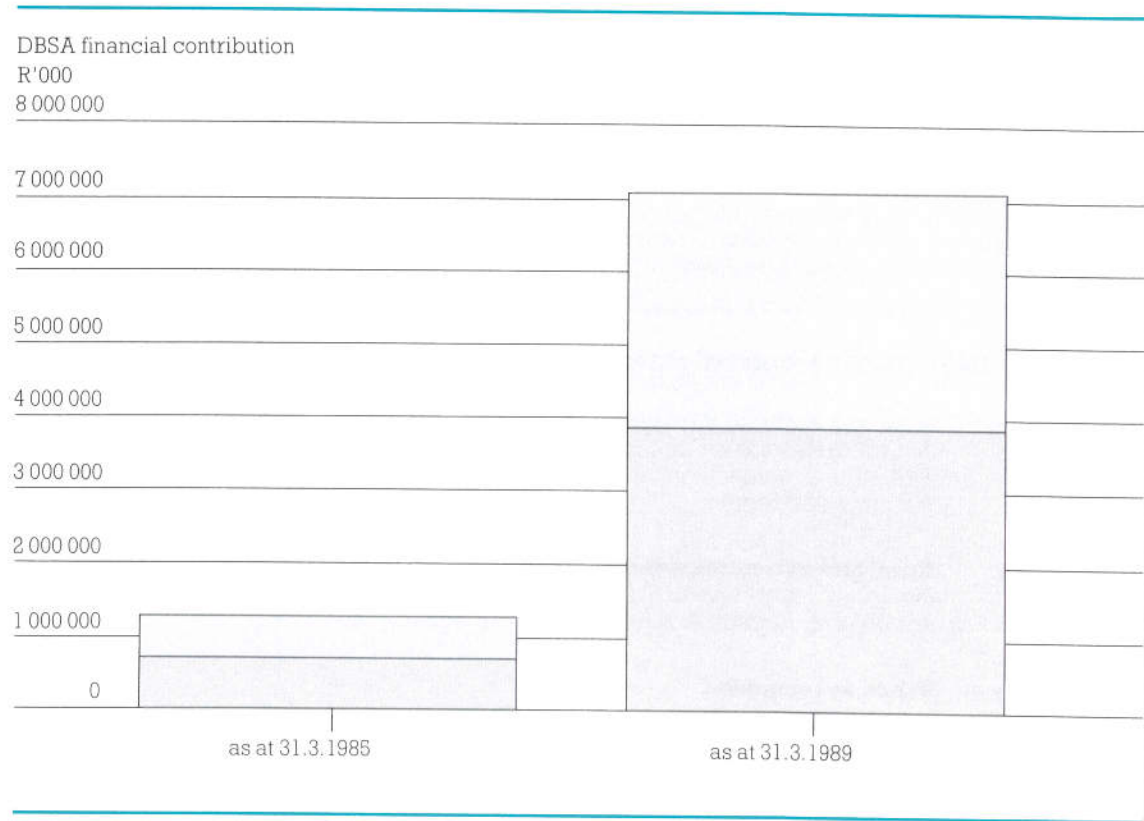
The flow of funds for approved projects and the annual increase in undisbursed financial commitments are depicted in Figure 2. During implementation, which normally takes from three to five years for an investment project, the borrower is required to put forward claims for disbursement of financial contributions by the Bank as progress is being made with the project. The flow of funds on a project is therefore directly related to progress achieved with its implementation. If the Bank is not satisfied that a project is being implemented in accordance with the agreement with a borrower, disbursements can be withheld until such issues are resolved. As mentioned earlier, delays are sometimes experienced before a loan offer is accepted by a borrower, while delays with the actual implementation of a project are also common occurrences. Furthermore, delays in disbursement are often experienced if borrowers are not in a position to put forward adequately substantiated claims because of deficiencies in their financial systems.




**Figure 1**  
Total financial commitments  
in respect of approved  
projects and expected  
commitments in respect  
of project applications  
accepted


 Financial contribution  
approved


 Expected financial  
contribution to projects  
under consideration

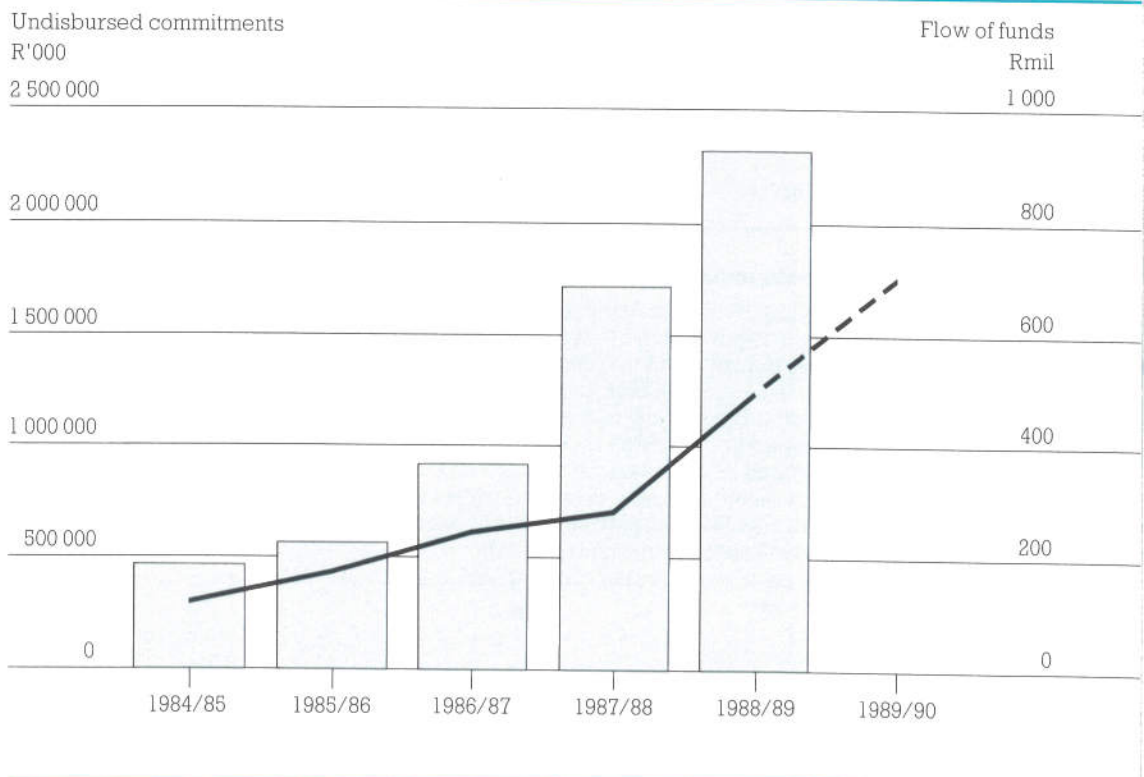


**Figure 2**  
Annual flow of funds  
and undisbursed  
financial commitments

 Undisbursed  
commitments

 Actual flow of funds

 Expected flow of funds



Were it not for these constraints and delays, actual disbursement of funds over the first five years would have been substantially higher. Nevertheless, good progress has been achieved, especially during the past financial year, as a result of active attention by both borrowers and the Bank to these constraints and delays. This resulted in actual disbursements amounting to R495,5 million, as against some R400 million originally budgeted for the financial year. It is estimated that around R700 million will be disbursed during 1989/90. This figure could also turn out to be significantly higher if progress in resolving the constraints and delays experienced continues. If existing trends are maintained, it is expected that a disbursement level of around R1 billion per annum will be reached within the next two years.

### The six main development functions within the Bank's activities



#### **State and regional development**

including support for economic structural reform at state and regional level, as well as co-ordination of Bank activities to achieve a coherent support programme per state and region.



#### **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 the 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, and technical and tertiary level education and training.

### Progress by main development function

The financial contribution by the Bank towards each of the six main development functions in the scope of Bank activities over the first five years, is illustrated in Figure 3. It is important to note that the financial contribution to a development function does not fully reflect the extent of Bank support in respect of that function, since it does not reflect the support for technical assistance or the facilitating role of the Bank in the mobilization of private sector resources. Technical assistance, which focuses on structural economic reform, does not lay claim to a large percentage of the financial resources of the Bank compared to investment projects, but the impact of a technical assistance project can nevertheless be very large and of a long-term nature as far as the development process is concerned. Similarly, the facilitating role of the Bank in the direct mobilization of private sector financial resources for a project might call for extensive operational activities which are not reflected in Bank loans allocated to such projects.

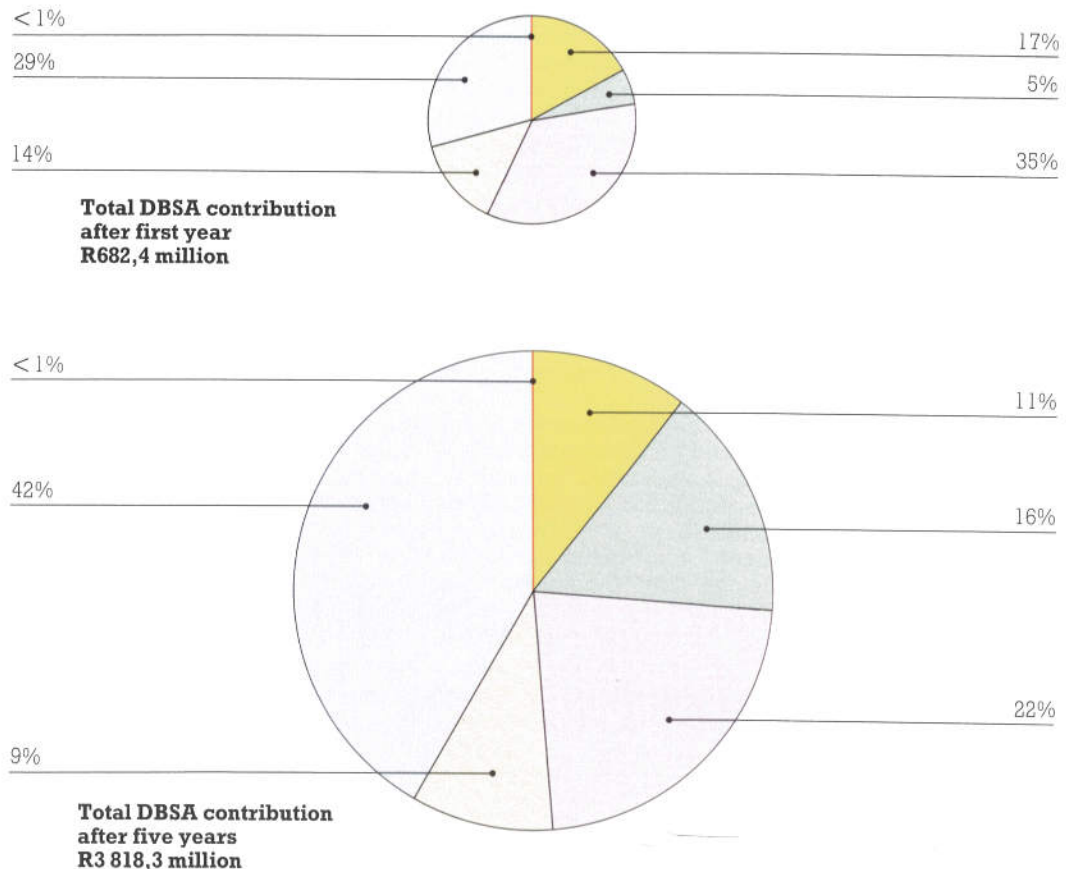
#### **State and regional development**

This function refers to those activities of the Bank which are directed at the macro or overall development of states and regions in which the Bank operates. The focus of this function is therefore not on individual investment projects, but on overall development programmes and structural economic reforms. The function includes support to governments in establishing economic development planning processes and capacity, in institutional development and for devising and managing financial adjustment programmes that are required at government level.



**Figure 3**

Financial contribution to approved projects by main development function



Fully-fledged financial adjustment programmes are being implemented in Transkei, Bophuthatswana, Venda and Ciskei. These programmes followed financial difficulties encountered by these states in 1986/87 which required urgent financial stabilization measures and which also led to decisions to plan and implement multi-year financial adjustment programmes. Special committees have been established, on which the state concerned and South Africa, on account of its important financing interaction with each of the states, are represented. Each committee operates under the chairmanship of the Chief Executive of the Bank, which also provides a professional secretariat service to these committees. In addition, the Bank provides technical assistance for financial adjustment issues to the governments concerned. Since financial adjustment needs to be co-ordinated with overall structural economic reform, this is also attended to by these committees. Although a similarly formalized process has not been established for the self-governing territories in South Africa, some of these governments and some emerging local authorities have also applied to the Bank for technical assistance in financial matters.

The regional development policy accords particular importance to the formulation of appropriate economic development strategies for each of the nine development regions. Significant progress has been achieved through initiatives of the Regional Liaison Committees which operate in the different development regions to institute development planning processes in order to formulate such development strategies. Over the last two years an increasing number of regional planning projects have been supported by the Bank, including technical assistance projects, to formulate regional and subregional development strategies, as well as regional sectoral strategies. Such projects are currently under way in Regions D, F and G and are expected to expand to other regions.

Due to the nature of these activities the actual importance of the state and regional function is not fully reflected in its relatively low financial allocation, indicated in Figure 3. Its importance should rather be viewed in terms of the important structural economic reform issues being addressed, as well as its co-ordinating role in the other five functions through the formulation by the Bank of coherent development support programmes for specific states and regions.

