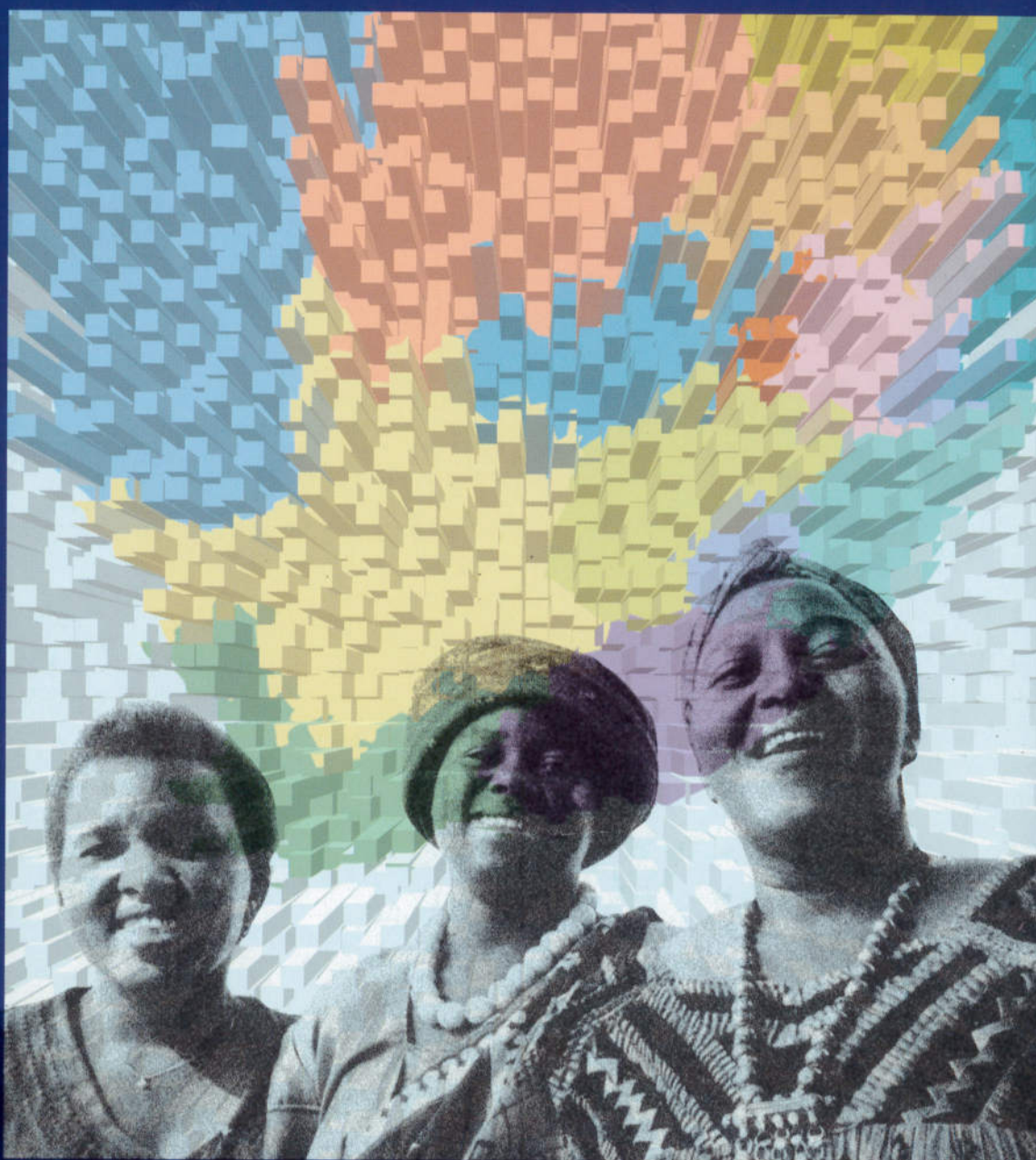


ANNUAL REPORT FOR THE YEAR TO 31 MARCH 1995



Development Bank  
of Southern Africa





# SUSTAINABLE DEVELOPMENT



*Cover picture: In one of three Bank-funded rural women's initiative workshops held around the country, women met in the Northern Transvaal to mobilise and organise themselves to set priorities for their province and organisations.*

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At the Development Bank of Southern Africa we make loans for the provision of basic infrastructure for services such as water, sanitation, roads, storm-water drainage, electrification and telecommunications.

At the same time we create opportunities for emerging entrepreneurs and create local jobs through labour-intensive design. When emerging entrepreneurs require equity, credit and training we are able to support institutions that assist small, micro and medium enterprises.

A key objective is to mobilise private sector capital for development in support of the Reconstruction and Development Programme.

Through our development policy, information, planning and programming capacity we support the public and private sectors in forming a sound policy framework for project implementation; and with technical assistance institutions participating in development can build up their human, technical and financial capacity. At every stage, from identifying the project to its evaluation, we listen to the voices of all stakeholders, in particular the disempowered.

By insisting that all the projects we fund are considerate of the environment we ensure sustainability for future generations.

## MISSION STATEMENT

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The Development Bank of Southern Africa is a development finance institution whose primary aim is to facilitate development and to empower people in the region.

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# ANNUAL REPORT

for the year to 31 March 1995

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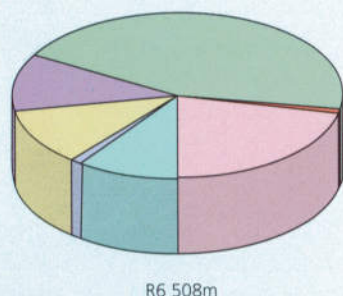
# THE YEAR AT A GLANCE

The Development Bank of Southern Africa disbursed R1 147,2 million (FY94: R716,7 million) including R6,0 million in grants (FY94: R6,7 million) in the year to 31 March 1995, bringing cumulative disbursements at that date to R6 508 million.

The amount committed to 258 new projects was R863 million (FY94: R1 703 million). A further R294 million was committed to these projects from private and public funds, thereby mobilising R1 157 million in new development projects. By the end of March 1995 the Bank had approved a cumulative total of 1 732 programmes and projects worth R9 754 million, while a further 138 programmes and projects with an estimated loan value of R1 510 million were under consideration.

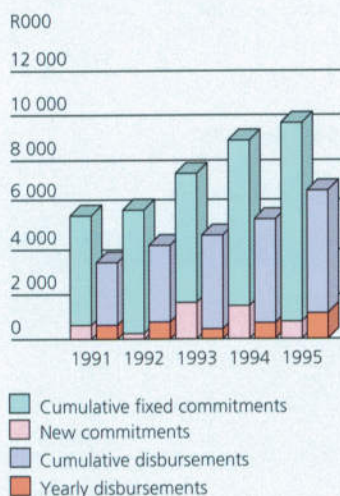
Borrowers' loan repayments to the Bank continued to be made timeously despite the transitional difficulties experienced in many areas of public finance.

**Cumulative disbursement per sector**

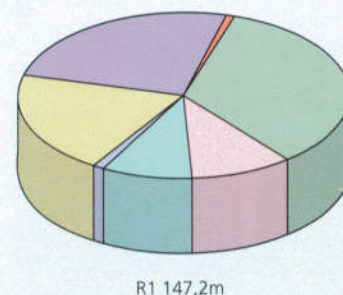


Service infrastructure, 12%
Bulk infrastructure, 11%
Connector/distributor infrastructure, 45%
Policy, information and development planning, 0,2%
Entrepreneurial development, 21%
Human resource development, 10%
Institution-building, 0,8%

**Five-year commitment and disbursement trend**



**Disbursement per sector in FY95**



Service infrastructure, 20%
Bulk infrastructure, 25,2%
Connector/distributor infrastructure, 34,8%
Policy, information and development planning, 0,4%
Entrepreneurial development, 11,1%
Human resource development, 8,3%
Institution-building, 0,2%



# FIVE-YEAR FINANCIAL SUMMARY

for years ended 31 March

	1991 Rm	1992 Rm	1993 Rm	1994 Rm	1995 Rm
<b>Balance sheet</b>					
Total assets	3 730	4 631	5 335	6 041	6 250
<b>Capital employed</b>					
Permanent capital	2 716	3 252	3 585	4 504	4 667
Medium- and long-term financing	671	943	977	1 013	1 059
<b>Employment of capital</b>					
Development loans					
– opening balance	2 430	3 441	4 154	4 455	4 836
– advanced	988	760	446	710	1 141
– interest capitalised	208	292	338	389	432
– repayments	(185)	(339)	(483)	(718)	(553)
Less: Provisions	(150)	(165)	(190)	(215)	(235)
Closing balance	3 291	3 989	4 265	4 621	5 621
<b>Cash deposits and tradable securities</b>	394	598	1 015	1 384	605
<b>Commitments</b>					
Commitments outstanding	2 097	1 584	2 768	3 463	3 163
(1991 constant prices)	2 097	1 841	1 680	1 557	1 425
Guarantees outstanding	65	20	9	4	4
<b>Income statement</b>					
Interest on development loans	129	195	270	385	380
Interest on deposits and tradable securities	60	61	133	161	83
Charges on medium- and long-term financing	(62)	(117)	(164)	(169)	(175)
Other operating expenses	(91)	(104)	(108)	(106)	(119)
Provision against development loans	(45)	(15)	(25)	(25)	(20)
Net surplus for the year	2	35	105	257	162
<b>Ratios</b>					
Cash, deposits, trading securities/total assets	10,6	12,9	19,0	22,9	9,7
Cash, deposits, trading securities/commitments outstanding <sup>1</sup>	18,8	37,8	36,7	40,0	19,1
Financial gearing <sup>2</sup>	24,7	29,0	27,3	22,5	22,7
Provision for losses/development loans	4,4	4,0	4,3	4,4	4,0
Weighted average interest rate on development loans	7,3	7,9	7,8	8,3	8,5
Other operating expenses/development loans <sup>3</sup>	2,6	2,5	2,4	2,2	2,0
Interest cover (times) <sup>4</sup>	3,0	2,2	2,5	3,2	2,7
Inflation deflator (1991=100)	100	87,8	80,1	74,2	68,0

1. Cash, deposits, tradable securities/commitments outstanding
2. Medium- and long-term financing/permanent capital
3. Other operating expenses (total)/development loans outstanding
4. Interest income/interest expenditure



*Wiseman Nkuhlu, Chairman of the Board of Directors.*

The year under review coincided with the start of South Africa's return to normalcy: the first democratic elections, a government of national unity and an unprecedented expansion of amicable international relations. The latter brought in its wake new concessionary financing for development, for example a Japanese Exim Bank loan, for which the contract was recently signed. An initiative was also launched to mobilise policy and information capacity from the United Nations Development Programme to underpin the Bank's human-centred development approach. Other technical assistance agreements were reached with the Finnish agency Prodec and the German agency GTZ. Despite considerable pressure from foreign donors and aid agencies, South Africa was reluctant to take up loan offers, causing occasional impatience and irritation among potential aid providers. The sound principle was observed of not blindly accepting every offer of assistance but rather of first creating a development framework for concessionary funds to be productively and rationally applied within broader social, financial and economic circumstances.

## **The Bank and the South African development environment**

This framework is provided by the Reconstruction and Development Programme. For the first time in the history of the country, economic development and social upliftment have become the government's vision; and the principles of people-centred development and gender and environmental sensitivity are core values for a sustainable development system. For the RDP to become a living system it had to move from vision to policy, and from policy to systems. As this took place in the past year, it became clear that the plethora of development institutions with their roots in a past paradigm had to be transformed into an integrated development institution. At a national level this process is being led by deliberations on the future role of the Development Bank of Southern Africa.

The overall design of such an institutional system includes a grant-making development institution, formed from Kagiso Trust/Independent Development Trust, and a wholesale development financing institution, formed from a reconstructed DBSA. This approach seeks to reduce the number of development institutions in the development system and to inhibit their proliferation, which was a characteristic of the previous arrangement. It is thus a pity that the Small Business Development Agency was created so rapidly, since it would have been more appropriate for wholesale financing of small, micro and medium enterprises to form part of the restructured development financing system.

The Bank has been able to respond to the operating environment despite these imminent changes. It has had an unprecedented year, for the first time disbursing more than R1 000 million. The policy and capacity-building support extended by the Bank to the provinces and local governments has helped to transform the institutions that will be primarily responsible for the delivery of development services.

Total assets of the Bank increased by 3,5 per cent to R6 250 million, mainly as a result of increased disbursements. Pragmatic financial management and the skills that the Bank has developed at all levels continued to earn it an AAA credit rating in the local markets.

## **Developments in the Bank**

Reincorporation of the erstwhile TBVC states into the Republic of South Africa invalidated the agreement establishing the Development Bank of Southern Africa. As an interim measure, the role of the Council of Governors was transferred to the



## Directors

The following directors held office during the financial year:

Professor WL Nkuhlu\*  
(chairman)  
Mr C Bomela  
Mr JA Botes  
Dr O Dhlomo  
Mr JJ du Plessis  
Dr DC Krogh\* (resigned  
18/8/94)  
The Hon Gota GM Ligege  
Mr SSS Lucas  
Mr MR Madula  
Mr JAJ Maree  
Dr JB Maree  
Dr NH Motlana\*  
Mr MGM Mpahlwa  
Mr RA Plumbridge\*  
Mr MJ Sondiyazi  
Mr J Steyn  
Mr PH Swart\* (appointed  
18/8/94)  
Mr PH van Rooy

\*Members of the Audit  
Committee

Department of Finance. At the same time, the term of the Board of Directors was extended to 30 June 1995 to provide experienced governance. A Transformation Team, headed by myself, was appointed by the Minister of Finance in December 1994 to consult as wide as possible a range of stakeholders of the institution and to make recommendations on the future role of the institution and its governance. These recommendations were to be made within the framework of an integrated institutional and financial system to serve development in the country. The team was also requested to recommend an approach to the appointment of a new Chief Executive for the Bank following the resignation of André la Grange to join a private sector institution in March 1995.

