

A pragmatic approach to poverty



Development Bank
of Southern Africa

Poverty in South Africa can be attributed to a web of interrelated socio-economic issues. The Development Bank of Southern Africa has chosen to adopt a pragmatic approach to the alleviation of poverty. In this article, abridged from our Annual Report of 1989/90, we spell out this approach.

The rapid changes which have taken place in the political arena of Southern Africa recently have served to highlight more than ever before the economic inequalities among the people of the region and, more particularly, the plight of poverty-stricken communities. The public is becoming increasingly aware of the drastic conditions under which so many of our people scrape an existence and, as a result, socio-economic development has become a crucial issue, moving ever higher up the list of priorities.

Nature of the problem

The wide range of problems being experienced in the region, all more or less typical of developing countries, have hitherto been somewhat obscured by the upper middle income rating accorded to South Africa and other countries in Southern Africa, by the World Bank. In the membership area of the Bank, the most drastic and visible of these problems include:

- ☐ an exceptionally high population growth rate
- ☐ increasing urbanisation
- ☐ unemployment or under-employment of more than a third of the labour force
- ☐ vast groups of people for whom abject poverty is a daily reality
- ☐ a racially based imbalance in the distribution of income and wealth
- ☐ an imbalance, in terms of area, in the concentration of economic activity
- ☐ vast social deficits which are apparent in, for example, a lack of adequate and affordable housing, education and health services
- ☐ financial restrictions clearly manifested in budget deficits and high taxation;
- ☐ persistently high inflation rates
- ☐ low productivity levels
- ☐ a shortage of professional expertise and technical skills
- ☐ a shortage of entrepreneurs and initiative
- ☐ a shortage of development funds, aggravated by limited access to foreign capital, disinvestment and the removal of capital from the country.

This is an alarming list of socio-economic realities - but realities nevertheless. The problem is that they are all interrelated and the result of extremely complex socio-economic and political processes. Before devising an effective and appropriate policy and/or strategy aimed at addressing any or all of these problems, a number of factors have to be taken into consideration. Aside from the actual nature of the problem, one would have to consider the complex interrelation of all these aspects and the underlying, deep-seated causes of poverty. In view of these considerations, the

Development Bank of Southern Africa has found it necessary to adopt a practical approach to the alleviation of poverty in Southern Africa rather than one based on ideologies which stem from socialist or capitalist philosophies.

As a result, the Bank programmes are all aimed at a central goal, ie to relieve poverty and to reduce the inequalities in the distribution of wealth and income among all the people of Southern Africa by raising the quality of life, particularly in those communities and those areas which have not, in the past, experienced the benefits of economic growth and development.

To a large extent, the quality of life depends on the opportunities which people have and to what extent they use them to satisfy their basic human needs.

In the sense that human needs motivate and mobilise people in an attempt to satisfy them, these needs are not merely deprivations but can also be regarded as opportunities. These should be harnessed so that the poor themselves are motivated, with appropriate support, to apply their own abilities, labour and initiative in an effort to meet their own needs and improve their quality of life. Given appropriate support, poor people could take a leading role in raising their own quality of life, and development could emanate directly from their actions, expectations and creative awareness. The Bank's approach towards poverty is therefore based on the belief that human betterment is not only the end toward which development strategies should be aimed, but also the principle means of implementing such strategies.

In Southern Africa there are vast differences between the various

regions and the different sections of the population as far as economic opportunities and control over economic resources are concerned. Unfortunately, this inhibits the effective participation of a vast number of people in the process of economic growth and development. It is therefore essential that the underused, or indeed totally idle, physical and human resources be mobilised and put to socially desirable use in the production of goods and services. This applies specifically to the regions which are under-developed and the communities who have hitherto enjoyed fewer advantages.

Approach to the problem

To alleviate poverty and open up economic opportunities, the social creativity and self-managing skills of ordinary individuals need to be liberated, reinforced and supported by means of appropriate intervention and supporting policies. The potential of the poor should not be underestimated. Encouraging and engaging this potential, will contribute to development which is self-reliant and participative and will enable the poor to take control of those decision-making processes which affect their lives. This approach to the alleviation of poverty will not only promote the productive use of idle and underused physical resources in less developed regions, but will also contribute to economic growth as a whole and, perhaps more importantly, towards a change in the structure and nature of that growth. In addition, the people involved will be given the opportunity to develop themselves, realise their own potential and become self-supporting.

However, it is imperative to ensure that positive actions or support programmes do not in any way undermine or diminish

the growth prospects of those soundly based economic activities already in existence. These need to be expanded even further so that, among other things, they can generate the much-needed resources required for welfare (education, health, etc), as well as for other development support programmes. Essentially, this approach, therefore, has a dual function — to enable the poor to become economically self-supportive on the one hand, while continuing to build and expand on existing economic achievements on the other. Supporting economic self-reliance does not mean regarding development as a top-down exercise controlled by the state, but rather as the outcome of diverse collective actions, both individual and public, capable of reinforcing and contributing to each other.

This pragmatic approach does not negate the need to eliminate real injustices associated with a biased distribution of wealth and income in a country. It does, however, question whether steps to root out these injustices would, by themselves, have any real or meaningful impact on the large poverty sector in Southern Africa.

Using this approach as a basis, the activities of the Development Bank are aimed at promoting and facilitating the access of the poor to economic opportunities and resources by addressing development constraints. Through its development support programmes, the Bank also promotes effective participation by the poor in such opportunities.

This approach can only be fully and effectively applied if all political, economic, social and legal constraints which inhibit the efficient mobilisation of underused physical resources

and human potential are eliminated. Although the activities of the Bank are directed mainly at aspects of *economic* restructuring, as a result of the integrated nature of the various systems, the influence of the Bank on economic restructuring must be seen in perspective. The Development Bank of Southern Africa does not have unlimited resources, especially if one considers the intensive development challenges in Southern Africa, nor does it have a direct influence on all economic policies which impact on development. This means that the Bank must focus on demonstration approaches which can be followed through by other public and private development agents.

The means

To achieve its objectives, the Bank has two broadly interrelated dimensions at its disposal. In the first instance, policy dialogue, which refers to on-going discussions between the Bank and development agents on the acceptance and implementation of appropriate development strategies, so that these lay the foundations for the sustained growth and development necessary to alleviate poverty. Secondly, assistance is rendered through project lending which is directed at the following:

- Financial and technical assistance for long-term public investment programmes intended for the benefit of less developed communities
- Support for emerging entrepreneurs among the poor in an attempt to increase the capacity of individuals to exploit opportunities for produc-

tion effectively and efficiently

- Community support programmes by means of which the Bank supports local initiatives and promotes the development of local organisational skills, with a view to encouraging collective action and the ability of communities to initiate, implement and manage their own development on an on-going basis.

Approach to poverty

In the process of policy dialogue and project lending, the Bank pays special attention to reducing potentially negative impacts, both on society and on the environment, to an absolute minimum.

It is essential to point out that the Bank does not undertake development work of its own accord or in its own right, but lends support to development by providing finance and other services to intermediaries for the execution of such programmes and projects. In its efforts to cater for the needs of its clients, it works through various governments and their development agencies as well as non-governmental development organisations (NGOs).

As its operations are based on the belief that the need for development and the alleviation of poverty is not limited to political boundaries or to any one particular constitutional model, the Bank can readily accommodate any appropriate and capable intermediate agents. Since its establishment, the Bank has made every attempt to direct its supportive activities toward those programmes and projects which are likely to be valid and it is also inclined to place stronger emphasis on NGOs as intermediate agents in cases

where it is apparent that they are better placed and geared to support the poor in community initiatives than official organisations or entities. However, this poses a specific problem in that an abrupt change of intermediary could interrupt the continuity of the Bank's development efforts. This happens where new agents do not initially meet the requirements, in that they lack the crucial level of organisational capacity needed to prepare, execute and maintain such projects.

The complexity of the many considerations which induced the Bank to adopt a pragmatic approach to alleviating poverty in Southern Africa also influenced its adoption of a comprehensive and integrated approach to structural reform. In this way the pitfall of thinking about and practising development merely as a series of *ad hoc* support programmes or projects, in an attempt to improve the living conditions of a selected number of communities, is avoided. In the latter case, each project would be judged purely on its own merits, but in the experience of the Bank, a wider approach has far more validity in the long term. Thus individual support programmes or projects are not judged purely on their own merits, but also on the potential impact they might have in a wider socio-economic sense in specific regions.

Development principles

Experience has proven that it is virtually impossible to plan or implement development programmes and projects effectively from within a framework of unclear or poor policy. The following key policy aspects, based on sound economic and development principles, require special emphasis if any attempt to

alleviate poverty in Southern Africa is to prove successful:

- ☐ Balanced development and the highest overall economic growth rate, based on the physical and human potential which is available
- ☐ Effective and efficient allocation of resources, and their use by individuals as well as the public sector
- ☐ Support of the initiatives and capabilities of individuals as well as those of local institutions, and the decentralisation of responsibility and decision making to enable individuals and communities not only to initiate and implement their own development but also to manage it on a sustained basis
- ☐ Economic policies should be harmonised as they have an impact on development, irrespective of the level of policy making
- ☐ Regions earmarked for economic development should be divided into various subregions, defined by the economic potential and needs which are internally homogeneous, in order to promote socio-economic development as integrated growth in a wider spatial context.

By exerting influence on structural reform, supported by policy dialogue and project lending, the Bank's aim is to create an environment which fosters a process of sustained investment from the private sector - a process in which the poor are able to participate. Essentially, the process of creating favourable conditions for all individuals to work and invest is also the process to economic growth and

empowerment. Thus the Bank's approach to the alleviation of poverty is one of creating wealth with equal emphasis on three important aspects: the structure and rate of economic growth, the ability to sustain both the growth and the development process, and investment in poor people to promote progress towards a more equal distribution of wealth and income.



Banking on the future

Interim report 30 September 1991

Development loans up by 36%

Increase of 91% in private sector funding

	6 months to 30/9/91 (Unaudited) (R'000)	6 months to 30/9/90 (Unaudited) (R'000)	Change %	12 months to 31/3/91 (Audited) (R'000)
Income statement				
Interest received	109 791	84 899	29	189 006
Interest paid	53 071	17 834	198	61 815
Net interest income	56 720	67 065	-15	127 191
Less:	48 834	44 201	10	94 447
Technical assistance grants	1 212	2 781	-56	3 949
Operating expenditure	47 622	41 420	15	90 498
Operating surplus	7 886	22 864	-66	32 744
Add:				
Taxation refunds	7 352	6 600	11	14 755
Surplus	15 238	29 464	-48	47 499
Balance sheet				
Permanent capital and reserves	3 479 000	2 781 600	25	3 165 312
Capital market loans	741 400	406 700	82	671 282
Short-term funding and liabilities	55 800	10 800	417	43 707
Capital employed	4 276 200	3 199 100	34	3 880 301
Fixed property	35 300	35 200		35 217
Investments	359 700	292 500	23	391 636
Loans	3 827 600	2 814 300	36	3 441 200
Other receivables and cash	53 600	57 100	-6	12 248
Employment of capital	4 276 200	3 199 100	34	3 880 301

Commentary

The half-year results reflect clearly the outcome of the Bank's decision to enter the capital markets as a regular borrower in pursuance of its long-stated intention to judiciously leverage up an already significant permanent capital base. Hitherto underborrowed in terms of its projected longer term funding model, the Bank has allowed debt to increase to the present level of 21,3% of permanent capital and reserves.

As a consequence net interest income for the half year declined by 15,4% to R56,7 million compared with the equivalent period of the preceding year. Gross interest income rose 29% as an

increasing number of development loans commenced repayment in accordance with standard lending terms. Overhead expenditure, strongly related to development support to borrowers, registered a 15,0% increase.

Profit maximisation is not the primary objective of the Bank and is subordinate to the Bank's role of providing financial support for development on concessionary terms. Sufficient surpluses are nonetheless generated to ensure the integrity of the Bank's capital structure. The levels of gearing and overhead expenditure are carefully managed in this context.

At 30 September 1991 the Bank had 1 280 projects in the project cycle (approved and under consideration) on which it expects to make a cumulative financial contribution of R8 637,4 million. In the seven years since its inception, the Bank has already disbursed R3 685 million in respect of this expected contribution. Resources are available and continue to be marshalled and soundly managed to meet the balance, representing projects in the earlier stages of the project cycle. The Bank has a current and planned foreseeable loan disbursement rate of R1 000 million per annum.

Prospects

The Bank expects that the surplus for the year will exceed the annualised half-year level primarily due to the further loans which will commence repayment during the next six months (with commensurate income recognition by the Bank in terms of stated policy).

Despite difficult circumstances in the external environment, revenue and capital impairment in respect of development loans have to date been negligible and are expected to remain so. The Bank expects to disburse a further R582 million on development loans during the second half of the year, bringing the annual 1991/92 loan disbursements level to marginally under R1 000 million. The published loan portfolio is accordingly expected to near R4 000 million by 31 March 1992.

*SS Brand and W Nkuhlu
Directors on behalf of the Board, Midrand,
21 November 1991.*

Focus of Bank programmes

Commenting on the interim report chairman and chief executive of DBSA, Dr Simon Brand, says that a significant realignment of the focus and structure of the Bank's development support programmes has taken place. The scarcity of resources and the transitional environment pose challenges to the rate of socio-economic development possible within the region, and the Development Bank has had to respond accordingly. Nevertheless, the Bank will disburse approximately R1 000 million for loans in this financial year.

The Bank has intensified its interaction with clients, by means of review sessions regarding the nature of its support programmes. The aim has been to reach agreement regarding development priorities and the scheduling of related activities.

Increasingly, the Bank is involved in structural adjustment programmes which focus on the strengthening of capacity to formulate sound economic development policy. Bank support is provided via policy dialogue, development planning initiatives and technical assistance.

The Bank continues to facilitate negotiations between the South African government and regional governments regarding enhanced systems of financial relations, with a view to the establishment of multiyear structural adjustment programmes.

In the process of participating in policy debates the Bank has also contributed towards the White Papers on Land Reform and Urbanisation, the

formulation of a national housing policy and strategy and a study of the Southern African Customs Union.

The Bank is increasing its cooperation with other local development institutions such as the Independent Development Trust and the SA Housing Trust. Understandings have also been reached with the Kagiso Trust and the Urban Foundation, and in the field of regional electrification, a memorandum of understanding has been finalised between the Bank and Eskom. Political developments in South and southern Africa have brought about new opportunities for cooperation with international development institutions, with the emphasis on development throughout the region.

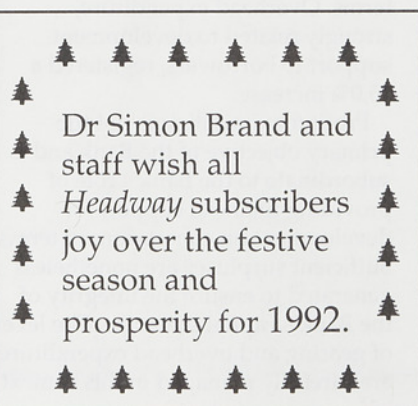
Finance

Commenting on the significant rise in Bank gearing, Richard Kirkland (Group Manager: Finance) singles out two considerations.

'Firstly, it is important that we continually maximise and timeously deploy into development the financial resources at our disposal. This is particularly so given the deleterious effects of inflation on purchasing power and development assets becoming progressively more expensive over time. In this respect unutilised borrowing capacity represents an avoidable "opportunity cost" for development.

'This view is, of course, subordinate to the sound management of debt in accordance with conventional approaches, which understandably remains for the Bank an uncompromising prerequisite.

'Secondly, the importance of securing meaningful private sector involvement in the financing of development cannot be overemphasised, particularly at a time when the clamour is as much for a reallocation of resources as it is for redistribution. Our capital market stocks play a decisive role in this regard', he said.



Mr Housing 1991!



Johan Kruger

The Institute of Housing's 'Housing Person of the Year' award has been won by Johan Kruger, General Manager of the Development Bank. He was chosen as the person who, in the Institute's opinion, did the most for housing in the past year.

Johan was particularly commended for his leadership in guiding the development of a strategic housing policy decision-support model, the first of its kind in South Africa, for use by key stakeholders in the country to assess the financial, fiscal and macro-economic implications of strategic housing policy decisions.

Prof Eckert for DBSA

Jerry B. Eckert, Professor of Development Economics at Colorado State University, has been appointed to the Bank as a research fellow. Professor Eckert has spent the past year on a Fulbright scholarship in the University of Cape Town's Department of Economics, and will begin his five-month contract at the Bank in January.

He will work on the Bank's econometric analysis tool, the Social Accounting Matrix (SAM), and will also help the Bank in the formulation of a scenario for macro development policy in South Africa. In addition, he will assist in drawing on expertise from individuals and institutions outside the Bank on the above two issues.

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‘To alleviate poverty

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for the future
is the . . .*

Development Bank
of Southern Africa



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of Southern Africa

Annual Report 1990/91

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The Bank expects that the surplus for the year will exceed the annualised half-year level primarily due to the further loans which will commence repayment during the next six months (with commonwealth in 1992).

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The Bank is increasing its cooperation with other local develop-

Mr Housing 1991!



The Development Bank of Southern Africa

The business of the Development Bank of Southern Africa (DBSA) is to promote socio-economic development in South and southern Africa. Its focus is to empower people through a more equitable distribution of access to knowledge and opportunities, especially for those people disadvantaged by past patterns of economic growth. This involves mobilising resources to:

- build institutional and human capacity through advice and technical assistance
- finance development programmes and projects through loan finance
- promote interventions in ways that can mobilise private sector resources for development.

The Bank was formed in 1983, capitalised initially with ZAR2 000 million share capital supplemented by annual grant aid contributions. Since 1990 the Bank has augmented its capital base further with finance raised in the capital markets. The Bank's loan stocks are rated AAA (local rating).

Provision has been made for membership of the Bank to include any country wishing to contribute to its resources. Current membership comprises South Africa and its regional authorities.

Borrowers of the Bank include central, regional and local governments, their development agencies and non-governmental organisations (NGOs).

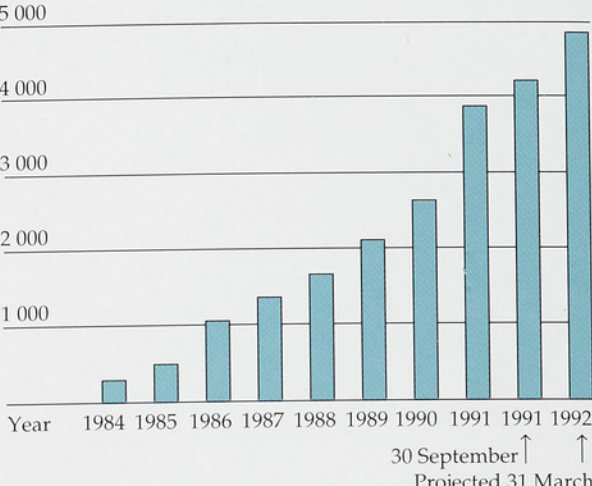
The Bank mainly directs its resources towards the following operational areas: urban development, business and entrepreneurial development, human resource development, bulk infrastructure development and rural and agricultural development.

Managed asset growth

The Bank's preoccupation is with the poor and disadvantaged communities. Its people-orientated development efforts, nonetheless, translate into financial outcomes of significance.

Total assets under administration are expected to top ZAR4,8 billion (US \$1,7 billion) by the year-end (31 March 1992), giving a compound annual asset growth since the inception of the Bank of 44%. The Bank has this year for the first time entered the league of the 50 top organisations in South Africa, ranked on total assets, which ranking it expects to ascend rapidly in future.

Total assets
ZAR'mil



The strong asset growth continues to be underpinned by the Bank's significant commitment book representing development projects at various stages in the project cycle.

At 30 September 1991 the Bank had approved an accumulative 788 projects and programmes equivalent to ZAR5,6 billion (US \$2 billion). A further 498 projects with a loan value of ZAR3,2 billion (US \$1,1 billion) are currently under consideration by the Bank. Current projected annual disbursements are approximately ZAR1 000 million (US \$355 million).

Projects	Number	30 September 1991	
		Bank contribution ZAR'mil	US \$'mil
approved in the half year to 30/09/91	36	135,9	48,2
in negotiation, implementation, and fully disbursed	788	5 615,4	1 991,3
in preparation and appraisal	498	3 194,5	1 132,8
Total	1 286	8 809,9	3 124,1

US\$=2,82 ZAR

Functional and spatial distribution

The functional distribution of commitments at the half year is depicted in the pie chart.

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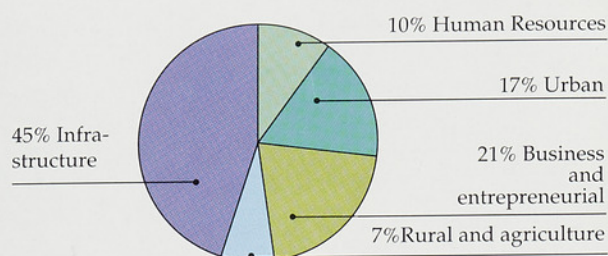
Dr Simon Brand and staff wish all Headway subscribers joy over the festive season and prosperity for 1992.

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'To alleviate poverty

Fixed commitments per function as at 30 September 1991



The development of infrastructure absorbs the largest portion of available funds due to the capital intensiveness of these projects. This trend, in terms of financial demand, is expected to continue in the foreseeable future, although increasing emphasis is being placed on the development of human resources as well as on entrepreneurial and urban development.

While the majority (91%) of these projects are in South Africa, the Bank is also involved in parallel financing arrangements in Lesotho and Mozambique with a range of international development and aid organisations. The Bank's commitment to the region is unequivocal.

Control environment

The Bank continues to improve and refine its operational and planning procedures, thereby ensuring the integrity and sustainability of its operations in a dynamic environment.

Systems are in place to control all projects in progress. Financial disbursements are structured around periodic progress reports and proper certification of value.

Strict asset management is performed in the lending area. Repayment risks are mitigated by a number of factors which include:

- internationally proven and conservative lending policies and procedures
- comprehensive project and counterparty research, evaluation and control procedures
- the diversity of exposures in terms of project type, loan maturity and region
- active community commitment to approved projects.

The Bank's statutory reporting, already considered of a high standard, is currently undergoing further enhancement to meet the anticipated specialised needs of an even wider audience including international donors and financiers.

Financial results and position

The projected full year results to 31 March 1992 reflected in abridged format are as follows:

Year to 31 March 1992 (projected)

	ZAR'mil	US \$'mil
Income statement		
Interest received	225,0	79,8
Less	116,3	41,3
Interest paid	112,8	40,0
Technical assistance grants	3,5	1,3
Net operating margin	108,7	38,5
Net overhead	83,0	29,5
Surplus	25,7	9,0

Year to 31 March 1992 (projected)

	ZAR'mil	%*	US \$'mil
Balance sheet			
Capital employed			
Permanent capital and reserves	3 392,1	(70)	1 202,9
Capital market loans	1 071,3	(22)	379,9
Employment of capital			
Investments	350,1	(7)	124,2
Development loans	4 438,3	(91)	1 573,9
Total assets	4 866,2	(100)	1 725,9

* proportionate relationship to total assets

The Bank's strong financial position, supported by the sound financial and administrative controls in place, remains intact. In addition, and in the unlikely event of being required, further callable share capital equivalent to ZAR1 800 million (US \$638 million) is available solely as security for capital market obligations arising.

KLEM-LLOYD 1/1311



Development Bank
of Southern Africa
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Prospects

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Mr Housing 1991!



A leader

DBSA is well placed to assume the role of a leading regional development bank in southern Africa. Since its inception, the Bank has built up a credible record with all its stakeholders including shareholders, borrowers and financiers. It has demonstrated that it has the resources, ability and professionalism to maintain its pre-eminent position in development and to maximise the developmental effect of funding made available in the region.

The following positive factors underpin the Bank's sound performance to date while also auguring well for its future:

- sound evaluation and lending policies
- an extensive pool of relevant expertise covering all facets of development. The Bank itself has 430 professional staff out of a total of 665 permanent staff as well as recourse to in excess of 3 500 approved external consultants from a wide range of disciplines
- high-quality policy analysis capabilities supported by an extensive information bank, both of which are frequently made use of by local as well as international aid organisations and governments
- sound financial and operating performance within the parameters of the Bank's mission
- sufficient diversification of lending and investment risks and adequate internal control systems
- SA government backing for additional funding
- the unique position enjoyed by DBSA through its fiscal and budgetary assistance programmes for borrowers, whereby loan servicing and repayment capacity can be adequately provided for and monitored
- vast existing and prospective development needs in South and southern Africa
- improving climate for foreign sources of financial support
- the gradual normalisation of relations with African countries which could result in an expanded regional role for the DBSA through alliances with, *inter alia*, international agencies and institutions.

The Bank headquarters in Midrand

The Development Bank of Southern Africa is capable and willing to enter into co-operative arrangements with other multilateral and bilateral development organisations as well as other funding agencies. The resources and technical expertise of the Bank are available and stand in support of the economic restructuring and development of South and southern Africa.

The Bank continues to facilitate negotiations between the South African government and regional governments regarding enhanced systems of financial relations, with a view to the establishment of multiyear structural adjustment programmes.

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‘To alleviate poverty
and open up
economic opportunities,
we need to liberate,
reinforce and support
the social creativity
and self-managing skills
of ordinary individuals.’

Dr Simon Brand



Development Bank
of Southern Africa

Annual Report 1990/91

Development takes place when people with vision make plans and take action to remould their lives.

This report is about such people and the institutions through which they have seized opportunities to use their capacity for change: change for the better, change to a life with more choices.

It is also about the ways in which the Development Bank of Southern Africa has supported these initiatives and strengthened these institutions.



