The art of development

Since its inception seven years ago, the Bank has selectively acquired works of artists in the areas in which it operates. The selection of artworks is done around the theme People and Development, with some emphasis on artists who may not have ready access to the art market. One way of achieving this is through an annual art exhibition which is arranged by the Ladies' Club of the Bank and at which art works by relatively unknown artists from all over Southern Africa are on public display and for sale alongside works by more established and better-known artists.

A large portion of the proceeds of sales at the exhibition held in November 1989 was donated by the Ladies' Club to the Katlehong Art Centre. At this exhibition the Bank itself acquired a number of artworks from artists of the Centre. Six of these have been selected to portray in this report the main development functions into which the operations of the Bank are organized:

Woodcuts on the front and back pages are by:

1  MD Ntazi
2  B Manyoni
3  J Sethwela
4  G Tsolo
5  B Manyoni
6  B Manyoni

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Milestones

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 Dr Simon Brand was appointed as Chairman and Chief Executive. At the same meeting Prof Owen Horwood was elected as President of the Council of Governors, a position to which he has annually been re-elected since then.

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 R380 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 widen the range of projects supported by it to include the field of education and training. At the request of the then government of South West Africa/Namibia, the Bank entered into a contract to administer a development fund for the territory.

1987:
Preparation began for the construction of the permanent headquarters of the Bank in Midrand. 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 took place with the approval of DBSA finance for seven technical assistance and investment projects to the value of R131 million in Lesotho forming part of a R400 million programme related to the Lesotho Highlands Water Scheme. A loan of R217 000 was approved for a technical assistance project to study the agroforestry potential of Mozambique.

December 1988:
The Bank moved its headquarters to its newly completed Midrand premises.

January 1989:
An evaluation report on the regional industrial development programme, containing the findings and recommendations of an independent Panel of Experts and based on research carried out and managed by the Bank from July 1987, was presented to the governments concerned.

31 March 1989:
The Bank had 1 175 projects in the project cycle and had approved a cumulative 614 projects with a total expected financial contribution of R3.818 million.

1990:
The Bank prepares for its first entry into the capital markets, with a public issue of stock aimed at raising R178 million, as the first part of R300 million of private sector funds which the Bank hopes to raise during the 1990/91 financial year for financing development projects and programmes.

31 March 1990:
The Bank had 1 330 projects in the project cycle and had approved a cumulative 706 projects, on which it expects to make a total financial contribution of R4.894 million.
Mission and objectives

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 regional and state, 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 and public and private investment projects.
  - the agency programme, which includes projects administered by the Bank on behalf of other lenders and donors.
  - 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.

☐ endeavours to support all developing areas, regions and states in Southern Africa in its efforts to promote a sustainable development process.

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

The official opening of the new offices of the Bank in Midrand on 22 November 1988 by the South African State President, Mr PW de Klerk.
The organization of the Bank

During 1989/90 the Bank was organized into four major complexes—the Operations Complex, the Policy and Strategy Complex, the Resources Complex and the Support Services Complex.

The following functional groups fall within the Operations Complex:

- **region and state**, including support for economic structural reform at region and state level, as well as co-ordination of Bank activities to achieve a coherent support programme per region and state
- **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
- **infrastructure development**, including transportation, water resources, energy, and posts and telecommunications development
- **human resources development**, including formal and non-formal entrepreneurial training, and technical and tertiary level education and training.

The Operations Complex also includes the Organizational Development Planning and Central Specialists units, the latter consisting of institutional, financial, and technical and environmental disciplines.

The **Policy and Strategy Complex** includes the Centre for Policy Analysis, the Centre for Information Analysis, the Development Training Unit and the Project Evaluation Unit.

The **Resources Complex** includes the Information, Finance and the Human Resources Groups.

The **Support Services Complex** includes the Corporate Communications Division, the Legal and Secretarial Division, the Administration and Technical Services Division, as well as Internal Audit.
The organization of the Bank

Council of Governors
Prof OPP Horwood (President); Mr RF Botha (South Africa); Mr ST Boya (South Africa); the Hon Mr R Cronje (Bophuthatswana); Dr DJ de Villiers (South Africa); Mr BJ du Plessis (South Africa); Mr JC Heunis (South Africa); Mr MM Maki (Ciiskei); the Hon Chief MEP Malefane (Ciiskei); the Hon Gota ERB Nesengani (Venda); the Hon Mr GSK Nota (Transkei); the Hon Mr SLL Rathebe (Bophuthatswana); the Hon CM Ramabulana (Venda); Dr CL Stals (South Africa); the Hon Mr M Titus (Transkei); Dr G van N Viljoen (South Africa).

Board of Directors
Dr SS Brand (Chairman and Chief Executive); Mr J Barker; Mr JA Botes; Dr WJ de Villiers (to November 1989); the Hon Mr BE Keikelame; Mr NJ Kotze; Dr DC Krogh; Mr PJ Liebenberg; Mrs M Maponya; Dr JB Maree; Mr JA Maree; Mr GS Muller; Mr MR Madula; Prof WL Nkuhlu; Mr RA Plumbridge; Mr PH Swart; Mr MM Swana; Mr PJ van Rooy.

As part of the opening functions for the new building, the Council of Governors and Board of Directors held a joint meeting on 24 November 1989.
Present at the meeting were:
Front:
The Hon R Cronje, the Hon Chief MEP Malefane, Dr SS Brand,
Prof OPP Horwood; Dr G van N Viljoen, the Hon GSK Nota.
Back:
Mr PH Swart, Mr MR Madula, Mr M Maki, Mr JA Maree, Mr RA Plumbridge,
Dr DC Krogh, Dr DJ de Villiers, Dr JB Maree, the Hon M Titus, Mr BJ du Plessis,
Mr ST Boya, Mr J Barker, Mr GS Muller, Dr CL Stals, Mr JC Heunis, Mr JA Botes.
Chairman's report

During the past financial year the Development Bank of Southern Africa reached a new level of financial operations while further consolidating in its utilization of human resources and successfully settling into the use of its new headquarters building. The year also saw important changes in the socio-political environment within which the Bank operates, which both confirm the importance of the Bank's mission and affect the possibilities of putting development programmes and projects into effect.

Resources for development

Sound progress has been made with the organizational development of the Bank, which is aimed at the more effective development and utilization of the human resources at its disposal rather than further growth in numbers. On the financial side the Bank has broken through to a level of disbursements in the order of R800 million per annum. This brought it to the point where the third leg of its financial mobilization model, in addition to parliamentary grants and own generation of funds, namely capital market funds, needed to be activated. At the time of this report going to press the first step had been taken successfully with the raising of the first R178 million out of an envisaged R300 million to be mobilized in the local capital market during the financial year 1990/91, and a total of R1500 million to be mobilized in the local and overseas markets over the next five years. This augurs well for the future funds mobilization programme of the Bank, in terms of which the South African government has already committed itself to provide a total of R2500 million over the five-year period up to 1992/93, and own generation of funds is projected to average R280 million over the next 5 years. The funding of the rising level of commitments entered into by the Bank is thus well secured.

Together with the funds newly allocated by the South African government towards social upliftment programmes, the increasing willingness of private corporations to augment and create new funds dedicated to development, and the first signs of willingness on the part of foreign governments to direct increased funding to South Africa for development purposes in response to the local political changes, this high level of financial mobilization by the Bank holds out hope that the demands for the redressing of economic disparities that accompany the process of political change, can be addressed to a meaningful extent.

Socio-economic development cannot, however, only be dealt with by earmarking funds at the macro-economic level. It is therefore important to note that the Bank, like other institutions in the development field, has over the past number of years built up a sound track record, based on demonstrably workable approaches in different sectors of development, in terms of which such resources can be applied at the micro-economic level. With this experience in hand the Bank is well positioned to meet new challenges of interacting constructively with other sources of funds to apply such resources effectively and in the context of balanced development programmes. It has already begun to do so by entering into discussions with representatives of the new independent development fund set up by the South African government, with private corporations that have set up development funds, and with foreign development funding agencies. Specific ways of interaction that have been explored in these discussions range from the exchange of information to co-financing arrangements and the contracting of the Bank's project appraisal capacity to other development funding agencies, as has already been done successfully in respect of the Development Fund of Namibia and the Development Co-operation Fund of the South African Department of Foreign Affairs.

At the same time that these exciting opportunities are opening up for an increased flow of funds into tried and tested development applications, there is also reason for concern about the continued capacity of institutions to implement and operate development programmes and projects. Uncertainty arising from the process of political change and disruptions caused by social unrest have put the already fragile capacities of many of the existing institutions in developing areas served by the Bank under severe pressure. It is therefore a challenge to all concerned to devise institutional arrangements that can during the period of political transition
effectively carry out development programmes and projects and at the same time be consistent with anticipated future political developments. Besides continued support for existing institutions that continue to demonstrate viability, this includes innovation in government structures and support for appropriate non-governmental organisations that can in certain circumstances perform more effectively than government institutions.

Where appropriate, the Bank has brought the need for such adjustments in institutional arrangements to the attention of the governments concerned and interacted with representatives of all shades of political opinion in an effort to make a constructive contribution at two levels: by taking part in the process of institutional adjustment that is required to underpin economic development in the midst of political change, as well as by contributing to the debate about the future economic order in Southern Africa and about future economic strategies and economic policies. On the basis of its experience over the past number of years the Bank is well placed to offer practical insights and tested approaches as a contribution to these discussions.

**Internal adjustments**

The Bank must, of course, also take a good look at its own processes and structures to adjust to the changing environment in which it operates. The indications of possible changes in the constitutional status of some of its member countries and of the self-governing territories and emerging local authorities in South Africa, all of which are amongst the Bank’s main borrowers, make it necessary in the first place to anticipate and adjust to changes in its institutional environment, in both the public and private sectors, in the ways suggested above. Secondly, they also require timely measures to adapt the governing structures of the Bank to the changing circumstances, and lend even greater urgency than before to the goal of achieving a staff composition that is more representative of the population makeup in its area of operation.

For the Bank to play a constructive role in supporting the newly emerging order in South and Southern Africa will also require further attention to the appropriate role the Bank can play on a sustainable basis in Southern Africa in a broader sense, in co-operation with other bilateral and multilateral development agencies active in the subcontinent. In this connection the Board and Council have during the past financial year confirmed their authorization to the management of the Bank to explore further its expanded involvement in Southern Africa while being mindful of the fact that local human and financial resources are limited and that development needs within its present membership area are vast. Substantial further increase in its involvement in other countries in Southern Africa will therefore depend on the extent to which the Bank can also succeed in mobilizing resources from outside its present membership area.

In this respect, the increasing and constructive contact between the Bank and a variety of bilateral and multilateral donor agencies is indeed gratifying. Such interaction, of course, has also the further advantage that the Bank is increasingly becoming a part of the network of experience residing in the international family of development agencies. This has already benefited the Bank tremendously in testing its own approaches and in getting access to those of other agencies with relevant experience.

**DBSA 2000**

In attempting to meet these diverse challenges the Bank finds itself at the forefront of economic restructuring in South and Southern Africa. It is the intention of the management of the Bank to remain there and thus carry out the intention set out in its establishment agreement that it should not be diverted by political considerations from focusing at all times on the need to address economic disparities effectively and on a sustainable basis. It is with this in mind that the management and staff of the Bank redefined themselves in a DBSA 2000 project to carrying out its mission by serving the poor in Southern Africa, wherever they are to be found.
Chairman's report

This annual report is presented around this theme, which underlines the reality that addressing the needs of the poor in Southern Africa and reducing economic inequalities will have to remain prime objectives of socio-economic policy in Southern Africa, whatever the nature of political and constitutional change over the next decade and longer.

Acknowledgements

As in the past, the achievements of the Bank during the financial year under review were made possible by the combination of continued support from its participating governments and their development agencies, the sound guidance given by the Council and Board, the loyalty and dedication of its management and staff and the increasing recognition of its role by the public at large. The constructive interest of the media in the activities of the Bank has greatly assisted in raising both the level of awareness and the understanding of development issues.

During and shortly after the end of the year under review the Bank lost through death two members of its Council who had served as Governors since its inception, Dr Gerhard de Kock and Mr SLL Rathebe. Their dedication to and participation in the activities of the Bank will be greatly missed, as will their contributions in the broader field of public policy in Southern Africa.

Chairman and
Chief Executive
The approach of the Bank towards the alleviation of poverty

Recent political developments in Southern Africa have brought the existence of economic inequalities in the region and in particular the plight of poor communities and their low quality of life more sharply into public focus, tending to shift socio-economic development even higher up the agenda of priorities than has been the case until now.

The nature of the problem

The upper middle income rating accorded South Africa and other countries in Southern Africa by the World Bank conceals the wide range of problems more or less typical of developing countries. The more important and visible among these problems in the membership area of the Bank include a high population growth rate; escalating urbanization; under- and un-employment of more than a third of the labour force; increasing numbers of people for whom abject poverty is a daily struggle; a racially skewed concentration of income and wealth, and a spatially skewed concentration of economic activity; vast social deficits reflected inter alia in a lack of adequate and affordable housing, education and health services; financial constraints manifested in budget deficits and high taxation; persistently high inflation rates; low productivity; shortages of entrepreneurial and professional expertise and technical skills; and a shortage of development funds aggravated by restricted access to foreign capital markets, disinvestment and capital flight.

This formidable list of interrelated socio-economic realities is the result of immensely complex socio-economic and political processes. An appropriate and effective policy and strategy for addressing any one of these problems will have to take into account firstly the nature of the problem, secondly, the complex relations between each of these problems, and thirdly, the deep-seated causes of poverty. These considerations have presented the Bank with the need to adopt a pragmatic approach, focused on Southern Africa, to the alleviation of poverty, rather than one based on ideological considerations derived, for example, from socialist or capitalist philosophies.