## Future view

The Transformation Team completed most of its tasks in January to March 1995. It met on 16 occasions and considered written and verbal presentations from 28 external and 34 internal groups and individuals. It reviewed the current functions of the Bank and other development institutions and also solicited views from international development experts and bodies. It presented its report verbally to the Deputy Minister of Finance on 30 March 1995.

In the main it proposes that the Bank should concentrate on wholesale development financing, particularly infrastructure. The loan portfolio should be diversified to include a wider range of institutions as borrowers. The macropolicy capacity of the Bank should be repositioned to make policy more accessible to government, the provinces and other development structures – in other words, the Bank should serve as a national policy resource. For this, selected staff representing macropolicy capacity should be appointed to an institution under separate management to that of the Bank (but still housed on the Bank's premises) until government decides about a public-sector-funded policy resource service. Finally, a more representative governing structure is proposed for resolving the legitimacy crisis which has dogged the institution for a considerable time.

Recruitment for a new Chief Executive is to commence when the new board is appointed on 1 July 1995. It will obviously take a number of months to see this through; in the meantime management of the institution has been placed in the capable hands of Nick Christodoulou as Acting Chief Executive.

For a secure future for the country and all its inhabitants, the RDP must succeed. Available finances must be used with due care and diligence within the framework of a total strategy. The institutions serving development should have clearly delineated functions derived from national policy. Above all, the Reconstruction and Development philosophy must not be allowed to lose momentum, but should rather lead policy thinking until it becomes part of the fabric of our society – a national vision that will guide us into the future. I am pleased that the Bank has been at the forefront of the transformation for these ends and am honoured to have been part of the process.

## Tribute

I wish to pay tribute to a number of people whose contributions have made my task as Chairman a pleasant one.

André la Grange, who resigned as Chief Executive in March 1995, was not only one of the founding staff members of the Bank, but had the vision and courage to start the transformation process long before pressures forced the Bank to do so. I thank him for his support and friendship during the past 12 years.

The Board of Directors, despite knowing that they were serving only in an interim capacity for most of the year, never flagged in their enthusiasm and professionalism and remained active and interested in the affairs of the Bank.

The members of the Transformation Team, despite heavy individual workloads and responsibilities, tackled their task with enthusiasm, energy and insight, and must take much of the credit for envisaging the transformation process within a far broader context than merely that of the Bank.

Ministers Chris Liebenberg, Jay Naidoo and Alec Erwin consistently supported the organisation in its transformation and provided the overall policy guidance which made our task in this transition period easier.

Most of all, I would like to thank all staff members of the Bank who, despite uncertainty about their future, enabled the organisation to achieve a record year for disbursements and who actively participated in the workings of the Transformation Team when invited to do so. I confidently reiterate what I said on previous occasions: the development task facing us is so vast that no single individual need fear that his or her skills might become irrelevant.



Wiseman Nkuhlu





*André la Grange, (left) Chief Executive until 28 February 1995, and Nick Christodoulou, (right) Acting Chief Executive.*

## Overview

The performance of the Bank during the year was exceptional in that it maintained the development momentum in spite of the Bank's experiencing a variety of transitional adjustments related to its historical antecedents, as well the continuing and serious deficiencies in institutional capacity in many of the Bank's borrowers at implementing level.

Disbursements on development loans for the year reached an all-time high of R1 141 million, while grant disbursements for technical assistance peaked at R6 million. This achievement was made possible by a combination of factors including

- overhaul of the operational decision-making system within the Bank during the previous two years
- enhanced ability to interact more closely with our clients through the regional structure adopted in 1993
- conscious efforts to assist borrowers and implementing agencies in building institutional capacity
- greater attention of project teams to the implementation phase of the project cycle.

## Constraints within the Bank's operating environment

The profound changes taking place at all levels of South African society invariably affected the Bank's operations. At the broader constitutional level, the reintegration of the homelands, the establishment of newly demarcated provinces and the related institutional integration and transformation processes reduced development delivery capacity in the short term. As a result of legal constraints on the borrowing powers of provincial governments, a number of projects initiated by the previous regional governments could not be finalised during the course of the financial year. The Bank was nevertheless able to continue lending to all its other borrowers, including parastatals, local authorities, regional services councils and non-governmental organisations, and so was able to maintain the development momentum.

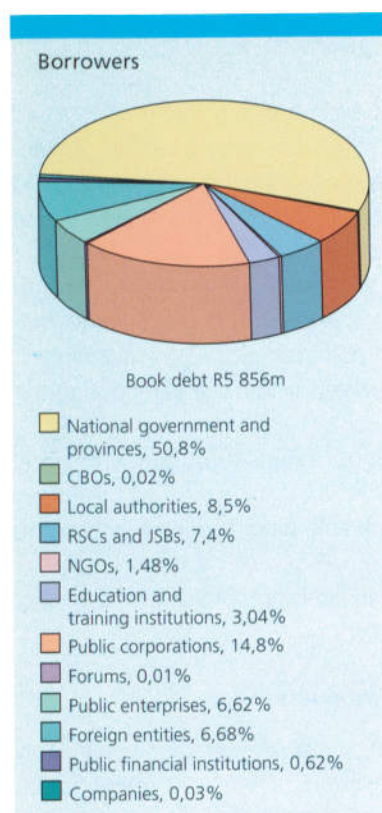
The social impact of change and uncertainty also undoubtedly contributed to the inability of implementing agencies to give full effect to project planning and implementation.

The Bank could thus not fully apply its resources to development projects and programmes; however, the excess capacity was redirected to assisting government with the initiation of the Reconstruction and Development Programme at national and provincial levels, and also to assisting the new provinces in assessing their new developmental responsibilities.

The Bank was thus able to contribute in new areas. Developmental capacity was enhanced at a number of levels through the provision of technical advice and support to newly established national and provincial government structures. Technical and capacity-building support was extended to borrowers to enable them to efficiently implement projects already under way. Cooperative relationships were established with other delivery channels for development support. Private sector contributions to development projects were facilitated.

## Financial resource management

During the year the Bank sought to manage the impact of the increase in disbursements on its financial resources and enhance its financial systems and procedures to protect and prudently manage its financial resources.



Against the background of the transitional difficulties in the country, the Bank's credit policies and close interaction with borrowers proved their worth, and loan repayments from borrowers continued to be made in good time.

Also important during the year was mobilisation of international concessionary funds in addition to traditional sources of funding in local and international markets. Negotiations with international sources are nearing completion and a number of contracts will be concluded in the new financial year.

## The internal environment

Well-functioning business systems are essential for the organisation to transform without loss of momentum in its core activities. Considerable attention was paid throughout the year to developing the Bank's main business systems. Special attention was also paid to certain key human resource areas.

The Bank retained its leading role in implementing affirmative action, as reflected in comparative studies.

In a salary equalisation exercise conducted during September 1994, the last vestiges of salary inequality based on race and sex were removed.

Following an agreement between the Bank and its staff, the Pension Fund was wound up and a new Provident Fund was created with effect from 1 June 1994. Notwithstanding expected difficulties, the new fund has the advantage of being managed collaboratively between management and employees, and the Bank's liabilities for funding the retirement system are clearly circumscribed.

The Bank entered a period of staff uncertainty in July 1994, when it received much controversial public attention. This brought disruption, uncertainty, polarisation and some loss of organisational discipline. Things changed for the better with the appointment of the Transformation Team, and the atmosphere is likely to improve as more certainty on the Bank's future emerges.

## The transformation process

The appointment of the independent Transformation Team of outside and impartial experts was welcomed by staff and management alike since this signalled the intention of government to redirect the Bank and rationalise the system of development support in South Africa.

The challenge to management will be to lead the organisation through the transformation as effectively as possible, maintaining discipline and an ethical approach; preserving the financial integrity of the institution; and maintaining the integrity of the loan book. It will be of prime importance to support the staff through the uncertainties of this important transformation.

## Future prospects for the Bank

The new year will focus on the implementation of decisions stemming from the recommendations of the Transformation Team. A review needs to be undertaken of the current structure and its appropriateness for carrying out the new mandate of the Bank. Equally important will be staffing so that the skills and experience of existing staff can be deployed to achieve a balanced organisation. Good opportunities for further career advancement for all staff are likely to present themselves in the future.

It is expected that the traditional client base will change to include new institutions at local and provincial levels. The products and services offered will become



### **Executive Committee**

The following general managers held office during the financial year:

#### **Operations**

De Villiers Botha, Operations and International Relations Programme  
Sollie Nortjé, Northern Region and Southern Africa  
Christina Golino, Acting, Central and Western Region  
Luther Sibisi, Acting, Eastern Region  
Johan Kruger, Southern Region

#### **Support Services**

Deon Richter, Policy, Information and Evaluation  
Dirk Swanevelder, Acting, Finance  
John Moalusi, Corporate Management Services  
Gail Mlokoti, Corporate Affairs

more focused. It is likely that the greater part of future sectoral work will be in infrastructure in support of economic and productive development. A smaller but significant share is expected to go to entrepreneurial support for agriculture and business. Client contact and orientation programmes will be required to ensure that, when the Bank's new mandate is finalised, its methods of operation and role within the broader development system are understood and accepted.

### **Tribute and thanks**

I take this opportunity to pay tribute to André la Grange, who resigned as Chief Executive. His vision and willingness to take decisions which he knew to be the correct ones for the future placed us on the road to transformation.

The support that I received from the Chairman, Professor Wiseman Nkuhlu, was unstinting and made my task all the more rewarding.

The members of the Transformation Team performed their task with objectivity and professionalism, creating a great deal of confidence and avoiding the exacerbation of internal tensions.

Ministers Chris Liebenberg, Alec Erwin and Jay Naidoo were consistently approachable and supportive, as were the staff of the Department of Finance and the RDP Office.

The staff's dedication and professionalism throughout the period of uncertainty enabled us to post exceptional results.

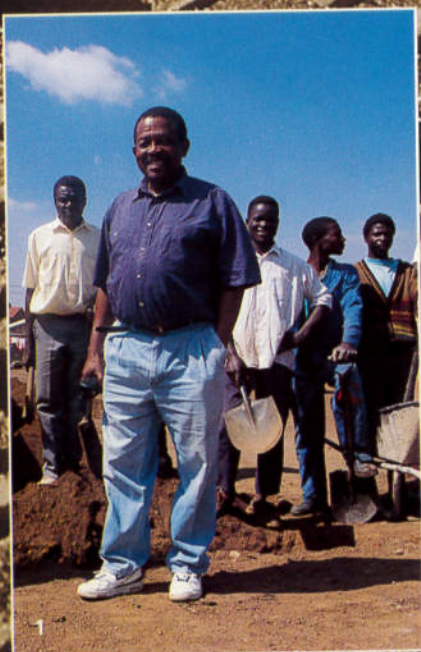
All bodies and persons taking an interest in the Bank and thus becoming stakeholders enriched our deliberations with their insights and contributed substantially to a positive future view of our task.



Nick Christodoulou



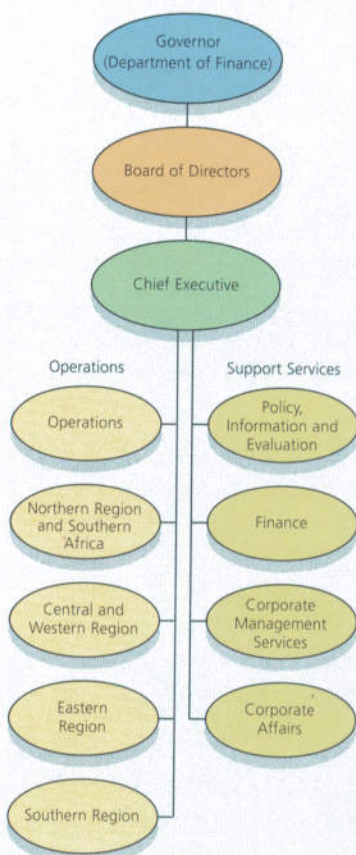
Bank investments seek to meet RDP criteria. Projects make use of local resources and materials (background): in Jagersfontein, one of 19 southern Free State towns upgrading municipal services, a spin-off of the project is clay brick-making by local entrepreneurs. (1) A Soweto contractor managing several contracts is one of 10 contractors employing up to 40 people per contract. (2) The construction design of a blacktop access road to the Shiluvane Hospital in the Northern Transvaal ensured that 43 per cent of costs went directly to labour. (3) A fast-track town planning programme financed by the Bank allowed accelerated development of Cato Manor, Durban, by supplying road networks and other infrastructure as a spine along which business and residential development could take place – a unique opportunity for developing land close to the urban core.





# DIRECTORS' REPORT

## Organisational structure



This report on the performance of the Bank has been compiled in compliance with the requirements of the Bank's establishment agreement and the King recommendations on corporate governance and is in conformity with general accepted accounting practice in the manner required by the Companies and Public Entities Acts.

## Review of operations

Important changes in the operating environment of the Development Bank of Southern Africa (DBSA) occurred in the past year. Over the years the emphasis in the Bank has shifted increasingly to human-scale development and this was accelerated in the past year with the inauguration of a government committed to transforming South Africa through the Reconstruction and Development Programme (RDP).

The Bank consolidated its efforts to align its policies with the RDP. This led to a clear delineation between its integrated urban and integrated rural projects and programmes. In both cases, stress is laid on local people participating in decision-making about development.

The government-appointed DBSA Transformation Team investigated the future role and functions of the Bank among development delivery institutions. Clarity on the Bank's mandate should lead to greater efficacy in the coming year.

The focus of the Bank during the year is self-evident, given the centrality of the RDP to both development and transformation of government.