Development Bank of Southern Africa Annual Report 1990/91

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Development Bank of Southern Africa

The Development Bank of Southern Africa was established on 30 June 1983 by the governments of South Africa, Transkei, Bophuthatswana, Venda and Ciskei. From the outset membership of the Bank was stated to be open to any independent state in southern Africa. Provision was also made for any other country to join the Bank as an associate member, contributing to its resources but not eligible for financial support from it. During the eight years of its existence the Bank has extended some of its services to neighbouring countries such as Lesotho, Mozambique and Namibia.

The business of the Bank is to mobilise and provide loan finance, technical assistance and advice for sustainable development projects. In addition, and as reflected in this report, the Bank has become increasingly involved in

economic reform issues pertinent to the environment in which it operates.

While the ultimate clients of the Bank are the poor and otherwise economically disadvantaged people of southern Africa, its direct borrowers are central, regional and local governments, their development agencies, and non-governmental agencies fulfilling a developmental role on behalf of those people.

The Bank is governed by a Council of Governors representing its constituent members and a Board of Directors, which oversees the operations of the Bank and consists of members appointed on account of their knowledge and experience of economic and development matters. During the year under review these governing bodies were constituted as follows:

Council of Governors

Prof O P F Horwood (President)

South Africa

Mr R F Botha
Mr S T Boya
Dr D J de Villiers
Mr B J du Plessis
Mr J C Heunis
Dr C L Stals
Dr G van N Viljoen

Transkei

Mr G S K Nota
Mr M Titus (alt)

Bophuthatswana

Mr S L L Rathebe (deceased April 1990)
Mr R Cronjé
Mr S C Kgobokoe (alt)
(from 1 May 1990)

Venda

Mr E R B Nesengani
(until 21 June 1990)
Mr G M Ramabulana (alt)
(until 21 June 1990)
Mr G M Ligege (from 22 June 1990)
Mr K B Magwaba (alt)
(from 22 June 1990)

Ciskei

Mr M E P Malefane (until 31 May 1990)
Mr N J Lawana (from 1 June 1990)
Mr M Maki (alt)

Board of Directors

Dr S S Brand (chairman)

Directors

Mr J Barker (until 1 October 1990)
Mr J A Botes
Dr O Dhlomo (from 1 August 1990)
Dr D C Krogh
Mr J A J Maree
Dr J B Maree
Mr G S Muller (deceased April 1991)
Prof W L Nkuhlu
Mr R A Plumbridge
Mr P H Swart

Alternate directors

Mr B E Keikelame
Mr N J Kotze
Mr P J Liebenberg
Mr M R Madula
Mrs M Maponya
Mr M J Sondiyazi
Mr M M Swana
Mr P J van Rooy

Control and management structure

Council of Governors

Board of Directors

Attending the Board meeting in March 1991 were, from left:

*Mr P H Swart
Mr M M Swana
Mrs M Maponya
Mr J A Botes
Mr B E Keikelame
Dr S S Brand
Mr J A J Maree
Prof W L Nkuhlu
Dr D C Krogh
Mr P J van Rooy*



Executive Management

Chairman of the Board and
Chief Executive

Dr Simon Brand



General Managers

Operations Complex



Deon Richter

- programme management
- financial, institutional, and technical and environmental specialists



Nick Christodoulou

- rural and agricultural development
- business and entrepreneurial development
- infrastructure development
- human resources development



Johan Kruger

- urban development

General Manager

Policy, Strategy, Resources and Support Services Complexes



André la Grange

- policy and data analysis
- project evaluation
- human resources, legal and administration
- corporate information and communications
- development training
- finance
- internal audit

Salient features

Of southern Africa ¹	South Africa	Namibia	Botswana	Lesotho	Swaziland	Mozambique	Zimbabwe	Malawi	Zambia	Angola	Zaire
Indicator											
Area ('000 km ²)	1 220	824	582	30	17	802	391	118	753	1 247	2 345
Population (m)	36,2	1,3	1,2	1,7	0,7	14,9	9,3	8,0	7,6	9,4	33,4
Annual growth (1980-1988)	2,6	2,8	3,4	2,7	3,4	2,7	3,7	3,4	3,7	2,5	3,1
Density (persons/km ²)	29,7	1,2	2,1	56,7	43,2	18,6	23,8	67,8	10,1	7,5	14,2
Urbanisation rate (%)	49	55	22	19	31	24	27	14	54	27	39
Annual growth (1980-1988)	3,3	(5,0)	8,4	7,2	8,0	11,0	6,2	7,9	6,7	5,8	4,6
Literacy rate ²	66	30	71	74	38	38	74	42	76	41	62
Labour force (m)	15,5	0,3	0,4	0,8	0,2	8,1	3,8	3,4	2,4	3,9	12,3
Percentage males	50,2	76,2	64,5	56,2	—	52,1	65,0	58,2	71,3	61,0	65,1
Participation rate	58,6	29,1	34,9	46,3	51,0 ²	54,6	40,6	42,0	31,5	41,4	36,9
Nominal GDP (Rm) ³	149 913	2 929 ⁴	2 589	749	1 103	2 962	11 917	2 661	4 141	21 062 ²	11 754
Economic growth (1980-1987)	1,2	-0,6 ⁴	10,1	1,6	3,4	-2,7	3,2	1,7	0,3	2,5 ²	1,7
Nominal GNP per capita ³	4 552	2 174 ⁴	2 156	723	1 423	297	1 191	332	472	2 330 ²	311
Life expectancy	64	57	67	56	56	48	63	47	53	45	52
Human development index ³	0,731	0,404	0,646	0,580	0,329	0,239	0,576	0,250	0,481	0,304	0,294

¹) 1988 figures

²) 1985 figures

³) 1987 figures

⁴) 1986 figures

Sources: Development Bank of Southern Africa. Centre for Information Analysis, 1991.

World Bank. 1989. *African economic and financial data*. Washington: World Bank.

World Bank. 1990. *World development report*. Washington: World Bank.

United Nations Development Programme. 1990. *Human development report 1990*. New York.

Of development regions in South Africa¹

	A	B	C	D	E	F	G	H	J	Total
Area (km ²)	259 915	282 500	128 399	152 471	109 626	77 070	116 493	30 336	63 278	1 220 088
Population ('000)	3 632	1 122	2 694	4 793	8 748	2 024	4 418	8 791	1 829	38 051
Annual growth (%) (1970-1990)	2,59	2,01	2,36	2,35	2,74	2,56	3,84	3,30	2,42	2,84
Percentage males (15-64 years)	52,1	48,9	55,9	42,9	44,7	55,5	38,6	57,6	55,0	50,2
Density (persons per km ²)	14,0	4,0	21,0	31,4	79,8	26,3	37,9	289,8	28,9	31,2
Functional urbanisation rate (%)	91,0	59,0	65,0	58,0	52,0	56,0	31,0	93,0	66,0	66,0
Annual growth (1985-1990)	5,6	2,1	3,4	3,6	4,0	3,4	4,2	3,2	3,2	3,7
Literacy rate	81,9	59,2	71,3	66,2	70,1	66,9	63,2	79,6	68,7	71,6
Economically active population ('000)	1 561	326	1 032	1 162	2 328	781	767	4 175	636	12 768
Participation rate	67,2	53,9	66,5	47,4	49,4	67,0	38,1	70,9	60,1	58,7
Absorption capacity	57,4	45,2	54,1	33,7	35,2	51,7	22,4	58,6	50,6	48,7
Unemployment rate	9,6	14,6	11,2	24,7	19,2	8,8	17,0	13,5	14,7	14,9
Dependency ratio	1,3	2,4	1,6	3,1	2,8	1,6	4,8	1,1	1,9	2,0
Nominal GGP ² (Rm)	30 804	4 494	14 746	17 107	35 609	22 874	7 453	92 080	13 988	239 153
Real annual growth (1970-1990)	2,0	0,1	0,6	3,0	3,3	6,6	1,1	2,1	1,9	2,4
Percentage distribution	12,9	1,9	6,4	7,1	14,7	9,7	3,1	38,0	6,1	100
Nominal GGP per capita (R)	8 480	4 006	5 474	3 569	4 070	11 305	1 687	10 475	7 647	6 285
Nominal GGP per worker (R)	19 734	13 785	14 289	14 722	15 296	29 288	9 717	22 055	21 994	18 731
Personal income/GGP (%) (1985)	93,2	87,0	68,1	90,2	87,8	41,0	87,6	77,3	54,6	77,0
Personal income per capita (1985)	4 343	1 984	2 184	1 630	1 737	2 347	725	4 558	2 166	2 206
Life expectancy	65,5	62,6	63,2	63,7	63,8	63,7	62,9	64,7	63,8	64,0
Human development index*	0,82	0,67	0,75	0,68	0,71	0,75	0,59	0,80	0,76	0,77

*It is difficult to determine the precise level of human development or welfare in a specific region based merely on the above figures. This type of problem has been occupying development authorities for decades. The United Nations Development Programme (UNDP) recently released its human development index (HDI), which determines the measure of deprivation suffered by a society according to three indicators: life

expectancy, literacy and real GDP per capita. On the basis of 1985 and 1987 figures, South Africa, with an HDI of 0,73, was ranked 68th out of 130 countries in terms of the measure of deprivation of its population. The Bank's Centre for Information Analysis conducted a similar exercise for the individual development regions in South Africa with more recent data. The high averages in certain regions often mask disparities between different parts of the

region, especially between rural and urban areas. Despite the high average level of development, rural populations may suffer severe deprivation in these areas.

Source: Development Bank of Southern Africa. Centre for Information Analysis, 1991.

¹) 1990 figures

²) Gross geographic product (GGP)

Southern Africa



Five-year financial highlights

For the years ended 31 March	1987 Rm	1988 Rm	1989 Rm	1990 Rm	1991 Rm	Projected 1992 Rm
Balance sheet						
Total assets	1 357	1 656	2 107	2 621	3 880	4 606
Capital employed						
Share capital	128	164	200	200	200	200
Reserves	82	135	168	218	265	288
Development Fund	920	1 155	1 526	1 901	2 401	2 901
Capital market loans	176	117	81	95	671	894
Employment of capital						
Loans	926	1 176	1 657	2 413	3 441	4 284
Investments	410	457	411	129	392	270
Cash flow						
Loans advanced	246	283	493	729	988	983
(at 1983 constant prices)	154	156	238	308	371	324
Commitments						
Commitments outstanding	791	1 574	2 144	2 539	2 097	1 947
(at 1983 constant prices)	494	870	1 033	1 071	786	643
Guarantees outstanding	123	134	115	58	65	45
Income statement						
Interest received	95	101	122	138	189	225
Interest paid	26	20	14	9	62	113
Expenditure	34	41	57	81	92	99
(at 1983 constant prices)	21	23	27	34	35	33
Operating surplus	19	21	24	47	33	18
Surplus transferred to reserve	35	38	38	50	47	26
Ratios	%	%	%	%	%	%
Gearing*	15,6	8	4,3	4,1	23,4	26,4
Reserves/loans	8,9	11,5	10,1	9	7,7	6,7
Average return on loans	7,9	7,2	7,4	7,4	7,3	7,2
Average interest on capital market loans	13,3	13,3	13,3	14	15,7	15,7
Expenditure as percentage of average disbursed loan portfolio†	4,8	3,9	4	4	3,1	2,6
Expenditure as percentage of loans advanced ‡	13,8	14,5	11,6	11,1	9,3	10,1
Inflation factor % (1983 =1)	0,625	0,553	0,482	0,422	0,375	0,33

* Capital market loans/(share capital + reserves + development fund)

† Expenditure/[(opening balance loans + closing balance loans) / 2]

‡ Expenditure/loans advanced

Chairman's report



Dr Simon Brand
Chairman of the Board and
Chief Executive

During the year under review there was a continuation of some of the trends remarked upon in the previous year's report, both in the environment in which the Bank operates and in its own activities.

Opportunities and constraints. On the positive side, as far as the environment is concerned, there was a further increase in the awareness of and priority given to development issues within the area of operation of the Bank. This was a direct and predictable outcome of the political changes taking place in the area and the resultant stronger articulation of the needs of the poor and disadvantaged sections of the community. It was reflected, *inter alia*, in the higher proportion of the South African budget allocated to socio-economic programmes, in the decision of the South African government to make additional funds available for socio-economic programmes from the proceeds of sales from the strategic oil reserve, and in initiatives by some of the major private corporations in South Africa to set aside substantial funds for similar purposes. Internationally as well, the political changes in South Africa and on the subcontinent have led to a heightened interest on the part of multilateral and national development cooperation agencies in becoming involved in development in South and southern Africa.

At a different level, difficulties in respect of the capacity of institutions at the regional and local levels to carry out development programmes effectively and with full community support, about which concern was expressed in the previous year's report, became more acute during the year under review. A further deterioration took place in the organisational capacity of many existing structures. Some of these also came under increasingly severe pressure concerning their legitimacy and ability to reflect community needs and mobilise community support, while others were affected by indications that they were to be phased out or taken up in broader structures that might emerge from the constitutional negotiations that lie ahead. It would indeed be tragic if the increased availability of resources for development cannot be effectively applied because of these kinds of institutional constraints. Because of the critical importance of these matters to the maintenance of momentum in development programmes, particular

attention is given in the Directors' report to the role of institutions in development and ways in which the Bank has attempted to contribute to solutions – many of which must, by the nature of the circumstances, be interim solutions.

There were, however, also some positive trends that emerged during the past year in this respect. First, it is gratifying that on the whole the violence that occurred in different parts of South Africa did not have a material effect on the implementation of development projects supported by the Bank. Secondly, some institutions at regional and local level managed to maintain their capacity to carry out development projects and programmes effectively. There was also increasing recognition across the full spectrum of role players in development of the need, on the one hand, for preserving existing institutional capacities through the phase of political transition and until new institutions are in place, and on the other hand, to make interim institutional arrangements to supplement the capacity of the existing institutions or, where they have failed, to substitute for them. The Bank played an active role in identifying the need for such arrangements, proposing solutions, and providing technical support to the principals involved in reaching agreement on such arrangements. In the urban areas, for example, the Bank played such a role from the earliest stages of the process which culminated in agreement being reached during the review year on the setting up of the Central Witwatersrand Metropolitan Chamber.

A related positive development during the review year was the re-orientation and reorganisation that took place on the part of non-governmental organisations (NGOs). Whereas many of these organisations played a semi-political role in the past, since the lifting of restrictions on political movements there have been conscious efforts on the part of NGOs to shift their emphasis towards more directly developmental activities and out of the more directly political terrain. This has set in motion an extension of the available institutional capacity in the development field. The Bank actively pursued contact with, and offered its services to, such NGOs over the past few years and on their part they showed an increasing willingness during the past year to cooperate actively and openly with the Bank. As a

result of these developments, it is expected that the Bank will be able increasingly to support the development of the institutional capacity of such institutions and channel more resources through them to development programmes and projects.

The increasingly positive relationships that have developed between the Bank and a variety of community organisations should further help to ensure that such programmes and projects will be directed to the real needs of the poor and other disadvantaged groups.

Joining forces for development. The increasing number and variety of development support funds and institutions referred to above have also created a need for coordination and cooperation arrangements between such entities. The Bank took the initiative during the review year to approach other role players in development, such as the Independent Development Trust, the South African Housing Trust and various private sector funds, with a view to setting up cooperation arrangements and thus help to ensure the efficient and effective use of resources for development. The response has been positive in most instances and arrangements will be further pursued, even to the point of possible rationalisation between the different institutions. The programming approach which has been developed by the Bank to provide a coherent context for its own development support programmes is also proving increasingly to be a useful framework within which other organisations can play their respective roles in development.

In the same field, the Bank provided technical and administrative support for an investigation undertaken on behalf of the South African government into the possibilities of rationalisation of the activities of development institutions. The report on this investigation is under consideration by the South African government.

The increasing frequency and intensity of contact between the Bank and international development cooperation institutions, both multilateral and national, have also been a feature of the past year. The Bank was visited by delegations from the development cooperation agencies of most of the Western countries and also experienced



increasing interaction with multilateral development institutions. During discussions the Bank proposed ways of establishing formal cooperation with such institutions, with a view to contributing to the effectiveness of their involvement in South Africa. The contributions which the Bank can make to such cooperation include helping outside institutions to understand local conditions, of providing a programme context for projects considered by them, parallel and co-financing arrangements, and monitoring of the implementation and operation of development projects. It was also pointed out in these discussions that, while the Bank itself did not have unlimited resources for development support on a large scale in the rest of southern Africa, it could play a supportive role to international agencies in their involvement in southern African countries. These proposals have been positively received and, although there are still some hurdles to overcome, especially of a political nature, indications are that the Bank will increasingly become involved in such cooperative arrangements.

Making new friends. The political changes in South Africa have also opened up opportunities for increasingly frequent interaction

between the Bank and other countries in southern Africa, and in Africa as a whole. Staff members of the Bank received invitations to attend a variety of conferences in various African countries. These included academic and business meetings, annual meetings of various inter-governmental organisations, and contact and orientation visits to particular countries. Without exception, Bank representatives were well received, and encountered positive expectations of the potential for active cooperation with the Bank in the near future. In particular, there was a great deal of interest in the ways in which South Africa, once its internal constitutional relations have been settled, will interact with other countries in the region and in Africa at large. The Bank was asked to participate in discussions in and studies on this subject.

The operational involvement of the Bank in neighbouring countries, which was reported on in earlier years, continued during the past year. The major investment involvement of the Bank outside its membership area, namely in Lesotho, reached a peak during the past year and is expected to decline as the major advance infrastructure projects for the Lesotho Highland Water Project reach completion. However, the Bank

became more involved in formal and informal technical assistance to several other countries in the region. The Bank itself has already benefited greatly from this increasing exposure to the experience of other countries and institutions in dealing with similar development issues to those that the Bank itself has to address.

With a view to being able to pursue the increasing possibilities for cooperation, both in its present membership area in Southern Africa and in the rest of the world, work was initiated in the Bank on adjustments that may be required in its own structures, funding arrangements and operational procedures as those possibilities unfold.

On the home front. Within its membership area, where its main priorities continue to be, the Bank continued to provide technical support to the policy and strategy development processes of governments in various ways. Individual examples of these activities are reported on in the Directors' report under the different groups. The Bank has been careful not to assume a policy-making role for which it does not have a mandate. However, it needs clear and consistent policy frameworks on the part of its borrowers within which to carry out its project and programme support. Therefore, when it encounters policy vacuums or policies that frustrate development efforts, it initiates discussions with the responsible authorities on reconsideration and formulation of policy. The Bank is also often requested to play such a role.

The Bank continued to take an active part in the economic policy debate in South Africa which is taking place parallel to the processes aimed at constitutional change. The intensity of this economic debate picked up considerable momentum during the year under review. The experience of the Bank with practical issues in development has enabled it to bring a particular perspective to the debates on matters such as urban development, land issues and agricultural development, support to emerging businesses and ways of involving the established business sector in development areas.

Finding the wherewithal. With regard to the mobilisation of resources, the year under review saw a watershed in the activation of capital market funds by the Bank, on which more detail is

given elsewhere in this report. The results have been positive, and this means that the financial model on which the Bank is based, namely parliamentary grant funds, the return flows on outstanding loans, and capital market funds, is now fully in place. The achievement of an AAA rating being accorded to the Bank by a local rating agency should significantly enhance the further development of this model.

Negotiations continued with the South African government on its contributions to the Development Fund, which in effect set the limit to the capacity of the Bank to make use of capital market funds. These negotiations resulted in a new arrangement according to which the South African contributions to the Development Fund will, over the next two years, come not from direct budget allocations, but from dividends declared by the Industrial Development Corporation of South Africa Limited to the South African government. Negotiations with the South African government on longer term arrangements for the funding of the Development Fund will continue. It is also foreseen that under the changed international political circumstances it may become possible soon to mobilise equity-type funds from abroad as well. This would significantly enhance the capacity of the Bank to raise capital market funds not only in the local market, but also in international capital markets.

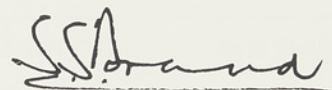
It will be clear from the above that the activities of the Bank involve much more than project finance, although this remains its stock in trade. Policy advice and support, programming assistance, support for capacity building and financial adjustment and information supply are amongst the important additional services rendered by the Bank to its clients. During the review year active consideration was given by the Bank to ways in which these services can be extended and more effectively rendered. The fact that the cost of these services is for the most part not charged for directly, was identified as having important implications for the operational financing of the Bank, and this matter will receive further consideration. Attention is also being given to improving the information and the performance criteria on these activities, both with a view to making these services of the Bank more widely

known and to improve accountability and ensure the effective management of these activities.

This has been part of continuing efforts to increase the efficiency and effectiveness with which the Bank serves its clients. The broadening of the senior management level in the Bank through the appointments of a number of group managers was followed through by involving that level of management much more than before in the strategic management of the Bank, with positive results. With new recruitment of staff continuing the levelling out trend set in the previous year, the emphasis in the staff development practices of the Bank could be shifted further towards enhancing the capabilities of the staff already in the employ of the Bank.

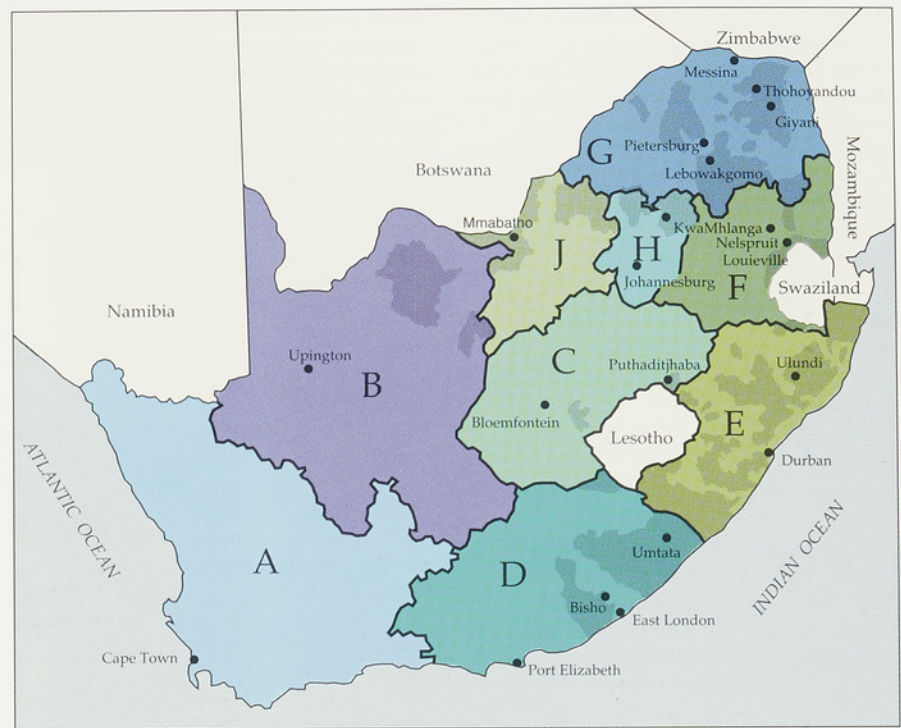
Acknowledgements. During the year under review, the Bank continued to benefit greatly in carrying out its functions from the skills, experience and commitment to development of its staff and management, the Board of Directors, and the Council of Governors. The good relationships with the media which the Bank has always enjoyed, were maintained, and the increasingly positive interaction with a variety of community organisations was a particularly rewarding experience.

Dr Oscar Dhlomo was newly appointed to the Board during the year and Mr John Barker retired from the Board. A grievous loss was suffered by the Bank through the death after a long illness of one of its Directors, Mr G S Muller, who had served on the Board since the establishment of the Bank. His valuable guidance, which continued until his last days, will be sorely missed.



S S Brand

Development regions



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

Directors' report

Introduction

The main business of the Development Bank of Southern Africa is to mobilise and make available to its borrowers or clients scarce resources required for the development process, such as information, know-how, appropriate technology and finance. Borrowers are encouraged and supported in using these resources in such a way that other important resources for development, such as natural resources, community initiative and entrepreneurship, are developed and effectively used.

This main function of rendering services to its clients through development support requires close cooperation with clients in managing both the resources made available by the Bank and other resources available to clients. The development support thus rendered by the Bank is, in the first instance, aimed at investment programmes and projects that develop the economic base and promote economic activities in the less developed regions and disadvantaged communities of southern Africa. Special priority is accorded to investment projects aimed at providing both infrastructure and support services required for business development and at addressing the basic needs of such regions and communities.

To enhance the possibilities of success of such projects and programmes, appropriate policies and strategies need to be pursued by governments. In the execution of its mission, it is therefore important for the Bank to support its clients on both a sectoral and a multisectoral level by addressing:

- policy analysis and formulation, which often result in policy reform
- the formulation of coherent multisectoral development strategies at national, regional and local level
- planning, programming and budgeting for development programmes and projects
- institutional capacity building for all important elements of managing the development process
- applying appropriate technology and standards.

The next main function of the Bank is the formulation of its own development policies and strategies. All managerial and professional levels in the Bank carry specific responsibilities and participate in this process, but the responsibility for managing this process rests with the

Policy and Strategy Complex, which is also responsible for the related function of collecting and analysing development data and information.

Finally, the Resources and Support Services Complex is responsible for the mobilisation and development of financial and human resources, the legal and administration functions, and corporate information and communications.

In the context of the strategic perspectives contained in the Chairman's report, this report on the activities of the Bank emphasises the progress achieved during the past year in the three main functions, namely:

- the development support function, managed by the Operations Complex and of which the overall position is outlined below
- the policy and strategy function, managed by the Policy and Strategy Complex
- the mobilisation and provision of resources and support services functions, managed by the Resources and Support Services Complexes.

Overall support to development

The financial support of the Bank can be classified into two main categories. Project investment refers to loans for capital expenditure on development projects, and also includes preparation assistance for the preparation of capital projects. This assistance is provided in the form of a loan which is later incorporated in the investment loan if such a loan is approved. Technical assistance, in the form of either loans or grants, provides the financing to borrowers and approved consultants for investigations which form part of development policy and planning formulation, for programming of development activities, for addressing institutional issues and for facilitating projects of an experimental nature.