The central goal towards which the Bank’s programmes are aimed is the alleviation of poverty and the reduction of inequalities in the distribution of income and wealth for all, in particular by raising the quality of life of those communities and in those areas which have escaped the benefits of past economic growth and development.

Quality of life depends inter alia on the opportunities people have and avail themselves of to satisfy their fundamental human needs. To the degree that human needs motivate, mobilize and engage people to satisfy these needs, they could be regarded not only as deprivations but also as opportunities. These consist of the capabilities, labour and entrepreneurial resources and efforts of the poor themselves. Through appropriate support, development could emanate directly from the actions, expectations and creative awareness of the poor, which implies that poor people could take a leading role in raising their own quality of life. The Bank’s approach towards poverty is therefore rooted in the belief that human betterment is at once the end that development strategies seek and the principal means of implementing such strategies.

In Southern Africa the unacceptably large differences in access to economic opportunities and control over economic resources between different regions and among different sections of the population inhibit the effective participation of a large number of people in the economic growth and development process. What needs to be done is to mobilize the idle and underutilized physical and human resources, specifically in the less developed regions and among the less advantaged communities, and put them to socially desirable use in the production of goods and services.

The approach to the problem

To alleviate poverty, appropriate interventions and supporting policies are needed to liberate and reinforce the wealth of social creativity and self-managing initiatives to be found in ordinary individuals by opening up economic opportunities. Encouraging and engaging the potential of the poor would
The approach of the Bank towards the alleviation of poverty

contribute towards a process of self-reliant and participative development, enabling the poor to take control of the decision-making processes which affect their lives. Together with the productive use of idle and underutilized physical resources in less developed regions, this approach to poverty alleviation can contribute to the expansion of economic growth and a change in the structure of growth. It also possesses the qualities of sustainability and self-fulfilment for the people involved.

It is also an economic imperative to ensure that affirmative action or support programmes do not diminish growth prospects in existing soundly-based economic activities. The latter need to be expanded further, \textit{inter alia} to generate resources for much needed welfare expenditure (education, health, etc) as well as for development support programmes. In essence, this approach emphasizes economic empowerment of the poor while continuing to build on past economic achievements. Supporting economic empowerment and self-reliance means regarding development not as a top-down exercise controlled by the state, but as the outcome of a diversity of individual and public collective actions capable of empowering one another.

This pragmatic approach does not imply a denial of the need to root out real injustices associated with a biased distribution of wealth and income in a country. However, it does question whether steps to do so would on their own have a sustained and meaningful impact on the large poverty sector in Southern Africa.

In adherence to this approach, the activities of the Bank are aimed at facilitating access to economic opportunities and resources for the poor by addressing relevant development constraints. Through its development support programmes, the Bank also facilitates effective participation by the poor in such opportunities.

This approach can only be applied if political, economic, social and legal constraints inhibiting effective and efficient mobilization of idle and underutilized physical resources and human potentials are eliminated. Towards this end, the Bank's activities are directed mainly at aspects of economic restructuring. Due to the integrated nature of the various systems, the influence of the Bank on economic restructuring often spills over to the other systems. The Bank's influence on economic restructuring must, however, be seen in perspective. The limited extent of the Bank's resources in relation to the extensive development challenge in Southern Africa necessitates that the Bank focus on demonstration approaches that can be followed through by other public and private development agents. The Bank does not have a direct influence on all economic policies impacting on development, eg macroeconomic policies. However, it does attempt to influence relevant economic policies in order to create a policy environment conducive to the alleviation of poverty.

The means at hand

The means available to the Bank to achieve its objectives have two broadly interrelated dimensions: firstly, policy dialogue, which refers to the on-going discussions between the Bank and development agents on the acceptance and implementation of an appropriate development strategy, laying the foundations for sustained growth and development essential for poverty alleviation; and secondly, project lending directed at the following:

- financial and technical assistance for long-term public investment programmes benefiting less developed communities
- support for the entrepreneurial poor or emerging entrepreneurs to increase the capacity of individuals to exploit productive opportunities effectively and efficiently
- through its community support programmes, the Bank supports local initiatives and facilitates the development of local organizational skills and institutional capacities with a view to encouraging collective action and the capacity of communities to initiate, implement and manage their own development on a sustained basis.

In its use of both policy dialogue and project lending, the Bank pays special attention to minimizing potentially negative social and environmental impacts.
It is important to keep in mind that the Bank does not undertake development work in its own right, but supports development by extending finance and providing other services to intermediate agents for the execution of programmes and projects. In its efforts to address the needs of its clients, it works through various governments, their development agencies and non-governmental development organizations (NGOs). The Bank can readily accommodate any appropriate and capable intermediate agents as it believes that the need for development and poverty alleviation is not circumscribed by political boundaries of any one constitutional model. Since its establishment, the Bank has tried to direct its development support activities towards programmes and projects that are likely to have validity almost irrespective of the precise nature of future developments in the political sphere. The Bank is also inclined to place a stronger emphasis on NGOs as intermediate agents where it is apparent that, in reaching the poor, they are better placed and geared to support community initiatives than official entities. However, an abrupt change in intermediate agents could interrupt the continuity of the Bank’s development efforts insofar as new agents might initially lack the required critical level of organizational capacity for sound preparation, execution and maintenance of projects.

The complexity of the considerations inducing the Bank to adopt a pragmatic approach to poverty alleviation in Southern Africa also holds true for the adoption of a comprehensive and integrated approach to structural reform. This approach avoids the pitfalls of thinking about and practising development as little more than a series of ad hoc support programmes or projects to improve living conditions for a selected number of communities in the population. Each project would then be judged merely on its own merits. In the experience of the Bank much can be gained from an approach where individual support programmes or projects are judged not only on their own merits, but also on their potential impact in a wider socio-economic and spatial context.

Experience has clearly shown that it is virtually impossible to plan and implement effective and efficient development programmes and projects within a framework of unclear or poor policy. Based on sound economic and development principles, the following are some key policy aspects that require emphasis in the endeavour to alleviate poverty in Southern Africa:

- the highest overall economic growth rate and balanced development, based on available physical and human potential
- efficiency and effectiveness in resource allocation and use by individuals as well as the public sector
- physical and social infrastructure as well as a policy framework aimed at fostering more efficient production, individual initiative and responsibility and social stability through government intervention
- support of individual initiatives and capabilities as well as local institutional capacities and decentralized decision making and responsibility to enable individuals and communities to initiate, implement and manage their own development on a sustained basis
- harmonization of economic policies having an impact on development, irrespective of the level of policy making
- economic development regions comprising various subregions defined by internally homogeneous economic potentials and needs, in order to foster socio-economically integrated development in a wider spatial context.

Through its influence on structural reform supported by policy dialogue and project lending the Bank aims at supporting the creation of an environment conducive to a sustained private sector investment process wherein the poor are enabled to participate. The process of establishing favourable conditions for all individuals to work and invest is essentially a process of economic empowerment. This wealth creationist approach to the alleviation of poverty equally emphasizes the importance of three aspects, namely the structure and rate of economic growth, sustainability of the growth and development process, and investment in poor people in order to facilitate progress towards a more equal distribution of wealth and income.
Mobilization of resources

Human resources

The primary objective of the employment policy and human resources management policy of the Bank is to provide it with the diverse, appropriately qualified and motivated staff it needs to do its work. As the calibre and morale of the staff are prerequisites for the Bank to fulfil its mission, the Bank strives for a work culture of high quality of life, optimal performance, equal opportunities and optimal development of human resources. It has been realized over the years that it is not possible for the Bank to attain its mission unless all its staff members fully associate themselves with, internalize and practise the mission of the Bank.

To achieve this, several strategies and systems have been put into action. The Organization Development Programme (ODP), which was announced towards the end of 1988, continued throughout 1989 and will move into a consolidation and maintenance phase during 1990. Various new streamlined, and in some cases unique, approaches were considered, tested and implemented.

Highlights were the commissioning of the Human Resources Planning Centre which provides managers with the opportunity to identify and learn more about their staff members. This has proved to be very valuable in career and succession planning. The establishment of a psychological service for staff members contributed towards a higher self-knowledge of their strengths, weaknesses and career interests. The approval of the new training and development strategy, incorporating knowledge of the Bank, knowledge of development, and managerial knowledge and skills, provided the Bank with a fully integrated human resources development plan. An integrated performance management system was also successfully implemented, which ensures that training and developing human resources is done on an individual needs-driven basis. A revised recruitment system is currently being implemented. A self-training library was established and has proved to be very effective. The Trainee Scheme was extensively revised, with the main focus on a self-discovery approach. In-depth workshops were also conducted with all groups within the Bank to assist them with their own planning process.

During the year an extensive fringe benefit remuneration survey was undertaken. Based on the results thereof the first steps to implement a totally flexible cash remuneration package for all staff members, to be phased in over the next financial year, have been implemented. Remuneration is based on merit only.

The scholarship scheme which was introduced in the Bank during the past year provides for both a limited number of undergraduate bursaries and a one-year internship for students who have completed their studies. Jakwu Tjurare, Edzi Netshilhetho, Dumo Motau and Zelda Streicher, on internship this year, accompanied an orientation tour to development projects in Qwaqwa early in 1990.
Since its inception, the Bank has followed a policy of maintaining a core staff complement and of making extensive use of external consultants and specialists. Their specialist knowledge has proved to be most valuable, especially in the appraisal and monitoring of projects. During 1989/90, the Bank appointed 242 external consultants and specialists to assist with the execution of its functions, bringing the cumulative number of consultants appointed by the Bank to 367. It remains the policy of the Bank to broaden the exposure of consultants to the Bank and to use as many firms as possible.

Over the past year, the permanent staff complement of the Bank stabilized and at 31 March 1990 comprised 668 staff members, 12 contract appointments and three secondments. This brought the overall staffing figure to 883 as compared to 892 at the end of the 1988/89 financial year. The turnover rate of 14 per cent over the financial year is not regarded as excessive. It is also gratifying that many employees leaving the Bank remain involved in development. The Bank acknowledges the fact that it also has a responsibility to deliver suitably qualified people to the development field in general.

The Bank firmly believes that its staff composition should increasingly reflect the composition of the total Southern African population. It believes in equal opportunity for all and to put this into practice, the Bank also recognizes that major inequalities exist in access to educational services and in general in social conditions between different members of the community from which it draws its staff. Special support is thus offered to members from communities who have not had access to equal facilities.

**Financial resources**

The financial resources mobilized by the Bank to finance its lending operations include the share capital subscribed by its members, contributions to the Development Fund, loans raised in the financial markets and the flow of repayments on its loans. Sound management of these resources based on prudent financial and lending policies ensures that the demands of the Bank's various constituencies are satisfied and that its development effort remains sustainable.

**Financial structure**

The conservative capital structure of the Bank, as evidenced in the Balance Sheet, remains intact, underpinned by generous grant funding in the form of the Development Fund.

Additional grants totaling R325 million from the South African government during the year saw this fund rise to R1,900 million at the year-end. The additional grants are part of a total of R2,516 million committed to the Bank in terms of the current five-year funding cycle which began in 1988/89 and of which a total of R748 million has been received to date.

Complementing its financial structure are specific funding provisions contained in the Bank's Establishment Agreement, as well as the recourse the Bank has in the form of R1,000 million of callable share capital, which can if necessary be mobilized to meet its obligations in respect of capital market loans raised and guarantees issued.

Capital market loans of R95 million, while still relatively small in relation to the Bank's other sources of funding, are set to increase significantly as the Bank goes to the financial markets in the coming year.

The overseas markets also present a major opportunity especially as South Africa emerges from the economic isolation of the past. While there is as yet no foreign money invested in the Bank, there have been indications of future support from the international financial community.

Strict asset management is practised by the Bank. The primary focus is on the burgeoning loan book which has increased at a compound rate of 53 per cent per annum over the last six years to R2,400 million or 92 per cent of the Bank's total assets at the year-end. The future of the Bank ultimately depends on the policies and practices that govern the quality of this lending. Apart from concerning
themselves with the credit-worthiness of potential borrowers, the Bank’s staff carefully appraises the economic, technical, financial, organizational, managerial and operational aspects of all projects for which a loan is proposed. This thorough and systematic process which is undertaken with the co-operation of borrowers goes a long way to minimizing default as well as project risk.

The Bank continues to manage its liquid investment portfolio actively to secure the highest possible returns. The Bank’s liquidity levels were deliberately managed down during the year from 18 per cent of total outstanding commitments at the beginning of the year to 5 per cent at the year-end. This departure from a stated policy of maintaining liquidity at higher levels was motivated by the increasing degree of accuracy with which the Bank has been able to programme its loan disbursements. Furthermore, with interest rates at high levels for most of the year, the Bank’s liquid resources represented a less costly source of funding for loan disbursements.

Operating results

The Bank covered its operating expenditure for the 1989/90 financial year, while posting an operating surplus of R56 million, which compares favourably with the surplus of R54 million in the preceding year. The increase can be attributed mainly to a 13 per cent escalation in interest received on development loans, many of which are now coming out of moratorium. The servicing of loans granted by the Bank is contributing increasingly to the Bank’s resources. Flows from this source contributed 20 per cent of the total cash flow during 1989/90 and are expected to contribute a third of the total sources of funds within the next few years.

The timing of capital market loan redemptions and reissues over the past two years resulted in a drop in interest payments, which added a further R4.6 million to the operating surplus. A rise in operating expenditure which saw the Bank move up to full staff and operational strength partially offset these contributions. Sharply reduced expenditure of R10.4 million on capital items, compared with the previous year, saw the Bank close the year with a net surplus of R80 million.