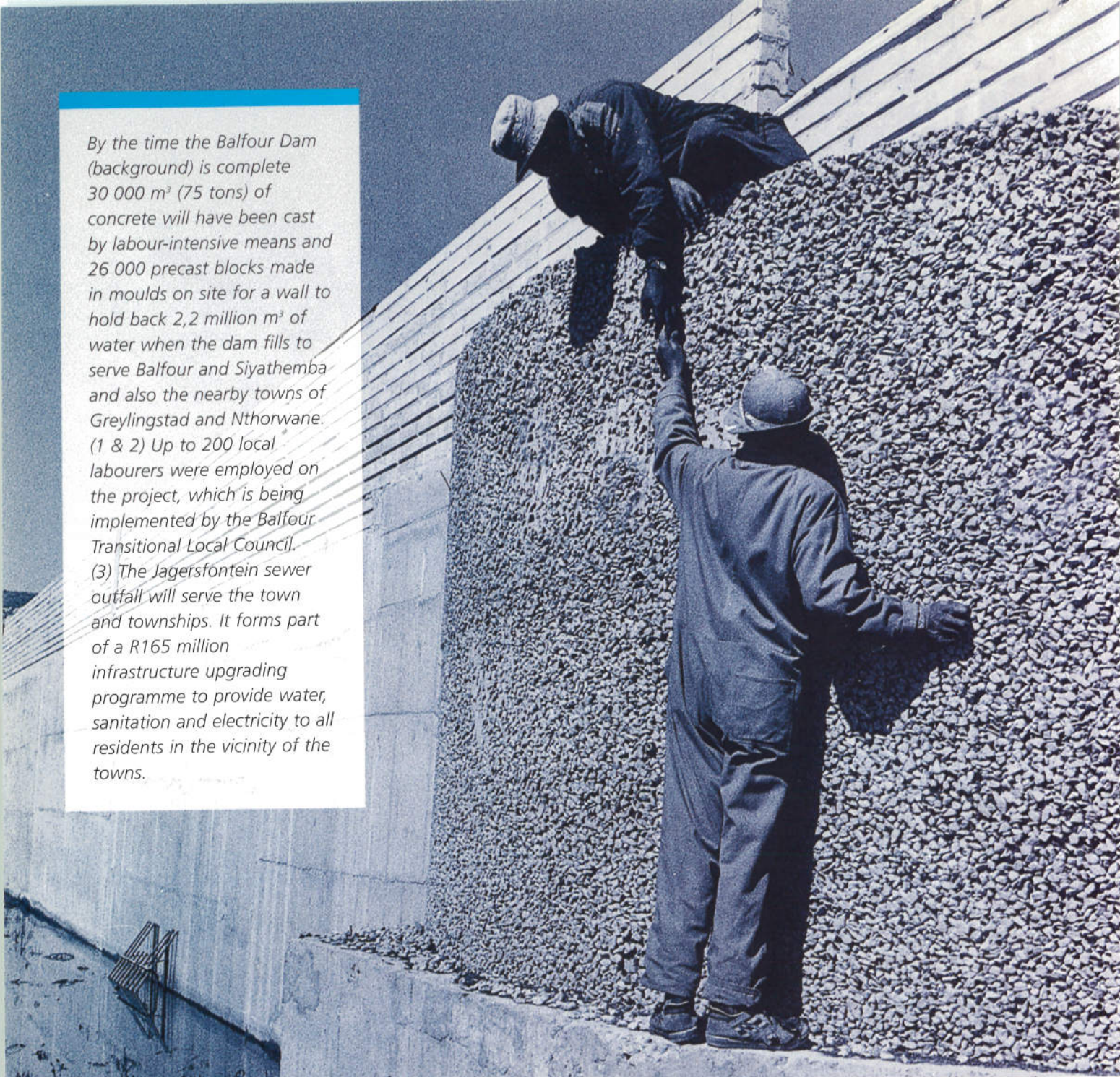
Pending legislation provincial governments had not yet been given powers to enter into new loan agreements by the end of March 1995. As a result a number of projects initiated before introduction of the new constitution could not be finalised or implemented during the course of the year. Despite the uncertainties during this transitional phase, the Bank had an unprecedented year of disbursements of development investments and grants:

- A total of R1 147,2 million (FY94: R716,7 million) was disbursed. The projects in the Bank's portfolio ranged from finance for dams, roads, bridges and electrification projects to loans for black commercial farmers. The technical specifications of these loans ensured labour-intensive designs, employment of emerging local contractors, local jobs and the transfer of skills, and use of local materials in the projects.
- R6 million of this amount was for grants disbursed to strengthen capacity in various institutions in government and non-government sectors. Of this amount, R0,964 million was disbursed on policy and information assignments managed by the Bank ranging from constitutional issues to analysis of human development indicators for South Africa.
- This brings the Bank's net accumulated assets to R6 250 million, with R3 163 million in fixed commitments.
- Loans were approved for 258 new projects totalling R863 million, and projects worth R1 510 million were under consideration at year-end. Other channels were sought for Bank support. More than 80 per cent of the new commitments were approved for regional services councils and joint services boards and other corporate institutions such as water boards, local authorities, development corporations and non-governmental organisations.
- Acting on an agency basis the Bank appraised and is monitoring the implementation of 537 projects amounting to R222 million and creating 440 000 labour-months in the job creation programme of the National Economic Forum (NEF), now incorporated into the National Economic Development and Labour Council (Nedlac). It appraised a further 81 projects amounting to R30 million on behalf of the NEF small business development programme.





By the time the Balfour Dam (background) is complete 30 000 m<sup>3</sup> (75 tons) of concrete will have been cast by labour-intensive means and 26 000 precast blocks made in moulds on site for a wall to hold back 2,2 million m<sup>3</sup> of water when the dam fills to serve Balfour and Siyathemba and also the nearby towns of Greylingstad and Nthorwane. (1 & 2) Up to 200 local labourers were employed on the project, which is being implemented by the Balfour Transitional Local Council. (3) The Jagersfontein sewer outfall will serve the town and townships. It forms part of a R165 million infrastructure upgrading programme to provide water, sanitation and electricity to all residents in the vicinity of the towns.







*President Mandela turns the first soil in a Presidential Lead Project in the Odi-Moretele district of North West province, one of the first lead projects for water. It comes in an area where DBSA has provided funding for initial infrastructure for water and electrification.*



Careful attention to the monitoring of projects in implementation and the financial and institutional position of the Bank's borrowers resulted in the achievement of near perfect repayment in the year. The previous government, under arrangements concerning local government, promised to honour the few exceptions from former black local authorities.

For the second consecutive year the Bank by agreement received no fiscal transfers from government but in the coming year will raise its shortfall of R500 million in local and foreign capital markets.

Further progress was made in obtaining semi-concessional and concessional loan funding from the Japanese Export and Import Bank, Caisse Française de Développement and Chiao Tung Bank (Republic of China). Cooperation agreements were reached with agencies providing technical assistance, namely Gesellschaft für Technische Zusammenarbeit (GTZ) and Prodec (Finland). An initiative was launched to obtain policy and information capacity from the United Nations Development Programme to underpin the human-centred development approach adopted in the RDP. Foreign agencies were particularly interested in funding rural development and drew heavily on the Bank for information and opinions, which influenced their support programmes.

The Bank was a member of the South African delegation to the Indian Ocean Rim Initiative. Mauritius proposed the idea of a trading and economic cooperation region for the littoral states of the Indian Ocean. The Bank is investigating the co-financing of a research unit on this initiative at the South African Institute of International Affairs.

The international development and donor community were assisted in establishing official development cooperation agreements with South Africa. This included strategic advice on future relations between South Africa, the African Development Bank and the World Bank.

The Bank worked closely with the RDP ministry, the departments of Water Affairs, Trade and Industry, Finance and Foreign Affairs and the provincial authorities to review and realign the Bank's loan portfolio and other functions in support of the aims of the RDP. The fact that a government with a distinct developmental agenda is in power creates opportunities which DBSA as a development institution welcomes in every respect.

Bank staff participated in the team that compiled the first provisional draft of the RDP Green Paper, the precursor to the White Paper released in late September. Several staff members are engaged in RDP-related interdepartmental task teams responsible for policy formation on urban and rural development and capacity-building.

Many of the Presidential projects have been earmarked in areas where the Bank has done considerable work, preparing the way for implementation of these public priorities. An example is Cato Manor, Durban, where the Bank financed a fast-track town planning programme and will also be financing infrastructure in the coming year.

## Bulk infrastructure

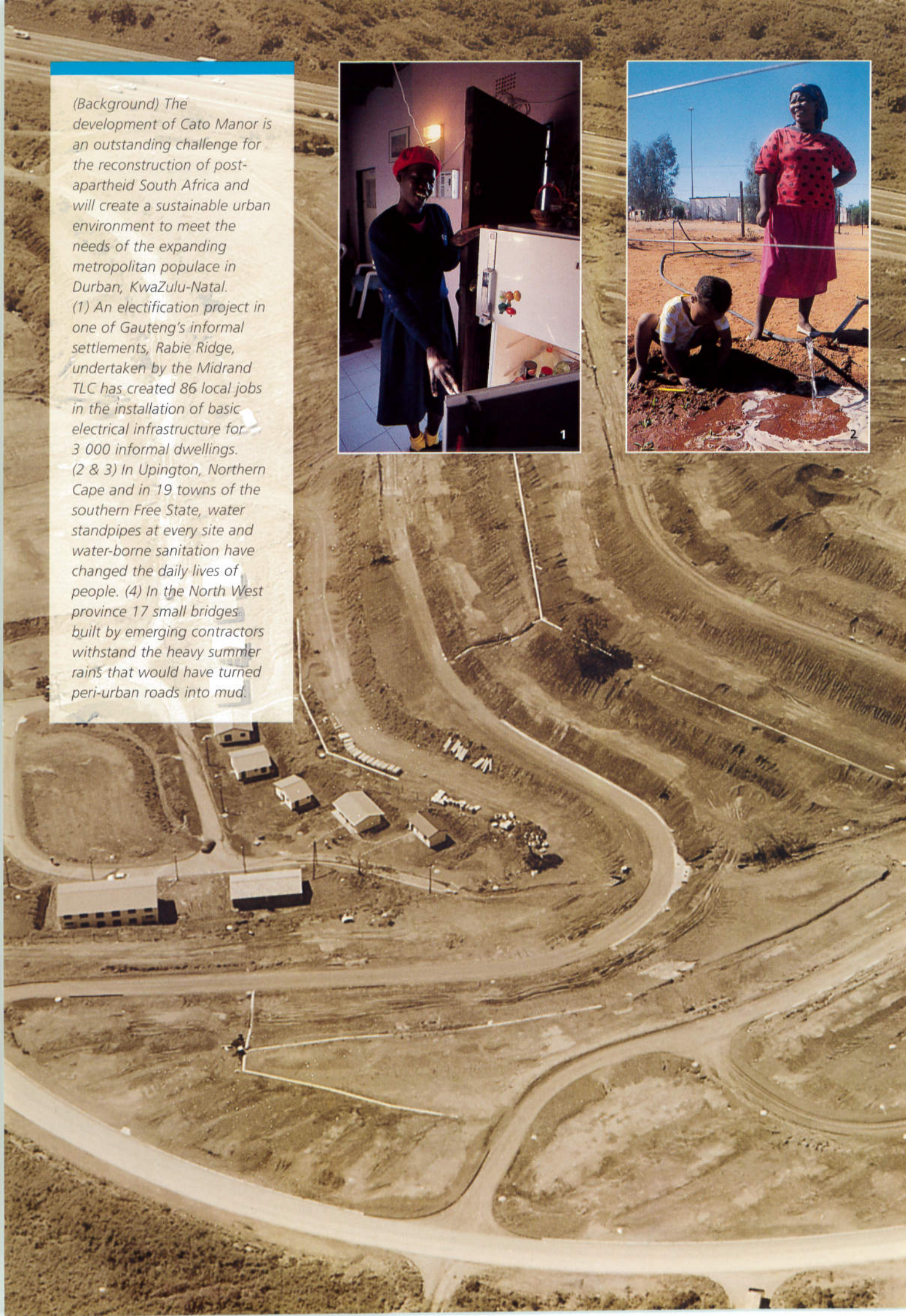
The Bank remains an important source of funding for urban and rural infrastructure; of the total of R1 147,2 million disbursed in the financial year, R917 million was disbursed for infrastructure in rural and urban areas. Of this R290 million went to bulk infrastructure, such as dams, electrical substations and roads for supplying services to an area; R400 million to connector and distribution infrastructure such as water



*(Background) The development of Cato Manor is an outstanding challenge for the reconstruction of post-apartheid South Africa and will create a sustainable urban environment to meet the needs of the expanding metropolitan populace in Durban, KwaZulu-Natal.*

*(1) An electrification project in one of Gauteng's informal settlements, Rabie Ridge, undertaken by the Midrand TLC has created 86 local jobs in the installation of basic electrical infrastructure for 3 000 informal dwellings.*

*(2 & 3) In Upington, Northern Cape and in 19 towns of the southern Free State, water standpipes at every site and water-borne sanitation have changed the daily lives of people. (4) In the North West province 17 small bridges built by emerging contractors withstand the heavy summer rains that would have turned peri-urban roads into mud.*







and sanitation pipelines and electrical cabling; and R227 million to basic services infrastructure such as tertiary roads, standpipes and house connections. In infrastructure, user-charges and rates provide a basis for cost recovery to service loan repayments.

Particular attention is given to these projects' developmental impact on the local socio-economic environment to ensure maximum income opportunities for local communities. Consultants' designs and specifications are adapted to accommodate smaller contracts and provide training and credit facilities so that emerging and local contractors can participate. Project specifications include labour-intensive designs for maximum use of local labour and optimal use of local materials. In this way the project income and skills for maintenance of the installations are captured within the beneficiary community.

The Bank participated in the restructuring of the construction industry mainly by supporting the inclusion of black contractors in the industry through technical assistance grants to the Construction Council of South Africa, National Black Contractors and Allied Trades Forum and South African Black Contractors' Assistance Programmes. Guidelines were published for facilitating change in the construction industry: the Construction and Development Series covers development approaches, appropriate technology, emerging contractor development and concrete block paving and other labour-intensive construction methods. Many of the Bank's projects have incorporated labour-intensive methods and design.