During the year under review 66 projects were approved with a financial contribution by the Bank of R473 million. This represents a sharp decrease from the annual level approved during each of the previous three financial years, which was at approximately R1 000 million. This trend is ascribed to the declining absorption capacity of borrowers to take up investment loans whereby they are often not in a position to accommodate the recurrent costs of projects which have been prepared. Projects have therefore needed to be delayed or phased out over a number of years.

One loan approved during the year has been defined as a sectoral adjustment loan. Details of this loan appear in the section on urban development.

As indicated in this report, the services of the Bank have increasingly been applied to sectoral and multisectoral analysis to support the strategic and operational decisions of the Bank and to advise its clients on the possible reforms and adjustments required to address constraints. This adjustment in services resulted in a significant increase in Bank finance for technical assistance to R41,4 million during the past year compared with R11,9 million the previous year.

On 31 March 1991 the Bank had 1 301 projects in the project cycle on which it expects to make a total financial contribution of R9 600 million and had approved an accumulative 760 projects. There was a decline in the number both of new applications received (110) and of projects accepted into the pipeline (62) compared with the previous year's totals of 301 and 170 projects respectively. This trend, as well as the fact that a number of project applications previously accepted were withdrawn by applicants, led to a decline in the number of projects in

Projects	As at 31 March 1991		As at 31 March 1990	
	Number	Bank contribution R'000	Number	Bank contribution R'000
approved in the financial year	66	473 369	107	1 214 766
in negotiation, implementation, and fully disbursed	760	5 373 171	706	4 893 693
in preparation and appraisal	541	4 226 372	624	4 446 529
Total	1 301	9 599 543	1 330	9 340 222

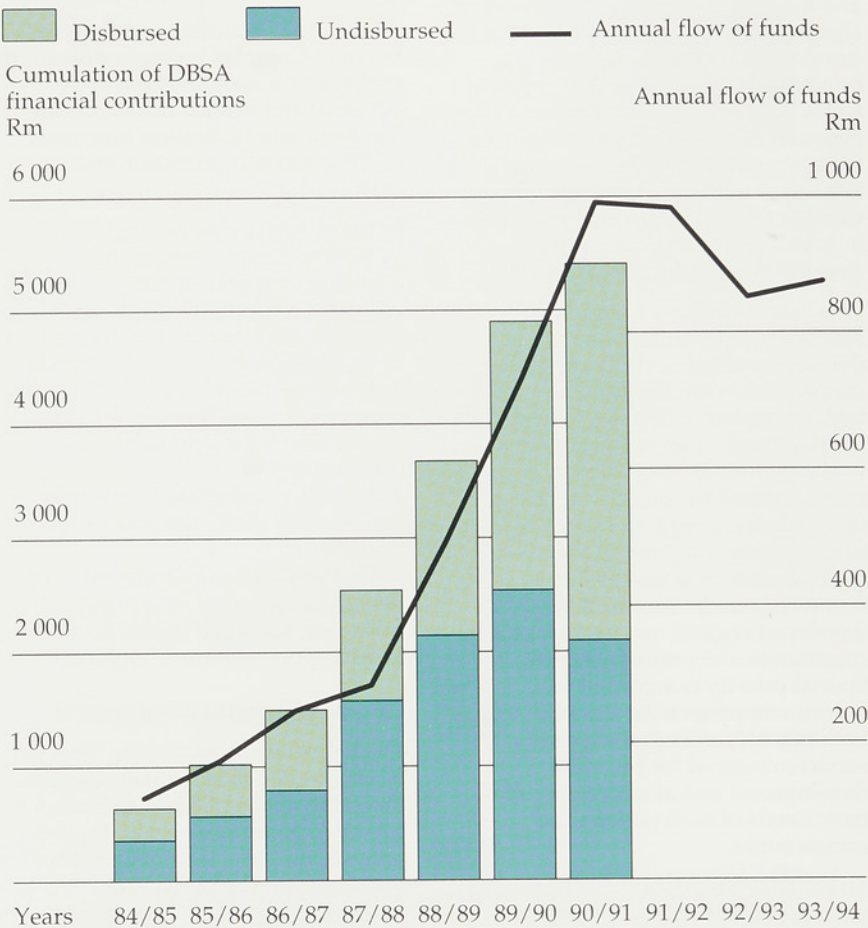
preparation and appraisal from 624 to 541. Some of the withdrawals were initiated by the Bank by negotiating with applicants other possible appropriate sources of finance.

The amount of R991 million which was disbursed during the year is 36 per cent higher than the disbursement in 1989/1990. This trend follows the high rate of approval of projects over the previous years. A slight decline in disbursements is expected over the next three years. A significant decrease in new commitments together with a significant increase in disbursements during 1990/91 resulted in undisbursed commitments for the first time being lower than cumulative disbursed commitments.

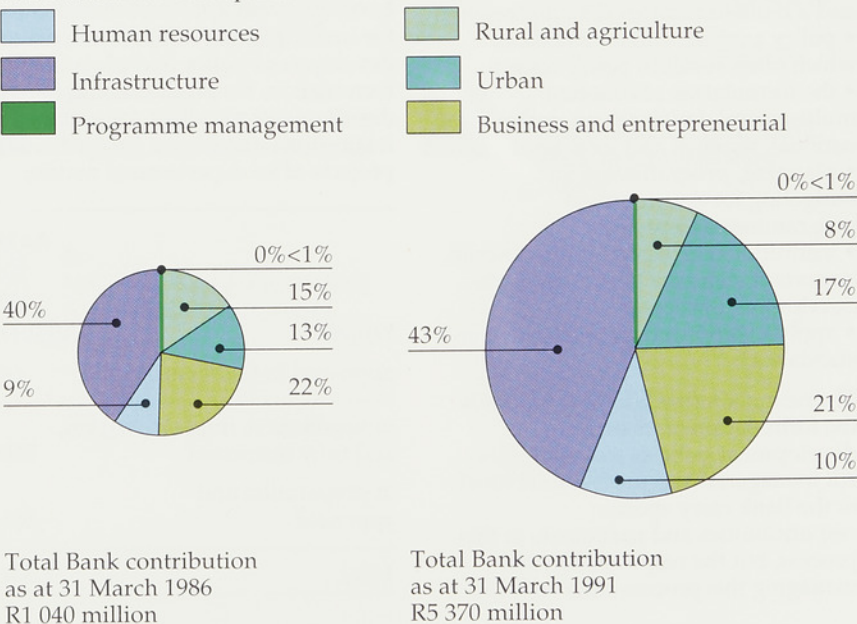
The relative contribution of the Bank to the six sectors remained stable over a five-year period, with the exception of rural and agricultural development, which declined from 15 per cent to 8 per cent. This can be ascribed to the fact that the Bank received a large number of applications for this sector during its first years of operations, while the upward trend in applications for other sectors, such as urban and human resources development, only manifested itself in later years. This position should therefore not be seen as a direct reflection of relative priority, but rather as a result of the trends of inflow of applications, as well as of the Bank strongly encouraging borrowers to move away from capital-intensive agricultural projects towards support programmes for small farmers.

This also emphasises that the relative financial contribution per sector by the Bank is influenced by the capital intensity of projects, and is therefore not a direct expression of development priority. The position of the urban development sector would have been significantly higher if it were not for institutional constraints. Once these have been alleviated, it can be expected that the relative position of urban development will increase, both in demand and in the capital-intensive nature of urban infrastructure.

Annual flow of funds and cumulative approved financial contributions to development projects



Relative financial contribution to sectors in 1991 compared with 1986



Operations Complex

Programme management



*Sollie Nortjé, Group Manager,
Programme Management*

The Programme Management Group is responsible for giving development support to institutions in the developing regions for needs which are not sector-specific. This means that the Group is not responsible for managing the support of the Bank to individual investment projects, but is responsible for policy and strategy dialogue and technical assistance in respect of overall or multisectoral development policy and strategy, the strengthening and rationalisation of institutional systems and financial management and adjustment.

The programme management function entails close communication and negotiation with the clients of the Bank that operate in a specific region or subregion, to reach agreement on the nature and scope of the multisectoral support programme of the Bank and to ensure that its support is structured in terms of the development needs and priorities in that region. This function, therefore, also includes a horizontal management function within the Bank to direct and coordinate the support services with a view to achieving optimum balance and integration between sectors.

Special priority is given to assisting development regions to institute and manage the formulation of multisectoral development strategies aimed at strengthening the economic base of such regions in terms of their comparative and competitive economic advantages. This is done to achieve full use of the economic resources of the region and to address poverty and the basic needs of deprived communities of that region, to create opportunities for upward mobility for hitherto disadvantaged groups. The formulation of such strategies not only

includes the mobilisation of the required expertise to undertake economic analysis, but also puts special emphasis on providing, through workshops, full scope for the poor communities, the private sector and the public sector to participate in and steer the process so as to ensure, as far as possible, that the strategy decided upon represents true regional consensus.

During the year under review such technical assistance projects for Regions F and G were nearing completion, while discussions and negotiations on the implementation of similar projects took place in virtually all other regions. In Region A it was concluded that the first priority was the formulation of multisectoral strategies for both the western Cape and the George/Mossel Bay/Oudtshoorn subregions. Strategic planning projects were also under way for the Phalaborwa/Ruakani/Namakgale subregion within Region G. In Region D the Stutterheim/Cathcart/Komga strategy was completed and this can now be translated into development programmes and projects for the subregion. During the course of the year special attention was given to reaching agreement within regions on the ways of involving deprived communities fully in these strategic processes and reaching agreement with such communities.

Other technical assistance projects handled by the Group mostly focused on the strengthening and rationalisation of institutions and the strengthening of financial management, including revenue collection and debt servicing as part of structural adjustment programmes which have been instituted.

As reflected in previous reports, financial adjustment programmes were instituted for Transkei,

Bophuthatswana, Venda and Ciskei. The successful implementation of appropriate adjustment programmes is of great importance in providing continuing scope for the Bank to give development support to address the extensive poverty and inequalities encountered in its area of operations. These programmes are directed by bilateral financial adjustment committees consisting of representatives of the South African government and each of the other governments concerned.

By agreement between the governments, the Bank provides the chairmanship and the professional secretariat for these committees. While aimed mainly at strengthening financial relations between the governments concerned, these arrangements also provide an invaluable mechanism for executing the programme management function of the Bank as described above. During the course of the year under review similar financial adjustment programmes were instituted for Lebowa and Gazankulu, and it can be expected that such programmes will also be instituted for at least some of the other self-governing territories during the course of the new financial year.

During the 1990/91 financial year the governments concerned seriously deliberated the issues encountered and the progress thus far achieved. This led to a decision by the Ministers of Finance that these adjustment processes had to be strengthened as a matter of urgency. A special task team was established under the chairmanship of the Bank to put forward proposals in this respect. The first proposals, at present under consideration by the governments, put special emphasis on the need for governments to strengthen and rationalise their economic

Projects	As at 31 March 1991		As at 31 March 1990	
	Number	Bank contribution R'000	Number	Bank contribution R'000
approved in the financial year	6	3 852	5	463
in negotiation, implementation, and fully disbursed	31	14 626	27	9 295
in preparation and appraisal	21	4 148	24	7 739
Total	52	18 774	51	17 034

programming, financial management and institutions, and to agree between themselves on the basic principles and ground rules to be adhered to. Special attention must also be given to recognising and maintaining the principles and practice of good governance during the present period of political and economic transition.

To enable the Programme Management Group to carry out its functions more adequately and effectively, the Group was re-organised and strengthened during the course of the year. The number of staff at the end of the year under review was 38 compared with 36 at the same time in the previous year. It is the considered view of management, supported by the Board, that, although the benefits of this function are not readily measurable, it is indispensable to the successful operation of the Bank and of its clients.

Programme management projects approved in the past financial year

Region: A

Calvinia strategic development workshop (technical assistance grant).

A workshop to identify the development prospects of the Calvinia subregion and to develop strategies to guide future development of the subregion by analysing its development potential and comparative advantages (natural and human), its economic structure and trends.

Recipient: North West Cape Regional Development Association

DBSA finance: R1 410

Total cost: R53 143

George/Mossel Bay/Oudtshoorn strategic development planning study 'Southern Cape initiative' (technical assistance grant).

To formulate a coherent development strategy for the George/Mossel Bay/Oudtshoorn subregion to address the alleviation of poverty through the exploitation of the comparative advantages of the subregion and the development of other sectors that will be supportive thereto.

Recipient: Regional Development Advisory Council: Region A

DBSA finance: R256 300

Total cost: R449 700

Designs for a region

Thembekile Jonas, Chairman of the Kubusi Residents' Association, and Nico Ferreira, a businessman and Deputy Mayor of Stutterheim (right), are two men with exceptional vision and tenacity in working at economic reform strategies in the Border hinterland (a corridor of land between Ciskei and Transkei).

Mr Jonas, a teacher, desperately wants to see the community he serves have a wider variety of choices in life. Mr Ferreira is a business consultant who moved to Stutterheim in 1982 to develop small business in Ciskei, Transkei and the Border. It was while he was Mayor of Stutterheim that the city councils of Stutterheim, Cathcart and Komga got together to address the economic difficulties facing the region.

With well over half the population of approximately 89 000 not formally employed and more people returning from migrant jobs because of a national economic slump, the subregion had to face the need to develop employment capacity.

It all started in 1987 when the town councils of Cathcart, Komga and Stutterheim (CKS) approached the Bank to assist in solving the development problems of the region. As a result of various initiatives, a CKS cooperation committee was formed. A subregional development planning process was started with a technical assistance grant from the Bank. The results of the study were obtained by consulting all interest groups in the subregion and involving them through a series of elected committees.

One need identified was for a development trust to be established to assist emerging entrepreneurs and small farmers. In response, a non-profit trust, the Kei Development Trust (KDT), was formed last year, with Mr Ferreira elected as chairman by the board members representing the black settlement areas.

Kubusi smallholders, largely an agricultural community, are the first group to benefit from this initiative. The Kubusi Project, supported by a technical assistance grant from the Bank, is to study and formulate agricultural and entrepreneurial support programmes.

(Right) With the assistance of the Kei Development Trust, the maize growers of Wartburg managed to raise private sector finance to purchase the Lingulethu mill. The milling committee is (from left) Mr Titus Fetsha (chairman), Mr Benjamin Makunga, Mr Jim Mkweta, Mr Dumiso Ngcaku and Mr Milford Sibugashe (miller).



In a later development the Wartburg community approached the Bank through KDT to assist in small industry and agricultural development. It is the first time that local entrepreneurs have been the implementing agents of a project.

This process of community involvement needs to precede any further investments. Without community ownership of the socio-economic development plan, the development cannot be successful.

There have already been several spin-offs since the initial contact between the Bank and the area. A summit on housing for communities in the region was convened, with the participation of the SA Housing Trust, the Urban Foundation, the Cape Provincial Administration, relevant government departments, a building society and the Bank.

Early interaction between the town councils, the residents' associations and other community leaders led to the formation of a discussion forum for the Greater Stutterheim area, which the Bank will finance.

At the time that KDT was established, Kei Enterprises (Pty) Ltd (KE) was started with a share issue to local business interests to address the need for business development in the region. The shares were taken up by local investors from all communities. These Border developments augur well for future regional initiatives where the development effort *by and of the people* is the kind of approach that the Bank is keen to underwrite.



*Programme management projects
continued.*

Western Cape strategic development planning study 'Growing the Cape Initiative' (technical assistance grant).

To identify the comparative advantages of those sectors that could assist in the alleviation of poverty of the western Cape subregion, with emphasis on the Cape metropolitan area, and formulate strategic development guidelines for the subregion and strengthen its economic base.

Recipient: Regional Development Advisory Council: Region A

DBSA finance: R287 600

Total cost: R497 400

Region: D

Ethics and accountability seminar (technical assistance grant). Financing of a seminar in ethics and accountability within the civil service to strengthen the institutional capabilities of the Transkei government service.

Recipient: Transkei Government

DBSA finance: R16 800

Total cost: R16 800

Region: Neighbouring countries

Lesotho Highlands Development Authority (LHDA) accounting and financial management systems (technical assistance loan). To provide an integrated accounting and financial management information facility able to address the requirements of the various levels of management within LHDA; to provide an account of all financial transactions of the LHDA; to maintain financial accounts; and to provide an accounting system with appropriate controls.

Borrower: Lesotho Highlands Development Authority

DBSA finance: R3 050 000

Total cost: R4 714 200

Lower Bokong, Ha Lejone and Butha Buthe strategic development study (technical assistance grant).

Financing of regional and subregional studies to assess the impact of the Lesotho Highlands Water Project on the communities affected by the construction, and to assist in determining environmental compensation and rural development programmes to alleviate the negative effects.

Recipient: Lesotho Highlands Development Authority

DBSA finance: R240 000

Total cost: R240 000

A collective approach

To alleviate unemployment and poverty in Region G – which consists of Venda, Gazankulu, Lebowa and the north-western, northern and north-eastern portions of the Transvaal – all the communities and development agencies recognised that collective action was needed.

During 1987 the region registered poor quality-of-life indicators. It had the lowest per capita gross geographic product (GGP), the highest dependency ratio (or *de facto* population divided by the economically active population), the second lowest GGP in absolute terms, the second lowest literacy rate, the lowest GGP per economically active person and the lowest percentage of males in the 15–64 age group.

It was generally accepted that these problems could only be addressed on a multisectoral basis and within an appropriate and acceptable regional development framework. The Bank was approached by the Regional Liaison Committee for Region G to assist with the formulation of a comprehensive development strategy. This entailed an analysis of the economic development trends of the region and its subregions mainly to identify comparative advantages. Based on the analysis, strategic development proposals are being formulated to identify those sectors that have comparative advantages and the potential to contribute to socio-economic development and the alleviation of poverty.

An essential component of this planning process was the participation of all communities involved (the private sector, local communities and the public sector, including regional governments, parastatals and development institutions) to achieve an objective understanding of the pertinent issues and to gain support for the project from all the parties.

The approach followed in this project resulted in all parties responsible for the planning and implementation of development being drawn together in a steering committee to guide the planning

process and to assume responsibility for the end result. Professional support was provided by consultants, who formed part of the Steering Committee which was to take ultimate responsibility for the exercise. Extensive use was made of workshops, during which perspectives were generated, additional issues investigated and problems analysed with the support of the consultants.

In this approach the region is involved not in terms of its political demarcation, but rather as being composed of a number of functional economic subregions. This is indicative of the principle that development planning is based on an analysis of economic functionality and is not merely a physical planning exercise. The development strategies produced will be the result of consensus and will have the support of those responsible for their implementation, in contrast to former approaches, in which only the most apparent sectors were addressed in a 'top-down' manner. Previously proposals were mainly spatial in nature and little or no local participation was encouraged. Workshops were not used and invariably the strategies did not have the support or commitment of communities, the private sector or all of the development agencies.

Several spin-offs have already materialised since the project was initiated. These include summit meetings on certain development issues, the formulation of subregional strategies, urban development plans, an energy development strategy and an agricultural market potential study.

The coherent development strategy for Region G is aimed at achieving the optimal use of resources in the quest for the economic empowerment and subsequent improvement in the standard and quality of life of the inhabitants of the region.

Specialist functions

The specialist functions were instituted two years ago to strengthen the capacity of the Operations Complex to analyse and appraise the following to ensure sustainable development programmes and projects:

- development policy and strategy, institutional strengthening (capacity building) and the participation of communities (beneficiaries) in the management of development
- financial management and capacity
- appropriate technology and technical standards
- environmental considerations for development.

The findings of the analyses and appraisals undertaken serve as important inputs to the development support strategies of the Bank on both the macro and the sectoral levels. They also provide the basis for advice and other forms of technical assistance to clients. These findings often indicate the need for urgent policy reform, reformulation of strategies, institutional strengthening and rationalisation, and financial adjustment to ensure sustainable development and to improve the capacity of the clients of the Bank to absorb Bank loans for programmes and projects.

The Programme Management Group, as well as the various sectoral operational groups, use the specialist functions by contracting the services and staff of these functions, which are also used extensively by the policy function of the Bank to assist with and undertake policy analysis assignments.

Several specialist units in various sectoral groups in the Bank, as well as in the Programme Management Group, concern themselves with development policy and strategy dimensions. Apart

from one further specialist unit responsible for agricultural technical aspects, the Operations Complex centralises three other specialist functions, namely the Centres for Institutional Specialists, Financial Specialists and for Environmental and Technical Specialists. The effects of the prevailing strategic environment on the operational work of the Bank as reported in the Chairman's report significantly increased the work-load of the specialist functions, especially with regard to policy reform and institutional and financial adjustment.

Special attention was given during the year to establishing technical standards and design criteria to ensure cost-effective approaches to project planning. In view of the unemployment problem, attention was also directed at formulating guidelines to increase labour intensiveness and the use of local goods and services to improve the development impact of projects as well as provide scope for the development of entrepreneurship in poor communities. With these objectives in mind, interaction and cooperation with the private sector were promoted to formulate appropriate principles and practice. Support was given to Entrepreneurial Development Southern Africa (EDSA), a private sector initiative spearheaded by the Building Federation of South Africa (BIFSA), to promote entrepreneurial activity in the construction sector. Following the interaction of the Bank with EDSA, the Federation of Civil Engineering Contractors (SAFCEC) joined the initiative.

While certain regulations exist that inhibit the entry of small entrepreneurs into the marketplace and the use of

local resources, other regulations, such as the National Building Regulations, are misinterpreted and incorrectly applied to the detriment of small entrepreneurs and the use of local resources. As a result, the Bank produced a discussion paper on the building regulations, while interaction with the SA Bureau of Standards (SABS) and private sector committees which investigate deregulation was initiated during the year under review.

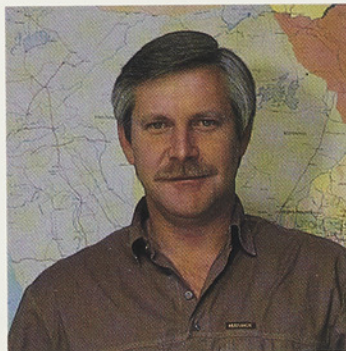
Special attention was also given to formulating guidelines to promote self-help techniques that provide for the full participation of the community in development.

During the year, good progress was made in the introduction of appropriate techniques and criteria for environmental impact assessment. In addition, extensive advice was given to various borrowers on appropriate environmental policies. In Lesotho, a specialist of the Bank participated in an environmental impact assessment to ensure that there was minimal negative impact on the communities living in the region where the Lesotho Highlands project is being developed.

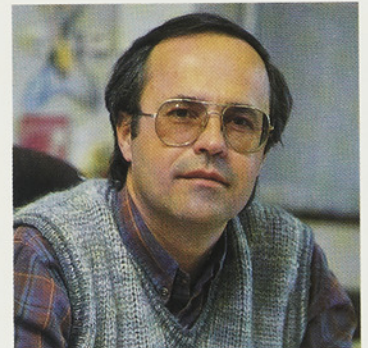
The reports on both programme management and the sectoral groups contain many references to work in which staff of the specialist units and centres participated.



Johan Koorts, Director, Centre for Institutional Specialists



Jan Coetzer, Director, Centre for Financial Specialists



Bruce Corbett, Director, Centre for Environmental and Technical Specialists



From being unemployed to becoming an employer, Mr Pumzile Ntshweza has realised his dream. He manages his own road maintenance crew in Transkei employing 25 people. In his own words, he said, 'I am now at peace with myself as I can see a future for myself.'



On the road to success

Mr Pumzile Ntshweza has become a contractor doing routine road maintenance for the Transkei Department of Works and Energy on roads between Ngcobo and Queenstown.

Road maintenance in developing regions suffers because of the monopolistic nature of road agencies and weak public pressure for better roads. Efforts to improve the efficiency of institutions must focus on establishing accountability. Together with macro-structural reform, the most effective remedy is to separate the execution of works from the planning and supervision functions by lodging the former with the private sector. This has the added benefit of providing an avenue for emergent local civil engineering contractors.

In line with the holistic approach of the Bank, institutional specialists assist borrowers in improving their capacity for project planning, implementation and maintenance. By giving attention to strengthening the institutions that maintain roads the Bank, the Transkei Department of Works and Energy and the University of Transkei devised a programme to train and support private contractors and departmental supervisors to oversee implementation and routine road maintenance. The training included practical skills, contract documentation, tendering and basic book-keeping. On completion the Department of Works and Energy awarded 13 contracts for road maintenance throughout Transkei, one of which went to Mr Ntshweza.

Directors' report
Operations Complex
Specialist functions

Giving assistance to communities

Strengthening the capacity of the Herschel Rural Development Board by making it more representative of the community it serves, has delivered particular rewards for both the community and the Bank.

Through a community support programme, the Bank has been able to assist the Herschel community to mobilise development resources from the regional government, development agencies, non-governmental organisations (NGOs) and, most importantly, from the community itself, despite its relative disadvantages.

