

Frameworks of development

The Development Bank of Southern Africa sponsored a competition among the schools in Duduza, a township on the far East Rand, and from more than 100 entries, the winning sculptures, together with those of the established wire sculptor, Billy Makhubela, of Gazankulu, were photographed for this report.

A piece of scrap wire lies tangled in the veld. Then, found by a township boy, the lifeless waste is given new life. With pliers and small strands of copper wire, he deftly forms the shapeless wire into an object with use. This piece of wire becomes a car complete with a frame for a bonnet which, open or shut, reveals an impression of a radiator, fan, air cooler, engine and battery; adjustable seats, rear-view mirrors, doors that open and wheels made of cooldrink tins. Finally, the most important component is added; a steering wheel that reaches up to his waist, secured in a finely set

suspension between the front wheels using a strip of inner tube from a perished tyre. From that which was nothing, a toy has been created.

It was this ingenuity, this creativity of literally making something out of nothing, that we at the Development Bank of Southern Africa wanted to laud and to which we wanted to dedicate this annual report.

The theme of this report is 'Policy: A framework for development'. To illustrate this mainly conceptual and dialogic work done in development, we chose the work of creative township children.



Issued by:
Corporate Communications Division
Development Bank of Southern Africa
PO Box 1234, Halfway House 1685
Telephone (011) 313-3911
Telefax (011) 313-3086

Design: Insight Graphics
Photographer: T J Lemon
Typesetting, reproduction and printing:
Klem-Lloyd Lithographers 2/0887.

Development Bank of Southern Africa Annual Report 1991/92

Contents

2	Mission and structure of the Bank
3	Chairman's report
4	Chief Executive's report
6	Directors' report
8	Development regions of South Africa
9	Policy: A framework for development
	Report on Groups and Centres
13	Centre for Policy Analysis
15	Programme Management Group
18	Urban Development Group
24	Rural and Agricultural Development Group
28	Infrastructural Development Group
33	Business and Entrepreneurial Development Group
37	Human Resources Development Group
41	Centre for Information Analysis
42	Human Resources, Legal and Administration Group
43	Finance Group
	Financial statements
44	Five-year financial highlights
49	Auditors' report
50	Financial reports

Mission and structure of the Bank

Mission statement

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

The Development Bank of Southern Africa is an integral part of the delivery system for economic and social development in the region. It aims to empower people through a more equitable distribution of access to knowledge and opportunities, especially for those disadvantaged by past patterns of economic growth.

The Bank offers four main products:

- loan finance at concessionary terms for development projects and programmes
- technical assistance and advice for the building of institutional and human capacities
- policy and strategy intervention to address development constraints
- data on development features of the region.

Borrowers include central, regional and local governments, their development agencies and non-governmental organisations. The Bank is also involved in parallel financing arrangements with international development aid organisations for projects in neighbouring countries such as Lesotho, Namibia and Mozambique.

At 31 March 1992 the Bank had approved an accumulative 976 projects and programmes totalling R5,7 billion, while a further 456 projects with a loan value of R3,5 billion were under consideration. The Bank disburses about R1 billion per annum.

During the year under review the governing bodies of the Bank were constituted as follows:

Council of Governors

Prof O P F Horwood (President)

South Africa

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

Bophuthatswana

Mr R Cronjé
Mr S C Kgobokoe (alt)

Venda

Mr G M Ligege
Mr K B Magwaba (alt)

Transkei

Brig E R G Keswa
Mr M Titus (alt)

Ciskei

Dr A M Pretorius
Mr M Maki (alt)

Board of Directors

Dr S S Brand (Chairman)
(deceased January 1992)

Prof O P F Horwood
(interim Chairman from January 1992)

Directors

Mr J A Botes
Dr O Dhlomo
Mr G F Godden
Dr D C Krogh
Mr J A J Maree
Dr J B Maree
Prof W L Nkuhlu
Mr R A Plumbridge
Dr J Steyn
Mr P H Swart

Alternate Directors

Mr B E Keikelame
Mr N J Kotze
Mr P J Liebenberg
Mr M R Madula
Mrs M Maponya (deceased June 1992)
Mr K J Sondiyazi
Mr M M Swana
Mr P J van Rooy

Chairman's report

The Development Bank of Southern Africa, established in 1983, has had another year of solid achievement, as the report which follows clearly shows.

But the year has not been without sadness. In January last the Bank suffered a grievous loss with the passing of Dr Simon Brand, distinguished Chairman and Chief Executive since its inception. As President of the Council of Governors I was closely associated with Dr Brand both at the Bank and, before that, at the Treasury, and I pay tribute to his unfailing courtesy, loyalty and outstanding ability.

As this report was going to press, we learned with great regret that Mrs Marina Maponya, a board member since 1987, passed away on 5 June. She was truly an exemplary participant in our activities and will be sorely missed in the Bank and its environment.

Upon Dr Brand's death it was decided to separate the position of Chairman from that of Chief Executive; to appoint myself interim Chairman of the Board of Directors (in addition to being President of the Council of Governors); and to appoint Mr André la Grange acting Chief Executive.

These arrangements have worked out very successfully. Morale at the Bank is high and the institution stands poised to assume an ever-increasing role in the economic development of the southern region of the continent. This enhanced, strategic role will be facilitated and encouraged by the sound relations we have built up in the past year with important development agencies such as the World Bank, the African Development Bank, and a number of others. In February of this year the Bank achieved a notable breakthrough in the European capital market when it successfully launched a DM200 million bond on better than expected terms.

The Bank's member governments, the members of the Council of Governors and of



the Board of Directors have all played a significant and constructive part in furthering the great objectives of the Bank and I express my warm appreciation and thanks to them, one and all.

To the management and staff I say thank you for a challenging task well done. It is largely due to their efforts that the Development Bank of Southern Africa stands poised to enhance still further its prospects in the imaginative economic development of southern Africa. Mr André la Grange has acquitted himself with great credit in the onerous position of acting Chief Executive over the past six months.

O P F Horwood

Standing by a bust of Dr Simon Brand are Directors who were present at the Board meeting held in March 1992. From left, Mr M M Swana, Mr JA Botes, Prof O P F Horwood, interim Chairman, Mr P J van Rooy, Mr R A Plumbridge, Mr A B la Grange, acting Chief Executive, Dr D C Krogh and Prof W L Nkuhlu.

Chief Executive's report

A country and a region in transition in a dynamic world

The year under review was characterised by momentous changes in the social and political fabric of South Africa. The momentum of the political process has placed increasing focus on the dire need for development and has underlined the importance of viewing the economy within an integrated regional framework. The increasing understanding of the need for regional cooperation is reflected in a multitude of regional discussion and planning forums, which augurs well for a future development approach.

The growing interest and involvement of foreign governments and international agencies presages a level of support that the region has not experienced for a long period, but also raises the requirement for the region to get its own house in order if the future flow of development support is not to be dissipated in a large number of uncoordinated efforts. The renewed interest in South and southern Africa indicates that the region is being accepted back into the community of nations, a process which requires considerable adaptation of old thinking patterns and approaches.

Development in a volatile environment

It may be argued that the current volatile political and social environment is not conducive to development actions, and that clarity on a future political and economic dispensation is required before momentum in the development field can be regained. The Bank has taken the view that there is a distinct danger in adopting this approach; it can lead to stagnation, loss of development momentum and the increasing erosion of development assets and of provision of services in the interim phase. We are therefore adopting an active and aggressive approach to addressing imbalances, inequities and the alleviation of poverty, characterised by our involvement in the process of restructuring and reform, rather than waiting for change. We stand in continued support of our traditional clients, but are also actively identifying and supporting new clients, such as non-governmental development-oriented organisations. We are striving to do our business in a more responsive, flexible, transparent and cost-effective manner.

Financial and institutional capacity

Maintaining development momentum is, however, no easy matter. Development institutions are under extreme pressure: their

institutional capacity is being stretched to the limit as a result of a historical accumulation of financial, implementing and managerial responsibilities for development projects. In addition, political, financial and institutional uncertainties have a severe impact on their long-range planning and their ability to function in any time frame beyond the immediate future. It is expected that the transitional phase and the concomitant uncertainty will continue for a considerable time. However, planning and action must continue with the recognition that the needs of new stakeholders, investors and the range of non-governmental organisations and communities represent constituencies to which the Bank is accountable, both now and in the future.

The Bank is in the position of being able to play a significant role in the development of South and southern Africa. It possesses a pool of skills and experience, as well as a database of focused development information. It has extensive contacts in the international development community and enjoys international recognition for its integrated and cohesive approach to development. In financial terms it is one of the 50 'giants' in South Africa. It has developed the skill and ability required to mobilise development resources both nationally and internationally. It recognises, however, that it forms part of a grouping of developmental institutions in need of rationalisation, and actively supports current initiatives aimed at achieving closer alignment and greater synergy within this grouping.

Policy: A framework for development

The theme of this annual report is policy and process. Debate and dialogue on all policy elements subsumed in the development field can be regarded as at least as important as progress in the constitutional arena. The Bank has therefore placed particular emphasis on the creation of policy frameworks which will, in a pragmatic but well-founded manner, guide and support decision making on development actions. The Bank follows an integrated approach of formulating policy which guides the design of integrated development programmes, which in turn consist of individual projects with collective commonalities. In view of the increasing need for democratisation of the policy process through dialogue, the Bank participates actively in the policy process through a variety of national, regional and sectoral forums.

Attention needs to be given not only to appropriate policies and strategies, but also to the institutional dispensation which will manage functions and programmes in future. While the Bank believes that the functions and services that it renders will be of increasing importance in both South and southern Africa, it also recognises that its own role will be determined by the larger institutional dispensation for development. It is logical and natural that a restructuring of the Bank as an organisation would be required to fit the future institutional model, in both a national and a multilateral context.

Internal

Controlling bodies and membership

The Council of Governors and the Board of Directors continued their professional, active and indispensable guiding and controlling functions during the year under review. I wish to express my sincere thanks, from myself and on behalf of the whole organisation, for their work during what proved to be a difficult year, characterised by many changes which could have had a severe impact on the Bank but for the support of its controlling bodies.

It is clear that the future will require changes to both the composition of the controlling bodies of the Bank and its membership. The objective understanding of these groups of the need for the changes, and their willingness to seek the best alternatives, is one of the organisational strengths of the Bank.

Functions and organisational issues

The functions of the whole organisation were performed during the year with the professionalism and dedication which has become a hallmark of the Bank. New initiatives included the successful mobilisation of resources on the local market and a highly successful maiden placement on the overseas market. In the normal operational function of the Bank, a new emphasis was placed on working with non-governmental development organisations and democratic and civic movements, creating a momentum which will be maintained and enhanced in our future actions.

The ongoing organisational development of the Bank in response to a changing strategic environment led to a certain amount of restructuring, which supported a new commitment to and focus on quick, transparent and responsive action. This required considerable attention to our efficiency and cost-effectiveness as an organisation: operational procedures are consistently being streamlined and made more user-friendly, and it has become possible to initiate a process of decreasing the number of staff without affecting the quality of our outputs. An active process of affirmative action will show increasing results



in future. The entire organisation development process is supported by an intensive and targeted training and development programme.

Acknowledgements

Dr Simon Brand: The sad and untimely loss of Dr Simon Brand, founding Chairman of the Board of Directors and Chief Executive of the Bank, left a void which it will never be possible to fill entirely. The flood of tributes, from all over the world, to this genial and personable son of Africa attests to his monumental contribution. The Bank is privileged to be the standard-bearer of his legacy of vision and values; these will be an abiding tribute to him in the years to come.

Prof Owen Horwood: I would like to express particular thanks to Professor Owen Horwood for his continuing interest, support and guidance as President of the Council of Governors, as well as his valued support to me and the Bank as interim Chairman of the Board of Directors.

Management and staff: A final accolade must go to the management and staff of the Bank. During a volatile period of great uncertainty, during which the Bank lost its Chief Executive and during which organisational changes required major adjustments on the part of every staff member, their unstinted hard work and commitment to the development of marginalised and deprived communities enabled the organisation to continue successfully in pursuit of its mission.

A B la Grange

From left to right

André la Grange
Chief Executive (Acting)

Deon Richter
General Manager in charge of:
Centre for Policy Analysis
Programme Management
Group

Nick Christodoulou
General Manager in charge of:

Rural and Agricultural
Development Group

Business and Entrepreneurial
Development Group

Human Resources
Development Group

Centre for Information
Analysis

Corporate Information Group
Finance Group

Johan Kruger
General Manager in charge of:

Urban Development Group

Infrastructural Development
Group

Human Resources, Legal and
Administration Group

Directors' report

Figure 1
Annual flow of funds and cumulative approved financial contributions to development projects

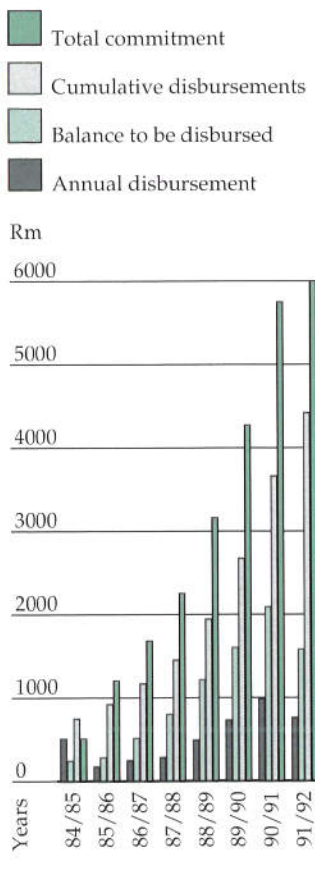


Table 1
Overall flow of projects

Services of the Bank

The Development Bank of Southern Africa mobilises resources to supplement those resources available for the development process in South Africa and the region and prepares these in 'packages of services' for its borrowers.

In terms of the mission of the Bank, the resources mobilised and services provided should be managed to promote a sustainable development process and the optimum use of scarce resources in support of and to enhance the private and public sector investment programmes.

The borrowers of the Bank are institutions in both the governmental and non-governmental sectors which are responsible for the formulation and implementation of socio-economic development policy and the management of development programmes and projects.

Socio-economic development is required to address imbalances and inequities and to enhance the quality of life of the deprived and poor sections of the population. Development is by definition a process of structural change and the responsibility of the Bank is to formulate appropriate criteria to determine who its beneficiaries are, as well as the services to be provided to these beneficiaries.

The services of the Bank are directed to support particular objectives of the borrowers. These services include

- formulating and implementing appropriate and rational development policies and strategies
- enhancing effective multi-year economic and financial planning and programming
- promoting institutional capacity building or institutional adjustments required for the optimum management of resources
- mobilising resources for investment in development infrastructure and

entrepreneurial support programmes to enhance the development process

- monitoring the financial position of borrowers with regard to Bank loans.

Policy

Progress was made in the formulation of sectoral and macro policy, and significant policy dialogue was initiated in virtually all sectors and in multi-sectoral interaction at regional level. The Bank participated in establishing various national forums to gain consensus on policy options. The role of the Bank in supporting the creation of planning forums at regional and local levels has gained momentum. Formal cooperation and interaction took place with international multilateral and bilateral aid agencies such as the World Bank, the African Development Bank and others. These actions continued to underpin the positive socio-economic changes in South Africa. A comprehensive overview of the policy functions of the Bank is given later in the report.

Economic programming

The ability of the Bank to coordinate and manage financial and programming discipline within the development milieu was recognised when the Bank was asked to take a leading role in the structural adjustment arrangements between the South African government and the regional governments. The Bank prepared the ground for agreements to be reached between these authorities. The cost of this agency activity was accommodated in the administrative costs of the Bank and is estimated at R10,5 million for the year under review.

Projects	As at 31 March 1992		As at 31 March 1991	
	Bank contribution Number	R'000	Bank contribution Number	R'000
Approved in the financial year	71	300 249	66	473 369
In negotiation, implementation, and fully disbursed	976	5 778 954*	810	5 581 794
In preparation and appraisal	456	3 551 316	541	4 226 372
Total	1 432	9 330 270	1 351	9 808 166

*Includes technical assistance grants of R21,1 million

Group	As at March 1992		As at 31 March 1991	
	Number	R'000	Number	R'000
Programme Management	4	1 581	6	3 852
Urban	24	64 477	24	258 266
Rural and Agricultural	12	24 394	10	24 160
Infrastructural	15	113 933	12	60 518
Business and Entrepreneurial	6	14 997	6	23 240
Human Resources	10	80 867	8	103 332
Total	71	300 249	66	473 368

Investment activities

The financial support of the Bank is provided either through investment and technical assistance loans or, where appropriate, technical assistance grants. In the past year the Bank has, through supporting various non-governmental organisations (NGOs), committed itself to financing the establishment phase and especially the capacity building of NGOs. These activities have also laid claim to a considerable proportion of internal operating costs.

Project work was affected during the past year by changes and constraints in the socio-political environment and a further decline in the institutional capacity of borrowers. As a result, projections of disbursements did not materialise as estimated. Whereas an amount of R988 million was disbursed in 1990/91 (excluding R3,9 million in grants), only an amount of R760 million was disbursed in 1991/92 (excluding R3,5 million in grants). (See figure 1.) This trend and its causes are being critically analysed to improve the ability of the Bank and its borrowers to forecast cash flow more accurately. Despite the volatile and unstable development environment R760 million represents a responsible and accountable application of funds.