The primary goal of the Bank is, of course, not profit, but 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. Maintaining operating surpluses nonetheless remains a sine qua non with which the sustainability of future development terms would not be possible. In line with the stated policy of strengthening its financial structure, the Bank transferred the net surplus of R80 million for the year to the non-distributable General Reserve. This reserve, which now amounts to R218 million, apart from being a prudent contingency provision, enhances the borrowing capacity of the Bank while also partially mitigating the effects of inflation on the equity base.

Policy and strategy

Policy analysis

To help give direction to its response to development and poverty, the Bank created a policy and strategy function with a Centre for Policy Analysis as permanent guardian of and participant in this function. The Centre’s main tasks include policy analysis and research, support with regard to policy dialogue and advice, policy programming, and policy dissemination through, for instance, participation in public debate.

At the same time steps were initiated to adapt the assignment programme of the Bank to the criteria of operational relevance and orientation to structural adjustments required at policy level to address the needs of the disadvantaged communities.

As a result of this reorientation, the ongoing assignment programme reflects an emphasis on topical issues related to:

- poverty
- economic empowerment
- inward industrialization
Overview of Bank activities

- human scale development
- rural and agricultural development
- education and training alternatives
- urban and infrastructural development
- institutional reform
- the environment
- financial adjustment.

Examples of assignments completed within the Centre during the year are:
- Land use, agricultural productivity and farming systems in Southern Africa
- The role of the Bank in improving the accessibility and quality of education and training opportunities in Southern Africa in a cost-effective way
- A simulation model of labour, land, food and capital flows between households in rural KwaZulu
- The effect of increased real earnings in agriculture on the farm household.

Information analysis

To support the operational activities of the Bank and its clients, the Bank must have access to strategically significant information about its clients and its external environment. A Centre for Information Analysis has therefore been established at the Bank to undertake the following:
- the identification of clients' information needs
- the timely generation of relevant and reliable information
- the analysis and interpretation of information
- the rendering of advice and training support
- the dissemination of information.

During the year under review, the following services were completed:
- Determination of the development information needs of the six main development functions and the four specialist groupings of the Operations Complex of the Bank in order to satisfy these needs.

- Generation, analysis and interpretation of information on a sectoral and geographical basis by employing specific techniques in order to contribute to the knowledge concerning the development needs, potential and constraints of the different development regions. Information on these matters serves as input towards the formulation of strategic development proposals. Based on such analysis, the following reports were compiled and published:
  - Development Information Report: Region F
  - Development Information Report: Region G
  - Economic and Social Memorandum: Region F
  - Economic and Social Memorandum: Region G
  - Southern Africa: An interstate comparison of certain salient features.

- Provision of advice and training on the establishment and maintenance of functional and effective information systems. The first phases of assignments on a Bophuthatswana data base as well as staff development in the KwaZulu Economic Development Planning Branch, were completed during the year. Advice and training were also provided to Venda personnel on the compilation of the GDP of Venda as well as on how to do it without outside assistance.

- Dissemination of information to internal and external clients through a corporate development information system containing statistical trend information from which time series information can be compiled; a statistical library containing publications of a predominantly statistical nature, as well as a computerized information inventory consisting primarily of a reference list of sources relating to socio-economic development. Further dissemination of information occurs
through a library service also serving the external community by providing inter-library loans.

**Project evaluation**
The basic purpose of the evaluation phase in the Bank's project cycle is to assess the effectiveness, efficiency and sustainability of Bank-supported development projects and programmes, and learn from past experience to improve the performance of the Bank and the outcome of future projects.

Evaluation work is done in close co-operation with project management and often with borrowers, so as to ensure quick and effective absorption of useful lessons. Evaluation studies are mostly of an in-depth research nature, and therefore require careful preparation. Although the aim is to assess the project ex post, if at all possible, collection of required information and data about the project is initiated from very early in the project cycle. Evaluation studies are therefore mostly of a long-term nature. Development projects, however, vary enormously in size, scope and complexity, and evaluations necessarily reflect this variation.

Although project completion reports, which amount to self-evaluations by project teams, are prepared for every completed project, more in-depth evaluation studies are carried out only for selected projects and programmes.

At present the Evaluation Unit is in an advanced stage of setting up evaluations of two grassroot-type programmes, namely the Farmer Support Programme and the Small Business Development Programme. In both cases, the intention is to collect and analyse information over several years by using outside expertise. Comparative studies of the experience in the programmes over several geographic areas of implementation will also be made. Feedback to project management will take place continuously.

Preparation work for the setting up of evaluations of urban and infrastructural development projects is also currently under way.

*(Continued on page 30)*
# Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>1990 R’000</th>
<th>1989 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital employed</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>2</td>
<td>200 000</td>
<td>200 000</td>
</tr>
<tr>
<td>General reserve</td>
<td>3</td>
<td>217 603</td>
<td>167 582</td>
</tr>
<tr>
<td>Development Fund</td>
<td>4</td>
<td>1 900 644</td>
<td>1 525 644</td>
</tr>
<tr>
<td>Capital market loans</td>
<td>5</td>
<td>94 856</td>
<td>80 747</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>6</td>
<td>207 449</td>
<td>132 569</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 620 552</td>
<td>2 106 512</td>
</tr>
<tr>
<td><strong>Employment of capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>7</td>
<td>35 408</td>
<td>32 208</td>
</tr>
<tr>
<td>Loans</td>
<td>8</td>
<td>2 413 327</td>
<td>1 657 247</td>
</tr>
<tr>
<td>Investments</td>
<td>9</td>
<td>128 998</td>
<td>411 862</td>
</tr>
<tr>
<td>Net working capital</td>
<td>10</td>
<td>42 819</td>
<td>5 195</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 620 552</td>
<td>2 106 512</td>
</tr>
</tbody>
</table>

Pages 18 to 28 signed for and on behalf of the Board of Directors by

SS Brand
Director
29 May 1990
Midrand

M Maponya
Director
29 May 1990
Midrand
## Income statement

for the year ended 31 March

<table>
<thead>
<tr>
<th>Note</th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>11</td>
<td>137 764</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
<td>4 332</td>
</tr>
<tr>
<td></td>
<td></td>
<td>142 096</td>
</tr>
<tr>
<td><strong>Less</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>13</td>
<td>9 333</td>
</tr>
<tr>
<td>Technical assistance grants</td>
<td></td>
<td>1 972</td>
</tr>
<tr>
<td><strong>Net operating income</strong></td>
<td></td>
<td>130 791</td>
</tr>
<tr>
<td><strong>Less: Expenditure</strong></td>
<td></td>
<td>75 440</td>
</tr>
<tr>
<td>Auditors' remuneration</td>
<td>14</td>
<td>469</td>
</tr>
<tr>
<td>Directors' fees and expenses</td>
<td></td>
<td>169</td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>15</td>
<td>74 802</td>
</tr>
<tr>
<td><strong>Operating surplus</strong></td>
<td></td>
<td>55 351</td>
</tr>
<tr>
<td><strong>Less: Furniture and equipment written off</strong></td>
<td></td>
<td>5 300</td>
</tr>
<tr>
<td><strong>Surplus transferred to general reserve</strong></td>
<td></td>
<td>50 051</td>
</tr>
</tbody>
</table>
## Cash flow statement

for the year ended 31 March

<table>
<thead>
<tr>
<th>Note</th>
<th>1990  R'000</th>
<th>1989  R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash generated from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development Fund contribution</td>
<td>362 004</td>
<td>363 119</td>
</tr>
<tr>
<td>Increase(-)/decrease in bank balances and cash</td>
<td>375 000</td>
<td>371 000</td>
</tr>
<tr>
<td>Proceeds from share capital issued</td>
<td>-27 025</td>
<td>2 931</td>
</tr>
<tr>
<td>Capital market loans reissued/redeemed(−)</td>
<td>0</td>
<td>36 000</td>
</tr>
<tr>
<td></td>
<td>14 029</td>
<td>−46 812</td>
</tr>
<tr>
<td><strong>Cash generated from investment activities</strong></td>
<td>279 664</td>
<td>27 350</td>
</tr>
<tr>
<td>Decrease in investments</td>
<td>262 864</td>
<td>45 478</td>
</tr>
<tr>
<td>Investment to expand operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction of head office building</td>
<td>−3 200</td>
<td>−18 128</td>
</tr>
<tr>
<td><strong>Cash generated from financing and investment activities</strong></td>
<td>641 668</td>
<td>390 469</td>
</tr>
<tr>
<td><strong>Cash retained from operating activities</strong></td>
<td>50 270</td>
<td>44 560</td>
</tr>
<tr>
<td>Cash generated by operations</td>
<td>50 131</td>
<td>42 694</td>
</tr>
<tr>
<td>Cash utilized to increase working capital</td>
<td>139</td>
<td>1 966</td>
</tr>
<tr>
<td><strong>Cash available for investment in loans</strong></td>
<td>691 938</td>
<td>435 029</td>
</tr>
<tr>
<td><strong>Net increase in loans</strong></td>
<td>691 938</td>
<td>435 029</td>
</tr>
</tbody>
</table>

20
Notes to the financial statements

1. Accounting policies

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

1.1 Fixed property
All costs directly related to the construction of the head office and infrastructure at Midrand are capitalized.

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

1.3 Interest received on development loans

1.3.1 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 treated as capitalized interest, until such time as it is due and payable when it is transferred to income as interest received.

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

1.4 Investments
Listed government and public corporation stock are stated at the lower of cost or market value on the item-by-item method. Where cost contains premiums or discounts on purchase, such amounts are amortized on a straight line basis over the period to redemption.

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.

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.
## Notes to the financial statements

### 2. Share capital

<table>
<thead>
<tr>
<th></th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Authorized and subscribed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200 000 shares at a par value of R10 000 each</td>
<td>2 000 000</td>
<td>2 000 000</td>
</tr>
<tr>
<td><strong>Paid-up capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 000 shares at a par value of R10 000 each</td>
<td>200 000</td>
<td>200 000</td>
</tr>
<tr>
<td><strong>Callable capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>180 000 shares at a par value of R10 000 each</td>
<td>1 800 000</td>
<td>1 800 000</td>
</tr>
</tbody>
</table>

### 3. General reserve

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 April</td>
<td>167 552</td>
<td>129 289</td>
</tr>
<tr>
<td>Transfer from income statement</td>
<td>50 051</td>
<td>38 263</td>
</tr>
<tr>
<td></td>
<td>217 603</td>
<td>167 552</td>
</tr>
</tbody>
</table>

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

### 4. Development Fund

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 April</td>
<td>1 525 644</td>
<td>1 154 644</td>
</tr>
<tr>
<td>Contribution by SA</td>
<td>375 000</td>
<td>371 000</td>
</tr>
<tr>
<td></td>
<td>1 900 644</td>
<td>1 525 644</td>
</tr>
</tbody>
</table>

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
- in respect of the new five-year cycle of funding agreed to between the South African government and the Bank in 1988 (in 1990 real values) 1 770 000

The Development Fund consists of grants received and does not constitute a liability.
### 5. Capital market loans

<table>
<thead>
<tr>
<th></th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 April</strong></td>
<td>89 712</td>
<td>136 524</td>
</tr>
<tr>
<td><strong>Less:</strong> Redeemed/repurchased during the year</td>
<td>5 254</td>
<td>46 812</td>
</tr>
<tr>
<td><strong>Add:</strong> Reissued during the year</td>
<td>28 400</td>
<td>0</td>
</tr>
<tr>
<td><strong>Discount on issue of DBSA local stock</strong></td>
<td>38 236</td>
<td>29 119</td>
</tr>
<tr>
<td><strong>Less:</strong> Amortized</td>
<td>20 234</td>
<td>20 154</td>
</tr>
<tr>
<td><strong>Less: Net discount to be amortized</strong></td>
<td>18 002</td>
<td>8 965</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>94 856</td>
<td>80 747</td>
</tr>
</tbody>
</table>

The authorised nominal value of local registered stock is R112,858 million (1989: R86,712 million). The discount on the issue of R38,236 million (1989: R38,119 million) will be amortized over the period of the repayment of these loans. The stock carries a coupon rate of 10 per cent per annum and will be redeemed over the period 31 October 1991 to 31 October 2001 as follows:

<table>
<thead>
<tr>
<th>Duration</th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 3 years</td>
<td>6 230</td>
<td>6 230</td>
</tr>
<tr>
<td>3 years and longer</td>
<td>106 628</td>
<td>83 482</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>112 858</td>
<td>89 712</td>
</tr>
</tbody>
</table>

### 6. Capitalized interest

<table>
<thead>
<tr>
<th></th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 April</strong></td>
<td>132 569</td>
<td>84 921</td>
</tr>
<tr>
<td>Interest capitalized</td>
<td>79 899</td>
<td>51 597</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>212 468</td>
<td>136 518</td>
</tr>
<tr>
<td><strong>Less:</strong> Interest transferred to income statement</td>
<td>5 019</td>
<td>3 949</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>207 449</td>
<td>132 569</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>7 878</td>
<td>5 019</td>
</tr>
</tbody>
</table>
## Notes to the financial statements

### 7. Fixed assets

<table>
<thead>
<tr>
<th></th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>35 408</td>
<td>32 208</td>
</tr>
<tr>
<td>Building</td>
<td>33 440</td>
<td>30 097</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1 968</td>
<td>2 111</td>
</tr>
<tr>
<td>Infrastructure costs capitalized</td>
<td>2 134</td>
<td>2 111</td>
</tr>
<tr>
<td><strong>Less:</strong> Recovered</td>
<td>166</td>
<td>0</td>
</tr>
</tbody>
</table>

The head office has been constructed on land donated to the Bank by the South African government, being portion 465 (a portion of portion 442) of the farm Randjesfontein 405, registration division JR, measuring 25,0660 ha.