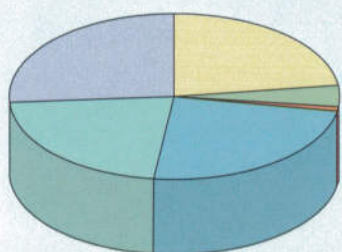
Responsibilities for provision and funding of bulk water infrastructure underwent change as a result of debate among stakeholders. By participating in the Standing Committee for Water and Sanitation, the Bank contributed to the position on sanitation and on tariffs and finance, which formed the basis for the relevant parts of the *White Paper on water supply and sanitation policy*. The theme of 'clean water for all' was adopted by the Bank for its lending programme and underlay several Presidential programmes and projects.

### Urban development

The Bank's infrastructure programme is mainly directed to the provision and upgrading of urban infrastructure, for which R510,3 million was disbursed in the financial year. Provision of household electricity connections and water and sanitation were a priority demand of project applications in urban areas. The Bank participated in deliberations of the National Electrification Forum (NELF) at plenary and working group levels. The working groups of NELF concluded their business with submissions to government in November 1994. In the absence of a White Paper on energy, NELF reached agreement to connect 500 000 houses in 1995 in areas not previously served by electricity, the start of a five-year programme. The Bank's part in this programme is guided by this agreement. An advisory energy committee with representation from NELF, the South African National Civic Organisation and the engineering industry advises the Bank in its appraisal of energy projects.

Urban development projects had to be integrated with existing developments and also RDP programmes and initiatives. This required direct consultation and coordination with national and regional line departments, regional services councils and joint services boards, water boards and local authorities. The emphasis was on providing economically productive infrastructure such as electricity, water, sanitation, and roads and storm-water drainage. Special attention was given to labour-intensive construction approaches, employment creation and employment of emerging and small contractors.

Infrastructure disbursement FY95

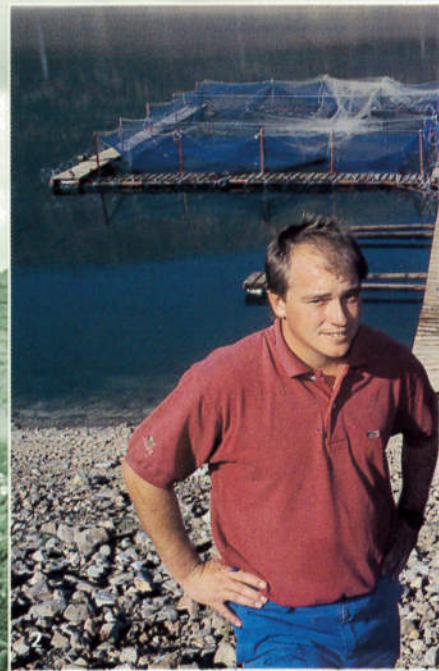


Disbursement R917m

Energy, 23%
Multi services, 4%
Post and telecommunications, 1%
Roads and drainage, 24%
Sanitation, 22%
Water, 26%



(1) Solly Sikotile was born 50 years ago into a labourer's home on the farm in the Kat River Valley, a portion of which he now hopes to own (background). With gradual privatisation of the citrus estate, Solly is managing 35 ha of the estate that he had been foreman of before it was bought out for consolidation into Ciskei. He later returned to the farm when the Ciskei Agricultural Corporation (Ulimocor) started farming it. (3) Gladys Ntombentsha Metula runs the 62 ha Topcat Farm, one of the larger farms in the Kat River valley, with the assistance of a foreman, 6 permanent labourers and 6 casual labourers. The farmers have taken charge of the farms in the past 18 months and already deliver 40 per cent of the export navel oranges packed at the Fort Beaufort cooperative, Katco. (2) Axel Schnell and Daantjie Filander are partners in a trout fishing enterprise that will be funded under the Rural Foundation's enterprise support programme. As farm manager and labourer on a large grape export farm at De Doorns in the Hex River Valley in the Western Cape they decided to start aquaculture in the farm's irrigation dam to provide a cheap source of protein in the valley and work out of peak season. They have also had assistance from the province's Department of Agriculture and the University of Stellenbosch. A similar project will be funded in the Groot Marico region of North West province.







The RDP White Paper identified the need for a national urban development strategy. The Urban Development Task Team, as one of its initiatives, is formulating such strategic policy with support from the Bank.

The provision of services to underprovided areas has major implications for the financial viability of local authorities. A policy assignment investigated '20 (secondary) Towns' to model capital and operating costs, implications of various subsidies and tariffs and associated borrowing requirements and cash flow. The study will develop standard models for local authorities to carry out financial planning for the main municipal services. The financial evaluation will consider restructuring charges and tariffs to enhance cost recovery; expanding and redirecting income from rates and taxes to subsidise priority services; and rationalising and increasing intergovernmental transfers and subsidies. The results of the study should be of immediate relevance to the quantification of the investment costs of the RDP-driven Urban Infrastructure Investment Strategy. The household affordability assessment should also provide useful background information for the RDP Campaign on Self-sufficiency.

By participating on working groups and the coordinating committee of the National Housing Forum the Bank contributed to deliberations that led to an integrated development approach to housing policy and eventually the housing White Paper.

### Rural development

R115,3 million was disbursed on projects in support of rural infrastructure and entrepreneurial activities in rural and agricultural areas. This far exceeded the disbursement in any previous year despite the uncertain institutional environment. Many of the projects were managed in an integrated programme of services, such as provision of water and electricity as part of agricultural projects. New approvals, however, dropped off because of constraints experienced by provincial governments and development corporations undergoing restructuring.

Despite the uncertainty around rural and agricultural development institutions the Bank afforded policy advice and support through representation on the RDP Rural Development Task Team. It was appointed to advise and give secretariat support to the Rural Finance Inquiry, which aims to structure or restructure rural finance systems and institutions in the provinces. It is also a member of the National Rural Development Forum steering committee.

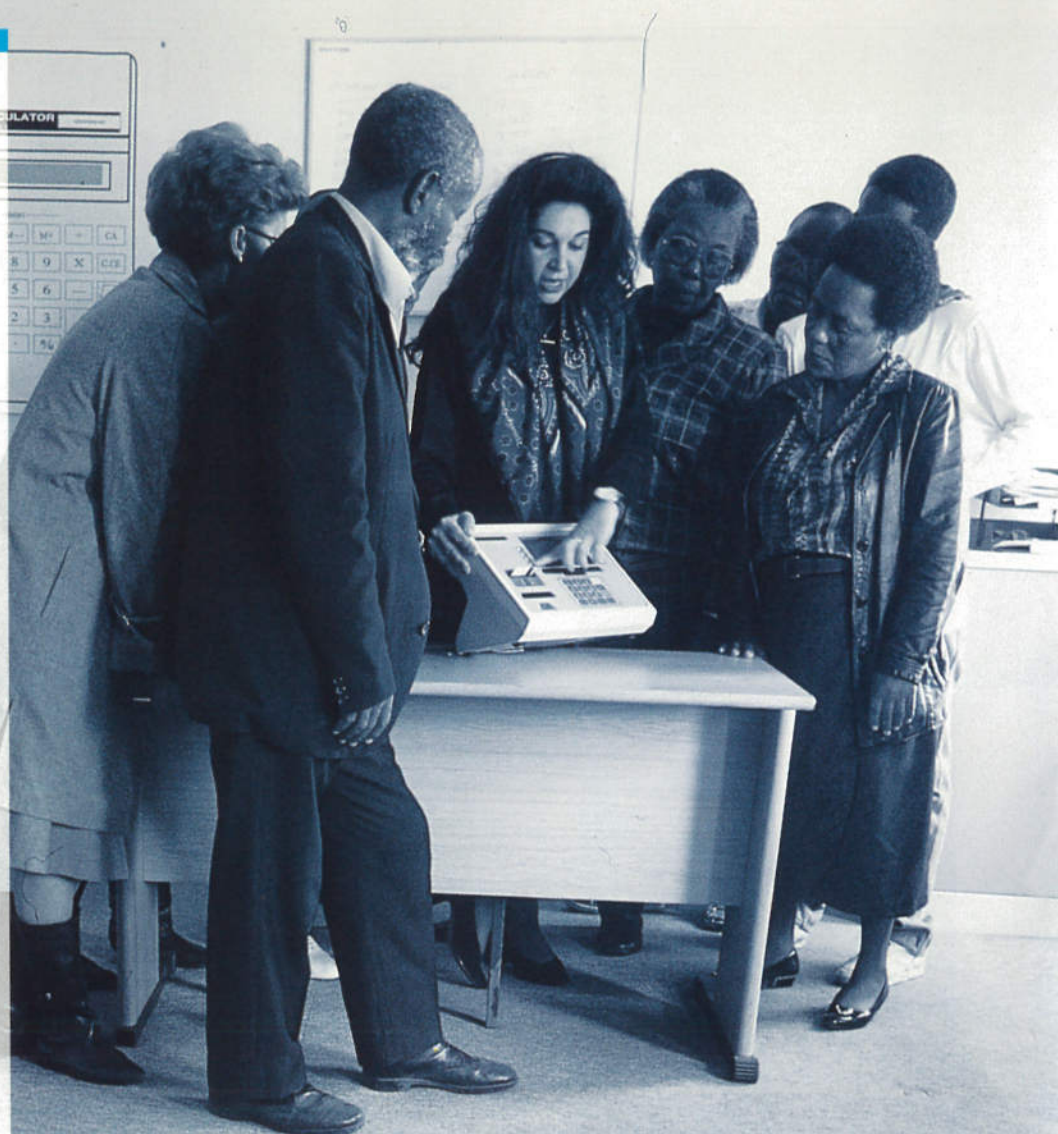
The Bank assisted in establishing a unit in the Department of Land Affairs to monitor and evaluate the National Land Reform Programme.

Progress was made in developing the Farm Worker Equity Programme, particularly with advice from the Bank's own lessons of experience with existing projects.

The Bank published an evaluation of its farmer support programmes (FSPs). In most areas, FSPs have improved the food security and incomes of rural households. However, there were important policy implications in the lessons learnt about the institutions that delivered the services, the variety of services, forms of credit and access to land. The objectives of the FSP were to both bolster commercial farming practice and provide broad-based access to farming services for increasing productivity and welfare in the rural areas. The evaluation attempted to establish whether these objectives were being met.



Start-up Fund is Trident Trust's innovative microlending scheme for the lower-to-middle informal sector across the country. Co-funded by the Bank and IDT, the scheme lets individuals borrow up to R6 540 over 36 months on a revolving credit savings-linked plan. The debits are made electronically to people who have undergone the 'Township MBA' – a week-long course which includes the opening of bank accounts and tuition on an ATM. By March 1995, R730 000 had been taken up. (1 & 2) The Port Elizabeth-based Community Self Employment Centre (Comsec) took up a Bank loan to refurbish old locomotive sheds as small factory sites. Comsec provides premises for rental, loan capital and on-site services in skills and business training, business information, bookkeeping and match-making. Self-employed Miriam Gqalisisa (1) trained in CSIR's Textile Project and has corporate orders. Retrenched Desmond Netnou (2) started Zama Engineering, has seven former unemployed workers and a fixed contract to repair a car maker's crates.





(Below) The Khululeka Community Education Development Centre used a Bank loan to upgrade the old synagogue hall in Queenstown for its expanding needs. This NGO's work was primarily focused on developing an early learning or preschool sector in the Eastern Cape, but this emphasis changed as the communities it works in identified other training needs.



### Entrepreneurial development

The Bank's portfolio of investments in small, micro and medium enterprises (SMMEs) other than agricultural enterprises increased considerably. Disbursements in the year reached R96 million in a R100 million programme. The remainder was being disbursed under the Industrial Development Programme. In 1990 the Bank decided to support SMMEs instead of merely creating industrial jobs because this engendered entrepreneurial activity.

From its inception the Bank has approved loans of R151 million to non-governmental organisations. During the past financial year R70 million was disbursed on these loans, while R17,5 million was disbursed in previous years. However, to put this figure in perspective it should be noted that R110 million of this amount represents a loan made to the Community Bank, R60 million of which was disbursed in the year to 31 March 1995.

The Bank contributed to the formulation of the *White Paper for small, micro and medium enterprise development in South Africa*. Extensive support was provided to the Department of Trade and Industry (DTI) in disseminating the discussion document and structuring feedback on the issue from the various provincial workshops. The White Paper proposes improvements to the delivery system of SMME support, which could affect both the policy and operational functions of the Bank. The most significant of these will be structuring of a policy function in the Small Business Development Agency for it to advise the DTI and broadening of the wholesale function and its placement within the overall development finance system in South Africa.

A Bank discussion paper on microfinance served as an input for drafting the SMME White Paper. It listed legislation impeding the establishment and growth of SMMEs and dealt with the role of the Bank in assisting disadvantaged SMMEs through credit guarantee schemes. The results of this policy work were applied to the Bank's own SMME development programme.

### Human resources development

The Bank is reviewing its funding of human resources development facilities by loan capital: limited new commitments were made in the financial year. R94,3 million was disbursed, of which R5,3 million went to skills training, R29,4 million to vocational and technical education, R48,1 million to formal education and R11,5 million to non-formal education. The initiation of several provincial education and training forums were supported which would mobilise broad-based inputs for provincial policy formulation.

The Bank assisted the RDP office for five months by coordinating the development of human resources development policy, strategy and structures for the RDP.

The Bank provided funding and expertise for the South African Institute for Distance Education to investigate open learning and distance education in South Africa with the assistance of international experts. The resultant report contains new policy proposals that will help transform and expand distance learning.

Nine comprehensive provincial reports on education data, indicators and scenarios were published in July 1994. These Policy Working Papers have proved useful to provincial planners. Human resources development sector perspectives were also compiled for each province and presented to the provincial departments for input to their strategic management teams.