In response to ongoing internal evaluation and recognising the needs of borrowers, the organisational arrangements (structure and system) of the matrix interactions in the Bank were simplified for more efficiency. Various business systems, in particular the project cycle and the corporate business plan, were reviewed and changed to make optimum use of the existing resources of the Bank.

Mobilisation and allocation of funds

Another area in which significant progress was made is in mobilising appropriate financial resources for application in development. The successful bond issue in the international financial market and the

increasing acceptance by donor institutions of the ability of the Bank to provide the necessary capacity, discipline and accountability for the application of development funds augurs well for the future.

The endeavours to allocate the development resources of the Bank in a balanced and economically rational programme are reflected in the regional disbursement of commitments. (See map on page 8.) The largest portion of fixed commitments is reflected in Region D (R1 226,5 million), economically the most depressed area in South Africa. The next largest commitments are in Region E (R1 156 million) and Region G (R882 million).

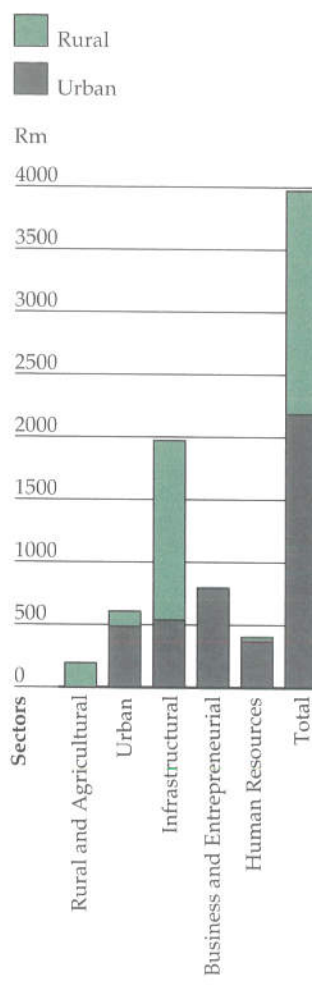
It is also significant that 45 per cent of the total investment programme of the Bank has been committed to projects in rural areas, while urban projects absorbed the remaining 55 per cent. (See figure 2.) This illustrates the importance of rural development, which has not been neglected in favour of an urban-biased investment programme. The greatest part of the rural funding has been spent on the construction of roads necessary to support rural-urban links.

This large investment in infrastructure will in future have value added to it as the investment focus of the Bank shifts to business and entrepreneurial development to make optimum use of the infrastructure. The higher percentage of mainly infrastructural projects in underdeveloped urban areas will continue to rise, as these areas have lagged behind the developed urban areas in the provision of services. The proportion of urban investments would have been higher were it not for institutional constraints.

A combination of all these factors has culminated in the Bank being in a sound financial position at year-end, ensuring a solid platform to implement the key strategies planned for 1992/93.

Table 2
Projects approved per sector of the Bank

Figure 2
Split between rural and urban commitments



Development regions of South Africa



Table 3
Socio-economic indices¹, 1990

Indicator	Region										Total	Average value ⁷
	A	B	C	D	E	F	G	H	J			
Population growth (1970-1990)	91	71	83	83	96	90	135	116	85	100	2,8%	
Urbanisation level ²	138	89	98	88	79	85	47	141	100	100	66,0%	
Literacy rate ³	114	83	100	92	98	93	88	111	96	100	71,6%	
Labour absorption capacity ⁴	118	93	111	69	72	106	46	120	104	100	48,7%	
Unemployment (inverse) ⁵	155	102	133	60	78	169	88	110	101	100	14,9%	
Real GGP growth (1970-1990)	83	4	25	125	137	275	46	87	79	100	2,4%	
Real GGP per capita	135	66	91	56	64	182	27	164	128	100	R3 238	
Human development index ⁶	106	87	97	88	92	97	77	104	99	100	0,77 (max 1)	
DBSA fixed commitments (Rm)	1,6	88,7	313,8	1 226,5	1 156,6	206,7	882,9	698,9	595,7	5 757 ⁸		

¹ Indices above 100 indicate above-average achievement, and vice versa. Indices as indications of structure instead of absolute aggregates are provided to prevent statistical deviations between current projected aggregates (1985 population census and 1984 GDP) and official aggregates (1991 population census and 1988 GDP) expected towards the end of 1992.

² Functional urbanisation includes people clustering around proclaimed towns or forming 'towns' without official recognition and people in the vicinity of urban areas, dependent on the area for their source of income.

³ Percentage of people 13 years and older educated to at least standard four level.

⁴ Percentage of the potential labour force (95% of men and 55% of women in the 15-64 age group) employed in the formal sector of the economy.

⁵ People actively searching for jobs who are not in any type of paid employment in the formal sector.

⁶ Measure of the level of human development in each region in terms of life expectancy, literacy rate and GGP per capita.

⁷ Recorded value (average) for South Africa used for indexing.

⁸ The total includes R582,7 million and R2,9 million of fixed commitments of the Bank in Lesotho and Mozambique respectively, and excludes all grants. Source: Centre for Information Analysis, 1992.

Policy: A framework for development

Policy is one of the products of the Development Bank of Southern Africa. It is necessary for the Bank to have policy frameworks in place for its own funding as well as to optimise its participation in the reconstruction of the South African economy.

South Africa has not only had a poor growth record over the last decade, it has also performed poorly in the human development indicators, as defined by the United Nations Development Programme in its landmark Human Development Reports of 1990 and 1991. Human development takes place when people's range of choices is enlarged to make development more democratic and participatory. These choices include access to employment, income, education and health; and the ability to participate fully in community decisions and to enjoy human, economic and political freedom.

Although policy has always been regarded as a main function of the Bank, the context of this function has come to the fore fully with the historic and dramatic political and economic changes taking place in South and southern Africa. As a service organisation, the Bank is responsible for operating within strategic policy frameworks decided on by its stakeholders. However, it can also make an important contribution to the process of policy design and decision making through advice and dialogue.

The need for the establishment of a new socio-economic policy framework for South Africa as the outcome of a democratic process has increasingly been recognised during the past year. At the same time, attention was focused on the need to establish new policy frameworks and institutional arrangements for cooperation in economic development in southern Africa. The Bank recognised its responsibility to support these processes by giving special attention to and strengthening its policy function.

The socio-economic agenda

The need for structural reform to empower deprived communities and to bring them into the mainstream of the economic process has also become prominent on the South African agenda. The political process is taking place against a continuing weak performance of the economy. This has resulted in increasingly lower percentages of new entrants to the labour market being absorbed into the formal economy, an expanding informal economy and rapidly rising unemployment and poverty. The severe drought gripping the subcontinent at present does not only have a

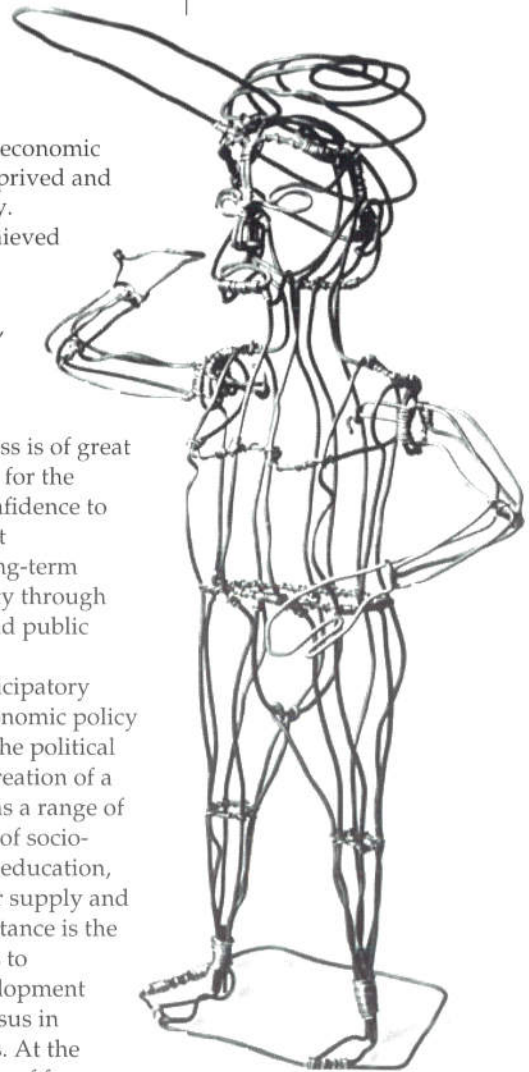
negative effect on already weak economic performance, but also affects deprived and poor communities more severely.

If progress cannot soon be achieved in respect of positive economic growth and effective programmes to address poverty, the political process could be undermined and could become discredited. At the same time progress with the political process is of great importance in creating a climate for the private sector to develop the confidence to invest and generate employment opportunities. The essence of long-term economic growth is sustainability through optimal and balanced private and public sector investment programmes.

During the past year, the participatory process of formulating socio-economic policy has evolved further, parallel to the political process. This has included the creation of a macro-economic forum as well as a range of others to address specific issues of socio-economic development, such as education, urbanisation and housing, water supply and energy supply. Of special importance is the development of regional forums to address mutual issues and development needs as well as to reach consensus in regional development initiatives. At the same time, an increasing number of forums were created at local level, especially in the urban environment.

These forums are normally representative of a wide spectrum of interests, including political groupings, civil movements, labour unions and the private sector. Very often NGOs operating in the socio-economic sphere also participate. At this stage of the political process, government has not seen its way open to participating formally at all levels, but has recognised the importance of the forums and indicated its willingness to establish dialogue with them.

Through its operational emphasis on the need for clear policy and the sound planning and programming of development, the Bank often found itself as a participant or even instrumental in the creation of these forums. From the beginning the Bank took the position of actively supporting these processes by providing information; by participating fully when invited to do so; and by giving priority attention to the policy dialogue taking place at these forums. Its practical support has ranged from technical assistance, also in a financial form, to making its facilities available.



Water, energy, housing

With few exceptions, poor communities all over the country regard the provision of potable water and sanitation as their highest priority. Professionals, government and the extra-parliamentary groups met at the Bank in August 1991 to discuss the issue of adequate policy and institutions to address the backlog in the supply of water and sanitation in the poverty-stricken areas. A steering committee was formed to investigate the policy options for water distribution and the supply of sanitation. It is also investigating the level at which these services to communities should be provided and the financial and technical standards that should be maintained. The committee is a frontrunner to a national forum on water and sanitation and originated from the Water and Sanitation 2000 Forum held in 1989.

During the year under review a conference on electrification was arranged by the ANC, in which the South African government did not participate. The Bank, however, at the request of those bodies, set up a task team to involve all the parties in an interim convening committee that would prepare for the formation of a national energy conference.

While the mandate of the Bank does not include the provision of housing, its involvement in the urban areas through the provision of infrastructure and its dealings with local authorities and civic associations has resulted in its assisting in a forum jointly initiated by the Independent Development Trust (IDT) to advise on a national housing policy. The problematic issues surrounding the hostels were discussed involving various stakeholders and culminating in a national meeting held at the Bank and attended by more than 80 representatives from hostel associations, political parties, labour movements, civic movements, business, government and development agencies.

During this meeting it was resolved that a working committee would be established to formulate short-term guidelines to address current and new hostel initiatives and to formulate proposals for the formation of a broadly based and fully representative National Housing Forum (NHF). It was felt that the issue of hostels could not be dealt with outside of a general housing framework. Preparation towards the launching of the NHF is progressing satisfactorily. Despite the South African government's withdrawal from the process, it is envisaged that the NHF will be established once the constitution of the forum is finalised and agreed upon by all parties. The NHF aims to significantly influence the future housing process on a nationwide basis.

In the year under review the Bank developed a computerised housing information model which could become the basis for a much-needed monitoring device for the supply of houses and for budgeting and forecasting. This model was developed through the involvement of the Bank on the (De Loo) Task Group for Housing Policy and Strategy of the South African Housing Advisory Committee. Apart from providing professional and secretarial services, senior staff of the Bank served as members of the task group.

Regional and local initiatives

The first phase of the *Growing the Cape* initiative, a regional economic development planning exercise which has consulted broadly with the public sector, civic organisations, private sector and organised labour, resulted in a steering committee which set about forming a representative regional development forum. (See box 2 on page 16.) Similar regional initiatives are under way in the southern Cape and Border region.

Local forums in which the Bank was involved during the year were set up in both metropolitan areas and smaller towns. The Central Witwatersrand Metropolitan Chamber, established following the Soweto Accord between the Transvaal Provincial Administration, the city councils of the Greater Soweto and the Soweto People's Delegation and civic association, set out to create an appropriate framework for the amalgamation of local government to promote socio-economic developments and the delivery of municipal services. Other such initiatives supported by the Bank were the Greater Sandton/Alexandra, the Vaal Triangle, the Greater Benoni, the Vryburg/Huhudi and the Greater Kimberley forums. (See box 3 on page 20.)

Development impact

High unemployment has been caused by the extremely low economic growth rates experienced over the past decade, coupled with unabated population growth. This situation has been exacerbated by an ineffective policy framework and attitudinal obstacles related to labour-based practices and an unwillingness to consider labour-intensive projects. These obstacles are prevalent in the construction industry and consultancy profession while in many quarters the false impression lingers that labour-based works are in some way an inferior product. A policy of the Bank applied in its own projects and promoted in a wider context is to optimise the use of local labour, materials and skills.



Following this methodology, a community sets out to meet its needs such as schools, houses, clinics or roads, employing local labour and skills, and in the process provides for the education, training and experience for the construction and maintenance phases. This captures the project finance in the community and region to address other needs. (See box 5 on page 30.)

Support services through business and entrepreneurial development programmes, micro-lending, bridging finance to the disadvantaged communities and training, especially in business skills and business counselling, are an essential part of this process. These services are present in areas where there are development corporations, but are largely absent in the metropolitan areas.

Workshops in this regard have been held on request in the western Cape, eastern Cape, southern Natal and the Durban functional region, as well as for the RSA/KwaZulu development programme and development institutions such as the IDT, Entrepreneurial Development of South Africa, small contractor action forums and various local councils such as Warmbaths, Alexandra/Sandton, Colesberg and Somerset West.

The costs and benefits of the use of labour-intensive projects as opposed to the longer term approach of labour-intensive projects were presented at a Cosatu workshop on public works in which the union explored ways of creating employment opportunities. The Bank argued that the levels of unemployment in South Africa warranted state intervention and that these capital investments should assume the characteristics of public works programmes. However, these investments should be both income- and employment-generating. The usual outlays could be applied in such a way that they would be more labour-intensive and that the benefits of investment would be captured within a community.

Safety nets

The Bank was approached for advice on the food intervention scheme in which R220 million was allocated to the Department of Population Development and Health in the 1991-92 Budget and a further R440 million in the following financial year. The Bank advised that the fund be administered by an independent non-political institution and control body to overcome the problems of legitimacy and to create equal access for private sector initiatives as well as NGOs operating in this field. The advice was not heeded.

Macro-economic analysis

The Bank's services in the form of policy dialogue and advice, as well as the dissemination of information in respect of development needs, opportunities and issues experienced in practice, are being supported

by its policy analysis programme. This programme has been expanded and restructured to ensure that strategic issues are appropriately addressed. Where previously more attention was given to sector policy, the emphasis has shifted to macro-economic issues, particularly socio-economic policy and strategy. The need for the Bank to give objective and constructive advice and guidance to various interest groups concerning future macro-economic policy and strategy was firmly established during the year under review. Extensive interaction took place with political groupings, trade unions, other development institutions, government and international development agencies, among them the African Development Bank and the World Bank.

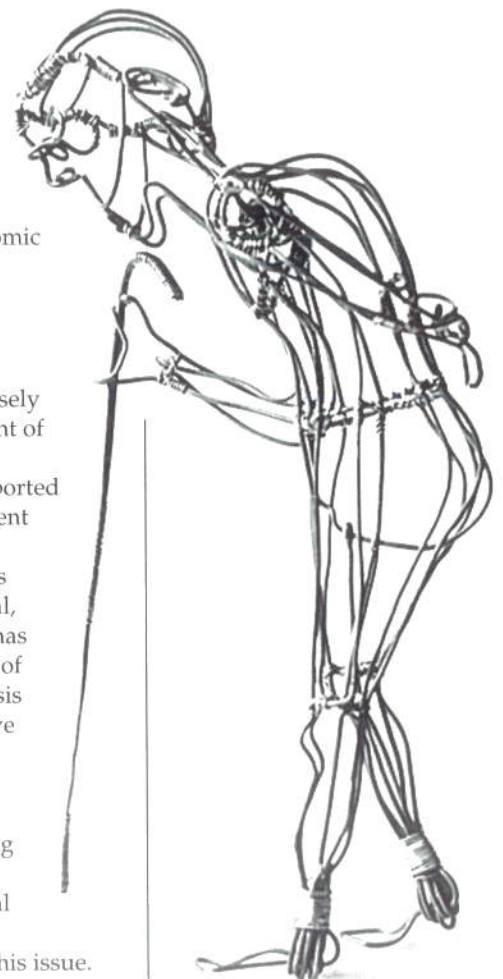
Among the issues currently receiving attention is the social accounting matrix (SAM), which is a framework for looking at socio-economic structures and inequities through pooled information on development economics from various, initially incompatible, data sources. The SAM also forms an ideal basis for models that can simulate policy interventions.

The experience of the Bank in SAMs has resulted in an invitation to serve on the Macro-Economic Research Group (MERG) for medium- and long-term macro-economic research and sectoral analyses. The MERG research is being supported by the Canadian-based International Development Research Council. It is envisaged that economy-wide models based on the SAM will be constructed that will allow investigation into the impact of macro-economic interventions on income distribution (and thus poverty) and of redistribution policies on growth and macro-economic imbalances.