### *Rural and agricultural development*

During its first year of operation most applications for agricultural projects received by the Bank reflected an approach based on a high level of technology, capital intensiveness and intensive central management. This approach evolved at a time when agricultural development in developing areas of Southern Africa was largely seen as a process of establishing production as quickly as possible on prime farming land that became available through incorporation into such areas. Large estate-type irrigation projects were the order of the day. Some of these projects did provide for settlement of individual farmers, who were provided with physical capital and centralized management support.

The Bank strongly encouraged its borrowers to reconsider this approach, not only because of the fact that capital and management resources are relatively scarce in Southern Africa, but also because the development impact of such projects can be seriously questioned. The limited linkages of such projects with the rural environment manifested itself in such projects becoming enclaves of intensive production activity. On all these counts the sustainability of such an approach was seriously questioned.

An analysis of the reasons for underperformance of agriculture in developing areas in many parts of the world shows a crucial factor to be inadequate access of individual farmers to key off-farm support systems. In developing areas in Southern Africa individual farmers have limited access to input and produce markets, to extension services and training, and to physical infrastructure. It is also clear that institutional constraints in the rural environment inhibit the realization of the production potential. These considerations were addressed by way of interaction between the Bank and its borrowers which, from 1987 onwards, led to a shift in the support of the Bank for agriculture towards farmer support programmes. These projects are based on the belief that, when given access to the key external support elements, farmers will react positively to the prevailing market opportunities. It is also believed that farmer support programmes are likely to be most cost-effective in that they have much greater spill-over effects than the so-called settlement projects.

The farmer support strategy has also called for increasing attention to structural issues such as the reorganization of the institutional framework for agricultural development and the financial systems required, for example to provide for the financial support required from governments for recurrent expenditure in respect of some of the support elements that are required in such programmes.

The farmer support approach, which mainly focuses on agriculture as the leading economic sector in the rural environment, has also led to increasing recognition of the fact that a coherent and integrated approach to rural development is required. The Bank is increasingly supporting such rural development programmes, which provide for integrated rural development projects of a grassroots nature to support communities in rural villages, as well as providing support to small business in rural areas with emphasis on the opportunities created by the requirements for farm inputs, and such consumption spending as results from farmer support programmes.

### *Urban development*

During its first two years of operations, the Bank received only a limited number of project applications for the support of urban development. With the growing recognition in the different states and regions of urban development as a key dimension of a coherent development approach, a strong inflow of project applications within this function was experienced over the past three years, which led to an increasing number of urban investment projects being approved by the Bank. This trend is reflected in the increase in the share of the financial contribution from the Bank allocated to urban development from 5 per cent at the end of the first full financial year to 16 per cent after five years, as reflected in Figure 3. On the basis of the present strong trend of project applications being accepted and prepared, a significant increase in the relative share of financial resources allocated to urban development is expected over the next five years.

It soon became clear during the establishment of this function within the Bank that not only investment projects should be addressed, but that special attention also needed to be given to structural economic reform issues. The point has already been reached where Bank support for such issues is becoming the main part of support for urban development.

In respect of development policy and strategy, special attention had to be given to urban development planning at regional and state levels as well as for specific urban areas. This involved a move away from traditional, physically-oriented planning approaches towards the formulation of coherent urban development plans. Among the policy issues addressed, are maximum privatization and mobilization of private sector resources and housing and subsidy policies. The approach promoted by the Bank aims to limit public sector responsibility to overall policy and strategy and to the provision of bulk infrastructure, while providing opportunities for the private sector to undertake internal services and housing

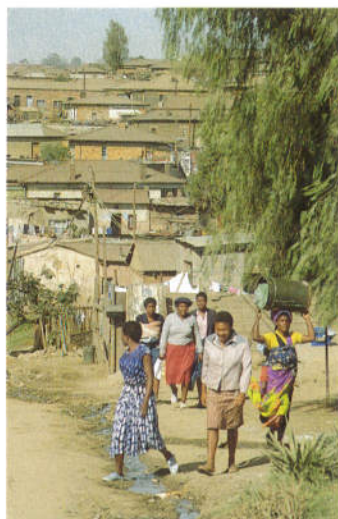


development for the middle and higher income groups. Public sector involvement in the provision of housing is still required for the lowest income groups, which represent the larger part of demand for housing in developing areas, but every effort is nevertheless made to achieve more significant involvement of the private sector at these levels as well. In this coherent and integrated approach to urban development, attention is also given to aspects of the total urban fabric other than housing, and in particular to strengthening the economic base of urban areas through provision for the promotion of business activities. Planning for educational and other social facilities, the full range of services required in the urban environment, and institutional development are also emphasized.

Concerning institutional development the focus is placed firstly on the development of local authorities, with full provision for the participation and involvement of communities in the planning and decision making for development projects, and secondly on steps towards the privatization of certain services, such as the provision of electricity and water. The demarcation of the roles of different development agencies and their co-ordination also require special attention. The same holds true for the relationship between developing and adjacent more developed local authorities, and between local authorities, provincial administrations and central government in South Africa.

The establishment and expansion of a financial base for developing urban areas go hand-in-hand with institutional development and require urgent and special attention at this juncture. The formulation and introduction of appropriate user-charging policies, sound financial management systems, and financial transfers between local authorities and higher-level authorities are among the matters receiving attention in the quest to develop a financial base for a sustainable urban development process.

The Bank has also played an increasing facilitating role in promoting the involvement of the private sector in the development process in developing urban areas. Positive results have been achieved, particularly in the provision of housing, but also with regard to real estate and commercial development. A variety of projects of an experimental nature have been supported over the first five years to test strategies aimed at a deeper involvement of, and greater responsibility for, communities concerned, the provision of opportunities for local contractors, various forms of privatization, and institution building.



The Alexandra urban renewal project, for which the Bank approved a loan of R54 million for the final design, construction and supervision of the upgrading of internal services as well as for preparatory work to address development issues in the area. The project is a joint venture with support provided by the Central Witwatersrand Regional Services Council, the National Housing Commission, Eskom and DBSA. The estimated total cost of the project is R138,5 million





### ***Business and entrepreneurial development***

In view of the prominent and leading role accorded to the private sector in terms of the regional development policy, the business and entrepreneurial development function has a key role in the development approach promoted by the Bank. During the first year of operations, a significant number of industrial development projects were considered by the Bank in terms of the regional industrial development programme announced in 1982. In consequence, this function received a relatively large allocation of Bank finance for projects approved, namely 35 per cent during the 1984/85 financial year, as indicated in Figure 3. However, the Bank encouraged development corporations and governments to give relatively more attention to appropriate support programmes for local emerging businesses. In terms of an understanding reached at a meeting between the Bank and development corporations during 1985, support programmes for emerging businesses were launched and supported by the Bank in all the participating states. Recurrent funding for these programmes was initially also provided out of special employment creation funds made available by the South African government. These programmes were regarded as experimental in order to determine the most effective and efficient ways to support emerging businesses. The results achieved can be regarded as very encouraging, but also show that in such programmes special attention needs to be paid to institutional adjustments by development corporations to redirect their operational activities and to provide for ongoing recurrent expenditure support from the budgets of governments. These issues are currently receiving intensive attention in several states with Bank support.

Increasing attention has also been given to the promotion of investment by the established private sector in developing states and areas of Southern Africa, with special emphasis on addressing factors inhibiting such investment. Structural reform measures required to address constraints apply to such issues as security of tenure, deregulation, provision of infrastructure and the formulation of clear policies which, if consistently applied by the authorities concerned, can activate a positive investment climate. The need for clear policies and strategies for the different economic sectors, such as tourism, commercial development and mining, has become apparent and is increasingly being attended to.

The facilitating role of the Bank in preparing development projects in such a way that the private sector is encouraged to take an interest, and in negotiating with private sector interests to undertake such projects, has become an important part of the operational activities within this development function. Given this shift in emphasis, the scope of activities this function represents in the Bank is not accurately reflected in the trend of its share in the total financial support provided by the Bank, as shown in Figure 3.

### ***Bulk infrastructure development***

The development of bulk infrastructure has received the highest share of the financial contributions by the Bank from the first year of operations. This share has increased continuously over the first five years, from 29 per cent in the first full year of operations to 42 per cent in the past financial year, as shown in Figure 3. This trend is in line with the basic principle promoted by the Bank, namely that it is primarily the role of the public sector to provide infrastructure that can pave the way for private sector investment. However, the relatively high percentage of financial resources taken up by this function is also related to the fact that bulk infrastructure serving regional development is by nature capital-intensive.

Infrastructure development projects supported by the Bank include transport, especially roads and bridges, the development of water resources, providing for energy needs, especially through electricity distribution projects, telecommunications development, and to a more limited extent the provision of postal services. Over and above the consideration of the economic merits of such projects and of their development impact in the preparation and appraisal of these projects, thorough attention is given to such issues as providing maximum scope for labour-intensive approaches, or for labour enhancement if capital-intensive approaches are unavoidable; appropriate design to provide maximum scope for local small entrepreneurs, and for the full use of local goods and materials; and keeping the cost of facilities affordable to the responsible public bodies and to their user communities, thereby facilitating in the introduction of user-charging.

A stage has been reached where the Bank is supporting a significant number of projects in each of a number of states and regions. This requires closer attention to planning and priority allocation of resources within infrastructural programmes in such states and regions. The expansion of these programmes has also brought to the fore serious organizational capacity constraints as well as constraints in the financial capacity of borrowers to maintain such programmes. The Bank is therefore advising borrowers to follow an approach of consolidation in terms of which more emphasis is given to addressing these constraints, with Bank support, to an extent that can ensure the success of projects already approved and in implementation, rather than simply continuing to take more new projects into the pipeline. An important issue that now receives special attention is the



implementation of systems to maintain capital assets produced as a result of these programmes.

In view of the extensive infrastructural needs and backlogs in the developing areas of Southern Africa, infrastructure development is expected to maintain its relatively high share of the financial support provided by the Bank during the coming years.

### ***Human resource development***

During its first year of operation, the Bank played only a limited supporting role in respect of human resource development. Following requests put forward by virtually all its participating states, the Board of Directors and Council of Governors at an early stage approved guidelines for an extended role for the Bank in support of education and training. The Bank does not financially support the provision of ordinary primary and secondary educational facilities as this is of a more ongoing nature, to be financed directly out of government budgets. The focus of the support given by the Bank to human resource development is rather on structural adjustment in the field of education and training with a view to assuring that this function is more effective in meeting the requirements of the development process and of the private sector. The support programme that has taken shape over the five years consists of projects which are more or less equally distributed between technical and commercial education and training, agricultural education and training, university education, and teachers' education and training.

The emphasis placed on structural adjustment has resulted in an increasing number of technical assistance projects to support the formulation of relevant and clear manpower policies and strategies on state and regional level. The Bank considers it to be important that co-operation, co-ordination and rationalization in the education and training sector be addressed at national, regional and Southern African levels, to ensure an efficient and effective utilization of scarce resources. Issues being addressed include measures to reduce the fiscal burden for the public sector through more appropriate student and trainee fee structures, and by mobilizing contributions from the private sector, both in providing certain capital elements of projects and in providing bursaries to students and other forms of support for recurrent costs of facilities. Cost-effective design criteria, including provision for multi-purpose uses of all education and training facilities, are also aimed at this. Significant progress has been made in conveying an awareness of these considerations to the relevant professions, such as architects, engineers and educational planners.

Meaningful progress can also be reported on the important issue of external efficiency or relevance of the education and training output. This is being achieved by way of the active involvement and participation of commerce and industry in the planning and management of formal and non-formal education projects. Restructuring to achieve a more vocationally

During 1985/86 the Bank approved a loan of R3,8 million for the construction of the Venda Technical High School in Thohoyandou. The school was completed during 1988 and can accommodate 500 students up to Standard 10, including residential accommodation for 200 boys, and offers mechanical, electrical and construction subjects for matric together with technical drawing, mathematics, physical science and languages. The school serves Venda's need for pupils equipped to pursue a technological career at tertiary level, at a technikon or university





and career-oriented approach in the formal education system is being encouraged in this way. Notable progress has also been made in promoting a competency-based modular training approach for all levels of training. This has not only contributed to the efficiency of technical and vocational training, but is also facilitating labour mobility across the borders as well as the vertical progress of the individual within the various trades in Southern Africa. In view of the priority allocated to education and training by governments and communities, a consistent demand for Bank support is expected in the years ahead.

### Geographic scope of activities

The total area under the jurisdiction of the shareholders of the Bank has been demarcated into nine development regions in terms of the common regional development policy adopted by them in 1982. These regions differ significantly in terms of geographic size, natural resources, economic potential, population pressure and the availability of an own income base.

The Bank does not apply any preconceived formula in the allocation of resources between the development regions. The allocation depends rather on initiative and progress with development planning and project identification and preparation in each region, and on a region's need to supplement its own resources with support from the Bank. Figure 4 indicates the relative share of each development region in the financing made available by the Bank in respect of approved projects. The graphs also indicate the share of Bank financing made available to projects falling under the jurisdiction of states which are not members of the Bank.

As can be seen from Figure 4, by the end of the first full year of operation of the Bank Region D had been allocated by far the biggest share in the financial commitments entered into by the Bank, namely 45 per cent. This was due to the fact that the region had a large share of the project applications taken over by the Bank from South Africa on the establishment of the Bank. Although the share of Region D increased significantly over the five years of operations in absolute terms, its relative share decreased to 27 per cent as a result of the stronger inflow of applications experienced over this period from other regions. An increase in the share of Region E from 10 per cent to 18 per cent is noteworthy. It is expected that the share of Region E will increase further, *inter alia* because of the extensive requirements of the KwaZulu/Natal Urban Development Programme. Region G maintained its position, with a nominal decrease in its share of fund commitments by the Bank, from 14 per cent to 13 per cent. It also appears from Figure 4 that over the first five years the Bank became involved in regions where it was not originally involved, or only involved to a very limited extent. Although the involvement in Region A is still limited, financial contributions to this region may, in absolute terms, be expected to show some growth over the next five years. The Bank has more recently received a strong inflow of applications for urban development projects in less developed urban areas in South Africa.