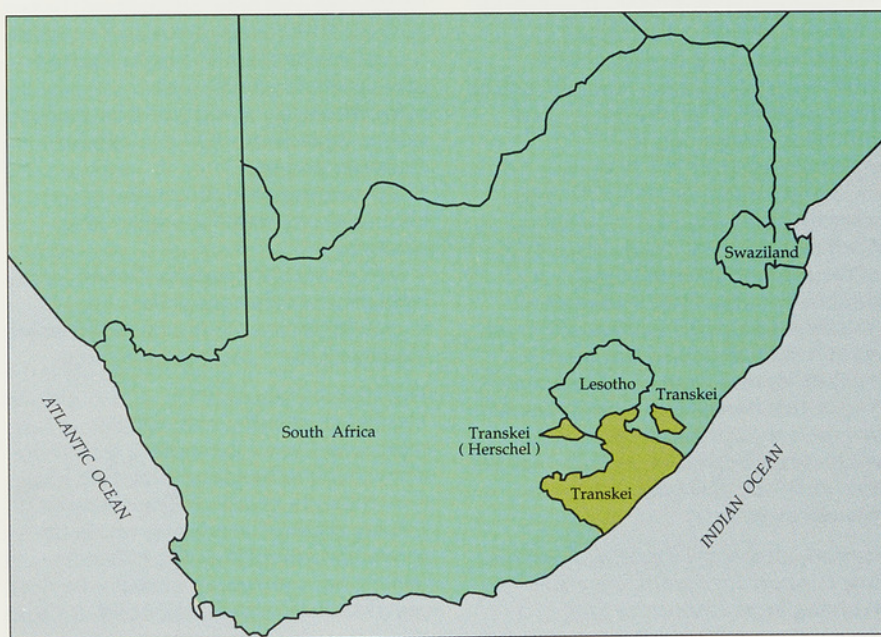
Apart from the will of its people, this arid mountainous and remote area has poor natural resources. The Herschel/Sterkstroom district is a satellite of Transkei wedged between Lesotho in the north, the south-eastern Free State, and is near the north-eastern Cape town of Barkly West.

In 1987, Mr Mbuyiselo Mei, the then chairman of the Herschel Rural Development Board – a community initiative of local business people to coordinate and support development in the district – approached the Bank for assistance. In particular the board wanted to improve the quality of life in the region through small business opportunities and by seeking greater Transkei government investment in services in the remote region.

As part of preparation assistance for a Bank project, the People's Participation Unit of the Centre for Institutional Specialists in the Bank set out to investigate institutional arrangements in the region. It immediately identified the need for strengthening the Herschel Rural Development Board by ensuring that it was representative of the 70 000 people of the area dispersed in 32 villages. A number of workshops and discussions, facilitated by the board with support from the Bank, were held in the villages to assist the communities to identify their needs and priorities and how these were to be addressed.

This was the start of a local planning process and it contributed to redefining the representation on the board. By 1989 representatives of the villages were elected to form village development committees whose chairpersons, in turn, served on the Herschel Rural Development Board.

With its strengthened capacity, the board has been able to mobilise not only the people of the area, but also development resources in the region such as the Transkei Appropriate Technology Unit; the Transkei Small Business Development Corporation; a number of NGOs such as Zenzele, a women's organisation promoting small-scale economic projects such as pig and broiler farming, and fence-, brick- and dress-making; and, most significantly, a grant from the the Rural Development Branch of the Office of the Military Council of Transkei.



Urban development



*Div Botha, Group Manager,
Urban Development*

The majority of the projects dealt with by the Urban Development Group over the past year could be classified as technical assistance for economic planning in urban areas and investment in basic urban infrastructure. The projects included innovative and creative elements such as the environmental support grant of R5 000 to the 'Keep Sundumbili Clean' campaign. Continued support was given to the western Cape-based Group Credit Company with an R8 million guarantee to replace the existing start-up loan of R1,5 million. This company grants housing mini-loans of up to R5 000 and has laid the basis for the Independent Development Trust (IDT) to offer joint financial assistance with the Bank.

The already complex political environment in which the Bank has had to support urban projects became even more volatile over the past year. This resulted in more resources having to be used to ensure the proper implementation of projects and to provide support for the maintenance of existing assets. With the more open political environment, new opportunities arose for achieving community involvement in projects. Increasing the level of consultation, which proved to be time-consuming, resulted in resources being allocated specifically to facilitate consultation and negotiation. The emphasis on and resource allocation to address urban structural issues were also increased. Despite this, the Group, with specialist support, was able to achieve a 15 per cent increase in project appraisals at the same staff levels as in the previous financial year.

Support, structural issues and advice. Bank support to steering committees involving local authorities and

community leaders to jointly address development issues started to bear fruit. Most of the urban projects were undertaken in the context of multi-sectoral programmes. This allows appropriate sources of funding to be mobilised for the different elements in the urban environment, including those priorities which fall outside the financing mandate of the Bank, which does not, for instance, provide for financial support of social facilities such as hospitals and schools.

The urban development plan. The Bank is committed to supporting and encouraging local communities to undertake urban development planning in terms of economic opportunities and institutional arrangements, based on regional rather than political divisions.

The urban development plan (UDP) is one of the responses which the Bank has developed to address the context in which urbanisation is taking place. In general, urbanisation can entail significant economic advantages, but poverty and increasing unemployment, together with the historically limited investment in shelter and infrastructure, have created a situation where some South African cities are characterised by

- low incomes and difficulties in obtaining payment for shelter and services
- worsening shortages in shelter, infrastructure and services
- growing demands on scarce financial, managerial and planning resources.

The UDP is intended to:

- establish steering committees representative of the various parties in a particular subregion (including local governments, public utilities such as Eskom, regional services councils, provincial authorities, the private sector and community-based organisations) which will build

consensus over the development approach and allocation of resources for the area

- initiate planning to coordinate economic development programmes and the supply of infrastructure and services where urban areas have been divided among a number of municipalities
- formulate development programmes and projects
- mobilise resources in the public, private and community-based sectors
- mobilise community support and facilitate some degree of cost recovery.

By adopting an integrated approach to development – covering economic, financial, technical, institutional and social issues – the steering committees seek to analyse the given circumstances and how these should be shaped to arrive at the desired outcome. The rationale is, for example, that there is no point in first tarring the roads if the people give a higher priority to, and are prepared to pay for, improved water supply. Alternatively, investing in water is not a good option if there is no institutional capacity to maintain the system or recover the costs. The steering committees will also try to ascertain to what extent cost recovery is possible under conditions of widespread poverty and to what extent appropriate design standards can help resolve this issue by reducing the initial investment cost.

Instances of the implementation of this are already evident in Kubusi-Stutterheim, Galeshewe-Kimberley, Nancefield-Messina, Simile-Sabie and the greater East London area.

Structural issues. The attention given to structural issues was clearly demonstrated in the role that the Bank played throughout the negotiations on the Soweto rent boycott. The inputs made, which eventually led to the Bank facilitating interaction between the

Projects	As at 31 March 1991		As at 31 March 1990	
	Number	Bank contribution R'000	Number	Bank contribution R'000
approved in the financial year	24	258 266	24	150 076
in negotiation, implementation, and fully disbursed	187	955 646	161	675 732
in preparation and appraisal	164	1 451 939	179	699 382
Total	351	2 407 585	340	1 375 114

official and unofficial structures, cost the Bank in the region of R750 000 in man-hours alone. This can be seen as a form of technical support to the structural side of development rather than mere project-related finance.

Through participation in various forums on urbanisation policy, the Bank contributed to a broader based integrated development process which provides not only for development of housing, but also for the enhancement of all aspects which affect the quality of life in urban areas.

- Senior staff members of the Urban Development Group served on the South African Housing Advisory Council (SAHAC) and chaired the private sector liaison working group and the working group for financial matters, where significant contributions were made in advising policy makers on housing and urban matters. With the support of Bank specialists, important qualitative submissions were regularly prepared and evaluations performed. The Bank also played an important coordinating role in the multilateral housing policy discussions between the South African central government and the regional governments.
- When the SAHAC was instructed to review South Africa's housing policy, two Bank staff members were appointed to the Housing Policy Working Group (HPW). On request, the Bank, under technical assistance agreements, also made available professional services to the HPW and the President's Council's Economic Committee reviewing the urbanisation policy of South Africa. Group staff members were also involved in preparing a submission to the President's Council on the approach of the Bank to urbanisation.
- The Urban Development Group also represented the Bank on a committee appointed by the South African Cabinet to look at the optimal utilisation of state allocations to housing.
- The Independent Development Trust (IDT) used staff from the Group as consultants on approaches to be followed in housing issues. The idea of a capital subsidy to enable disadvantaged people to obtain a stand with basic services, which was originally proposed in 1983 and subsequently refined by the Housing Finance Strategy Committee, the Urban Foundation and the Bank, is to be applied as the first major urban

programme funded by the IDT, and the Bank provided advice to the IDT on putting the concept into operation.

- Also an active participant in private sector initiatives, the Urban Development Group was involved in a joint forum with the Association of Mortgage Lenders and the Urban Foundation to address issues relating to the mobilisation of funds for housing and appropriate structures to enable financial institutions to serve lower income segments of the housing market.
- Another local initiative in which Group staff were able to participate was the Johannesburg City Council committee on housing and informal housing. Throughout this participation, the Bank emphasised the importance of community involvement in housing projects. Several meetings were held with officials of the Council to discuss community commitment to development projects.
- As community contact is central to the approach of the Bank the Group has established good relations with civic associations, and made Bank facilities available for workshops. In another instance, the Alexandra Civic Association was assisted by the Group in preparing a submission to the Transvaal Provincial Administration for the development of the Alexandra far east bank.
- A large proportion of the Group's activities centred on assisting with financial adjustment and restructuring, and the consequential institutional support required in developing urban areas. The Bank, for instance, approved a loan of R6,4 million for an urban development structural adjustment programme in KwaNdebele, which will focus on improved policy and institutional matters by assisting borrowers in the development planning process, enabling the selection of sound programmes and projects, encouraging community and private sector initiative, ensuring appropriate and affordable technical standards and redressing regional inequalities.
- Supported by the Centres for Institutional and Financial Specialists, two borrowers currently experiencing repayment difficulties were assisted to regain financial stability. This highlights another feature of the approach of the Bank, namely that a borrower experiencing difficulties is assisted in rectifying its position through a continuing support

Soweto talks

The Bank played a central role in bringing all the interest groups affected by the Soweto rent boycott to the negotiating table. The process started with a Bank report entitled *The finances and economy of Soweto*, drawn up at the request of the Transvaal Provincial Administration (TPA).

The process led to the creation of a Joint Financial Adjustment Committee (JFAC), on which the Bank served as the professional secretariat to the TPA and the City Council of Soweto. At the same time, however, the Bank was involved in negotiations with the Soweto People's Delegation (SPD), which articulated the views of the boycotting Soweto residents. A Joint Technical Committee was also formed, on which the SPD served together with JFAC members. The committee addressed the five demands of the SPD: the writing off of rent and service charges arrears, transfer of the existing housing stock to tenants, acceptance of the principle of a common fiscal base for the subregion, an improvement in the level and standard of services, and affordable tariffs. Resolutions on these issues led to the signing of the Soweto Accord in which the SPD undertook to encourage Soweto residents to resume payment of service charges and also provided for a Central Witwatersrand Metropolitan Chamber to be formed with the participation of the TPA, the city councils of Johannesburg, surrounding Reef cities and greater Soweto, and the SPD and other civic associations.

To the extent that such negotiations result in workable interim arrangements for city government, the way is opened for the Bank and other funding and implementing agencies to accelerate support for development programmes aimed at improving the living environment in the less developed urban areas.

programme rather than merely calling on the guarantor to step in to correct the financial problem.

- While there are certain regulations that inhibit entry of small entrepreneurs into the market-place and the use of local resources, other regulations such as the National Building Regulations have been misinterpreted and incorrectly applied. With the assistance of the Centre for Environmental and Technical Specialists, a discussion paper on the building regulations was written to draw attention to the considerable flexibility allowed under the latest regulations.

Other non-project-related policy formulation activities and technical advice offered by Urban Development Group staff included discussion aimed at assisting with the development of an urban plan in Blantyre, Malawi; presentation of a training course for the Namibian Minister of Housing and Local Government; facilitation of the training of staff and system development by South African building societies for the Swazi Building Society and the Lesotho Building Finance Corporation; provision of background information to the World Bank Urbanisation Mission on South Africa and continuing liaison with other international urban development agencies.

Group structure. To allow the Group to operate more effectively both within the Bank and in the volatile urban environment, a general manager and a group manager to assist him were appointed. At the same time the group was restructured into six regional operational divisions, as well as a Planning Unit and a Policy Application Unit. The staff numbers of the group at the end March 1991 were 69 compared with 58 at the same time in the previous year.

With improved operational efficiency, the managers were freed to deal with the structural issues of development, which they did by embarking on extensive negotiations with local authorities, various extra-parliamentary groups and civic associations and by talking to communities to assess their real needs. This in turn released the project leaders to operate more freely in an environment conducive to the implementation of development projects.

Urban development projects approved in the past financial year.

Region: C

Physical infrastructure for Phuthaditjhaba: Bluegum Bosch (technical assistance grant). To finance the appointment of town planning and geotechnical consultants, as well as consulting engineers, to prepare a feasibility report and do the preliminary planning and design of the first phase of the residential extension of Phuthaditjhaba, known as Bluegum Bosch.

Recipient: Qwaqwa Housing (Pty) Ltd
DBSA finance: R265 800
Total cost: R265 800

Region: D

Dimbaza sewer connections (investment loan). In order to make full use of the reticulated sewers constructed under the original loans to upgrade the town of Dimbaza, and to enable the complete phasing out of the existing bucket sanitation collection system. To finance the construction of toilet buildings, and water and sewerage connections to about 1 240 houses in the old areas of Dimbaza.

Borrower: Ciskei Government
DBSA finance: R3 083 000
Total cost: R3 131 000

Greater Stutterheim urban development plan (technical assistance grant). The urban development plan will support the development of the greater Stutterheim area through a rational planning process which will provide a development strategy and sustainable development programme.

Recipient: Stutterheim Town Council
DBSA finance: R49 000
Total cost: R49 000

Engcobo urban development plan (technical assistance grant). To support and direct the economic development of Engcobo through a rational planning process. This process will provide development guidelines using an integrated approach focusing on economic restructuring.

Recipient: Engcobo Town Council
DBSA finance: R46 200
Total cost: R77 000

Sterkspruit and Herschel urban development plan (technical assistance grant). The undertaking of a development planning process to provide these towns with an appropriate economic development path.

Recipient: Transkei Government
DBSA finance: R25 000
Total cost: R25 000

Region: E

Ezikhawini roads upgrading and rehabilitation – Phase I (investment loan and technical assistance grant).

For the rehabilitation of 68 km of existing bituminised streets and associated stormwater drainage, and the construction of 5 km of link streets and bus and taxi commuter facilities.
Borrower: KwaZulu Government
DBSA finance: R12 742 600
Total cost: R12 907 700

Folweni: Provision of pit latrines (Ingolokodo) (investment loan). The project consists of a number of elements for the provision of urban infrastructure.

Borrower: KwaZulu Government
DBSA finance: R10 316 000
Total cost: R10 916 700

Gamalake – construction of streets and connector services (investment loan). For the construction of about 12 km of streets and associated stormwater drainage in Gamalake, to provide access to residential sectors.
Borrower: KwaZulu Government
DBSA finance: R9 655 070
Total cost: R9 655 070

KwaMashu infrastructure development (investment loan). Upgrading of a reservoir and mains piping, rehabilitation and upgrading of the water reticulation network and upgrading of water supply to areas in KwaMashu.

Borrower: KwaZulu Government
DBSA finance: R35 231 504
Total cost: R35 837 850

Ntuzuma infrastructure development (investment loan). Upgrading of a reservoir, provision of water pipes and a pumping plant in Ntuzuma.
Borrower: KwaZulu Government
DBSA finance: R2 859 000
Total cost: R3 041 000

Region: G

Urban development plan for Messina and Nancefield (technical assistance grant). For the preparation of an urban development plan for Messina and Nancefield.

Recipient: Messina Town Council

DBSA finance: R40 000

Total cost: R40 000

Region: H

Reinforcement and upgrading of electrical reticulation in Ga-Rankuwa (investment loan). The construction of new electrical reticulation, the upgrading of existing reticulation and the wiring of private houses in Ga-Rankuwa.

Borrower: Bophuthatswana Government

DBSA finance: R13 301 000

Total cost: R14 776 000

KwaNdebele urban structural adjustment programme: Phase I (investment loan). For the installation of urban services in KwaMhalanga.

Borrower: KwaNdebele Government

DBSA finance: R6 438 374

Total cost: R6 438 374

Atteridgeville bulk and connector services stormwater drainage (investment loan). For the provision of external stormwater drainage for Atteridgeville Extension 2, which includes an intercepting collector drain, the enlargement of the capacity of the existing railway culvert near Kalafong station, and the upgrading and surfacing of the Mosalo Road extension.

Borrower: Atteridgeville Town Council

DBSA finance: R733 963

Total cost: R1 103 160

Infrastructure and upgrading in Soweto, Dobsonville, Diepmeadow and Alexandra (investment loan). For the provision of infrastructure, including upgrading of the electrical network, restoration of electrical substations, installation of street lighting on main routes, stormwater drainage and the construction of a water reservoir.

Borrower: Regional Services Council: Central Witwatersrand

DBSA finance: R77 061 243

Total cost: R135 016 954

Revision of SA President's Council's report on urbanisation (technical assistance grant). To finance professional expertise and to provide a professional secretariat to assist the Committee for Economic Affairs of the President's Council in revising their report on urbanisation.

Recipient: South African Government

DBSA finance: R60 000

Total cost: R60 000

Region: J

Montshiwa sewer reticulation (investment loan). To finance the design and construction for upgrading the sewerage system together with an additional sewer outfall pipeline in the Montshiwa area.

Borrower: Mmabatho Town Council

DBSA finance: R10 582 480

Total cost: R13 338 100

Mmbatho sewage treatment plant (investment loan). For the financing of the design and construction of the upgrading and extension of the Mitho sewer plant to meet existing and future demand.

Borrower: Mmabatho Town Council

DBSA finance: R2 430 620

Total cost: R3 234 120.

Mmbatho urban development plan (technical assistance grant). For the preparation of an urban development plan.

Recipient: Mmabatho Town Council

DBSA finance: R92 808

Total cost: R108 276

Region: Neighbouring countries

Butha-Buthe Village: Project III – Building works (investment loan). For the construction of a recreation centre, housing, a school, single staff accommodation, a recruitment centre and a workshop.

Borrower: Lesotho Highlands Development Authority

DBSA finance: R13 750 000

Total cost: R13 750 000

Feasibility study: Merger of Lesotho Finance Corporation and Lesotho Bank (technical assistance grant). To finance a study of the feasibility of a merger between the Lesotho Finance Corporation and Lesotho Bank.

Recipient: Lesotho Government

DBSA finance: R70 000

Total cost: R120 000

Katse Village: Project I – Engineering works, supervision and compensation (investment loan). To provide bulk and connector services and internal reticulation (ie roads, stormwater systems, water and electricity supply and sewage treatment, as well as reticulation for all the above); and to finance the supervision of the construction of building and engineering works, as well as supervision of supply for furniture and fittings; compensation for land acquisition.

Borrower: Lesotho Highlands Development Authority

DBSA finance: R21 393 000

Total cost: R22 693 000

Katse Village: Project II – Building works (investment loan). To build a construction camp to support Phase 1A of the Lesotho Highlands Water Project in the short term and to facilitate the development of Katse Village as a regional growth centre in the long term; facilities to be constructed include an operational centre, lodge, housing, school, clinic, ablution block, commercial centre, powerhouse and workshop.

Borrower: Lesotho Highlands Development Authority

DBSA finance: R34 831 700

Total cost: R34 831 700

Katse Village Project III – Furniture and fittings (investment loan). For the manufacture, supply and installation of movable hard and soft furniture (mainly light domestic type), appliances and lodge kitchen equipment.

Borrower: Lesotho Highlands Development Authority

DBSA finance: R3 208 000

Total cost: R3 208 000

Preparation assistance:

Zwelitsha water tower: R72 600

Northern Durban Development Programme: R20 000 000

Internal water and sewerage:

Thohoyandou units C, D, E and J: R93 500

Seshego residential development: R215 000

Mahwelereng: Bulk infrastructure: R150 000

Streets and stormwater drainage in Miluwani: R87 800

Upgrading of collector roads and stormwater drainage: R106 200

Breaking the ice in Winterveld

Years of negotiations bore fruit in early 1991 when the Winterveld community, which had been left out in the cold over plans for its future, elected representatives to serve in the development programme of the area.

The Winterveld people's executive committee would serve in a programme that would affect all aspects of urban community life from social, health, educational, entrepreneurial and institutional development, to the physical development for improved local services.

Winterveld is a programme which was already under way when the Bank was established and therefore does not fully reflect the approach of the Bank in the location of people closer to the urban economic base and place of employment. Despite this, the programme has been able to mobilise community support and represents a good example of the ability of the Bank to put its multisectoral programme approach into effect.

The Winterveld Development Programme began with an agreement in 1979 between the Bophuthatswana and South African central governments. Winterveld was, however, thrust into political prominence by the independence negotiations between the governments, especially since Winterveld was located close to the proposed border. Bophuthatswana accepted Winterveld, with its largely non-Tswana population, as part of its territory on condition that South Africa would assume the financial responsibility for the upgrading and further development of the area.

The agreement between the parties addressed certain matters concerning financial and technical assistance by South Africa in respect of upgrading the area. This was followed by the adoption of an upgrading strategy for Winterveld as well as a five-year financial programme and nine separate implementation agreements.

With the establishment of the Bank in 1983, certain functions of the South African Department of Foreign Affairs were scaled down and the Bank assumed those functions which could be regarded as having purely developmental objectives. The Bank also agreed to assist with the further execution of the Winterveld programme on an agency basis.

Over time it became evident that the community had become increasingly alienated from the programme and that the success of the programme depended on restructuring the actual decision-making environment. By 1990, the South African government and the Bank had re-organised the programme into ten teams which were functionally based according to subprogrammes (such as housing, education and engineering services). Efforts were focused on project outputs of both a physical and a technical nature, with the steering committees of each subprogramme having representation from the Bophuthatswana government, from the multi-disciplinary Bank team and, most importantly, from the community.

It was to take a little longer to restructure the grassroots organisations. Winterveld was characterised by a variety of diverse community structures. For mostly political reasons, these structures were inhibited from holding meetings, organising themselves or mobilising their resources.

A strategy for enhancing people's participation in the Winterveld Development Programme was initiated in August 1990 whereby the Bophuthatswana government undertook to support a request from a community organisation in Winterveld to hold a community workshop.

Later that month a local church held a tea-party to which twenty-two organisations in Winterveld were invited. It was the first time such structures had gathered together for seven years. The Bophuthatswana government and the Development Bank were invited to discuss the development programme. It was an emotional gathering where many participants welcomed the idea of the revitalised programme and offered their support.

It was agreed by the Bophuthatswana government, various groups in Winterveld and the Bank that a community workshop should be organised by a committee made up of various Winterveld residents and to this end a series of community meetings was organised to nominate a community committee.

What followed was a sequence of letters and meetings between the government and community structures in order to organise a workshop to initiate a revitalised programme. The

(Right) A typical street scene in Winterveld. The development programme will address all aspects of the urban fabric.

(Below) Some members of the Winterveld community committee: (from left) Derrick Mosito, Johan Viljoen, Sister Thuli Mzamame, Diamond Motha and Richard Mashigo.



community continued to work towards restructuring itself into a representative body. This body would steer the programme and make use of ten community-based subprogramme teams. These teams would draw on the wealth of existing skills and wisdom within the Winterveld community itself.

In March 1991, an *ad hoc* steering committee was nominated by a number of Winterveld residents and was given the mandate by the Bophuthatswana government to identify further community structures and organisations to participate in the nomination of a committee to organise a community workshop. This led to the Winterveld people electing an executive committee.

The story of the involvement of the Bank thus became not so much a running list of projects, but rather one of a growing awareness of the quality and value of community structures and networks. The true fruits of development came less from projects than from the nurturing of a hospitable decision-making environment.

This is an ongoing growth process in which the greatest teachers are the community itself and its wealth of skills and compassion. The programme and the three sets of actors have become more sensitive, cohesive and direction based.



Rural and agricultural development



*Dr Johan van Rooyen,
Group Manager, Rural and
Agricultural Development*

The economic and social life of the majority of dwellers in rural areas of southern Africa is constrained by poverty and a lack of access to virtually all support services. To focus on economic development in rural areas demands a view of the interrelated problems, opportunities and constraints which the people in these areas experience.

As a result, the Rural and Agricultural Development Group instituted an economic support programme which is directed at alleviating these constraints within the available resource base. Support programmes deal with production activities such as farming and rural industry; consumption activities such as water supply; and infrastructural, institutional and policy development.

The unique and complex cause-and-effect relations in developing rural areas, as well as the present unstable political and social environment, called for innovative approaches and this involved Bank professionals in interaction with regional governments, national interest groups, rural institutions and rural dwellers to establish possible approaches to introducing support programmes. The following examples illustrate some of these activities in the rural and agricultural sector during 1990/91.

Rural water supply. When the Bank was faced with meeting the broader needs of poor rural communities, water was identified as one of the most pressing demands. The supply of water to rural villages is normally viewed as a government responsibility. Maintenance of infrastructure had generally been neglected and in many instances installations had fallen into

disuse. The high capital cost of supplying rural communities with water furthermore restricted the reach of such programmes, leaving many rural villages without a reliable water supply. It became apparent that more cost-effective approaches had to be pioneered, while at the same time ensuring that communities were involved in the maintenance of the water reticulation systems.

A village water supply project was tested when a pilot project with a loan of R700 000 from the Bank was started in Lebowa during 1990. Communities in two villages (with a total of some 5 000 inhabitants) organised themselves into elected village water committees to take responsibility for the management and maintenance of the water supply systems. The basic installation was provided by means of a capital grant from the Lebowa government, funded by the Bank. Operational and maintenance costs were to be paid for by the community. The public sector was called on to start training the committee members to perform managerial, administrative and technical duties, such as operating the pumps and collecting fees.

The approach is proving to be cost-effective as it appears that supplying boreholes and reservoirs to villages is adequate, especially if compared with expensive regional water supply schemes. It has also met the requirement that communities at a grassroots level be involved in the development. The approach has been extended in Lebowa to a Rural Water Supply Programme, where the Bank recently approved an additional R4,7 million loan. The Lebowa Rural Water Steering Committee – which has representatives from the Lebowa government, the village water committees and the Bank – will decide on providing water to villages according to a set of criteria, among

them the degree of community participation and the economic base of the village.