Structural reform and institutional restructuring

The need for structural reform is closely linked to the operational involvement of the Bank in structural adjustment programmes at regional level, as reported on under the programme management function.

Constitutional change also implies institutional restructuring at national, regional and local levels. The Bank has expanded its policy work in respect of institutional issues, with the emphasis on the requirements of more effective and efficient management of the economy and socio-economic development. In undertaking these studies, the Bank avoids pre-empting the outcome of the constitutional process, but aims to provide political decision makers with appropriate information and policy options on this issue.



Future public sector institutional and financial systems are being addressed, as is the importance of civil society and the non-governmental sector as part of a new democratic society. This strengthened policy approach is also synchronised with an increase in technical assistance for capacity building in the non-government sector and institutional rationalisation in the governmental sector. In addition, the Bank has received an increasing number of applications from NGOs for the support of development projects.

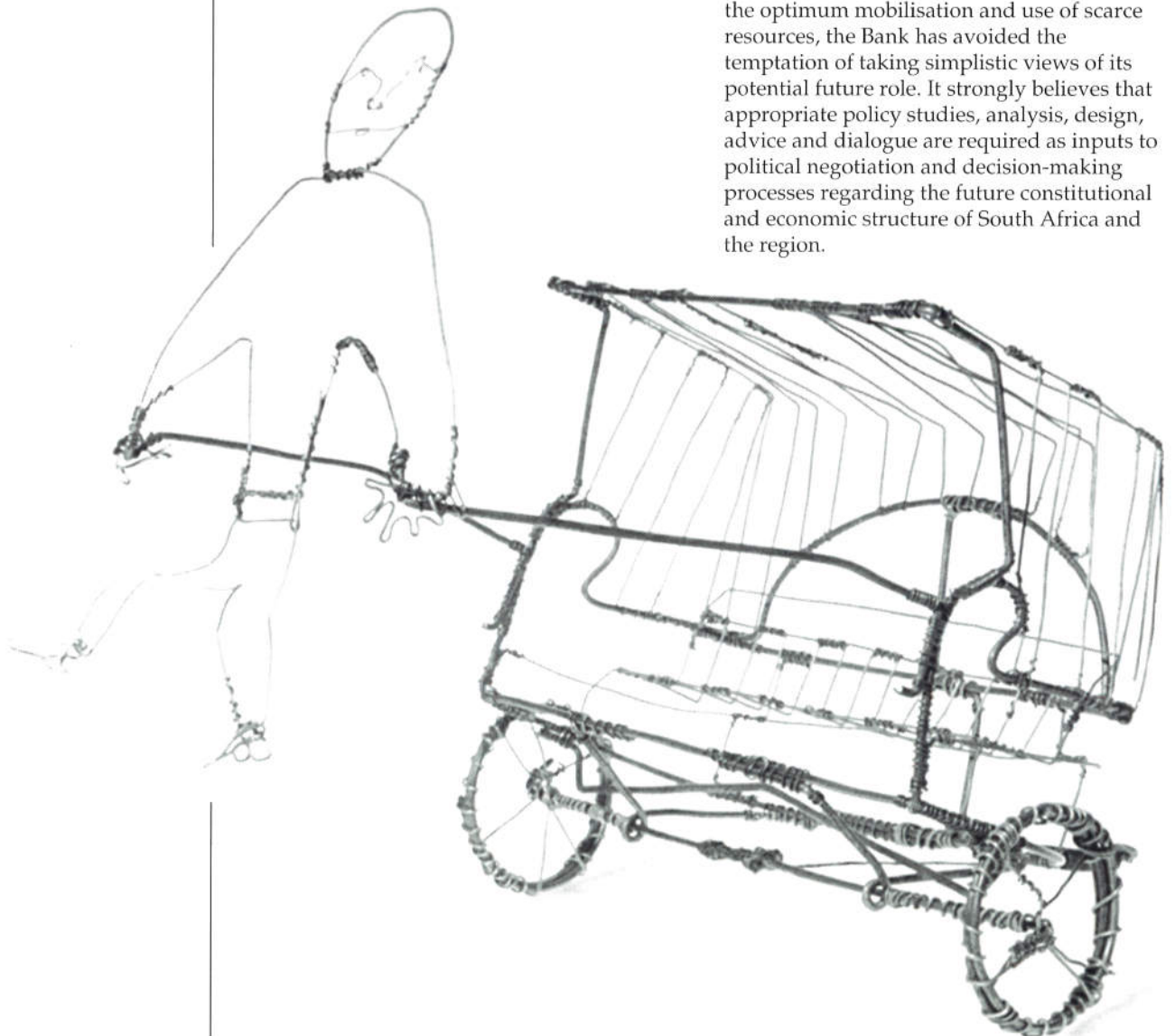
The southern African context

The countries of southern Africa have been subject to dramatic political, security and economic changes in recent years, including in many cases structural adjustment programmes. This has engendered wide-ranging studies and debate about future cooperation and development in southern Africa. During the past year the Bank has actively expanded its dialogue with key role players in southern Africa, as well as those multilateral and bilateral development institutions which take an active interest in

development in southern Africa.

Previous work on this issue has been expanded during the course of the year, putting the Bank in a better position to interact with these key role players and also to contribute to the various studies being undertaken on this subject. Both southern African and international organisations are becoming increasingly involved in studies with a view to helping the subcontinent come to appropriate agreements on the future dispensation. One of the most important issues is the future role of South Africa as a normalised and recognised country forming part of the family of nations of southern Africa. One such study is being conducted under the leadership of the African Development Bank with extensive international support. The Bank has been invited to participate in the steering committee for this study and has also provided extensive input during the course of the year to consultants undertaking this study.

These issues of future policy and strategy for economic development in South and southern Africa are important determinants of the future role of the Bank as an institution. In being true to its mission to provide a service to its stakeholders so as to promote the optimum mobilisation and use of scarce resources, the Bank has avoided the temptation of taking simplistic views of its potential future role. It strongly believes that appropriate policy studies, analysis, design, advice and dialogue are required as inputs to political negotiation and decision-making processes regarding the future constitutional and economic structure of South Africa and the region.



Centre for Policy Analysis

Strengthening the policy function

The changing environment and various new role players on the South African development scene created the need for the Bank to expand its policy support function, and to evaluate its policy approaches and frameworks.

It was first of all recognised that executive management, in close consultation with and under the guidance of the existing and future controlling bodies, carried a key responsibility for this function. Policy programmes were instituted in the following areas: sector programmes (including urban, business and entrepreneurial, rural and agricultural, human resource and infrastructural development); macro-economic analysis; social development; civil society; regional interaction; technology transfer; sustainable environmental development; appraisal and analysis methods; and project and programme evaluation.

Management teams were appointed to give guidance and direction to the various main components of the policy analysis function and to coordinate and direct policy dialogue, while the Centre for Policy Analysis was charged with the responsibility for coordinating and managing the process.

The ongoing managerial responsibility has been placed on a newly appointed management team consisting of Deon Richter, General Manager, Dr Johan van Rooyen, Director of the Centre, and Dr Nick Vink and Mike Muller, both Associate Directors of the Centre.

A systematic organisational development programme for this function was also instituted, emphasising both the collective responsibility in the organisation with regard to this function and the central responsibility of the Centre for Policy Analysis. This Centre has further been strengthened by certain key appointments from outside the Bank, as well as by the transfer of key staff from the operations groups. A research fellow position was created and Professor Jerry Eckert of Colorado State University was the first to take the opportunity to share his extensive knowledge of SAM-based modelling of the macro economy in the latter part of the financial year.

Special attention is also being given to support functions, including expanding the range of policy publications and papers, and to professional development training of Bank staff. The product of these efforts will also be made available to existing and potential economic and development managers and professionals as part of preparing for a new South and southern Africa.



At the end of March 1992 the Centre employed 30 professional and 8 support staff members.

Growing network

The year was marked by an intensified programme of interaction with official missions and delegations to the region.

The Bank received various missions of the World Bank and other international development and aid agencies and co-hosted the mission of the African Development Bank. Numerous trade and investment delegations were received.



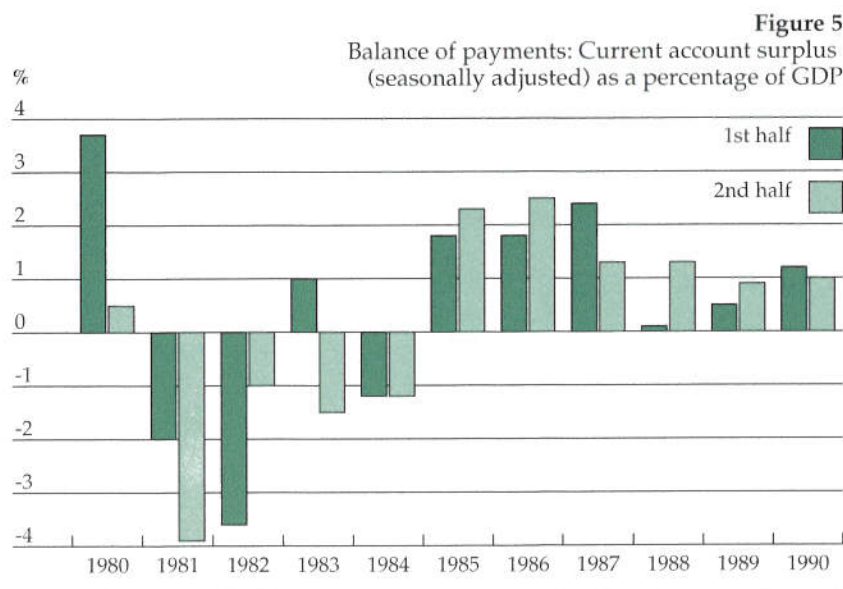
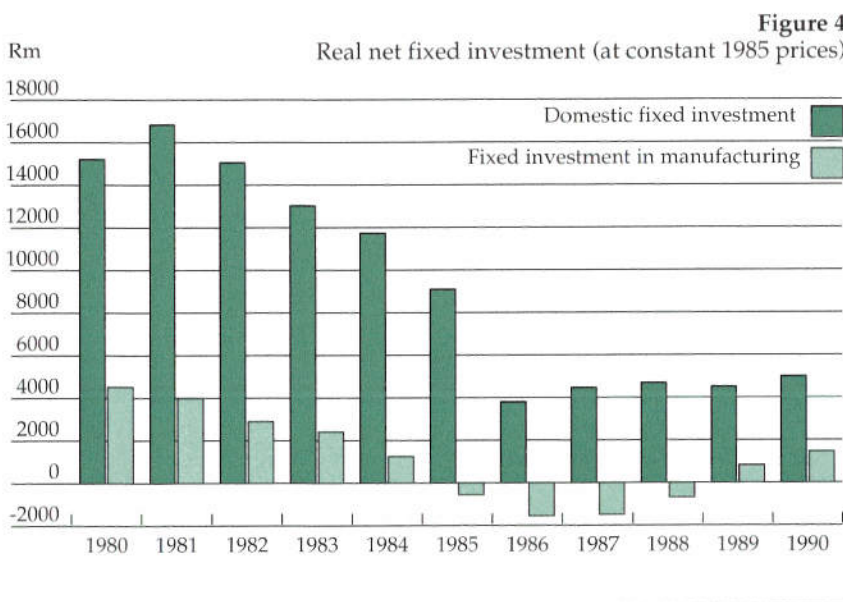
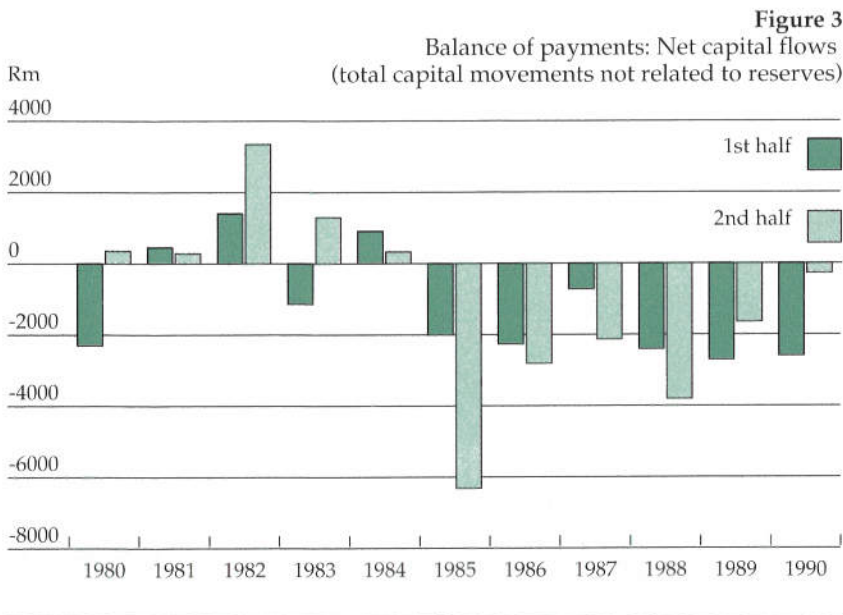
A tour of development projects for Bank bondholders and other representatives of financial institutions was hosted and is set to become an annual event.

In view of the expected increase in cooperation with the World Bank, the Bank has seconded one of its staff members, Frank Taverner, to the South African Department of Finance. He is based at the office of South Africa's principal representative at the IMF and World Bank in Washington.

Dr Johan van Rooyen (left), Director, Centre for Policy Analysis, Mike Muller, Associate Director, Anne Ratcliffe, Dirk van Zeventer, Richard Singini and Gerhard Coetzee, analysts, Dr Nick Vink, Associate Director, and Cheryl Jobe, secretary.

Mr Harry Mapondo (left), Executive Director: Southern Africa, African Development Bank, and Deon Richter, DBSA General Manager, exchange views.

The international creditworthiness of South Africa: A macro-economic overview. Box 1



This is a synopsis of the macro-economic overview of the South African economy prepared by the Bank for presentation at the Bank's maiden entry into the foreign capital markets.

The South African economy is beginning to emerge from a period of economic turbulence and stagnation which lasted throughout the 1980s. During the first part of that decade, imprudent policy and private reactions to the gold price bonanzas of the 1975-1983 period reduced the productivity of domestic productive processes and allowed an inflation rate of about 15 per cent to become structurally embedded in price and wage determination.

As the fiscal and monetary authorities braced themselves in 1984 to embark upon a programme of structural adjustment, the economy was abruptly plunged into a crisis on its external accounts by the imposition of market and official sanctions, particularly in the financial field.

By severely constraining domestic capital formation in particular, and expenditure in general, and by drastically depreciating the effective exchange rate, the fiscal and monetary authorities succeeded in producing a current account surplus sufficient to meet the country's international debt commitments within the framework of a special debt arrangement with the international banking community. This followed the imposition of financial sanctions on South Africa in the mid 1980s. As a result, about R30 billion left the country over a period of six years (see figures 3, 4 and 5).

By 1991, the fight for international financial survival was successfully concluded with the introduction of domestic political reform and the country's return to virtual international normality. In the process, the foreign debt of the country had also been reduced to among the lowest of the debt-servicing countries of the world.

With considerable new scope for an economic renaissance, the time has come to attend to the matter of encouraging employment- and income-creating capital formation. Given an end to the era of capital outflows and a recovery in the productivity of investment, patterns of employment and income distribution may show vast improvements in the late 1990s.

Programme Management Group

The responsibilities of the Programme Management Group include managing the process whereby the sectoral development support programmes of the Bank are integrated into balanced and sustainable support programmes on a regional basis. Support, in the form of advice and technical assistance, is provided to governmental and non-governmental clients of the Bank, and focuses on aspects such as economic programming, institutional reform and financial management.

At year-end the Group had 58 professional and 15 support staff members to perform these duties.

Economic programming

Economic programming entails the formulation of economic policy and development strategy. Initiatives aimed at supporting economic programming are designed according to the needs of borrowers, with particular emphasis being placed on securing participation from a wide range of role players as a key success factor for these initiatives.

The Border subregional development planning project and the *Growing the Cape* initiative are examples of Bank support for regional strategy formulation and dialogue aimed at creating representative planning forums. (See box 2 on page 16.) Here governmental institutions and organisations and groupings within the non-governmental sector were able to establish a basis for successful economic programming initiatives.

Structural adjustment

Development support programmes of the Bank are ultimately directed towards economic restructuring. The Bank provides professional assistance for structural adjustment programmes which have been established through bilateral negotiations between the South African government and



regional governments. Such assistance is provided on an agency basis at the request of the parties involved.

During the period under review, bilateral agreements establishing such programmes were entered into between the central government and the governments of Transkei and Ciskei respectively. An agreement with Venda is nearing completion. A process has recently been initiated to negotiate similar agreements with self-governing territories.

Non-governmental organisations

Support for non-governmental organisations is an increasingly important area of operational focus. On the programme level, greater emphasis has been placed on broadening interaction with NGOs and exploring possibilities for Bank support to such organisations. The Bank is committed to a speedier response in dealing with project applications and recent policy decisions will allow greater flexibility in structuring Bank

Sollie Nortjé (left), Group Manager, Programme Management, and Divisional Managers (from left) Junior Potloane, Colin Welsh, Dr Piet Viljoen, Jan Coetzer and Bethuel Setai.