Katse Dam under construction in the Lesotho Highlands. DBSA funded the advance infrastructure. (1) The rural development programme, also funded by the Bank, forms part of the compensation effort of the Lesotho Highlands Development Authority, and aims to ensure that nobody is worse off as a result of the Highlands scheme. Village meetings agree to set up structures to communicate with stakeholders. (2) The northern access road leads to the tunnel intake and the dam and also opens up an area previously only accessible by horse or foot, greatly improving the socio-economic life of Highlands inhabitants.







### **Southern African programme**

Bank activities in southern Africa have been implemented under the existing mandate, which is to contribute to balanced economic development in the region. R21,3 million was disbursed in 1995 out of a total commitment of R620,3 million in the southern African programme.

Advance infrastructure for the Lesotho Highlands Water Programme was completed and the main projects of Katse Dam, delivery tunnels and transfer tunnels are under construction. Attention is now turning to maintenance of the assets already created, provision of adequate and appropriate compensation through the rural development programme and construction of the Muela hydropower project.

Initial projects are currently being implemented in Swaziland (Swazi Business Growth Trust) and southern Mozambique (agency project for Department of Foreign Affairs to provide assistance to small sugar-cane farmers). The Maguga Dam in Swaziland in the Komati River Basin development and the transport corridor between Komatipoort and Maputo will be the cornerstones of future investment. Water, energy, telecommunications and transport projects will follow. These infrastructural programmes, guided by South Africa, should promote economic integration in southern Africa.

The Bank assisted the South African government in developing a strategic development perspective on regional and international issues. Bank staff also participated in the South African delegation providing policy advice on South Africa's membership of the Southern African Development Community (SADC) and analysis of pertinent issues including trade relations in southern Africa; South Africa's relations in the Southern African Customs Union; economic integration of southern Africa under the auspices of the African Development Bank; macroeconomic convergence in SADC/Common Market for Eastern and Southern Africa; and bilateral trade agreements with countries in the region and the implications of these under the GATT agreements.

### **Development policy, information, planning and programming**

With the election of a democratic government, the need for direct support of development planning by the Bank decreased as new structures came into being. Increasingly during the year the Bank limited its support for such processes to non-financial technical assistance since new government structures actively managed and funded these planning approaches as part of the RDP.

Internally, the Bank placed greater emphasis on the development programming function, which is concerned with the design and management of the Bank's support programmes in response to the needs and priorities of its clients while at the same time satisfying the criterion of sustainability. The outcome of programming – which is done jointly with clients – guides the Bank's decisions on the size, sectoral balance and geographical targeting of development support.

An important capacity of the Bank is its appraisal of development projects, and in the year it was ensured that criteria were aligned with the principles of the RDP. A consistent approach was applied to the analysis of both macro and micro indicators to ensure proper decision-making in appraising new projects. The evaluation function shifted its focus to the needs and methodology of programme evaluation and monitoring, enhancing its previous emphasis on mere project evaluation. This conforms with the requirements for strategic management of the RDP.





*A national workshop was co-hosted by Inlogov and the Bank and held at the Bank for stakeholders to identify rural local government capacity-building needs and find ways to meet these needs.*

The overarching policy programme in the Bank is the alignment of macroeconomic policy with human development considerations. Under it, all policy programmes work up human development indicators and mechanisms for addressing basic needs in the socio-economic sectors.

*Quantification of human development needs* remained the multisectoral focus of the policy and information programmes. The intended outcome of the study is to make suggestions relevant to the budgetary, planning, information and policy processes of the RDP. As part of the analysis, information on existing internal databases is supplemented with information from external databases and interpreted by applying quantitative techniques to provide inputs for the quantification of human development needs and socio-economic decision-making in general. Where possible, databases are disaggregated to magisterial district level to establish socio-economic inequalities provincially and interprovincially so as to indicate comparative disadvantages and facilitate decisions for the optimal allocation of development resources.

The Bank published *South Africa's nine provinces: a human development profile* in May 1994. The report provided multisectoral development information and perspectives on the nine new provinces.

The Bank undertook an assignment on social security in the course of investigating the social dimensions of poverty. This examined child maintenance and pension allocations as part of the human development framework. It also examined the relation between household expenditure on health and overall poverty levels. As a result of the work on pensions the Bank has become a key participant in the October Household Survey, which now has the status of a Presidential Lead Project for receiving continued support. The programme is also setting up an information system for the RDP ministry and a task force for monitoring and assessing poverty.

The Bank assisted with the transformation of the public sector by making contributions to policy forums, governmental task teams and policy processes within departments at the various levels of government. At the same time a growing number of staff members either were seconded to government or worked closely with others in policy formulation processes and the setting of parameters for information management in support of the RDP. A grant of R0,4 million was approved to further the objectives of the Bank's policy programme.

The focus of the Bank's information support to the RDP was a programme for identifying key participants in information generation and management cooperation, and networking. This resulted in a revised and comprehensive database for each programme, a restructured statistical library and an information inventory.

The Bank compiled a database of primary and secondary laws of the former homeland areas pertaining to land tenure, water and environmental conservation.

## Support for institutions

In addition to investment projects, much of the Bank's work in the past year was on supporting its borrowers to develop their capacity for implementing development projects. Technical assistance grants of R10 million were approved and R5 million was disbursed. Limited grant finance was provided for workshops in a number of provinces to support capacity-building in government and the non-government sector. Where mandate constraints prevented direct funding the Bank facilitated funding from other sources.





*The Bank funded several participatory rural appraisal (PRA) workshops which provided local development facilitators with skills to ensure high levels of community participation as seen here in Bergville, KwaZulu-Natal.*

**Support for local government.** A major constraint in development is inadequate institutional capacity at local level, which is being exacerbated by institutional transformation. The Bank supported the development and transformation of local institutions, development corporations and civil society institutions. In its activities, described below, it examined the various institutional options for rural local government within the framework of the Act. The results were used by provincial governments when taking decisions about rural local government institutions and demarcation of rural local government area boundaries.

The Bank made available its skilled staff members to assist local governments and communities. It conducted studies on rural local government and the role to be played there by traditional leaders. It held workshops on rural local government in the Northern Transvaal for the South African National Civic Organisation, and in the Northern and Eastern Transvaal for traditional leaders, the latter workshops being co-facilitated with the Institute for a Democratic Alternative for South Africa (Idasa). Idasa also funded a follow-up workshop of the Bank's Rural Women's Initiative project for building the capacity of rural women to participate in local government structures. And the Bank funded a cooperation grant to the Institute for Local Government (Inlogov) for training and building the capacity of government and civil society stakeholders in rural local government. It mobilised funding from the HSRC for the training of trainers in voter education in the Northern and Eastern Transvaal. It also provided resources to the RDP subcommittee drafting a rural development strategy. This committee recognises the role of rural local government as a service provider in the RDP and disallows deployment of RDP funds in areas where there is no transitional rural committee.

Related initiatives were support of the Commission for Provincial Government through funding of workshops in which input was sought on the constitutional assembly from local government and traditional authorities, and co-facilitation of a Contralesa workshop with the Centre for Constitutional Analysis of the HSRC for orientating traditional leaders on the constitution.

The bank conducted an orientation programme on local government finance for the non-statutory component of the Southern Substructure of the Pretoria Metropolitan Council.

**Restructuring development corporations.** The Bank developed a framework for financial and institutional analysis of development corporations. This was used to appraise single corporations and also to compare groups of corporations operating in single provinces, for example the North West, Eastern Cape, Northern Transvaal and Eastern Transvaal. The information was applied to decision-making about the restructuring of development corporations.

The framework measures public corporations' effectiveness and efficiency in relation to beneficiaries (the disempowered and the empowered), functional sectors (eg agriculture, small business, housing) and specific activities (eg credit and savings, training and counselling, building for rental). It determines the extent to which their performance matches their mandate and is in harmony with the principles and objectives of the RDP; and their financial soundness, which depends partly on their investments and partly on properly directed state support.

**Assistance to the non-government sector.** Some grants were aimed at drawing civil society structures into the development planning process during the transition period. Further grants linked to Bank investment, especially in rural and entrepreneurial projects, were for ensuring the viability of projects to which the Bank was





*Over a hundred women representing various Northern Transvaal community, non-government and government organisations gathered at a Bank-financed workshop in Magoebaskloof in March 1995, one of three pilot projects for encouraging women in development-related organisations to begin to set provincial, sub-provincial and their own organisational goals.*

making loan finance available. The Bank through its personnel also gave technical assistance in strategic planning, including financial planning and control, to a number of NGOs.

As the Bank is primarily a development investment institution, its loans to NGOs are for capital formation (particularly for SMME development) while grant assistance to NGOs is for capacity-building. Through contact with NGOs Bank staff keep management informed of the needs and thinking of civil society organisations, which are in close touch with communities. These insights inform the Bank's policy processes, especially its assessment of the efficacy of the development support programme. Work continues on developing an institutional information base to assist in the monitoring and transformation of such organisations.

## Ensuring public participation

The notion of participation is central to human-centred development. Participation means that people themselves make choices for improving their lives. For this, communities need to be fully informed about their options and the likely consequences of their decisions. Democratisation implies participation in decision-making particularly about development; the Bank thus seeks to ensure in the project cycle that beneficiaries and other affected parties are involved in investment projects.

The Bank further refined its operational guidelines by acknowledging that participation required planning, monitoring and assessment. Direct or indirect participation in development planning and project implementations is required, usually as a suspensive condition of Bank investment.

In workshops and publications under the policy programme the Bank consolidated the lessons learnt from its involvement in and support of forums during the transition. The Bank attempted to clarify the future role and functions of forums in development, so contributing to the RDP development planning process. The changing institutional environment and especially the advent of democratic institutions clearly holds implications for consultative structures like forums. The civil society programme focused much analysis and energy on this issue.

Free flow of information is crucial to public participation in development. A workshop was held on communication in projects and the role of community media, particularly community radio. Operational guidelines were approved to incorporate communication in Bank projects. A pilot community radio project would also be funded.

## Gender issues

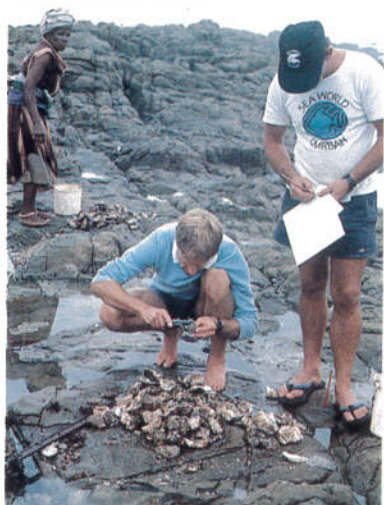
Gender analysis and gender in relation to development have been matters for strategic intervention by the Bank over the past three years. A formal policy position on gender and development was adopted for incorporation into policy and information work and operational activities.

Drawing on local and international experience, the Bank believes that women and men should have equal access to the opportunities and benefits offered by development initiatives and that project effectiveness is enhanced by understanding the gender division of labour and by designing projects accordingly. Operational gender guidelines have been adopted and are currently being disseminated throughout the organisation for immediate application to all projects. Staff training and orientation accompanied this process.

The general approach is to integrate gender in all projects, but the Bank also supported a few women-only projects, such as the Rural Women's Initiative, which



*An ecological assessment undertaken by the Oceanographic Research Institute and funded by the Bank aims to draw up a natural resources profile of Transkei's Wild Coast before infrastructure and entrepreneurial opportunities for tourism are planned. A support programme will be developed to maximise the economic return from sustainable fishing by local inhabitants. Overexploitation of certain resources along the Transkei coast resulted in the withdrawal of commercial fishing licences in 1990. The coastal community harvests marine resources for subsistence or resale to tourists.*



sought to enable rural women engaged in income-generating and other development activities to participate more fully in rural development initiatives. The short-term objectives were to facilitate networking on a provincial and local level and to build up the capacity of rural organisations for participating in development. The Bank's support took the form of pilot projects in the Western Cape, Northern Transvaal and Eastern Transvaal. By attracting other funding all the provinces would ultimately be supported and a national workshop for rural women would be held.

The Bank participated in preparations for the UN Conference on Women to take place in Beijing in November 1995, and continued to support the activities of the Women's National Coalition. Extensive financial and technical support was provided for the publication of a directory of women's organisations and other groupings engaged in gender activities in South Africa.

The work done in the welfare policy programme for establishing a policy and operational position on gender and development for the Bank led to requests for support from the RDP. The RDP also commissioned the Bank to do preliminary work on South Africa's population policy initiative for the publication of a White Paper on population.

### **Ensuring environmental sustainability**

The Bank's environmental appraisal follows the internationally and nationally accepted integrated environmental management (IEM) procedure, according to which the public is made aware of and is consulted on projects and their environmental impacts.

Awareness of the importance of environmental issues during project appraisal increased both within the Bank and among clients and their consultants as a result of implementation of environmental analysis guidelines. In-house training of staff led to an understanding of national and international trends in IEM and a more holistic approach to development. Smaller projects benefited from the mitigation of potentially negative environmental impacts, for example by employing environmentally sensitive procedures for providing water, sanitation and waste disposal to townships and informal settlements. The programme is being implemented by the South Cape RSC in the ecologically sensitive area from George to Plettenberg Bay.

For the first time development planning for tourism and small business entrepreneurship took into consideration scientific data on natural resources in Transkei and Hartbeespoort–Magaliesberg/Pilanesberg.

The Bank participated in setting up a national model integrating environmental and macroeconomic data to enable adjustment of national accounts to reflect depletion of natural resources, so providing improved measures of economic performance in South Africa and a more realistic basis for economic policy analysis.