### 8. Loans

#### 8.1 Development loans

<table>
<thead>
<tr>
<th></th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 April</td>
<td>1 550 752</td>
<td>1 040 958</td>
</tr>
<tr>
<td>Loans advanced</td>
<td>729 161</td>
<td>493 163</td>
</tr>
<tr>
<td>Interest capitalized</td>
<td>138 814</td>
<td>85 919</td>
</tr>
<tr>
<td>Moratorium interest</td>
<td>79 899</td>
<td>51 597</td>
</tr>
<tr>
<td>Direct interest</td>
<td>58 915</td>
<td>34 322</td>
</tr>
<tr>
<td><strong>Less:</strong> Repayments of capital and interest*</td>
<td>92 502</td>
<td>62 950</td>
</tr>
<tr>
<td>Transfer of capital and interest due at 31 March 1990 to current assets</td>
<td>17 076</td>
<td>6 338</td>
</tr>
<tr>
<td>Reallocation to technical grants</td>
<td>67</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 418 727</td>
<td>1 620 040</td>
</tr>
</tbody>
</table>

#### 8.2 Other loans

<table>
<thead>
<tr>
<th></th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 April</td>
<td>104 245</td>
<td>106 495</td>
</tr>
<tr>
<td><strong>Less:</strong> Repayments of capital†</td>
<td>2 250</td>
<td>28 781</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 413 327</td>
<td>1 657 247</td>
</tr>
</tbody>
</table>

*Capital amount repayable during the next financial year

<table>
<thead>
<tr>
<th></th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>75 246</td>
<td>47 961</td>
</tr>
</tbody>
</table>

†Capital amount repayable during the next financial year

<table>
<thead>
<tr>
<th></th>
<th>1990 R'000</th>
<th>1989 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2 250</td>
<td>2 016</td>
</tr>
</tbody>
</table>
Notes to the financial statements

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td><strong>9. Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>105 793</td>
<td>370 923</td>
</tr>
<tr>
<td>Listed government and public corporation stock*</td>
<td>8 197</td>
<td>17 939</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>15 008</td>
<td>23 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>128 998</td>
<td>411 862</td>
</tr>
</tbody>
</table>

*Cost price of stock

<table>
<thead>
<tr>
<th>Maturity</th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–1 year</td>
<td>120 754</td>
<td>376 799</td>
</tr>
<tr>
<td>1–3 years</td>
<td>4 626</td>
<td>29 797</td>
</tr>
<tr>
<td>Longer than 6 years</td>
<td>3 618</td>
<td>5 266</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>128 998</td>
<td>411 862</td>
</tr>
</tbody>
</table>

**10. Net working capital**

<table>
<thead>
<tr>
<th>Current assets</th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>53 014</td>
<td>16 791</td>
</tr>
<tr>
<td>Development loans†</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Capital</td>
<td>17 076</td>
<td>6 338</td>
</tr>
<tr>
<td>- Interest</td>
<td>5 305</td>
<td>5 087</td>
</tr>
<tr>
<td></td>
<td>11 771</td>
<td>1 251</td>
</tr>
<tr>
<td>Interest - investments</td>
<td>5 103</td>
<td>5 928</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2 199</td>
<td>2 914</td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>28 636</td>
<td>1 611</td>
</tr>
<tr>
<td><strong>Less: Current liabilities</strong></td>
<td>10 195</td>
<td>11 596</td>
</tr>
<tr>
<td>Accounts payable and provisions</td>
<td>5 493</td>
<td>7 858</td>
</tr>
<tr>
<td>Interest payable on capital market loans</td>
<td>4 702</td>
<td>3 738</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42 819</td>
<td>5 195</td>
</tr>
</tbody>
</table>

†Since 31 March 1990, an amount of R13,104 million has been paid in respect of development loans. It is envisaged that of the remaining amount of R3,972 million, R3,379 million will be recovered through offset in the near future, while R593 000 may have to be rescheduled.
### Notes to the financial statements

#### 11. Interest received

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>59 945</td>
<td>68 591</td>
</tr>
<tr>
<td>Development loans</td>
<td>63 934</td>
<td>38 271</td>
</tr>
<tr>
<td>Direct interest</td>
<td>58 915</td>
<td>34 322</td>
</tr>
<tr>
<td>Transferred from deferred income</td>
<td>5 019</td>
<td>3 949</td>
</tr>
<tr>
<td>Other loans</td>
<td>13 885</td>
<td>15 504</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>137 764</td>
<td>122 366</td>
</tr>
</tbody>
</table>

#### 12. Other income

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refund – payroll taxes</td>
<td>3 000</td>
<td>3 000</td>
</tr>
<tr>
<td>Advisory and agency services</td>
<td>623</td>
<td>494</td>
</tr>
<tr>
<td>Other</td>
<td>709</td>
<td>1 126</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4 332</td>
<td>4 619</td>
</tr>
</tbody>
</table>

#### 13. Interest paid

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on capital market loans</td>
<td>9 158</td>
<td>12 572</td>
</tr>
<tr>
<td>Discount on issue of DBSA stock amortized</td>
<td>80</td>
<td>1 349</td>
</tr>
<tr>
<td>Other</td>
<td>95</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9 333</td>
<td>13 921</td>
</tr>
</tbody>
</table>

#### 14. Auditors' remuneration

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the audit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– current year</td>
<td>106</td>
<td>87</td>
</tr>
<tr>
<td>– under-provision prior year</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>For consulting services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– internal management information system</td>
<td>157</td>
<td>382</td>
</tr>
<tr>
<td>– on behalf of member states</td>
<td>174</td>
<td>0</td>
</tr>
<tr>
<td>– other</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Expenses</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>469</td>
<td>468</td>
</tr>
</tbody>
</table>

#### 15. Operating expenditure

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultants' fees</td>
<td>5 956</td>
<td>4 175</td>
</tr>
<tr>
<td>Communication costs</td>
<td>931</td>
<td>853</td>
</tr>
<tr>
<td>Data processing</td>
<td>1 960</td>
<td>2 132</td>
</tr>
<tr>
<td>Office rental</td>
<td>0</td>
<td>2 563</td>
</tr>
<tr>
<td>Staff-related</td>
<td>56 140</td>
<td>39 483</td>
</tr>
<tr>
<td>Subsistence and travel</td>
<td>5 395</td>
<td>4 923</td>
</tr>
<tr>
<td>Other</td>
<td>4 420</td>
<td>1 916</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>74 802</td>
<td>56 045</td>
</tr>
</tbody>
</table>
Notes to the financial statements

16. Commitments and contingent liabilities

<table>
<thead>
<tr>
<th>16.1 Financing of the staff motor scheme</th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing of the staff motor scheme is done through a financial institution. The Bank guarantees the liabilities of its employees in this regard.</td>
<td>3 290</td>
<td>3 795</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>16.2 Financing of the staff housing scheme</th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>3 763</td>
<td>4 040</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>16.3 Collateral securities</th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certain of the Bank's investments with building societies serve as collateral security for certain bonds granted by building societies to staff of the Bank.</td>
<td>293</td>
<td>420</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>16.4 Loan agreements</th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.4.1 Commitments in respect of loan agreements concluded but not fully disbursed</td>
<td>1 680 480</td>
<td>1 214 195</td>
</tr>
</tbody>
</table>

| 16.4.2 Commitments in respect of loan agreements approved by the Bank and still under consideration by the prospective borrowers | 1 010 605 | 923 710 |

<table>
<thead>
<tr>
<th>16.5 Technical assistance projects</th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistance projects concluded but not fully disbursed</td>
<td>6 958</td>
<td>5 720</td>
</tr>
</tbody>
</table>

| 16.5.1 Commitments in respect of technical assistance projects approved by the Bank and still under consideration by the prospective recipients | 856   | 640   |

<table>
<thead>
<tr>
<th>16.6 Loan guarantees</th>
<th>1990</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.6.1 Guarantees issued by the Bank</td>
<td>45 000</td>
<td>102 000</td>
</tr>
</tbody>
</table>

| 16.6.2 Guarantees approved by the Bank but still under consideration by the prospective borrowers | 13 069 | 13 069 |
16.7 **Capital commitments**

<table>
<thead>
<tr>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>R'000</td>
<td>R'000</td>
</tr>
</tbody>
</table>

Commitments in respect of contracts for the completion of the new head office of the Bank:

- **0**
- **626**

17. **Liability for normal income tax**

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

18. **Pension Fund**

An average number of 675 (1989 – 586) employees were members of the Development Bank Pension Fund to which the Bank contributed R4,0 million (1989 – R3 million). There were 7 (1989 – 5) beneficiaries to whom benefits amounting to R59 779 (1989 – R66 071) 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 employees’ pensionable remuneration and years of service to the Bank. Membership of the Fund is compulsory for all employees on the permanent staff. The Fund was last valued at 31 March 1987 when it was found to be actuarially sound. The evaluation of the Fund at 31 March 1990 is currently being undertaken.

19. **Notes to the cash flow statement**

for the year ended 31 March

19.1 **Cash generated by operations**

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>50 051</td>
<td>38 263</td>
</tr>
<tr>
<td>Non-cash items: Discount amortized</td>
<td>80</td>
<td>4 331</td>
</tr>
<tr>
<td></td>
<td>50 131</td>
<td>42 594</td>
</tr>
</tbody>
</table>

19.2 **Cash utilized to increase/decrease(–) working capital**

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase/decrease(–) in accounts receivable</td>
<td>–715</td>
<td>1 215</td>
</tr>
<tr>
<td>Decrease(–) in interest receivable</td>
<td>–825</td>
<td>–3 023</td>
</tr>
<tr>
<td>Increase(–)/decrease in accounts payable and provisions</td>
<td>2 365</td>
<td>–2 109</td>
</tr>
<tr>
<td>Increase(–)/decrease in interest payable on capital market loans</td>
<td>–964</td>
<td>1 951</td>
</tr>
<tr>
<td></td>
<td>–139</td>
<td>–1 966</td>
</tr>
</tbody>
</table>

19.3 **Net increase in loans advanced**

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans advanced</td>
<td>729 161</td>
<td>493 163</td>
</tr>
<tr>
<td>Less: Capital repayments</td>
<td>37 223</td>
<td>58 134</td>
</tr>
<tr>
<td></td>
<td>691 938</td>
<td>435 029</td>
</tr>
</tbody>
</table>
Auditors’ report

Report of the auditors to the members of the Development Bank of Southern Africa. We have examined the annual financial statements set out on pages 18 to 28. 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 1990 and the results of its operations for the year then ended, in conformity with generally accepted accounting practice for similar institutions.

Ernst & Young
Chartered Accountants (SA)

29 May 1990
Johannesburg
Overview of Bank activities

(Continued from page 18)

The utilization of resources

The human, financial and information resources of the Bank are used for development support to the developing regions and countries in Southern Africa. While the borrowers of the Bank are governments, parastatals and non-governmental development agencies, the ultimate clients of the Bank are the poor people and disadvantaged communities in Southern Africa.

Progress by main development function

Figure 1 shows the involvement of the Bank in the six main development functions during the past financial year, while Annexure 1 lists the individual projects.

Region and state

The Bank has progressed well in involving local communities in the planning of development. This is also true for planning at a strategic level - communities contribute substantially to formulating guidelines for the overall development of specific geographical areas, which are either development regions, subregions, countries or planning areas within countries.

The formulation of such strategies or guidelines is one of the important building blocks for integrated regional development. These strategies should be coherent on a spatial, functional and sectoral basis, so that the economies of subregions are able to complement and supplement each other within a regional economy. Likewise, the various sectors within the regions should be developed on the basis of comparative advantages, thereby ensuring the optimal use of resources. Within the various areas a diversity of participants is found, ranging from the
various forms and levels of government to organized commerce and agriculture, and including the various communities and entrepreneurs. It is an important principle that all the above-mentioned groups participate effectively in the planning processes. This participation takes place on two levels: firstly, in the steering of the planning process, and secondly, in the provision of inputs to the planning process. Such comprehensive participation encourages economic empowerment at an early stage—especially with the formulation of strategies that will provide the poor and underdeveloped communities with ways and means to enter and participate in the economic system.

The planning of projects reflects a systematic process ranging from an analysis of the planning area's resource potential, needs and aspirations of the population, constraints and opportunities to the formulation of development strategies. Workshops with local communities are built into the process to ensure their participation. Steering committees made up of all the affected groups also have to approve specific phases of the process, thereby ensuring that they support and are committed to the results of the planning process.

A regional approach has also been reinforced during the period under review. In this approach coherent economic regions are highlighted for planning and strategies rather than fragmented state entities.

The above approach to and principles on development planning have been introduced in specific projects. The Bank is technically and financially supporting projects aimed at the formulation of coherent development strategies for Regions F and G. In a subregional context, studies are currently under way for the Phalaborwa/Lulekani/Namakgale area of Region G and the Stutterheim/Cathcart/Komga area of Region D.
Rural and agricultural development

Economic activities in developing rural areas are both agricultural and non-agricultural. Agriculture and farming remain an important vehicle for economic development in most of these areas. Programmes and projects directed at smallholder farming provide a strategy to increase the living levels of rural dwellers across a broad front. Both food security and commercialization objectives are served by such a strategy.