Projects	As at 31 March 1992		As at 31 March 1991	
	Number	Bank contribution R'000	Number	Bank contribution R'000
Approved in the financial year	4	1 581	6	3 852
In negotiation, implementation, and fully disbursed	37	14 236	31	14 626
In preparation and appraisal	19	2 272	21	4 148
Total	56	16 508	52	18 774

Table 4
Flow of projects in the Programme Management Group

support for NGOs. Special emphasis has also been placed on the role of the Bank in mobilising resources from other sources, both locally and internationally, to supplement the resources which it makes available to support NGOs.

Southern Africa

The developments in South Africa over the past year have brought to the fore the need for the country to investigate its reintegration into the international community. Within the southern African region there is a clear need for closer economic cooperation based on the natural economic linkages and interdependencies that exist. The Bank has developed policy dialogue with regional and central governments, development institutions, international donor agencies and NGOs within the region.

Programme management projects approved in the past financial year

Region C

Strategic development guidelines for the development of Qwaqwa (technical assistance grant)

To compile strategic development guidelines for the future development of Qwaqwa in the context of its region (adjacent to Regions C and E and Lesotho) and its location in South Africa.

Recipient: Qwaqwa government

Total cost: R172 530

DBSA finance: R147 250

Region D

Border subregion development strategy workshop (technical assistance grant)

To assist the major actors in the subregion to identify and reach consensus on the salient development issues in the subregion. The goal of the workshop was to reach agreement and encourage commitment to embark on a coordinated planning and development process and to establish a broad-based development committee to manage the process.

Recipient: East London Chamber of Commerce and Industry on behalf of the Border Dispute Resolution Committee

Total cost: R15 000

DBSA finance: R9 000

Region G

Institution building in Lebowa (technical assistance grant)

To strengthen the technical and institutional capacity of the Lebowa Department of Finance by formulating an organisation development programme.

Recipient: Lebowa government

Total cost: R112 000

DBSA finance: R105 000

Multi-region

Organisational development programme of the Bophuthatswana Department of Finance (technical assistance grant)

To appoint consultants to investigate measures to enable the Bophuthatswana Department of Finance to achieve an acceptable preliminary organisation development programme.

Recipient: Bophuthatswana government

Total cost: R2 200 000

DBSA finance: R1 320 000

Regional initiative

Box 2

When a member of the Cosatu macro-economic forum applied his negotiating skills in breakaway group 8 of the *Growing the Cape* workshop, there was attentive silence in the room.

The group had met to develop proposals for the plenary session on how the various calls for a regional development forum throughout the day's workshop could be realised. Such a forum would be charged with the responsibility of economic negotiations between all stakeholders in the region, with particular emphasis on increasing the level of employment and improving the quality of life of the people in the western Cape.

Less than two years of desktop research (Phase I) and consultation with the private and public sectors and, most importantly, labour unions and civic associations (Phase II) on finding feasible economic growth paths for the western Cape had culminated in a workshop held in Cape Town's civic centre with 339 representatives from a wide range of institutions whose actions affect the regional economy.

They represented labour unions, organised commerce, industry and small businesses; the western Cape Civic Associations and the Cape Provincial Authority; the Regional Services Council; the Regional Development Authorities; the Cape Town and surrounding municipalities; western Cape agricultural interests; researchers, planners and academics; the ANC and the PAC; and the organisers, Wesgro.

The planning exercise was initiated by Wesgro, the Association for the Western Cape's Economic Growth, funded by local authorities and business. The project was driven by convenor and executive director of Wesgro, David Bridgman, and co-convenor, Wolfgang Thomas, who is manager of the western Cape region Small Business Development Corporation. Under the auspices of the Regional Development Associations concerned with the metropolitan areas and the



Regional Development Advisory committee for Region A, Wesgro took up a technical assistance grant of R287 600 from the Bank in 1990 towards the total cost of R497 400 of the project. The workshop at the end of Phase II heralded a new era of democratic planning for economic development in the western Cape and, indeed, the country.

After a general session in the morning, the group splintered into parallel sessions to pursue discussion on the competitiveness in manufacturing, exports, tourism and the service industries; urban form, growth and management, and public transport; housing; black economic advancement; poverty alleviation and education. From the early remarks in the keynote addresses to the various expert opinions on all the aspects of economic development in the region the call for a regional economic negotiating forum was clear. As the workshop was flexible and let the process dictate its actions, the eighth working group was set up in an afternoon tea session to develop the idea of a forum.

During the preparation of the report to the plenary workshop, the animated discussion of interested stakeholders in Group 8 became more detailed. It was Cosatu member Ebrahim Patel who summarised the visionary discussion and noted that a steering committee should be formed to get the participation of institutions, groups or advisors to establish task groups that would follow through the weighty assignments identified by the various parallel sessions earlier in the day. It was agreed that Wesgro would continue to administer the steering committee.

The steering committee should concern itself with the aims and scope of the Regional Forum; appropriate participants and



stakeholders; funding of its structures and process; relations with similar initiatives at national level and other regional initiatives; the setting of time frames for objectives to be met; and the institution of procedures and mechanisms for resolving conflict. Group 8 was ready to report back to the final plenary session of the day-long workshop.

The workshop ended with a sense of accomplishment and urgency for what lay ahead. No loose ends were left as Wesgro was charged to convene the first meeting of the steering committee promptly so that the various task forces could be deployed to start seriously pursuing the following phase of the *Growing the Cape* initiative.



The Growing the Cape workshop drew participation from organised labour and the private sector, government and civic organisations, development specialists, and extra-parliamentary groups. Starting and ending in a plenary session (top left), the workshop considered the outlook for economic development in the western Cape. Smaller working groups broke away (above) to discuss the costs and benefits of particular socio-economic and business issues. In working group 8 (top right) the formation of a regional economic forum which would drive the process of democratic development was discussed.

Urban Development Group



Div Botha (centre), Group Manager, Urban Development Group, and staff members (from left) Silas Mbedzi, project leader, Maggie Mitchell, secretary, and Chris Heymans, Manager, Urban Planning Unit.

Urban scene

Increased urbanisation during the recent past has brought the sight of poverty, unemployment and homelessness to the doorstep of all the major cities of the region. This environment generates an urgent need for the Bank to intervene and it is not difficult to identify development projects. The efforts of the Urban Group are, however, hampered by an inadequate institutional framework of appropriate implementing agents. It is virtually impossible to identify borrowers and implementing agents with the capacity and financial means to implement these projects.

The Group is particularly excited about the opportunity that the local joint negotiating processes, resulting from the country's constitutional transition, provide for future single cities to become development agents through which the Bank can channel its financial and technical support.

This situation calls for an economically rational policy framework within which

development can take place. The Group has identified the need to promote the process of development through sound development decisions by all stakeholders. This involved the Group in policy dialogue and the sharing of advice in several areas.

Housing policy and strategy

Ongoing support has been given to the New South Africa Housing Association, an institution founded to provide affordable housing and job opportunities to underprivileged people. The housing backlog in South Africa is so vast, especially at the lower end of the market, that any initiative set up to help alleviate this problem is welcomed. The challenge, however, is for the different institutions in the housing delivery field to complement each other through closer cooperation. The Bank sees it as its duty to establish such cooperation to the benefit of the homeless of the country.

Institutions

Working in the whole region allows the Bank to learn from and to share its knowledge of single city initiatives. In the year under review staff members served on working groups and task teams of several joint negotiating forums (JNFs), namely the Central Witwatersrand Metropolitan Chamber, the Northern JNF, the Vaal Triangle JNF, the Greater Benoni Forum, the Joint Committee of Greater Kimberley and the Vryburg JNF (see box 3 on page 20). In its dealings with other local bodies, the Group aims to promote the concept of single cities based on economically efficient subregions and provides informal advice to all interested parties.

Planning

The Bank is involved in several urban development programmes. This involvement

Table 5
Flow of projects in the Urban Development Group

Projects	As at 31 March 1992		As at 31 March 1991	
	Number	Bank contribution R'000	Number	Bank contribution R'000
Approved in the financial year	24	64 477	24	258 266
In negotiation, implementation, and fully disbursed	232	956 012	187	955 646
In preparation and appraisal	119	1 158 977	164	1 451 939
Total	351	2 114 989	351	2 407 585

is largely aimed at institutional strengthening and community participation. The fragile situation in the Border subregion has resulted in sensitive arrangements and facilitation with various civic bodies in an effort to involve them in the local development programme. Following interactions on the structural adjustment programme in Transkei, initiatives are being pursued to facilitate the provision of basic services in the smaller towns, the upgrading of informal settlements and strengthening of local institutions.

The Urban Development Plan (UDP) is a more formalised means to support the involvement of urban communities in development planning. Steering committees that are established as part of the process are representative of the various stakeholders in a particular community. The UDP seeks to ensure coordination of socio-economic development programmes and physical development projects, as well as the mobilisation of public, private and community resources for development purposes. Throughout this process, the Bank endeavours to promote an integrated approach to development and to empower the intended beneficiaries. UDPs that were approved during the past year include the following: Mogwase/Monnakato, Greater Thaba'Nchu, Greater Garankuwa/Mabopane, Kudube, Greater Sandton/Alexandra, Sabie, and Tzaneen/Lenyenye/Nkowankowa, as well as UDP workshops at Kanyamazane, Matsulu and Kabokweni.

Urbanisation policy and human development

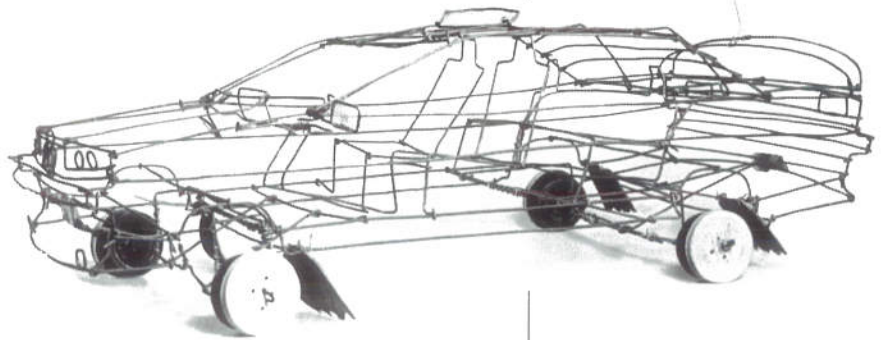
Bank policy proposals on urbanisation concentrate on those development initiatives which will unlock the potential of individuals and communities to participate fully in the development process and enhance their participation in the economy of the country. This was the thrust of the submission of the Bank to the President's Council, which is undertaking an investigation into national urbanisation strategy with a view to revising the strategy outlined in the South African government's 1986 White Paper on urbanisation, to better accommodate socio-political events which have taken place since February 1990. The Bank is acting as the secretariat to the President's Council for the collection and organisation of evidence from a multitude of other submissions.

Projects

Of the 24 new investment loans in the Group in the year under review, 10 were technical assistance projects. The central theme of these projects was that they should facilitate economic development in the region. In the light of this, the Bank financially supported the KaNgwane Electricity Supply Corporation (Kescor), the first regional electricity supply

utility company, a joint venture between KaNgwane and Eskom as equal shareholders.

The urban support programme in Region E has been directed at those areas with the greatest needs. The demands of new informal settlements resulted in a major portion of the support being allocated to basic services. The essential provision of potable water now constitutes in excess of 40 per cent of the projects which are supported in that region. The insistence of the Bank that projects be prepared correctly is now bearing fruit. This has assisted in finding appropriate and cost-effective solutions for immediate needs without compromising the longer term goal of maintenance and income generation of the services.



Restructuring of the Group

The dynamic nature of development has required a restructuring of the Group itself. The operational divisions were reduced from six to five, and an Urban Management Unit and a Technology Unit were added to the Group. This brought to 72 the number of professional and 13 the support staff members in the Group.

The Urban Management Unit provides financial and institutional specialist support. It introduces structural adjustment programmes for local authorities on demand and prepares urban financial and institutional scans and perspectives as inputs for other products of the Group. The Unit assists in the development of enabling legislation and regulatory framework to empower communities.

The Urban Technology Unit provides technical specialist support on the policy, programme and project levels, with particular attention being given to the appropriate levels of technology and enhancing the development impact on underdeveloped regions through the use of labour-intensive methods, small contractors and local materials.

The Urban Planning Unit, which consisted of development planners, was augmented with the inclusion of the people's participation specialists. This restructuring reflects the realisation that it is not the product of planning which is essential but the process of community involvement which is fundamental to any development planning.

An integrated town emerges

Box 3

In 1990, the two communities of Vryburg and Huhudi were riven by a black consumer boycott of white businesses. The Huhudi Town Council was defunct following a protracted rent and services boycott. Talk of rationalised services and a non-racial municipality for this northern Cape town, with its 7 400 white residents, 23 000 black residents of Huhudi, 6 800 so-called coloured inhabitants of Colridge and 480 Indian residents of Kismet Park, was unthinkable at the time.

However, discussions did follow the community pressures. Many more meetings took place and town clerk, Isidor Els, and Hoffman Galeng, President of the Huhudi Civic Association (HUCA), speak to each other on first-name terms. This

indicates the stage of dialogue and the process of integration necessary to prepare for a 'one city' government.

At the entrance of Vryburg a board welcomes travellers to the 'Texas of South Africa', centre to rich beef-producing cattle ranches. Colridge, Kismet Park, Vryburg and Huhudi are all separated by mere streets. A physical integration of the town presents few problems. However, Huhudi is the poorest area, with no electricity in homes or waterborne sewage, and has several untarred and badly maintained roads. It is being managed by an administrator who consults with HUCA and some services are being supplied by the Vryburg municipality – a landmark occurrence for a platteland town.

The integration challenges for the town depend on the transformation of existing institutions. These need to be adjusted to secure voting procedures for a non-racial council with a composition that will satisfy local expectations and ensure community participation in the supply of services.

HUCA believes it will always be in existence, no matter what form the local government takes, as its reason for being is to act as a watchdog for the residents of the township. However, its members are participating in an enabling process for a future non-racial government of the town.

The Bank had been approached by two different implementing agents to fund bulk water and sanitation projects in Huhudi. Based on its integrated programme approach, the Bank found the institutional arrangements for the implementation of the projects lacking. In addition, the non-existent community participation, disregard for affordability and



(Above) Inspecting a road in Huhudi that begs attention are, from left, Mr Killer Modise, Mr Hofman Galeng, both from HUCA, Mr Isador Els, Vryburg town clerk, Mr Callie Schutte, chief executive officer Stellaland RSC, Ms Lydia Modise and Mr Maurice Moncho, both block coordinators for HUCA. (Right) Mr Els (standing left), in one of the regular meetings with HUCA President, Mr Galeng (seated second from left) and Mr Schutte. With them are Mr Modise (left) and Ms Modise (right).



top-down implementation of technical norms and standards would need to be addressed before any projects could proceed.

Several meetings were held with the borrowers and separately with the community, where their needs were discussed. In these meetings, economic analyses were shown, together with approaches aimed at resolving the problems affecting development in Vryburg and Huhudi. The community eventually resolved to end the rent and services boycott and agreed to participate in the process of project preparation through a joint negotiating forum (JNF) initiated by the Stellaland Regional Services Council (RSC), represented by the chief executive officer, Callie Schutte.

The Bank sponsored a workshop on 12 and 13 September 1991 to assist the forum to identify the needs of the community and to forge working relationships to prepare for the eventual executive powers needed to manage an integrated town and, especially, the development of Huhudi. So far, working groups have emerged from the interim JNF. These groups, with members from the Vryburg municipality, HUCA, the management committees of Colridge and Kismet Park, the RSC and the Cape Provincial Administration, are charged with housing, administration and financial issues, health and welfare, engineering, and sport and recreation. As an interim body with no legal status the JNF has no access to Development Bank loans. The JNF can, however, influence the RSC to finance projects from its coffers. However, HUCA complains the projects are too slow to materialise.

Here at the local level people are acting with the expectation of a national constitutional settlement, although technically no constitutional issues block the possibility of local elections for a non-racial town council. Vryburg and Huhudi are struggling to find a possible framework to suit their situation. They agree that one municipality is a necessity. HUCA expresses the need to have some of its members trained in local government management skills.

Other metropolitan areas that have started joint negotiating forums are in the Vaal Triangle; Benoni, Wattville and Daveyton; Alexandra, Randburg and Sandton; and Kimberley and Galeshewe. The Bank stays in touch with the initiatives and is ready to lend support when required to do so. Loans to these forums are impossible, but the Bank is committed to supporting the process of building the capacity of the people who will be involved in future integrated local governments.

Urban development projects approved in the past financial year

Region C

Greater Thaba'Nchu urban development plan (technical assistance loan)

To prepare an integrated urban development programme and budget for Greater Thaba'Nchu, through workshops focusing on socio-economic development.

Borrower: Bophuthatswana Department of Local Government and Housing

DBSA finance: R49 500

Total cost: R71 000

Region D

Border Utility Company ('Community Builders') establishment support (technical assistance grant)

To support three of four initial research projects as the basis for the initial activities of the proposed company. On conclusion of these research projects, a detailed programme and related establishment costs for the utility company will be formulated.

Recipient: Border Civics Congress

DBSA finance: R11 300

Total cost: To be determined

Region E

Ntuzuma C&D site service phase 1 (investment loan)

To construct a commuter route and main water supply pipeline in Ntuzuma Unit D as the first phase of an investment programme for the provision of rudimentary services in a densely squatted area.

