



Development Bank
of Southern Africa

Annual Report
1984-85



HISTORY

MISSION AND OBJECTIVES

After nearly four years of extensive negotiations, the republics of South Africa, Transkei, Bophuthatswana, Venda and Ciskei signed the Agreement establishing the Development Bank of Southern Africa (DBSA) in Cape Town on June 30, 1983 and thus became the founding members of DBSA. In addition the Agreement made provision for the self-governing states of Gazankulu, KaNgwane, KwaNdebele, KwaZulu, Lebowa and Qwaqwa, whose governments had given their support to the establishment of the Bank, to participate in the Bank's activities as constituent parts of South Africa. The Agreement further provides for other independent countries in Southern Africa to become members, as well as for associate membership for countries outside the region.

The establishment of the Bank was accompanied by a rationalization of a variety of development aid functions and institutions in the various participating countries, aimed at promoting a regional economic development policy in Southern Africa transcending national borders, to which all the participating governments had previously subscribed.

DBSA formally opened on September 1, 1983 and commenced operations on February 1, 1984, in offices in Sandton. This report therefore reflects the first full year of operations.

The mission of DBSA as expounded in its Articles of Agreement is to promote economic development in its broadest sense, increasing productivity and thus raising the standard of living of the people in the less-developed areas of the Southern African economic region within the Bank's membership

Its objectives are:

- ☐ to reduce imbalances in the levels of economic development between the less-developed and the more-developed areas of the region
- ☐ to promote the investment of public and private capital for developmental purposes and to utilize capital funds raised by it in financial markets and other resources available to it, for financing development
- ☐ to provide finance to meet the important developmental requirements of participating governments on terms which are generally more flexible and less demanding than those of conventional loans
- ☐ to provide technical assistance and training in the identification, preparation, evaluation, financing, implementation and management of development programmes.

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RESOURCES AND STRUCTURE

Main activities

The main activities of the Bank are the provision of loans for approved development projects, and the provision of technical assistance, training and agricultural and industrial advisory services to its participating states and their development agencies.

Finance

The financial resources of the Bank consist of its share capital, contributions made to a development fund by its members and loans raised on the local and foreign capital markets. Of the initial authorized and issued share capital of R2 000 million, R200 million is being paid up by the member states in the first five years of the Bank's existence, leaving R1 800 million in callable shares as a liability of the member governments against which loans can be raised in the capital markets. For the first five-year period of the Bank's existence, the RSA Government has pledged R1 500 million to be paid into the Development Fund. This commitment is extended annually in the form of a five-year top-up cycle of funding.

Management

The Bank has a three-tier management structure, consisting of a Council of Governors appointed by the member governments, which exercises overall authority, a Board of Directors which is partly appointed (by the members) and partly elected (by the Council of Governors), to which the Council has delegated most of its powers and which is thus responsible for the general conduct of the operations of the Bank, and a staff headed by the Chief Executive, who is also Chairman of the Board of Directors.

The voting power in the Bank is determined partly by the contributions of member governments to the share capital of the Bank and partly by an initial allocation of basic votes, unrelated to the respective contributions, that was made on equal basis.

Voting rights

Member state	Basic votes	Votes based on shareholding	Total votes
South Africa	300	3 360	3 660
Transkei	300	200	500
Bophuthatswana	300	200	500
Venda	300	100	400
Ciskei	300	140	440
	1 500	4 000	5 500

Organizational structure

DBSA's involvement in development projects takes place in terms of a systematic process internationally known as the project cycle,

consisting of six phases: identification, preparation, appraisal (economic, technical, institutional and financial), negotiation, implementation and evaluation.

Communication on all phases of this project cycle between the Bank and each participating state takes place through an agency nominated by that state, which is usually closely linked to its development planning activities and financial authorities.

To carry out these activities, which entail close co-operation and communication between DBSA and its borrowers, the Bank's internal structure aims at research and strategic planning, general administration and financing, programmes and projects, manpower and training, and agricultural and industrial advisory services.

The Research and Strategic Planning

Division attends to research into agriculture and rural development, industrial and tertiary development, development finance, urban and regional development, population and human development, development policy and data collection and analysis. The function of strategic planning is also co-ordinated through this division.

The **General Manager's Division** is responsible for finance and administration services (administration, legal and secretarial services, financial administration and budgets and statistics), manpower and training (external and internal training, and personnel), agricultural advisory services (agricultural planning, technical and management advisory services) and industrial advisory services (physical planning, technical appraisal and investment analysis).

The **Programme and Project Division** is divided into two departments: the Programme Department co-ordinates regional and state planning activities in the Bank while the Project section co-ordinates the phases of the project cycle. The Division is responsible for the management of the Bank's lending and technical assistance programmes, as well as for guarantees on loans offered by other parties to participating governments and their development agencies. While the lending programmes earmark loans for specific development projects, the technical assistance programmes provide for expertise to be mobilized for specific purposes, usually development planning for the preparatory planning of particular capital projects.

Staff

On March 31, 1985 staff members numbered 291, compared with 198 a year earlier, when the Bank had just started operations.

COUNCIL OF GOVERNORS

Prof O P F Horwood, President of the Council of Governors of the Bank and Dr G P C de Kock, Governor of the South African Reserve Bank at a ceremony where the original Articles of Agreement were presented to the Reserve Bank as prescribed in the Agreement.



Member country	Governor
South Africa	The Honourable O P F Horwood <i>(President of the Council)</i>
	The Honourable R F Botha
	Dr G P C de Kock
	Dr the Honourable D J de Villiers
	The Honourable J C Heunis
Transkei	Dr the Honourable P G J Koomhof <i>(until October 15, 1985)</i>
	The Honourable S M Qaba
	The Honourable K G Nota <i>(alternate)</i>
Bophutha- tswana	The Honourable S L L Rathebe
	The Honourable R Cronje <i>(alternate)</i>
Venda	The Honourable Gota F N Ravele
	The Honourable E R B Nesengani <i>(alternate)</i>
Ciskei	The Honourable Chief M E P Malefane
	Mr I Melville <i>(alternate)</i>

BOARD OF DIRECTORS

Member country	Nominated directors	Elected directors
South Africa	Mr M T de Waal Mr A J van den Berg <i>(alternate)</i>	Mr J B Maree Dr P R Morkel Mr G S Muller
Transkei	Prof W L Nkuhlu Mr A S Nkonyeni <i>(alternate)</i>	Mr R A Plumbridge Dr A P Scholtz Dr W J de Villiers <i>(alternate)</i>
Bophuthatswana	Mr W J J van Graan The Honourable B E Keikelame <i>(alternate)</i>	Dr D C Krogh <i>(alternate)</i> Mr P H Swart <i>(alternate)</i>
Venda	Mr J A Botes Mr M R Madula <i>(alternate)</i>	
Ciskei	Mr G F Godden <i>(for the period April 1, 1984 to October 8, 1984)</i> Mr I Hetherington <i>(for the period October 8, 1984 to February 18, 1985)</i> Dr D H M Bridgman <i>(as alternate for the period April 1, 1984 to October 8, 1984 and again from January 31, 1985 to March 31, 1985)</i> Mr R Mali <i>(as alternate for the period October 8, 1984 to January 31, 1985)</i>	Chairman and Chief Executive Dr S S Brand



The Board of Directors
Seated:
 Prof W L Nkuhlu,
 Mr W J J van Graan,
 Dr S S Brand (Chairman),
 Mr J A Botes,
 Dr D H M Bridgman
Standing:
 Mr M R Madula,
 Mr A J van den Berg,
 Dr D C Krogh,
 Mr J B Maree,
 Mr R A Plumbridge,
 Mr M T de Waal,
 Dr A P Scholtz,
 Mr A S Nkonyeni
Absent:
 The Hon B E Keikelame,
 Dr W J de Villiers,
 Dr P R Morkel,
 Mr G S Muller,
 Mr P H Swart

CHAIRMAN'S REPORT



Dr S S Brand,
Chairman and Chief
Executive.

The economic setting

In Africa the past year was characterized by a continuation of a long-term deterioration in economic conditions, exacerbated by widespread droughts, which have led the World Bank in its recent report, *Toward Sustained Development in Sub-Saharan Africa*, to state: "No list of economic and financial statistics can convey the human misery spreading in Sub-Saharan Africa."

This long-term unfavourable trend has not been as apparent in the countries in which the Development Bank of Southern Africa operates. However, the first full year's operation of the Bank did take place against the background of a prolonged drought and deepening economic recession in Southern Africa, characterized by a declining growth rate, rising unemployment, high interest rates and continued rapid increases in prices. These adverse conditions affected all the participating states, and required severe pruning of their public expenditure programmes. In these circumstances the ability of the Bank to maintain a fairly stable flow of funding for infrastructure projects, fitted in well with the overall desirability of cutting back on current rather than on capital expenditure.

The activities of the Bank were affected by these conditions in the following ways:

- Although certain skills and experience essential in development banking are not readily available in Southern Africa, the relative slackness in employment conditions enabled the Bank to attract high quality staff and build up its personnel strength rapidly.
- The prevailing high interest rates provided the Bank with a relatively high income on investments of inactive funds, enabling it to meet its setting-up costs and administrative expenses. This was fortunate because only a portion of the subscribed share capital has been paid up and little income is derived from operations at this early stage.
- By enabling the Bank's borrowers to obtain keen prices on project tenders, the slackening conditions in the construction industry had a moderating effect on the level of disbursements on projects.
- The anti-cyclical aspect of the Bank's disbursements helped focus the attention of consultants and contractors on its financing role in construction and other contracting work. This strengthened the hands of the Bank in conveying its approach to development projects, and in obtaining co-operation.
- The Bank took account of the slackness of demand by attaching to several infrastructural loans conditions aimed at phasing the implementation of the projects in close

conjunction with the actual development of demand.

In several respects these economic conditions may be expected to continue at least until well into the new financial year. In other respects they may change, for example, a softening of interest rates may set in that may affect the income of the Bank on investment of inactive funds. However, the underlying strengthening in the financial position of the Bank should compensate for the effect this could have on cash flow.

Operations

The annual report shows that remarkable progress was made with the processing of project applications and other operations. Even more might have been achieved had the Bank, the participating states and the consulting professions and contracting industries been more fully prepared before operations actually started. Since this ideal state of affairs was not possible, operations had to be started while attention had to be paid to the introduction of systems and procedures, the formulation of guidelines, the recruiting, orientation and training of staff, and the establishment of working relationships both with the designated agencies and project agents of participating states and with the consulting professions and contracting industries. By doing so, delays on the wide range of development projects that were in fact approved during the past year, could be kept to the minimum.

In particular, the capacity of participating states to identify, prepare and implement projects, and the initial lack of familiarity with the Bank's requirements and procedures, turned out to be significant constraints in many instances. This was reflected in the many issues that needed to be clarified during appraisals by the Bank of projects on which adequate pre-investment planning had not been done, in delays in negotiations after Board approval of applications, and in delays in the drawing down of loans after the signing of agreements. It was also reflected in quite considerable difficulties that arose between the Bank and participating states when applications were submitted for projects on which commitments had already been entered into by the borrower. These constraints were recognised by several participating states, which asked the Bank's assistance in setting up or streamlining their designated agencies and in providing assistance in the operation of the project cycle. This recognition was reflected in an increase in the number of technical assistance loans and grants compared with project loans, as the year went on. It was also reflected in the demand by participating states and their development agencies for the Bank's agricultural, industrial and other advisory services.

It is therefore clear that the Bank will have to assist participating states more actively in developing the capacity of their development agencies to handle the project cycle activities efficiently and effectively. Attention has already been given to ways in which the Bank can make such a contribution without violating the guidelines laid down by the Board, which state that the Bank should avoid assuming the responsibilities of the participating states and their agencies or seconding its own personnel to its borrowers. Although the Bank should avoid getting bogged down in studying issues rather than getting involved in actual projects, the increased emphasis on technical assistance is clearly also necessary up to a point.

It is gratifying that, in addition to the large number of standard infrastructure projects that were processed, the Bank also received a number of applications that provided it with the opportunity to experiment with the application of guidelines for interstate co-operation and private sector involvement. Examples are provided in the text of the annual report and in the addendum. As far as private sector involvement is concerned, it became apparent that in addition to advising participating governments on steps to encourage and facilitate private sector involvement, there is also a clearly apparent need to change a persistent perception on the part of the private sector that development in the TBVC countries and the self-governing national states is essentially a public sector responsibility.