The more recent involvement of the Bank in neighbouring non-member states, which do not form part of the nine development regions, increased significantly during the past two financial years. The request from South Africa and Lesotho for support for advance infrastructure for the Lesotho Highlands Water Scheme, as well as for related development projects in Lesotho, resulted in a programme which has expanded significantly. It now includes projects such as roads and bridges, urban and village development, business development and institutional development. The financial contribution already approved plus future expected contributions are estimated to amount to R409 million. A technical assistance project, approved during the 1988/89 financial year, for a study into the integrated forestry development potential in southern Mozambique, has been completed. Further involvement of the Bank in bulk infrastructure development as well as the agricultural development adjacent to the commercial forestry development in Mozambique, is at present under discussion. An investment project (preparation assistance) in respect of a sugar experimental station, addressing the needs of both small and commercial farmers, was approved during the current financial year.

Negotiations concerning the financing of a project to construct two dams to develop the water resources of the Komati River Basin with close co-operation between South Africa and Swaziland are still under way. In South Africa Region F, and in particular KaNgwane, are expected to benefit significantly from these investments, and it is envisaged that the Bank could provide a significant part of the financing required.

### Agency programme

The Bank at present handles agency projects on behalf of the South African Department of Foreign Affairs and of the SWA/Namibia Development Fund. Such projects are processed in a similar way to projects supported from the resources of the Bank itself, with the only difference being that decisions are not taken by the Bank but by the principal on whose behalf the Bank is acting, while the financial resources are also provided by such principal.

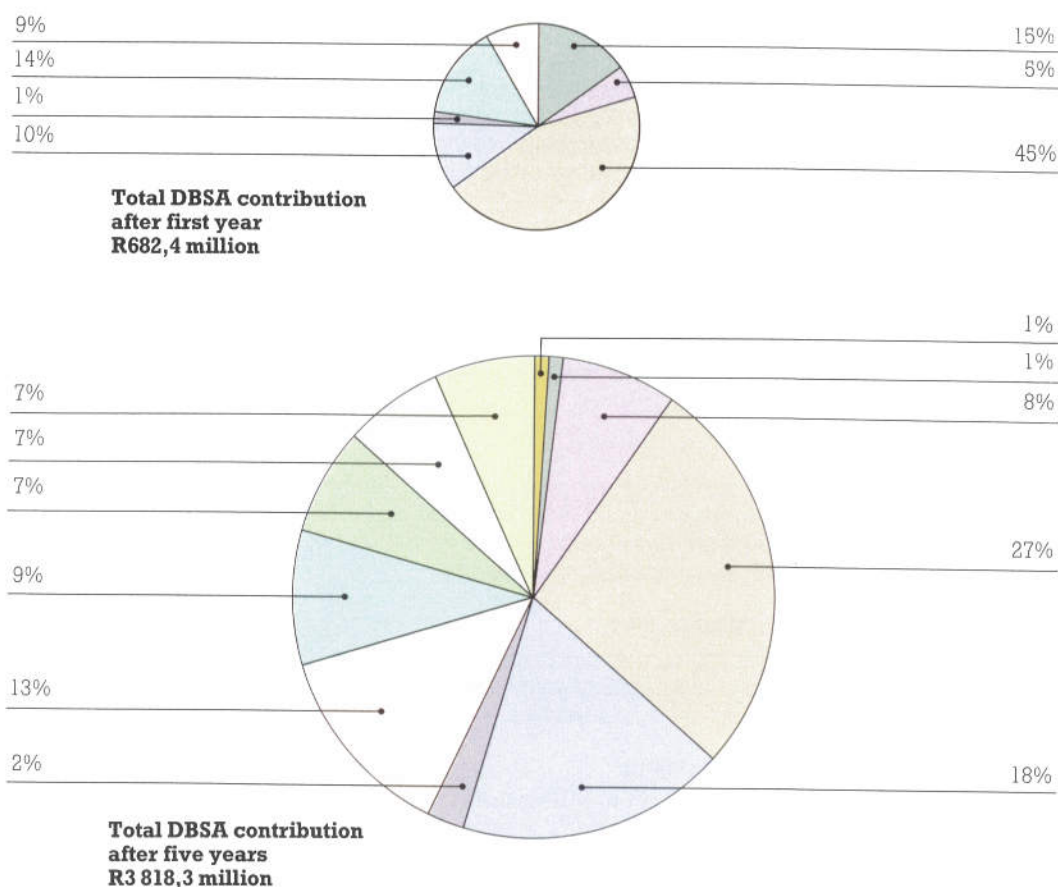
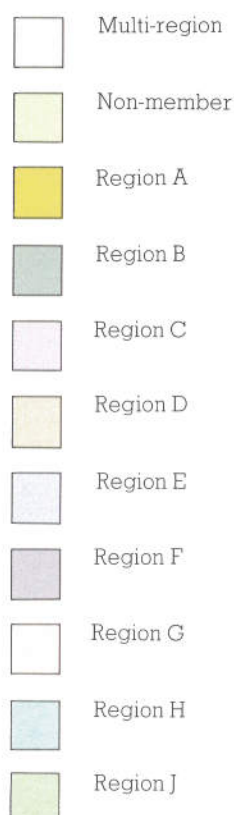
### Development regions



- 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
- I: Bophuthatswana districts
- J: Western Transvaal in South Africa; Bophuthatswana districts



**Figure 4**  
DBSA financial contribution  
per region for approved  
projects



The Bank recoups operational expenses in respect of such activities. A total number of fifteen projects are being handled on behalf of the South African Department of Foreign Affairs, of which twelve have already been approved. In respect of the SWA/Namibia Development Fund ten projects were handled during the 1988/89 financial year, of which four have already been approved.

#### Assignment programme

The assignment programme of the Bank embraces a wide range of investigations and other commissions undertaken either for its own use or on request from its participating states, their development agencies and other institutions in the field of development.

Assignments are usually undertaken to assist with policy formulation, both on the strategic and operational levels, as well as with other activities such as development planning, programming, project design and appraisal, and manpower training. Assignments are carried out by staff of the Bank or by external expertise appointed and supervised by the Bank.

#### Structure of the assignment programme

##### Data research

Assignments on data research are primarily undertaken to provide for the data needs of the Bank and comprise three main groups.

Development information files contain comprehensive data research and statistical reports on the participating states of the Bank. A similar assignment for each of the nine development regions was started this year.

Economic and social memoranda are based on the development information files and set out the main characteristics encountered when analysing the statistics on the various development dimensions contained in the development files.



Occasional statistical studies involve surveys to obtain baseline data and statistical abstracts which contain macro-statistical aggregates on various development issues pertaining to states and territories in Southern Africa.

### **Policy research**

Policy research assignments provide qualitative inputs for the policy formulation and decision making processes both in the Bank and in the participating states and their institutions. Assignments under this heading fall into three groups: position papers (or state-of-the-art studies); policy analyses and policy evaluation studies; and studies on policy-analytical techniques.

### **Project evaluation**

The aim of project evaluation is to establish the successes and shortcomings of Bank-supported projects and programmes that have been fully implemented. Several assignments were embarked upon during the financial year under review with the first assignment in this category, an evaluation of the development information files, completed during the year.

### **Planning studies**

These assignments include the development of guidelines on the methodology and systematics of planning; the designing of planning frameworks; the compilation of development appraisals; and the formulation of state as well as regional assistance strategies for both the Bank and its participating states.

### **Economic and technical consultancies**

These assignments are undertaken at the request of the participating states and their development agencies and consist predominantly of viability and technical studies in the fields of agriculture and industrial development.

### **Operational policy and project design**

Assignments under this programme are undertaken to formulate guidelines and to develop appraisal and other frameworks for the various functional areas of operation of the Bank. As far as project design is concerned, assignments are undertaken to develop and establish appropriate norms, standards and design approaches.

### **Training assignments**

These assignments include the determination of training needs, the development of training programmes and the arrangement and presentation of specific training seminars in the Bank or its participating states.

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

This type of assignment is undertaken for internal Bank purposes. Examples are: research to facilitate the formulation of the strategic plan of the Bank; a study on the corporate culture of the Bank; and an investigation into the image of the Bank as perceived by its various publics.

### **Development of the assignment programme**

During the first five years, the focus of the assignment programme developed in line with the overall development policy of the Bank.

This included the phasing out of consultancy services undertaken by the Bank for participating states and their development agencies and encouragement of more involvement by the private sector to render such services, greater utilization of external consultants in Bank assignments, a more regionally focused orientation of assignments, a shift from position papers or state-of-the-art studies towards policy analysis and evaluation assignments and an expanded geographical scope of Bank assignments.

During the first five-years, 281 assignments were completed, of which 80 were for the Bank itself and 201 for clients.

One of the most important policy research studies undertaken during this period was a comprehensive assignment in which the Bank provided the research management and secretarial services for an evaluation by an independent panel of experts of the regional industrial development programme as an element of regional development in Southern Africa. This assignment was undertaken at the request of the Development Council of Ministers of the member governments of the Bank. The assignment was divided into twenty subassignments which were undertaken by consultants and academics.







# Annexure 1: Development programme

40

Approved investment and technical assistance projects, 1988/89

## State and regional development

### Khayelitsha urban development programme socio-economic surveys (technical assistance):

The verification and updating of existing available demographic and socio-economic data on the Black population in the Cape Peninsula. This data will serve as an input in the comprehensive development programme for Khayelitsha and surrounding areas. The project will be conducted in phases with the focus on Khayelitsha and those areas in the Cape Peninsula identified as the supply areas of people settling in Khayelitsha.

**Recipient:** Cape Town Town Council

**DBSA grant:** R58 000

**Total cost:** R108 700

## Urban development

### Khayelitsha: Town 3—Bulk earthworks: Loan I (investment):

The alleviation of the present housing and serious employment shortage in the low income sector of Khayelitsha by creating opportunities for site and service and self-help schemes, as well as private sector participation in the provision of housing in the Cape metropolitan area. The project entails the design and immediate implementation of bulk earthworks for phase I (villages 3, 4 and 5) immediately, with implementation of phase II (villages 1 and 2) being planned for the winter months of 1990 for Town 3. This is the first project in the development of Town 3.

**Borrower:** Administrator of the Cape of Good Hope

**DBSA finance:** R21 092 000

**Total cost:** R21 092 000

## Region A



Khayelitsha in Region A



## Infrastructure development

### Data-based road management study (technical assistance):

The development of a comprehensive maintenance and upgrading programme for the Bophuthatswana road network. Data from annual condition assessments of the roads and appurtenant works will be processed using computerised models to produce budget estimates and maintenance schedules.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R955 070

**Total cost:** R1 100 070

### Rehabilitation of Bophuthatswana's western region roads: Phase I (investment):

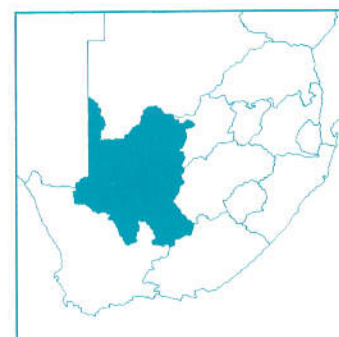
The rehabilitation of sections of the road network in the western region of Bophuthatswana which were damaged by floods. Included in the scope of the project are the repair of damaged bridges and drainage structures, reconstruction of washaways and badly damaged sections of road and construction of low-level crossings where necessary.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R1 166 000

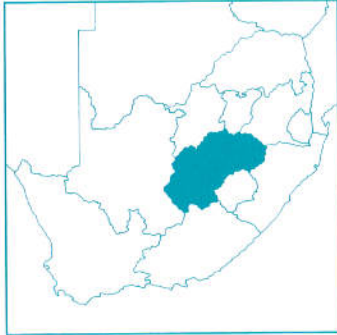
**Total cost:** R1 184 000

## Region B





## Region C



The Botshabelo industrial area for which the Bank approved a loan of R41,5 million for the construction of additional factories and infrastructure



The fast-growing industrial area in Phuthaditjhaba, Qwaqwa, for which a loan of R34,9 million for additional factories and infrastructure was approved during the year



### Urban development

#### Kutlwanong: Bulk & connector services: Phase I (investment):

The provision of bulk and connector services within the municipal boundaries of Kutlwanong consisting of water connector services, outfall sewers & sewage treatment works, stormwater canals, an access and collector road and electrical substations and feeder lines.

**Borrower:** Kutlwanong Town Council

**DBSA finance:** R6 597 000  
**Total cost:** R8 836 000

#### Thaba'Nchu-Selosesha urban development programme: Fire station (investment):

The construction of buildings and provision of vehicles and equipment for a fire and emergency service to protect existing and future urban and industrial infrastructure and facilities to support continued investment and economic development in the Selosesha area.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R1 057 000  
**Total cost:** R1 074 000

### Business and entrepreneurial development

#### Botshabelo industrial development: Project III (investment):

The construction of factory buildings and infrastructure at the Botshabelo industrial area to accommodate anticipated future demand on a programmed basis.