Farmer support programmes. The Small Farmer Support Programme (FSP), which provides for access to finance and support services for improved agricultural production, was successfully extended during the past year to serve an additional 2 000 small farmers. This brings to 30 000 the number of farmers – ranging from dryland and irrigation to livestock farmers – being reached by the FSP supported by the Bank. The FSP approach has also been accepted as an integral part of the Mozambique Sugar Rehabilitation Programme, and appraisal and negotiation with the Mozambican authorities was completed during the financial year under review.

The emphasis of the Bank in the programme is on institutional development, specifically to support the mobilisation and integration of small cane growers and entrepreneurs into the sugar industry. The other aspect of the project is to ensure the provision of disease-free certified seed cane and related inputs to the industry and the small growers. This will be achieved by the phased establishment of field stations.

The Bank has also targeted urban farming – which includes home gardens and production of cut flowers, vegetables and dairy products for the lucrative urban markets – as an area that requires support, and a programme of this nature is already being negotiated for implementation in Soweto.

In the year under review, attention was given to restructuring large-scale estates with pineapple, tea and other crops to accommodate smallholder farmers. The Bank also supported the compilation of an agricultural and rural

Projects	As at 31 March 1991		As at 31 March 1990	
	Number	Bank contribution R'000	Number	Bank contribution R'000
approved in the financial year	10	24 160	14	93 020
in negotiation, implementation, and fully disbursed	135	368 021	141	407 539
in preparation and appraisal	121	278 621	153	521 117
Total	256	646 642	294	928 656

extension manual for use by extension officers serving smallholder farmers, which was released during the year under review.

Community support programmes.

Consultation with poor rural communities led the Bank to initiate an approach to meet the broader needs of these communities. Called the Community Support Programme (CSP), this approach makes funds available to rural projects that range from small-scale home gardening, village water supply, small business activities, dressmaking and bookkeeping, to brick-making, welding, carpentry and village infrastructure development, as well as grassroots institutional development. Such programmes have been successfully implemented in Lebowa, Gazankulu and KaNgwane. Involving local interest groups is a central feature of the CSP.

Forestry and woodlot support programmes.

Forestry, tree farming and woodlot activities have been identified as important community needs. A Woodlot Support Programme (WSP) was finalised during the past year. The WSP aims to alleviate the constraints in forestry and woodlot development in poor rural communities, providing support services similar to those of the FSP. The first project under the WSP is to be implemented in Venda.

To accompany this programme, a Woodlot Development Manual is being compiled to provide source material for support staff in the training of managerial, technical and financial skills.

Interaction with NGOs. Over the past year the Bank was approached by several non-government organisations for assistance, such as the Food Gardens Foundation, which encourages home gardening in townships and rural areas; the Magopa community for a farmer-support programme; the Wartburg Community near Stutterheim for agricultural and business development support; and farmers' associations in KwaNdebele and Venda for farmer-support services.

Strategy and planning. On the macro-economic level, various initiatives were launched by the Rural and Agricultural Development Group. Teams were involved in various regions where strategic planning in the agricultural and rural sectors is under way. These planning activities form part of an integrated rural approach and pay

particular attention to the participation of local communities in the planning process. In the north-eastern Natal/KwaZulu region, black and white farmers are involved in a joint planning forum for regional agricultural development and in Region G agricultural market potential is being analysed. The Group has also been involved in assisting the Lesotho Highlands Development Authority to structure a rural development programme and calculate appropriate compensation packages for farmers in Lesotho who have lost ground to the water project.

Institutional interaction. Staff members featured on organising committees for several international conferences on rangeland management, irrigation development, agricultural extension in developing areas and agricultural restructuring in southern Africa. Various papers were presented at these forums on approaches followed by the Bank and lessons learned from experience.

On a national policy level, the Rural and Agricultural Development Group was frequently requested to supply inputs to and assist in coordinating and compiling activities for discussions and workshops on land reform and food security. Participants in the workshops were drawn from a wide range of interest groups, among them agricultural unions, commodity groups and agricultural cooperatives representing commercial agriculture in South Africa, the ANC Land Commission and Contralesa (Congress for Traditional Leaders of South Africa).

The group was also involved in establishing links with agricultural and rural institutions in southern Africa and internationally. A Farm Systems Research (FSR) network was funded by the Bank and secretarial support given by the Rural Technical Unit, which forms part of the group. It has established a contact network with professionals from agricultural technical institutions in Swaziland, Lesotho, Namibia and Zimbabwe, and various faculties of agriculture in South Africa. The establishment of this FSR network has received international support.

At the end of the year under review the Group's staff numbers totalled 52 compared with 55 on 31 March 1990.

Rural and agricultural development projects approved in the past financial year.

Region: B

Bophuthatswana consolidation land: Ganyesa farmer settlement: Project I (investment loan). For setting up farmer settlement projects on consolidation land incorporated into Bophuthatswana. Opportunities will be provided for the settlement of twenty-one commercially orientated farmers on potentially economically viable units.

Borrower: Bophuthatswana Government

DBSA finance: R3 326 000

Total cost: R16 520 000

Region: D

Kubusi rural development proposals (technical assistance grant). To finance the drawing up of development proposals for the Kubusi area with emphasis on the stimulation of agricultural as well as other rural economic activities.

Recipient: Kei Development Trust

DBSA finance: R29 150

Total cost: R31 650

Region: E

KwaZulu sugar development programme: KwaDlala (investment loan). To support 60 existing small-scale sugar farmers in the Mhlatuze River Valley to establish 275 ha of irrigated sugar cane.

Borrowers: KwaZulu Government and KwaZulu Finance and Investment Corporation

DBSA finance: R1 165 300

Total cost: R1 797 520

Region: F

KaNgwane: Agricultural policy and strategy formulation (technical assistance loan). To assist decision makers in KaNgwane to establish a policy framework and strategic planning guidelines for agricultural development.

Borrower: KaNgwane Government

DBSA finance: R209 300

Total cost: R262 500

KaNgwane farmer support programme IV: Livestock (investment loan). To provide support to 35 existing livestock holders and producers, with the emphasis on improved stock, production inputs and grazing systems.

Borrower: KaNgwane Agricultural Development Corporation

DBSA finance: R2 055 000

Total cost: R3 026 600

Rural and agricultural development projects continued.

Region: G

Agricultural marketing potential study (technical assistance grant). For a phased study to determine the market potential for agricultural commodities in Region G.

Recipient: South African Government

DBSA finance: R187 450

Total cost: R253 456

Tshiombo-Rambuda farmer support programme (investment loan). The introduction of a farmer support programme for approximately 1 000 existing farmers on Tshiombo and Rambuda flood irrigation schemes and the construction of two water storage, conveyance and distribution systems on the Mutale and Tshala rivers respectively.

Borrowers: Venda Government and Venda Agricultural Development Corporation

DBSA finance: R13 697 100

Total cost: R15 230 000

Venda woodlot support programme (investment and technical assistance loans). To enhance the quality of life of rural communities by increasing their access to supplies of wood for domestic fuel and building materials. The project entails the establishment of new, and rehabilitation of existing, community woodlots, each being 5 to 10 ha in extent.

Borrower: Venda Agricultural Development Corporation

DBSA finance: R859 900

Total cost: R1 340 000

Region: Multi-region

Food Gardens Foundation (technical assistance loan). To purchase technical equipment for and finance repairs and alterations to the Resource Centre of the Food Gardens Foundation, an organisation which provides information, guidance and support for implementing food gardening programmes all over southern Africa.

Borrower: Food Gardens Foundation

DBSA finance: R117 300

Total cost: R200 400

Region: Neighbouring countries

Mozambique Sugar Rehabilitation

Programme: small grower mobilisation and field station

development: Phase I – Region 1

(investment loan). To establish a sugar experiment station which will undertake the development of certified seed cane; provide technical know-how and support to sugar-cane farming operations; and formulate and plan a farm systems research programme for the establishment of small cane growers in Mozambique.

Borrower: Banco de Mozambique

DBSA finance: R2 513 700

Total cost: R3 846 810

Preparation assistance:

Taung Irrigation Scheme:

Restructuring: R90 960

Ciskei citrus packhouse facilities:

R84 000

(Right) On less than an acre of ground Mrs Eva Makoka has been able to accommodate the food gardens of some 18 women of the surrounding Kliptown shacks. (Below) Mrs Makoka, who runs an informal clinic at her home, and Joy Nyland (to her left), of the Food Gardens Foundation, with some of the women in Kliptown, Soweto.



Food gardening in Soweto

Several food gardens flourish among shacks and tumbledown houses in Kliptown, Soweto.

The Food Gardens Foundation is a non-profit organisation established in 1977 to help people to feed themselves through affordable, appropriate and proven vegetable gardening methods in rural and urban communities. It makes available information and low-cost seed to facilitators such as health workers, teachers, social workers and other community leaders who establish food garden clubs.

Mrs Eva Mokoka is one of these facilitators. She runs an informal clinic at her Kliptown home and, together with 18 other women in the area, she has transformed the piece of unused land of less than an acre around her home into food gardens. The method has caught on in the area and several food gardens behind houses and shacks now stand testimony to the success of the ingenious method of providing vegetables for a family.

The method is simple: door-sized trenches, half-a-metre deep, are half-filled with rubbish that will decompose, and topped with soil and mulch to conserve the moisture. This method, together with the information, training, support and low-cost seed that the Food Gardens Foundation supplies, provides healthy food and can earn extra cash for the gardeners.

It is estimated that the Food Gardens Foundation, which obtained a technical assistance loan of R117 300 from the Bank, reached 1 000 facilitators in the review year, who in turn have been able to assist some 40 000 families in setting up food gardens to feed their families.



Infrastructure development



Dr Peter Freeman, Group Manager,
Infrastructure Development

Often the largest proportion of public funds in developing regions is spent on infrastructure development. Through advice to its borrowers, the Bank seeks to give assistance to ensure that this necessary but burdensome expenditure maximises the benefits while minimising the costs of services. One of the main considerations, therefore, is to ensure that duplication of services is avoided and that infrastructure is provided only where it is in response to economic market signals.

Closely linked to this is the task of ensuring that infrastructure projects support income generation and job-creation opportunities. Assisting clients in the phasing and prioritising of capital demands, especially where future scenarios are unclear, is another way in which the Bank is able to promote and support sound economic development. For the Bank to be able to fulfil these objectives, there has been a trend towards a more critical appraisal of new infrastructure projects than in previous years, leading to fewer but sounder investment decisions.

The infrastructure projects which the Bank funds are often not directly financially viable, but can be justified in broader economic terms. The requirement for economic viability is that there must be a sound economic base which will be enhanced by the infrastructure and which will therefore be able to generate the financial means to recover costs. The Bank does, however, strongly urge its borrowers to recover costs directly from investment in infrastructure projects that lend themselves to user charging. Where a project has the potential to yield a profit for the investor, the Bank encourages its borrowers to consider solutions involving investment by the private sector.

Projects	As at 31 March 1991		As at 31 March 1990	
	Number	Bank contribution R'000	Number	Bank contribution R'000
approved in the financial year	12	60 518	41	619 600
in negotiation, implementation, and fully disbursed	245	2 357 900	234	2 260 360
in preparation and appraisal	140	2 147 279	166	2 618 047
Total	385	4 505 179	400	4 878 407

Increasingly the priority need articulated by Bank clients – the poor in southern Africa – is for the provision of water, energy, roads, electricity and, finally, telecommunications.

Water. Water provision is seldom financially viable in the developing areas of southern Africa. However, when the social and health benefits arising from the provision of potable water are considered, many projects become economically justifiable. By aiming at more appropriate levels of cost recovery and technical design, the Bank intends to reduce the amounts which the end-user requires for subsidy, and to ensure that the implementing institution has adequate management capabilities for the operation and maintenance of the installation. An important factor that determines an institution's capabilities is to what extent it receives support from the community. (See insert on Saulspoot.)

Energy and electricity. The Bank's energy development programme provides for planning of alternative energy and demonstration projects, as well as the financing of conventional electricity provision at an affordable rate.

In Region G, for instance, authorities from Pietersburg, Venda, Lebowa and Gazankulu are initiating an energy policy forum with the assistance of the Bank. The forum aims to agree on a strategically sound policy which will lead to demonstration projects for solar energy, woodlots and conventional electricity through joint-venture corporations and the development of other alternative ways to meet the energy demands in the region.

Among the alternative energy pilot projects funded by the Bank are two projects in KwaZulu. They are a photovoltaic water-pump for irrigating community gardens at Sondela, with a

total project cost of R82 000, and a water-wheel-driven pump for irrigation at Zashuka, to which the Bank contributed R27 000. Energy and forestry programmes involving alternative energy supply options, such as privately run woodlots, have also been financed in Venda and Transkei. In evaluating the outcome of these pilot projects, replicability is an important criterion.

Conventional electricity generation and distribution projects in low-income urban and remote rural areas are often not directly financially viable, especially where the collection of even subsidised rates is affected by political actions. Indirect benefits, such as environmental protection and improved health because of reduced pollution, can justify such projects economically in some cases. The approach of the Bank is to give close attention to institutional and technical design factors that can keep down initial investment cost and ensure community support.

Roads. Economic justification for low-usage roads is based, as is the case for higher order roads, on user benefits such as value capture (through increased land values adjacent to the new facility) and increased tax accrual rates (through increased income on rates and taxes). However, the use of public funds to finance a conventionally built rural road can rarely be justified. The Bank has started a process of introducing more innovative, cost-effective approaches, such as labour-intensive construction and maintenance of roads, which sets new standards. The entirely labour-built road in the Xolo district of KwaZulu was a demonstration project which has been followed by a Bank-funded tribal roads maintenance study.

Labour-built tribal roads

The Bank is providing financial and technical support to promote a community-driven, self-reliant and development-focused approach to low-traffic roads in tribal areas.

The local development committee of the entirely labour-built Xolo experimental road near Izingolweni in KwaZulu will be responsible for financing and managing all aspects of maintenance and repair of the road with minimum assistance from the KwaZulu government.

Having learnt many valuable lessons from this pilot project, the Bank has started a tribal roads maintenance study to determine how best to harness community initiatives so that local communities can take charge of their own road programmes with minimum technical and financial support from regional government.

The Xolo road – entirely hand-built – used a construction method which makes the building of low-traffic roads more feasible.



The 14 km gravel Xolo road, opening access to two primary schools and a local community shopping centre, cost R727 000. Although the cost was higher than desired for this type of road, the initial expense can be regarded as start-up costs because at least one private entrepreneur has taken up the challenge to build labour-intensive roads as a commercial venture in the same area.

Telecommunications.

Telecommunications systems are generally financially viable because the communities requiring telephone systems are able to afford the service. However, where no infrastructure exists, concessionary financing is initially required for basic installations. For example, the first five phases of the Bophuthatswana Telecom project, which provided for the installation of lines and exchanges, were funded by the Bank. Phase 5 alone, which was approved in the previous financial year, cost a total of R70 million. The project will in due course enter a sixth phase for extension to the existing system and this phase is expected to be funded by the private sector. This will mean that the project will have become financially viable and cost recovery will be able to begin in earnest to assist the redemption of the initial Bank loans.

The Infrastructure Group had 34 staff members in the year under review compared with 40 in the previous year.

Infrastructure development projects approved in the past financial year.

Region: C

Augmentation of greater Thaba 'Nchu regional water supply scheme (investment loan). For construction of a main storage reservoir and rudimentary reticulation to provide a safe and reliable source of water to the peri-urban population in Bultfontein zones 1, 2, 3 and 4.

Borrower: Bophuthatswana Government

DBSA finance: R1 986 500

Total cost: R3 973 000

Qwaqwa passenger transport study (technical assistance grant). For an investigation into alternatives for the ownership and management of the bus service.

Recipient: Qwaqwa Government

DBSA finance: R132 000

Total cost: R220 000

Region: F

Upgrading of Eerstehoek-Diepgezet-Havelock road: Phase I (investment loan). For the design and construction of 14,5 km of surfaced road as the first phase of the upgrading of the Eerstehoek-Diepgezet-Havelock road.

Borrower: KaNgwane Government

DBSA finance: R15 391 000

Total cost: R15 391 000

Region: G

Construction of Hlaneki bulk water scheme (investment loan). For the construction of a bulk supply pipeline and internal standpipe reticulation to supply the Hlaneki subregion.

Borrower: Gazankulu Government

DBSA finance: R940 000

Total cost: R949 000

Completion of reconnaissance study of Mutale pumped storage scheme (technical assistance loan). To complete the reconnaissance study on the Mutale pumped storage scheme.

Borrower: Venda Government

DBSA finance: R225 000

Total cost: R225 000

Construction of Nwaridi River bridge (investment loan). For the design and construction of a bridge on the Venda/Gazankulu border over the Nwaridi River in the Tshitale (Venda) and Hlanganani (Gazankulu) subregion.

Borrowers: Venda and Gazankulu Governments

DBSA finance: R1 970 000

Total cost: R1 985 000

Implementation of sundry electricity extensions to consumers (investment loan). For the connection of electricity consumers dispersed throughout Venda to the existing bulk electricity grid.

Borrower: Venda Electricity Corporation

DBSA finance: R4 000 000

Total cost: R4 388 000

Region: H

Construction of pipeline: Ekangala to Tweefontein (investment loan). For the construction of a treated water pipeline from Ekangala to the existing bulk network at Tweefontein.

Borrower: KwaNdebele Government

DBSA finance: R18 805 000

Total cost: R18 805 000

(Right): An ornately dressed Basotho herdsman on the newly built road to Katse near the Malimabatso bridge.

(Below): Mr Japie Mojapela, in his Batlounge Store, at Khohlontso near Thaba Tseka, has opened three stores and accommodation for overnight travellers since the new roads were built.

The High Road

A revolution of economic and social upliftment has begun in the previously remote Lesotho Highlands.

This mountainous region has been injected with new life and the hope of more to come. Not only has the area become accessible to construction workers for the Lesotho Highlands Water Project (LHWP), which was the main reason for the road construction, but communication and other goods and services from the outside world have also become available, improving the economic choices of people in the remote hinterland.

Mr Japie Mojapela has opened three stores along the road between Thaba Tseka and Katse. He has also built overnight accommodation for bus commuters and other travellers on the Thaba Tseka/Katse/Leribe/Maseru route. He has been able to purchase his own truck, which enables him to save on delivery costs, and his wife left teaching in 1988 to help to run his thriving stores.

The previously built, but difficult to maintain, west/east road between Maseru and Thaba Tseka, the main village in the Highlands where there are a hospital and police regional headquarters, is now being used by less traffic and has become easier to maintain.

The new northern access road, financed by the Bank to provide access to the rugged terrain where the LHWP Katse dam is under construction, provides an alternative route. In places as high as 2 800 metres above sea level, this surfaced road via Pitseng to Katse and the unsurfaced southern access road to Thaba Tseka have drastically improved accessibility and have reduced travelling time substantially. The Bank was instrumental in planning the routing and design of the roads to maximise these spinoff benefits to the local economy.

Since these roads were built, workers in the remote villages have had easier and cheaper access to public transport. Now taxis and buses run to-and-fro, allowing people who work in the Lesotho Lowlands or South Africa to go home for week-end visits, bringing with them welcome remittances and strengthening family ties.

Previously traders in the area waited months for supplies to arrive, and the rugged terrain wrecked hardy delivery vehicles. Since the new road was



finished goods turnover is faster, introducing a flow of cash that enables store-keepers to keep larger stock levels. Wares are being delivered regularly and far more cheaply. Among these goods are newspapers, bringing news of the outside world, while people in the surrounding villages travel shorter distances to do their shopping.

In a survey conducted among more than 700 villagers by the University of Lesotho on the construction of the southern access road, 92 per cent believed that the new road was a good thing. Only 6 per cent of the respondents regarded it negatively. Of those that were pleased about the road, 89 per cent said transport availability and reduced travelling times were the most important contribution made to their lives. Before construction, it used to take up to two days to go shopping in Thaba Tseka. The villagers also had had problems with their sick, as carrying them on stretchers or on horseback over the same distance was harmful. In addition, the road has made it much easier to reach destinations further from the Highlands, such as Maseru and South African towns. Some respondents commented that they could now reach their families that they previously seldom saw.

Feeder roads, as part of the Lesotho Highlands Development Authority (LHDA) rural development programme to link the arterial road, are being planned and will further improve access for the local community.

Other problems raised were that road safety needed attention, but already children were being educated on this in their schools.

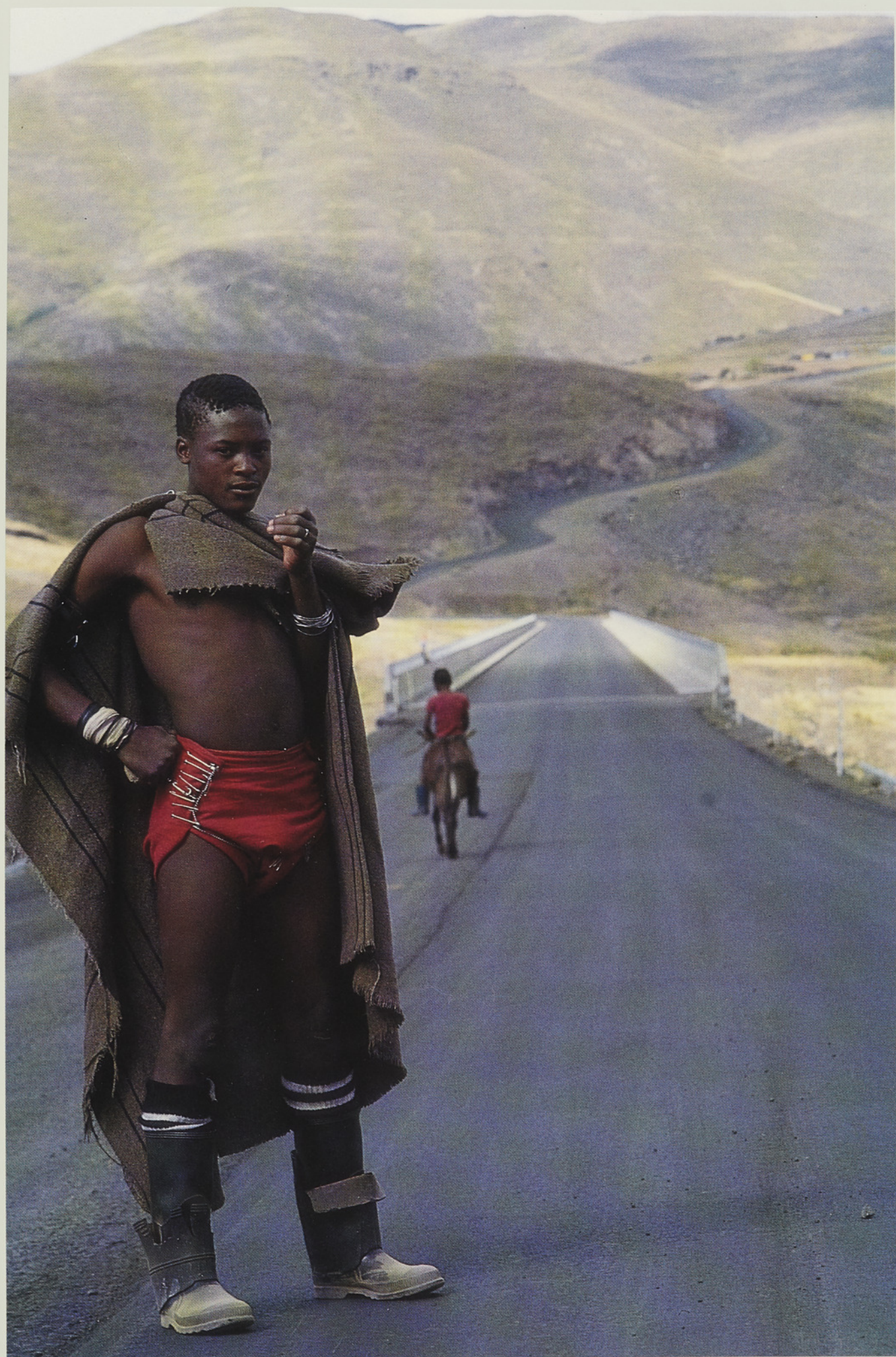
The survey found that those who felt that the money could have been better spent called for improved water supply, clinics and shopping centres closer to their villages, bridges to cross the river and agricultural development projects.

The changes to life in the Highlands have, however, also had negative effects. Social misconduct has increased and 40 per cent of the respondents complained about the effect that the freer availability of liquor has had on their family lives. The survey found that some families had broken up since the construction of the road started, as some young wives of migrant workers had established relationships and moved off with road construction workers.

These aspects highlight the need for local employment-creation programmes that can be articulated through tourism and rural and agricultural development, together with large infrastructure investments.

The families that were moved for the road construction were compensated with new homes and were satisfied with the durability of these houses. The issue of grain compensation for arable land lost has been addressed in the LHDA rural development programme, providing those affected with an alternative source of income.

Fears that, on completion of the dam, job opportunities would wane, were already being investigated by the Bank to see whether Basotho entrepreneurs could be assisted to form small road-maintenance crews and make use of other skills gained. Private sector developers were also looking at developing tourism facilities in these previously inaccessible and unspoilt regions within an environmentally sound development strategy.



Supply-driven water

The Saulspoort pipeline project (in Region J) will supply bulk water from the La Patrie reservoir in the east to several villages over a distance of 75 km from Saulspoort through Ruighoek to Mabeskraal. About 50 000 people will benefit from the project, with the first water expected to be delivered by mid-1991. At present only 7 000 people in the region have access to a safe water supply.

While the installation of pipes would create employment for about 500 local people, the Bank was concerned that the community should continue to benefit through employment opportunities and skills training in the maintenance of the project and in community-supported projects such as brick-making and household vegetable gardens once water was supplied.