In particular, the Bank has actively sought ways of supporting agricultural projects with the full participation of individual farmers, and to assist participating states in formulating viable rural development projects that could be funded by it. The Bank has tried to be innovative in these areas, and has preferred to support experimentation on a small scale rather than funding large projects with unproven success potential.

The annual report also reflects the scope of activities in the fields of human resource development and research. The first is commented on in the next section. With regard to research, data files on the participating states and position papers on a variety of issues relevant to the appraisal of loan applications by the Bank, are in the process of being drawn up or have been completed. A considerable number of special assignment projects, aimed at clarifying matters of Bank policy, were also undertaken. A start has also been made on the formulation of a strategic plan for the Bank, and the first multi-year projection of the Bank's development programmes and their funding has been approved by the Board. A considerable amount of work has also been done on criteria against which the financial exposure of the

Bank to the different participating states and their financial agencies can be evaluated.

Resource mobilization

On the funding side, close contact was maintained with the member governments on the paying-up of their share capital contributions, which is up to date, and in particular also with South Africa on its contributions to the Development Fund. It is gratifying that despite the tight financial situation in South Africa, the South African contribution to the Development Fund has been maintained at a level which will enable the Bank to maintain continuity in its development programmes and to plan properly for funding from other sources as well. Against the background of the multi-year development programme, a fund mobilization strategy has also been approved.

There is also the prospect of soon concluding the transfer of the assets and liabilities of the Corporation for Economic Development. Although this could not be concluded in time to be included formally in the Bank's financial accounts, the outlines of the arrangement are clear enough for information to have been provided in the notes to the financial accounts that should enable interested parties to make a full assessment of the financial position of DBSA.

With regard to human resource mobilization and development, the Bank's efforts have so far been directed mainly towards its internal needs. However, a start has also been made on identifying needs for training and other manpower development programmes in the participating states, and on developing course material for the staff of participating states and their development agencies.

Scope of activities

Negotiations are continuing with the member states on the involvement of the Bank in education projects. In the meantime, the Bank has been operating within guidelines laid down by the Board, to the effect that it can support training and other education projects that have a direct bearing on the economic performance of participating states. This also applies to the Bank's involvement in housing. In addition to supporting urban infrastructure projects on terms appropriate to the income groups to be served, much has been done by the Bank in the role of a catalyst to encourage the involvement of private sector interests in the funding of housing in the participating states.

Geographically, the Bank's efforts continued to be focused on areas within the less developed participating states. Loans for projects in all these participating states have been approved by the Board, although not all had been signed by the end of the financial year.

Several informal contacts were also made during the course of the financial year with other states in Southern Africa which are not participating in the activities of the Bank. It remains the policy not to press the extension of the Bank's activities to such states prematurely, but to exchange information and keep the appropriate interests in these states informed of the progress of the Bank, while waiting for opportune circumstances in which more active co-operation can be pursued. If the similarities are considered between the Bank's approach to development and that proposed by the World Bank in its report on Sub-Saharan Africa, recognition of the Bank's potential role in a wider group of countries in Southern Africa may not be far off. These similarities are particularly evident in such matters as the emphasis on reforming economic policies to allow more scope for the private sector, agricultural development, the strengthening of institutions and the better utilization of existing, rather than the creation of new, infrastructure.

The Bank was closely involved, with observer status, in the multilateral structure and regional liaison committees that have been established among the SATBVC countries and has made material contributions to the work of several of their technical committees. In addition to supporting and taking part in a number of regional development conferences, the management of the Bank has maintained frequent contact on a wide range of issues with the governments of all participating states.

In October I attended the annual meetings of the World Bank and International Monetary Fund. This was followed by a visit by the Manager: Manpower to these institutions to obtain information on their training programmes. Visits were also made to a number of development institutions in the European Community to make the activities of the Bank known to them. During all these visits the apolitical nature of the Bank's activities, its focus on development issues similar to those in other parts of Africa, and the arms-length relationship between the governments of the participating countries and the Board were emphasized. In all instances the reception was positive and an encouraging willingness was apparent to exchange information with the Bank, and in principle also to co-operate on projects, provided that the recipient countries agreed.

Internal matters

Staff strength was built up from 198 to 291 during the year. The stage has now been reached where the emphasis will be on consolidating rather than on further expanding staff strength, and on raising efficiency. Towards the end of 1984 a comprehensive post evaluation exercise was completed. Together

with the operational experience of the past year, this has formed the basis of certain steps towards restructuring the Bank's organization. Word- and data-processing facilities were installed, and a mainframe computer system set up that will meet the needs of administration, operations and of the research undertaken in the Bank. All this should contribute towards a more effective utilization of the Bank's human resources.

An internal auditor was appointed during the year, and an Audit Committee of the Board was established and started to function. Much attention has been given to the introduction and refinement of financial procedures and controls.

Although the finalization of the land purchase for the Bank's headquarters by the relevant South African authorities is still awaited, a suitable site was identified and a start has been made on the planning of facilities.

Appreciation

The progress that the Bank has been able to make during its first full year of operation reflects positively on the dedication and skills of its management and staff. It would also not have been possible without the active support and direction provided by its first Board of Directors, whose term of appointment expires on June 30, 1985.

The willingness of participating governments and their agencies to communicate freely and frankly with the management and staff of the Bank greatly facilitated the establishment of procedures and the testing of guidelines for operations. The two meetings of the Council of Governors which took place during the financial year, were of great assistance in bringing about a climate of positive communication between the Bank and its member governments.

Mr J Nieuwoudt, General Manager of the Bank, will be retiring in 1985. I want to take this opportunity to record my personal appreciation for his support, advice and management role which contributed largely to the achievements of the Bank in its first year of operation. While he fully deserves a happy retirement, I trust that his extensive experience of development matters will continue to be put to good use.

Finally, appreciation must be expressed for the positive climate which the Bank has continued to experience in the media, among the general public and in finance and other business circles.



S S Brand
Chairman and Chief Executive

BANK ACTIVITIES

for the period April 1, 1984 to March 31, 1985

Introduction

The participating governments of DBSA and their respective development agencies carry the primary responsibility for formulating development policies, implementing efficient development programmes, initiating project applications and creating the framework for development to take place and for the private sector to play a significant role therein. The Bank has an important supportive role to play by assisting its borrowers in:

- ☐ the development planning process
- ☐ the preparation of individual projects (Technical assistance and special assignment programmes are important instruments in this respect.)
- ☐ creating the right climate for greater private sector involvement and investment (for instance through the use of the guarantee programme)
- ☐ creating the necessary capacity to plan and implement development programmes (through advice, training and assistance with the recruitment of professional and managerial staff, among other things).

During the past year, the Bank experienced a large and sustained inflow of project applications. There was, however, variance in the quality of applications received, especially in respect of their potential contribution to meeting development needs, their compliance with sound economic principles and the extent to which they provided for the involvement of the private sector and the local community. This resulted in a significant allocation of time and effort by DBSA staff to clarifying issues and advising borrowers before a project could be accepted for the preparation and appraisal phases. It can be expected that as borrowers gain experience in the application of the project cycle and the functioning of DBSA, significant progress will result.

The future flow of project applications may depend largely on the initiatives taken by borrowers in respect of development planning and the systematic identification of priority development projects. At this stage the lack of clear and comprehensive development policies, planning procedures and implementation capacity (often because of the lack of professional and experienced staff) imposes significant constraints and will need the urgent attention of both borrowers and DBSA. The ability of participating governments to create a positive climate for private investment also has an important bearing on the demand for infrastructure that can be financed by DBSA.

The activities of the Bank are reviewed here in three dimensions and in relation to the Bank's role as outlined above. These dimensions are the utilization and mobilization of resources and development co-operation in Southern Africa.



Fifty-two loans for 40 projects were approved during the 1984/85 financial year. The Hon S M Qaba, Minister of Finance of Transkei signs a loan agreement with Dr S S Brand, witnessed by Mr J Nieuwoudt, General Manager of the Bank and Mr T F Ntlabathi of the designated agency of Transkei.

Utilization of resources

This involves activities aimed at achieving greater efficiency and effectiveness in the utilization of available resources for realising the development objectives of participating states. These activities relate to the Bank's *development programmes* (which include lending, technical assistance, pre-investment facilities and guarantees), *research and data collection services*, *agricultural and industrial advisory services*, *training and manpower development services* and other advisory services.

Development programmes

Activities by programme

DBSA formally started its operational activities on February 1, 1984 when 96 projects with a total loan value of R637 726 000 were taken over from the RSA. In addition, 42 projects in the pipeline with a total investment value of R762 249 000 were also taken over. These projects were spaced over the different phases of the project cycle and their implementation therefore runs over a number of years.

The activities of DBSA for the period from April 1, 1984 to March 31, 1985 by development programme are depicted in Table 1 from which the following can be observed:

- ☐ The projects for *technical assistance* increased from 20 to 42 with an estimated total investment value of R22 232 000.
- ☐ In accordance with the Agreement establishing the Bank, consideration was also given to loan *guarantee applications*. Up to March 31, 1985 two such applications had been accepted for consideration.
- ☐ The *total* number of projects in the various phases of the project cycle increased from 138 to 272 with an estimated total investment value of R2 461 959 000.

Activities by stage of project cycle

The movement of projects through the project cycle during the past financial year is reflected in Table 1.

□ The total number of projects in the pipeline (*preparation and appraisal phases*) increased from 42 to 117 with an estimated value of R1 220 276 000. This reflects the large number of project applications received and accepted by the Bank during the first year of operation.

□ At March 31, 1985 there were 60 projects in

the *implementation phase* as well as 45 projects in the negotiation phase.

□ Fifty loans were *fully disbursed* representing a total loan amount of R169 991 000 with an investment value estimated at R292 484 000.

□ Of all the new projects considered for *preparation and appraisal*, seven applications were not considered to fall within the scope of DBSA activities, while one application was referred back for reformulation and another for later submission when a demand for the facilities could be substantiated.

Table 1: Fixed and expected commitments (preparation to implementation), summary by programme and stage of project cycle

Description	Position as at April 1, 1984			Position as at March 31, 1985		
	Number of projects	Total investment (R'000)	Loan amount (R'000)	Number of projects	Total investment (R'000)	Loan amount (R'000)
Lending programme						
Projects fully disbursed	22	147 409	79 567	43	291 362	168 940
Projects in implementation	32	222 646	148 846	46	678 459	349 576
Projects in negotiation	25	265 080	122 717	35	242 622	136 505
Fixed commitments Sub-total	79	635 135	351 130	124	1 212 443	655 021
Projects in pipeline	39	761 343		104	1 206 004	563 207
Total	118	1 396 478	351 130	228	2 418 447	1 218 228
Technical assistance programme						
Projects fully disbursed				7	1 122	1 051
Projects in implementation	17	2 591	2 591	14	4 565	3 645
Projects in negotiation				9	3 553	2 682
Fixed commitments Sub-total	17	2 591	2 591	30	9 240	7 378
Projects in pipeline	3	906	906	12	12 992	7 539
Total	20	3 497	3 497	42	22 232	14 917
Guarantee programme						
Projects fully disbursed						
Projects in implementation						
Projects in negotiation				1	20 000	20 000
Fixed commitments Sub-total				1	20 000	20 000
Projects in pipeline				1	1 280	1 280
Total				2	21 280	21 280
Grand total						
Projects fully disbursed	22	147 409	79 567	50	292 484	169 991
Projects in implementation	49	225 237	151 437	60	683 024	353 221
Projects in negotiation	25	265 080	122 717	45	266 175	159 187
Fixed commitments Sub-total	96	637 726	353 721	155	1 241 683	682 399
Projects in pipeline	42	762 249	906	117	1 220 276	572 026
Total	138	1 399 975	354 627	272	2 461 959	1 254 425



A loan of R21,5 million at an interest rate of 6 per cent and over a period of 40 years was granted for the construction of the Fika Patso Dam in the Namahadi River in Qwaqwa.