The farmer support programme (FSP), designed to support emerging small-holder entrepreneurs, while at the same time attending to the needs of poor rural communities, remained the main thrust of rural and agricultural development. In an effort to improve the entry of largely semi-subsistence, poor farmers into commercial agriculture, an interim evaluation was undertaken of a representative sample of the FSP. Findings showed that the main benefit of the FSP is the considerable extent to which this programme has influenced development thinking and agricultural policy in Southern Africa. There are several examples of a clear shift away from direct government intervention and state-controlled production towards a process of promoting economic development by improving farmer support services to rural dwellers over a broad base. Positive signs of the FSP encouraging farmers into groups for collective action for commercial and bargaining purposes, thereby increasing their participation and independence, were identified. Generally, a loosely structured approach supplying services based on demand and encouraging participation has greater positive developmental effects than central control, which tends to stifle farmers' initiative and increase their dependence on outside management. There are encouraging signs that the FSP is influencing traditional land tenure towards market-related land use. These positive observations suggest that more emphasis should be placed
on the FSP approach, in which case greater attention will have to be paid to difficulties still limiting the impact of the FSP on rural economies, namely poor understanding of farmer support philosophy by both implementing agents and rural dwellers, weak farmer organizations at local and central levels which are often poorly integrated with implementing institutions, inadequate managerial and administrative skills, and ineffective extension and training services.

In addition to the FSP, commercial agricultural production was addressed by supporting new settlement projects and, where appropriate, the rehabilitation of existing schemes whose development impact has been seriously questioned. The existing schemes invariably involve irrigated farming based on costly and largely ineffective central management, and sophisticated, capital-intensive production systems. In the planning or restructuring phases of these schemes, the Bank emphasizes the importance of design based on human, economic and institutional considerations rather than on solely technical ones. Experience has shown that successful settlement is invariably dependent on thorough attention being paid to human, economic and organizational issues, such as ways of attracting suitable farmers, participation in the planning and running of the project and hence commitment to it, and a reasonable chance to secure profits, as well as the functional integration of organizations surrounding and supporting the scheme. This then provides the context within which improved, but compatible, technology can be introduced to accelerate economic development. One of the main objectives of any settlement project should be to support farmers to assume full responsibility for decision-making and risk-taking.

With the Bank's objective of alleviating poverty in mind, more attention was focused on how to reach the majority of inhabitants in rural areas who are essentially not catered for by existing approaches such as farmer settlement projects and the farmer support programme. The result was a policy framework for community actions, known as the community support programme, which entails mobilizing people, building appropriate institutions and supporting socio-economic activities. This approach also defines the role of the Bank in supporting such actions. The main development objective of these community support actions is to enable and increase the capacity of individual members of communities to initiate, plan, implement and manage their own development initiatives on a suitable basis at the local level.
Support for community action increases the economic capacity of individuals and groups, and enables them to benefit from and contribute positively to overall economic development.

The value of sound policy and strategy formulation to focus attention on issues such as the mobilization of human and physical resources in rural areas was increasingly recognized by borrowers. The Bank assisted in the preparation of guidelines for a number of strategic development planning exercises. A fundamental principle confirmed by this activity is that, for policy and development strategies to be relevant, they should to a large extent reflect the needs and priorities of the majority of inhabitants of rural areas.

**Village pilot project**

This pilot project involved the financing of water reticulation and fencing of existing and planned community gardens in nine rural villages. Two fully-equipped training centres also form part of the project.

This was the first community support project of its kind to be financed by DBSA. The development objective is to test the feasibility of rural community clubs to initiate and promote local economic activities.

Issues receiving attention during the implementation of the project are:

- the ability of community clubs, who have access to support services from the Gazankulu Department of Agriculture and Forestry (GAZDAP), to sustain development projects
- the feasibility of these clubs taking responsibility for the operation and maintenance of their projects
- the affordability of project ventures to individual members and community clubs
- the appropriateness of the training course contents and the successful application of maintenance and bookkeeping training conducted by GAZDAP
- the technological appropriateness, cost efficiency and socio-economic acceptability of the project
- evaluating the economic impact of the project and its replicability
- the relevance of the bottom-up approach to community development.

Some positive results of the project are that:

- Food gardens can produce sufficient vegetables for participants and their families. In some instances surplus produce is sold to supplement household incomes.
- The women have formed co-operatives, which supply inputs, and savings clubs.
- The training centres are used by members for club activities and by the community for social functions.
- The village clubs receive continuous, valuable support from the extension officers of GAZDAP.

It appears that this type of community support can stimulate the innate potential of communities to organize themselves and control their own development. It is expected that more applications for loan finance for similar projects will be forthcoming from Gazankulu and other developing areas. The grassroots approach of mobilizing and empowering communities to plan, implement and manage their economic and social activities is vital.

**Recipient: Gazankulu Government**

DBSA grant: R182 959
Total cost: R303 760
Urban development

The role of the Bank in urban development has changed over the past years from the initial phase of primarily emphasizing the financing of infrastructure to emphasizing a comprehensive approach. This shift in emphasis coincided with urban development becoming a major focus area within the development arena of Southern Africa. The role of the Bank in the urban development field has therefore been influenced by the marked changes in the social, financial and political environment.

These changes reflected stricter monetary and fiscal policy and were accompanied by the abolition of certain acts of the South African Parliament, resulting in a marked increase in the rate of urbanization, both in the metropolitan areas of Southern Africa and in all other urban areas. This not only put pressure on existing physical infrastructure but also worsened the pressures on the financial and institutional capacities of individual local authorities, non-governmental organizations (NGOs) and even emerging private sector institutions. Furthermore, a realization grew, not only within the Bank, but also in the environment within which the Bank operates, that a greater emphasis should be put on the economic linkages within urban complexes in a regional, subregional and sectoral perspective.

In the light of the above, the Bank started to focus more on its support and facilitating role in structural economic reform and the integration of projects to achieve maximum multiplication benefits. This approach implied a strong linkage with business and entrepreneurial activities to improve the economic base of urban areas. It also implied the utilization of these financial means to strengthen the institutional and administrative capacity to establish and maintain public sector assets.
Overview of Bank activities

To achieve this and alleviate poverty by improving the quality of urban life over the full spectrum, the Bank now emphasizes the correct policy and strategy framework, local economic opportunities (over the full spectrum), and increasing the financial resources and institutional capacity. This approach is applied firstly through urban structural reform programmes and secondly through the formulation of comprehensive urban development support plans. With the greater emphasis on structural economic reform and the financial and institutional constraints in the urban environment, the Bank initiated its first financial adjustment programme in an urban area. The focus of this type of programme for urban authorities is in the first place to stabilize the worsening financial position of a local authority by balancing expenditure and revenue and then, through a structured and coherent approach, to address the financial restructuring of such local authorities by ensuring the optimal use of all resources. It is anticipated that the Bank will play an increasing role in this regard in future.

The increased focus on structural economic reform led to the initiation of urban development support programmes (UDSP). The UDSP concept was developed in the light of the Bank's role in structural economic reform and is a programme in which strategies are devised to synchronize activities and projects to enhance their development impact and thus the impact on urban poverty. The UDSP focuses on the support, co-ordination and integration of the roles of the various institutions involved in the development of local urban areas and provides a vehicle through which the Bank can influence rational coherent approaches to urban development covering the full spectrum of urban life, whether Bank-funded or not. In this respect, clear role definition between the public and private sector is important and the harmonization of projects covering commercial access, infrastructure, education, social and recreation facilities, housing and the full built environment is essential.

Urban-specific problems that faced Southern Africa in the past year were, among others, the increase in urbanization which highlighted the problems of housing, the limited financial and economic base for local authorities and institutional constraints which were aggravated by political instability and violence in some urban areas. Within the limits of these constraints, the Bank persisted in advocating a comprehensive approach to urban development while applying the principles of appropriate technology, user charging, community involvement and the involvement of the private sector in a more innovative way than in the past. Experience during the past year again emphasized the importance of community participation in all aspects of urban development. It is clear that the success of any urban development project is to a large extent determined by the success with involving not only the end-users but also the community as a whole.

On the geographical level, there was a relative increase in Bank involvement in the metropolitan areas of South Africa. This does not detract from the fact that, in terms of the Bank's mission, a balanced approach to support urban economic development in the areas further away from the metropolitan core regions was maintained.

Continued attention was paid to development policy and strategy. The Bank has now reached a point where it is able to provide inputs to the formulation of policy, not only on a national and regional level, but also on the level of specific local authorities. With the existence of the Urban Development Group in the Bank for a number of years, it is now in a position to make a contribution to policy and strategy on the urban level based on its own practical experience. In this regard, Bank staff members played an important role in the South African Housing Advisory Committee and were prominent in the strategy subcommittee appointed by the SA Housing Minister to break the financial logjam in low-income housing. This led to the newly-approved financial incentives for low-income housing (now known as the Urban Foundation initiative), incorporating a loan guarantee company by the private sector to mobilize additional funds.

During the past year it was clear that the level of institutional development within urban areas remains one of the major constraints for sustainable urban economic development. Therefore, as in other less developed areas worldwide, institutional development will remain an area to be focused on during the coming year. There
is growing realization that a distinction between political decision-making on the one hand and effective and efficient administration on the other, could in some instances provide the basis for sustainable urban development during the current transitional phase of the constitutional process.

In recognizing subregional economic unity and focusing efforts on increasing the economic activity, the introductio of financial discipline and further institutional development is important. Projects supporting the above approach should be multi-sectoral, enhancing regional and subregional growth and thus improving the quality of life of the urban people of Southern Africa.

Small loan company pilot scheme (Multi-region)
Funding of this pilot scheme was approved during the 1988/89 financial year and implementation is now well under way.

The pilot scheme entails the development of an organization to provide finance for housing and home improvements to lower income groups who do not have access to conventional sources of housing finance. The scheme is being implemented through the Group Credit Company, which is a subsidiary of the Urban Foundation. The pilot scheme is based on the traditional African savings club approach known as 'stokvels'. Housing loans are made available through the 'stokvel' to individuals, but the 'stokvel' as a group is responsible for the repayment. Housing loans are between R500 and R5 000, repayable over periods of one to five years. Peer pressure within the 'stokvel' will form an important part of security for the loan.

The pilot scheme will be assessed against:
- the degree to which it fulfills the need for housing finance in the community
- the extent to which cohesiveness (peer pressure) of stokvels contributes to the collection of repayments
- the use of loan officers as appropriate interface between the organization and the community
- the financial viability of the organization
- the security of loans (loan defaults)
- the degree to which fiscal and monetary legislation influences the viability of the organization.

Borrower: The Group Credit Company
DBSA finance: R1 500 000
Urban Foundation finance: R500 000
Total cost: R2 000 000
Business and entrepreneurial development

The business and entrepreneurial development function in the Bank supports the development of business and entrepreneurial activities among the disadvantaged communities of Southern Africa. The objective is to identify constraints to the entry into economic sectors and to provide support in removing these constraints in order to mobilize the private sector to take part in the development process. In addition, emphasis is placed on providing support for developing the potential of emerging entrepreneurs to be able to compete efficiently and effectively in the economy.

The Bank has encouraged its borrowers to give relatively more attention to appropriate support programmes for local emerging businesses and entrepreneurs. In order to ensure that future scarce resources are allocated to grassroots projects involving emerging entrepreneurs, the emphasis on support to industrial development has been shifted towards mobilizing a higher level of private sector participation. Furthermore, industrial development support has simultaneously turned towards a regional approach wherein developments will only be supported when there is a comparative advantage for industrial development compared with other economic sectors within the region for the economic base for urbanization. Such an approach will result in public sector resources becoming available for developing the emerging entrepreneur in less developed communities across a broad spectrum of sectors.

As in other economic sectors, the Bank directs its financing of small business development through appropriate implementing agents. During the initial years of operation, these implementing agents were mostly parastatal development corporations with their operations directed predominantly at the needs of entrepreneurs outside of the urban areas in South Africa. Notwithstanding the
Overview of Bank activities

success of these development programmes in providing socio-economic upliftment and addressing the imbalances of the past, a renewed emphasis was placed on providing similar support in the underdeveloped urban communities in South Africa.

Where it was found that parastatal implementing agents do not reach the emerging entrepreneur at grassroots level in urban areas, the problem was addressed by extending the Bank’s existing support programme to non-government organizations (NGOs) as implementing agents in these areas. As such an implementing agent has to meet certain conditions in operational capacity to remain effective, the Bank provides appropriate support where necessary to strengthen the institutional capacity of NGOs. Involvement and support in urban areas is illustrated by projects such as supporting small contractors in the PWV area and emerging entrepreneurs at grassroots level in Khayelitsha in the Western Cape.

The experience gained in this regard will, in the coming year, be developed further to expand the present small business development programme to where the need is highest for social economic upliftment in the accelerated urbanization process.

There was a high degree of community support during the past period, notwithstanding the political and economic change taking place. While many of the other sectors in the economy were not spared the negative effects of this period of change, the small business development programme did not experience too negative an impact of these conditions.

**Triple Trust business development project**

The project entails support and strengthening of the existing activities of the Triple Trust Organization in the Cape Peninsula. These activities include identifying and assisting potential emerging entrepreneurs from the ranks of the unemployed in townships such as Khayelitsha, Guguletu and Crossroads.

A three-pronged balanced assistance programme was devised by the Triple Trust Organization:

- a competency-based skills training programme aimed at training participants to manufacture products for which a market demand was established (Neighbourhood Training Trust)
- a mini-loan scheme to assist participants in obtaining equipment and raw materials to establish home industries (Self-Help Financing Trust)
- the establishment of a centralized buying and marketing organization for the bulk purchase of raw materials and equipment for participants, as well as providing an entrée into larger markets through a collective marketing effort (Africa Trading Co-operative Trust).

To enable the Triple Trust Organization to overcome certain institutional deficiencies during its establishment phase, institution-building support in the form of a technical assistance loan was also approved.