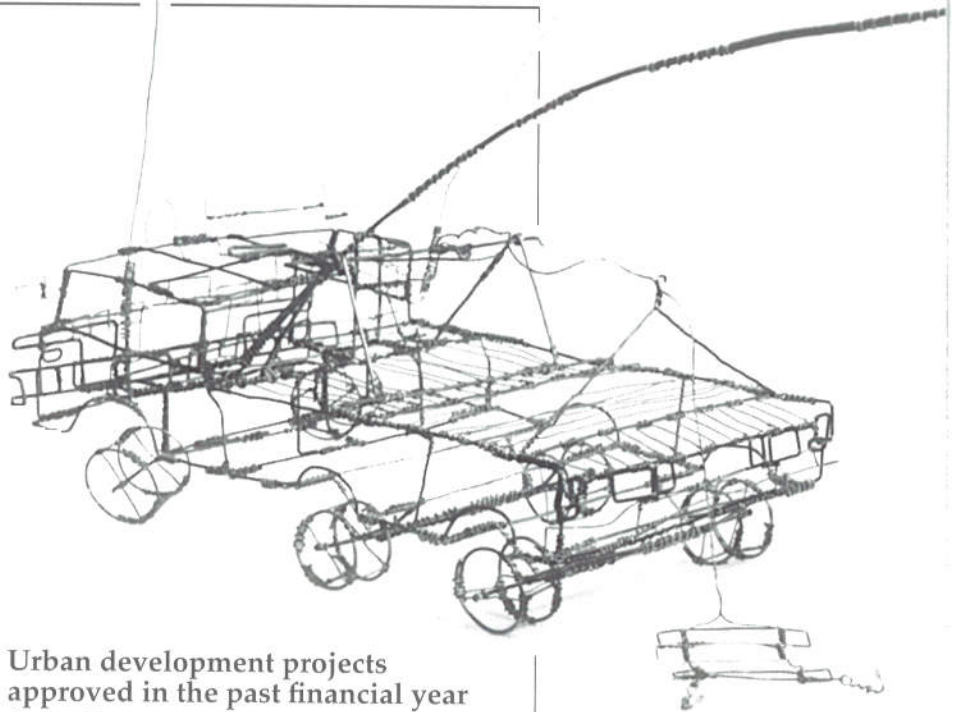
Borrower: KwaZulu government

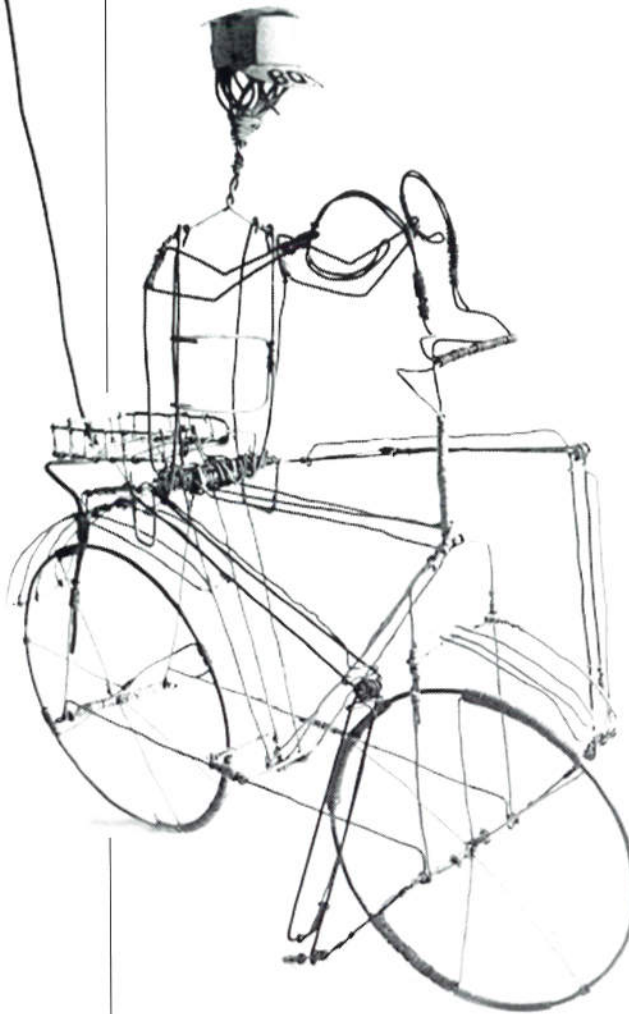
DBSA finance: R4 092 228

Total cost: R4 329 000

KwaMakhuta rehabilitation of streets and stormwater and Ntuzuma water supply phases 1.1 and 1.2 (investment loan)

To upgrade and rehabilitate the existing water network in Ntuzuma for current and future requirements to curb excessive water losses. The project will include supply,





installation and repair of district meters and altitude valves of monitoring facilities.

Borrower: KwaZulu government
DBSA finance: R10 248 000
Total cost: R10 980 000

Mission reserve upgrading of road ZM203 (investment loan)

To surface, seal and upgrade road ZM203 in the Inanda Mission reserve over a distance of 8,5km.

Borrower: KwaZulu government
DBSA finance: R8 833 237
Total cost: R8 833 237

Sundumbili electrical (investment loan)

Upgrading of the bulk and primary electricity infrastructure serving Sundumbili Unit B2.

Borrower: KwaZulu government
DBSA finance: R2 158 000
Total cost: R2 241 000

Region F

Simile urban infrastructure (investment loan)

The completion of detailed engineering designs and the town planning layout for Simile Extension 2 and the subsequent calling for tenders and appointment of contractors for the installation of reticulated urban infrastructure in the new extension.

Borrower: Sabie Town Council
DBSA finance: R1 491 822
Total cost: R2 100 000

KaNgwane National Electricity Supply Corporation (Kescor) (investment loan)

To construct reticulation networks to serve approximately 3 500 consumers residing in proclaimed and unproclaimed towns; to connect numerous non-residential clients; to construct various sections of supply lines and upgrade various existing substations and distribution systems to cope with demand and the establishment of small substations.

Borrower: Kescor
DBSA finance: R17 245 000
Total cost: R17 245 000

Matsulu urban infrastructure (investment loan)

The detailed design and provision of reticulated urban infrastructure to 900 residential stands in Matsulu.

Recipient: KaNgwane government
DBSA finance: R5 026 307
Total cost: R5 026 307

KaBokweni, Kanyamazane and Matsulu urban development plan workshops (technical assistance loan)

To prepare an integrated urban development programme and budget for each of the three towns through workshops focusing on socio-economic development. Workshops include the formulation of action plans and integrated development programmes and budgets for each town.

Borrower: KaNgwane government
DBSA finance: R48 240
Total cost: R48 240

Region G

Giyani sewage works extensions (technical assistance loan)

To appoint consultants to investigate the existing and projected sewage flow and calculate the extension needed to the existing sewage works; to undertake the preliminary design and cost estimates and to assess cost-related implications and user charging.

Borrower: Gazankulu government
DBSA finance: R174 400
Total cost: R198 000

Lebowa small urban infrastructure phase I (investment loan)

To fund various types of small urban infrastructure (not exceeding the value of R300 000), prepare project descriptions and evaluate these in terms of a number of development guidelines before implementation.

Borrower: Lebowa government
DBSA finance: R4 000 000
Total cost: R4 000 000 (Phase 1)

Lebowakgomo bulk infrastructure phase 1 (investment loan)

To construct a bulk water line in Lebowakgomo.

Borrower: Lebowa government
DBSA finance: R2 071 000
Total cost: R3 849 000

Upper Letaba development strategy (technical assistance loan)

To prepare an appropriate urban development plan for the Upper Letaba area.

Borrower: Regional Development Advisory Committee for Region C

DBSA finance: R132 000

Total cost: R220 000

Region H

Mabopane access roads phase 2 (investment loan)

The design and construction of two roads, Route D from the Bophuthatswana border northwards to Soshanguve station and Route B from Route D westwards to Unit D.

Borrower: Bophuthatswana government

DBSA finance: R4 759 750

Total cost: R9 088 000

Babelegi sewage works (investment loan)

Upgrading of and extensions to the existing sewage treatment plant at Babelegi to increase the capacity from 2,3 ML/day to 4,8 ML/day to cater for effluent emanating from the industrial township.

Borrower: Bophuthatswana government

DBSA finance: R2 400 000

Total cost: R5 000 000

Kudube urban development plan (technical assistance loan)

To prepare an integrated urban development programme and budget for Kudube, through a workshop focusing on socio-economic development.

Borrower: Bophuthatswana government

DBSA finance: R58 410

Total cost: R64 900

Greater GaRankuwa/Mabopane urban development plan (technical assistance loan)

To prepare an integrated urban development programme and budget for the Greater GaRankuwa/Mabopane area, focusing on socio-economic development.

Borrower: Bophuthatswana government

DBSA finance: R162 855

Total cost: R162 855

New South Africa Housing Association establishment support (technical assistance loan)

To provide establishment support to strengthen the institutional and implementing capacity of the New South Africa Housing Association.

Borrower: New South Africa Housing Association

DBSA finance: R647 000

Total cost: R657 000

Greater Sandton/Alexandra urban development plan (technical assistance loan)

To prepare an integrated urban development programme and budget for the Greater Sandton/Alexandra area, focusing on socio-economic development.

Borrower: Central Witwatersrand Regional Services Council

DBSA finance: R310 500

Total cost: R345 000

Region J

Lehurutshe road construction (investment loan)

To construct gravel roads and stone-lined open stormwater drains in the town of Lehurutshe in Bophuthatswana.

Borrower: Bophuthatswana government

DBSA finance: R609 000

Total cost: R 1 228 000

Mogwase/Monnakato urban development plan (technical assistance loan)

To prepare an integrated urban development programme and budget for the Greater Mogwase/Monnakato area, focusing on socio-economic development.

Borrower: Bophuthatswana government

DBSA finance: R59 400

Total cost: R136 000

Mogwase Units 6 and 8 bulk services (preparation assistance loan)

To provide bulk services to Mogwase Units 6 and 8 to support residential development by private sector developers.

Borrower: Bophuthatswana government

DBSA finance: R60 000

Total cost: R60 000

Mmabatho Unit 6 bulk services (preparation assistance loan)

To design and construct bulk services for Unit 6 Mmabatho in support of residential development by the private sector.

Borrower: Bophuthatswana government

DBSA finance: R65 000

Total cost: R65 000

Mmabatho outfall sewer (preparation assistance loan)

To design and construct an outfall sewer for residential development to the north of Mmabatho.

Borrower: Bophuthatswana government

DBSA finance: R75 000

Total cost: R75 000

Rural and Agricultural Development Group



Mark Lyster (right), Group Manager, Rural and Agricultural Development Group, and (from left) Gideon Mashili, project leader, Christina Golino, Divisional Manager, Mmakgomo Tshatsinde, economist, Jenny Tyobeka, institutional specialist, and Craig McKenzie, Divisional Manager.

In keeping with the overall mission of the Rural and Agricultural Development Group to assist in the reconstruction of the rural economy towards becoming more efficient, equitable and sustainable, the Group deployed its resources in a number of important areas, creating an appropriate balance between its investment and policy objectives.

Policy and dialogue

The Group continued its involvement in the policy debate on and analysis of rural and agricultural restructuring in South Africa. At national level, the Group interacted with the South African government, organised agriculture (including the South African Agricultural Union and its affiliates), agricultural marketing and commodity groups, universities and research institutions, the newly formed National African Farmers' Union and the ANC Land Commission. Other institutions, such as the Congress of

Traditional Leaders of South Africa (Contralesa), the Rural Advice Centre and the Natal Rural Forum, discussed development initiatives with members of the Group. Evidence was provided to the Parliamentary Standing Committee on Land Reform and Land Legislation.

At regional level the Group was involved in the dialogue which occurred between various government, development and non-governmental organisations, and gave advice on initiatives for improved policy coordination and rationalisation of functions and services between itself and the various departments of agriculture in South Africa and in the regional governments.

A number of papers prepared by the Group were presented at local and international conferences and workshops, while many have been published. The papers dealt with the wider spectrum of agricultural and rural restructuring, farmer efficiency, human capital formation in agriculture, environmental impact analysis, cost benefit analysis, regional integration and institutional capacity building at local and grassroots level.

An important part of the work of the Group has been the dialogue conducted with other development agencies such as the Independent Development Trust and Kagiso Trust. During these discussions important agreements on policy approaches and cooperation strategies were developed.

Various specialists previously in the centralised Centres for Environmental and Technical Specialists, Institutional Specialists and Financial Specialists, were redeployed in the Group. At the end of March 1992, the number of professional staff in the Group was 54, with 13 support staff members.

Project and programme appraisal

The Group has further developed its project and programme appraisal to include:

Table 6

Flow of projects in the Rural and Agricultural Development Group

Projects	As at 31 March 1992		As at 31 March 1991	
	Number	Bank contribution R'000	Number	Bank contribution R'000
Approved in the financial year	12	24 394	10	24 160
In negotiation, implementation, and fully disbursed	165	396 685	135	368 021
In preparation and appraisal	110	219 504	121	278 621
Total	275	616 189	256	646 642

- social and economic cost benefit analysis techniques to assess economic efficiency and the expected distribution of benefits in a local, regional and national context
- supporting analysis such as sector and commodity analysis to provide market and growth potential indicators
- rural environment analysis to provide poverty and social dimensions
- technical systems analysis to measure labour-based construction and time saving
- a system of including stakeholders in the process of economic analysis.

During the analysis process, major stakeholders are invited to participate in identifying and assessing benefits and costs. Cost benefit analysis featured prominently in the assessment of the proposed Driekoppies and Magupa Dam development serving Swaziland, KaNgwane and the Onderberg area in the Transvaal Lowveld. Various scenarios were analysed, giving rise to a range of development models, cropping systems and water distribution arrangements which could contribute to making this large investment economically viable.

Investments and institutional support

Major advances were made in the commitment of the Group to community participation and involvement in rural development projects, and project teams actively mobilised and strengthened local institutional capacity to secure participation and ultimately sustainable development.

In the Lower Fish River Development Programme, for example, effective community involvement established a strong sense of ownership by community organisations acting as the controlling body in setting the priorities and phasing of the implementation process. While initial proposals included the establishment of sophisticated, high-value crop production, local consultation and joint planning shifted the emphasis towards institutional capacity building and improving access to support services. These changes will enable the Ndwayana community to implement the farmer support programme for food production which was identified and planned jointly with the Ciskei government. Local institutional capacity and income are expected to be enhanced through this project. Similar projects, where local communities have been empowered to take control of their own development, are in progress in other regions.

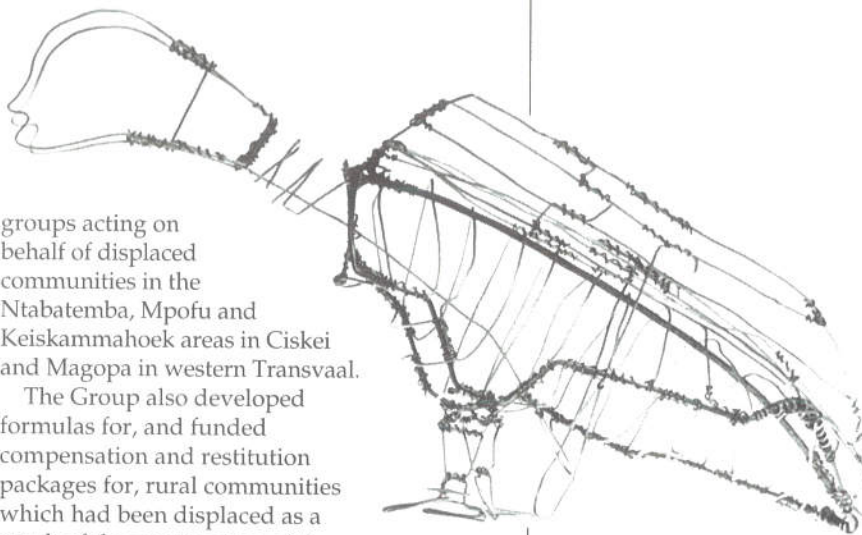
The Group continued to invest the major proportion of funds through its farmer support programme (FSP), which at present benefits an estimated 50 000 smallholder farmers. This programme has contributed significantly to the food security of participants. An evaluation of this programme by external consultants has established the need to accommodate aspects such as land reform, agro-business linkages and upgraded management skills in future FSPs.

Support was given to farmers' cooperatives which were formed by the Care Groups in Gazankulu and among farmer clubs in the Phokwane area of Lebowa, in KwaNdebele and in Transkei. The Group also made contributions to the subregional planning initiatives in the eastern Transvaal and KaNgwane areas. Technical assistance was also given to the newly established National African Farmers' Union (see box 4 on page 26).

The Bank provided financial support for the compilation of a manual for extension officers. Further support in this field was given to Gazankulu to identify the constraints of the extension services division of the Department of Agriculture.

Land reform issues

The Group continued to participate in the policy debate on land reform and gave effect to this at project level. This included interaction with commercial farm owners and labourers in the previously white rural areas, to initiate joint ventures and innovative land tenure reforms on request from local communities. Projects were investigated on request in the Natal Midlands, the eastern Cape and the Orange Free State. Development advice was given to various



groups acting on behalf of displaced communities in the Ntbatemba, Mpofu and Keiskammahoek areas in Ciskei and Magopa in western Transvaal.