Table 2: Fixed and expected commitments (preparation to implementation), summary by programme and functional allocation

Description	Position as at April 1, 1984			Position as at March 31, 1985		
	Number of projects	Total investment (R'000)	Loan amount (R'000)	Number of projects	Total investment (R'000)	Loan amount (R'000)
Lending programme						
Rural & community development				3	12 250	6 661
Agriculture, forestry & fisheries	39	332 924	97 461	72	519 386	250 372
Industries, commerce, tourism, mining & mineral affairs	12	316 065	47 300	33	788 039	270 795
Urban development & housing	13	78 940	18 148	23	129 992	92 098
Manpower development	16	161 618	77 600	21	222 424	174 650
Infrastructure	38	506 931	110 621	76	746 356	423 652
Total	118	1 396 478	351 130	228	2 418 447	1 218 228
Technical assistance programme						
Development planning	2	65	65	3	463	395
Rural & community development				5	12 046	6 060
Agriculture, forestry & fisheries	7	633	633	10	2 292	2 056
Industries, commerce, tourism, mining & mineral affairs						
Urban development & housing	3	242	242	12	3 631	2 930
Manpower development	3	1 257	1 257	4	1 301	1 301
Infrastructure	5	1 300	1 300	8	2 499	2 175
Total	20	3 497	3 497	42	22 232	14 917
Guarantee programme						
Rural & community development						
Agriculture, forestry & fisheries						
Industries, commerce, tourism, mining & mineral affairs						
Urban development & housing				2	21 280	21 280
Manpower development						
Infrastructure						
Total				2	21 280	21 280
Grand total						
Development planning	2	65	65	3	463	395
Rural & community development				8	24 296	12 721
Agriculture, forestry & fisheries	46	333 557	98 094	82	521 678	252 428
Industries, commerce & tourism mining & mineral affairs	12	316 130	47 365	33	788 039	270 795
Urban development & housing	16	79 117	18 325	37	154 903	116 308
Manpower development	19	162 875	78 857	25	223 725	175 951
Infrastructure	43	508 231	111 921	84	748 855	425 827
Total	138	1 399 975	354 627	272	2 461 959	1 254 425

Activities by functional allocation of resources

Table 2 provides a perspective on the functional distribution of project applications received for the different programmes during the past financial year.

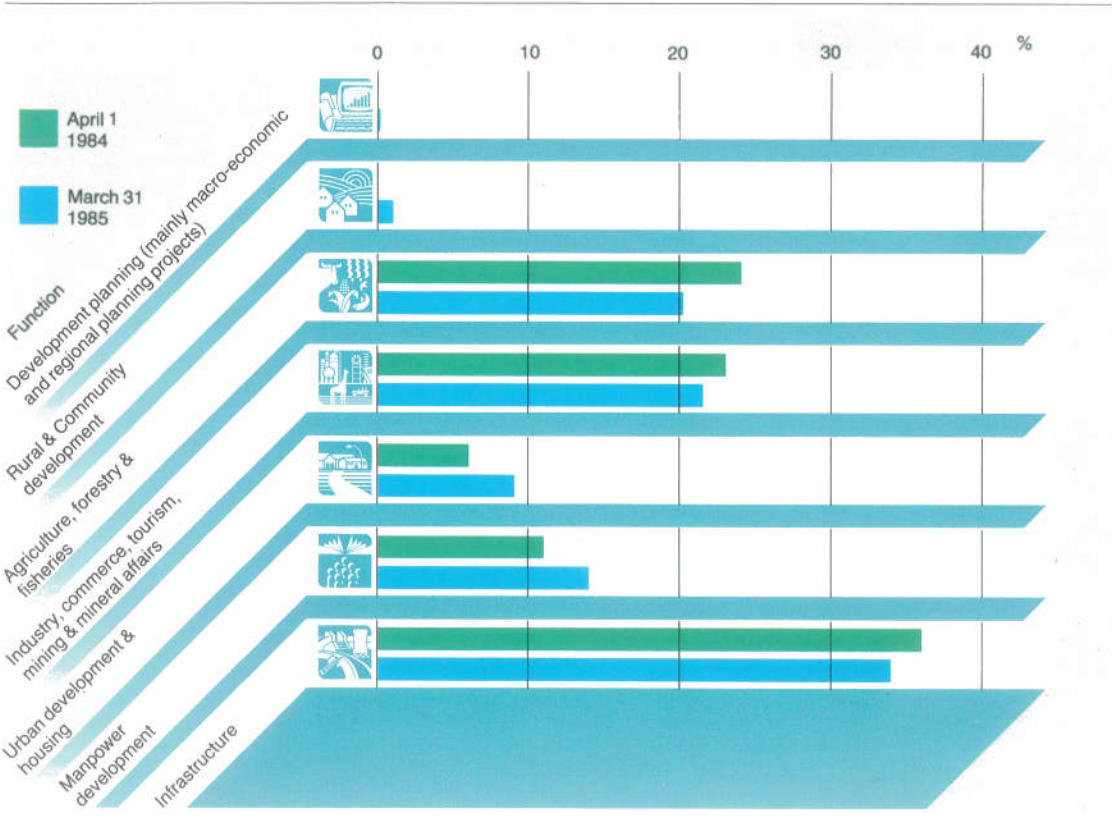
The following observations are relevant:

- Of the total number of applications received, the major demand (84 projects or 31 per cent) was for *infrastructural projects*, followed closely by *agricultural projects* (82 projects or 30 per cent).
- The largest estimated investment value of projects received was however for *industries, commerce and tourism*, namely R788 039 000.
- The actual number and also the investment values of project applications for integrated *rural development* were relatively small in comparison with the other functional categories. Moreover, many of these projects can be regarded as experimental projects or pilot schemes.
- To conform to the priorities set by the participating governments, the emphasis should gradually move towards *agricultural and rural development projects*, while in respect of *industrial and infrastructural projects* great care should continue to be exercised to avoid duplication of existing under-utilized facilities in the different regions. From the graph it is, however, evident that the envisaged shift in emphasis did not materialize during the past

year and therefore considerable attention will have to be devoted to this aspect in future. The multi-year development programme of the Bank therefore provides for a significant increase in the allocation of resources towards agriculture and rural development.

Twenty-five *manpower development* projects to a total investment value of R223 725 000 were in various phases of the project cycle on March 31, 1985. Nineteen of these projects, to a total investment value of R168 million, were taken over from the SA Department of Foreign Affairs. These included a number of education projects (primary, secondary and tertiary) which currently fall outside the accepted DBSA guidelines for manpower development projects.

The importance of manpower development to support, bring about and sustain development is fully recognised by DBSA. However, ongoing basic educational programmes are regarded as a normal budgetary responsibility of the state concerned while it is assumed that there will continue to be a certain level of funding provided in the financial arrangements between SA and the other participating states of DBSA. In special cases DBSA will consider specific projects in the fields of vocational and technical education and training. Discussions are taking place between SA and DBSA on the funding of manpower development projects by DBSA, and depending on the outcome, the scope of DBSA involvement in such projects could be extended in future.



Activities by regional allocation of resources

As DBSA has the responsibility of promoting and supporting projects that will have an optimal impact on balanced regional development, the effective use of the project cycle depends on the establishment of a planning framework against which all project applications can be evaluated.

In terms of the principles of balanced regional development and co-operation, it is important to ensure that effective development projects are set up in those areas that merit the highest priority. Such priorities are defined in terms of a development perspective on potentials, needs and constraints for the region as a whole, as identified and subscribed to by all participating states in the regional development strategy for Southern Africa.

Table 3 provides a breakdown of fixed and expected commitments by development region.

Region D, with 120 projects and an estimated investment value of R936 265 000, has the highest number of projects in the project cycle and 44,7 per cent of estimated loan amount has been allocated to this region. This is in accordance with the priority given to Region D in the regional development strategy.

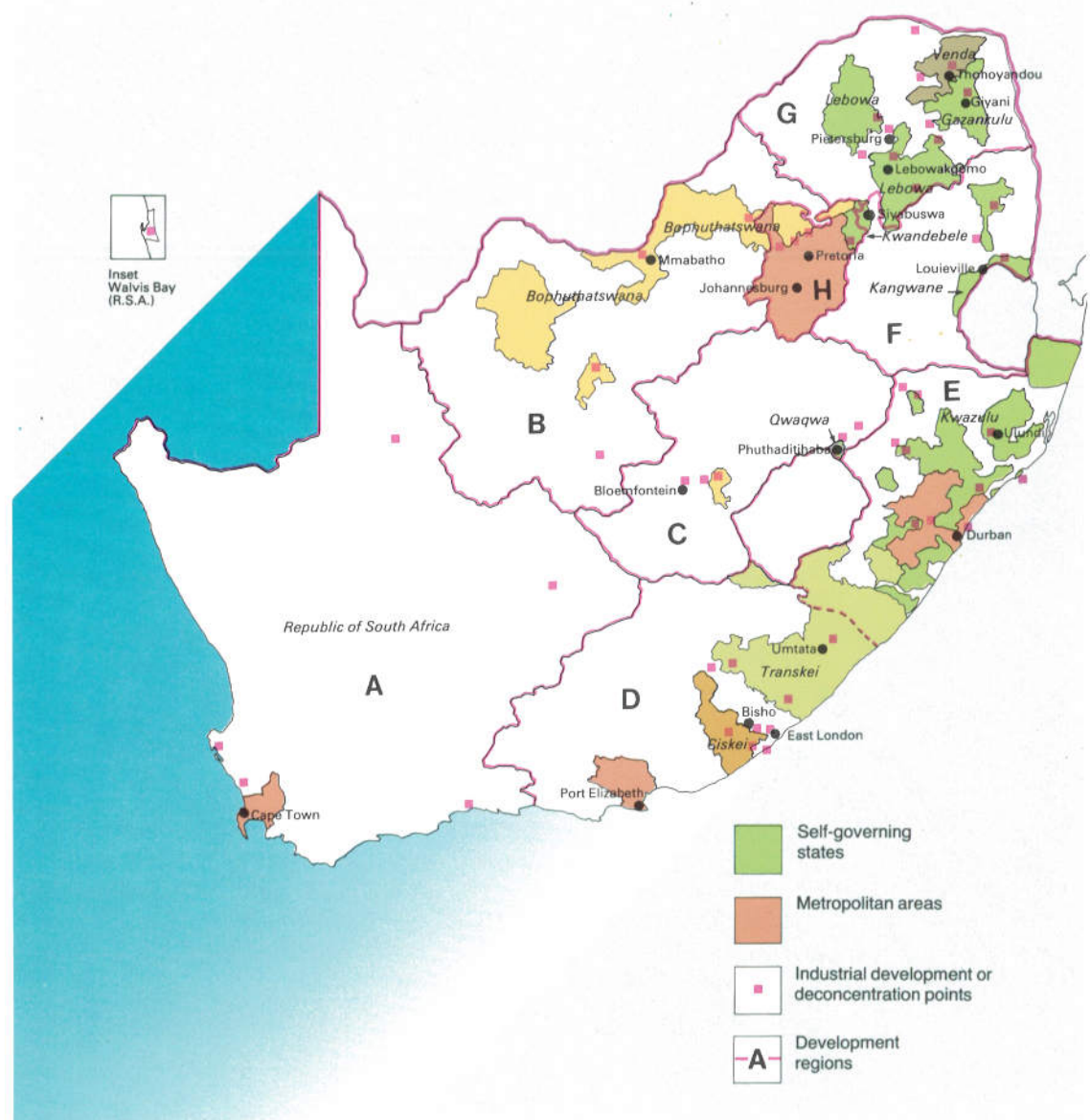
Details of loan offers

Details of loan offers are listed at the end of this report but Table 4 contains a summary of the most relevant information on these loans.

The following observations can be made:

□ Of the total of 52 loans for 40 investment projects approved by the Board of Directors, 19 were for the promotion of industrial development. This represented 78 per cent of the total investment value and 66 per cent of the total loan amount approved during this period.

Development regions within DBSA's participating states



This high proportion reflects to a large extent:

— assistance to development corporations in filling their new role as financiers of industrial development after the transfer of functions from the Corporation for Economic Development to them

— the positive response experienced by development corporations to the new policy in respect of industrial development in development regions

— the more extensive experience of identifying, planning and appraising industrial projects compared, for instance, with agricultural or rural development projects.