Neighbourhood Training Trust is fully dependent on grants from the private sector for its financing needs, while DBSA financial assistance is applied towards assisting the latter two trusts.

**Borrower:** The Triple Trust Organization  
**DBSA finance:** R1 625 000  
**Total cost:** R3 028 000
Overview of Bank activities

Infrastructure development

In the year under review, infrastructure development continued to be a major focus of the Bank's overall development action. This trend is reflected in the cumulative relative share of infrastructure development in the Bank's total financial contributions to date, at just over 40 per cent. As noted in previous years, the relatively high proportion of financial resources devoted to infrastructure development is due to the inherent capital-intensiveness of most infrastructure projects in the fields of transportation, water resource, energy and telecommunications development.

As in past years, the Bank’s support of infrastructure development was based on a phased, incremental approach to the improvement of the essential physical fabric of a region or subregion, where justified by needs and economic realities. This approach, in turn, has always been seen, and was emphasized anew in the past year, as being one where infrastructure development is in a local environment directed at enhancing the comparative advantage of an area. This facilitates self-sustainable growth and private sector participation in the potential economic development opportunities. Against this background, the Bank’s involvement in infrastructure development projects continued to be measured against the rigorous criteria of the project’s economic merit and development impact, its appropriateness in a regional context, its internal sustainability and its financial viability.

As additions to and refinements of the above parameters, the Bank devoted renewed attention to what may be termed people issues, to recognize and help alleviate the plight of communities suffering poverty and hardship. To this end much attention was given to the grassroots challenges of labour-intensive construction methods, local labour enhancement and value-adding, the maximum use of local goods and materials in construction projects, the mobilization and
encouragement of emerging small entrepreneurs, the securing of people participation and support, the recognition of community and personal affordability, technical solutions which meet specific local circumstances and a search for innovative low-cost answers. Various Bank-supported infrastructure projects which incorporated all or some of the above aspects were approved for implementation in 1989/90.

It is significant to record the increased emphasis placed by the Bank, with the support of its borrowers and participants, on the role of structural economic reform. In terms of infrastructure development, this trend has been reflected ever more strongly under the economic, technical, institutional, financial and other parameters of the preparation and appraisal of infrastructure projects.

Construction work on stormwater drainage for the upgrading of road R61 between Lusikisiki and Port St Johns in Transkei. Apart from considering the economic merits of infrastructure development projects, the Bank also gives thorough attention to providing the maximum scope for labour-intensive construction approaches, appropriate designs and the use of local goods and materials.

**Xolo Road: KwaZulu**

The project comprises the planning, design and construction of the Xolo Valley Road in the Izingwane District of KwaZulu. The construction of the access road is being undertaken by hand by local residents. Vehicular access into this remote valley had long been extremely difficult, and at times impossible, due to the inadequacy of the existing rudimentary track. This in turn had caused severe problems connected with physical isolation.

The road upgrading was identified by the local community as its highest priority. DBSA provided financial assistance to the KwaZulu Government to appoint consultants to advise the community on how best to overcome their problem. Construction of the road is now proceeding under the technical guidance of KwaZulu's Department of Works but with resources being provided by the residents of the valley themselves and labour and pipes being paid for by means of a DBSA loan to KwaZulu.

Besides the short-term benefit of basic wages being paid to the persons building the road, permanent benefits will be gained through securing access from the valley to health, educational and other services, to the supplying of the fresh produce markets of Port Shepstone and Margate with vegetables grown in the valley.

**Recipient: KwaZulu Government**

DBSA grant: R158 000
DBSA loan: R683 000
Total cost: R900 000
Human resources development

During the past year the Bank adjusted the thrust of its operations in support of human resources development so as to generate a common understanding of the need for and the nature of comprehensive strategies for human resource development. The objective was to optimize the contribution that such projects were making towards a fundamental change in the provision of education and training in Southern Africa. A simplified model of national education and training systems, highlighting the major components of such systems as well as the links between these components, was introduced in order to provide a useful instrument, both in identifying where fundamental changes are necessary, and in devising strategies for the implementation of such changes.

In addition, trends which emerged in previous years have continued to receive attention during the year under review, in particular teacher training. The latter has attracted significant financial resources, particularly in the provision of academic physical facilities and equipment. Substantial attention to developing a strategic framework for teacher training has resulted in a redirection of efforts from the pre-service to the in-service training of teachers and is expected to continue in future. In fact, the groundwork has been laid for a much larger investment in in-service training of teachers, beginning with several pilot projects.

Projects in commercial, technical and agricultural training have also continued to receive attention and support. For example, the creation of a Commercial-Technical High School, which is to serve as a pocket of excellence in its field, was started in Umlazi, KwaZulu, during the year. In the sphere of agricultural training, the upgrading of Tsolo College and the construction of a new college near Thoboyane have concentrated on providing agricultural training directed at the needs of the region and minimizing the duplication of facilities.
Equal mention must also be made of projects in health-related training. Substantial progress was made with several colleges of nursing, and the Bank is now involved in a pioneering project to establish training for primary health-care workers, including community-based medical doctors.

Special attention was given to the support of projects aimed at grassroots development through the provision of training associated with entrepreneur support programmes. Such appropriate training components were introduced to a variety of farmer support programmes, business support programmes and other community-based programmes.

A further change of emphasis in activities – from investment in bricks and mortar to investment in the economic components of education and training – has been effected in the past year, for example the need to support the development of effective courseware, particularly for use in non-formal education and training.

**Folweni Community Learning Centre: KwaZulu**

The Mfolweni community members organized themselves to establish a crèche, their first development priority. Encouraged by their success, they then approached the KwaZulu Training Trust (KTT) in 1987 to assist them in establishing a community learning centre. Their motivation was to acquire a venue, which they could own and control, in which they could offer adult classes of their own choice and in which they could also hold functions. KwaZulu Training Trust and the Bank worked with the community representatives to verify community interest at a mass meeting of the Community Body called through advertising on radio and on taxis.

An executive committee was elected, a constitution prepared, legal formalities and government regulations were complied with, a bank account was opened and community contributions collected.

A planning committee consisting of the community, KwaZulu Training Trust, the Bank and private sector technical consultants have been working together to determine needs and draw up physical, training, administration and financial plans for the centre. The private sector has donated the cost of levelling of the site, while KTT has investigated skills and materials availability in Mfolweni and adjacent areas and liaised with a local entrepreneur to increase production of concrete blocks to an adequate quantity and standard for the project. The building has been planned for implementation by KTT, with the community as its own contractor, and the use of local labour, skills, entrepreneurs and materials. Only minimal use will be made of non-local input. KTT’s technical consultants will manage the project.

Phase I of the project will consist of one large and two smaller training rooms, an administration and resource office, and a co-ordinator’s flatlet. The community conducted its own needs assessment and has identified the following initial learning requirements: driving, arts and crafts, cooking, sewing and knitting, literacy, first-aid/health, gardening, poultry raising, road safety, and toy- and candle-making. They will use these basic adult education skills for improvement of their quality of life and to assist with work seeking. Progress to the next level of education workshops for technical skills training and production is part of Phase II and production units with market stalls part of Phase III of the project. The adjacent Folweni Secondary School will have negotiated access to this facility. Additional support to successfully trained entrepreneurs will be provided by KTT and KwaZulu Finance and Investment Corporation as part of this small business development programme.

Moderate course fees will be charged if courses are not free from the providers and rental income from functions is expected to be good. The centre will be run by the Executive Committee, which reflects an equal balance of power groups within the community, with KTT’s assistance initially. The project will be completed during 1990.

**Borrower: KwaZulu Training Trust**
**Bank finance: R595 514**
**Total cost: R718 303**
Overview of Bank activities

Progress in structural economic reforms

In addition to its investment and technical assistance support, the Bank continued to address structural economic reform programmes.

Three main aspects addressed during the year were development policy, planning and strategy; technical and environmental approaches; and structural institutional reform.

Development policy, planning and strategy

It has long been recognized that a sound economic policy framework is a prerequisite for the planning and implementation of effective and efficient programmes and projects. The experience of development agencies in successful developing countries highlights the fact that the behaviour of people is influenced by the signals they receive from government policies and decisions. Therefore, although governments in developing countries play an important role in initiating development through programmes and projects, a prerequisite for sustainable development is the fostering and development of an entrepreneurial and creative behaviour among its people.

Based on these experiences, it can therefore be said that the key to a meaningful and self-sustaining economic empowerment process in developing countries is that both policy and strategy should focus on creating favourable social, economic and political conditions and on enhancing the capability of the people by supporting activities which upgrade the level of skills and extend access to resources. It is only in a socio-political environment in which the creativity and productivity of ordinary people are not constrained that each individual or group of people is motivated to be self-reliant and to take risks.

Within a policy framework conducive to the economic empowerment of people, a sound development planning process needs to be instituted and development strategies formulated. This process contributes to the effective allocation and efficient utilization of scarce public sector resources and also affords all groups of people the opportunity to participate on equal terms in the planning processes. Participation takes place at two levels: firstly, in the steering of the planning process and, secondly, in the provision of inputs to the planning process. It thus provides poor communities with ways to enter and participate in the economic system by being part of the formulation of strategies, thereby ensuring the accommodation of their priorities and increased access to resources. The development planning process followed by the Bank thus give practical effect to the principle of economic empowerment through the formulation of coherent development strategies for regions, subregions and specific rural and urban areas, as well as the public investment programmes derived from these strategies.

Environmental and technical programmes

Environmental

One of the greatest threats facing the natural environment in Southern Africa is poverty, as the poor are often solely dependent on dwindling natural resources for survival. This, coupled with a high population growth, means that appropriate economic development is necessary to ensure the sustained utilization of the natural environment. Difficulties arise, however, when logical, long-term approaches must be traded off against the short-term needs of the poor who quite justifiably are more concerned with day-to-day survival.

Appropriate environmental approaches must be introduced as early as possible into development projects, from conception through to construction and operation and even up to de-commissioning, where appropriate. These efforts must be carefully balanced with the numerous other needs of the community as well as the ability, and the ability of the institutions which serve them, to implement policies and projects. The developing areas have the opportunity to avoid the negative environmental consequences of economic growth being experienced by developed nations. While in the past, environmental concerns and development
have been seen as being at loggerheads, it is now clear that these are mutually consistent objectives.

In order to ensure the achievement of the Bank’s objectives in an environmentally responsible manner, an Environment Unit has been established at the Bank. Progress has been made by tackling environmental issues at regional and sectoral planning levels. Environmental evaluations have become part of the overall preparation, appraisal and implementation of projects and programmes. In this way positive environmental impacts will be enhanced, while negative impacts will be mitigated against. Besides addressing environmental concerns in present programmes and projects, attention will also be given to directly retarding or reversing environmental degradation.

**Technical**

The attention given to socio-economic development priorities in Southern Africa has meant a move away from projects conceived solely on a technical basis. The broader analysis and preparation process followed in the Bank’s approach to projects has resulted in technical alternatives becoming part of the milieu in which decision-making takes place. This has created the need for more substantial investigations into the economic rationale for projects prior to technical design, whereby technical options are evaluated on their economic costs and benefits rather than technical excellence alone. The project preparation process leading to appraisal and an investment decision now includes assessment of cost-effectiveness during the life-cycle of projects and in particular the analysis of other project-related issues, such as institutional capacity, community involvement in the choice of appropriate technical solutions and the ‘self-help’ project approaches.

Appropriate technological developments and their use in projects have been supported to achieve broader socio-economic impact. Technologies which maximize the use of local resources in the form of materials, entrepreneurs and labour have been promoted among the professions and their clients. In particular, building systems which utilize local skills, labour and materials are now increasingly being accepted. New technical approaches in project management and procurement procedures have increasingly become accepted practice, as a departure from the standard construction industry procedures, to encourage a wider economic development impact on projects.

**Structural and institutional reform**

Experience has shown that the institutional capacity of the borrower has a pivotal influence on the success of development programmes. A further prerequisite for successful development, especially in programmes with complex socio-economic outputs, is the extent to which the ultimate beneficiaries are involved in programme design and implementation, as well as in the eventual management of certain programmes.

In view of these factors, the Bank deemed it necessary both to increase the level of its expertise in institutional and participatory issues, and to ensure that proper attention is paid to these factors during appraisal and implementation. This has enabled the Bank to pay attention to the institutional capacity of borrowers and implementing agents for all types of programmes and projects, as well as to the nature, extent and credibility of the process, through which the intended beneficiaries are placed in a position to participate in the development process.

In view of the large number of borrowers’ institutions involved in the development field, it is necessary to institute a process whereby the organizational strengths and weaknesses of these institutions are monitored on an ongoing basis. This is necessary both to ensure that investment projects are adequately implemented and managed to gain the maximum benefit for the intended beneficiaries, and also to assist borrowers in overcoming institutional problems. To establish the necessary process, considerable development work was done on the design of the Borrowers’ Appraisal and Adjustment System. This will provide an up-to-date information
base on all borrower institutions, and will form the basis for meaningful organization development support to borrowers.

The emphasis on institutional and participatory issues in the development field is in line with international trends in development, and with the Bank’s commitment to playing a meaningful role in the Southern African development arena. Ongoing attention to these fields should not add complexity to the process, but should add depth and realism, and will enhance the value of investment in development.

**Geographical scope of activities**

Figure 2 depicts the involvement of the Bank in the nine development regions representative of the membership of the Bank as well as in non-member neighbouring countries.

The involvement of the Bank in these areas depends on the initiative and progress with development planning and project identification and preparation of borrowers in each region. While the Bank will continue to concentrate its support programme in the areas within the membership area of the Bank, it intends to continue...
with limited activities in non-member neighbouring countries for projects which have benefits for existing members.