The project is within the Mankwe district, where several ferrochrome mines and advanced tourism facilities (among them the Pilanesberg Game Reserve) are situated. The region's annual population growth is 3,3 per cent. It is a region with growth potential as an increase in average annual household income from R1 900 in 1978 to R7 000 in 1987 has meant that the majority of the inhabitants are able to afford appropriate levels of services and have been able to commit themselves to cost recovery of the loan.

Following a request by the Bophuthatswana government, the Bank set out to verify whether the expressed need for the project was supported by all groups in the area. This included an in-depth socio-economic survey and contact with those groups which would have an interest in water supply.

To ensure that the participation process would be supported by the community as a whole, village water committees were elected and local tribal council structures were strengthened through advice and training. The village water committees were formed to consult and make decisions on where stand-pipes should be situated in



Villagers from Mabeskraal line trenches with soft soil to accommodate the trunk mains that will bring water to their village in arid northern Bophuthatswana.

the village. They also had the opportunity to select affordable reticulation systems of their choice.

A door-to-door survey was conducted to assess consumer preferences and it was decided to supply both stand-pipes and yard connections. Users of stand-pipes, within 250 metres, are to be charged R4 per month while those users who can afford yard connections are to pay a deposit of R850 and 54c per kilolitre consumed. Industrial users in the same scheme will pay a much higher charge.

A local management committee for the project was formed with representatives from the Bophuthatswana Water Supply Authority, tribal authorities and the village committees. This acceptance of community participation by the government represents a breakthrough in development projects in the region, illustrating that beneficiaries should take responsibility and influence policy from the bottom up.

The community agreed to tariffs and user-charges and requested that the community be trained financially to manage and technically to maintain the installation. This approach to water supply can become a model to other developing areas where similar approaches will be adopted to ensure sustainability of the supply of water and long-term financial viability.

Infrastructure development projects continued.

Region: J

Rehabilitation of Mafikeng concrete roads (investment loan). For the reconstruction of 28 km of existing concrete roads which form part of the primary road network serving Mafikeng and Mmabatho.

Borrower: Bophuthatswana Government

DBSA finance: R12 543 000

Total cost: R29 387 000

Upgrading of road maintenance depots: Phase I (investment loan). For the upgrading of seven road maintenance depots which form Phase I of a programme to upgrade twenty-seven depots.

Borrower: Bophuthatswana Government

DBSA finance: R3 737 500

Total cost: R7 475 000

Region: Multi-region

Investigation into Bophuthatswana Air (Pty) Ltd: Marketing study (technical assistance loan). For

financing the appointment of consultants to undertake a marketing study and develop and implement marketing strategies for passenger, freight and other aircraft usage.

Borrower: Bophuthatswana Air (Pty) Ltd

DBSA finance: R108 000

Total cost: R120 000

Region: Neighbouring countries

Upgrading of the southern perimeter road (technical assistance loan). For the preliminary design and economic feasibility assessment of about 90 km of single-lane road to appropriate standards between Mphali and Qacha's Nek.

Borrower: Lesotho Government

DBSA finance: R680 000

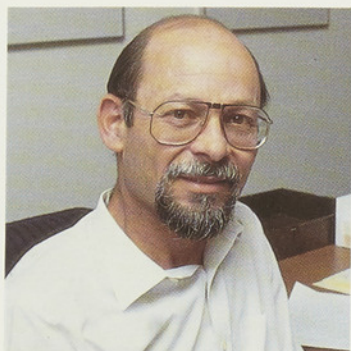
Total cost: R680 000

Preparation assistance:

Construction of Giyani to Thomo road: R440 000

Upgrading of road L23 from Ga-Kgabudi to Mogalakwena: R530 000

Human resources development



*Dr Elie Orbach, Group Manager,
Human Resources Development*

The Human Resources Development Group maintained its support of project work during the past year, while increasing its attention to matters of policy, strategy and reform. Typical projects included the construction of the Ciskei Technikon at Fort Jackson and the University of Transkei Technikon in Butterworth, the addition of residences to Fort Hare University in Alice and to the College of Education at Ezakheni, the construction of a commercial-technical high school in Umlazi and a manpower training centre in Thaba Nchu, as well as the development of teacher training strategies for the Departments of Education of Transkei and KwaZulu, and the formulation of strategies for manpower development in Venda and Gazankulu.

In previous years, attention was given to shortcomings in educational policy and strategy largely as a result of concern for the adequacy of specific investment projects under consideration. During the past year, however, the focus changed considerably. Seizing opportunities which came to the fore as a result of political changes, the Human Resources Development Group began focusing on the need for comprehensive reform and restructuring in education, and increased its involvement in the debate on the future of education in southern Africa.

Education sector analysis. The role played by the Bank in advising the Joint Financial Adjustment Committees greatly intensified the switch of attention in the Group to matters of reform and restructuring. It also necessitated a more comprehensive and sophisticated analysis of education in

the various regions concerned. In order to fulfil its task effectively, the Group developed and implemented during the past year a methodology for data collection to facilitate education sector analysis. A sector analysis was initiated for each of the regional governments and for the country as a whole and will be updated on an on-going basis. It will also be extended to cover the non-formal education and training sector.

The sector analyses have already produced a wealth of information on the various education systems, as well as insight into possible restructuring of these systems. They have highlighted, for example, the fact that education budgets in many areas represent between 25 and 45 per cent of the total budgets, that the provision and extension of schooling consumes 95 per cent of the education budgets, and that recurrent costs – predominantly the salaries of teachers and administrators – consume 85 per cent of this provision. Very little goes towards improving the quality of education, towards the containment of costs or towards improving the use, efficiency and effectiveness of educational resources.

The Group discussed these matters with departments of education, and also shared its analyses with bodies such as the World Bank and other local and international development aid agencies. Of particular importance were the discussions with departments of education, because these had immediate implications for resource allocation and budgeting within the education sector.

Two aspects which were given special attention by the Group during the year under review were the need for more efficient and more cost-effective school building design and the tendency towards over-provision of teachers by colleges of education in certain regions.

Appropriate school building standards. In consultation with technical staff of the Centre for Environmental and Technical Specialists, the Group examined a variety of school and classroom designs, as well as a variety of construction methods, with the aim of identifying designs and methods which could lower the cost of construction without reducing the quality of facilities or their aesthetic appearance.

The backlog in the provision of physical facilities for education and the constraints imposed on education budgets over the years made it necessary to come up with new, more appropriate designs and methods which would allow more schools to be built for less money. Having identified several such designs and methods – some already in use on a limited scale – the Group embarked on an initiative to advise education departments of these, and to encourage them to adopt the new designs and methods. This initiative will continue during the coming year.

Teacher demand. As a result of many new applications to support the expansion of existing colleges of education, or the construction of new ones, the Group became aware of an emerging trend towards an over-supply of teachers from these colleges. The Specialist Unit in the Group analysed the demand for, and supply of, teachers in various regions, and realised that some departments of education were expanding facilities for teacher training at rates much higher than called for by the demand for teachers. It was also realised that in many cases too many students admitted to colleges of education were allowed to select secondary school teaching as a career while the greater demand was for primary school teachers, and too many were

Projects	As at 31 March 1991		As at 31 March 1990	
	Number	Bank contribution R'000	Number	Bank contribution R'000
approved in the financial year	8	103 332	12	109 942
in negotiation, implementation, and fully disbursed	66	534 417	60	452 391
in preparation and appraisal	31	237 480	39	305 655
Total	97	771 897	99	758 046

allowed to select teaching specialisation subjects from among the humanities and social sciences, when the greatest demand was for teachers of the physical sciences and mathematics.

Consequently, the Group devised a new set of guidelines for investment in colleges of education. The guidelines provide that the Bank will support the addition of physical facilities for teacher training only where the supply of teachers in a given region is proven to be clearly inadequate to meet the demand; where all teacher training facilities in the region have been taken into account; and where adequate measures are taken to ensure that the teachers trained will meet the demand in terms of levels and subjects of specialisation.

The Group initiated a series of discussions with all its client departments of education to draw their attention to the new guidelines, and to encourage them to plan better the provision of teachers. The discussions will continue in the coming year and the Bank will support technical assistance projects aimed at the development of strategies and plans for teacher training.

It is expected that the trend towards the involvement of the Group in non-project-related, general strategic advice will intensify in the coming year. The number of new investment projects may decrease and the accent in project work will shift towards the maintenance and protection of educational assets. Staff numbers in the Group have remained relatively unchanged at 29 at the end of the year under review compared with 28 in the previous year.

Human resources development projects approved in the past financial year.

Region: C

Thaba'Nchu Manpower Centre (investment loan). To provide financial assistance for the establishment of a training facility in Thaba'Nchu to address the technical, community-based (non-formal), entrepreneurial, career and vocational guidance, and agricultural skills requirements of Bophuthatswana and specifically Region C.

Borrower: Bophuthatswana Government

DBSA finance: R2 982 000

Total cost: R15 464 000

Folweni Learning Centre – a community initiative

Mrs Augustine Bele, a 64-year-old retired teacher, brooded over the construction of the Folweni Community Learning Centre as she encouraged the builders from the township in their labours and assisted the committee.

As a member of the Folweni community committee she volunteered to liaise between the community and the KwaZulu Training Trust for the construction of the Folweni Community Learning Centre, the multi-purpose community hall. It was a unanimous decision in the otherwise strife-torn community of Folweni, a township of about 300 000 people in the undulating Umbumbulu district, 10 km south of Umlazi, near Durban.

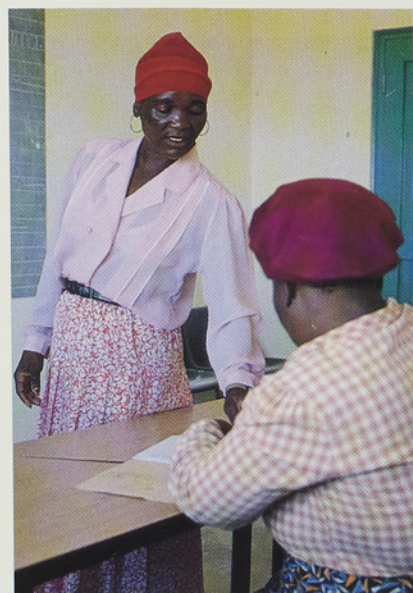
Having witnessed during her career the state of literacy deteriorate alarmingly and realising that most people in her community could not even read the Bible, Mrs Bele, in close consultation with the Durban-based literacy programme Operation Upgrade, decided to start literacy classes from her home.

The first group of eighteen adults who benefited from the exercise urged her to convene a community meeting in 1983. There a resolution was passed that the problem of illiteracy in the community be investigated thoroughly.

Negotiations between the Folweni community and KwaZulu Training Trust (KTT) for the establishment of a community learning centre were concluded in 1989. A site next to the Folweni High School was secured. Assisted by KTT, the community approached the Bank for a loan to finance the capital costs of the centre. With a Bank loan of R690 514 and the balance of the total costs of R855 589 secured through donations, the agreement was signed. Repayment of the Bank loan was to be the responsibility of KTT with the assistance of the community, who would be charging fees for courses presented at the centre and for renting of the hall.

The community had plans drawn for a building that would be used to run courses in literacy, technical skills (eg vehicle repair), homecrafts, survival skills (eg growing of food), producer skills (eg handicrafts) and general

Mrs Augustine Bele (right) at the recently completed Folweni Community Learning Centre. Block-making is one of the skills taught to candidates, who produced material for the construction of the centre. These bricks are still being made and sold to the local community. (Below) An adult literacy class in progress at the centre.



entrepreneurial training, as well as to provide a market outlet for the community's wares. A second phase would include a workshop block, with estimates at current costs in the region of R220 000.

Approval of the building was secured. Construction began in early 1990 and neared completion early in the 1991 financial year. So far, the first courses to be presented at the centre include the formal educational upgrading of 178 adults (between literacy level and matric) and courses such as Red Cross Society courses in first aid, door-size gardening and candle-making, attended by 160 people. Two community producer groups have also been established to do silk-screen printing and block making (at 1 000 blocks per day). The University of Natal's Community Training Support Group is using the centre in its diploma course in Community Development.

Asked about her enthusiasm for the project while she stood in unrelenting rain on the muddy site at the edge of the township, Mrs Bele replied: 'I am called to serve my people. More of these centres need to be built. They are the tools for fighting illiteracy, poverty and the unemployment prevailing in this country. This centre has really helped to add value to the people of this region.'



Human resources development projects continued.

Region: D

University of Fort Hare: Construction of student residences (investment loan). For the construction of additional residential accommodation for 130 female students.

Borrower: University of Fort Hare

DBSA finance: R6 219 200

Total cost: R6 993 400

Region: E

Gamalakhe College of Education (investment loan). For the master-planning, design, construction and commissioning of a college of education for secondary school teachers which will initially accommodate 650 students.

Borrower: KwaZulu Government

DBSA finance: R48 956 000

Total cost: R50 416 000

KwaZulu Teacher Training College (investment loan). For acquisition of the Natal Technikon campus in the Durban CBD from Natal Technikon by the KwaZulu Department of Education and Culture to provide in-service courses for teachers, pre-service training programmes and in-service training for principals, heads of departments and other managerial staff.

Borrower: KwaZulu Government

DBSA finance: R6 000 000

Total cost: R12 000 000

Region: F

Elijah Mango College for Higher Education: Phase II (investment loan).

For physical facilities to accommodate an additional 600 students at the Elijah Mango College of Higher Education.

Borrower: KaNgwane Government

DBSA finance: R14 996 600

Total cost: R15 029 600

Region: G

Lebowakgomo Commercial High School (investment loan). For the construction of a national commercial high school for 600 pupils, with residential accommodation for 210 pupils and two staff members.

Borrower: Lebowa Government

DBSA finance: R9 850 000

Total cost: R10 115 000

Univen Phase IV: Student residences (investment loan). The renovation of existing facilities to accommodate a maximum of 144 female students and construction of new facilities to accommodate a maximum of 256 male students for a total accommodation on campus of 460 students.

Borrower: University of Venda

DBSA finance: R12 347 300

Total cost: R12 347 300

Region: Neighbouring countries

Lesotho: Civil construction training needs (investment loan). For the establishment of a civil construction training unit at Thaba Tseka for pre-employment training of unskilled Basotho persons, to accommodate on average 76 trainees per month.

Borrower: Lesotho Highlands Development Authority

DBSA finance: R1 981 000

Total cost: R2 631 000

Preparation assistance:

KaNgwane: Third College of Education: R150 000

Business and entrepreneurial development



Nick Christodoulou, Acting Group Manager, Business and Entrepreneurial Development

The provision of equitable access to market opportunities for entrepreneurs from poorer communities is critical for uplifting the quality of life of such communities and reducing economic inequalities. This is the challenge facing all development agencies in southern Africa. The Bank's Business and Entrepreneurial Development Group responded by making expertise and finance available to development corporations and several non-governmental organisations (NGOs) providing support to emerging entrepreneurs. The support programmes of the Bank addressed issues such as:

- access to finance
- upgrading of technical and business skills
- premises from which to trade
- regulations affecting entrepreneurs
- enabling legislation and an empowering environment for entrepreneurs.

About 18 000 entrepreneurs receive Bank-related assistance through a broad spectrum of development institutions. To ensure that the support programmes are both effective and in response to community needs requires intensive interaction with business associations on a sectoral and regional level, as well as with development institutions, to guard against duplication of programmes. During the year under review, the Group had numerous discussions with the National African Federated Chamber of Commerce (Nafcoc), the Foundation for African Business and Consumer Services (Fabcos) and other representative groups, especially with regard to removing the obstacles to entry into the market for entrepreneurs

who have been historically disadvantaged. The Group also met with regional development corporations, the Small Business Development Corporation and the Independent Development Trust to coordinate development support.

With the rapidly increasing urbanisation and waning employment opportunities in the formal sector, several entrepreneurial groups and individuals presented programmes which offer assistance to emerging entrepreneurs in the informal sector. The Bank identified these as excellent opportunities for supporting community-based entrepreneurial initiatives. Assistance is given to these organisations to strengthen their management skills in administering sustainable projects.

NGOs. A number of non-governmental organisations involved in entrepreneurial development were given support by the Bank. These organisations, and the projects which the Bank financed, include:

- the Urban Foundation, to assist with its support to contractors in the Pretoria-Witwatersrand-Vereeniging area
- the Triple Trust, for its comprehensive support programme to local entrepreneurs in the informal sector of the western Cape
- the Independent Business Enrichment Centre (Ibec) in East London, which supports small community-based business programmes
- the Eastern Cape Building and Allied Contractors Association (Ecbaca), which was provided with technical assistance to design a support programme for contractors in the Port Elizabeth area
- the Black Travel Agents Association of South Africa (Batasa), which was given technical assistance to assess and design a support programme for

emerging tourism entrepreneurs

- the Phalaborwa Foundation, which is involved in small business development in the northern Transvaal region
- the Namibia Development Fund, which the Bank advised on several NGO applications supporting small business.

Industrial development. Besides the emphasis on supporting emerging entrepreneurs in the business sector, the Group remained involved in facilitating the establishment of industrialists in developing regions. However, the nature of this involvement changed substantially with the shift in the focus of the regional industrial development policy from one of compensation for locational disadvantages to one based on responding to market signals and commercial investment criteria. The Bank played a strongly supporting role in this change, and its influence was further highlighted by its consistent approach to support industrial development only where it was satisfied that a distinct comparative advantage existed.

Tourism. As not all regions have comparative advantages for industrial development, a multisectoral approach is essential for sustainable development. The Group therefore worked closely with Satour to develop a strategic framework for tourism development in southern Africa. The approach followed was structured specifically to include participation by all the tourism industry stakeholders. Workshops were held in all of the development regions and proposals on strategic guidelines for the industry and adjustments required in tourism institutions were debated with a broad spectrum of participants. As a result of these workshops, a strategic framework for tourism development evolved

Projects	As at 31 March 1991		As at 31 March 1990	
	Number	Bank contribution R'000	Number	Bank contribution R'000
approved in the financial year	6	23 240	11	241 667
in negotiation, implementation, and fully disbursed	96	1 142 561	83	1 088 376
in preparation and appraisal	64	106 905	63	294 589
Total	160	1 249 466	146	1 382 965

which included recommendations to facilitate the development of the tourism potential of southern Africa consistent with the long-term social, economic and cultural priorities of the region.

In another development, a workshop arranged by the Group together with the Centre for Environmental and Technical Specialists was held in July 1990 to examine the numerous and difficult issues surrounding the private sector's involvement, especially in tourism, in protected areas. The workshop set out to identify the constraints which inhibit private sector involvement and to determine the conditions under which conservation bodies should permit such involvement, as well as to develop a mutually acceptable framework.

The Group had 29 staff members at the end of the year under review compared with 34 in the previous year.

Business and entrepreneurial development projects approved in the past financial year.

Region: D

Strategic institutional analysis of the corporate development institutions in Ciskei (technical assistance grant). To re-assess the mission and related issues of the Ciskei People's Development Bank directed at the restructuring of the organisation.

Recipient: Ciskei Government
DBSA finance: R40 509
Total cost: R67 515

Region: F

KaNgwane Statutory Bodies Act (technical assistance grant). For the appointment of consultants to prepare an enabling Act for the KaNgwane Government.

Recipient: KaNgwane Government
DBSA finance: R50 200
Total cost: R50 200

Small business development: Project II (investment loan and technical assistance grant). To provide financing for working capital, equipment and physical facilities, as well as training and counselling, for emerging entrepreneurs as individuals and groups in KaNgwane's commercial, manufacturing, service and construction sectors. In addition a grant is provided for an interim training strategy focusing on entrepreneurs and village development communities. In total, 2 294 entrepreneurs will benefit from the project.

Borrower: KaNgwane Economic Development Corporation
DBSA finance: R3 969 600
Total cost: R6 852 500

Region: G

Establishment of a geochemical data base for Venda (technical assistance loan). To finance the drawing of a country-wide geochemical map for the South African geological survey to identify prospecting targets for the private sector to pursue.

Borrower: Venda Government
DBSA finance: R280 000
Total cost: R3 040 000

Mkhulu industrial development: Project I (investment loan). The construction of six standard factory buildings at the industrial development point of Mkhulu, to accommodate eight industrialists.

Borrower: Gazankulu Development Corporation
DBSA finance: R2 900 000
Total cost: R3 352 100

Region: Multi-region

Bophuthatswana small business development: Project II (investment loan). To finance physical facilities, working capital and equipment, and training and counselling, for emerging entrepreneurs in Bophuthatswana. In total, 4 721 entrepreneurs will benefit from the project.

Borrower: Bophuthatswana National Development Corporation
DBSA finance: R16 000 000
Total cost: R41 435 700

Mr Lennox Galeni (right) is a contractor in Sundumbili township next to Isithebe.

(Below) Mr Derrick Eagleton of Tholiwe with four of the five Sundumbili contractors: (from left) Mr Zuma, Mr Galeni, Mr Magwaza and Mr Phungula.



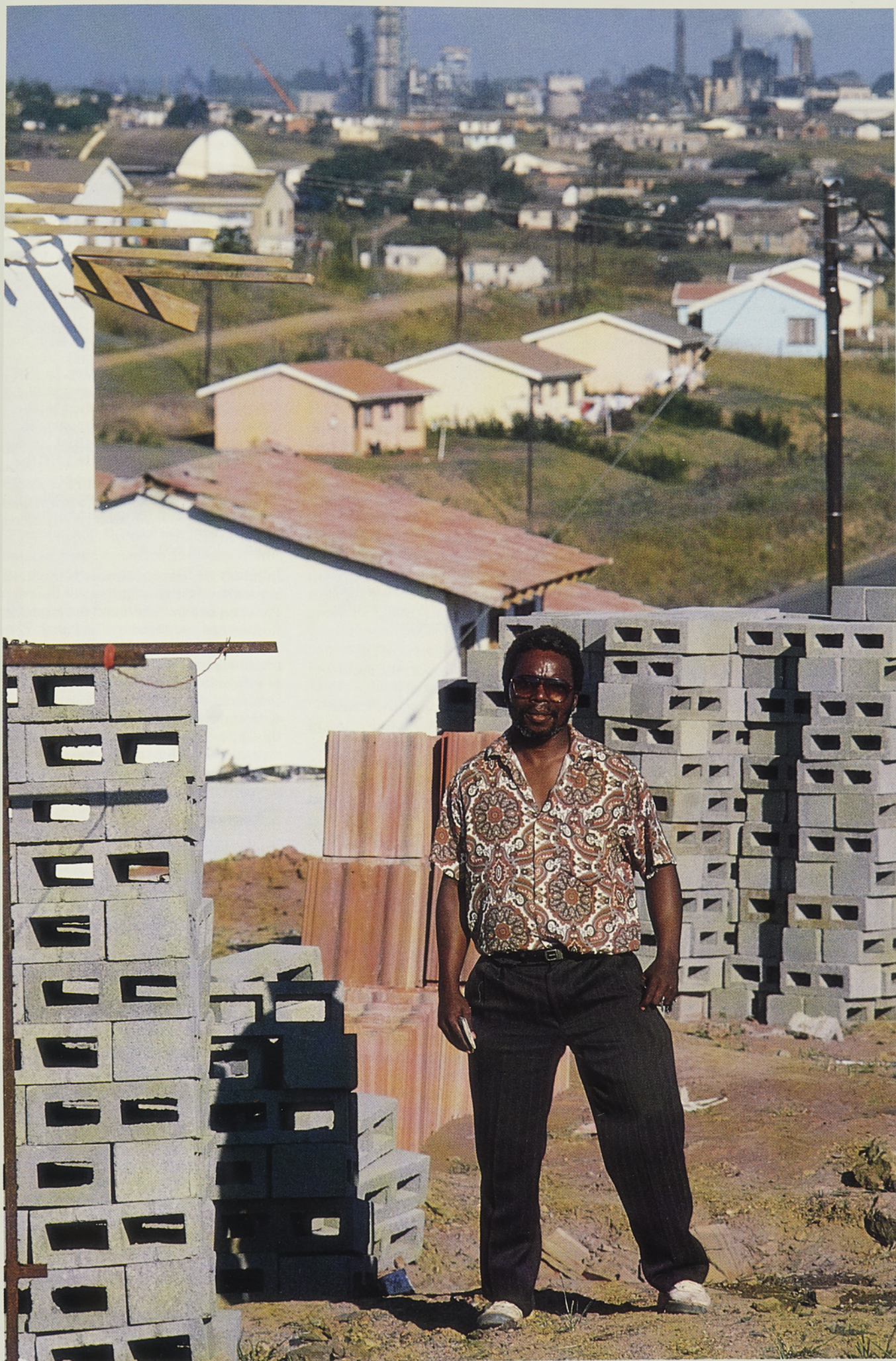
Creating room for small contractors

Mr Lennox Galeni is a small contractor building houses for the KwaZulu Finance and Investment Corporation (KFC) at Sundumbili, north of Durban. There are four other contractors and so far 58 houses have been built in the township, next to Isithebe, the successful KFC industrial park which has seen small businesses spring up around it.

KFC is financing the extensions to Sundumbili, while a church-based organisation, Tholiwe, is training the small contractors, most of them self-employed, in skills that enable them to take advantage of the economic activity, such as how to prepare tender documents and purchase materials for their contracts.

The Sundumbili project, which has been made possible through a Bank loan of R32 million to the KFC for a small business development programme, represents a sustainable model where community participation and intervention help to maximise economic opportunities provided by the industrial development.

The constant interaction between the development agency and the community programme has assisted community-based contractors in implementing a construction contract that would otherwise have gone to an established commercial contractor.



Policy and Strategy Complex

Policy analysis



*Dr Nick Vink, Acting Director,
Centre for Policy Analysis*

The Centre investigates development policy issues and assists in operational and strategic policy formulation for the Bank and its borrowers. The policy formulation function is particularly important to the focus of the Bank on its development support programmes and the alleviation of poverty in its area of operations. The Centre is responsible for the management and coordination of the policy analysis function in the Bank and draws on all Bank staff to assist with policy formulation through policy assignments.