The Group also developed formulas for, and funded compensation and restitution packages for, rural communities which had been displaced as a result of the construction of the Lesotho Highlands Water Project. These activities formed part of the Environmental and Rural Development Programme jointly implemented by Lesotho and South Africa.

Land policy issues were the subject of an analysis to establish the convergence and divergence between positions held by the government and the ANC on land reform programmes. The Bank proposed that the government should involve all the interested parties in an interim land reform programme. This would include ensuring that bodies such as the Advisory Commission on Land Affairs, appointed by the government, should be more representative of commercial and disadvantaged farmers, as well as of non-producing rural stakeholders.

As the restructuring of agriculture is hampered by the limited capacity of emerging

(Below from left)
 Mr Hans van der Merwe,
 SAAU, Mr Steve Mokoene,
 Nafu, Mr Derek Hanekom,
 ANC Land Commission, and
 DBSA General Manager Nick
 Christodoulou exchange views
 at the Nafu workshop.
 (Middle) Mr Joshua Moloisi, an
 executive member of Nafu,
 addresses the workshop.
 (Bottom) The final session in
 the day-long Nafu strategic
 planning workshop held at the
 Bank.



farmers to acquire land, the Bank began investigating interim arrangements to assist emerging black farmers who were unable to access commercial or Land Bank finance to purchase farms.

The Group, together with the Centre for Policy Analysis, has also been appraising policy instruments, such as land tax and zoning, and the provision of support services and funding arrangements to optimise the use of both urban and rural land.

International interaction

The Group contributed to initiating a southern African association for farming systems research-extension (FSR-E) among the public and private sectors and the academic fraternity in southern Africa. A conference, supported by the Bank, was held in February 1992. More than 50 representatives from South Africa, Zimbabwe, Mozambique, Zambia, Swaziland, Lesotho, Namibia, Botswana, Senegal and

Black farmers organise Box 4

The National African Farmers' Union (Nafu) gathered at a workshop for strategic planning where it expressed its aspiration to see black, and hitherto disadvantaged, farmers become an economic force in South Africa.

The fledgling union, formed under the auspices of the National African Federated Chamber of Commerce (Nafcoc) in October 1991, met twice at the Bank's headquarters in early 1992 to consider a strategy on how to become a legitimate lobby for the farmers who have never been able to lay claim to a justifiable share of the national budget.

The 40 delegates consisted of black farmers from across the country

Réunion agreed to form an association to further the application of FSR-E, which seeks to improve smallholders' farm productivity and the welfare of rural households by making use of rapid rural appraisal techniques and appropriate extension and training. The method takes account of farmer participation and gender analysis to enable researchers and extension officers to grasp the 'on-farm' constraints and advantages that these farmers experience.

The Group played a leading role in arranging visits to South Africa by representatives of the World Bank agricultural mission, the African Development Bank, the president and members of the Belgian farmers' union; and a French rural development mission including the Centre for International Cooperation in Agricultural Research and Development, Central Treasury for Economic Cooperation and the Central Study and Implementation Group of the Regional Land Use Planning Association.

representing regional farmers' unions, including Lesotho, representatives of the South African Development Trust, the ANC, the South African Agricultural Union (SAAU); and workshop facilitators. Perspectives on the legal and institutional environment in which these farmers face a future were discussed, while the SAAU shared some of its practical experience in managing an agricultural union. The delegates discussed their vision of the future agricultural situation.

The issue foremost in the minds of black farmers is land. Even though the Land Acts have been scrapped, the inability of black farmers to raise capital to purchase land, in addition to legal and bureaucratic hurdles, continue to deny access for these farmers to traditional financial resources and credit. Nafu will have to address the legal issues that continue to impede the establishment of black farmers.

Some of the major strategic goals that Nafu wants to achieve are to gain national and international recognition and support for its members and to change existing policy, giving all farmers equal access to agricultural resources and services. It intends to become increasingly involved in policy dialogues, networking with key individuals and groups, building an even stronger membership base and creating organisational capacity within its ranks to provide effective services to its members.

The Bank has played a role in strengthening the management capacity of Nafu to place it in a position to fulfil its rightful role in bargaining benefits for its members. A technical assistance grant of R40 700 was allocated for this purpose.

Rural and agricultural development projects approved in the past financial year

Region D

Transkei forestry development policy and strategy (technical assistance loan)

To assist decision makers in Transkei to establish a policy framework and strategic planning guidelines for forestry development.

Borrower: Transkei government

DBSA finance: R220 000

Total cost: R231 500

Lower Fish River development programme: Ndwayana community and farmer support programme phase I (investment loan)

To provide access to all the support elements needed by the 275 food-plot holders at Ndwayana to support sustainable food production for household food security.

Borrower: Ciskei government and Ciskei Agricultural Bank

DBSA finance: R1 335 000

Total cost: R1 821 000

Lima integrated rural development strategy (technical assistance grant)

To formulate an integrated rural development strategy for improved agricultural and rural economic activity for the Lima area.

Recipient: Lima Community Development Association

DBSA finance: R30 000

Total cost: R30 000

Region E

KwaZulu farmer support programme II (investment loan)

To incorporate community and farmer support elements which were not provided for in the FSP I project. Both projects are components of KwaZulu Finance and Investment Corporation's three-year plan and will cover 24 districts in KwaZulu.

Borrower: KwaZulu Finance and Investment Corporation

DBSA finance: R5 231 000

Total cost: R51 724 000

Uthukela Ferry irrigation restructuring and farmer support programme (investment loan)

To support approximately 1 933 existing farmers with the upgrading of their flood irrigation system on 680 ha of land. The management and control of the project by the KwaZulu Department of Agriculture will be phased out over three years to the private sector.

Borrower: KwaZulu government

DBSA finance: R1 316 000

Total cost: R3 796 000

Umvoti irrigation farmer support programme: Daka Daka (investment loan)

This FSP will support 105 smallholder sugarcane farmers on 289 ha of land. The provision of an irrigation system and associated support services will enhance the small growers'

ability to produce sugar and to take control of their operations.

Borrower: KwaZulu government and KwaZulu Finance and Investment

Corporation

DBSA finance: R2 110 000

Total cost: R2 698 000

Region F

KaNgwane farmer support programme V: Sugar development (investment loan)

To assist 66 existing farmers to purchase irrigation equipment and grow sugar-cane on 9 ha plots.

Borrower: Agriwane

DBSA finance: R1 197 000

Total cost: R5 466 000

KaNgwane farmer support programme VI: Cattle/game (preparation assistance loan)

To investigate the optimal use of an area of mixed veld for meat production and income generation from trophy hunting.

Borrower: KaNgwane Parks Corporation

DBSA finance: R91 550

Total cost: R91 550

Region G

Bushbuck Ridge farmer settlement Phase 1 (investment loan)

To provide a processing facility for coffee beans produced by the farmers settled on the project as part of the coffee development programme.

Borrower: South African Development Trust Corporation Ltd

Bank finance: R960 000

Total cost: R5 905 904

Tours irrigation project and construction of Tours irrigation bulk water infrastructure (investment loan)

A total of 27 farmers will be settled on 200 ha of land adjacent to the existing Tours coffee estate with comprehensive support services from the Lebowa Agricultural Corporation. Water will be supplied from the Tours dam, funded by the Bank.

Borrower: Lebowa government and Lebowa Agricultural Corporation

DBSA finance: R11 856 000

Total cost: R12 776 000

Multi-region

Support to National African Farmers' Union (Nafu) (technical assistance grant)

The project entails the facilitation of strategic workshops and the establishment of a strategic management system within Nafu with the aim of improving its ability to make and implement sound strategic and timely decisions.

Recipient: National African Farmers' Union

DBSA finance: R47 550

Total estimated cost: R47 550

Infrastructural Development Group



Dr Peter Freeman (centre), Group Manager, Infrastructural Development Group, and (from left) Divisional Managers Tony Marks, Jim Duncan and Frans Cillié, Vivienne Lipman, (seated), transport specialist, and Rudi Kuhn, Divisional Manager.

The Group maintained its support for project work, with special emphasis on labour-intensive methods, the use of local labour and materials and creating opportunities for emerging contractors to do projects. This demanded a multi-sectoral approach to all programmes, drawing on the assistance of the Business and Entrepreneurial Development Group and minimising the environmental impact of infrastructure projects. At the end of March 1992, the Group had 32 professional and 8 support staff members.

The Group also became involved in early dialogue on the rationalisation of institutions supplying services, especially in the fields of energy, water and sanitation. By investigating various policy options and pilot projects, the Group began pursuing affordable, and in some cases alternative, solutions for these services.

Energy alternatives

When energy supply is envisaged, it is generally presumed that electrification necessarily involves tapping from the national

grid. In remote rural areas, the economic feasibility of this has been questioned and the Bank, in a programme initiated by the National Energy Council, is investigating off-grid energy options. One of these demonstration projects is being implemented in Qwaqwa, where photovoltaic energy is being used in a housing project. This form of energy could also prove viable for remote clinics and schools.

Biomass (wood, agricultural waste and animal fuels) remains the largest source of energy for the majority of the South African rural population, resulting in degradation of the environment and unproductive use of time spent by women who have to go further and further from the homestead to collect fuel for cooking. Recognising this, the Group, in cooperation with the Rural and Agricultural Development Group, has been investigating the viable use of agriculturally managed woodlots as a renewable source of fuel.

Water and sanitation

Only 53 per cent of the 16,5 million South Africans living in rural areas have adequate water, while only 14 per cent have adequate sanitation. The communities that require these services are, however, unable to bear the cost of expensive infrastructure, especially as a result of the past patterns of sprawled settlements. The Group has shifted its emphasis to small water schemes, such as spring protection, borehole schemes and small dams for villages where community participation and 'ownership' of the project is ensured through the democratic processes managed by village water committees.

Drought

The relief measures of a national programme to assist victims of the worsening drought that has ravaged the continent include a job-creation programme to assure income for

Table 7
Flow of projects in the Infrastructural Development Group

Projects	As at 31 March 1992		As at 31 March 1991	
	Bank contribution Number	R'000	Bank contribution Number	R'000
Approved in the financial year	15	113 933	12	60 518
In negotiation, implementation, and fully disbursed	300	2 438 648	245	2 357 900
In preparation and appraisal	122	1 923 516	140	2 147 279
Total	422	4 362 164	385	4 505 179

families that have experienced crop failures. The programme is directed at job creation for income generation during the winter season. Although the funds will not be channelled through the Bank, it will be involved in ensuring that the programmes are orientated towards social and economic development and make use of labour-intensive methods.

In the longer term, however, entitlement to water resources, especially drinking water, needs to be secured. Supplying services to urban areas is economically efficient and urbanisation is actively encouraged. Unfortunately rural regional water schemes implemented in the past have in some instances perpetuated the expansive development patterns that have permanently affected the distribution of the majority of South Africa's population. Nevertheless, the type of service should, wherever possible, be dictated by the level of affordability of a community.

A sensible balance between urban and rural investment must be maintained. The Bank supports the integration of infrastructure on a regional basis. It also supports infrastructure which is essential to unlock the development benefits of the economic sectors.

Telecommunications

During the year under review the Bank was instrumental in mobilising private sector funding for Phase 6 of the Bophuthatswana Telcom development programme, which will cover 85 per cent of the total cost of the R140 million project. The mobilisation of private sector funding for financially viable infrastructure projects forms part of the support of the Bank and is a longer term result of earlier concessionary investment in the establishment of the basic telecommunications network. In addition, the Bank was involved in establishing appropriate institutional structures to manage the implementation of the project. This is the first time that a telecommunications project of this magnitude in a developing area is being financed and implemented by the private sector instead of under the traditional departmental supervision.

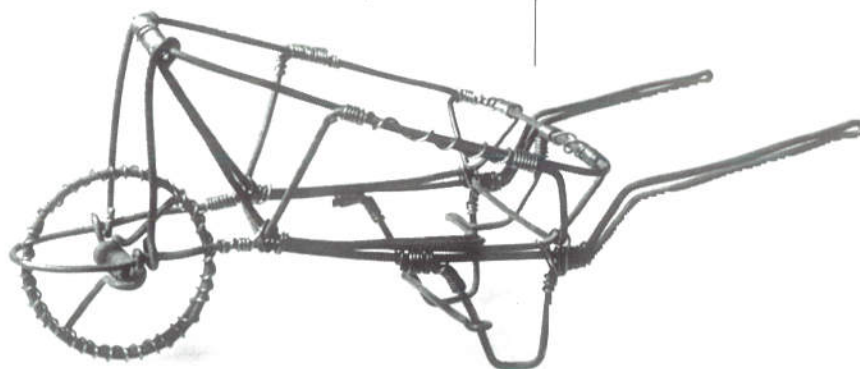
The Group strengthened its Policy Application Unit during the past year to enable it to give more informed advice, especially in the subsectors of transport, water and telecommunications. In its search for appropriate norms and standards needed for telecommunications in a new South Africa, the Unit looked further afield. For instance, in sub-Saharan Africa, norms are based on accessibility of telephones for public use. South Africa's telecommunications service has been geared to the developed world and cost recovery on the high standards of the developed world restricts access. Creative ways are thus being sought to ensure village access to public telecommunications even in the remotest areas at a relatively low cost.

Transport

The Group focused its investigations on public transport and the issue of subsidies and appropriate models for bus companies serving rural areas. Several overstuffed, loss-making rural corporations could ensure recovery by, for instance, reducing some services from daily to weekly schedules, restructuring fares and possibly turning bus drivers into owner-drivers to increase the incentive for profit making.

Roads

Road construction and maintenance and the construction of road maintenance depots present several opportunities for small contractors and the use of labour-intensive methods. (See box 5 on page 30.) One such project approved during the past year is the Umkomazi River bridge. Designed for labour-intensive construction and making use of local stone, this bridge will link several communities, avoiding a 60 km detour. This is a demonstration project in which the economic feasibility, including the income generated in the region for the local labour, will be compared with the cost of conventional construction. The Group is also doing feasibility studies to possibly



supplement with tolls the traditional sources of road financing in developing areas.

Regional airlines

In a feasibility study done for the airlines of Bophuthatswana and Transkei, the airlines were advised to share their aircraft, maintenance facilities and computer booking and ticket issuing facilities centrally on the Reef. Discussions have also taken place with the World Bank in respect of possible rationalisation strategies for regional airlines in southern Africa.

Dialogue

On recommendation of the European Community (EC), the IDT, Kagiso Trust, the Urban Foundation and the Bank were asked to cooperate in a programme for the implementation of water and sanitation projects in marginalised communities. The EC would provide finance for the multi-million-rand programme over five years,

starting in the 1992/93 financial year. The Bank and these organisations entered into an equal partnership arrangement to ensure a common understanding of the framework involved in such a programme, and a basic framework was agreed on with the EC.

Policy issues

There was close cooperation with the World Bank with regard to the Lesotho Highlands Water Scheme programme. One example is the maintenance of infrastructure. The World Bank is planning a major study in about three years' time, but, recognising the need for immediate assistance in the road maintenance sector, it has requested the Bank to undertake this component in advance with the consent of Lesotho and in close consultation with the World Bank.

The *Deutsche Gesellschaft für Technische Zusammenarbeit* also requested the cooperation of the Development Bank in its technical assistance programme to review transport policy in Swaziland.

Users of one of the regularly graded roads in the Moubana district of Bophuthatswana draw their load of wood through the dense bushveld.



Infrastructural development projects approved during the past financial year

Region C

Photovoltaic applications for off-grid communities in Qwaqwa (technical assistance grant)

To acquire, install, monitor and evaluate the performance, financial and economic competitiveness and social impact of 50 photovoltaic lighting systems in Bluegum Bosch, Monontsha and Tshiame.

Recipient: Qwaqwa Housing Corporation

DBSA finance: R125 000

Total cost: R532 000

Region D

Upgrading of electricity supply to the Tsolo Agricultural College, Stulcy's Hospital and Tsolo town (investment loan)

To provide an adequate and cost-effective source of electricity for the Tsolo area and to support economic development.

Borrower: Transkei Electricity Supply Corporation

DBSA finance: R2 223 000

Total cost: R2 308 000

Making inroads

Box 5

In remote bushveld, about 300 km north-west of the centre of Johannesburg, site foreman Sollie Dawood prepares for the regular monthly site meeting at Moubana District road depot construction.

Present will be the contractors to the Bophuthatswana Department of Works, a large national firm of engineers, a training and financial assistant from the Bophuthatswana National Development Corporation (BNDC) and Dawood's boss, Joe Mabelane.

Joe is one of the four local emerging contractors that have so far been awarded contracts in Phase I to build five of the seven road-maintenance depots. More depots may be provided in further phases pending certain maintenance policy decisions. The depots are being provided to support road maintenance teams and their machinery, which grade and care for more than 6 000 km of secondary roads that crisscross Bophuthatswana.

When the Bophuthatswana Department of Works opened its tender for the R7 475 million project to contractors for the construction of its road maintenance depots, the Bank, financier of the project, required that local emerging contractors be appointed. Generally these contracts are awarded to large construction firms based in the metropolitan centres of the country; they import their labour, expertise and material and export their earnings from these rurally

Investigation into the management of the Ciskei government vehicle fleet (technical assistance loan)

To assist the Ciskei government to operate an appropriate and cost-effective vehicle fleet.

Borrower: Ciskei government

DBSA finance: R200 000

Total cost: R320 000

Region E

The construction of the Mkomazi River bridge and approach roads (investment loan)

The construction of a gravel road and a low-level single-lane bridge by labour-intensive means.