□ The estimated private sector involvement in *industrial projects* by way of working capital and equipment in factories is estimated at R130 157 000 for the projects approved — that is, 65 per cent of the loan amount approved. This

underlines the extent to which the private sector becomes involved in projects financed by DBSA. It is also evident that the percentage contribution of DBSA to the total investment is the lowest for industrial development projects, while relatively short loan periods and relatively high interest rates apply to DBSA loans for such projects.

□ *Agricultural development* is the next most significant sector. Of the eleven loan offers made, six are for irrigation facilities, while five are concerned with commercial farming.

□ In the *infrastructural programme*, the loan amount as a percentage of total investment averages 72 per cent. If a particular electricity project, which was partly financed with an export credit facility from the Industrial Development Corporation to a South African contractor and in respect of which the DBSA loan amounted to only 15,6 per cent of the total

Table 3: Fixed and expected commitment (preparation to implementation), summary by development region

Development region	Number of projects	Position as at March 31, 1985 total investment value		Loan amount	
		(R'000)	%	(R'000)	%
Region A	—	—	—	—	—
Region B	45	268 198	10,9	152 793	12,2
Region C	8	83 727	3,4	54 365	4,3
Region D	120	936 265	38,0	561 089	44,7
Region E	28	723 779	29,4	213 991	17,1
Region F	7	26 353	1,1	16 545	1,3
Region G	45	247 515	10,1	139 893	11,2
Region H	19	176 122	7,2	115 749	9,2
Grand total:	272	2 461 959	100	1 254 425	100

Table 4: Details on approved loans by function: Lending programme

	Agricultural dev. projects	Industrial dev. projects	Urban dev. & housing projects	Man-power dev. projects	Infra-structure dev. projects	Total
Number of projects	5	13	4	6	12	40
Number of loans approved	11	19	4	6	12	52
Terms:						
Loan period (yrs)	7-20	3-15	15-25	15-20	15-40	3-40
Interest rates (%)	5-10	8-16,9	5-10	5-6	4-11,5	4-16,9
Capital grace period (yrs)	0-4	0-3	1-6	1-3	2-10	0-10
Interest capitalization period (yrs)	0-4	0-2	0-6	1-3	2-5	0-6
Financial details: (R'000)						
Total estimated investment	11 731	487 086	11 721	16 396	101 234	628 168
Loan amount	8 564	200 695	9 189	13 679	73 050	305 186
Estimated capitalized interest	1 146	26 432	1 549	1 194	12 060	40 635
Total estimated commitment for DBSA	9 710	238 827	10 738	14 874	85 110	359 259
Loan amount as percentage of total investment	73	41,2	78,4	83,4	72,1	48,6

investment, is not considered, the average percentage contribution by DBSA was 88,4 per cent, the highest of all the functional categories. It would also appear that infrastructural projects carry the most favourable terms, with loan periods of up to 40 years and interest rates from 4 to 11,5 per cent.

Technical assistance loans carry standard terms of 90 per cent of the total cost at a 4 per cent interest rate and a loan period of 10 years. In the case of the pre-investment facility for future projects, the technical assistance loan can be incorporated in the project loan when an actual investment project loan materialises.

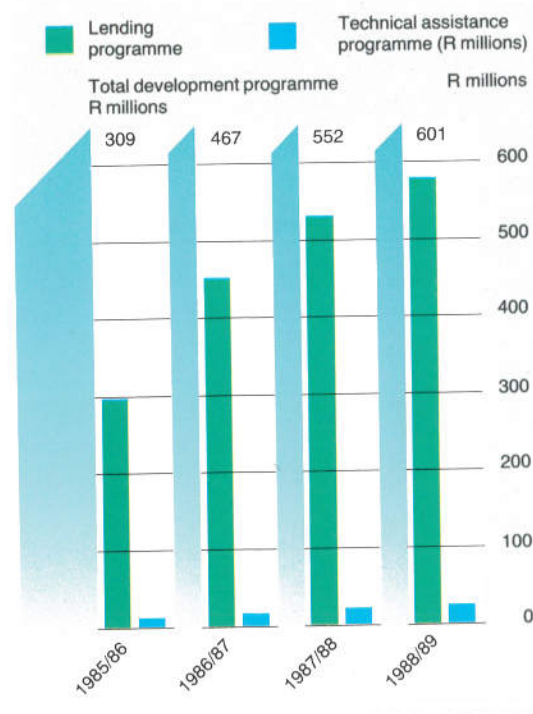
For all other technical assistance projects either a loan as above or a grant option of 60 per cent of the total value applies. A total of 15 technical assistance offers had been made up to March 31, 1985.

Special attention was given to technical assistance for *urban development and housing*. As it is viewed as a prime sector for the active participation of the private sector in development, it is not foreseen that DBSA will become involved to any large extent in loans for housing purposes. One loan guarantee has been approved while one is still in the pipeline. These guarantees are aimed specifically at mobilizing private sector resources for the financing of housing.

Multi-year programming

Fixed and expected commitments of the lending and technical assistance programme of DBSA for the period 1985/86 to 1988/89 are conservatively programmed as follows:

Fixed and expected commitments of the lending and technical assistance programme, 1985/86 to 1988/89.



These estimates are provisional and will have to be reviewed when and if such issues as the role of DBSA in respect of education and housing, and the possible extension of its geographical scope, are resolved.

Research and data collection services

The main purposes of research and data collection in the Bank are to gain insight into the development process, to support all aspects of the Bank's operations, to improve the Bank's ability to provide development advice and to strengthen the research and data collecting capabilities of participating states.

The need for research and data collection assignments may be identified by DBSA's Board, its management or any of its divisions, or it may emerge from formal or informal negotiations with participating governments or their development agencies. The Bank's management takes the final decision on the acceptance of assignment projects in the field of research and data collection as well as their priority and the terms on which they are accepted. In cases where assignment results will be to the general benefit of the Southern African economic region, they are done free of charge, at the Bank's cost, while specific projects for particular states are done on a fee-recovering basis.

To make optimum use of the available manpower and to ensure co-ordination between divisions, a team is appointed for each assignment project. Where necessary, use is also made of research consultants, both to assist the teams and to evaluate the final report.

Although research and data collection services are undertaken by other divisions, they centre primarily in the Research and Strategic Planning Division.

The research and data collection assignments undertaken during 1984/85 can be divided into three broad categories:

- ☐ statistical reviews
- ☐ position papers
- ☐ policy issues and analyses.

Statistical reviews

Statistical reviews on participating states are primarily compiled for the Bank's own decision-making purposes under the guidance of the Research and Strategic Planning Division. They are, however, made available to the public sectors of these states and to other interested parties. Not only is information collected and analysed but support is also given to these states for the establishment of their own data banks. At the same time the Bank plays an important role in improving the comparability of statistics between states.

During the financial year an estimated 45 per cent of the resources of the Research and Strategic Planning Division went into assignments for data collection. A total of eight assignments have been approved by management. On March 31, 1985 the reports of two were in draft form and the following had been completed:

- ☐ Republic of Bophuthatswana: Economic and social statistics
- ☐ Republic of Bophuthatswana: Educational statistics, 1983

Position papers

During 1984/85, eleven position papers on various development issues were initiated by the Research and Strategic Planning Division. The purpose of these papers is to provide a review of the most recent development approaches in developing countries, the development experience in Southern Africa and elsewhere, and the relationships between the recent approaches and the practical experience. These position papers serve as inputs in the policy-making process within DBSA but are also published for wider use.

Three position papers were in draft form at the year end while the following had been completed:

- ☐ Tourism
- ☐ Regional economic development in the Southern African Development Area.

Policy issues and analyses

Assignment projects for policy issues and analyses involve research to support the Bank's strategic planning as well as its operational programmes, but can also be done at the request of participating states.

Twenty-five assignments were approved by March 31, 1985. Of these the following had been completed:

- ☐ Market potential and commodity analysis of selected agricultural products
- ☐ The economic analysis of agricultural projects: principles and methodology
- ☐ Financing the administrative budget of DBSA
- ☐ A proposed framework for a strategic plan for DBSA.

Agricultural advisory services

During the period under review about 30 agricultural advisory service assignments were undertaken upon request by and commissioning of the participating states or their development agencies. The following were completed:

☐ soil surveys describing soil series, production potential, conservation works, quantification of productive area and mapping of appropriate information

☐ climatological studies

☐ hydrological studies regarding qualitative and quantitative factors as well as mean annual run-off

☐ surveys amongst farmers to determine their needs and views towards specific agricultural development projects or programmes

☐ agricultural planning studies on a macro-level dealing with the utilisation of natural resources, institutional involvement and production programmes

☐ detailed feasibility studies on crop production indicating cropping programmes, cash flow analysis, financial statements and development proposals

☐ a feasibility study on broiler production.

The agricultural commodities covered in these assignments included pineapples, citrus, mangoes, sugar, maize, cotton, vegetables and animal production such as broilers, mutton and beef.

Industrial advisory services

The services rendered to the participating states by the Industrial Advisory Services Division fall into two categories:

☐ assisting development agencies with the design and implementation of the technical or physical aspects of industrial and commercial projects, such as industrial infrastructure and factory buildings

☐ assisting development agencies with feasibility studies to ensure that their industrial and commercial projects are financially sound.

During the year under review standard factories were designed and industrial infrastructure was implemented on behalf of development agencies in participating states to the amount of R30 million. A request for industrial township management, involving the full range of technical, financial, legal and managerial aspects as well as the possibilities for co-operation between national states and local authorities, was also investigated.

During the review period 60 feasibility studies for industrial projects were completed on behalf of development agencies and comprehensive reports covering marketing, production, financial implications and recommendations were presented to these agencies. The potential involvement of private enterprise and development corporations in the relevant projects amounted to R65 million. Assignments were also undertaken on the evaluation of the

Industrial development was supported from the Bank's lending programme as well as its advisory services.



sorghum beer market, a strategy for establishing complexes for small industries, the evaluation of the potential market for exotic fruit juices in Southern Africa, and the planning and design of a shopping centre within the broad framework of town planning.

Training and manpower development services

The training and manpower development services offered by the Bank under the special assignments programme must be related to the general development activities of the Bank to avoid competition with existing private and public institutions. The services include consultation on manpower matters, such as organization structure, recruitment, selection and manpower management systems, and on training matters such as the identification of training needs, advice on meeting these needs and participation in projects likely to require training and manpower development activities.

Other advisory services

While DBSA made extensive use of external expertise to assist in its activities, particularly with regard to the various phases of the projects, it also rendered advisory services to its participating states and their agencies. Computer advisory services were rendered in the field of office automation, econometric data-base systems, financial and urban management systems and investment analysis.

Guidelines were also drawn up for the appointment of consultants and approved panels for the various professions and fields of expertise are being developed. International bodies with extensive experience in the development field have shown substantial interest in being included in such lists, to which

participating states and their development agencies also have access.

Mobilization of resources

This second dimension of the Bank's activities encompasses the mobilization of financial and human resources within DBSA and of the support of the private sector for the development efforts of participating governments.

Mobilization of financial resources

DBSA was specifically set up and geared to mobilize private sector resources which it would apply together with the available public sector resources towards the promotion of economic development in the less-developed areas of the Southern African economic region. The intention of the members of DBSA is that the borrowing operations of DBSA could constitute an important source of financing for its lending operations to participating governments and their agencies.

The ability of DBSA to mobilise funds in the capital markets is defined in the Agreement establishing the Bank, where it is specifically provided that it may borrow funds in any capital market, guarantee securities it has issued or in which it has invested and buy and sell securities it has issued or guaranteed or invested in. The operations of DBSA in this respect are, however, limited by a provision that the total amount outstanding of loans placed by the Bank in the capital markets shall not exceed the unimpaired subscribed capital (callable shares). This represents an implied guarantee by member states of the Bank's capital market operations to the amount of R1 800 million. This implied guarantee was more clearly defined by adding a further provision to the Establishment Agreement whereby the callable shares shall

only be subject to call when required to meet capital market obligations and guarantees issued by the Bank.

DBSA will follow a long-term funds mobilization strategy aimed at establishing itself as a dependable borrower in the financial markets. The Bank will gradually and with the necessary circumspection take up capital market loans to give effect to its stated aims of mobilizing private sector resources for development and in this regard a decision has been taken that a possible capital market loan issue by DBSA, during the 1985/86 financial year, will be investigated.