During 1989/90 the Bank also continued to administer projects on a contract basis for the South African Department of Foreign Affairs and the Development Fund of Namibia. A total number of 19 projects were administered on behalf of the South African Department of Foreign Affairs and 12 projects on behalf of the Development Fund of Namibia.

Flow of projects

The trends established in the first years of operation of the Bank continued during the past financial year, as shown in Figure 3.

The inflow of project applications continued, with the cumulative number of projects accepted into the pipeline totalling 1,330 projects, representing a total expected financial commitment of approximately R9.3 billion.

During the year, 107 new projects, representing a financial commitment by the Bank of R1.2 billion, were approved. A further R1.4 billion was approved to provide for cost escalations experienced on projects in implementation. This level of the support of the Bank for projects brought the cumulative total financial contribution committed by the Bank to projects to R4.8 billion at the end of the 1989/90 financial year, compared with R3.8 billion at the end of the previous year.

There was also a significant increase in funds approved for technical assistance as a result of increasing attention to policy, planning, institutional and financial development issues, namely R431 million (including R30 million bridging finance to Lesotho) for 1989/90 compared with R23.3 million in the previous year.

Borrowers also continued to make use of the preparation assistance offered by the Bank to assist them in mobilizing the expertise required for preparation of projects.
Overview of Bank activities

During the year, 24 preparation assistance loans were approved, amounting to R7 million.

Flow of funds

Past and expected flow of funds for approved projects as well as the cumulative financial commitments of the Bank are depicted in Figure 4. The flow of funds on a project is directly related to progress achieved with its implementation. The cumulative total financial contribution is reflected in disbursed and undischbursed amounts.

The actual flow of funds achieved thus far is consequently below the level which could be expected from the strong rise in the level of new commitments entered into annually by the Bank. This can be ascribed to delays experienced after the approval of projects. Nevertheless, good progress has been achieved, especially during the past two years, as a result of active attention by both borrowers and the Bank to constraints and delays experienced. This resulted in actual disbursement amounting to R731 million compared with R495.5 million achieved during 1988/89. It is estimated that approximately R865 million will be disbursed during 1990/91.

Figure 4
Annual flow of funds and cumulation of financial contributions

<table>
<thead>
<tr>
<th>Year</th>
<th>Cumulation of Bank financial contributions</th>
<th>Annual flow of funds Rand million</th>
</tr>
</thead>
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<tr>
<td>1984/85</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>500 000</td>
<td>200</td>
</tr>
<tr>
<td>1986/87</td>
<td>1 000 000</td>
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<td>2 000 000</td>
<td>800</td>
</tr>
<tr>
<td>1989/90</td>
<td>2 500 000</td>
<td>1 000</td>
</tr>
</tbody>
</table>
Annexure 1: Development programme

Approved investment and technical assistance projects, 1989/90

Region D

Ciskei de facto population census (technical assistance):
Borrower: Ciskei Government
DBSA finance: R60 600
Total cost: R60 600

Region G

Malamulele subregional economic planning study (technical assistance):
Recipient: Gazankulu Government
DBSA grant: R148 197
Total cost: R247 000

Thabazimbi – Northam economic planning study (technical assistance):
Recipient: Regional Development Advisory Council – Region G
DBSA grant: R150 280
Total cost: R338 250

Financing and management of Venda state debt and deficit (technical assistance):
Borrower: Venda Government
DBSA finance: R100 000
Total cost: R113 000

Region J

Wolmaransstad district development proposals workshop (technical assistance):
Recipient: Wolmaransstad Afrikaanse Sakekamer
DBSA grant: R3 591
Total cost: R20 491

Region B

Heuningvlei livestock farmer support programme: Project I (investment):
Borrower: Bophuthatswana Government
DBSA finance: R654 510
Total cost: R1 491 510

Bophuthatswana consolidation land farmer settlement: Ganyesa farms (investment):
Borrower: Bophuthatswana Government
DBSA finance: R3 742 000
Total cost: R16 521 000

Region C

South African Development Trust farmer settlement: Excelsior farms – Phase I (investment):
Borrower: Bophuthatswana Government
DBSA finance: R1 304 379
Total cost: R4 693 460

Region D

Transkei national agricultural economic development plan (technical assistance):
Borrower: Transkei Government
DBSA finance: R144 500
Total cost: R180 000

Region E

Mhlatuze irrigation: Biyela farmer support project (investment):
Borrower: KwaZulu Government
Borrower: KwaZulu Finance and Investment Corporation
DBSA finance: R3 722 159
Total cost: R3 722 159

Coconut and cashewnut research project (technical assistance):
Borrower: KwaZulu Finance and Investment Corporation
DBSA finance: R979 920
Total Cost: R2 997 000

Region F

KaNgwane village community support programme: Project I (investment/technical assistance):
Borrower: KaNgwane Economic Development Corporation
DBSA finance: R177 900
Total cost: R335 900

Region G

Expansion of Lebowakgomo small farmer broiler farms (investment):
Borrower: Lebowa Government
Borrower: Lebowa Development Corporation
DBSA finance: R4 997 640
Total cost: R4 997 640

Broiler farming in Lebowa. The support of the Bank for such agricultural development projects also aims at food production by and for the rural communities.
### Annexure 1: Development Programme

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Region</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowveld afforestation project</td>
<td><em>Investment:</em></td>
<td>Borrower: Lebowa Government</td>
</tr>
<tr>
<td>Lebowa farmer settlement coffee project II: Zoeknog</td>
<td><em>Investment:</em></td>
<td>Borrower: Lebowa Development Corporation</td>
</tr>
<tr>
<td>KwaNdebele farmer support programme I: Consolidation land – Project II</td>
<td><em>Investment:</em></td>
<td>Borrower: KwaNdebele Government</td>
</tr>
<tr>
<td>KwaMakutha rehabilitation of sewerage reticulation</td>
<td><em>Investment:</em></td>
<td>Borrower: KwaZulu Government</td>
</tr>
<tr>
<td>Sundumbili sewage works extension – Phase I</td>
<td><em>Investment:</em></td>
<td>Borrower: KwaZulu Government</td>
</tr>
<tr>
<td>Ngwelenzana: Electrical reticulation and street lighting – Unit B</td>
<td><em>Investment:</em></td>
<td>Borrower: KwaZulu Government</td>
</tr>
<tr>
<td>Mpumalanga: Rehabilitation of streets and stormwater</td>
<td><em>Investment:</em></td>
<td>Borrower: KwaZulu Government</td>
</tr>
</tbody>
</table>

### Region C
- **Thaba Nchu – Selosesha Urban Development Programme:**
  - Upgrading of electricity, water reticulation and sewerage reticulation municipal services
  - **Investment:**
    - Borrower: Thaba Nchu Town Council
    - DBSA finance: R1 686 270
    - Total cost: R2 270 070
- **Utility area at Puthadijatha:**
  - **Investment:**
    - Borrower: Qwaqwa Government
    - DBSA finance: R11 481 000
    - Total cost: R12 600 000

### Region D
- **Dimbaza urban development programme:**
  - Installation of high-mast lights
  - **Investment:**
    - Borrower: Ciskei Government
    - DBSA finance: R560 000
    - Total cost: R588 000
- **Kwanobuhle urban infrastructure:**
  - Connector services
    - **Investment:**
      - Borrower: Kwanobuhle City Council
      - DBSA finance: R3 235 000
      - Total cost: R3 235 000

### Region E
- **KwaMakutha rehabilitation of sewerage reticulation**
- **Investment:**
  - Borrower: KwaZulu Government
  - DBSA finance: R1 077 400
  - Total cost: R1 457 390

### Multi-region
- **Agricultural development plan:**
  - North-Eastern Natal/KwaZulu sub-region (technical assistance):
    - **Recipient:** Regional Development Advisory Council
    - **DBSA grant:** R128 900
    - **Total cost:** R198 700

### Urban Development
- **Region B**
  - **Pampierstad Unit 2 water reticulation**
    - **Investment:**
      - Borrower: Bophuthatswana Government
      - DBSA finance: R1 758 800
      - Total cost: R1 977 200
  - **Taung Village: Sewage treatment works**
    - **Investment:**
      - Borrower: Bophuthatswana Government
      - DBSA finance: R416 000
      - Total cost: R537 330
Annexure I: Development programme

Urban infrastructure development in Ezakheni. The loan of R30 million for electrical infrastructure which was approved during the year is for the provision and upgrading of electricity to almost 10 000 households in Ezakheni.

Sundumbili roads upgrading and rehabilitation: Phase I (investment):
Borrower/Recipient: KwaZulu Government
DBSA finance and grant: R5 891 000
Total cost: R9 666 000

Mzamba urban development plan (technical assistance):
Recipient: Transkei Government
DBSA grant: R35 000
Total cost: R42 400

Region F
Kanyamazane Project I: Structure and town centre planning (technical assistance):
Borrower: KaNgwane Government
DBSA finance: R270 009
Total cost: R270 009

Region G
Thohoyandou – formulation of development plan: Phase I (technical assistance):
Borrower: Venda Government
DBSA finance: R55 000
Total cost: R55 000

Masisi urban infrastructure (investment):
Borrower: Venda Government
DBSA finance: R4 658 023
Total cost: R6 618 885

Venda fire service (investment):
Borrower: Venda Government
DBSA finance: R3 417 614
Total cost: R5 636 480

Region H
Extensions to Klipgate sewage treatment plant (investment):
Borrower: Bophuthatswana Government
DBSA finance: R18 801 400
Total cost: R18 801 400

Construction of Kwaggafontein commuter routes – Phase I (investment):
Borrower: KwaNdebele Government
DBSA finance: R17 781 000
Total cost: R17 781 000

Daveyton bulk water, sewage, roads and electricity services: Etwatwa East – Phase I: Element II (investment):
Borrower: Daveyton Town Council
DBSA finance: R3 833 000
Total cost: R4 033 000

Electrical reticulation of 1 400 sites in Etwatwa West (investment):
Borrower: Daveyton Town Council
DBSA finance: R2 210 000
Total cost: R3 470 000

Region J
Mogwase units 4 and 5 and Bodirello bulk water supply (investment):
Borrower: Bophuthatswana Government
DBSA finance: R3 306 000
Total cost: R4 050 000
### Multi-region

Bophuthatswana local authority policy and legislative framework (technical assistance):
- **Borrower:** Bophuthatswana Government
- **DBSA finance:** R108 000
- **Total cost:** R120 000

### Neighbouring countries

- **Butha-Buthe village Project I** – Engineering works, supervision and compensation (investment):
  - **Borrower:** Lesotho Highlands Development Authority
  - **DBSA finance:** R22 700 000
  - **Total cost:** R24 000 000

### Region A

- **Triple Trust small business development project in Khayelitsha** (investment/technical assistance):
  - **Borrower:** Triple Trust Organization
  - **DBSA finance:** R1 623 000
  - **Total cost:** R3 012 800

### Region D

- **Evaluation of mining lease between Ktwane and Chalumna** (technical assistance):
  - **Borrower:** Ciskei Government
  - **DBSA finance:** R300 000
  - **Total cost:** R311 400

- **Transkei small business development: Project III** (investment):
  - **Borrower:** Transkei Development Corporation
  - **DBSA finance:** R24 985 600
  - **Total cost:** R27 763 600

### Region E

- **KwaZulu small business development programme: Project III** (investment):
  - **Borrower:** KwaZulu Finance and Investment Corporation
  - **DBSA finance:** R31 673 000
  - **Total cost:** R35 063 000

- **KFC Industrial development programme: Project III** (investment):
  - **Borrower:** KwaZulu Finance and Investment Corporation
  - **DBSA finance:** R140 335 000
  - **Total cost:** R140 335 000

### Region F

- **Songimvelo development – Rest camps and breeding stock purchases** (investment):
  - **Borrower:** Kangwane Parks Corporation
  - **DBSA finance:** R4 915 200
  - **Total cost:** R21 953 200

### Region G

- **Lebowa small business development: Project II** (investment):
  - **Borrower:** Lebowa Development Corporation
  - **DBSA finance:** R16 231 200
  - **Total cost:** R28 235 000

- **Venda industrial development: Project IV (Infra)** (investment):
  - **Borrower:** Venda Development Corporation
  - **DBSA finance:** R3 138 000
  - **Total cost:** R3 646 000

### Region H

- **KwaNdebele: Industrial development – Project V** (investment):
  - **Borrower:** KwaNdebele National Development Corporation
  - **DBSA finance:** R13 163 185
  - **Total cost:** R17 383 985

### Multi-region

- **Strategic tourism development plan for South Africa** (technical assistance):
  - **Borrower:** South African Tourism Board
  - **DBSA finance:** R171 700
  - **Total cost:** R255 000

### Neighbouring countries

- **Lesotho industrial development programme Project I** (investment):
  - **Borrower:** Lesotho National Development Corporation
  - **DBSA finance:** R4 929 800
  - **Total cost:** R7 787 000

### Region D

- **Ciskei water development plan: Phase II** (technical assistance):
  - **Borrower:** Ciskei Government
  - **DBSA finance:** R1 226 000
  - **Total cost:** R1 226 000

- **Upgrading of Iliitha Loop road** (investment):
  - **Borrower:** Ciskei Government
  - **DBSA finance:** R1 614 000
  - **Total cost:** R1 614 000
**Annexure 1: Development programme**

### Augmentation of Sandile regional water supply scheme (investment):
- **Borrower:** Ciskei Government  
- **DBSA finance:** R2 150 000  
- **Total cost:** R2 203 000

### Buffalo Basin effluent disposal (technical assistance):
- **Recipient:** Regional Liaison Committee  
- **DBSA grant:** R117 000  
- **Total cost:** R195 000

### Upgrading of road R61 between Lusikisiki and Port St Johns (investment):
- **Borrower:** Transkei Government  
- **DBSA finance:** R54 776 000  
- **Total cost:** R55 000 000

### Upgrading of road GR30 between Umtata and Ngqeleni (investment):
- **Borrower:** Transkei Government  
- **DBSA finance:** R19 664 000  
- **Total cost:** R20 118 000

### Region E
- **Construction of Xolo access road (investment/technical assistance):**
  - **Borrower:** KwaZulu Government  
  - **DBSA finance:** R683 000  
  - **Total cost:** R727 000

### Upgrading and reconstruction of Ngcolosi pass (Road ZM16302) (investment):
- **Borrower:** KwaZulu Government  
- **DBSA finance:** R16 670 000  
- **Total cost:** R17 656 000

### Upgrading of Osizweni – Dannhauser road (investment):
- **Borrower:** KwaZulu Government  
- **DBSA finance:** R15 050 000  
- **Total cost:** R15 215 000

### Region F
- **Nsikazi regional bulk water supply: Phase I (investment):**
  - **Borrower:** KwaNgwane Government  
  - **DBSA finance:** R4 174 000  
  - **Total cost:** R4 356 000

### Region G
- **Upgrading and construction of road L170 from Mankweng to Solomon Dale (investment):**
  - **Borrower:** Lebowa Government  
  - **DBSA finance:** R13 991 000  
  - **Total cost:** R13 991 000

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The Seshego urban area. The Bank has approved a loan of R1 600 000 for an access road to Seshego.