Borrower: KwaZulu government

DBSA finance: R2 425 000

Total cost: R2 525 000

Region F

Nsikazi regional bulk water supply: Phase III (investment loan)

The construction of a water pipeline from Pienaar to Kabokweni in southern Nsikazi and the construction of a 3 Ml reservoir at Kabokweni.

Borrower: KaNgwane government

DBSA finance: R8 437 000

Total cost: R8 437 000

remote and economically depressed areas, hardly having an impact on the development of the region in the process.

The Bank outlined as a policy the support of emerging contractors, who are usually overlooked in large public works contracts and therefore usually fail to tender. This particular project presented the opportunity of breaking it up into seven smaller contracts, each of about R600 000, which emerging contractors could manage. However, these contractors face the constraint that during years of political and economic discrimination, they have been unable to accumulate capital. Simple requirements in contracting are difficult to meet: for example the compilation of a tender document; being able to put down a 10 per cent surety before work begins; complying with financial requirements; and labour relations.

It is at this point that the BNDC plays its role by forwarding bridging finance to the emerging contractors, most of whom have done a certificate course in contract management approved by the Building Institute for South Africa (Bifsa). These contractors are registered with BNDC and were contacted when the tender was announced. This multi-sectoral approach demonstrates the application of development policy which seeks to have a wide impact through increased labour and transfer of skills and capital to a rural area that would otherwise not gain from investment.

Region G

Upgrading the Tshisvumde to Donald Fraser road (preparation assistance loan)

To investigate the development and environmental impact of Phase I of the road between Phiphidi and Mukhambani.

Borrower: Venda government

DBSA finance: R245 000

Total cost: R245 000

Investigation into the management of the Gazankulu government vehicle fleet: Phase I (technical assistance loan)

To formulate a strategy to improve the management and economic efficiency of the Gazankulu government vehicle fleet.

Borrower: Gazankulu government

DBSA finance: R200 000

Total cost: R220 000

Upgrading the Maake entrance road: Phase II (investment loan)

To construct a road from the end of Phase I at the CN Phatudi Hospital towards the Tours Dam. The project will improve accessibility to the commercial, industrial, educational and health facilities of Tzaneen and Nkowakowa.

Borrower: Lebowa government

DBSA finance: R7 835 000

Total cost: R7 835 000

Joe employs 7 bricklayers and 16 labourers and has subcontracted an electrician and a carpenter. The carpenter's skills became known by word of mouth and he was offered the job, which he was pleased to exchange for herding sheep after having lost his job in Johannesburg.

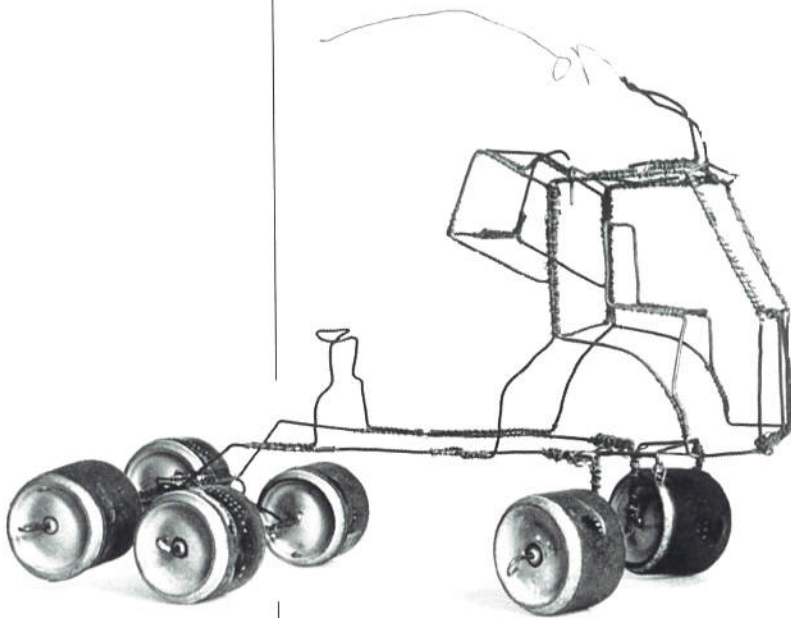
At a site meeting two contractors building separate road maintenance depots in adjacent districts of Bophuthatswana, Mr Joe Mabelane (below left) and Mr Harry Thabiso, discuss mutual issues. (Bottom) Building rubble is raked away as one of the road maintenance depots constructed by an emerging contractor nears completion.



Vondo regional water scheme: Phase II, Project I: Upgrading of Vondo Dam pipeline reservoir and pumping capacities (investment loan)

To construct a balancing reservoir, an extension of the Phiphidi pump station; and to investigate the Vondo Dam raw water pipeline capacity. The project will alleviate water delivery problems within the existing system.

Borrower: Venda government
DBSA finance: R4 000 000
Total cost: R4 325 000



Region H

Upgrading of L M Mangope Highway (investment loan)

To upgrade an existing road between Garankuwa and Mabopane to a four-lane, dual-carriageway standard. The project includes public transport facilities, traffic control equipment and ancillary works to improve road safety.

Borrower: Bophuthatswana government
DBSA finance: R19 550 000
Total cost: R39 500 000

Upgrading of Garankuwa to Mothutlung Road (investment loan)

To upgrade to a surfaced standard and partially realign 15 km of existing gravel roads in Bophuthatswana, completing the direct surfaced network between the road from Brits to Kgware Road bordering Garankuwa.

Borrower: Bophuthatswana government
DBSA finance: R12 896 000
Total cost: R26 042 000

Bulk water supply to the right bank of the Apies River (investment loan)

To provide potable water to consumers on the right bank of the Apies River, comprising the Babelegi industrial estate, a new hotel complex and the surrounding peri-urban villages. The scheme entails the construction of a bulk main pipeline, yard connections and rudimentary standpipe reticulation.

Borrower: Bophuthatswana government
DBSA finance: R4 735 000
Total cost: R11 042 000

Upgrading of Matthys Zyn Loop/Boekenhoutshoek access road (investment loan)

To upgrade approximately 9 km of existing gravel roads to bituminous and gravel standards. The road will form the main arterial in Matthys Zyn Loop and Boekenhoutshoek. Included in the project is the provision of public transport facilities, such as a taxi rank and bus/taxi stops, as well as a river crossing and stormwater drainage.

Borrower: KwaNdebele government
DBSA finance: R9 945 000
Total cost: R9 995 000

Lesotho

Lesotho Highlands Water Project (LHWP) advanced infrastructure: Upgrading existing roads (investment loan)

For the upgrading of approximately 111 km of black-top roads in the north-western subregion of Lesotho to provide access to construction sites of the LHWP Phase IA and to a number of regional centres and agricultural villages.

Borrower: Lesotho Highlands Development Authority (R12 276 000) and Lesotho government (R28 644 000)
DBSA finance: R40 920 000
Total cost: R40 920 000

The planning, design and tender preparation of the cross-border bridge near Maseru (investment loan with preparation assistance)

To provide for the appointment of a multi-disciplinary team of civil engineers and architects to undertake the detailed planning, design and tender documentation for the Maseru Bridge project and closely related infrastructure facilities.

Borrower: Lesotho government
DBSA finance: R197 000
Total cost: R384 000

Business and Entrepreneurial Development Group

The downswing in the economy compounded the already poor labour absorption capacity of the formal economy and has entrenched the cycle of poverty experienced by unemployed people in South Africa. In an effort to invest in sustainable development options which would have an impact on the lives of unemployed and underemployed people, regardless of the economic swings, the Business and Entrepreneurial Development Group focused its attention more sharply on those entrepreneurs and potential entrepreneurs who would be able to create self-employment and employment opportunities for the unemployed. While industrial development remains a prominent source of job generation, the investment activities of the Group have shifted away from concentrating on industrial infrastructure.

Small business

Already reflecting this shift, the disbursement of Bank-approved loans to small business support programmes rose by 31 per cent in the year under review compared with the previous year, while total commitments increased by 18 per cent. These projects focus on self-employment as a tool for empowerment through access to business training and micro-loans.

Remarkable initiatives are found among NGOs and especially community-based organisations, which are particularly close to the communities they serve. Interacting with NGOs has compelled the Bank to provide several types of technical support ranging from loan finance and start-up funds to Bank staff time to assist with the building of capacity within these organisations. In several cases, this has involved linking these organisations with existing parastatal borrowers of the Bank or other NGOs to increase the benefits of the eventual beneficiaries of these funds.



The Gazankulu small business development programme (phase II), for which R3 million was approved, exemplifies this approach. A substantial part of the loan will be used for micro-loans to the Elim Care Groups, which were initiated by the Elim Hospital in Gazankulu in 1983.

About 9 000 people, mainly women, have been mobilised in 234 Care Groups in remote rural villages in five districts. The Care Groups have initiated development activities flowing from their initial attention given to preventable diseases and health care through food gardens and other home manufacturing, resulting in entrepreneurial activities such as trading and group banking (stokvels). The Care Groups have become clients of the Gazankulu Development Corporation to raise finance for their members to invest in capital items such as sewing machines, as well as working capital to run their businesses.

Mike Mohohlo (left), Group Manager, Business and Entrepreneurial Development, and Divisional Managers Dennis Zimu, Charl Coetzee, Dries Coetzer and Birgit Schroder.

Projects	As at 31 March 1992		As at 31 March 1991	
	Bank contribution Number	R'000	Bank contribution Number	R'000
Approved in the financial year	6	14 997	6	23 240
In negotiation, implementation, and fully disbursed	159	1 355 344	146	1 351 184
In preparation and appraisal	58	101 133	64	106 905
Total	217	1 456 477	210	1 458 089

Table 8
Flow of projects in the Business and Entrepreneurial Development Group

Another example of the extension of the cooperation between NGOs is the cooperation envisaged between the Independent Business Enrichment Centre (IBEC) and the Foundation for Entrepreneurship Development (FED). FED is a training institution specialising in equipping mainly unskilled and unemployed women with skills and entrepreneurial training. Founded in 1985, FED has trained 3 000 people, mainly women, in sewing, knitting and designing skills, and adding value to these by providing hive industry facilities, group purchases, costing, marketing and business counselling. FED started in Durban and spread to Johannesburg and Pretoria, and, on the strength of the Bank loan approved in the year under review, will be opening additional facilities in Pietermaritzburg, Port Elizabeth and East London.

IBEC's emphasis on micro-lending is complemented by FED's emphasis on skills and entrepreneurial training. Entrepreneurs with FED training qualify for IBEC loans. From being unemployed, a graduate from FED could move on to obtain an IBEC loan, bridging the gap to the formal sector and to eventual participation in commercial financial services. (See box 6.)

Industrial development

As a result of the introduction by governments of the Economic Community of Southern Africa (Ecosa) of the new regional industrial development programme (RIDP) in May 1991 and the consequent phasing out of the previous input-based concession package, the approach of the Bank to further investments was adjusted appropriately.

The new RIDP is based on a more market-oriented approach, rewarding profits and not inputs, and is thus directed towards support of sustainable industrial development in areas with a natural potential for industrial development. Future industrial development based on the new RIDP will occur in locations with agglomeration economies such as those found in metropolitan areas and some secondary cities with access to funds available on the capital market. The Bank will focus its support on industrial development in areas with a potential for sustained industrial development. Where this is inhibited by factors such as land tenure systems which could affect the local and regional authorities' access to the capital markets, the Bank will consider the provision of bridging finance or provide guarantees for access to capital until such constraints are addressed.

Tourism

Subsequent to the publication in July 1991 of the report on tourism jointly produced by

Satour and the Bank, a tourism strategy for Region F (eastern Transvaal and KaNgwane) is being compiled to identify priorities for development and to determine the functions of an appropriate tourism institution to coordinate tourism for the region.

The Pilanesberg Game Reserve, Bophuthatswana, took up a loan to gear itself to accommodate tourists in the critically under-supplied niche for low-income groups of the community.

Technical support

Tholiwe, an NGO which trains emerging construction contractors building mainly houses in KwaZulu, and which enjoyed Bank support through the KwaZulu Finance Corporation for its training activities, has assisted with the development of some 50 small contractors. Tholiwe, however, approached the Bank directly for funding and during the preparation assistance phase, Tholiwe participated in a Bank-initiated workshop which assisted the organisation in developing capacity to benefit from the full range of Bank support.

Such workshops have been held with other NGOs seeking Bank finance. The workshops include appraising the full spectrum of running an NGO, from assisting the organisation to set its mission, objectives and business plan to identifying organisational weaknesses and strengths.

Policy framework

The Group has been involved in a multilateral team of representatives of the regional governments to formulate a framework for a national support programme by central government for the small business sector.

A policy framework for private and public sector support for emerging construction contractors was formulated and also accepted by the Bank as guidelines to borrowers when new loans are approved.

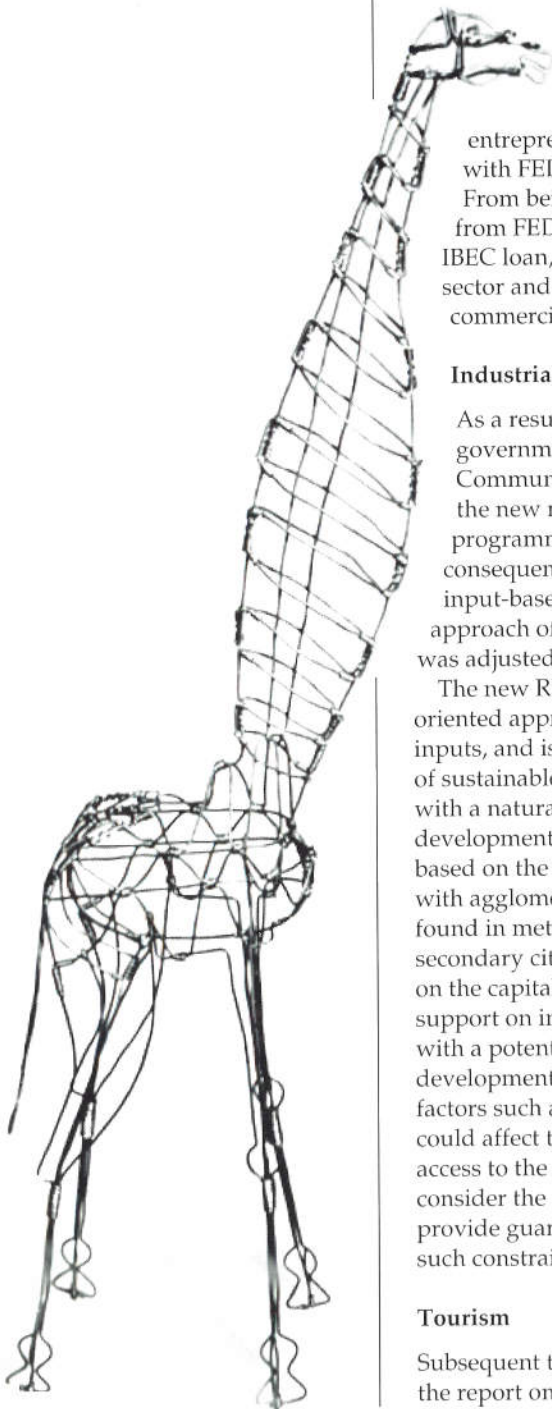
Financial models were developed during the year under review to attract private sector participation in development programmes for those elements that can support market-related rates.

Cooperation

A joint committee was formed with the Independent Development Trust to invest in job-creation projects. The committee approved a total of seven projects for joint financing arrangements. The Bank also appraised projects for IDT and was able to refer several projects to IDT.

Staff

Mike Moholo was appointed as Group Manager in the past year. The Group had 34 professional and 6 support staff members at the end of the financial year.



Banking in a small way **Box 6**
moves the unemployment
mountain

A hand-knitted mohair jersey from Ms Xoliswa Kaka costs around R250. She and four knitters crowd into a small room in her Mdantsane house to produce four jerseys a week. These articles are on order and Ms Kaka is barely managing to keep up with the demand.

She is one of the 450 people who have taken up loans with the Independent Business Enrichment Centre (IBEC) in East London. When Ms Kaka obtains her certificate on repaying her first loan of R1 500 over 12 months, she will qualify for a larger loan. On repayment of each loan she receives a certificate indicating her creditworthiness. In the process, she is building up a credit history which will stand her in good stead when, one day, her business is in need of more than a micro-loan and she will be counselled by IBEC to apply to the formal banking system. Already she has plans to extend her work area by building an additional room so that she can employ more knitters to market the jerseys later in boutiques.

Reggie Naidoo, founder and chief executive of IBEC, has ensured that his organisation has grassroots credibility with a strategy to empower people who have borne the brunt of poverty, especially in the Border region where the unemployment rate is the highest in the country, with official figures of 30 per cent of the population outside the formal sector. Unofficial estimates place the unemployed figure as high as 80 per cent.

The process started with consultation with civic organisations, labour unions and informal businesses in East London and nearby Ciskei. Reggie found that the common feeling was that a centre to address the unemployment problems and to empower the disadvantaged people educationally and economically was long overdue. The organisation employs 12 people in East London including Dave Groom, former executive director of the East London Chamber of Commerce and Industry.

With an initial private sector social investment grant, IBEC was born in November 1990, when it issued its first loans. The organisation has never had to advertise its services. Potential clients arrive at the Porter Street offices in downtown East London. After an interview, they do a basic business training course and need to pass a test before being eligible for a loan.