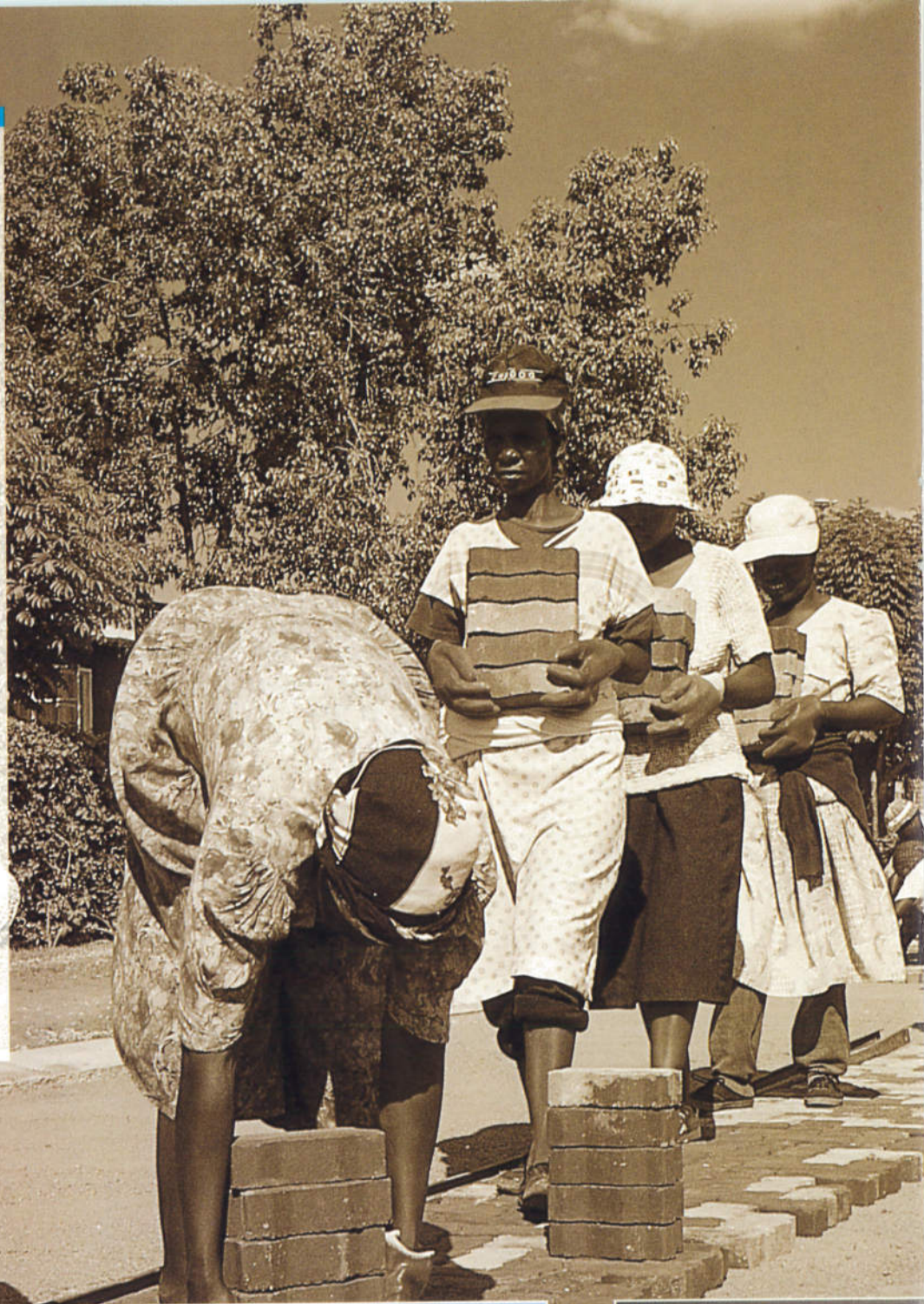
The Bank also assisted the government in optimising the use of Global Environmental Facility funds in South Africa.

### **Agency function performed by the Bank**

**National Economic Forum job creation fund.** Over 440 000 labour-months will have been created by the R222 million job creation programme of the National Economic Forum, incorporated into the National Economic Development and Labour Council (Nedlac). The Bank was appointed as an agent to appraise projects and manage and disburse the grant funds made available through the NEF. This short-term project would permit only limited alleviation of unemployment. The 537 projects approved from more than 2 000 applications met criteria of labour-intensity, community involvement and management, provision of skills training, implementability, restricted access to other sources of public funding and economic sustainability.



The National Economic Forum job-creation fund supported 537 projects and has so far employed 30 212 people and created accredited training opportunities for 10 268 people while upgrading social and service infrastructure in their own areas. (Background) Township residents manufacture concrete block paving and pave previously water-logged roads in Bela Bela, next to Warmbaths. (1) Unemployed workers of POTWA subcontracted to the Soweto City Council to upgrade two public pools in White City and Jabavu. (2) Umlazi residents, together with the Zamakuhle project committee, build a multi-purpose hall. (3) The Ekuphumleni old-age home in Zwide, near Port Elizabeth, was boosted by the labour-intensive construction of a community recreation hall and crèche.





## NEF job creation programme

Project categories	R million
Upgrading rural water supply	37
Upgrading rural access roads	54
Construction of rural community facilities	33
Conservation of urban community facilities	24
Upgrading urban infrastructure (primary water, sanitation, roads, storm-water drainage)	56
Conservation and natural resource management	18
Total	222

Communities were assisted in mobilising participation, setting up representative project management structures and strengthening project implementation capacities. Funding was subject to a negotiated labour rate, community participation and implementation benchmarks before fund drawdowns.

These criteria directed the allocation of grants to community-based activities and self-help initiatives for upgrading productive infrastructure, constructing community facilities and using communal land while protecting natural resources in rural areas. Given the large backlogs, R50 million (23 per cent) was allocated to the upgrading of basic services in various urban areas. An additional R6,4 million was earmarked for pilot projects in urban renewal. Lessons learnt from these projects were to be shared with the National Public Works Programme Task Team.

The Bank continued its support of the NEF technical committee on the Public Works Programme by providing project management for the pre-investment investigation. The final report, with proposals, was submitted to the NEF and the government in May 1994, and in June the cabinet mandated the Department of Public Works to proceed with implementation. The Bank seconded a senior staff member to assist the National Public Works Programme Task Team in starting up the programme.

**NEF small business development programme.** The Bank appraised applications for funds in the NEF small business development programme. Disbursements were made by the Department of Trade and Industry. The fund was created to provide grant money to non-governmental organisations and development corporations engaged in small and micro business development. One hundred and three applications amounting to R31 million were appraised, of which 81 projects amounting to R29 million were approved. Of this amount, R19,7 million was allocated to non-governmental organisations and R9,2 million to development corporations; 16 500 entrepreneurs were trained, 325 trainers were trained and 10 423 after-care visits were made.

## Cooperation with development funders

**Independent Development Trust.** Close cooperation between the Bank as loan funder and the IDT as grant funder led to innovative joint financing:

- Implementing agencies funded small and micro businesses through both equity (grant) and loan finance.
- Urban infrastructure upgrading of water, sewerage and road networks was financed by Bank loans while an IDT grant funded labour-intensive skills training and project design.
- Rural energy projects and programmes were joint financed, and the Bank advised on the IDT's electrification of rural clinics by solar energy.

**Mvula Trust.** As part of a R3 million technical assistance undertaking, the Bank continued to provide professional assistance to the trust in the preparation and appraisal of certain large and complicated projects. This was part of the Bank's initial undertaking to the trust as one of the founder members, which gave rise to joint funding with the NEF and other partners and to funding of projects by non-governmental organisations. The other part of the Bank's founding undertaking was to provide loan funding of R50 million for rural water and sanitation projects through Mvula Trust. Two applications are under consideration and are at an advanced stage – one for a water and sanitation programme and the other for on-lending to entrepreneurs and household water and sanitation upgrading.





## Corporate Management Services

The Bank employed 570 members of staff (FY94: 571) at the end of the financial year. It was an uncertain year in which senior management resigned and human resource matters were influenced by internal and external pressure groups. Staff uncertainty became a matter for urgent attention by the Transformation Team.

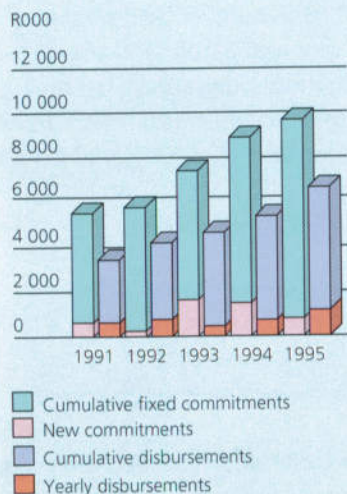
Participatory management was introduced. Management of affirmative action remained a priority. A staff-elected Affirmative Action Coordinating Committee assisted in introducing greater equity in salaries and benefits among staff. A third of all staff are black or women. Appointment of black and women consultants on Bank projects increased to 30 per cent. Policies and procedures perceived as disabling have received attention.

The Bank seconded 23 members of staff to the RDP office and other national and provincial government departments. As a result four members of staff were appointed to senior government posts.

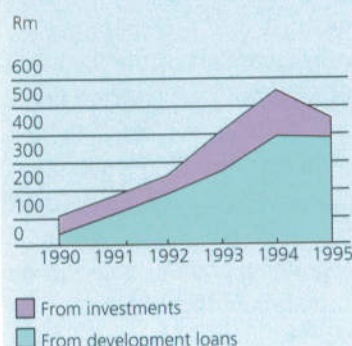
To achieve greater equity in the Bank, human resources policies were reviewed, particularly the job evaluation system, pension fund benefits, medical aid and salaries. Significant costs were incurred but also future saving on overhead costs, for instance by adopting a provident fund rather than a pension fund. Policies on women were also reviewed and maternity leave conditions were changed. This will help sustain a positive environment for women professionals.

Installation of the electronic office network was completed. The new office system is functionally integrated and linked to other business and management systems.

Five-year commitment and disbursement trend



Interest income composition



## Financial review

The Bank had a notable financial year in 1995. Development loan disbursements rose to R1 141,2 million, the highest yet recorded in the history of the Bank. Borrowers' loan repayments to the Bank continued to be made timeously despite the transitional difficulties experienced in many areas of public finance.

The Bank's relationship with the international development community was highlighted by progress with negotiations for the mobilisation of concessionary funding.

**Operating results.** The increased development loan disbursements together with the agreement with the South African Government to forgo fiscal contributions resulted in a managed decline in liquidity levels during the year. Net income reduced to R162,4 million (1994: R257,5 million) as interest declined on surplus funds invested. Interest income on development loans decreased to R380,3 million, down 1,3 per cent from the preceding year's income of R385,2 million. The primary source of income for the Bank is that derived from the development project investment portfolio, which has grown from R2 430 million to R5 856 million over the past five years. The sustainable cash flow emanating from this source is set to provide a strong basis to the finances of a transformed Bank.

Operating expenditure increased 12,0 per cent nominally over the preceding year to R122,2 million. Included in this expenditure is an amount of R5,9 million incurred in respect of financial and economic services for the transition from economic cooperation agreements between central government and the former homeland governments to various provincial governments. This function is not part of normal Bank activities. The Bank's record to date attests that tight control over operating expenses is achievable without any decline in the quality of its development activities.

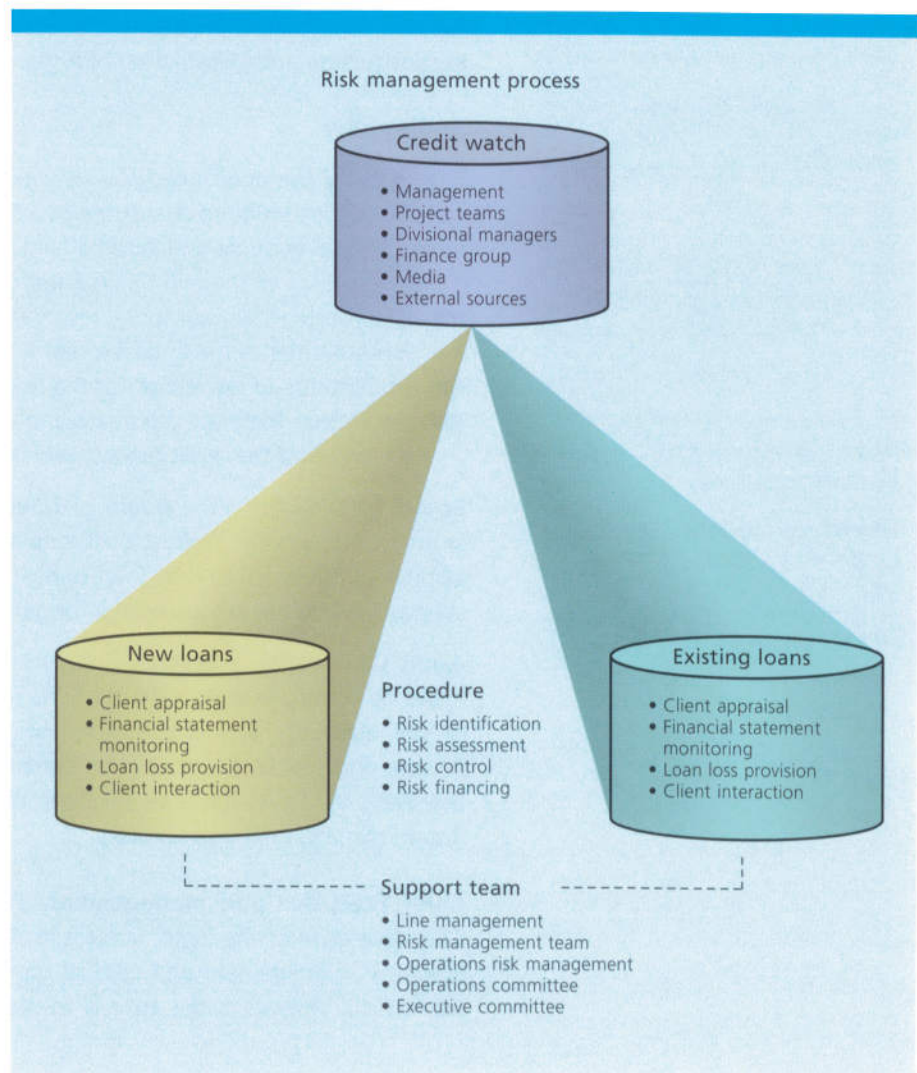


**Risk management.** Development lending is the main business of the Bank and may give rise to financial exposures. Priority is given to identifying and managing the many financial and operational risks associated with this programme in the various phases of the project cycle. Risk management systems and procedures were further enhanced.