**Borrower:** South African Development Trust Corporation

**DBSA finance:** R41 516 800  
**Total cost:** R51 896 000

#### Industriqwa industrial development: Project I (investment):

The establishment of industrial infrastructure and factory buildings at Industriqwa on a phased basis to cater for the demand at this industrial development point.

**Borrower:** Qwaqwa Development Corporation

**DBSA finance:** R34 860 000  
**Total cost:** R40 050 000

### Infrastructure development

#### Qwaqwa: Expansion of electrical network: Phase II (investment):

The construction of the 22 kV component of a new 132/22 kV substation and overhead lines, and upgrading of the existing 11 kV overhead lines to 22 kV.

**Borrower:** Qwaqwa Government

**DBSA finance:** R4 887 000  
**Total cost:** R4 986 000

#### The upgrading and construction of routes 5 & 6 (investment):

The upgrading of an existing gravel road approximately 14,8 km in length linking a route in the vicinity of the Qwaqwa government buildings with a route in the vicinity of the Mahokojwane River. The project also includes the upgrading of a section of road between the Elizabeth Ross Hospital and a route in the vicinity of Bolata, as well as the construction of a new bridge over the Ngotjwane River.

**Borrower:** Qwaqwa Government

**DBSA finance:** R24 027 000  
**Total cost:** R24 287 000

#### Upgrading of Qwaqwa water supply: Phase III (investment):

The construction of various water supply components required for the purification, storage and distribution of potable water from the Fika Patso dam and the Swartwater dams utilizing as much of the existing system as possible and upgrading it where necessary.

**Borrower:** Qwaqwa Government

**DBSA finance:** R7 500 000  
**Total cost:** R7 500 000



**Region D****State and regional development****Ciskei: Sample survey for development planning purposes** (technical assistance):

The sampled enumeration and quantification of economic and socio-economic data in Ciskei. The results of the sample survey will contribute to and support the establishment of a data bank in Ciskei which will be gradually expanded according to development planning requirements.

**Recipient:** Ciskei Government

**DBSA grant:** R48 000

**Total cost:** R80 000

**Rural and agricultural development****Keiskamahoe farmer support programme: Phase I** (investment):

The creation of access, through a farmer support programme, to the full range of agricultural inputs and services for 5 000 emergent smallholder farmers on 5 000 ha of land in the Keiskamahoe district.

**Borrower:** Ciskei Government

**DBSA finance:** R2 233 000

**Total cost:** R4 002 000

**Urban development****Housing subsidy policy for Ciskei** (technical assistance):

Financing of a study by consultants appointed by the Ciskei government to prepare alternative housing subsidy scenarios for the Ciskei Directorate of Planning, which addresses housing subsidies, as well as cross-border harmonization of subsidy policies. The project does not include the implementation of the new subsidy policy.

**Borrower:** Ciskei Government

**DBSA finance:** R30 000

**Total cost:** R30 000

**Mdantsane city planning: Phase II** (technical assistance):

The appointment of project management consultants to assist Ciskei in identifying and determining the scope and prioritization of projects within the Mdantsane urban development programme.

**Borrower:** Ciskei Government

**DBSA finance:** R697 500

**Total cost:** R697 500

**Potsdam internal reticulated services: Phase I** (investment):

The provision of internal infrastructure, through private sector participation, to the residential neighbourhoods of Potsdam South and Potsdam East in Ciskei. Phase I of the internal services will consist of roads, stormwater drainage, water reticulation, sewage reticulation, sewerage disposal, electrical reticulation and street-lighting to approximately 1 560 stands.

**Borrower:** Masizakhe Utility Company

**DBSA finance:** R15 285 000

**Total cost:** R15 732 000

**Privatization of electricity distribution in Kwanobuhle** (investment):

The provision of finance to a private company that has been established as a result of a joint venture between Eskom and multi-national companies in Uitenhage spearheaded by the Midland Chamber of Industries. The objective of the company is to promote economic development in Region D through the optimal utilization of existing bulk supply systems as well as the provision of adequate electricity supply to individual households and large consumers on the basis of a least cost strategy combined with full cost recovery by way of privatizing trading services in Kwanobuhle. The project is viewed as having a major potential impact, highlighting the principles of the privatization of a trade service with full community support. The project will also focus on providing local entrepreneurial opportunities.

**Borrower:** Kwanobuhle Electricity Supply Company

**DBSA finance:** R25 015 000

**Total cost:** R38 910 000

**Umtata sewer upgrade** (technical assistance):

The appointment of consultants to investigate the most feasible method of providing sewers from the future northern sewer outfall catchment in Umtata for future development projects.

**Borrower:** Umtata City Council

**DBSA finance:** R135 000

**Total cost:** R138 000

**Region D**



*Region D continued***Business and entrepreneurial development****Ciskei: Small business development programme III (investment):**

A further phase of the Ciskei Small Business Development Programme which comprises the following elements:

- a revolving fund to provide loan finance for existing businesses
- training facilities, equipment and programmes for the small business sector and for counsellors to this sector
- counselling services to the small entrepreneurs
- financing of physical facilities, such as small factory workshops and market stalls
- policy and strategy programme.

**Borrower: Ciskei Peoples Development Bank and Ciskei Small Business Corporation**

**DBSA finance: R8 598 000**

**Total cost: R9 408 000**

**Ciskei wildlife conservation & utilization project (investment):**

The development of three complementary game parks in western Ciskei. These are the Tsolwana Game Park, Mpofu Game Park and Lennox Sebe Game Reserve. The project entails the first phase of the development of the three parks, namely provision of infrastructure, consisting of game fencing, upgrading and construction of roads, upgrading and extension of water systems, construction of entrance gates, and provision of a basic veterinary and information facility.

**Borrower: Ciskei Government**

**DBSA finance: R2 713 000**

**Total cost: R6 825 000**

**Evaluation of mining leases (technical assistance):**

The evaluation of mining lease applications by specialist consultants to exploit the heavy minerals on the south coast of Transkei with a view to enabling the Transkei government to select its best option in terms of the overall economic development of the state.

**Borrower: Transkei Government**

**DBSA finance: R380 000**

**Total cost: R594 512**

**Seminar on private sector involvement (technical assistance):**

A two-day seminar in Umtata involving both the government and the private sector to discuss the implication of private sector investment and participation in the economy of Transkei.

**Recipient: Transkei Government**

**DBSA grant: R15 300**

**Total cost: R20 000**

**Infrastructure development****Ciskei: Electricity supply management (investment):**

The acquisition of vehicles, workshop equipment, maintenance equipment and permanent facilities for the maintenance by the Ciskei Department of Works of the high voltage distribution system in Ciskei.

**Borrower: Ciskei Government**

**DBSA finance: R2 112 000**

**Total cost: R2 162 000**

**Attendance of IWSA Congress (technical assistance):**

The sponsoring of two staff members of the Department of Agriculture and Forestry to attend the International Water Supply Association Congress (IWSA) in Rio de Janeiro.

**Recipient: Transkei Government**

**DBSA grant: R19 000**

**Total cost: R19 000**

**Dimbaza: Upgrading of bulk electricity supply (investment):**

The construction of a transmission line between Pembroke and Dimbaza, the establishment of a new substation west of Dimbaza and the connection of this substation with the existing distribution network.

**Borrower: Ciskei Government**

**DBSA finance: R4 936 000**

**Total cost: R5 065 000**

**Hogsback: Pumped storage scheme (technical assistance):**

An investigation into the feasibility of a pumped storage electric power scheme in Ciskei.

**Borrower: Ciskei Government**

**DBSA finance: R313 000**

**Total cost: R358 000**



**Region D continued****Idutywa: Water and sewage works**  
(investment):

The enlargement of the sewage treatment works through the alteration of existing ponds and construction of new ones, the modification of the existing water purification works, and the construction of the necessary facilities to increase the capacity of the plant.

**Borrower:** Transkei Government

**DBSA finance:** R746 000

**Total cost:** R1 051 000

**Privatization of Ciskei Transport Company Bus Company Limited: Phase II**  
(technical assistance):

The appointment of consultants to investigate appropriate forms of operation which would lead to improved profitability of the enterprise. Quantification of the alternative forms of operation will be undertaken.

**Borrower:** Ciskei Transport Company Bus Company

**DBSA finance:** R183 700

**Total cost:** R184 000

**Water supply to 25 towns in Transkei**  
(technical assistance):

An investigation into population growth and existing water supply and demand patterns, followed by proposals and preliminary designs for the augmentation of the water supply as well as the estimated costs and effects of the costs on the identified towns.

**Borrower:** Transkei Government

**DBSA finance:** R216 000

**Total cost:** R216 000

**Human resource development****Additional residential accommodation for the University of Transkei** (investment):

The construction of two additional student residences, a warden's house and an extension to the existing dining facilities, provision of a student recreational area and minor renovations to existing residences, as well as the provision of furniture and equipment.

**Borrower:** University of Transkei

**DBSA finance:** R8 474 000

**Total cost:** R8 474 000

**Ciskei Technikon** (investment):

The construction of academic and residential facilities as well as the provision of infrastructure, furniture and equipment. This constitutes phase I, providing for 602 full-time students in the para-medical, commercial, managerial and secretarial disciplines, with 256 residential places within a master plan ultimately providing for 2 500 students.

**Borrower:** Ciskei Technikon

**DBSA finance:** R24 574 900

**Total cost:** R24 574 900

**Development of a health training master plan: Phase I** (technical assistance):

The appointment of consultants to undertake the necessary investigations into the advisability of educating/training doctors using the process of community-based, problem-based and appropriate technology approaches, in a move towards a proposed alternative form of medical education/training.

**Borrower:** Transkei Government

**DBSA finance:** R120 000

**Total cost:** R143 000

**Distance education in Transkei**  
(technical assistance):

The appointment of consultants to undertake the necessary investigations into extending the provision of post-secondary school education/training in Transkei through distance education or any of its derivatives.

**Borrower:** Transkei Government

**DBSA finance:** R65 000

**Total cost:** R71 780

**John Knox Bokwe Career College: Phase I**  
(investment):

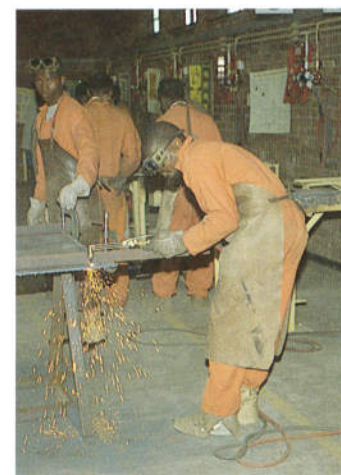
The construction of a technical/career college at Mdantsane in Ciskei for pre-apprentice and apprentice technical training and commercial education from N1 to N3 levels, as well as adult education. The project will provide facilities for 510 students, as well as site works, infrastructure, sports facilities, a caretaker's flat, furniture and equipment within a master plan which will allow expansion and residential accommodation on the basis of proven demand.

**Borrower:** Ciskei Government

**DBSA finance:** R6 692 100

**Total cost:** R6 692 100

Technical training in Ciskei. The Bank's support for human resource development consists of projects which are more or less equally distributed between technical, commercial, agricultural and teachers' education and training as well as university education





**Region D continued****Small stock training centre (investment):**

The construction of a residential small livestock training centre with the required furniture and equipment; the purchase and fitting of a mobile training unit; the establishment of a veterinary centre and attendant service facilities and a training farm unit, for the development of small livestock and the emerging commercial farmer in Ciskei and Region D.

**Borrower:** Ciskei Government

**DBSA finance:** R1 770 800

**Total cost:** R1 817 300

**Unitra Technikon campus: Butterworth (investment):**

The construction of academic and residential facilities as well as the provision of infrastructure, furniture and equipment. This constitutes phase I, providing for 790 full-time students in the technical, para-medical, commercial, managerial and secretarial disciplines, with 338 residential places, within a master plan which will ultimately provide for 3 000 students.

**Borrower:** University of Transkei

**DBSA finance:** R36 198 100

**Total cost:** R36 198 100

**Teacher training strategy: Transkei (technical assistance):**

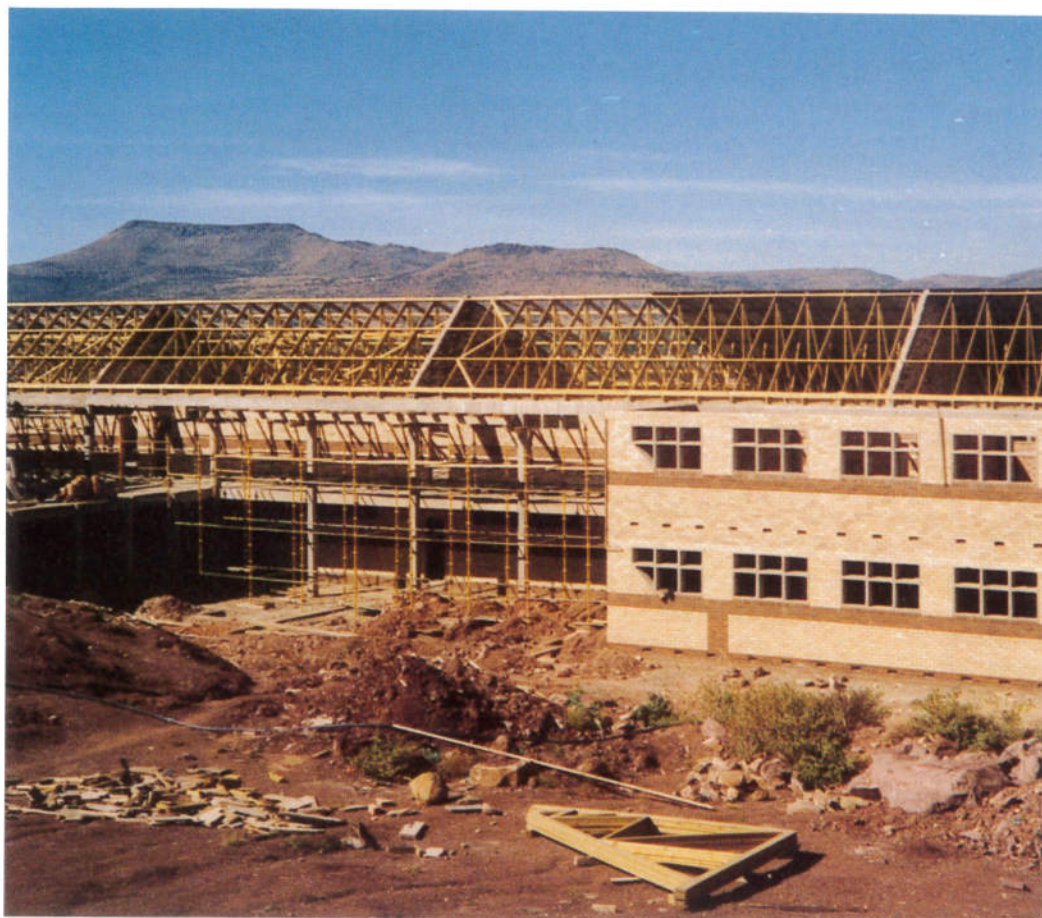
The appointment of consultants to develop a strategy and a master plan to provide Transkei with a sound basis for decision making with regard to policies, objectives, procedures and strategies for the appropriate training of teachers and the development of in-service and pre-service programmes to meet national and regional requirements.