Mobilization of human resources

During the past year substantial efforts were made to create the appropriate attitudes, approaches and skills within the Bank to enable it to meet its objectives. The following activities deserve special mention:

□ Personnel orientation programme: In view of the widely divergent backgrounds of the employees appointed to the Bank, it was necessary to ensure that a common basis of understanding existed concerning the general background and operational philosophies of the Bank. Consequently, a series of orientation courses were held in August/September 1984, when 230 employees attended lectures covering the economic background, the framework within which the Bank operates, the structure of the Bank and the operating systems and philosophies. New employees attend an abridged version of the course.

□ Study schemes for full-time employees: The Bank operates a study aid scheme which allows any full-time employee to advance his/her academic knowledge in an area which is considered relevant to the activities of the Bank. During 1984, 19 employees availed themselves of this scheme.

□ Trainee scheme: In addition, the Bank operates a trainee scheme which enables promising young graduates to complete a further degree or diploma relevant to the activities of the Bank. Following their studies, they move through a structured programme which equips them with the basis of experience required for operational or support positions or positions in the Bank or the participating states.

This scheme is also open to trainees nominated by participating states. In 1984 seven trainees were appointed, and one spent a period at the Bank gaining experience relevant to her future position within the government of the state concerned. One of the first trainees was offered a position in a participating state. The Bank released the trainee concerned from her contractual obligations, taking the view that her traineeship could be considered a contribution

to the skills and knowledge in a participating state.

□ Other training: In order to weld the employees of the Bank into a team, and to create the necessary systems and procedures which will ensure effective operation, much attention was paid, and continues to be paid, to the training and development of individuals and teams within the Bank. Subjects covered during the year include team building, objective setting, secretarial training, job description and job evaluation, word processor and computer training, time management and performance assessment. In addition, employees, on a selective basis, may attend outside courses, seminars and conferences, and specialist employees and outside speakers address employees on topical matters.

Mobilization of the support of the private sector

Until recently the development of the less-developed areas in the region tended to be approached in terms of a model which made it primarily a government function, in contrast to the significant role accorded to private initiative in the advanced sectors of the Southern African economy. One of the main tasks DBSA has set itself is the mobilization of private sector participation in the development process. It strives to achieve this through the creation of the necessary development infrastructure, by abstaining from providing finance if in its opinion such finance is available from private sources on terms which are reasonable for the recipient, taking into account the nature of the project as prescribed in the Establishment Agreement, and by identifying opportunities in the less-developed areas for specific involvement of private interests.

The instruments used by the Bank to encourage private sector involvement include guaranteeing private sector funds invested, co-financing agreements with the private sector on specific projects, providing for parts of total projects to be financed through entrepreneurial funds or private bank loans, providing technical assistance that paves the way for future private sector involvement, for instance through demonstrating economic and financial viability of the project, and advising participating governments on factors that discourage private sector involvement.

When the Bank receives loan applications for projects that it regards as more suitable for private sector involvement, it draws this to the attention of the applicant, pointing out factors that may constrain private sector involvement, and suggesting ways in which such constraints can be overcome. To overcome initial reluctance of private interests to commit themselves to the project, the Bank may

consider guaranteeing an investment for a given period. Similarly, to allow governments to take the necessary steps to remove constraints on private sector involvement, it may consider providing bridging finance on the express condition that refinancing from private sources be done after a given period. In the final instance, however, the responsibility for involving the private sector and mobilizing such funds as may be forthcoming from this sector, lies with the governments and development agencies of the participating states.

Development co-operation in Southern Africa

The establishment of DBSA was preceded by an agreement between all its present participating governments on a regional development policy for those parts of Southern Africa under their respective jurisdiction. It was agreed that the scarce resources of the relatively small states in the region could be best utilized through a form of co-operation that, where necessary, transcends political boundaries. In order to achieve this goal it was emphasized that unnecessary restrictions on the flow of goods and services as well as on factors of production, should be avoided. This approach also entails the harmonization of development policies and the mutual development and utilization of basic infrastructure.

The Bank operates within the framework of this regional development policy and gives effect to its principles, both in decisions concerning its development programmes and in research advisory and training activities. It furthermore plays an active role in promoting development co-operation in Southern Africa through its participation as an observer in the deliberations of the multilateral technical committees which were established as part of the organizational structure for regional co-operation.

In its projects, DBSA has already taken various steps to support the development objectives and strategies of the regional development policy. The most important examples of projects which transcend borders are as follows:

Queenstown/Ilinge/Ezibeleni urban development

Transkei applied to DBSA for technical assistance in the preparation of a development plan for the Ilinge/Ezibeleni area. Since Ilinge and Ezibeleni are adjacent to Queenstown in South Africa, and both are identified as industrial development points, DBSA initiated discussions aimed at the preparation of a co-ordinated development strategy for the Queenstown/Ilinge/Ezibeleni urban area. This is now proceeding with the full support of both governments. This will ensure that planning and development will be undertaken on a joint basis between Transkei and South Africa, thereby utilizing common infrastructure, available resources and development potential to the benefit of both countries and of Region D.

Lower Fish River Irrigation Project

DBSA is appraising a loan application for the Lower Fish River Irrigation Project, consisting of a total irrigable area of 4 000 ha of which 1 800 ha will be in South Africa and 2 100 ha in Ciskei. Further development of a pilot irrigation project of about 600 ha at Tyefus in Ciskei was hampered by restrictions imposed by the quality and quantity of water available from the Fish River. The release of water from the Hendrik Verwoerd Dam into the Fish River, which can overcome these restrictions, has been approved in principle by the South African Government for future development of the scheme. DBSA initiated the establishment of a steering committee consisting of representatives of South Africa, Ciskei and DBSA to guide the further planning of the project. This entails joint planning on such aspects as soil, basin and agro-economic surveys, and water supply facilities.

Sugar cane loans

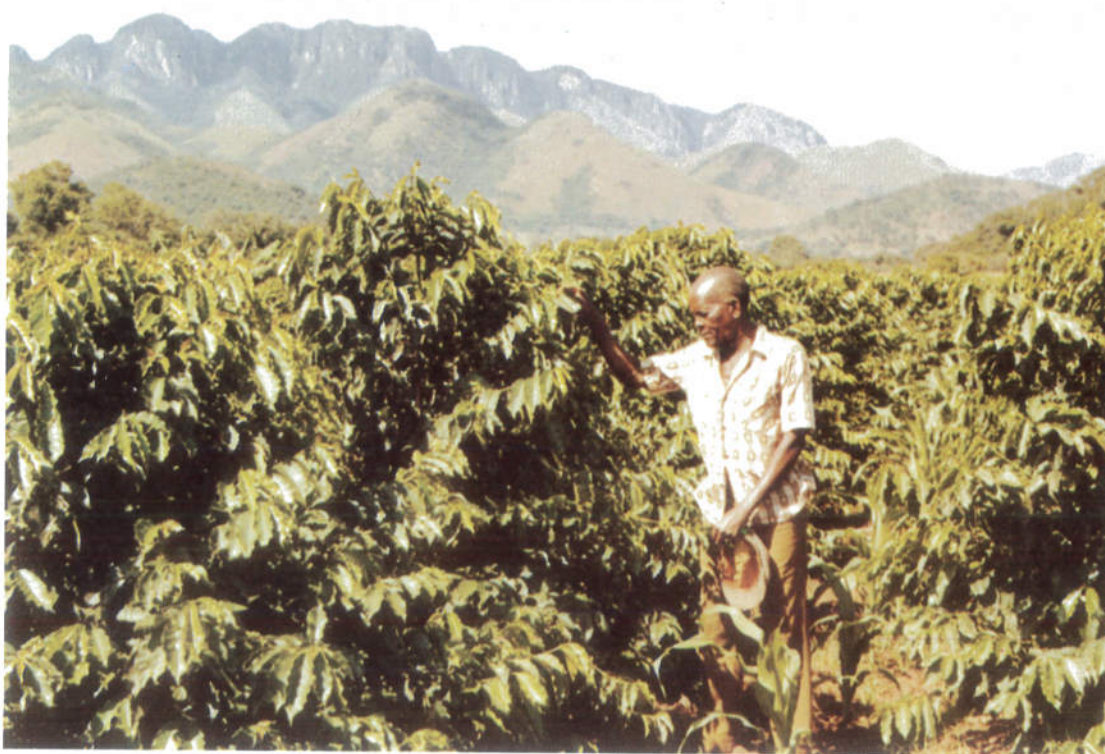
In a project for which DBSA is considering loan financing to facilitate a re-establishment fund for sugar cane grown in KwaZulu, a supplementary objective is the regional transfer of technical know-how and managerial skills by and through the South African Sugar Association to the less-developed areas of Region E.

The utilization of water resources in Regions F and G

The optimal utilization of water which is one of Southern Africa's most scarce natural resources, is crucial to the future development of the Bank's participating states. In some areas different states utilize the same water resource(s). An example is the Sabie-Sand River catchment area which serves Gazankulu, Lebowa and the adjacent areas of South Africa. The appraisal of projects requested by

Officials from DBSA and the governments of Transkei and South Africa discussing the Queenstown/Ilinge/Ezibeleni urban area with a view to the preparation of a co-ordinated development strategy.





A farmer inspects a coffee plantation for which the Bank supplied agricultural advisory services.

Gazankulu and Lebowa led the Bank to initiate discussions between all three states in order to reach mutual agreement on the utilization of water from the river system. It is expected that this will culminate in a master plan for the utilization of water in the whole of Regions F and G, which may also influence developments in Venda, Mozambique, Swaziland, KaNgwane and Zimbabwe.

Mmabatho water supply augmentation

The water supply to the rapidly expanding population of Mmabatho will be augmented with the construction of a main pipeline from the Molopo Eye in South Africa to the Mmabatho Water Treatment Works. With independence the sustained supply of domestic water from South Africa was assured by an agreement between South Africa and Bophuthatswana in terms of which a set annual quota is to be supplied at periodically adjustable tariffs. For this purpose the South African Department of Water Affairs developed a further source, namely the Molopo Eye, in order to augment the present supply of domestic water from the Grootfontein Eye to Mmabatho when necessary.

Ciskei abattoir

An application for the development of an abattoir at Bisho in Ciskei was accepted by DBSA for the preparation and appraisal phases of the project cycle on the clear understanding that the possibilities of co-operation with King William's Town be investigated. The DBSA project team arranged a meeting between the

Ciskei project agent and the town council of King's Williams Town during which the principle of co-operation was well received. Subsequently the parties involved formed a project committee which has already cleared the principles of the project with the South African Abattoir Commission and will be meeting soon with the South African Meat Board.

These principles will also apply in similar projects, for example the erection of an abattoir at Mogwase in Bophuthatswana which is presently under discussion.

Lebowa/Groblersdal joint water scheme

The project entails bulk water supply from the Olifants River to Groblersdal as well as to Motetema and Tafelkop in Lebowa. The first phase is the construction of a pump station and purification works by the Municipality of Groblersdal and the second phase is the construction of a booster-pump station, a rising main pipe-line and reservoirs at Motetema and Tafelkop in Lebowa as well as reticulation pipe lines within Tafelkop.

The project serves as an example of possible regional co-operation. One of the basic guidelines contained in the regional development strategy was the principle that the full and effective utilization of existing infrastructure rather than the proliferation of new infrastructure should receive priority. Water in particular is one of the important corner stones in the process of supplying infrastructure for regional development.

Funding

During the year under consideration the issued share capital increased by R36 million from R20 million to R56 million. A further contribution of R160 million was received from South Africa for the Development Fund bringing the total to R400 million. The total funding of the Bank amounted to R456 million at March 31, 1985.

Income and expenditure

The figures for the previous period are not comparable with the present year's results as they only represent six months during which the Bank was operational for only two months.

The total income received amounted to R36 million. Of this R33 million is represented by interest received. The high ruling interest rates, and a slower outflow of funds than anticipated resulted in a larger income than budgeted. The administrative expenditure excluding audit fees, directors' fees, furniture, equipment and motor vehicles written off and operating leases amounted to R15 million. Technical assistance grants amounted to R1 million.