The Centre's own resources include 24 professional and support staff (compared with 21 at 31 March 1990), while some 40 consultants and consulting firms were used on assignment teams during the 1990/91 financial year.

During the year the whole assignment programme of the Bank was reviewed with a view to eliminating dormant and no longer relevant assignments, thereby creating scope for urgent assignments. This resulted in 83 of the more than 220 assignments on the programme being withdrawn, while 82 were completed.

Apart from the regular interaction between the Centre and other groups and units in the Bank in terms of operational and strategic policy formulation, the Centre also participated actively in various external, but related, policy debates and forums in the past year. These included debates on land reform, poverty-related issues, the regional development programme, the urban-rural interface, urban development and housing policy, and education policy.

Land reform. The Bank has a direct interest in the debate on land, largely because access to land is an important

element in both rural and urban development projects. With regard to agricultural land, the Bank has argued that action to support the market in obtaining access to and in the use of land is one of the most crucial issues facing policy makers. Merely removing restrictive legislation is not enough. A package of complementary steps has to be devised to ensure equitable access to resources and input and product markets without distorting or compromising production efficiency.

Therefore, rather than focusing only on access to land, the Bank has argued for the restructuring of the agricultural sector, including the access of emerging farmers to support services (extension, research and training), credit and marketing arrangements. Bank policy analysts have argued consistently that such measures should aim to support the functioning of markets in order to achieve the joint objectives of equity, efficiency and sustainability.

Policy on poverty. In view of the Bank's mission to support the socio-economic development of poor communities in particular, the Centre continued to provide advice on poverty-related issues within the Bank, as well as on issues influencing socio-economic policies in South Africa.

Examples of the latter include a policy document on improving the labour absorption capacity of the South African economy, submitted to the Economic Strategy Committee of the Economic Advisory Council of the State President of South Africa. As part of its contribution to the activities of the Working Group on Poverty, appointed by the South African Cabinet, the Centre submitted documentation covering the following:

- the definition, nature and extent of poverty in South Africa, including a comparison with other developing countries
- the role of education and training in the alleviation of poverty
- poverty in the rural areas of South Africa and specifically the contribution of agricultural development in alleviating poverty
- the role of non-governmental organisations in alleviating poverty, for example as implementing agencies for food intervention programmes
- poverty alleviation strategies and the environment, indicating the possible negative effects of poverty and poverty alleviation strategies.

The Bank also facilitated a meeting between relevant South African government departments, the International Monetary Fund delegation on Value Added Tax (VAT) which visited South Africa and various non-governmental organisations to discuss the need for the implementation of food intervention programmes in South Africa.

Regional development policy. In 1987 the Bank was appointed manager of a panel of experts commissioned by the Development Council of Ministers to evaluate the Regional Industrial Development Programme. In 1990 the Panel proposed a strategic policy framework to guide both regional development and regional industrial development as elements of a coherent multisectoral policy.

In June 1990, the governments involved agreed on the main findings of the Panel report and endorsed the strategic framework proposed by the Panel. The principles underlying the strategic framework highlighted the importance of concentrated, self-sustaining, industrial development in locations with comparative cost advantages for this type of development. This represented a departure from targeting decentralised benefits for industrial development on so-called growth points which did not necessarily have these advantages.

With a view to putting into operation the strategic framework accepted by the SATBVC states, a number of further investigations were requested. The Bank and the Office for Regional Development of the South African government were appointed as joint project leaders to manage and coordinate investigations into various short- and long-term issues related to the proposals for a new regional development programme.

Most of these investigations, which from the side of the Bank were handled by the Centre, were completed during 1990/91 and were used as inputs in formulating the adjusted regional development approach that was agreed to by the various governments concerned shortly after the end of the financial year under review. The remaining investigations should be completed by the middle of 1993.

The urban-rural interface. During the past year the first phase of an assignment on policy and planning approaches to the interface between rural and urban areas was completed.

The study sought to throw more light on the economic and spatial issues relating to the interface between urban and rural areas in the peripheral regions. The first phase used Transkei as a case study. It became apparent that there were two distinct, although interrelated, issues involved. The first was the broader policy issue of how the development of the peripheral areas of South Africa should be approached in the short to medium term – an issue which will clearly emerge as being politically significant over the next few years. The second was the operational issue of how immediate investment in the peripheral areas should be viewed, especially to ascertain whether certain settlement forms were more appropriate receptors of social and economic infrastructural investment than others. These results are essential to the Operations Complex of the Bank in aiming to direct the allocation of investment to settlements which have a proven economic base and therefore a longer term viability.

Urban development and housing policy. Substantial support was given in the form of advice and guidance to a variety of organisations, groups, committees and commissions on matters involving, among others, urbanisation policy and strategy, land reform, and housing policy and strategies.

One important outcome of this support was the approval in August 1990, by ministers responsible for urban development, of a guideline document on urbanisation policy.

Similar principles and points of departure were more recently discussed with the South African President's Council committee responsible for revising the 1986 White Paper on Urbanisation. The approach includes a strategic framework to integrate and manage the process of urbanisation. This framework promotes a consistent approach to urban and rural development to improve the quality of life of the population.

It is envisaged that to achieve such an integrated approach to urbanisation, policies and programmes addressing the following broad areas would be necessary:

- improvement of the economic base and the creation of employment and income generating activities
- promotion of socio-economic development and the raising of productivity
- improvement of urban management
- improvement of urban financial management.

Education policy. The Bank has been contributing to the national debate on adult education and training, especially in the fields of non-formal education, such as literacy and technical skills. The Centre's educational specialists have researched the causes of the high incidence of illiteracy in southern Africa and their findings point to the need for universal basic primary school education.

These specialists have also established the groundwork for regular contact and networking with other education policy specialists, such as multilateral government institutions, individual consultants, the ANC education department, Congress of South African Trade Unions (Cosatu) and university researchers.

Student residences. Another important matter which received attention during the year, particularly as a guideline for Bank-related projects but with a broader application for all tertiary education institutions, was the provision of conventional residential accommodation. Research showed that the cost of providing residences for students was R30 000 per bed – comparable with the cost of providing free-standing housing units. This effectively doubled the unit cost of these education facilities and made this type of investment questionable.

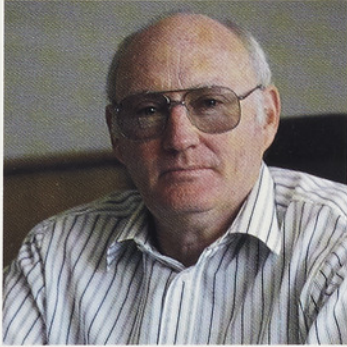
The study also focused on the need for educational institutions to provide student housing and other residential services. Further constraints identified in the provision of residences was that disadvantaged communities in South Africa cannot afford unsubsidised residential facilities and this called for support of either the institution or the student.

The researchers recommended alternative accommodation options which would involve community participation and the private sector instead of perpetuating the monopoly created by heavily subsidised conventional residential accommodation. As a sound development approach this would discourage uncoordinated strategies

without jeopardising equal access to residential facilities.

International contact. The Bank has always promoted contact with researchers, research institutes and universities within South Africa and internationally. This interaction is important both for keeping abreast of research and for influencing other researchers and analysts to think about problems from a development perspective. Members of the staff of the Centre attended a number of conferences in southern Africa and further afield. Some examples include the Third Regional Business Council Conference of SADCC in Malawi; a workshop on institutional dynamics of communal grazing at the University of Zimbabwe; a conference held in Namibia on reconstruction and reconciliation: critical choices for southern Africa; a conference of the International Association of Agricultural Economists on agricultural restructuring in southern Africa held in Swakopmund, Namibia; the Public Choice Society Conference in New Orleans, United States; and a conference of the International Institute of Public Finance in Belgium.

The Centre has also been host to many prominent scholars of international repute, including Prof Paul Streeten of Boston University; Prof Philip Mawhood, recently retired from the Development Administration Group at the University of Birmingham, UK; Prof Csaba Csaki, rector of the Budapest University of Economic Sciences; and Prof Jerry Eckert of the University of Colorado. Where possible, the Bank tried to expose visiting scholars to a wide spectrum of interest groups, as well as to co-operate with others in bringing visitors to South Africa.



*Dr Dan du Plessis, Director,
Centre for Information Analysis*

Development information is a vital resource for decision making both within the Bank and for other development agencies involved in the planning, financing and implementation of development projects. The Centre for Information Analysis provides the Bank and external users with development information relevant to the development process. The Centre's personnel include 24 professional and support staff. In addition, four consultants were used during the past year to assist with the generation of information.

The functions and activities of the Centre are structured to:

- identify clients' information needs
- generate, analyse and interpret information
- give advice
- disseminate information.

The identification of information needs is a continuous process of analysis of enquiries and requests from various functional groupings within the Bank in particular and its clients in general. During the past year there were also regular meetings with extra-parliamentary groups in South Africa as well as with experts from the World Bank.

For the generation, analysis and interpretation of information, the Centre mainly concentrates on the collection of readily available secondary information which serves as input to further information required by Bank staff. Information is generated using quantitative techniques, statistical models and specialised computer programs. This information is used to produce specific products, ie analysed and interpreted data

Information analysis

published in reports or provided directly to users to serve as input towards the formulation of strategic development proposals and the appraisal of project applications, as well as to facilitate decision making in general.

The Centre was approached by various institutions during the year for advice on a variety of issues. Examples include advice:

- to authorities in Regions F and G on the contents of socio-economic studies which serve as input towards the formulation of strategic development proposals by these authorities
- on the establishment and maintenance of a development information system for the Bophuthatswana government and its parastatals
- on staff development in the KwaZulu Economic Development Planning Branch
- in the collection of data on agriculture in Qwaqwa
- on the compilation of national accounts for Venda, Transkei and Ciskei
- on population censuses to the Transkei and Ciskei governments.

The dissemination of information played an increasingly important role during the past year and the Information Clearing House (ICH) was established to facilitate this in order to prevent unnecessary and costly duplication of the generation of information. The ICH consists of the following:

- A Corporate Information Base which contains time series information on various development dimensions. It has the flexibility to be sensitive to future constitutional and other changes in the external environment in which the Bank operates. The nature of the information required and the geographical basis of this information is constantly reviewed to meet the specific demands of the Bank's clients. An example is the recent inclusion of information on the neighbouring countries on the subcontinent.
- A computerised information inventory of publications, reports, surveys, research and data bases, organised according to an international classification of information.
- A Statistical Library, which contains publications, reports, research and survey results of a predominantly statistical nature.

- An Information Enquiry Service, available to internal and external clients.

The following reports were completed by the Centre during the year:

- South Africa: An inter-regional profile
- A regional profile of the southern African population and its urban and non-urban distribution, 1970-1990
- Southern African population projections, 1995-2005
- An overview of the gross geographic product of the development regions of South Africa, 1970-1989
- Statistical abstracts, SATBVC countries, 1989
- Preliminary estimates of the gross domestic product of the Republic of Transkei, 1985-1988
- Preliminary estimates of the gross domestic product of the Republic of Ciskei, 1986-1988.

The Main Library, which forms part of the Centre, conducts literature searches, handles inter-library loans and is continually expanding its collection of books and periodicals.

The Centre had 26 staff members at the end of the 1990/91 financial year compared with 27 the previous year.

Project evaluation

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

Evaluation is undertaken in close cooperation with project management and borrowers to ensure quick and effective absorption of useful lessons.

Evaluation studies are mostly of a long-term, in-depth research nature, and therefore require careful preparation. Although the aim is to assess a project *ex post*, collection of required information and data about the project is initiated from early on in the project cycle.

Development projects differ enormously in size, scope and complexity, and evaluation necessarily reflects this variation.

In the year under review the evaluation of the Farmer Support Programme (FSP) was undertaken in five different areas. In some of these, the fieldwork had been completed and was analysed by the researchers. Although trends will only be identified once several studies have been completed, certain results of immediate utility are expected. These should relate to information on the targeting of the FSP, participants' views on the effectiveness of the FSP and identification of certain shortcomings.

A pilot study on the Small Business Development Programme is being carried out in Lebowa. The study should be completed by October 1991, and will determine the necessity for and nature of evaluation of the programme in greater depth and over a longer period of time. Information of immediate use for structuring the programme will be provided.

Organisation development

A characteristic of the present external environment in which the Bank operates is its thrust towards fundamental change. This change has also brought pressure to bear on the organisation, notably in terms of strategy, structure and internal systems. Human resource development has been at the core of facilitating the changes required to deal with the new demands.

In response to these demands, the Bank has adopted an organisation development strategy seen as a comprehensive process of planned interventions and improvements in the total functioning of the organisation. The philosophy is that line management should accept responsibility for developing the organisation and implementing changes.

The division and units responsible for organisation development support are:

- the Organisation Development Division
- the Organisation Development Programme Support Unit
- the Development Training Unit.

Fourteen staff members were employed in the division and units on 31 March 1991.

Personal development.

A programme of personal development and training was implemented during the year under review aimed at giving staff members the opportunity to optimise their individual potential by improving their competence in self-management and in managing others.

Staff members attended more than a thousand courses during the year, which included a customised executive development programme presented by the University of Cape Town Graduate School of Business; a programme on influencing and negotiation skills; self-management competencies; public speaking and presentation skills; team building and interpersonal relations; and secretarial competence training.

This level of training and development will be expanded in the 1991/92 financial year based on

needs identified in personal development plans. It is also envisaged that major external clients and other interested parties will be able to benefit from the development experience of the Bank through workshops and seminars.

Systems development. During the year, the focus was on coordinating the design and implementation of:

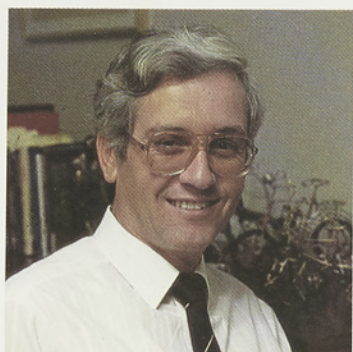
- the project cycle
- the planning, programming and budgeting system
- the policy and procedures manuals.

The work done on these systems was aimed at evaluating existing processes while upgrading and redesigning them to meet the current and future needs of the organisation.

Development training. Efforts were concentrated on strengthening development management capacities in the Bank and on building a general frame of reference for the various development activities undertaken by the Bank. Eighteen workshops were presented to more than 600 staff members. The ideas generated were consolidated through small group sessions with senior managers in the Bank. It is expected that such management capacity building courses will be extended to accommodate various stakeholders outside the Bank.

Resources and Support Services Complexes

Human resources, legal and administration



Dr Jannie Zaaiman, Group Manager, Human Resources, Legal and Administration

Human resources. The Bank is committed to developing a workforce that is diverse, appropriately qualified and trained, effective and motivated. This objective is attained by creating an environment within the Bank which is conducive to enabling individuals to achieve optimal levels of performance and work satisfaction, while integrating all human resources activities with the rest of the activities of the Bank.

During the 1990/91 financial year, the Bank reviewed and streamlined virtually all human resources policies and procedures. This was done in an effort to improve performance output by fostering self-management and decentralising budget control.

An important principle of this philosophy is that the staff complement should more closely reflect the composition of the southern African population. Considerable progress has been made with implementing this philosophy although this does not mean that staff and potential are identified on the basis of race. The main concern is to provide equal access to opportunities for those employees who have been disadvantaged by past discrimination and other discrepancies in the South African milieu.

The recruitment procedure makes provision for appropriate and directed recruitment, pre-screening, potential assessment and interviewing, all of which aim to give management the opportunity to make well-informed decisions when employing new staff members. A student orientation scheme provides the Bank with the opportunity of recruiting young, well qualified, but still inexperienced candidates. In creating a supportive and learning environment, the Bank

assists them to become sensitised and better experienced for the development field. The initial focus was on the secretarial and young professional levels. The challenge ahead is now to progress through the job levels.

The staff complement of the Bank represents a diversity of qualifications, skills and experience. Nearly 60 per cent of Bank employees are graduates, of whom 40 per cent have post-graduate qualifications in fields such as economics, engineering, business management, agricultural science, administration, finance, town and regional planning and various other subjects related to the development field. The main body of Bank employees consists of knowledge workers. During the year, the Bank had a staff turnover figure of 15 per cent on average, which was comparable to market norms. This reflects among other things the approach of the Bank to remuneration, which is to offer a flexible remuneration package on a competitive basis, but without striving to be a market leader.

The staff complement at the end of the 1990/91 financial year stood at 682, compared with 663 at the same time the previous year. The number of staff in the Human Resources, Legal and Administration Group at the end of the financial year was 121 compared with 141 the previous year.

With such a large number of knowledge workers, the Bank has made a substantial commitment towards the further development and training of the human resources at its disposal. The approach of the Bank to the development of its staff is totally integrated with the management of performance. Personalised induction and orientation programmes for new employees are followed by the setting of performance objectives and the identification of personal development needs. Individual development plans then guide employees through their career development. Recent graduates are developed through a special programme for young professionals.

The senior management of the Bank are given the opportunity to gain international training exposure. During the year, three senior executives attended seminars at the International Institute for Management Development in Lausanne, Switzerland. An executive development programme was also presented in-house by the Business School of the University of Cape Town.

Equipping the individual with the skills needed to advance his or her own development also calls for a balance between the various facets of life. The Human Resources Group established a quality of life programme for staff during 1990 which aims to integrate their work with their home life. For instance, support was given to parents by providing their children with opportunities to gain study skills, to get quality education, and to experience the environment in a structured, recreational manner. Simultaneously, staff were provided with access to emotional assistance to cope with the volatile environment they sometimes experience.

Apart from maintaining the permanent core staff complement, the Bank also believes in the extensive use of external specialists and the contracting out of services to the private sector. This ensures that the Bank can limit its permanent staff complement while making optimal use of skills and experience available in the private sector. During the past year, the Consultants' data base was expanded with the addition of 857 skills and 172 firms, bringing the cumulative number of skills registered to 3 756, and firms registered to 1 527. A total of 117 external specialists were appointed to project teams by the Bank during the past year, while the Bank had 1 152 consultants appointed on project teams on 31 March 1991.

Through interaction with organisations with developing infrastructures, the Group was also able to provide administrative support and to facilitate staff training for a variety of institutions and groupings.

Legal services. Legal advisers from the Legal Services Division serve on Bank project teams from an early stage in the project cycle. Although the project legal advisers fall organisationally within the Support Services Complex, they require a sound understanding of operational policies and guidelines, as well as of sectoral approaches to project and technical assistance. The project legal adviser drafts the necessary agreements, scrutinises project-related third-party agreements, participates in negotiations and addresses legal issues arising during project implementation. A major benefit of the participation project of legal advisers has been that clients were, in many instances, able to obtain timely and appropriate legal input in their preparation of projects which served further to strengthen



Banking on people

Some appointments to the Bank in the review year were, from left, Nigel Lowe, Pam Baskind, Ros Thomas, Frank Molobi, Jenny Tyobeka and Salu Malapu.

Salu, formerly a loan officer for the African Development Bank, holds an MA in Development Economics and joined the Bank in May 1990 as a programme manager.

Jenny joined the Bank in March 1991 as an institutional specialist and was formerly a research project coordinator in the Social Science Research Unit at the University of Swaziland. She holds an MA in sociology.

Frank, who holds an MA in development studies, returned to South Africa after living abroad for fifteen years. Before joining the Bank in January 1991 as a specialist in

programme management, he worked as a researcher at the Institute of Criminology and Criminal Law at the University of Oslo, Norway.

Ros was a lecturer at the University of the Witwatersrand School of Law before joining the Bank in June 1990 as a project legal adviser. She holds an MA in international law and economics.

Pam, an environmental specialist, joined the Bank in January 1991. She worked as a senior investment analyst for the SA Chamber of Mines and as a financial journalist before completing her Masters degree in resource economics.

Nigel is a consulting engineer who was seconded to the Bank for eighteen months before joining the staff permanently on 1 March 1991. He is an infrastructure development project leader.

borrower institutional capacity. The Bank has six legal professionals, of whom four are project legal advisers. The Division also has three secretariat staff members, who act as the secretariat to the decision-making committees of the Bank.

Administration and technical services. Since completion and occupation of the Bank's headquarters, attention has been given to outstanding retention work. This was completed during the year under review and a final completion certificate of the project was issued. The final cost of the project was R28,1 million compared with the 1985 base cost of R24,5 million.

A comprehensive completion report on the project which could serve as a reference document for similar building projects undertaken by the Bank, its clients and other parties has been compiled.

Over the past year, in accordance with its development principles, the Bank continued to investigate and contract services out to private contractors to help establish and maintain the Bank's facilities. Annual contracts for about 30 per cent of the budget for maintenance services have been concluded.

Expanding business activities in Midrand made it possible for the Bank to initiate several discussions with other major companies and groups locating in the area, to ensure that expensive facilities were shared and duplication avoided.

Corporate communications

The Bank increased its efforts for more effective internal and external communication programmes during the year. The Corporate Communications Division, with a staff of sixteen, facilitated these efforts through the spectrum of public relations activities, with the emphasis on visitors and visiting programmes, sponsorships and publications.

Visitors and visiting programmes were structured and arranged for interactions on both the operational and the policy levels. On the international level, a number of visits to the Bank by International Monetary Fund (IMF) and World Bank missions, including a visit from the IMF Managing Director, Mr M Camdessus, provided valuable interaction, especially on economic policy and structural issues. Likewise, visits from or to the World Bank, the United Nations Development Programme, the Rockefeller Foundation, the African Development Bank and a number of bilateral development cooperation institutions strengthened previous contact on the strategic and operational levels.

On the local level, there was continual interaction with participating governments, extra-parliamentary groups and development agencies. Other visiting programmes included a media visit to Natal/KwaZulu, Lesotho and KaNgwane, information sessions with investors from private sector financial institutions in metropolitan areas, and a number of project visits for other interest groups.

Although the Bank does not have a separate social investment programme –



social investment being its major business – the Division facilitated various events related to Bank activities through smaller sponsorships and other assistance. The Bank, for instance, sponsored a prize for the Sowetan Small Businessman Competition, as well as exhibition space for an entrepreneur at the annual Matchmaker Fair; hosted a workshop on the business of conservation arranged by International Training in Communication; arranged and financed the second appropriate design competition for architectural students; sponsored a shack-dwellers' workshop; and continued to give financial support to societies such as the Development Society of Southern Africa and the Agricultural Economics Society of Southern Africa.

Publications remained an important instrument in the communication programmes of the Bank. Apart from a number of internal and *ad hoc* publications, the Division published a regular external newsletter, *Headway*, and a quarterly subscription journal, *Development Southern Africa*. A special edition of the latter on land tenure and land reform in rural areas was published in conjunction with the Urban Foundation in October 1990. In addition to the standard publications of the Bank, the Division also undertook the publishing of an agricultural extension handbook and manual, as well as a position paper on AIDS in southern Africa in conjunction with the Economic Research Unit of the University of Natal.

Corporate information



*Johan van Loggerenberg, Group
Manager, Corporate Information*

The Corporate Information Group was formed on 1 May 1990 by combining the Management Information Systems and Computer Services Departments.

During the year under review, the Group began to implement the Information Technology Plan (ITP), a medium-term plan for the management of the information technology in the Bank. It effectively centralises the provision of facilities and services for data and information support and is updated regularly to accommodate the dynamic environment in and outside the Bank.

As part of the ITP, an assessment was made of the human resources required to implement the plan. Based on this, the Group was restructured to include three units, namely the Systems Development Unit, the User Systems Unit and the Computer Operations Unit.

In the year under review major refurbishment of the Bank's computer technology to the cost of R2,8 million was completed, bringing the total amount spent on computer technology

over a seven-year period to R25,5 million. The current insured value of the equipment now stands at R28,3 million. This partial replacement of computer hardware and software considerably improved the technology in use since the inception of the Bank in 1983. The new system gives greater facility to measure efficiency and allows better operator efficiency. It also adds more power to the system, providing for a super-network in which personal computers (PCs) and the mainframe computer are linked. The previous generation technology had become costly to maintain.

At the same time, the Corporate Information Development Plan was implemented. It was ascertained that thirty-two new systems were required. Implementation of six systems started in the 1990/91 period. Four of these were fully operational on 1 April 1991, while the remaining two will be activated in the current financial year. The four in operation are accounting-based administration systems to replace the previously PC-driven general ledger, creditors, order entry and reconciliation information. The new mainframe-driven package has improved access to information and moved the Bank closer to a paperless environment, while at the same time devolving more responsibility to staff members.

The remaining two systems to be implemented are the Project Financial Management System and the Human Resource Management System. The former is an in-house-developed system with the objective of supporting the management accounting of all fixed commitments.

The Centre's staff resources include 18 professional and support staff, compared with 10 in the previous year.



Richard Kirkland,
Group Manager, Finance

The Finance Group is charged with the overall responsibility of ensuring that the Bank remains adequately and appropriately funded in the short, medium and long term, and that its financial resources are deployed in accordance with internal control procedures and Bank policy. The Group, with a staff complement of 41, is headed by the Group Manager: Finance, and comprises three divisions, Financial Administration (17 staff), Treasury (6 staff) and Project Financial Management (17 staff).

The management of the Bank has, over the years, developed a sound system of controls covering the full spectrum of Bank activities. This control system increases the potential of the Bank to achieve predetermined goals and objectives while simultaneously protecting assets and reducing wastage. An independent internal audit function evaluates compliance with this system and reports its findings regularly to an internal audit steering committee, as well as twice annually to an audit subcommittee of the Board of Directors.

Financial structure. The 1990/91 financial year proved to be a milestone for the Bank with regard to the management of its financial resources.

As intimated in the previous annual report, the Bank entered the local capital markets during May 1990 with its long-dated 14,50 per cent DV07 (2010) stock. This marked the start of a phased programme to achieve one of the originally stated objectives of the Bank, namely to increase its significant equity base. An amount of R178 million was tapped from the market at primary issue, with a further R397 million subsequently raised in the secondary market, to 31 March 1991.