**Upgrading of the Maake entrance road: Phase I (investment):**
- **Borrower:** Lebowa Government  
- **DBSA finance:** R7 107 000  
- **Total cost:** R7 107 000

**Upgrading of Magnet Heights/Jane Furse road (investment):**
- **Borrower:** Lebowa Government  
- **DBSA finance:** R11 720 000  
- **Total cost:** R11 720 000

**Construction of the Seshego access road (investment):**
- **Borrower:** Lebowa Government  
- **DBSA finance:** R1 600 000  
- **Total cost:** R1 583 000

**Venda post and telecommunications Phase III: Transmission link, switching equipment and subscriber network: Project IIA (Masisi) (investment):**
- **Borrower:** Venda Government  
- **DBSA finance:** R8 929 600  
- **Total cost:** R8 946 000

**Rambuda area: Provision of electricity (investment):**
- **Borrower:** Venda Electricity Corporation  
- **DBSA finance:** R592 500  
- **Total cost:** R597 500

**Re-inforcement of power supply to Phophihi/Makhado (investment):**
- **Borrower:** Venda Electricity Corporation  
- **DBSA finance:** R2 756 000  
- **Total cost:** R2 781 000
Annexure I: Development programme

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Borrower</th>
<th>DBSA Finance</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thohoyandou street lighting (Phase I)</td>
<td>Venda Government</td>
<td>R400 000</td>
<td>R404 000</td>
</tr>
<tr>
<td>Venda Electricity Corporation: Sundry electricity extensions to consumers (investment):</td>
<td>Venda Government</td>
<td>R2 800 000</td>
<td>R2 803 000</td>
</tr>
<tr>
<td>Market survey – PR Mphephu Airport: Phase I (technical assistance)</td>
<td>Venda Government</td>
<td>R82 000</td>
<td>R91 000</td>
</tr>
<tr>
<td>Upgrading Thengwe to Matavhela Road (investment):</td>
<td>Venda Government</td>
<td>R24 913 000</td>
<td>R24 928 000</td>
</tr>
<tr>
<td>Gazankulu electricity supply: Transmission lines and substations: Phase I (investment):</td>
<td>Gazankulu Government</td>
<td>R9 200 000</td>
<td>R9 511 000</td>
</tr>
<tr>
<td>Region H</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bophuthatswana national telecommunications development: Upgrading and provision of transmission systems: Phase V – Project II (investment):</td>
<td>Bophuthatswana Government</td>
<td>R12 098 000</td>
<td>R13 592 000</td>
</tr>
<tr>
<td>Upgrading of Kliprand – Mnamethake road (investment):</td>
<td>Bophuthatswana Government</td>
<td>R11 181 000</td>
<td>R12 743 000</td>
</tr>
<tr>
<td>Construction of Viaklaagte – Tweefontein road (investment):</td>
<td>KwaNdebele Government</td>
<td>R12 781 000</td>
<td>R12 771 000</td>
</tr>
<tr>
<td>Construction of Kameel – Valschfontein road (investment):</td>
<td>KwaNdebele Government</td>
<td>R9 114 300</td>
<td>R9 265 300</td>
</tr>
<tr>
<td>Construction of Viaklaagte – Verena road (NP53 and NP50) (investment):</td>
<td>KwaNdebele Government</td>
<td>R14 733 000</td>
<td>R14 733 000</td>
</tr>
<tr>
<td>Region J</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upgrading of Silverkrans – Pella road (investment):</td>
<td>Bophuthatswana Government</td>
<td>R19 879 000</td>
<td>R22 088 000</td>
</tr>
<tr>
<td>Bophuthatswana national telecommunications development: Extension of transmission, switching and distribution components: Phase V – Project I (investment):</td>
<td>Bophuthatswana Government</td>
<td>R50 821 000</td>
<td>R57 119 000</td>
</tr>
<tr>
<td>Upgrading of Lesung – Wolhuterskop road (investment):</td>
<td>Bophuthatswana Government</td>
<td>R54 368 000</td>
<td>R60 818 000</td>
</tr>
<tr>
<td>Construction of Matloeding bridge (investment):</td>
<td>Bophuthatswana Government</td>
<td>R26 970 000</td>
<td>R26 862 000</td>
</tr>
<tr>
<td>Multi-region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upgrading of high voltage transmission system: Regions 5 and 6 (investment):</td>
<td>Bophuthatswana Electricity Corporation</td>
<td>R46 318 000</td>
<td>R50 736 000</td>
</tr>
<tr>
<td>Transkei hydrological master plan: Phase II (technical assistance):</td>
<td>Transkei Government</td>
<td>R9 640 000</td>
<td>R9 640 000</td>
</tr>
</tbody>
</table>
Annexure 1: Development programme

Transkei water resource development authority:
Establishment of institutional structure - Phase II (technical assistance):
**Borrower:** Transkei Government  
**DBSA finance:** R800 000  
**Total cost:** R820 000

Transkei Road Transport Corporation: Short-term management investigation (technical assistance):
**Borrower/Recipient:** Transkei Road Transport Corporation  
**DBSA finance and grant:** R920 000  
**Total cost:** R985 000

Restoration of gravel road network in Transkei: Phase I (investment):
**Borrower:** Transkei Government  
**DBSA finance:** R5 872 000  
**Total cost:** R6 902 000

**Neighbouring countries**
Lesotho Highlands Development Authority institutional development (bridging finance):
**Recipient:** Lesotho Highlands Development Authority  
**DBSA guarantee:** R30 000 000  
**Total cost:** R242 000 000

Provision of electricity supply from Maputsoe to Kase, Clarens to Butha-Buthe: Phase 1A construction (investment):
**Borrower:** Lesotho Highlands Development Authority  
**DBSA finance:** R70 348 000  
**Total cost:** R78 748 000

Lesotho Highlands water project advanced infrastructure:
Construction of North End access roads (investment):
**Borrower:** Lesotho Highlands Development Authority  
**DBSA finance:** R42 691 000  
**Total cost:** R58 243 000

Upgrading border crossing facilities Maputsoe/Caledonspoort (investment):
**Borrower:** Lesotho Highlands Development Authority  
**DBSA finance:** R6 470 000  
**Total cost:** R9 772 000

**Region B**
Construction of Bophuthatswana Agricultural High School: Taung (investment):
**Borrower:** Bophuthatswana Government  
**DBSA finance:** R7 094 000  
**Total cost:** R8 067 000

Extension to Bophuthatswana Agricultural College: Taung (investment):
**Borrower:** Bophuthatswana Government  
**DBSA finance:** R13 152 000  
**Total cost:** R18 787 000

**Region C**
Thaba'Nchu Manpower Centre (investment):
**Borrower:** Bophuthatswana Government  
**DBSA finance:** R4 360 000  
**Total cost:** R15 749 000

**Region D**
Upgrading, new design and plan and land-use survey at Tsolo Agricultural College (investment):
**Borrower:** Transkei Government  
**DBSA finance:** R18 019 100  
**Total cost:** R18 019 100

**Region E**
Construction of Umlazi Comprehensive Technical High School (investment):
**Borrower:** KwaZulu Government  
**DBSA finance:** R20 408 000  
**Total cost:** R21 561 000

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The official opening of the Kaise Bridge in Lesotho by the then Lesotho Minister of Highlands Water and Energy Affairs, Mr M Lebota, with Chieftainess M Motsoena and Mr M Sole, Chief Executive of the Lesotho Highlands Development Authority. A loan of R3 million was approved for the project during 1987/88.
Annexure 1: Development programme

KwaZulu Training Trust: Non-formal education projects – Folweni Community Learning Centre (investment):
Borrower: KwaZulu Training Trust
DBSA finance: R595 514
Total cost: R718 303

Construction at Ezakheni College of Education: Phase II (investment):
Borrower: KwaZulu Government
DBSA finance: R8 040 000
Total cost: R9 040 000

Region G
University of Venda: Investigation into salary structure (technical assistance):
Borrower: Venda Government
DBSA finance: R60 000
Total cost: R71 000

University of Venda: Development of an appropriate institutional structure – Phase II (technical assistance):
Borrower: University of Venda
DBSA finance: R228 500
Total cost: R233 500

Venda national manpower development strategy (technical assistance):
Borrower: Venda Government
DBSA finance: R242 000
Total cost: R262 100

University of Venda Phase III: Library and lecture rooms (investment):
Borrower: Venda Government
DBSA finance: R19 807 680
Total cost: R20 715 700

Madzivhandila Agricultural College (investment):
Borrower: Venda Government
DBSA finance: R16 934 900
Total cost: R17 869 300

Preparation assistance loans
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. During the year 24 preparation assistance loans with a total amount of R7.1 million were approved for the following projects:

Region B
Infrastructure development
Rehabilitation of Taung-Pudimoe main road (Vryburg-Kimberley)

Region C
Urban development
Infrastructure for Puthaditjhaba residential Ext Phase I

Region D
Rural and agricultural development
Herschel livestock farmer support programme
Urban development
Butterworth: Water supply and telemetry
Mdantsane – alleviation of sewage pollution
Mdantsane – upgrade of Qumsa highway
Infrastructure development
Construction of primary road: Poddie to Crossroads
Rehabilitation of primary road: Great Fish River/King William’s Town
Rehabilitation of primary road: Zwelitsha to Needs Camp
Wesley regional water scheme: Phase I

Region G
Rural and agricultural development
Agricultural development for Arbee/Olfants irrigation scheme
Dumfries irrigation farmer settlement
Urban development
Installation of water meters
Mankweng sewage purification works
Business and entrepreneurial development
Gazankulu industrial development: Project IV
Venda energy centre
Infrastructure development
Construction of infrastructure for the Arbee/Olfants irrigation scheme
Construction of Mankweng-Sebayeng regional water supply
Construction of Molepo regional water supply scheme
Construction of Turloop Dam regional water supply
Tshoyandou: Distributor roads
Upgrading of the Dopeni to Piesangsboom road
Upgrading of the Hamangilasi to Vuwani road

Neighbouring countries
Infrastructure development
Lesotho Highlands water project – communication systems
## Annexure 2: Development regions

### Salient features, 1985 and 1990

<table>
<thead>
<tr>
<th>Regions</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>J</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area (km²)</strong> 1</td>
<td>1990</td>
<td>278 500</td>
<td>270 600</td>
<td>118 900</td>
<td>151 900</td>
<td>112 700</td>
<td>80 500</td>
<td>119 600</td>
<td>27 300</td>
<td>61 100</td>
</tr>
<tr>
<td>(%)</td>
<td>22.8</td>
<td>22.2</td>
<td>9.7</td>
<td>12.4</td>
<td>9.2</td>
<td>6.6</td>
<td>9.8</td>
<td>2.2</td>
<td>5.0</td>
<td>100</td>
</tr>
</tbody>
</table>

### Population ('000) | 1985 | 1990 |
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Average annual growth rate (%)</strong></td>
<td>2.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>

### Economically active population ('000) | 1985 | 1990 |
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Average annual growth rate (%)</strong></td>
<td>3.0</td>
<td>1.5</td>
</tr>
</tbody>
</table>

### Literacy rate | 1985 | 1990 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>GDP growth rate, 1985-1990 (%)</strong></td>
<td>1.1</td>
<td>-0.6</td>
</tr>
</tbody>
</table>

### Population density (persons per km²) | 1990 |
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Real (1995 prices) average annual growth rate, 1985-1990 (%)</strong></td>
<td>1.7</td>
</tr>
</tbody>
</table>

---

1. Estimated figures
2. The 1985 population census figures were adjusted by DBSA to compensate for apparent under-enumeration
3. Estimates for 1990 based on historical tendencies
4. Percentage of the de facto population with some degree of education

### Development regions:

A. Western Cape
B. Northern Cape and three Bophuthatswana districts
C. Orange Free State, Qwaqwa and one Bophuthatswana district
D. Eastern Cape, Ciskei and eighteen Transkei districts
E. Natal, KwaZulu and ten Transkei districts
F. Eastern Transvaal and KaNgwane
G. Northern Transvaal, Lebowa, Gazankulu and Venda
H. Pretoria-Witwatersrand-Vaal Triangle, KwaNdebele and three Bophuthatswana districts
J. Western Transvaal and seven Bophuthatswana districts