General reserves

The surplus income of R19 million is transferred to the General Reserve to strengthen the Bank's financial structure and to provide for possible contingencies.

Application of funds

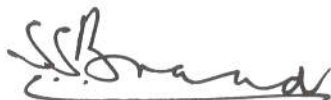
The assets of the Bank consist mainly of loans to participating governments and their development agencies and surplus funds not disbursed. Development project loans outstanding amounted to R310 million at March 31, 1985. Surplus funds invested with financial institutions amounted to R170 million.

BALANCE SHEET

at March 31, 1985

	Notes	1985 R	1984 R
Capital employed			
Share capital	2	56 000 000	20 000 000
General reserve	3	20 416 071	1 588 550
Development Fund	4	400 429 849	240 131 764
Deferred income	5	8 288 556	912 787
		<u>485 134 476</u>	<u>262 633 101</u>
Employment of capital			
Loans for development projects	6	309 784 880	186 669 171
Investments	7	171 413 321	75 490 211
Net working capital	8	3 936 275	473 719
		<u>485 134 476</u>	<u>262 633 101</u>

Signed on behalf of
the Board of Directors by



S.S. Brand
Director
April 30, 1985



M.T. de Waal
Director
April 30, 1985

INCOME STATEMENT

for the year ended March 31

			1985 R	1984 R
	Notes			
Income				
Interest	9	33 246 584	3 430 331	
Other	10	2 998 647	1 143 613	
		<u>36 245 231</u>	<u>4 573 944</u>	
Less expenditure		17 417 710	3 183 134	
Auditors' remuneration	11	126 734	10 000	
Directors' fees		99 439	50 169	
Furniture, equipment and motor vehicles (less recoupments)		1 232 202	476 874	
General expenditure		14 703 513	2 583 201	
Office equipment — operating leases		43 927	2 880	
Technical assistance grants		1 211 895	60 010	
Surplus income transferred to General reserve		<u>18 827 521</u>	<u>1 390 810</u>	

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended March 31

	1985 R	1984 R
Source of funds		
Surplus income	18 827 521	1 390 810
Shares issued	36 000 000	20 000 000
Development Fund contribution	160 298 085	56 937 000
Assets taken over		197 740
Increase in deferred income	7 375 769	912 787
Development loan repayments	4 724 617	
	<u>227 225 992</u>	<u>79 438 337</u>
Applied as follows		
Increase in development loans	127 840 326	3 474 407
Increase in investments	95 923 110	75 490 211
Increase in net working capital	3 462 556	473 719
	<u>227 225 992</u>	<u>79 438 337</u>

NOTES TO THE FINANCIAL STATEMENTS

at March 31, 1985

The Bank was established in terms of an agreement signed on June 30, 1983 on behalf of the governments of the republics of South Africa, Transkei, Bophuthatswana, Venda and Ciskei. To give effect to provisions in the Establishment Agreement, arrangements have been concluded with the South African Department of Finance in respect of the reimbursement of customs and excise duty and general sales tax paid by the Bank as well as exemption from income tax and stamp duty for the Bank. Other member states are to be consulted to ensure that similar arrangements will apply in their territories.

1. Accounting policies

The principal accounting policies adopted by the Bank are:

1.1 Financing of administrative expenditure

In the previous period it was the policy of the Bank to fund administrative and operational expenses from the interest earned on the investment of the share capital. The Board of Directors decided to amend this policy. In terms of the new policy the administrative expenditure and technical assistance grants are offset against total income received. During the previous financial period R7 187 614 in respect of net interest income was capitalized to the Development Fund. To give effect to the new policy and to ensure that the annual financial statements are meaningful, the relevant comparative figures have been re-stated by transferring R1 271 033 of this amount to the general reserve and R912 787 to deferred income. The impact of this new accounting policy on the results of the year under review cannot readily be calculated.

1.2 Administrative assets

Administrative assets which include furniture, office equipment, computer equipment and motor vehicles are written off in the year of acquisition.

1.3 Deferred income

Agreements for development loans may provide for a moratorium period in respect of the payment of interest. During this period interest is capitalized and becomes payable together with the loan over the contract period. Interest so capitalized is treated as deferred income, until such time as it is due and payable when it will be transferred to the income statement as interest received.

1.4 General reserve

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

	1985 R	1984 R
2. Share capital		
2.1 Authorised and subscribed capital		
200 000 shares at a par value of R10 000 each	<u>2 000 000 000</u>	<u>2 000 000 000</u>
2.2 Paid-up capital		
20 000 shares at a par value of R10 000 each	<u>200 000 000</u>	<u>200 000 000</u>
Issued and paid-up 5 600 shares (1983/84: 2 000 shares)	<u>56 000 000</u>	<u>20 000 000</u>
Balance to be issued and paid-up in equal annual allocations of 3 600 shares from 1985/86 to 1988/89		
3. General reserve		
Balance at April 1, 1984	1 588 550	
Net assets taken over		197 740
Transfer from Income Statement	<u>18 827 521</u>	<u>1 390 810</u>
	<u>20 416 071</u>	<u>1 588 550</u>
4. Development Fund		
Balance at April 1, 1984	240 131 764	
Amounts transferred from the SA Department of Foreign Affairs on February 1, 1984		
capital		177 843 763
interest capitalized		5 351 001
Amounts transferred from the SA Department of Foreign Affairs in consideration of a commitment taken over	298 085	
Contribution by SA	<u>160 000 000</u>	<u>56 937 000</u>
	<u>400 429 849</u>	<u>240 131 764</u>

	1985 R	1984 R
5. Deferred income		
Balance at April 1, 1984	912 787	
Plus interest capitalized	7 598 609	912 787
	8 511 396	912 787
Less interest transferred to Income Statement	222 840	
	8 288 556	912 787
An amount of R22 466 is due and payable during the next financial year and will be transferred to the Income Statement from deferred income as interest received.		
6. Loans for development projects		
Balance at April 1, 1984	186 669 171	
Amounts transferred from the SA Department of Foreign Affairs on February 1, 1984		
capital		177 843 763
interest capitalized		5 351 001
Loans advanced	119 498 262	2 535 397
Loans advanced by SA Department of Foreign Affairs	298 085	
Interest capitalized	8 043 979	939 010
	314 509 497	186 669 171
	4 724 617	
Less repayments of loans	309 784 880	186 669 171

An amount of R4 029 810 is repayable during the next financial year.

	1985 R	1984 R
7. Investments		
Investment of surplus funds with financial institutions	170 140 000	74 660 043
Investments with building societies as contra-investments for staff housing loans (refer note 13.3)	1 273 321	830 168
	<u>171 413 321</u>	<u>75 490 211</u>
8. Net working capital		
Current assets	5 277 654	1 894 114
loans and advances	253 624	49 430
accounts receivable	3 533 899	1 181 704
bank balances and cash	1 490 131	662 980
Less current liabilities	1 341 379	1 420 395
accounts payable	699 978	1 037 848
provisions	641 401	382 547
	<u>3 936 275</u>	<u>473 719</u>
9. Interest received		
Financial institutions	32 578 374	3 404 108
Development loans	668 210	26 223
	<u>33 246 584</u>	<u>3 430 331</u>
10. Other income		
Advisory services	765 329	
SA refund — taxes and duties	2 207 838	
Other	25 480	1 143 613
	<u>2 998 647</u>	<u>1 143 613</u>
11. Auditors' remuneration		
For the audit	48 000	10 000
Under provision prior year	5 739	
For consulting services	72 995	
	<u>126 734</u>	<u>10 000</u>

12. Liability for normal income tax

No provision has been made for income tax as the Bank is exempted from income tax as provided in the Establishment Agreement. The necessary steps to give effect to this arrangement have been taken by South Africa.

13. Commitments and contingent liabilities

13.1 Financing of the staff motor scheme is done through a financial institution. The Bank has guaranteed the liabilities of its employees amounting to R3 074 193 in this regard.

13.2 Financing of the staff housing scheme is partly done through a banking institution. Guarantees of R831 879 were issued by the Bank in support of certain loans granted.

13.3 An amount of R89 986 of the Bank's investments with building societies serves as collateral security for certain bonds granted by building societies to staff of the Bank.

13.4 There are commitments of R241 007 287 in respect of loan agreements concluded but not fully disbursed and R109 683 335 in respect of loans approved by the Board of Directors and still under consideration by the prospective borrowers.

13.5 There are commitments of R2 876 339 in respect of technical assistance grants concluded but not fully disbursed and R2 720 500 in respect of technical assistance grants approved by the Board of Directors and still under consideration by the prospective recipients.

14. Proposed take-over of assets and liabilities

In establishing the Bank it was provisionally agreed that certain liabilities and assets of the Corporation for Economic Development (CED) would be taken over by the Bank. The arrangements provide for the take-over by the Bank of CED capital market commitments to the value of R261 400 000 (April 1, 1984) and the simultaneous take-over of CED assets in the form of loans to national development corporations to the value of R261 400 000 (April 1, 1984). The South African Government will guarantee all capital and interest payments on the loans to national development corporations. At March 31, 1985 this take-over was, however, not finalized but it is expected that the proposed transactions will be formalized early in the next financial year and will then be reflected in the 1985/86 annual financial statements. The Board of Directors of the Bank as well as the South African Government have taken decisions on the implementation of the take-over arrangements while negotiations with the respective national development corporations are under way.

AUDITORS' REPORT

Report of the auditors to the shareholders of the Development Bank of Southern Africa.

We have examined the annual financial statements set out on pages 21 to 28. Our examination included such auditing procedures as we considered necessary.

In our opinion these statements fairly present the financial position of the Development Bank of Southern Africa at March 31, 1985 and the results of its operations for the year then ended, in conformity with generally accepted accounting practice.

A handwritten signature in cursive script that reads "Ernst & Whinney." The signature is written in dark ink and is positioned above the printed name of the firm.

ERNST & WHINNEY
Chartered Accountants (SA)

April 30, 1985

ANNEXURE

Details on projects approved during the period April 1, 1984 to March 31, 1985

LENDING PROGRAMME

Agriculture,
forestry and
fisheries



Bophuthatswana

Project title:
Taung Irrigation Phase 5

Loan amount:
R3 684 000
Total project cost:
R5 043 000

This project is directed towards the revitalization of existing irrigation through conversion and redevelopment of 760 ha of flood irrigation to 875 ha of conventional sprinkler irrigation, with the re-establishment of farmers on 7,5 ha each at the Mukasa area of the Taung irrigation scheme.

Ciskei

Project title:
Pineapple Commercial Farming

Loan amount:
R2 585 000
Total project cost:
R3 238 000

The object of the project is the optimal utilization of the favourable agro-ecological and economic potential available in the coastal regions of Ciskei for the expansion of pineapple production, with the aim of income generation, creation of employment opportunities and development of entrepreneurial skills in the agricultural sector. The settlement of independent Ciskeian farmers or other means of privatization during the first five years is a further aim. A total of 385 jobs will be created. Two separate loan offers were made.

A settlement
accommodating ten
farmers and their families
on one of the farming
projects which is
supported by the Bank.



A settler-farmer and
pineapple pickers at a
pilot farming settlement
project supported by a
Bank loan.



KaNgwane

Project title:

Louw's Creek Sugar and Sub-tropical Fruit

Loan amount:

R1 380 000

Total project cost:

R1 808 200

The project entails the revitalization of an existing farming enterprise consisting of 35 ha of mixed sub-tropical orchards, the establishment of 34 commercial farmers on 242 ha of newly planted sugar cane, the initial establishment of an additional 10 ha to sub-tropical orchards and the planning, demarcation and servicing of a residential area. In addition to the farmers, the project is expected to create 138 jobs. The sub-tropical fruit, which is of excellent quality, is exported to Europe. Three separate loan offers were made.

Qwaqwa

Project title:

Asparagus Production, Expansion and Packaging Unit

Loan amount:

R791 000

Total project cost:

R1 487 000

The project is developed by the Qwaqwa Development Corporation as a core unit geared to the establishment of an independent farming community on and alongside the project. The packaging unit will facilitate meeting the requirements of the export market. Two separate loan offers were made.