Procedures are followed throughout the project cycle to identify, monitor and manage factors which may directly or indirectly impair borrowers' ability to repay. Apart from the ongoing 'credit watch' at various levels throughout the Bank, an operations risk management committee was formed specifically to identify, assess and control risks associated with the development support programme and to guide operational management.

The Bank can report a near perfect repayment performance over eleven years. Despite transitional difficulties experienced in many areas of public finance and pressure on clients to postpone repayment, an almost negligible percentage was still outstanding.

Defaults are managed to the absolute minimum. No significant change is expected in the risk profile of the loan book. The increase in loan loss provision will be a general provision against risk and not specifically identified with any particular client.





**Capital and funding.** Total net assets increased by R208,6 million (3,5 per cent) to R6 250,3 million mainly as a result of the increase in development loans. After negotiation with the South African Government, it was agreed that there would be no contribution from the fiscus to the development fund for the 1995 and 1996 financial years. The Bank entered the 1995 financial year with considerable liquid funds, which together with inflow from the servicing of development loans were enough to cover funding requirements for the year.

Political change in South Africa and the country's return to the international financial markets opened up new funding opportunities for the Bank. South Africa is also establishing official development cooperation with the international development community. Financial resources from international financing institutions in the form of donor, concessionary and co-financing facilities directly or indirectly related to development programmes became available to the Bank.

These resources will become important in the funds mobilisation programme of the Bank in future. Progress was made in obtaining concessionary loans from the Republic of China, France and Japan. Technical assistance for institution-building was obtained from Germany, Sweden, Ireland, Finland and the United Kingdom.

After an absence of two years the Bank in the next financial year will re-enter the local financial markets to raise funds. It established itself as a reputable borrower in the local financial market over the past five years. One of the key objectives of the Bank is to mobilise private sector capital for development in support of the Reconstruction and Development Programme.

## Audit policy

The scope of the audit policy framework includes the audit process and also the activities in the audit process of the Board of Directors, Audit Committee, management, internal auditors and external auditors.

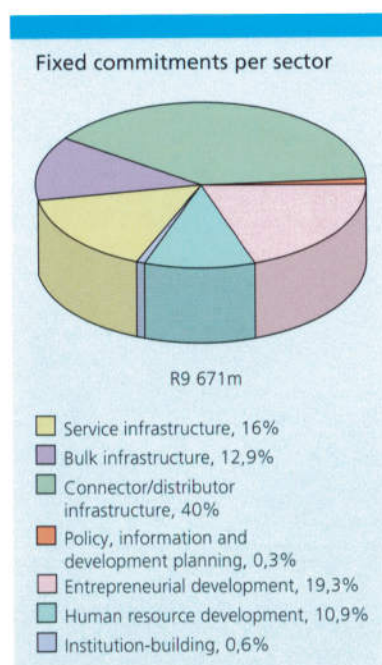
The objectives of the audit policy are to

- establish the role, authority, responsibilities and accountability of each of the above entities in the audit process
- establish broad guidelines for the management of risk within the Bank
- ensure that there are adequate and effective controls for the management of risk and over the audit process within the Bank.

**Board of Directors.** The Board of Directors is responsible for determination of strategy and general conduct of the operations of the Bank. The Board exercises all powers delegated to it by the Council, inter alia approval of the annual financial statements and related financial information.

**Audit Committee.** The Audit Committee is a subcommittee of the Board and is made up of non-executive directors. Its role is to assist the Board in its evaluation of the adequacy and effectiveness of systems of internal control, accounting policies and practices, information systems and auditing processes applied within the Bank in day-to-day management to facilitate communication between the Board, management and auditors.

**Chief Executive and management.** The Department of Finance appoints the Chief Executive of the Bank. Subject to the general control of the Board the Chief Executive, management and staff of the Bank owe their duty in the discharge of their official responsibilities entirely to the Bank and to no other authority.





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Management has day-to-day responsibility for monitoring controls which concentrate on documented critical financial and operational risk areas. These critical risk areas and the required systems of internal control are identified, documented and regularly reviewed by management to ensure they are appropriate and relevant and that any necessary improvement is implemented.

Management ensures that the delegation and segregation of duties within the systems of control are effective and also that the principles underlying the critical risk areas and of compliance with the system of internal control are sound.

The principles underlying critical risk areas and of compliance with the systems of internal control are communicated to employees at all levels within the Bank.

Management is authorised to implement in the most effective manner such plans, policies procedures and controls which will achieve the objectives and strategies determined by the Board.

Following the resignation of Mr AB la Grange on 28 February 1995, Mr NT Christodoulou was appointed Acting Chief Executive by the Department of Finance.

**Internal control.** To fulfil its responsibilities, management maintains adequate accounting records and has developed and continues to maintain effective systems of internal control which are recorded in the critical risk analysis document.

The directors confirm that the internal systems are designed to provide reasonable and not absolute assurance of the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets and to prevent and detect material error and fraud. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls has occurred during the year under review. The auditors concur with this opinion of the directors.

The systems of internal financial control designed to prevent material misstatement of information and loss of assets are based on established organisational structures and written policies and procedures, including budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The auditors have satisfied themselves that these systems and procedures are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties.

**Internal audit.** The internal audit division is responsible for ensuring that the plans, policies, procedures and controls set by management are in place and adhered to. The scope of the internal audit function includes review of the reliability and integrity of financial and operational information systems of internal control, the means of safeguarding the assets and the efficient management of the Bank's resources, using an integrated risk management audit approach.

The internal auditors have the right of access to all information and personnel within the Bank on any matter necessary to perform their duties, unless specifically instructed otherwise by the Audit Committee. Internal Audit is accountable directly to the Audit Committee, to which it has free access.

**External auditors.** The external auditors are appointed each year by the Board, taking account of the recommendations of the Audit Committee. The report of the auditors is set out on page 35.

**Going concern.** The directors are satisfied that the Bank will continue as a going concern for the foreseeable future and the annual financial statements have accordingly been prepared on the basis of this assumption. The auditors concur with this statement by the directors.







# FINANCIAL STATEMENTS

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# MANAGEMENT'S RESPONSIBILITY

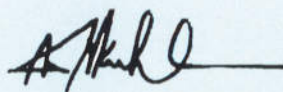
## **Responsibility for and approval of the annual financial statements**

Management is responsible for the preparation of annual financial statements which fairly present the financial position and results of operations of the Bank in accordance with generally accepted accounting practice.

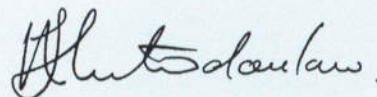
The external auditors are required to give an independent opinion on the reasonableness of the annual financial statements based on their audit of the affairs of the Bank.

The directors supported by the Audit Committee are of the opinion, based on information and explanations given by management and the internal auditors and on comments by the external auditors on the results of their audit, that management has introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the financial statements, to safeguard the assets of the Bank and to ensure that all transactions are duly authorised.

The Directors of the Bank accept responsibility for their report and the financial statements.



WL Nkuhlu  
Chairman  
1 June 1995



NT Christodoulou  
Acting Chief Executive



# INDEPENDENT AUDITORS' REPORT

## **Report of the independent auditors to the shareholders of the Development Bank of Southern Africa**

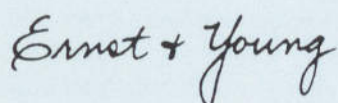
We have audited the annual financial statements on pages 39 to 48, which have been prepared under the historical cost convention and on the basis of the accounting policies which include compliance with the going concern concept, set out on pages 36 and 38.

**Respective responsibilities of directors and auditors.** As described in the directors' report the directors are responsible for the preparation of the annual financial statements. It is our responsibility to form an independent opinion, based on our audit, of those annual financial statements and to report our opinion to you.

**Basis of opinion.** We conducted our audit in accordance with generally accepted auditing standards issued by the South African Institute of Chartered Accountants.

These standards require that we plan and perform the audit to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the financial statements. The audit included an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence that supports the amounts and disclosures included in the financial statements, an assessment of the reasonableness of significant estimates and a consideration of the appropriateness of the overall financial statement presentation. We consider that our auditing procedures were appropriate in the circumstances to enable us to express our opinion presented below.

**Opinion.** In our opinion these financial statements fairly present the financial position of the Development Bank of Southern Africa at 31 March 1995 and the results of its operations and cash flow information for the year then ended in conformity with generally accepted accounting practice and in the manner required by the South African Companies Act.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

Ernst & Young  
Chartered Accountants (SA)  
Johannesburg  
1 June 1995



# ACCOUNTING POLICIES

## **Basis of accounting**

The financial statements are prepared on the historical cost basis in conformity with generally accepted accounting practice. The following are the principal accounting policies used by the Bank, which are consistent with those used in the previous period unless otherwise stated.

## **Development loans**

Development loan commitments are recorded when the agreements are signed by the Bank and are reflected as assets when disbursed.

The carrying value of the loans is the principal amount outstanding and the interest deferred and capitalised during the grace period.

Development loans, including capitalised interest, are placed on non-accrual status when the contractual payment of principal and interest has become 180 days past due or when in the opinion of the directors the recovery of the whole or portion thereof becomes doubtful.

## **Provision against development loans**

The specific provision against development loans represents management's judgement of identifiable losses on development loans, including loans placed on non-accrual status.

General provisions are maintained against risks which, although not specifically identified, exist in a portfolio of advances.

The reserve is established through annual charges to income in the form of a provision for potential losses on development loans. Development loans written off and subsequent recoveries are recorded against the provision for development loans.

## **Income recognition**

Interest on development loans is recorded as income on an accrual basis. The Bank does not recognise income on development loans where payment of interest or principal is more than 180 days past due and where the loan is in its grace period.

Interest not recognised as income but capitalised during the grace period of the loan is recorded as deferred interest and credited to income only when it becomes due and payable.

Interest on loans which are more than 180 days past due is recognised when actual payment is received. Interest from deposits and tradable securities that are valued at market is recorded on revaluation.

Interest on deposits and securities that are valued at cost is recorded as income on an accrual basis.

## **Deposits and tradable securities**

The Bank's liquid assets comprise money market assets stated at cost and capital assets at market value. Both pools consist of instruments issued by government agencies and financial institutions.

Investments valued at market are invested according to the Bank's credit risk and duration policies. The Bank classifies the cash, deposits and securities portfolio as an element of liquidity in the balance sheet and the cash flow statement because of their nature and the Bank's policies governing the level and use of such investments.



### **Capital market bonds**

The discount or premium on the issue of registered bonds is amortised over the term of these bonds using the yield to redemption method. Other bond issue costs are amortised over the term of these bonds using the straight line redemption method. Discounts, premiums, other bond and financing costs amortised are recorded as an element of interest expenditure. The unexpensed portion of discounts, premiums, other bond and financing costs at the balance sheet date is netted off against the related liability.

### **Financial instruments**

Positions held for hedging purposes are stated at market value and are set off against the underlying position. Profits and losses relating to these transactions are accounted for as funding costs.

### **Off-balance-sheet financial instruments**

In the normal course of business the Bank is party to off-balance-sheet financial instruments. The Bank follows the same credit policies in considering conditional obligations as it does for balance sheet instruments. The premiums received and paid on financial instruments entered into for trading purposes are stated at market value and the resultant profits and losses are included in the income statement. Where not designated as trading transactions, the instruments are stated at cost and premiums are amortised over the lives of the instruments.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the spot rates ruling at the transaction date.

Assets, liabilities and commitments in foreign currencies are translated into South African rand at the rates of exchange ruling at year-end or at the forward rates, where applicable.

The premium on forward cover exchange contracts is amortised to interest paid, as part of the financing costs, over the term of the underlying contract. The unexpensed portion of the premium at the balance sheet date is shown as a deduction from the related liability.

### **Fixed assets and depreciation**

**Land and buildings.** The head office was constructed on land donated to the Bank and is stated at nil value. As the property is considered an investment property, the costs relating thereto are not depreciated.

**Other operating fixed assets.** In previous years the policy of the Bank was to write off the cost of other operating fixed assets against operating income in the year of acquisition. In order to comply with AC106 "Depreciation" the Bank has changed this policy to capitalise such assets and to depreciate the cost thereof on the straight line basis at the following rates:



Furniture and fittings – 10 per cent  
Computer equipment – 33,3 per cent  
Motor vehicles – 20 per cent  
Other equipment – 20 per cent

The financial statements for the year ended 31 March 1994 have therefore been restated to give effect to this change in accounting policy. The effect of the change was to increase net income for the previous year by R2,9 million and by R0,24 million for the current year.

### **Grants**

All grants received from the central government are taken directly to the development fund.

### **Retirement benefit**

During the year the Bank, in consultation with the Board of Trustees of the pension fund, elected to terminate that fund and replace it with a defined contribution provident fund.

As a result of this change the Bank has no exposure to unfunded future actuarially computed liabilities.