**Borrower:** Transkei Government

**DBSA finance:** R165 000

**Total cost:** R174 900

The Masibulele College of Education in Whittlesea, Ciskei, was completed last year after a loan of R9 million was approved by the Bank during 1987/88. The college provides for pre-service training and upgrading of un- and under-qualified teachers at all levels and also contributes to the local community through the provision of a facility with multi-purpose access for adult education and civil and recreational purposes





**Region E****Rural and agricultural development****KwaZulu: Rural development policy and strategy** (technical assistance):

Financial support to the KwaZulu government to undertake a strategic planning process to determine a rural development policy and strategy. This process will be undertaken by private sector consultants in close consultation with the KwaZulu Departments of Economic Affairs and Agriculture and Forestry and the KwaZulu Finance and Investment Corporation.

**Borrower:** KwaZulu Government

**DBSA finance:** R79 520

**Total cost:** R88 870

**Makatini farmer support programme:****Phase I** (investment):

The provision of support services to 250 irrigation and 800 dryland farmers on 4 000 ha in the Makatini area scheduled for incorporation into KwaZulu. Project support will be provided by the KwaZulu Finance and Investment Corporation, the KwaZulu Department of Agriculture and Forestry and the South African Development Trust Corporation.

**Borrower:** KwaZulu Finance and Investment Corporation

**DBSA finance:** R5 721 640

**Total cost:** R8 112 640

**Mhlatuze: Macekane sugar** (investment):

The provision of irrigation infrastructure and equipment, moveable assets, production credit and support services to 160 sugar farmers (650 ha) situated in the Mhlatuze valley. The private sector will also participate in the project through the involvement of the Small Cane-Growers Financial Aid Fund and the Tongaat-Hulett's Felixton Mill, who will provide financial and management assistance to the individual growers. Additional support will be provided by the KwaZulu Department of Agriculture and Forestry and the KwaZulu Finance and Investment Corporation.

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

**DBSA finance:** R4 523 970

**Total cost:** R5 682 579

**Urban development****Development policy on local government in KwaZulu** (technical assistance):

The appointment of consultants to assist the KwaZulu government with the development of a policy on local government in KwaZulu and the drafting of legislation for local government.

**Recipient:** KwaZulu Government

**DBSA grant:** R65 000

**Total cost:** R108 000

**Esikhawini electrical infrastructure** (investment):

The provision of bulk electricity supply to, and the internal electrical reticulation for, a portion of Ezikhawini town comprising approximately 1 743 stands.

**Borrower:** KwaZulu Government

**DBSA finance:** R4 480 000

**Total cost:** R4 565 000

**Ezakheni infrastructure: Phase I** (investment):

The provision of bulk and connector services to Ezakheni to enable private developers to develop serviced sites and houses. The project comprises the construction of a total of 20,4 km of trunk water-mains, 14,5 km of main sewers and a pump station with electricity connection included, as well as the design of the reticulation network to be constructed by the private developers.

**Borrower:** KwaZulu Government

**DBSA finance:** R6 510 800

**Total cost:** R6 635 000

**KwaMakutha bulk water supply** (technical assistance):

The establishment of an efficient water management system in KwaMakutha with the aim of implementing cost recovery and controlling water losses. The project consists of the appointment of consultants to investigate all technical and institutional issues related to the water supply infrastructure.

**Recipient:** KwaZulu Government

**DBSA grant:** R40 000

**Total cost:** R40 000

**Region E**



**Region E continued****KwaMakutha bulk water supply**  
(investment):

The construction of a bulk supply main and a reservoir in KwaMakutha to convey and store potable water supplied by the Amanzimtoti Regional Water Services Corporation.

**Borrower:** KwaZulu Government

**DBSA finance:** R3 441 000

**Total cost:** R4 089 000

**KwaMashu: Upgrading and renovation of streets and stormwater system** (investment):

The upgrading and renovation of 3,2 km of a major road and a stormwater system in KwaMashu as a first phase. An asphalt road surface with side drains will be constructed.

**Borrower:** KwaZulu Government

**DBSA finance:** R2 307 760

**Total cost:** R2 393 550

**Ntuzuma: Upgrading and renovation of streets and stormwater system** (investment):

The restoration of the transport communication links in Ntuzuma township through as a first phase the upgrading and renovation of 11,5 km of major roads using an asphalt surfacing method. This phase also includes the upgrading and renovation of the stormwater system.

**Borrower:** KwaZulu Government

**DBSA finance:** R4 775 874

**Total cost:** R5 378 024

**Osizweni infrastructure: Phase I**  
(investment):

The construction of 12,9 km of trunk water-mains, 9,9 km of main sewers and 8,2 km of local bus routes to gravel standards to enable the development of 4 160 serviced sites and houses by private developers.

**Borrower:** KwaZulu Government

**DBSA finance:** R6 885 000

**Total cost:** R7 037 800

**Rehabilitation of Umlazi sewerage reticulation** (investment):

The restoration of Umlazi's sewer reticulation system to a sound workable level for which residents will be willing to pay economic tariffs and thereby eliminate a serious health hazard in the Umlazi environs. The project involves the rehabilitation of manholes, pipebridges and pipelines.

**Borrower:** KwaZulu Government

**DBSA finance:** R5 821 300

**Total cost:** R8 116 000

**SA/KwaZulu development programme institutional support: Phases I & II** (technical assistance):

The establishment of additional institutional capacity through the appointment of various consultants to assist the KwaZulu government with the coherent development of the Durban-Pietermaritzburg region based on the proposals of the KwaZulu/Natal Planning Council.

**Borrower:** KwaZulu Government

**DBSA finance:** R4 207 077

**Total cost:** R7 011 795

An example of the Bank's support for integrated urban and infrastructure development is the Ulundi urban infrastructure project implemented during 1987/88 and completed last year, for which a loan of R6,3 million was previously approved. Over and above the initial consideration of the economic merits of such projects, thorough attention is given to providing maximum scope for labour-intensive approaches and appropriate design to provide maximum scope for local emerging entrepreneurs and for the full use of local goods and materials





*Region E continued***Umlazi upgrading of water reticulation: Phases 5, 7, 8, 9, 10 and 11 (investment):**

The upgrading of the water reticulation system and storage facilities in Umlazi to curb losses of purified water.

**Borrower:** KwaZulu Government

**DBSA finance:** R22 762 000

**Total cost:** R22 762 000

**Infrastructure development****Augmentation of Sundumbili-Isithebe bulk water (investment):**

The upgrading and extension of the present bulk water system, including the construction of additional main pipelines as well as two reservoirs and booster pumpstations.

**Borrower:** KwaZulu Government

**DBSA finance:** R4 850 000

**Total cost:** R5 078 000

**Magusheni-Zamba Road (investment):**

The design and reconstruction of the Magusheni-Zamba road in Transkei to a tarred two-lane road over a distance of 81 km.

**Borrower:** Transkei Government

**DBSA finance:** R68 660 000

**Total cost:** R69 062 000

**Singisi Dam: Emergency repair (investment):**

The repair of the damaged spillway of the Singisi Dam through the construction of a new spillway.

**Borrower:** Transkei Government

**DBSA finance:** R1 023 000

**Total cost:** R1 043 000

**Tribal roads maintenance study (technical assistance):**

The identification and collection of information relating to tribal roads to devise a system whereby the tribal authorities can do their own road maintenance with technical support from the KwaZulu Department of Works.

**Recipient:** KwaZulu Government

**DBSA grant:** R163 000

**Total cost:** R276 000

**Human resource development****Ezakheni College of Education (investment):**

The construction of academic, residential, administration and sports facilities, infrastructure as well as the provision of furniture and equipment for the Ezakheni College of Education. This constitutes phase I, which provides for 700 pre-service primary-level students and 70 in-service students, with 240 residential places, within a master plan ultimately providing for 1 200 academic students and community-based courses.

**Borrower:** KwaZulu Government

**DBSA finance:** R25 352 000

**Total cost:** R27 302 000

**KwaZulu teacher training strategy (technical assistance):**

The appointment of consultants to develop a suitable strategy and master plan to provide KwaZulu with a sound basis for decision making with regard to policies, objectives, procedures and strategies for the appropriate training of teachers and the development of in-service and pre-service programmes to meet national and regional requirements.

**Borrower:** KwaZulu Government

**DBSA finance:** R165 000

**Total cost:** R174 900

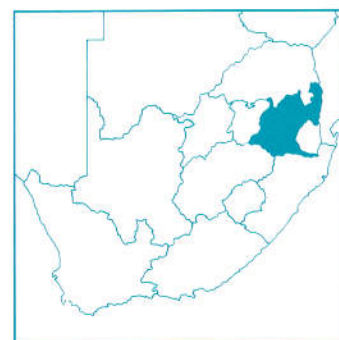
**State and regional development****Region F coherent development strategy (technical assistance):**

An analysis of the development potential, economic structures and trends, and development needs of the existing and future development situation in Region F and the formulation of proposals regarding its further development. This analysis also includes specific proposals on priorities of development functions and economic sectors, key development issues and constraints, development needs and opportunities and needs for across-border co-operation.

**Recipient:** Regional Development Advisory Council Region F

**DBSA grant:** R131 200

**Total cost:** R263 700

**Region F**



*Region F continued***Rural and agricultural development****Boschfontein village project: Phase I**  
(investment):

The upgrading of the internal water reticulation system for domestic and garden irrigation purposes. The project will be managed and paid for by the local community, with the necessary training and institution building being provided by the KaNgwane Department of Agriculture and Forestry.

**Borrower:** KaNgwane Government

**DBSA finance:** R931 250

**Total cost:** R1 099 600

**Honingklip agricultural development: Phase I** (investment):

The establishment of seven farmers on a lease and freehold basis. Each farming unit will consist of 20 ha of irrigated crops and 30 ha of grazing. Management support will be provided by Agriwane.

**Borrower:** KaNgwane Agricultural Development Corporation Limited (Agriwane) and KaNgwane Department of Agriculture and Forestry

**DBSA finance:** R1 296 840

**Total cost:** R2 038 400

**KaNgwane farmer support programme III**  
(investment):

The provision of small-scale irrigation water supply systems to farmers who are currently being supported under existing farmer support programmes in KaNgwane. Local contractors will be used to build the necessary infrastructure. Support for these activities will be provided by the KaNgwane Department of Agriculture and Forestry and Agriwane.

**Borrower:** KaNgwane Agricultural Development Corporation Limited (Agriwane)

**DBSA finance:** R253 000

**Total cost:** R341 000

**Urban development****Matsulu project 9: Housing bridging finance**  
(investment):

The provision of short-term bridging finance for the construction of a maximum 1 282 houses at a maximum cost of R8 000 per house over a loan period of 30 months.

**Borrower:** KaNgwane Government

**DBSA finance:** R11 300 000

**Total cost:** R11 300 000

**Matsulu sewerage reticulation and purification** (investment):

The design and construction of a small bore septic tank sewerage system in Matsulu C subzones 1B and 1C, as well as the design and construction of a connector sewer to link Matsulu C subzones 1B and 1C to the existing outfall sewer.

**Borrower:** KaNgwane Government

**DBSA finance:** R2 970 000

**Total cost:** R2 991 000

**Uitgevonden North project 2: Detailed town planning** (technical assistance):

The creation of a more stable economic base along the Ekluwatini-Ekulindini main road, through detailed planning of the town of Uitgevonden North as well as the servicing and pegging of 100 sites and preliminary designing of engineering infrastructure.

**Borrower:** KaNgwane Government

**DBSA finance:** R83 000

**Total cost:** R83 000

**Business and entrepreneurial development****Small business development policy and strategy formulation** (technical assistance):

The appointment of consultants to formulate a policy and strategy for small business development in KaNgwane with particular reference to the emerging category of entrepreneur in each of the following sectors: commerce (trading), manufacturing, construction, services, transportation, tourism and mining.