Finance

Adhering to previous undertakings, the Bank became an active market-maker in the stock and in the process achieved a significant narrowing in the trading differential between the DV07 and other quality listed stocks of roughly equivalent term. The DV07's standing as quality stock was further enhanced when, in February 1991, in addition to the shorter dated stocks, it was accorded the AAA rating of Republic Ratings.

The current investor profile for all the stocks of the Bank is depicted in the pie chart. It is the intention of the Bank to build actively on this investor base in the coming months.

For sound administrative systems to support these developments, a dealing facility has been set up within the Treasury Division, while the Bank accounting system has been further upgraded with the installation of a mainframe general ledger package. The loan administration and disbursement systems of the Bank have also been enhanced with the in-house development of specialist software.

Following its establishment as a player of consequence in the local financial markets, the Bank finds itself well placed to approach the foreign markets and plans to raise funds in those markets as soon as circumstances for such a step are favourable.

The mobilisation of significant debt during the past financial year, predicated on the strong flow of funds to the Development Fund, ranks as a distinguishing feature in the current

financial structure. Debt, judiciously managed, is set to become a major source of new funding for the Bank in the ensuing years, which will see the ratio of debt to capital and reserves peak and then stabilise at a level of approximately 28 per cent, based on current fundamentals.

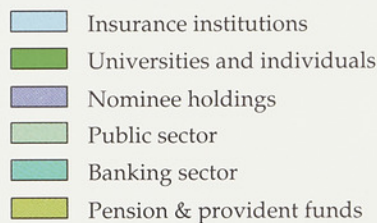
Further grant funding in the form of Development Fund contributions of R501 million (1990: R375 million) was received from the South African government during the year under review, boosting the Development Fund to R2 401 million at year-end (1990: R1 901 million). Further grants totalling R1 485 million (1990: R1 986 million) remain committed by the South African government to the Bank for the next two years to 31 March 1993. Following announcements in the 1991/92 South African Budget, a portion of these grants, to the extent of R500 million per annum over two years, will be sourced from dividends to be declared by the Industrial Development Corporation of South Africa Limited (IDC). The Bank had to avail itself temporarily of bridging facilities by way of overdraft while practical arrangements regarding this flow were put in place. The required borrowings of R31 million over the Bank year-end were liquidated within weeks in the new financial year after formal arrangements between the two institutions had been effected.

Grant aid remains an important source of funding to the Bank, significantly influencing the extent of its development activities and continuing to do so in the future.

The majority of funding raised during the year was channelled into the lending portfolio of the Bank, which registered a significant rise of 42 per cent (51,25 per cent compound over the last seven years) to a level of R3 441 million at 31 March 1991 (1990: R2 430 million).

Borrowers. Notwithstanding the difficult circumstances which confronted Bank borrowers during the year, loan repayments were not materially impaired. Arrear instalments at the end of the preceding year were recovered in full, inclusive of penalties. A further two borrowers, however, experienced repayment difficulties during the year. In these instances, arrear instalments totalling R2,5 million remained due and payable at 31 March 1991.

**Distribution of DBSA stock:
31 March 1991**
Nominal amount issued: R759,4 m



In accordance with Bank policy, no revenue has been recognised in respect of these arrears. The Bank is positive about its ability to recover these arrears and appropriate actions are being implemented to secure repayment at the earliest possible opportunity. No rescheduling of loans has hitherto proved necessary.

As a progressive step in administering its maturing lending portfolio, the Bank embarked upon a comprehensive and ongoing risk review of its exposures during the year. Using appropriate risk matrices and criteria grounded in broadly accepted methodologies, the Bank has, for the first time, appropriated R150 million of its General Reserve as a development loan reserve against future potential delinquent loans. Future accounting for this reserve will be in accordance with the relevant stated accounting policy.

This appropriation affords greater ease in identifying the separate potential claims on the reserves of the Bank. It should, however, be stressed that the General Reserve had hitherto always been earmarked as a contingency reserve providing, *inter alia*, against delinquent loans.

Financial results. Profit maximisation is subordinate to the role of the Bank in providing financial support for development on concessionary terms. Sufficient surpluses are nonetheless generated to ensure the integrity of the Bank's capital structure.

A net operating surplus of R33 million was achieved in the year to 31 March 1991 (1990: R46 million). The decline in this surplus when compared with that of the previous year was primarily due to the cost of an increasing portfolio of debt.

From the Bank's inception it was envisaged that the significant grant funding available to it would be augmented through the judicious mobilisation of debt. The relative absence of debt of consequence on the Balance Sheet prior to the year under review is an indication of the relatively immature status of the more fully fledged financial model envisaged. Subsequent years will present a more appropriate view of the maturing Bank. In this respect, the comprehensive approach of the Bank to planning and budgeting provides for a stabilisation in gearing and surpluses.

The budgeted operating surplus for the year under review was R3 million,

against which the following variances were recorded:

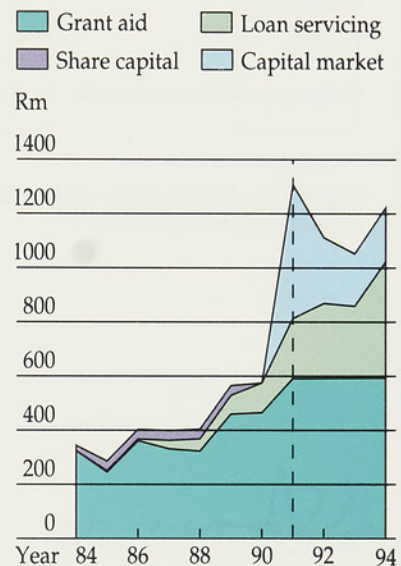
- A net favourable variance of R29 million in interest received on the investment of surplus funds. Aggressive market-making by the Bank in its stocks saw liquidity levels rise above those originally budgeted. This development, coupled with the inverse yield curve which manifested throughout the year, contributed significantly to this variance.
- A favourable variance of R10 million in interest income from project loans was achieved. This variance related primarily to two delinquent loans reported at the end of the preceding year. In pursuance of Bank policy on loan income recognition, a conservative view was taken in preparing the budget and no provision was made for recognising revenue related to these loans in the year under review. Repayments were effected prior to the year-end and were facilitated by Bank intervention and assistance made available to the borrowers to resolve their difficulties.
- An unfavourable variance of R11 million in interest expense related primarily to the volume of debt mobilised, particularly through secondary market issues of stock, as the Bank moved to establish itself firmly as a participant in the capital markets. This additional expense was mitigated through reinvestment of issue proceeds at favourable margins.
- Savings of R2 million against the Bank's budgeted operating expenditure were achieved. The Bank continued to register improvements in the broad relationships between expenses and investment operations and remain committed to its efforts to further reduce administrative overheads as a proportion of the disbursed portfolio. While the high lending growth of recent years has assisted this trend, the Bank remains sensitive to all opportunities to improve efficiency further, especially in the area of overheads. It should be noted that, unlike many other development organisations, the Bank does not at present pursue cost recovery for many of the value-added services it renders to its borrowers. As a consequence, certain of the performance indicators of the Bank in the area of overheads may not be directly comparable with those of similar institutions.

In addition to the operating surplus, refunds of payroll as well as direct and indirect taxes totalling R14 million

(1990: R4 million) resulted in the total surplus for the year being brought to R47 million (1990: R50 million). This surplus further strengthens both the general reserve and the development loan reserve, which jointly total R265 million (1990: R218 million) or 7,7 per cent of the net disbursed loan portfolio. The general reserve mitigates, albeit marginally, the deleterious effects of inflation, which hamper the real level of development support the Bank is able to offer.

Cash flow emanating from development lending also rose significantly during the year and is set to increase further in future years. The graph puts this growth trend, as well as that for the grant aid and debt components of cash flow, into perspective.

Composition: Cash flow sources



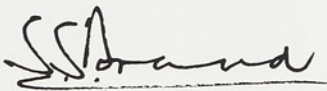
The long-term nature of development demands long-term planning on the part of institutions intent on providing sustainable development support. The Development Bank of Southern Africa is no exception. Notwithstanding the vagaries of a fluid and uncertain environment, the financial planning horizon of the Bank equates with the weighted average life of its lending book at approximately 17 years. Comprehensive and dynamic financial models are used to assist in determining long-term rolling cash-flow projections, which in turn signal the magnitude, timing and limits of the organisation's lending and borrowing programmes.

Financial statements
Balance sheet

at 31 March

	Note	1991 R'000	1990 R'000
Capital employed			
Share capital	2	200 000	200 000
Development Fund	3	2 401 344	1 900 644
Permanent capital		2 601 344	2 100 644
Reserves	4	265 102	217 603
Moratorium interest	5	298 866	207 449
Capital market loans	6	671 282	94 856
Short-term funding and liabilities	7	43 707	10 195
		<u>3 880 301</u>	<u>2 630 747</u>
Employment of capital			
Fixed property	8	35 217	35 408
Investments	9	391 636	128 998
Loans	10	3 441 200	2 430 403
Other receivables and cash	11	12 248	35 938
		<u>3 880 301</u>	<u>2 630 747</u>

Pages 52 to 63 signed for and on behalf
of the Board of Directors by



S S Brand
Director
21 May 1991



M Maponya
Director
21 May 1991

Financial statements
Income statement

for the year ended 31 March

		1991	1990
	Note	R'000	R'000
Income			
Interest received	12	189 006	137 764
Other	13	1 182	1 332
		<u>190 188</u>	<u>139 096</u>
Less		65 764	11 305
Interest paid	14	61 815	9 333
Technical assistance grants		3 949	1 972
Net operating margin		<u>124 424</u>	<u>127 791</u>
Less: Expenditure		91 680	81 547
Auditors' remuneration	15	189	469
Directors' fees and expenses		207	169
Operating assets written off		3 856	5 300
Operating expenditure	16	87 428	75 609
Operating surplus		32 744	46 244
Add: Refund of direct and indirect taxation	17	<u>14 755</u>	<u>3 807</u>
Surplus transferred to general reserve		<u>47 499</u>	<u>50 051</u>

Financial statements
Cash flow statement

for the year ended 31 March

	Note	1991 R'000	1990 R'000
Cash generated from financing activities		1 132 835	362 004
Development fund contribution		500 700	375 000
Increase (-)/decrease in bank balances and cash		57 255	-27 025
Capital market loans issued		574 880	14 029
Cash utilised by(-)/generated from investment activities		-262 447	279 664
Increase (-)/ decrease in investments		-262 638	282 864
Building costs capitalised (-)/written off		105	-3 366
Infrastructure costs recovered		86	166
Cash generated from financing and investment activities		870 388	641 668
Cash generated from operating activities		48 992	50 270
Cash generated by operations	21.1	49 045	50 131
Increase/decrease (-) in short-term liabilities	21.2	2 502	-1 401
Increase(-)/decrease in other receivables	21.3	-2 555	1 540
Cash available for investment in loans		919 380	691 938
Net increase in loans	21.4	919 380	691 938

Notes to the financial statements

1. Accounting policies

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

1.1 Fixed property

All costs directly related to the construction of the head office and infrastructure at Midrand are capitalised. As the property is considered to be an investment property, the costs relating thereto are not depreciated.

The said assets are valued by an independent appraiser once every three years to open market value. Any difference between cost and open market value is not brought to account in the financial statements.

1.2 Other operating assets

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

1.3 Development loans

Development loans, including capitalised interest, are placed on a non-performing status when, in the opinion of the directors, the recovery of the whole or portion thereof becomes doubtful. Income recognition on affected loans is accordingly suspended until payments have actually been received. The Bank begins to make provision for losses on development loans when such loans are placed on a non-performing basis or when the Bank believes that these loans may become doubtful. The aggregate provision for loan losses is periodically adjusted based on a review of the prevailing circumstances. Any such provisions are recorded as a charge against income for the period and will be used to meet actual losses on such loans. Losses in excess of the accumulated provision would be charged against income for the period.

1.4 Interest received on development loans

1.4.1 Moratorium interest. Certain agreements for development loans provide for a moratorium period in respect of the payment of interest. The moratorium period is designed to coincide with and assist in the implementation phase of the underlying project. During this period, interest is capitalised and becomes payable together with the capital over the remainder of the loan period. Interest so capitalised is treated as moratorium interest until such time as it is due and payable, when it is transferred to income and disclosed as interest received.

1.4.2 Direct interest. Interest charged outside the moratorium period is capitalised and transferred directly to income and disclosed as interest received.

1.4.3 Interest on non-performing loans. Moratorium and direct interest and other charges on non-performing loans are included in income only to the extent that such payments have actually been received.

1.5 Investments

Investments consist of capital and money-market instruments. In previous years their carrying value was determined on the basis of the lower of cost or market value. With effect from 1 April 1990, the methods of valuation were changed to incorporate the following bases:

- Hedging investments are stated at cost and profits or losses are accounted for on realisation.
- Trading investments are stated at market value and profits or losses are accounted for on revaluation.

Where cost contains premiums or discounts on purchase, such amounts are amortised over the period to redemption using the yield to redemption method and are recorded as an element of interest received. In previous years the premiums or discounts were amortised on a straight-line basis. These changes in accounting policies had no material effect on operating income for the year.

1.6 Capital market loans

The discount or premium on issue of local registered stock is amortised over the term of these loans using the yield to redemption method and is recorded as an element of interest paid.

1.7 Grants

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

1.8 Foreign currencies

Assets, liabilities, commitments and transactions in foreign currencies are recorded in South African rands at rates ruling at the transaction date or, where applicable, at rates ruling when the initial forward cover contracts were established.

1.9 Pension fund

Contributions under the Development Bank of Southern Africa Pension Scheme are based on a percentage of salaries and are expensed in the period to which such salaries relate.

	1991 R'000	1990 R'000
2. Share capital		
2.1 Authorised and subscribed 200 000 shares at a par value of R10 000 each	<u>2 000 000</u>	<u>2 000 000</u>
2.2 Callable capital 180 000 shares at a par value of R10 000 each	<u>1 800 000</u>	<u>1 800 000</u>
2.3 Paid-up capital 20 000 shares at a par value of R10 000 each	<u>200 000</u>	<u>200 000</u>
3. Development Fund		
Balance at 1 April	1 900 644	1 525 644
Contribution	<u>500 700</u>	<u>375 000</u>
	<u>2 401 344</u>	<u>1 900 644</u>
Commitments by the South African government to the Development Fund:		
outstanding under the first six-year cycle of funding payable by arrangement between the Bank and the South African government	<u></u>	<u>215 700</u>
in respect of the new five-year cycle of funding agreed to between the South African government and the Bank in 1988 (in 1991 real values)	2 516 000	2 516 000
Less: received to date	<u>-1 031 000</u>	<u>- 746 000</u>
	<u>1 485 000</u>	<u>1 770 000</u>
Outstanding commitment of the South African government	<u>1 485 000</u>	<u>1 985 700</u>
3.1 An amount of R1 000 million of the remaining commitment will be sourced in two equal tranches from the Industrial Development Corporation of South Africa Ltd over the next two financial years.		
3.2 The Development Fund consists of grants received and does not constitute a liability.		

	1991 R'000	1990 R'000
4. Reserves		
4.1 General reserve		
Balance at 1 April	217 603	167 552
Transfer from income statement	47 499	50 051
	<u>265 102</u>	<u>217 603</u>
Less: Transfer to development loan reserve	- 150 000	
General reserve at 31 March	<u>115 102</u>	<u>217 603</u>
These reserves are not distributable to the members in the normal course of business and can be utilised to create specific reserves.		
4.2 Development loan reserve	150 000	
Total reserves	<u>265 102</u>	<u>217 603</u>
5. Moratorium interest		
Balance at 1 April	207 449	132 569
Interest capitalised	103 860	79 899
	<u>311 309</u>	<u>212 468</u>
Transferred to income statement	- 12 443	- 5 019
	<u>298 866</u>	<u>207 449</u>
Amount due and payable during the next financial year which will be transferred to the income statement from moratorium interest when received	<u>12 070</u>	<u>7 878</u>

	1991 R'000	1990 R'000
6. Capital market loans (Schedule A)		
DBSA local stock		
Balance at 1 April	112 858	89 712
Less: Repurchased during the year	- 11 000	- 5 254
	101 858	84 458
Add: Issued during the year	657 508	28 400
	759 366	112 858
Less: Net discount to be amortised	- 88 084	- 18 002
Discount on issue of DBSA local stock	109 864	38 236
Less: Amortised	- 21 780	- 20 234
	671 282	94 856
Maturity:		
1 – 3 years	6 230	6 230
3 years and longer	753 136	106 628
	759 366	112 858
7. Short-term funding and liabilities		
Bank overdraft and other short-term borrowings	31 010	
Accounts payable and provisions	6 578	5 493
Interest payable on capital market loans	6 119	4 702
	43 707	10 195
The Bank had to avail itself of overdraft facilities while practical arrangements regarding its 1991/92 Development Fund contributions were put in place.		
8. Fixed property		
At cost	35 217	35 408
Building	33 335	33 440
Infrastructure	1 882	1 968
Infrastructure cost capitalised	2 134	2 134
Less: Recovered	- 252	- 166

The head office was constructed on land donated to the Bank by the South African government, which comprises Erf 3 of the township Headway Hill, registration division JR Transvaal, measuring 24,6125 ha. The open market valuation will be undertaken as of 31 March 1992.

	1991 R'000	1990 R'000
9. Investments		
Fixed deposits	226 104	105 793
Trading securities at market value	53 368	8 197
Hedging securities at cost price	112 164	
Negotiable certificates of deposit		15 008
	<u>391 636</u>	<u>128 998</u>
Trading and hedging securities comprise listed government and public corporation stock.		
Cost price of trading securities	54 016	8 269
Market value of hedging securities	112 539	
Maturity:		
0 – 1 year	226 090	120 754
1 – 3 years	14	4 626
Longer than 3 years	165 532	3 618
	<u>391 636</u>	<u>128 998</u>
10. Development loans		
10.1 Movement		
Balance as at 1 April	2 430 403	1 663 585
Add :	1 195 774	867 975
Loans advanced	987 769	729 161
Interest capitalised	208 005	138 814
Moratorium interest	103 860	79 899
Direct interest	104 145	58 915
	<u>3 626 177</u>	<u>2 531 560</u>
Less : Repayments of capital and interest	- 184 977	- 101 157
	<u>3 441 200</u>	<u>2 430 403</u>
Capital repayments for next financial year	<u>102 909</u>	<u>77 496</u>

An amount of R2,503 million (R0,408 million capital and R2,095 million interest) was due and payable as at 31 March 1991 and remains outstanding. These amounts may be recovered in the near future or may have to be rescheduled.

	1991 R'000	1990 R'000
10.2 Composition		
Total commitment as at 31 March	5 373 171	4 893 693
Less:	2 089 136	2 531 752
Loan balances to be disbursed (note 19.1.1)	1 401 017	1 680 480
Loans approved but not yet effective (note 19.1.2)	688 119	851 272
Disbursed commitments	3 284 035	2 361 941
Add:	157 165	68 462
Interest capitalised	556 071	344 433
Repayments	- 398 906	- 275 971
	<u>3 441 200</u>	<u>2 430 403</u>
11. Other receivables and cash		
Interest on investments	7 861	5 103
Accounts receivable	1 996	2 199
Bank balances and cash	2 391	28 636
	<u>12 248</u>	<u>35 938</u>
12. Interest received		
Investments	60 320	59 945
Development loans	128 686	77 819
Direct interest	116 243	72 800
Moratorium interest	12 443	5 019
	<u>189 006</u>	<u>137 764</u>
13. Other income		
Advisory and agency services	555	623
Other	627	709
	<u>1 182</u>	<u>1 332</u>
14. Interest paid		
Interest on capital market loans	60 000	9 158
Discount on issue of DBSA stock amortised	1 546	80
Other	269	95
	<u>61 815</u>	<u>9 333</u>

	1991 R'000	1990 R'000
15. Auditors' remuneration		
For the audit		
– current year	130	106
– under-provision previous year		3
For consulting services		
– internal management information system		157
– on behalf of Joint Financial Adjustment Committee		174
– other	57	17
Expenses	2	12
	<u>189</u>	<u>469</u>
16. Operating expenditure		
Consultants' fees	5 685	5 956
Communication costs	850	931
Data processing	3 172	1 960
Staff-related costs	66 674	56 140
Subsistence and travel	4 976	5 395
Other	6 071	5 227
	<u>87 428</u>	<u>75 609</u>
17. Refund of direct and indirect taxation		
Payroll taxes	13 193	3 000
GST and duties	1 562	807
	<u>14 755</u>	<u>3 807</u>
18. Liability for normal income tax		

No provision is made for income tax as the Bank is exempted therefrom in terms of its Establishment Agreement dated 30 June 1983 as amended.

	1991 R'000	1990 R'000
19. Commitments and contingent liabilities		
19.1 Loan agreements		
19.1.1 Commitments in respect of loan agreements concluded but not fully disbursed	<u>1 401 017</u>	<u>1 680 480</u>
19.1.2 Commitments in respect of loan agreements approved by the Bank and still under consideration by the prospective borrowers	<u>688 119</u>	<u>851 272</u>
19.2 Technical assistance grants		
19.2.1 Commitments in respect of technical assistance grants concluded but not fully disbursed	<u>6 507</u>	<u>6 958</u>
19.2.2 Commitments in respect of technical assistance grants approved by the Bank and still under consideration by the prospective recipients	<u>1 179</u>	<u>856</u>
19.3 Loan guarantees		
19.3.1 Guarantees issued by the Bank	<u>45 000</u>	<u>45 000</u>
19.3.2 Guarantees approved by the Bank but still under consideration by the prospective borrowers	<u>20 089</u>	<u>13 069</u>
19.4 Financing of the staff motor scheme		
Financing of the staff motor scheme is done through a financial institution. The Bank guarantees the liabilities of its employees in this regard.	<u>1 780</u>	<u>3 290</u>
19.5 Financing of the staff housing scheme		
Financing of the staff housing scheme is partly done through a banking institution. Guarantees are issued by the Bank in support of certain loans granted.	<u>2 773</u>	<u>3 763</u>
19.6 Collateral securities		
Certain of the Bank's investments with building societies serve as collateral security for certain bonds granted by building societies to staff of the Bank.	<u>181</u>	<u>293</u>

20. Pension Fund

An average number of 671 (1990: 675) employees were members of the Development Bank Pension Fund, to which the Bank contributed R4,6 million (1990: R4 million). There were 10 (1990: 7) beneficiaries to whom benefits amounting to R128 781 (1990: R59 779) were paid.

The Fund is governed by the Pension Fund Act and is actuarially valued every three years. It is a defined benefit plan under which amounts to be paid as retirement benefits are determined by reference to the employees' pensionable remuneration and years of service to the Bank. Membership of the Fund is compulsory for all employees on the permanent staff. The Fund was last valued at 31 March 1990. The valuation of the Fund as at that date reflected a deficit of R1,8 million. While the actuary considers the Fund financially sound, he has recommended an increase in total contributions to the Fund in order to strengthen the financial position thereof. The Bank has, with effect from 1 April 1991, implemented this recommendation by increasing employer contributions from an average of 14 per cent to 16,5 per cent of pensionable remuneration. Employees' contributions remain unchanged at 7,5 per cent.

	1991 R'000	1990 R'000
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21. Notes to the cash flow statement for the year ended 31 March

21.1 Cash generated by operations

Net income	47 499	50 051
Non-cash items: Discount amortised	1 546	80
	<u>49 045</u>	<u>50 131</u>

21.2 Increase(-)/decrease in short-term liabilities

Increase(-)/decrease in accounts payable and provisions	- 1 085	2 365
Increase(-)/decrease in interest payable on capital market loans	- 1 417	- 964
	<u>- 2 502</u>	<u>1 401</u>

21.3 Increase/decrease(-) in other receivables

Increase/decrease(-) in interest on investments	2 758	- 825
Increase/decrease(-) in accounts receivable	- 203	- 715
	<u>2 555</u>	<u>- 1 540</u>

21.4 Net increase in loans advanced

Loans advanced	987 769	729 161
Less : Capital repayments	- 68 389	- 37 223
	<u>919 380</u>	<u>691 938</u>

22. Comparatives

Comparative figures have been restated where appropriate.

Schedule A**Local registered stock as at 31 March**

Loan	Authorised value		Coupon rate %	Repayment date	Nominal value	
	1991 Rm	1990 Rm			1991 Rm	1990 Rm
DV04	7	8	10,0	1991	6	6
DV05	250	56	10,0	1996	93	48
DV06	250	59	10,0	2001	47	59
DV07	1 500		14,50	2010	613	
	<u>2 007</u>	<u>123</u>			<u>759</u>	<u>113</u>

Note:

1. All the above-mentioned stocks carry an AAA rating (Republic Ratings).
2. The Bank also has committed short-term standby facilities totalling R300 million, which carry an A1 rating (Republic Ratings).

Auditors' report

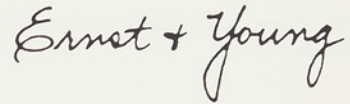
Report of the independent auditors to the members of the Development Bank of Southern Africa

We have audited the annual financial statements set out on pages 52 to 63. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to report on the financial statements.

We conducted our audit in accordance with generally accepted auditing standards. 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. An audit includes an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence supporting the amounts and disclosures included in the financial statements, an assessment of the reasonableness of significant estimates and consideration of the appropriateness of the overall financial statement presentation. We consider that our

audit procedures were appropriate in the circumstances to express our opinion presented below.

In our opinion these financial statements fairly present the financial position of the Development Bank of Southern Africa at 31 March 1991, and the results of its operations and cash flow information for the year then ended in conformity with generally accepted accounting practice for similar institutions.



Ernst & Young
Chartered Accountants (SA)

21 May 1991
Johannesburg

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