# BALANCE SHEETS

at 31 March

	Note	1995 R'000	1994 R'000
<b>Capital employed</b>			
Share capital	1	200 000	200 000
Development fund	2	3 792 344	3 792 344
Reserves	3	674 927	512 574
Permanent capital		4 667 271	4 504 918
Donor contribution fund	4	227	0
Deferred interest	5	518 507	466 786
Medium- and long-term financing	6	1 059 313	1 013 073
Short-term financing	7	5 028	56 969
		<u>6 250 346</u>	<u>6 041 746</u>
<b>Employment of capital</b>			
Fixed assets	8	38 357	38 103
Development loans	9	5 621 043	4 620 428
Gross		5 856 043	4 835 428
Less: Provisions		235 000	215 000
<b>Net current assets</b>		590 946	1 383 215
<i>Current assets</i>		617 280	1 407 549
Cash, deposits, trading securities	10	605 343	1 384 382
Receivables	11	11 937	23 167
<i>Current liabilities</i>		26 334	24 334
Accounts payable		10 769	9 016
Accrued interest		15 565	15 318
		<u>6 250 346</u>	<u>6 041 746</u>



# INCOME STATEMENTS

for the year ended 31 March

	Note	1995 R'000	1994 R'000
<b>Net operating income:</b>			
Income from development loans		380 289	385 230
Direct interest		352 316	329 094
Deferred interest		27 973	56 136
<b>Less: Provision against development loans</b>		<b>20 000</b>	<b>25 239</b>
Specific		(15 754)	8 850
General		35 754	16 389
<b>Less: Technical assistance grants</b>	12	<b>6 015</b>	<b>6 760</b>
		<b>354 274</b>	<b>353 231</b>
<b>Less: Net borrowing costs</b>		<b>91 770</b>	<b>7 415</b>
Charges on medium- and long-term financing		174 776	168 980
Interest		137 588	133 343
Amortisation of issue discount and forward cover premiums		37 188	35 637
<b>Less: Interest from deposits and tradable securities</b>		<b>83 006</b>	<b>161 565</b>
<b>Add: Other income</b>		<b>22 055</b>	<b>20 832</b>
Sundry income		2 055	745
Refund of taxation		20 000	20 087
<b>Net operating income</b>		<b>284 559</b>	<b>366 648</b>
<b>Less: Operating expenses</b>		<b>122 206</b>	<b>109 112</b>
Auditors' remuneration	13	667	695
Governors' emoluments	14	9	90
Directors' emoluments	15	347	347
Depreciation		2 113	1 401
Other operating expenses	16	119 070	106 579
<b>Net surplus for the year</b>		<b>162 353</b>	<b>257 536</b>



# CASH FLOW STATEMENTS

for the year ended 31 March

	1995 R'000	1994 R'000
<b>Cash flows from</b>		
<b>Operating activities</b>		
Interest received on loans	380 289	385 230
Interest received on deposits and tradable securities	83 006	161 565
Other income	2 055	745
Interest paid	(137 588)	(133 343)
Operating expenditure	(100 093)	(87 624)
Increase (decrease) in accounts payable	2 000	2 657
Decrease (increase) in net receivables	11 230	(3 026)
<b>Net cash provided by operating activities</b>	<b>240 899</b>	<b>326 204</b>
<b>Lending and development activities</b>		
Development loan disbursements	(1 141 222)	(710 013)
Development loan principal repayments	172 328	308 630
	(968 894)	(401 383)
Technical assistance grants paid	(6 015)	(6 760)
Guarantee calls paid	0	(136)
<b>Net cash used in lending and development activities</b>	<b>(974 909)</b>	<b>(408 279)</b>
<b>Investing activities</b>		
Increase in fixed assets	(2 367)	(4 287)
<b>Cash (deficit) before financing</b>	<b>(736 377)</b>	<b>(86 362)</b>
<b>Financing activities</b>		
Donor contribution funds received	227	0
Development grants received	0	389 000
Short-term financing repaid	(51 941)	42 557
Medium- and long-term financing raised	9 052	0
Net decrease (increase) in cash, deposits and tradable securities	779 039	(345 195)
<b>Cash raised from financing activities</b>	<b>736 377</b>	<b>86 362</b>



# NOTES TO THE FINANCIAL STATEMENTS

at 31 March

	1995 R'000	1994 R'000
<b>1. Share capital</b>		
Authorised and subscribed 200 000 shares at a par value of R10 000 each	<u>2 000 000</u>	<u>2 000 000</u>
Callable capital 180 000 shares at a par value of R10 000 each	<u>1 800 000</u>	<u>1 800 000</u>
Paid-up capital 20 000 shares at a par value of R10 000 each	<u>200 000</u>	<u>200 000</u>
<b>2. Development fund</b>		
Balance at beginning of year	3 792 344	3 403 344
Grants received	<u>0</u>	<u>389 000</u>
Balance at end of year	<u>3 792 344</u>	<u>3 792 344</u>
<b>3. Reserves</b>		
These reserves are not distributable in the normal course of business.		
General reserve		
Balance at beginning of year	512 574	255 038
Transfer from income statement	<u>162 353</u>	<u>257 536</u>
Balance at end of year	<u>674 927</u>	<u>512 574</u>
<b>4. Donor contribution fund</b>		
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH		
Grants received to date	<u>227</u>	<u>0</u>
	<u>227</u>	<u>0</u>

The purpose of the financial contribution is exclusively to support a planning advisory services project. The financial contribution shall not exceed DM 0,3 million (R0,8 million).



**5. Deferred interest**

This is interest on development loans capitalised during the grace period of the loan.

	1995 R'000	1994 R'000
Balance at beginning of year	466 786	463 087
Interest capitalised	79 721	59 835
	546 507	522 922
Transferred to income statement	(28 000)	(56 136)
<b>Balance at end of year</b>	<b>518 507</b>	<b>466 786</b>
Expected future transfer from deferred interest to interest income:		
0-1 year	23 049	28 358
1-3 years	97 872	53 322
Thereafter	397 586	385 106
	518 507	466 786

**6. Medium- and long-term financing**

Registered bonds (per schedule A)	1 199 426	1 199 426
Other loans (per schedule B)	9 052	0
Less: Unamortised issue discounts and forward cover premium	(149 165)	(186 353)
	<b>1 059 313</b>	<b>1 013 073</b>

**7. Short-term financing**

Short-term financing consists of secondary market positions in interest-bearing debt instruments of the Bank, hedging instruments and carry transactions totalling R541,2m (1994: R123,1m) gross, partially hedged with R536,2m (1994: R66,1m) of interest-bearing investments.

	<b>5 028</b>	<b>56 969</b>
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**8. Fixed assets****Buildings at cost**

	<b>35 217</b>	<b>35 217</b>
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The head office was constructed on land donated to the Bank by the South African Government. The land is on Erf 3 in Headway Hill and measures 24,6 ha. The value of the buildings at 31 March 1995 was R85,0 million on the basis of a replacement cost valuation carried out by RNP Insurance.



# NOTES TO THE FINANCIAL STATEMENTS

	1995 R'000	1994 R'000
<b>Other operating fixed assets</b>	<b>3 140</b>	<b>2 886</b>
<b>Cost</b>	<b>6 654</b>	<b>4 287</b>
Furniture and fittings	173	72
Computer equipment	6 007	4 130
Motor vehicles	176	0
Other equipment	298	85
Less: Accumulated depreciation	3 514	1 401
Furniture and fittings	23	7
Computer equipment	3 379	1 377
Motor vehicles	35	0
Other equipment	77	17
	<u>38 357</u>	<u>38 103</u>
<b>9. Development loans</b>	<b>5 856 043</b>	<b>4 835 428</b>
<b>Total loan book</b>	<b>4 835 428</b>	<b>4 454 829</b>
Balance at beginning of year	1 141 222	710 013
Loans disbursed	432 010	388 927
Interest capitalised	(552 617)	(718 341)
Gross repayments	235 000	215 000
Provision against development loans	9 146	24 900
Specific	225 854	190 100
General	<u>5 621 043</u>	<u>4 620 428</u>
<b>Repayment analysis</b>	<b>269 307</b>	<b>214 172</b>
0-1 year	932 914	517 606
1-3 years	4 653 822	4 103 650
Thereafter	<u>5 856 043</u>	<u>4 835 428</u>
<b>Repayment status</b>	<b>954 290</b>	<b>903 910</b>
Inside grace period (interest capitalised)	4 901 753	3 931 518
Outside grace period and in repayment	<u>5 856 043</u>	<u>4 835 428</u>
<b>Changes in the reserves against development loan losses</b>	<b>235 000</b>	<b>215 000</b>
Balance at beginning of year	215 000	190 000
Specific provision for the year	(15 754)	8 850
General provision for the year	35 754	16 150



	1995 R'000	1994 R'000
Loans currently in grace period but moving out of grace within 12 months	<u>475 381</u>	<u>567 063</u>
<b>Non-accrual loans</b>		
Development loans include the following loans in non-accrual against which appropriate specific provision for possible losses has been made.		
Non-accrual loans	8 816	0
Less: Income suspended	<u>(431)</u>	<u>0</u>
	<u>8 385</u>	<u>0</u>
<b>Commitments</b>		
Loans approved by the Board of Directors but not yet signed as commitments, and commitments signed which have not been fully disbursed.		
Loans approved but not committed	620 894	647 965
Loans committed but not disbursed	<u>2 531 481</u>	<u>2 803 071</u>
Total approved but not disbursed	<u>3 152 375</u>	<u>3 451 036</u>
The disbursement pattern for loans committed but not disbursed is not capable of precise quantification, being primarily a function of individual borrowers' implementation and administrative capacities. The Bank's view, however, of the expected disbursements for these commitments is as follows: 39 per cent in 1996; 37 per cent in 1997; 15 per cent in 1998 and 9 per cent thereafter.		
The Bank has also approved and issued guarantees on behalf of borrowers as follows:		
Approved but not committed	0	250
Issued	<u>3 724</u>	<u>3 860</u>
	<u>3 724</u>	<u>4 110</u>
<b>10. Cash, deposits and securities</b>		
Fixed deposits	78 000	365 000
Trading securities	346 505	838 611
Cash	<u>180 838</u>	<u>180 771</u>
	<u>605 343</u>	<u>1 384 382</u>



	1995 R'000	1994 R'000
<b>11. Receivables</b>		
Accrued income on deposits and securities	9 339	20 659
Other receivables	<u>2 598</u>	<u>2 508</u>
	<u><b>11 937</b></u>	<u><b>23 167</b></u>
<b>12. Technical assistance grants disbursed</b>		
Technical assistance is provided as grants, complementing investment activities through capacity-building to enhance development delivery.		
Paid during the year	<u><b>6 015</b></u>	<u><b>6 760</b></u>
Grants which have been approved but not yet signed as commitments, and commitments signed which have not been fully disbursed are summarised below:		
Grants approved but not committed	<b>1 963</b>	2 240
Grants committed but not disbursed	<u><b>8 813</b></u>	<u>9 391</u>
Total approved but not disbursed	<u><b>10 776</b></u>	<u><b>11 631</b></u>
<b>13. Auditors' remuneration</b>		
For the audit		
– current year	<b>304</b>	318
– previous year	<b>(9)</b>	22
For consulting services		
– current year	<b>295</b>	265
– previous year	<b>67</b>	84
Expenses		
– current year	<b>8</b>	6
– previous year	<u><b>2</b></u>	<u>0</u>
	<u><b>667</b></u>	<u><b>695</b></u>
<b>14. Governors' emoluments</b>		
– For services as governors	<b>0</b>	77
– Expenses	<u><b>9</b></u>	<u>13</u>
	<u><b>9</b></u>	<u><b>90</b></u>



	1995 R'000	1994 R'000
<b>15. Directors' emoluments</b>		
– For services as directors	302	227
– Expenses	45	120
	<u>347</u>	<u>347</u>
<b>16. Other operating expenses</b>		
Consultants' fees	7 262	7 000
Communications costs	1 505	1 470
Data processing	2 642	3 324
Remuneration	93 493	86 634
Subsistence and travel	6 896	6 583
Other	7 272	6 978
Less: Recovery of expenses	0	(5 410)
	<u>119 070</u>	<u>106 579</u>
<b>17. Retirement benefit and medical aid fund</b>		
The Bank's contributions to retirement and medical aid funds amount to:		
Pension and provident funds number of employees: 574 (1994: 592)	5 676	6 999
Medical aid fund number of employees: 579 (1994: 523)	5 758	4 953
	<u>11 434</u>	<u>11 952</u>

#### 18. Taxation

No provision is made for normal taxation as the Bank is exempted therefrom in terms of the Income Tax Act 62, 1961.

#### 19. Comparatives

Comparative figures have been restated where appropriate.

#### 20. Agency arrangements

Under Article 7 of the agreement establishing the Bank, the Bank may be entrusted with the administration of funds in accordance with agreement between Bank and principals.

Agency agreements have been established with the National Economic Forum (NEF) and Department of Foreign Affairs (Mozambique Sugar Rehabilitation project) whereby the Bank appraises and disburses on projects on behalf of these entities. Projects to a total value of R228,0 million had been approved by NEF for disbursement by 31 March 1995. Funds held separately in trust under this arrangement at 31 March 1995 were R111,6 million and R1,3 million for NEF and Department of Foreign Affairs respectively (1994 was R15,5 million for NEF and nil for Department of Foreign Affairs).



## SCHEDULE A

registered bonds at 31 March 1995

	Authorised value			Balance in issue		
	1995 R'm	1994 R'm	Coupon rate %	Repay- ment date	1995 R'm	1994 R'm
(i) Local						
DV05	250	250	10,0	1996	243	243
DV06	250	250	10,0	2001	44	44
DV07	1 500	1 500	14,5	2010	415	415
	2 000	2 000			702	702
(ii) Foreign	497	497	10,0	1998	497	497
Total medium- and long-term financing	2 497	2 497			1 199	1 199

Note:

1. All local registered bonds carry an AAA rating (Republic Ratings) and are referred to by their Reuter's acronyms.
2. The Bank has committed short-term standby facilities totalling R400 million, which carry an A1 rating (Republic Ratings).
3. The foreign liability is fully covered forward and guaranteed by the South African Government.

## SCHEDULE B

other loans at 31 March 1995

	1995 R'm	1994 R'm	Interest rate %	Currency	Repay- ment date
Chiao Tung Bank Co Ltd	9,1	0	3,0	US\$	2015

Note:

The foreign liability is fully covered forward and guaranteed by the South African Government.



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