**Recipient:** KaNgwane Economic Development Corporation

**DBSA grant:** R48 240

**Total cost:** R86 605

**Infrastructure development****Nkomazi bulk electricity supply: Phase I** (investment):

Expansion of the electricity network in the Nkomazi subregion, comprising 30 km of 66 kV overhead lines, 35 km of 22 kV overhead lines and a substation for Nkomazi.

**Borrower:** KaNgwane Government

**DBSA finance:** R6 671 000

**Total cost:** R12 047 000

**Reconstruction of main roads, KaNyamazane and Kabokweni** (investment):

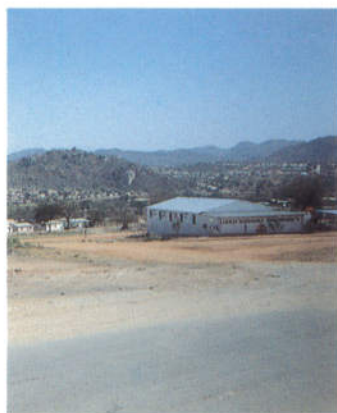
The rehabilitation and reconstruction of certain sections of the main roads in KaNyamazane and Kabokweni.

**Borrower:** KaNgwane Government

**DBSA finance:** R2 920 000

**Total cost:** R2 971 000

KaNyamazane in KaNgwane for which a loan of R2,9 million was approved for the rehabilitation and reconstruction of sections of certain main roads in the area





**Region G****State and regional development**

**Phalaborwa Lulekani Namakgale coherent development strategy** (technical assistance):

An assessment of the development potential, economic structures and trends, and development needs of the existing and future development situation in the Phalaborwa Lulekani Namakgale planning area as well as the formulation of proposals regarding its further development.

**Recipient: Regional Development Advisory Council Region G**

**DBSA grant: R107 200**

**Total cost: R225 070**

**Region G coherent development strategy** (technical assistance):

An analysis of Region G's development potential, economic structure and trends, development needs and constraints experienced for development, and based on this analysis, the formulation of strategic development proposals for Region G.

**Recipient: Regional Liaison Committee Region G**

**DBSA grant: R131 200**

**Total cost: R271 800**

**Venda Revenue Base: Phase II** (technical assistance):

To assist Venda in optimizing revenue resources and developing the revenue base of the total economy. This project constitutes the second phase of the Venda Revenue Base Study, and entails the financing of consultants to implement, if proven feasible, a selection of the recommendations and findings identified in Phase I. The objective is to supplement revenue over the short term.

**Borrower: Venda Government**

**DBSA finance: R250 000**

**Total cost: R250 000**

**Rural and agricultural development**

**Bushbuck Ridge farmer settlement: Project 6** (investment):

The establishment of 14 farmers on 100 ha of coffee orchards forming part of the coffee development programme. Management support will be provided by the South African Development Trust Corporation.

**Borrower: South African Development Trust Corporation**

**DBSA finance: R4 943 904**

**Total cost: R4 982 004**

**Majeje farmer settlement: Phase I** (investment):

The promotion of economic development in the Majeje tribal areas of Gazankulu through the optimal economic utilization of land transferred to Gazankulu under the Land Consolidation Programme. This project entails the preparation of this land for the settlement of orchard, cash crop and livestock farmers.

**Borrower: Gazankulu Government and Gazankulu Development Corporation**

**DBSA finance: R3 026 500**

**Total cost: R3 026 500**

**Makuleke irrigation farmer settlement** (investment):

The settlement of 27 commercial mango and cash crop farmers to whom comprehensive support services will be offered. In total, 27 ha of food plots will be developed. Project support will be provided by the Gazankulu Development Corporation.

**Borrower: Gazankulu Government**

**DBSA finance: R4 344 672**

**Total cost: R4 610 068**

**Mashashaan egg and hatchery project** (investment):

The provision of support for the settlement and establishment of 8 poultry farmers. The following will be provided: poultry houses, hatchery and other equipment, management support, training, extension services, credit and marketing services.

**Borrower: Lebowa Development Corporation**

**DBSA finance: R1 982 442**

**Total cost: R2 850 515**

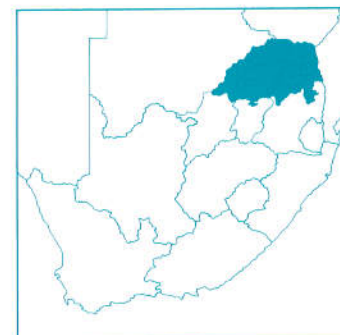
**Sterkspruit irrigation upgrading and farmer support programme: Phase I** (investment):

The upgrading of irrigation infrastructure and provision of comprehensive support services to 147 irrigation farmers on 250 ha on the farm, Sterkspruit, in Lebowa.

**Borrower: Lebowa Government and Lebowa Development Corporation**

**DBSA finance: R4 502 120**

**Total cost: R4 938 750**

**Region G**



### *Region G continued*

#### **Thabina agricultural development: Phase I (investment):**

The establishment of 18 dryland cotton farmers on 26 ha farms in the project area and the provision of farmer support services to approximately 60 dryland sorghum farmers on the Moemi dryland project as well as 10 garden irrigation farmers on plots ranging from 0,1–1 ha. A service centre will be established to provide the necessary inputs and support services to farmers.

**Borrower:** Lebowa Government and Lebowa Development Corporation

**DBSA finance:** R1 704 790  
**Total cost:** R2 040 730



Emerging entrepreneurs in Lebowa. Due to the prominent and leading role accorded to the private sector in terms of the regional development policy, the development of small businesses and emerging entrepreneurs plays a key role in the development approach promoted by the Bank. The Bank encourages development corporations and governments to give relatively more attention to appropriate support programmes for local emerging businesses and increasing attention has also been given to the promotion of investment by the established private sector in developing states and areas of Southern Africa, with special emphasis on addressing factors inhibiting such investment

#### **Venda farmer support programme: I (investment):**

The provision of comprehensive support services to 1 500 emerging farmers on 2 000 ha in the Mulima, Mashamba and Khakhu areas of Venda.

**Borrower:** Venda Agricultural Corporation

**DBSA finance:** R1 964 763  
**Total cost:** R3 667 784

### *Urban development*

#### **Local authority institution building (technical assistance):**

The re-instatement and further upgrading of existing local authority administrations in proclaimed towns to promote sustainable economic development within urban areas in Lebowa.

**Borrower:** Lebowa Government

**DBSA finance:** R43 000  
**Total cost:** R43 000

#### **Masisi development planning (technical assistance):**

The appointment of consultants to formulate a development plan and programme for the development of Masisi with the emphasis on the use of local capacity to optimize the socio-economic, institutional and physical development of Masisi.

**Borrower:** Venda Government

**DBSA finance:** R115 562  
**Total cost:** R115 562

#### **Mkhuhlu sewage treatment scheme (investment):**

The sewage scheme includes the construction of a pump station, stabilization ponds and ancillary works, and is intended to promote the integrated development of the Mkhuhlu-Calcutta area by providing part of the necessary bulk infrastructure required to support and promote economic activity.

**Borrower:** Gazankulu Government

**DBSA finance:** R1 488 106  
**Total cost:** R1 555 056

### *Business and entrepreneurial development*

#### **Agriven macadamia nut processing plant (investment):**

The establishment of a nut processing plant in Shayandima (Thohoyandou) to process and pack the present and future production of macadamia nuts produced in Region G.

**Borrower:** Venda Agricultural Corporation

**DBSA finance:** R325 000  
**Total cost:** R915 000

#### **Tourism development plan: Lebowa (technical assistance):**

The use of professional services to devise a tourism development plan for Lebowa by conducting appropriate studies to formulate a strategy that will ensure the optimal development, establishment and maintenance of an income-generating tourism sector, based on the following principles:

- economic development in terms of the principles of the regional development policy
- the promotion of maximum opportunity for the private sector with appropriate support by the public sector
- community involvement at all activity levels
- a balanced distribution of tourism services and products for all market segments.

**Borrower:** Lebowa Government

**DBSA finance:** R145 800  
**Total cost:** R145 800



*Region G continued***Venda small business development:  
Programme II (investment):**

Structured business support programmes for the emerging business sector in respect of training, counselling, loan finance, equipment and physical facilities. The sectors identified for this support are the service, manufacturing, construction and commercial sectors.

**Borrower: Venda Development Corporation**

**DBSA finance: R7 580 000**

**Total cost: R8 338 000**

**Infrastructure development****Dwarsloop-Thulamahashe road:  
Phase II (investment):**

The upgrading and tarring of approximately 17 km of road between Dwarsloop and Thulamahashe in the Mhala district of Gazankulu.

**Borrower: Gazankulu Government**

**DBSA finance: R7 816 000**

**Total cost: R7 842 000**

**Greater Seshego streets and stormwater  
drainage (investment):**

The upgrading of streets and stormwater drainage in Seshego, Perskebult and Bloedfontein.

**Borrower: Lebowa Government**

**DBSA finance: R12 800 000**

**Total cost: R12 800 000**

**Improvement of Giyani bulk water supply  
(investment):**

The upgrading of the capacity of the existing Giyani water purification works by a further 7,4 Ml per day, and the construction of a satellite pump station with a pump main leading to a control reservoir.

**Borrower: Gazankulu Government**

**DBSA finance: R2 800 000**

**Total cost: R2 815 000**

**Lebowa water resource study (technical  
assistance):**

A surface water resource study in the Lephalala and Mogalakwena River catchment areas to describe the demand and supply balance and a groundwater resources study concentrating on areas where surface water is not readily available and where, in the absence of groundwater, development is constrained, as well as an overall assessment of the water resources of Lebowa, incorporating possible development scenarios and based on the above studies and others currently being undertaken by the SA Department of Water Affairs.

**Borrower: Lebowa Government**

**DBSA finance: R1 700 000**

**Total cost: R1 700 000**

**Malamulele West water supply scheme  
(technical assistance):**

An investigation into the supply of rural potable water by borehole or pipeline in the Malamulele district of Gazankulu.

**Borrower: Gazankulu Government**

**DBSA finance: R138 500**

**Total cost: R138 500**

**Nkowankowa second 20 Ml reservoir  
(investment):**

The construction of a 20 Ml reservoir on Dan Kopje to ensure adequate storage to secure the supply of water to the Ritavi II rural district as well as the residential and industrial areas of Nkowankowa.

**Borrower: Gazankulu Government**

**DBSA finance: R2 200 000**

**Total cost: R2 225 000**

**Nwanedi area: Electricity supply  
(investment):**

The construction of approximately 27 km of overhead power lines from the Eskom bulk supply point to the south-western corner of the Nwanedi irrigation scheme, and the provision of drop-off points at 18 locations to provide power to agricultural consumers.

**Borrower: Venda Electricity Corporation**

**DBSA finance: R1 055 000**

**Total cost: R1 060 000**



*Region G continued***Sinthumule-Kutama regional water scheme**  
(technical assistance):

The development of a long-term water supply plan for the Sinthumale/Kutama subregions.

**Borrower:** Venda Government

**DBSA finance:** R255 000

**Total cost:** R255 000

**Venda transport policy programme:**  
**Element II: Study on interim tariff and**  
**subsidy structure for public transport**  
(technical assistance):

The appointment of transport consultants to conduct a study on an appropriate interim tariff and subsidy system for public transport in Venda, in order to redress the considerable disparity between existing tariffs and tariffs that should be charged to ensure that private sector operators can remain in the market and provide a reasonable service.

**Borrower:** Venda Government

**DBSA finance:** R50 000

**Total cost:** R50 000

**Venda transport policy study: Phase I**  
(technical assistance):

The appointment of public transport consultants to conduct a study into the relaxation of restrictive legislation in the granting of permits, thus encouraging free competition among transport operators in Venda.

**Borrower:** Venda Government

**DBSA finance:** R128 000

**Total cost:** R165 000

**Zoeknag Dam** (investment):

The construction of an earthfill dam wall with a central reinforced concrete trough spillway, 40 metres high with a crest of 980 metres, on the Mutlumuvi River as part of a comprehensive expansion of the primary and irrigation water supply for the Mapulaneng district of Lebowa.

**Borrower:** Lebowa Government

**DBSA finance:** R29 769 000

**Total cost:** R30 000 000

*Human resource development***Univen: Development of an appropriate**  
**institutional structure** (technical assistance):

The appointment of consultants to address the crucial short-term issues regarding the financial administration and financial management of the University of Venda to increase the institutional capacity of the university.

**Borrower:** University of Venda

**DBSA finance:** R80 000

**Total cost:** R94 000

**Venda: Teacher training strategy**  
(technical assistance):

The appointment of consultants to develop an appropriate teacher training strategy and master plan for decision making with regard to policies, objectives, procedures and strategies for the appropriate training of teachers and the development of in-service and pre-service programmes to meet national and regional requirements.

**Borrower:** Venda Government

**DBSA finance:** R77 000

**Total cost:** R95 500

Basketry in Gazankulu. Although all levels of education and training are important, the Bank believes that it and its clients should apply its resources especially to those forms of education and training which can be directly linked to economic development





**Region H****Urban development****Alexandra urban renewal project: Phase B**  
(investment):

The final design, construction and supervision of the upgrading of internal services consisting of water, sewer, street, stormwater, electricity and ablution facilities, as well as integrated connector services, which include water and sewerage. In addition, funds will be made available to undertake preparatory work for addressing development issues. This project is undertaken as a joint project with support provided by the Central Witwatersrand Regional Services Council, the National Housing Commission, Eskom and DBSA.