Project title:

Grain Silo for Maize:

Loan amount:

R124 000

Total project cost:

R155 000

Maize is a major input of the Qwaqwa Agricultural Corporation's feed mixing unit. The project, involving the construction of a steel grain silo to store maize, will therefore support the further development of Qwaqwa's animal husbandry sector.

Ciskei

Project title:

Custom-Designed Factory

Loan amount:

R3 536 000

Total project cost:

R8 991 000

The project entails infrastructure, buildings and equipment for a labour-intensive garment industry at Fort Jackson in Ciskei. In all 5 000 jobs — mostly for women — are to be created.

Project title:

Ciskeian Small Business Corporation
— Factory Flat Complexes, Rural Work-
shops and Market Stalls

Loan amount:

R1 291 000

Total project cost:

R1 583 000

The object is to increase further investment in small business/industrial development in Ciskei through the establishment of small entrepreneurs and to create employment.

Project title:

Factory Buildings and Expansion of Infra-
structure at Fort Jackson and Dimbaza

Loan amount:

R39 200 000

Total project cost:

R83 850 000

The object is to increase further investment in industrial development in Ciskei as a major contribution to employment creation and economic growth and to provide industrial facilities to satisfy current demand. The project entails the provision of infrastructure for 45 ha of industrial land and the construction of 60 factory units.

Industries,
commerce,
tourism, mining
and mineral
affairs



Gazankulu

Project title:
Custom-Designed Factory

Loan amount:

R4 136 000

Total project cost:

R7 566 200

The project entails the erection of a custom-designed factory building of 15 200 m² at the industrial development point of Mkhuhlu, and of supporting services, to provide employment for at least 515 workers.

Project title:
Nkowakowa Industrial Development

Loan amount:

R6 752 000

Total project cost:

R16 081 224

This entails the provision of 29 standard factory buildings at the industrial development point of Nkowakowa. At the end of 1984, 11 of these factories were already occupied by industrialists with the remaining 16 scheduled for completion by March 1986. The project is expected to create 1 440 new job opportunities. Two separate loan offers were made.

KaNgwane

Project title:
Kabokweni Industrial Development

Loan amount:

R8 214 000

Total project cost:

R13 159 000

The object of this project is to create the facilities and infrastructure needed to encourage industrial development in KaNgwane and thereby to enhance the creation of job opportunities and the generation of income. In particular the project entails the provision of infrastructure to 37 ha of land and the erection of 17 factory buildings. Two separate loan offers were made.

KwaNdebele

Project title:
Ekandustria and Siyabuswa Industrial Buildings

Loan amount:

R6 225 000

Total project cost:

R17 625 000

This entails the erection of 11 standard factory buildings on the KwaNdebele side of the Ekandustria industrial complex and a limited factory complex at Siyabuswa. The former relates to the establishment of standard industries at this deconcentration point while the latter is in support of the small industry needs of the population at the major administrative centre in KwaNdebele. Ekandustria is expected to develop into a major employment source, while the Siyabuswa investment is designed to support the evolution of local entrepreneur-industrialists.

KwaZulu

Project title:
Industrial Development Programme

Loan amount:

R79 700 000

Total project cost:

R189 907 574

The objects are to initiate and implement a programme of construction as well as completion of factory buildings, to expand the infrastructure at Madadeni and Ezakheni as well as to complete infrastructure at Isithebe, and to grant loans to industrialists deciding to settle at these development points. Implementation is to be phased to coincide with the development of demand for the facilities. Two separate loan offers were made.

Lebowa
Project title:
Seshego Industrial Development

Loan amount:
R13 589 415
Total project cost:
R38 961 915

The project will consist of the construction of 12 standard factory buildings, three factory flat complexes, a custom-built factory and the provision of infrastructure for 40 ha of industrial land. With the provision of industrial facilities in Seshego, industrial development can be promoted to create job opportunities and economic growth. Job opportunities to be created with this specific project are estimated at 1 410. Three separate loan offers were made.

Qwaqwa
Project title:
Phuthaditjhaba Industrial Development

Loan amount:
R23 964 000
Total project cost:
R65 774 000

Two project loans are directed at infrastructure and factory building needs at the active industrial development point of Phuthaditjhaba. The project is expected to augment industrial work opportunities substantially.

Transkei
Project title:
Langeni Particle Board Factory

Loan offer:
R8 092 530
Total project cost:
R28 292 530

The project entails the erection of a specialized factory building in order to establish a wood particle board plant at Langeni near Umtata, as well as the required infrastructure and housing for key personnel. Direct job opportunities to be created are estimated at 222, with a further 100 in the plantations. The object is to promote private sector involvement as well as the expansion of secondary activity in the forestry sector in Transkei.

Project title:
Langeni Sawmill:

Loan amount:
R4 150 000
Total project cost:
R13 400 000

This entails the expansion, upgrading and provision of infrastructure for the Langeni sawmill, thereby expanding secondary activity in the forestry sector, in order to utilize the forestry resources of Transkei as well as promoting private sector involvement. Direct job opportunities created are expected to be 600 and indirect job opportunities in plantations to be 900.

Venda
Project title:
Thohoyandou — Expansion of Industrial Area

Loan amount:
R1 845 000
Total project cost:
R1 895 000

The objects of this project are the provision of the necessary infrastructure and factory accommodation to attract industry to Venda, the creation of additional employment opportunities for the local population and the provision of a degree of balance between agricultural and industrial development in Venda.



More than 50 000 job opportunities are to be created through the projects approved on the industrial lending programme.

Urban
development
and housing



Ciskei
Project title:
Urgent Interim Upgrading — Potsdam
Informal Settlement

Loan amount:
R469 000
Total project cost:
R520 800

The project entails the provision of new and the upgrading of existing infrastructure in informal settlements. The project is primarily aimed at the improvement of health standards through provision of clean drinking water and latrines. This will also reduce pollution of the Buffalo River, a main source of drinking water for the Mdantsane/East London area.

Transkei
Project title:
Ilunge — Upgrading of Urban Infrastructure

Loan amount:
R4 820 000
Total project cost:
R6 371 000

This entails the provision of urban services, comprising an appropriate functional sewage disposal system, potable water for every household, the improvement and extension of roads and drains, promotion of a self-help housing process through construction services, training and supervision and the provision of sports facilities, thereby alleviating the present housing and urban services shortages in Ilunge.

Project title:
Urban Infrastructure — Provision of General
Facilities in 25 Towns (Phase 1)

Loan amount:
R1 700 000
Total project cost:
R1 910 000

The aim is to provide adequate supplies of raw water in the first phase, which consists of water storage, rising main, pumping installations and water purification in Idutywa, Ngqeleni, Engcobo, Nqamakwe, Willowvale, Mqanduli, Libode and Qumbu where urgent supplementation of the water system is required to maintain the standard of living. The economic bases of the towns are therefore to be expanded, and a viable local authority structure created.

Project title:
Umtata Urban Infrastructure

Loan amount:
R2 200 000
Total project cost:
R2 920 000

The disposal works in Umtata are to be extended to make provision for an additional 6 000 m³ of sewerage per day. In this way the viability of Umtata as an industrial development point will be improved, as well as the infrastructure of the capital city.

A typical informal urban settlement in one of the Bank's participating states.

From the lending and technical assistance programmes an amount of R11,4 million was approved for the upgrading of such settlements.



Bophuthatswana

Project title:
Agricor Audio-Visual Production Unit

Loan amount:
R239 000
Total project cost:
R306 000

Approximately 3 000 farmers in Bophuthatswana will be trained to implement the Temisano system successfully. A service will also be provided to the Department of Agriculture to strengthen its extension services to the benefit of approximately 150 000 farmers by using audio-visual media to present courses covering a wide range of in-service training at the Agricultural Development Corporation training centre at Mmabatho.

Manpower
development



Project title:
Pilanesberg Game Reserve Education Centre

Loan amount:
R1 100 000
Total project cost:
R1 450 000

The youth of Bophuthatswana will benefit from this project which seeks to educate them in the correct utilization and conservation of scarce natural resources for the stimulation of economic development and for an improved quality of life. The project will include day seminars and film shows at an education centre in the Pilanesberg Game Reserve.

Project title:
UNIBO Additional Facilities

Loan amount:
R1 320 000
Total project cost:
R2 200 000

The university students resident in hostels on the campus and administrative personnel will benefit from this project which will provide a cafeteria to seat 1 000 students and 1 600 m² of office accommodation at the Mmabatho campus.

Ciskei
Project title:
Ithemba Training Centre

Loan amount:
R3 000 000
Total project cost:
R3 460 000

The object is to meet the manpower and skills requirements of commerce and industry for continued economic development in urban and rural areas in Ciskei in particular and in Region D in general. The project entails the provision of infrastructure, earthwalls, additional training facilities and accommodation.

Transkei
Project title:
Unitra Extension II

Loan amount:
R7 400 000
Total project cost:
R8 292 000

The project entails the erection of a multipurpose hall as well as the expansion of the eastern teaching wall for additional lecture/seminar rooms and offices for academic staff at the University of Transkei in Umtata. This will assist in meeting the professional manpower requirements of the various sectors in Transkei.

Venda
Project title:
Agriven Training Centre

Loan amount:
R620 000
Total project cost:
R688 000

This project is aimed at providing enhanced skills in the agricultural sector on an ongoing basis. Accordingly it will assist in the improved utilization of agriculture resources and, given the importance of agriculture to Venda, enhance general economic development.

Infrastructure

**Bophuthatswana**

Project title:
Kana Bypass

Loan amount:
R3 150 000
Total project cost:
R3 825 000

This project concerns the upgrading of an important link in a major new road access route promoting the tourism, commercial and industrial development of the Mogwase area by means of constructing a single carriageway bitumen road.

Project title:
Mmabatho Waterworks Phase II

Loan amount:
R3 000 000
Total project cost:
R3 250 000

The rapidly expanding population of Mmabatho and the approximately 40 000 people in informal settlements as well as the industrial sector, will benefit from the augmented supply of potable water from the second phase of this project, thus sustaining the economic growth of the city. The project entails the construction of a water main pipeline, extension to the water treatment plant and reservoirs.

Gazankulu

Project title:
Giyani-Malamulele Road

Loan amount:
R5 700 000
Total project cost:
R8 200 000

This project entails the construction of the final phases of a surfaced road from Pietersburg, through Tzaneen via Mooketsi, Giyani and Malamulele to the existing surfaced road from Louis Trichardt via Venda to Punda Milia. These phases comprise the completion of layerwork and surfacing of 13 km of partially completed roadway as well as the total construction of approximately 22 km towards the intersection with the Louis Trichardt-Punda Milia road.

Lebowa

Project title:
Nebo/Jane Furse Tarred Road

Loan amount:
R5 000 000
Total project cost:
R5 535 000

The project entails the upgrading and surfacing to two-lane bitumen rural road standard of an existing section of gravel road approximately 27 km in length, from Malaita village to the Jane Furse hospital-cum-settlement in the Nebo district of Lebowa, together with the construction of two link roads of a total length of approximately 3 km. An estimated number of commuters varying between 3 250 and 6 250 per day are totally dependent on this road, while 100 buses use the road daily. More than 7 000 private car owners were registered in the Nebo district in 1984.

Qwaqwa

Project title:
Fika Patso Dam

Loan amount:
R21 500 000
Total project cost:
R24 908 000

The construction of the Fika Patso dam was designed to supplement the existing and projected potable water supplies of both the rural and urban areas of Qwaqwa against a background of a rapid population build-up. The capacity of the dam will also permit the establishment of irrigation areas.



The Tsitsa Bridge which is to be replaced.

Transkei

Project title:
Tsitsa Bridge

Loan amount:
R3 700 000
Total project cost:
R4 080 000

Construction of a modern reinforced concrete two-lane road bridge over the Tsitsa River is involved, to replace the existing narrow shell truss bridge, thereby improving Transkei's most important road, the N2.

Project title:
Brooke's Nek Pass

Loan amount:
R6 400 000
Total project cost:
R7 100 000

The project comprises reconstruction of 8,58 km of national road through Brooke's Nek Pass, on the Transkei/Natal border, thereby improving the N2, which is Transkei's main communications artery and therefore affects virtually all development in the surrounding areas.