**Borrower:** Alexandra City Council

**DBSA finance:** R54 046 500

**Total cost:** R138 500 000

**Atteridgeville integrated development planning & programme** (technical assistance):

The appointment of consultants to devise a structure and integrated development plan for Atteridgeville, including the addition of approximately 1 000 ha of land, to guide the economic development of the town.

**Borrower:** Atteridgeville Town Council

**DBSA finance:** R124 740

**Total cost:** R124 740

**Botleng urban development programme: Phase I** (technical assistance):

The compilation of a structure and urban development plan for Botleng by consultants appointed by the town committee to guide economic development of the town in the medium term.

**Borrower:** Botleng Town Committee

**DBSA finance:** R44 000

**Total cost:** R44 000

**Compilation of an urban development plan: Daveyton** (technical assistance):

The preparation of a comprehensive urban structure plan and a development strategy to guide the future economic development of Daveyton within the broader subregion.

**Borrower:** Daveyton Town Council

**DBSA finance:** R155 000

**Total cost:** R155 000

**Daveyton bulk services: Etwatwa East—Phase I: E1** (investment):

The provision of bulk stormwater drainage consisting of the widening and deepening of trenches in Etwatwa West to discharge stormwater run-off from Etwatwa East as part of a stormwater management system for Etwatwa West and East.

**Borrower:** Daveyton Town Council

**DBSA finance:** R144 000

**Total cost:** R148 000

**Garankuwa urban development programme: Fire brigade station** (investment):

The construction of buildings and the provision of vehicles and equipment to protect existing and future urban and industrial infrastructure and facilities.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R707 000

**Total cost:** R724 000

**Kudube units 2 & 3: Water and sewerage** (investment):

Improvements to the water supply system of Kudube by installing additional pipes and valves and the construction of a new ground-level reservoir and a new sewerage reticulation system, including a pump station and retention tank.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R3 634 692

**Total cost:** R4 038 547

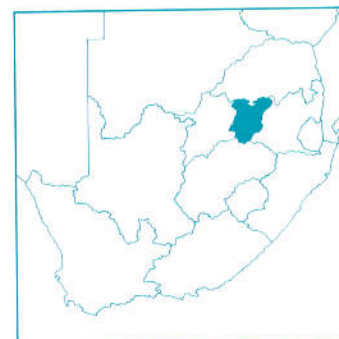
**Kudube upgrading of urban infrastructure: Unit D** (investment):

The promotion of private sector involvement in residential development through the upgrading of residential infrastructure in Kudube. The project entails the installation of water meters in Kudube township and the clearing and grading of approximately 9,8 km of existing roads, as well as the clearing of the existing stormwater drainage system. It also includes the clearing of blocked sewers and the installation of locking devices, as well as the replacement of manhole covers, and the repair and replacement of damaged fibreglass electrical meter kiosks, cables and street light fittings.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R428 456

**Total cost:** R545 724

**Region H**

*Region H continued***Kudube urban development programme:  
Fire brigade station: Babelegi (investment):**

The construction of buildings and the provision of vehicles and equipment for a fire and emergency service to protect existing and future urban and industrial infrastructure and facilities.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R887 000

**Total cost:** R904 000



During the year loans were approved for the construction of fire brigade stations at Babelegi and Garankuwa in Region H. Pictured here is the completed Garankuwa project constructed using a loan of R707 000

**KwaNdebele: Electricity supply—Phase I (investment):**

The provision of bulk and electricity supply networks in parts of five more densely populated settlements of KwaNdebele.

**Borrower:** KwaNdebele Government

**DBSA finance:** R1 756 000

**Total cost:** R1 756 000

**Odi Hospital and Hebron Teachers Training College: Water supply (investment):**

The provision of a new water pipeline and reservoir to three main areas, namely the new Odi Hospital, the recently completed Hebron Teachers Training College and a future residential township of approximately 350 sites. The project also includes making a loan available to the Bophuthatswana government to facilitate Bophuthatswana Electricity Corporation's construction of a substation and appurtenant works for the above-mentioned and other consumers.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R1 272 000

**Total cost:** R1 569 000

**Preliminary urban planning & design of 3 000 sites (technical assistance):**

The preliminary urban planning and design of 3 000 sites in Etwatwa East for low income and subeconomic groups in order to promote the provision of housing over the full spectrum of demand.

**Borrower:** Daveyton Town Council

**DBSA finance:** R66 000

**Total cost:** R66 000

**Small loan company pilot study (technical assistance):**

The creation of a mechanism for providing housing finance to lower income groups who currently do not have access to conventional sources of finance. The capital is to be provided to a small loans company formed by the Urban Foundation who will administer these loans on a commercial basis in certain urban areas of South Africa.

**Borrower:** Small Loan Company

**DBSA finance:** R1 500 000

**Total cost:** R2 279 594

**Vosloorus: Bulk and connector services: Phase II (investment):**

The supply of electricity to the new development area east of the central business area of Vosloorus (approximately 9 135 houses). Phase II consists specifically of a 88/33/11 kV system with substations and overhead transmission lines.

**Borrower:** Vosloorus Town Council

**DBSA finance:** R10 665 000

**Total cost:** R16 980 000

**Water reticulation: Garankuwa units 1 & 2 (investment):**

To augment and improve water supply to Garankuwa units 1 and 2.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R1 070 000

**Total cost:** R1 114 000

**Business and entrepreneurial development****KwaNdebele industrial development project IV (investment)**

The establishment of factories at Ekandustria and Siyabuswa, small factories at Ekandustria and the upgrading of industrial infrastructure at both of the above locations.

**Borrower:** KwaNdebele National Development Corporation

**DBSA finance:** R57 553 700

**Total cost:** R57 553 700



**Region H continued****Support to building contractors** (private investment):

A pilot scheme to support small housing contractors in developing building sites in Vosloorus. A small number of contractors who have the potential to develop into large established housing contractors will be selected. A support programme consisting of a managerial skills transfer programme, access to serviced stands and access to finance for working capital through a participating commercial bank has been developed to assist participants.

**Recipient:** Urban Foundation

**DBSA guarantee:** R980 000

**Total cost:** R2 280 000

**Infrastructure development****Hebron-Jericho road: Phase II** (investment):

The construction and tarring of an 18,5 km section of the road from Hebron to Jericho in the Odi I district of Bophuthatswana.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R7 841 000

**Total cost:** R9 767 000

**Kudube: Upgrading roads and stormwater drainage: Phase I** (investment):

The upgrading of the urban road infrastructure and associated stormwater drainage within Kudube.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R12 830 000

**Total cost:** R14 160 000

**KwaNdebele bulk and internal water supply** (investment):

The provision of bulk supply and internal water reticulation networks in various areas of KwaNdebele.

**Borrower:** KwaNdebele Government

**DBSA finance:** R11 160 000

**Total cost:** R11 360 000

**Mabopane access roads: Phase I** (investment):

The first phase of construction of the Unit M link road from route B to the Lucas Mangope highway.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R1 443 000

**Total cost:** R1 553 000

**Vlaklaagte-Tweefontein road** (investment):

The construction and tarring of approximately 13 km of road to serve as a commuter route between Tweefontein and Vlaklaagte and of 6 km of a minor road in the same area. The project also entails the construction of public transport and ancillary facilities.

**Borrower:** KwaNdebele Government

**DBSA finance:** R12 751 000

**Total cost:** R12 771 000

**Rural and agricultural development****Eastern regional plan: Phase I—Macro resource survey** (technical assistance):

The commissioning of consultants to collate and integrate existing and, where necessary, new physical resource information for the eastern districts of Bophuthatswana.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R199 000

**Total cost:** R200 000

**South African Development Trust farms: Rustenburg and Marico farmer support programme** (investment):

The provision of essential on- and off-farm infrastructure, institutional support, agri-support elements and facilities required for the settlement and support of 24 dryland/livestock farmers on 74 111 ha.

**Borrower:** Agricultural Corporation of Bophuthatswana

**DBSA finance:** R1 604 831

**Total cost:** R14 396 000

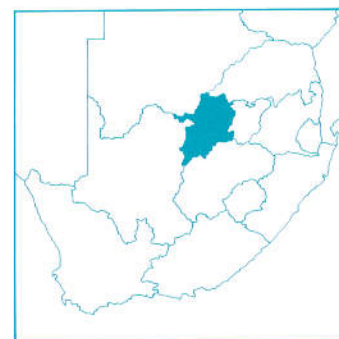
**Urban development****Mogwase – Monnakato urban development programme: Fire brigade station** (investment):

The construction of buildings and the provision of vehicles and equipment for a fire and emergency service to protect existing and future urban and industrial infrastructure and facilities.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R978 000

**Total cost:** R995 000

**Region J**

*Region J continued***Infrastructure development****Molatedi Dam: Phase II: Water supply to Gaborone (investment):**

The provision of a piped supply of water from the Molatedi Dam to Gaborone, including the associated pumping stations, reservoirs and other appurtenant works.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R14 412 000

**Total cost:** R25 912 000

**Monnakato bulk water supply (investment):**

The construction of 11,9 km of pipeline from the existing reticulation system adjacent to the military base at Mogwase to the existing concrete reservoir at Monnakato.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R1 151 000

**Total cost:** R1 229 000

**Rehabilitation of Ledig – Mogwase road: Phase II (investment):**

The upgrading of 11,5 km of existing surfaced road from KwaMaritane to the turn-off to Mogwase town.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R4 193 000

**Total cost:** R4 213 000

**Small bridges: Phase I (investment):**

The design and construction of a number of small bridges at various river crossings. Phase I consists of 18 culverts to be built in the Molopo and Odi/Moretele I districts.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R2 427 000

**Total cost:** R2 460 000

**Human resource development****Unibo academic multi-purpose building (investment):**

The construction at the University of Bophuthatswana of a multi-purpose building with flexible accommodation for institutes, an academic development centre, class laboratories, offices and other space requirements with the necessary furniture and equipment.

**Borrower:** University of Bophuthatswana

**DBSA finance:** R8 153 400

**Total cost:** R8 446 900

**Multi-region****State and regional development****Bophuthatswana sample survey for development planning purposes (technical assistance):**

The sampled enumeration and quantification of socio-economic and economy data in Bophuthatswana. The results of the sample survey will contribute to and support the Bophuthatswana Data Bank, which will be gradually expanded and refined according to development planning requirements.

**Recipient:** Bophuthatswana Government

**DBSA grant:** R57 000

**Total cost:** R95 000

**Planning programming budgeting workshop (technical assistance):**

A two-day workshop with full participation of all accounting officers of government departments and government-supported institutions to translate government policy and regional and sectoral priorities into a budget.

**Recipient:** Bophuthatswana Government

**DBSA grant:** R1 800

**Total cost:** R1 800

**Transkei Department of Finance: Phase II: Financial management—Efficiency improvement (technical assistance):**

To strengthen institutionally the Department of Finance by revising procedures and systems to secure adequate financial control of government revenue and expenditure. The project entails the evaluation and improvement of financial controls within the Department of Finance. The broad spectrum of systems, staffing and training of staff is to be addressed in this project.

**Borrower:** Transkei Government

**DBSA finance:** R3 204 000

**Total cost:** R3 511 000

**Transkei sample survey for development planning purposes (technical assistance):**

The sampled enumeration and quantification of socio-economic and economy data in Transkei. The results of the sample survey will contribute to and support the establishment of a data bank in Transkei which will be gradually expanded according to development planning requirements.

**Recipient:** Transkei Government

**DBSA grant:** R54 000

**Total cost:** R90 000

Students at the University of Bophuthatswana in Mmabatho. During the year a loan of R8,2 million was approved for the construction of a multi-purpose building at the university with accommodation for institutes, an academic development centre, class laboratories and offices, and furniture and equipment





*Multi-region continued***Urban development****Rationalization of bond registration**  
(technical assistance):

The rationalization and streamlining of the Bond Registration and Deed of Transfer system of the Transkei government to support and encourage the property development process in Transkei. This involves the detailed investigation of the existing system and the preparation of a report identifying the major problems and recommendations for the upgrading of the system, leading to a training programme and monitoring at regular intervals of the implemented upgraded system.

**Borrower:** Transkei Government

**DBSA finance:** R80 000

**Total cost:** R80 000

**Urban development institutional support**  
(technical assistance):

The strengthening of the institutional capacity of the Transkei Department of Local Government and Land Tenure through the appointment of consultants to provide an urban project management service to the department as a bridging arrangement to co-ordinate the implementation of projects already in implementation.

**Borrower:** Transkei Government

**DBSA finance:** R567 000

**Total cost:** R567 000

**Business and entrepreneurial development****Bophuthatswana industrial development project III** (investment):

The construction of factories on a programmed basis at the industrial areas of Babelegi, Mogwase, Garankuwa, Selosesha and Mmabatho. The project also includes the provision of additional industrial infrastructure at the industrial areas of Babelegi, Mogwase and Thaba'Nchu as well as the construction of small factories at Selosesha (Thaba'Nchu), Mogwasi, Thlabane and Babelegi.

**Borrower:** Bophuthatswana National Development Corporation

**DBSA finance:** R98 091 400

**Total cost:** R98 091 400

**Infrastructure development****Bophuthatswana Electricity Corporation:**  
**Regional depots** (investment):

The construction of offices, workshops, stores and accommodation for Bophuthatswana Electricity Corporation at five regional depots.

**Borrower:** Bophuthatswana Electricity Corporation

**DBSA finance:** R4 936 000

**Total cost:** R7 209 000

**Bophuthatswana telecommunications development: Phase IV** (investment):

The upgrading of telecommunications transmission systems between Itsoseng and Taung, as well as the extension of existing telephone exchanges in towns which will be served by these transmission systems (Itsoseng, Atamaleng, Taung, Pudimoe, Pampierstad and Mothibistad); and the expansion of the subscriber distribution networks in these areas.