Project title:
National Electricity Supply Grid
Phase II

Loan amount:
R2 100 000
Total project cost:
R13 436 000

The object is to extend, upgrade and secure the distribution of locally generated and imported electricity throughout Transkei. The project consists of the following: construction of 76 km Ncora/Butterworth 66kV interconnector line, upgrading of the Pembroke/Butterworth feeder line from 66 kV to 132 kV, construction of 168 km extension lines to remote areas, rehabilitation of low voltage township distribution systems, and standby equipment at various buildings.

Project title:
National Electricity Supply Grid
Phase III

Loan amount:
R1 200 000
Total project cost:
R1 400 000

The project comprises 66 kV earthed overhead transmission line extending from Zimbane switchyard for 32 km to a new 66/22 kV substation in the vicinity of the timber projects at Langeni (the supply line).

Project title:
Sterkspruit Rural Water Supply
Scheme Phase III & IV

Loan amount:
R13 500 000
Total project cost:
R15 000 000

The project entails the construction of reservoirs and pipelines necessary to distribute purified water from the main purification works to 35 rural communities, two villages and two hospitals in the Herschell district, thereby raising the living standards of the local population.

Venda
Project title:
Sibasa Thengwe Road Phase 2

Loan amount:
R6 300 000
Total project cost:
R7 000 000

The object of this project is the upgrading of road facilities between Sibasa and Thengwe with a view to enhancing infrastructure, thus supporting the development of economic activities in the Thengwe Valley. Potential development flowing from the project includes agriculture, tourism and job opportunities for the Venda people.

Project title:
Venda: Electricity Supply:
Phase I

Loan amount:
R1 500 000
Total project cost:
R7 500 000

The project entails upgrading of Venda's power supply and establishment of the institutional infrastructure to satisfy the demand for power over the medium- to long-term.



Six of the 12 infrastructure projects approved during the year were for the upgrading or construction of major roads in five of the Bank's participating states at an estimated total project cost of R35,7 million.



TECHNICAL ASSISTANCE PROGRAMME

Ciskei

Project title:
African Co-operative Action Trust
ACAT (Ciskei)

Grant amount:
R304 000
Total project cost:
R664 000

The project is aimed at the extension of the ACAT (Ciskei) organisation structure to establish savings clubs to mobilize funds for the acquisition of agricultural inputs. The production inputs are distributed to members by ACAT. The production programme of members is supported by extension work and demonstration units.

Rural and
community
development



Transkei

Project title:
Lift Phase I

Grant amount:
R500 000
Total project cost:
R950 000

The project entails the establishment of a fund, the Local Initiative Fund of Transkei (LIFT), to be made available for village level projects identified by local communities. In this way rural areas of Transkei will be developed by fostering small-scale, mostly self-help, village projects utilizing appropriate technology.

Project title:
Rural Initiative Water Programme:

Loan option:
R312 000
Grant option:
R208 000
Total project cost:
R382 000

The project aims at the implementation of 60 rural small-source water supply systems through a self-help approach, as an experiment to evaluate the viability of the approach in supplying water to rural communities, thereby providing a basic service from the available surface water sources such as springs.



Villagers receiving a demonstration on tank construction as a rural small-source water supply system. This is a typical example of a small-scale, self-help rural development project which is partly financed by a technical assistance grant to an appropriate local organization in the Bank's participating states.

Agriculture,
forestry and
fisheries



KwaZulu
Project title:
Rice Project Makatini

Loan option:
R880 060
Grant option:
R586 712
Total project cost:
R977 845

The object is to study the technical feasibility of rice production on the coastal lowlands of the Ngwavuma district which could lead to the cultivation of rice by commercial and private farming with the long-term objects of developing the particular agricultural resources which exist in the district, establishing a rice industry to form a base for the further development of land and people and settling private commercial farmers.

Venda
Project title:
Mutale Malonga Development Programme

Grant amount:
R40 000
Total project cost:
R40 000

The project was undertaken with a view to establishing the parameters for development of the Mutale water system. The project looks to the improved utilization of natural resources, irrigating about 6 000 ha along the Malonga Flats, and to the provision of employment and income opportunities for local inhabitants.

Urban
development
and housing



Ciskei
Project title:
Dimbaza Housing Project

Loan amount:
R555 000
Total project cost:
R617 000

The project entails detail design of 550 infill sites and 600 low service sites, location of a self-help centre, design of core houses and a self-help manual, location and design of town centre, land surveying of the lay-outs and engineering design of infrastructure. This will facilitate the process of appraising a project application of R9 000 000 for housing needs in Dimbaza, the main industrial centre in Ciskei. This loan will be incorporated into the eventual project loan.

Project title:
Potsdam Residential Settlement

Loan amount:
R735 000
Total project cost:
R816 853

The project forms the first phase of a major project with an estimated total cost of R5 800 000. It entails preparation for self-help housing on 600 erven and the contour mapping and detail planning of an area comprising approximately 2 500 sites. The 600 sites form the first phase and preparation entails engineering design and architectural, landscape and ecological guidelines.

Project title:
Laphumilanga Urban Development

Grant amount:
R547 950
Total project cost:
R913 250

The project entails the professional services needed as preparation for a guarantee application for the financing of an urban centre comprising 600 core units, bulk infrastructure, primary school, post office, clinic, shops, small business workshops and ancillary services. The project is geared towards affordability for the lower income groups and the creation of a total urban environment that includes job opportunities.



Project title:
Planning of Regional Centres

Loan amount:
R216 000
Total project cost:
R240 000

The project entails the preparation of integrated development strategies for each of the towns of Sada/Whittlesea, Alice, Keiskammahoek and Peddie in order to promote co-ordinated development in these four key regional centres. The first phase entails rationalization of existing planning upon which the preparation of a development strategy will be based as phase two of the project.

KwaZulu
Project title:
KwaZulu/Natal Planning Council
(Working Group I)

Grant amount:
R45 000
Total project cost:
R50 000

The KwaZulu/Natal Planning Council was established jointly by the Chief Minister of KwaZulu, Chief M G Buthelezi, and the then Minister of Co-operation and Development, Dr P G J Koornhof, on July 15, 1984. The stated terms of reference of the Planning Council are to investigate and submit recommendations to the governments of KwaZulu and South Africa on ways and means of improving the quality of life of people in KwaZulu/Natal, particularly in the greater Durban area, and with their full participation.

Transkei
Project title:
National Urbanization Strategy

Loan option:
R117 000
Grant option:
R78 000
Total project cost:
R130 000

This entails the preparation of a National Urbanization Strategy consisting of the following major components:

- ☐ governmental national and sectoral policies
- ☐ economic, physical and social status of each town
- ☐ urban hierarchy and development priorities
- ☐ institutional, financial and legal framework
- ☐ bulk services and scarce resources.

The objects are to determine the urbanization trends in Transkei and to set a strategy for further urbanization in Transkei.



Informal trading activities (above) play an important role in economic development — a role which the Bank is encouraging through structured urbanized facilities (left).

Infrastructure



Ciskei

Project title:
Dimbaza-Keiskammahoek Road

Loan amount:
R247 500
Total project cost:
R275 000

The project deals with preliminary investigations and the preparation of a feasibility report, detail design and contract documentation for the upgrading, re-alignment and surfacing of the existing 20 km gravel road between the Dimbaza turnoff and Keiskammahoek.

Project title:
Zwelitsha-Ilitha Road

Loan amount:
R148 500
Total project cost:
R165 000

The project entails preliminary investigations and the preparation of a feasibility report, detail design and contract documentation for the upgrading and surfacing of the existing 12 km gravel road from the Yellowwoods River to Berlin (Zwelitsha-Ilitha).

Development planning



Ciskei

Project title:
Demographic Information Study

Loan option:
R74 700
Grant option:
R50 000
Total project cost:
R83 000

The project entails a sample survey in order to estimate population and other demographic aspects such as age, sex and occupational distribution. Aerial photographs will be used to extrapolate sample results. It is expected that the project will also have application in the other participating states.

KaNgwane:

Project title:
Integrated Development Strategy (Nsikazi)

Loan option:
R315 000
Grant option:
R210 000
Total project cost:
R350 000

This is the first phase in the compilation of a national development strategy for KaNgwane. Its object is to formulate an integrated development strategy for Nsikazi district to facilitate guidance on the nature and extent of future development. The strategy will take full cognizance of present and future development in the neighbouring states as well.

GUARANTEE PROGRAMME

Ciskei

Project title:

Ciskei Building Society — Issuance of
Debentures

Guarantee amount:

R20 000 000

The purpose of the project is to provide a financial base to the Ciskei Building Society to grant housing loans to individuals within Ciskei. This will enhance private home-ownership and support private sector housing processes in Ciskei. The Ciskei Building Society will issue debentures on the local capital market with a guarantee from the Ciskei Government and a back-up guarantee from DBSA.

Urban
development
and housing



SOME SALIENT FEATURES OF THE BANK'S PARTICIPATING STATES

Features	South Africa							Trans- kei	Bophutha- tswana	Venda	Ciskei
	Gazan- kulu	Ka- Ngwane	Kwa- Ndebele	Kwa- Zulu	Lebowa	Qwa- qwa	Rest of SA				
Area, km ²	6 750	3 720	920	31 000	22 000	480	1 064 390	42 000	40 001	6 875	7 760
De facto population, 1984, '000	651	458	229*	4 186	2 246	238*	17 955	3 298	1 935	435	974
Population density, 1984, persons per km ²	96,4	123,1	248,9	135,0	102,1	495,8	18,3	78,5	48,4	63,3	125,5
Gross national pro- duct, 1982, R'000	264 404	319 701	200 188	2 907 087	1 022 993	223 507	59 620 447	1 598 964	1 886 877	218 865	463 522
Per capita gross national product, 1982, R	436	782	918	740	492	985	3 429	514	1 038	538	548
Government expendi- ture, 1984/85, R'000	167 258	65 338	56 674	685 125	337 869	94 690	25 850 613	798 437	822 113	153 308	438 197
Commuters, 1982	9 000	44 000	12 000	395 000	76 000	12 000		8 000	173 000	6 000	38 000
Migrants, 1982	64 000	67 000	52 000	294 000	180 000	60 000		346 000	236 000	37 000	59 000
Contribution of com- muter income to GNP, 1982, %	11,0	34,0	12,0	52,0	22,0	10,0			30,0	8,0	27,0
Contribution of migrant income towards GNP, 1982, %	58,0	47,0	70,0	30,0	54,0	72,0		45,0	34,0	54,0	38,0
Sectoral contri- bution to GDP, 1980, %											
Agriculture	25,0	17,4	23,8	27,5	29,4	5,7	6,6	24,8	4,7	18,9	8,8
Mining	1,4	34,7		2,5	13,4		22,6		50,2	0,3	0,1
Manufacturing	8,7	5,0	7,5	12,4	9,6	10,3	22,0	6,9	10,0	7,8	20,1
Construction	11,0	8,4	20,0	6,0	4,9	21,6	3,5	3,4	5,9	3,7	9,8
Wholesale and retail trade	4,8	2,7	17,0	6,5	4,0	1,8	11,8	22,0	6,4	7,3	3,3
Community services	43,2	25,8	23,1	34,2	32,6	41,0	9,3	24,3	14,8	53,2	38,3
Other	5,9	6,0	8,6	10,9	6,1	19,6	24,2	18,6	8,0	8,8	19,8
Adult literacy rate (% of persons 15 yrs and older able to read and write), 1980	58,5	64,2	49,7	65,6	62,1	73,5	76,4	62,2	75,0	51,0	72,7
School attendance ratio, 1984											
Primary school enrolment as % of population in age-group 5-14	87,8	85,5	84,3	79,7	84,3	76,3	72,3	73,6	74,4	107,2	92,8
Secondary school enrolment as % of population in age group 15-19	51,1	45,1	33,9	44,6	53,9	48,2	45,2	54,3	68,0	62,4	55,6
Social security											
Budgeted pensions, 1984, R'000	11 362	8 426	8 200	128 616	50 738	8 064	904 318	79 914	40 000	11 607	23 200
Health: Population per hospital bed, 1984	314,5	458,6		404,3	412,4	991,0	154,8	352,9	290,1	253,4	352,3

* Official figures of the Directorate of Central Statistical Services, RSA. Local government officials estimate population figures of up to 310 000 and 550 000 for Qwaqwa and KwaNdebele respectively.



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