**Borrower:** Bophuthatswana Government

**DBSA finance:** R32 087 000

**Total cost:** R34 978 000

**Seminar: Alternative energy supply options for developing Southern Africa** (technical assistance):

A two-day seminar to promote the exchange of ideas on those appropriate alternative energy supply options which hold the greatest potential in a Southern African energy supply context.

**Recipient:** Multi-state

**DBSA grant:** R16 100

**Total cost:** R54 500

**Restoration of primary gravel road network** (technical assistance):

The development of guidelines for the economic analysis and justification of investment in Transkei's secondary gravel roads and the development of appropriate universal contract documents.

**Recipient:** Transkei Government

**DBSA grant:** R45 000

**Total cost:** R75 000

A loan of R98,1 million was approved during the year for the construction of additional factories and infrastructure at the Babelegi, Mogwase, Garankuwa, Selosesha and Mmabatho industrial areas in Bophuthatswana. Pictured here is a typical design used in the construction of the factories



*Multi-region continued***Short-term managerial investigation for Transkei Road Transport Corporation** (technical assistance):

The appointment of consultants to undertake an investigation into the immediate managerial support required by the Transkei Road Transport Corporation (TRTC). The project aims to enhance the potential for the ultimate privatization of TRTC, either in its components or as a whole.

**Borrower:** Transkei Road Transport Corporation

**DBSA finance:** R70 000  
**Total cost:** R75 000

**Transkei Electricity Supply Corporation: Ten-year electricity procurement study** (technical assistance):

A study of electricity demand and supply, and related costs, in Transkei. The study will address demand through a national load forecast for ten years, from which a framework for a ten-year electricity procurement strategy for the Transkei Electricity Corporation will be developed.

**Borrower:** Transkei Electricity Supply Corporation

**DBSA finance:** R251 000  
**Total cost:** R280 000

**Transkei telecommunications development: Infrastructure planning** (technical assistance):

Detailed planning of telecommunications projects in the Transkei telecommunications development programme.

**Borrower:** Transkei Government

**DBSA finance:** R576 000  
**Total cost:** R576 000

**Transkei telecommunications development: Planning review** (technical assistance):

A review of the planning of the Transkei telecommunications development programme, Phase III, and a reassessment of project priorities in the programme.

**Borrower:** Transkei Government

**DBSA finance:** R207 000  
**Total cost:** R222 000

**Transkei telecommunications network: Secondary capital extensions: Phase I** (investment):

The procurement of a telecommunications plant and equipment and installation thereof in secondary capital extensions throughout Transkei, as well as the procurement of mechanical aids to facilitate implementation of these secondary capital works, future works and the on-going maintenance programme.

**Borrower:** Transkei Government

**DBSA finance:** R9 070 000  
**Total cost:** R9 112 000

**Transkei Water Project: Institutional restructuring phase I and institutional development** (technical assistance):

The appointment of consultants to assist Transkei's Department of Agriculture and Forestry's engineering branch with project management and to develop the institutional capacity of the branch.

**Borrower:** Transkei Government

**DBSA finance:** R555 000  
**Total cost:** R560 000

**Umtata area: Additional telephone exchanges** (investment):

An extension of the existing automatic exchange in the central business district of Umtata and the provision of five auxiliary exchanges and the upgrading of trunk line facilities between Umtata/Port Elizabeth and Umtata/Butterworth; and expansion of the local distribution network.

**Borrower:** Transkei Government

**DBSA finance:** R37 500 000  
**Total cost:** R48 999 000

**Umtata-Butterworth: Uprating of high-voltage line** (investment):

The uprating of the existing powerline between Umtata and Butterworth from 66 kV to 132 kV.

**Borrower:** Transkei Electricity Supply Corporation

**DBSA finance:** R11 875 000  
**Total cost:** R12 056 000

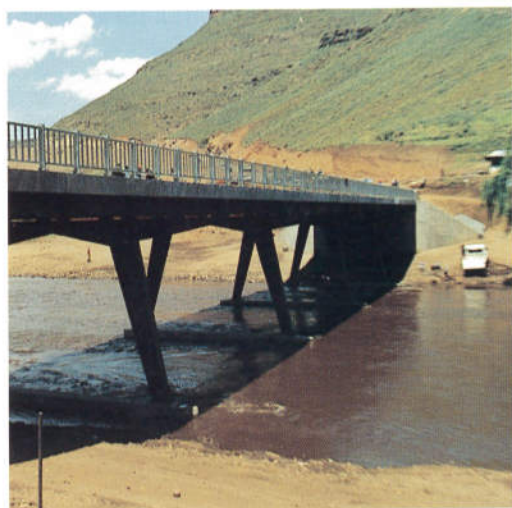
**Umzimvubu basin development study: Stage I** (technical assistance):

The compilation of a water resource development strategy and programme for the optimum economic development of the Umzimvubu Basin and the adjoining regions.

**Borrower:** Transkei Government

**DBSA finance:** R430 000  
**Total cost:** R480 000





The recently completed Katse Bridge for which a loan of R3 million was approved during 1987/88, and the southern portion of the northern access road between Ha Sekhele and Katse for which a loan of R67,2 million was approved. A loan of R106 million for the northern portion of this access road was approved during 1987/88 and included the upgrading and construction of 81 km of road and two bridges. These projects form part of the advance infrastructure for the Lesotho Highlands Water Scheme

### **Non-member neighbouring countries**

#### **Urban development**

#### **Lesotho Building Finance Corporation: Institutional restructuring investment loan 1 (investment):**

The provision of financial assistance for the institutional restructuring of Lesotho Building Finance Corporation (LBFC) to meet the increasing mortgage demand due to the Lesotho Highlands Water Project and accelerated urbanization, with the result that the administrative, operational and financial effectiveness of LBFC will be secured to facilitate the raising of long-term funds from money and capital markets in Lesotho and South Africa. The project also includes technical assistance for the appointment of consultants to assist LBFC in its deposit enhancement gathering study and implementation thereof as well as assistance in the structuring and negotiation of suitable investment instruments.

The project is being managed on a parallel financing basis with the World Bank.

**Borrower and recipient: Lesotho Building Finance Corporation**

**DBSA finance: R10 000 000**

**DBSA grants: R120 000**

**Total cost: R10 964 200**

#### **Lesotho Highlands Development Authority: Katse Camp—Element 1 (investment):**

The construction of a permanent camp at Katse at a total estimated cost of R50 million. This project forms part of phase 1A of the Lesotho Highlands Development Programme. The camp will be so designed as to serve eventually as both a tourist and a regional centre.

**Borrower: Lesotho Highlands Development Authority**

**DBSA finance: R46 019 000**

**Total cost: R46 019 000**

#### **Infrastructure development**

#### **Lesotho Highlands Development Authority: Infrastructure management (technical assistance):**

The financing of managerial staff for the infrastructure division of Lesotho Highlands Development Authority for a period of approximately three years until the advanced infrastructure for phase 1A of the total scheme has been completed.

**Borrower: Lesotho Highlands Development Authority**

**DBSA finance: R3 380 000**

**Total cost: R3 385 000**

#### **Lesotho Highlands water project: Northern access road (southern portion) (investment):**

Major roadworks to provide access to sections of phase 1A of the Lesotho Highlands water project. The project entails the upgrading of an existing track of approximately 39,1 km between Ha Sekhele and Katse through extremely rugged country.

**Borrower: Lesotho Highlands Development Authority**

**DBSA finance: R67 183 000**

**Total cost: R69 093 000**

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

A total amount of R9,7 million was approved during the 1988/89 financial year as preparation assistance loans for the following projects:

### **Region C**

#### ***Urban development***

Infrastructure for Puthaditjhaba residential extension: Phase I

#### ***Infrastructure development***

Thaba Nchu roads: Phase II

### **Region D**

#### ***Infrastructure development***

Lower Fish River development programme: Bulk water

#### ***Human resource development***

Umtata multi-purpose training centre

### **Region E**

#### ***Rural and agricultural development***

Mhlataze irrigation: Biyela farmer support programme

#### ***Urban development***

Ezikhawini roads upgrading and rehabilitation

Sundumbili roads upgrading and rehabilitation

#### ***Infrastructure development***

Umvoti bulk water supply

### **Region F**

#### ***Rural and agricultural development***

Schoemansdal coffee farmer settlement

#### ***Urban development***

Uitgevonden North project 1: Structure planning

### **Region G**

#### ***Rural and agricultural development***

Hoane irrigation farmer support programme

Papagaai agricultural development

#### ***Urban development***

Gazankulu fire services

Masisi town planning

#### ***Infrastructure development***

Groot Letaba-Lulekani road

Marite regional water supply

Mankweng-Chuene road

Mankweng-Solomondale road

Ofcolaco-Shiluvane road

Ramakgopa Dam for water supply and irrigation

Thabina Valley bulk water supply

Venda rail link

Venda telecommunications development: Phase III: Project IIA: Masisi

Venda telecommunications development: Phase III: Project II

Wales Dam

#### ***Human resource development***

Lebowa technical training centre

Nkowankowa technical training centre

Venda manpower training centre



**Region H*****Urban development***

Daveyton bulk services: Etwatwa East—Phase I: E2

Ekangala bulk sewerage

Electrification of houses: Phase I

Electrical reticulation of 1400 sites in Etwatwa West

Mabopane access road: Phase II

**Region J*****Infrastructure development***

Mafikeng concrete roads

**Multi-region*****Urban development***

National urbanization programme—Phase III: Sewerage and water reticulation: 5 towns in Regions D and E

**Non-member neighbouring countries*****Rural and agricultural development***

Mozambique: Sugar experiment station: Phase I

***Infrastructure development***

Upgrading of border crossing facilities at Maputsoe, Lesotho

## Annexure 2: Assignment programme

The following thirteen assignments were completed during the year under review:

### **Data research**

- ☐ Introductory economic and social memorandum: KwaZulu
- ☐ KwaZulu development information: 1987
- ☐ The compilation of regional input-output and social accounting matrices for Southern Africa: Phase 2, presentation and evaluation
- ☐ The determination of an appropriate sample survey technique in an urban area as a population census method with Mdantsane, Ciskei, as a case study

### **Policy research**

- ☐ A dynamic model to measure the interrelationships in maize markets in Southern Africa
- ☐ An economic framework for public sector involvement in tourism development
- ☐ The identification of quantitative information and norms required for evaluation of the performance of DBSA in promoting development

### **Project evaluation**

- ☐ Evaluation of the development information files

### **Planning studies**

- ☐ Mogwase-Rustenburg subregional study: Urban framework (Phase 1: A brief overview of urban development in the Mogwase-Rustenburg area)
- ☐ Venda development appraisal

### **Economic and technical consultancies**

- ☐ Financial adjustment programme: Venda revenue base, phase 1
- ☐ Mashashaan egg and hatchery project
- ☐ Phasha's shopping mall: Lebowakgomo



## Annexure 3: Development regions

Salient features, 1985 and 1989

		Regions									
		A	B	C	D	E	F	G	H	J	Total
Area (km <sup>2</sup> ) <sup>1</sup> (%)	1989	278 500	270 600	118 900	151 900	112 700	80 500	119 600	27 300	61 100	1 221 100
		22,8	22,2	9,7	12,4	9,2	6,6	9,8	2,2	5,0	100,0
Population ('000) <sup>2</sup>	1985	3 164	1 025	2 357	4 385	7 953	1 902	3 888	7 406	1 639	33 719
	1989	3 546	1 080	2 636	4 759	8 609	2 083	4 601	8 409	1 797	37 520
Annual growth (%) <sup>3</sup>		2,9	1,3	2,8	2,1	2,0	2,3	4,3	3,2	2,3	2,7
Economically active population ('000) <sup>2</sup>	1985	1 342	315	945	1 209	2 159	718	708	3 527	629	11 552
	1989	1 591	323	1 137	1 539	2 567	783	897	4 182	717	13 736
Annual growth (%) <sup>3</sup>		4,3	0,6	4,7	6,2	4,4	2,2	6,1	4,4	3,3	4,4
Literacy rate <sup>4</sup>	1985	79,1	58,6	68,4	62,4	63,2	60,1	56,9	77,7	63,0	67,1
	1989	82,0	62,5	73,9	65,4	69,3	66,5	64,9	81,7	68,1	72,2
Population density (persons per km <sup>2</sup> ) <sup>2</sup>	1985	11,4	3,8	19,8	28,9	70,6	23,6	32,5	271,3	26,8	27,6
	1989	12,7	4,0	22,2	31,3	76,4	25,9	38,5	308,0	29,4	30,7
Gross geographical product (R million) <sup>5</sup>	1985	14 213	3 412	7 024	7 899	15 849	9 254	4 066	44 322	6 371	112 410
	1989	26 236	5 496	11 498	14 977	30 194	17 788	8 127	82 040	10 011	206 367
Real (1985 prices) average annual growth rate <sup>6</sup>											
GGP		1,4	-0,4	-0,1	1,8	2,1	3,7	4,9	1,6	-0,5	1,7
Per capita GGP		-1,4	-1,6	-2,8	-0,2	0,1	1,4	0,6	-1,6	-2,7	-1,0

1. Estimated figures

2. Estimates for most recent year based on historical tendencies

3. Average annual percentage per year from 1985 to 1989

4. Percentage of *de facto* population with some degree of education

5. At current prices

6. Real growth rate, 1985 to 1989

### 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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