The small loans range from below R500 to over R5 000. Typical loanees are Vangiwe Matyunjwa who runs a fast-food caravan at Mdantsane's Highway bus and taxi-rank;



carpenter Gunyaxile Majikanzana; protective clothing manufacturers Vuyile and Nozuko Gwe; and Zacharia Sidwell and Khayaletu Mancoba of Zakes Engineering, manufacturers of steel door- and window-frames.

The Perm Building Society in the Border region was approached for assistance and provides all the banking administration and banking education to IBEC loanees.

The five IBEC field officers visit their clients regularly, provide business advice and check the record keeping of the loanees, while encouraging them to make regular repayments. The field officers work on an incentive basis related to the outstanding debt on each of their loanees. IBEC has had less than a 2 per cent default on payments.

The R300 000 loan to IBEC was a first phase of continuing support pending mobilisation of private sector funding.

Already seeking to replicate its success in East London, IBEC plans to open offices in the Transvaal and Natal and most certainly to enlarge its book in the Border region.



(Top) Xoliswa Kaka (front), a former teacher, turned entrepreneur; (middle) fast-food vendor Vangiwe Matyunjwa; and Reggie Naidoo (above right) and Dave Groom.

Business and entrepreneurial projects approved in the past financial year

Region D

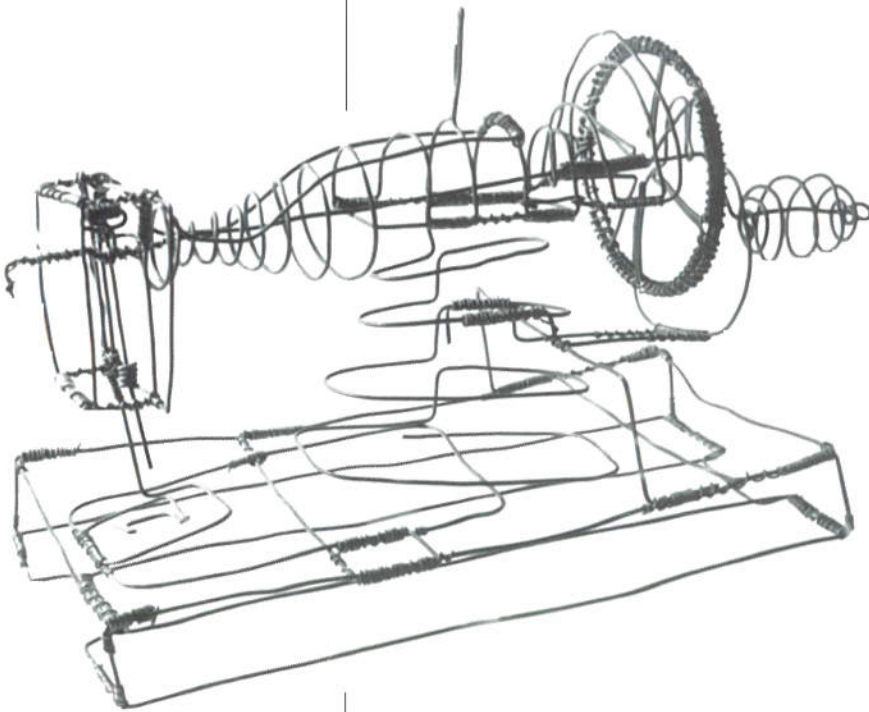
Independent Business Enrichment Centre (investment loan)

To support basic business training, counselling and loan finance to individual informal small business entrepreneurs in East London, Mdantsane, Duncan Village and Komga. The number of loanees assisted in this first phase loan is about 300 at an average loan of R1 000. A private sector contribution of R1 515 000 forms part of this project.

Borrower: Independent Business Enrichment Centre

DBSA finance: R300 000

Total cost: R1 815 000



Region E

Tholiwe Homes (investment loan)

To develop small building contractors through the non-profit-making NGO, Tholiwe Homes, which was provided short-term bridging finance by the Independent Development Trust. The project has been designed to develop 50 small contractors over a three-year period, with each contractor ultimately building one small house per month.

Borrower: Tholiwe Homes

DBSA finance: R599 000

Total cost: R599 000

Regions D and E

Foundation for Entrepreneurship Development self-employment training centre (investment loan)

To finance training equipment for self-employment centres in Pietermaritzburg and Port Elizabeth.

Borrower: Foundation for Entrepreneurship Development

DBSA finance: R406 210

Total cost: R1 188 000

Region F

Region F tourism strategy (technical assistance loan)

To support studies to identify priority tourism areas and priority projects to be implemented within each tourism area, and to determine the functions of an appropriate tourism institution to coordinate tourism developments in Region F.

Borrower: KaNgwane National Development Corporation

DBSA finance: R146 574

Total cost: R181 000

Region G

Gazankulu small business development programme II (investment loan)

To finance physical facilities, working capital, equipment loans, training and counselling for emerging entrepreneurs in Gazankulu. Approximately 3 000 entrepreneurs will benefit from the project over the period.

Borrower: Gazankulu Development Corporation

DBSA finance: R2 995 000

Total cost: R7 590 228

Region J

Bophuthatswana National Parks Board: Project 1 – Pilanesberg development (Investment loan)

To finance the upgrading of certain roads and the construction of new game-viewing roads in Pilanesberg Game Reserve and construction of recreation areas and basic camp infrastructure at Manyane and Bakgatla aimed at low-income groups.

Borrower: Bophuthatswana National Parks Board

DBSA finance: R10 550 000

Total cost: R42 520 000

Human Resources Development Group

During the past year, the Human Resources Development Group was involved both in investment-specific work and in programme- and policy-related activities. Investment projects continued to play a significant role. However, emphasis was placed on widening the information base of the Group and improving its ability to deal with policy analysis and policy design work in the human resources field. More staff members were allocated to the Group's Specialist Unit, where much of this work was carried out. The Group had 29 professional and 11 support staff members at the end of the financial year.



Investments

Ten investment and technical assistance projects were approved during the year and 28 were in preparation and appraisal, thus increasing the total number of projects already financed, or to be financed, in the field of human resources development to 111. The strong focus of the Group on teacher training was maintained and the new set of guidelines for investment in colleges of education which had been adopted the previous year was used to focus attention on the quality and direction of teacher training rather than on numbers. In the case of the Ndebele College of Education, for instance, no increase in enrolment capacity was financed. All physical and academic facilities to be added or upgraded will contribute to improvements in the quality and efficiency of instruction. In addition, special arrangements have been introduced to ensure that more students select mathematics and physical science as teaching specialisations, and that these students will receive full academic support to compensate for the poor quality of preparation in these subjects received by them at high school.

Three investment projects approved during the year under review deal with the training of young school leavers and adults. Of particular importance is the KwaZulu Training Trust (KTT) courseware development project. The loan obtained from the Bank will allow KTT to develop new courses and study material mostly for self-employment. The courses will include modules on the running of a small business and the training will be offered at a later stage by KTT and other organisations in conjunction with other support services aimed at helping people to set themselves up in business.

The KTT project is also indicative of the Group's intention to move away from brick-and-mortar projects and to focus on other factors which can enhance relevant and efficient training. Information collected by the Group provides clear indications that in some regions in South Africa there is no longer a

Dr Elie Orbach (right), Group Manager, Human Resources Development Group, and (from left) Madi Hanekom and Sean Eliffe (Divisional Managers) and Yogesh Narsing and Thulasizwe Goba (specialists).

Projects	As at 31 March 1992		As at 31 March 1991	
	Number	Bank contribution R'000	Number	Bank contribution R'000
Approved in the financial year	10	80 867	8	103 332
In negotiation, implementation, and fully disbursed	83	618 029	66	534 417
In preparation and appraisal	28	145 914	31	237 480
Total	111	763 943	97	771 897

Table 9
Flow of projects in the Human Resources Development Group

shortage of physical facilities for training and that efforts should now be directed at improving the utilisation and efficiency of existing training centres, at improving the links between these centres and industry, and increasing the employability of their trainees.

Policy

The marked shift towards policy work during the year was aimed at meeting local as well as international demand for information and advice on the current backlogs in South African education and training. It was also aimed at enhancing the Group's capacity to participate directly in the public debate on these backlogs.

During the 1990-91 financial year, the Group developed a methodology to conduct a sector analysis of the education sector. This methodology was used during the year under review to perform in-depth analyses for each of the regions in which the Bank operates. The analyses yielded a wealth of information which was then used in the Group's policy work, in its extensive contacts with international aid agencies and in its structural adjustment programme work.

Programme activities

Work associated with the role of the Bank as secretariat for the structural adjustment

committees increased during the year. This included not only the analysis of budgetary provisions and the programming of activities and projects, but also aspects relating to the efficient functioning of departments of education. In the case of Lebowa, for instance, the Group was extensively involved in the introduction of a data bank and a system for the procurement, distribution and management of school books. A technical assistance project aimed at improving the capacity of the Lebowa Department of Education to maintain a reasonable level of service during the current transition period, without putting into place a new structure or adopting new policies, has also been approved. Similar involvement in most other regions is expected during the coming year.

Gender issues

Through its involvement in the development of agricultural colleges, the Group has been concerned with the role of women in agriculture. As the largest proportion of the two million smallholder farmers in South Africa are women, agricultural training needs to strengthen support, especially extension, to women farmers.

In appraising agricultural colleges in Transkei and Ciskei the Group has questioned the traditional perception of the

Graduates of the woodwork class at the Kwetlisong Training Centre each made a stool, tray, dinnerwagon and sidetable during the 13-week course.

Trained intervention

Box 7

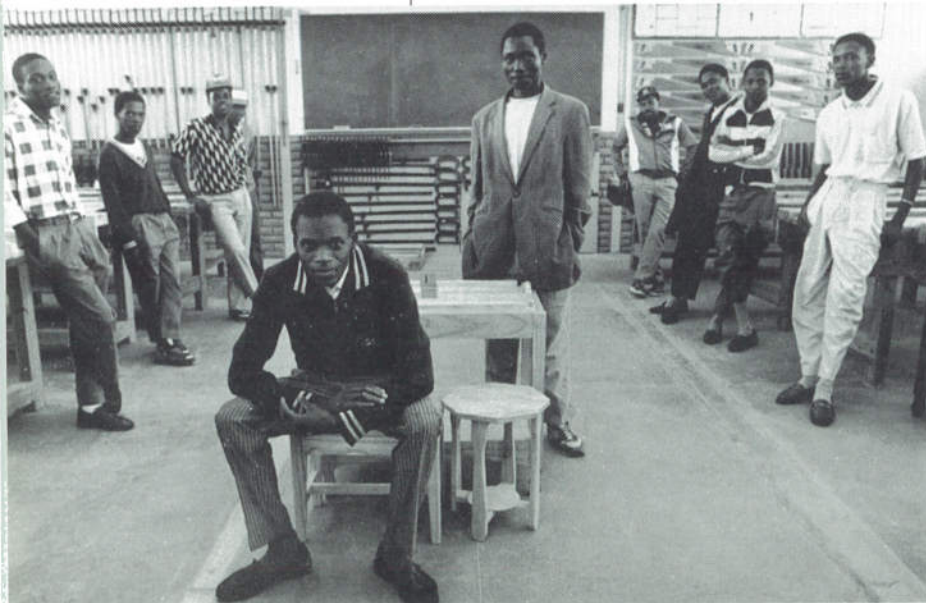
Nestled in the Witsieshoek foothills of the Drakensberg lies densely populated Qwaqwa. The region is geographically and economically remote and the people encounter high levels of unemployment.

More than 20 per cent of the population regard themselves as 'available for work', while 27 per cent migrate for jobs and a large portion subsist in the informal sector.

Following a study of the demand for skilled people in Qwaqwa based on the economic opportunities, the Bank financed the Kwetlisong Training Centre in Phuthaditjhaba, which was built and equipped with a loan of R8,7 million. The centre has thirteen workshops, six lecture rooms and administrative offices. It is equipped to deliver both technical and commercial training and is running courses in building, painting and glazing, plumbing, welding, cabinet-making, carpentry, motor and tractor mechanics, electrical engineering, panel-beating, catering and home economics, typing, word processing and secretarial skills.

The courses are all aimed at giving trainees some marketable technical skills, but business skills have not yet been included.

The courses are relatively short, varying in duration from one week for advanced technical modules to four weeks for commercial skills and semester-long courses of 13 weeks. For many courses no minimum standards of admission are set except that the





curriculum changes were made to place a greater focus on women farmers.

Significant progress was also made in redesigning, with the assistance of the Rural and Agricultural Development Group, the home economics courses traditionally provided for women students at these colleges. The home development centres (HDCs) have been expanded to include relevant rural and agricultural development curricula. The HDC at Tsolo College in Transkei, a forerunner in this field, was built and equipped through a grant from the Goldfields Development Fund. To assist in identifying the needs and design of a suitable curriculum for home development, a workshop in which women's organisations participated was arranged by the Group.

Traditional cultural and bureaucratic obstacles in government departments will be challenged by women entrants into extension services and rural development. While demands for parity of pay and conditions of service for women in various departments of agriculture and rural development have received attention, the role of women as decision makers in these departments has not yet received attention. There is also a need to provide in-service training on the role of women in agriculture for existing extension officers.

role of women in the colleges' curricula and the extension services offered by the departments of agriculture. This interaction led to all the courses in the colleges being opened to women students. Affirmative action measures were applied to ensure that at least 40 per cent of the students registered at the agricultural schools are women, and

trainees must be at least 16 years old. This is done to allow access to as many people as possible. Many of the trainees have Std VI education and are younger than 30. However, some trainees are illiterate and some entrants have been over 50 years old. Most trainees come from surrounding Qwaqwa, the Orange Free State and northern Natal, but several are from the northern Transvaal and at least five Zambians have received certificates.

The Centre was built during 1988 and started operating in 1989. During its first year of operation it had 600 trainees. In 1992, 1 000 trainees will receive training. The 30 staff members include mostly trainers and the Centre's annual budget is close to R1 million.

The Centre has not been free of problems and the project team of the Bank has been helping it improve its operation.

The cost of most courses is R60, of which R30 is refunded to the trainees at the end of the course if no loss or damage is caused. This very low fee is affordable to most trainees, although some have to borrow money from relatives to pay for their training. However, cost recovery for the Centre is very low – roughly 3 per cent – and it depends on the Qwaqwa government for its operating funds.

Young girls collect water from a standpipe near their homes. In households without electricity and water women and girls collect wood and water.



(Above) The Kwetlisong panel-beating workshop.

Mr Israel Mabothele Mollo (left) joined a local furniture firm after completing his welding courses. He is 21 and had only advanced to Standard V, but difficulties in his schooling prevented him from pursuing a higher standard. He had been unemployed until, with the help of his employed brother, he registered and became certified as a welder.

Human resources development projects approved in the past financial year

Region D

Ciskei teacher training strategy (technical assistance loan)

To provide financial assistance for the appointment of consultants to develop Ciskei's system for colleges of education to ensure that educational requirements are met through the provision of adequately trained teachers in a transition period.

Borrower: Ciskei government

DBSA finance: R90 000

Total cost: R94 000

Additional student residential accommodation: Unitra (investment loan)

To construct and furnish residential accommodation for 248 students at the University of Transkei (Unitra). These facilities are needed by the university to provide tertiary education for the socio-economic development needs of Transkei and Region D.

Borrower: University of Transkei

DBSA finance: R5 645 600

Total cost: R5 645 600

Unitra medical school workshop to plan curriculum changes for community-based medical training (technical assistance loan)

To finance a workshop to assist the Council and Medical Faculty of the University of Transkei (Unitra) with the planning of an appropriate medical school which should accommodate a community-oriented medical curriculum and problem-based teaching methodologies.

Borrower: University of Transkei

DBSA finance: R12 500

Total cost: R12 500

Region E

KTT courseware development (investment loan)

To develop and produce courseware for training purposes. The courseware will be mainly used by KwaZulu Training Trust (KTT), but will be made available to other training organisations.

Borrower: KwaZulu Training Trust

DBSA finance: R2 721 000

Total cost: R2 721 000

KTT purchase of Bifsa training centre (investment loan)

To purchase the Building Industries Federation of South Africa training centre at Marianhill for the purpose of expanding KTT's training operations.

Borrower: KwaZulu Training Trust

DBSA finance: R2 700 000

Total cost: R7 700 000

Region F

Nurses' training college for KaNgwane and Region F (investment loan)

To establish a nurses' training facility which will address the shortage of registered nurses in the KaNgwane area and which will create opportunities for optimal use and training of local skills and promote community participation in the construction and use of the facilities.

Borrower: KaNgwane government

DBSA finance: R19 000 000

Total cost: R20 751 000

Region G

Lebowa Department of Education institutional development (technical assistance loan)

To finance the appointment of the relevant expertise to strengthen the institutional capacity, specifically in the planning, budgeting and organisation structures, of the Department of Education.

Borrower: Lebowa government

DBSA finance: R391 500

Total cost: 576 500

Gazankulu Technical Training Centre (investment loan)

To expand current training facilities at Giyani and extend training to the town of Nkowankowa to meet the technical, vocational, entrepreneurial and community-based skills requirements of Gazankulu and Region G.

Borrower: Gazankulu Development Corporation

DBSA finance: R10 295 300

Total cost: R26 254 000

Region H

Ndebele College of Education (investment loan)

To improve the efficiency and quality, rather than quantity, of teacher output at the Ndebele College by financing specific facilities essential to this process and through the provision of appropriate furniture and equipment.

Borrower: KwaNdebele government

DBSA finance: R28 636 000

Total cost: R29 099 000

Region J

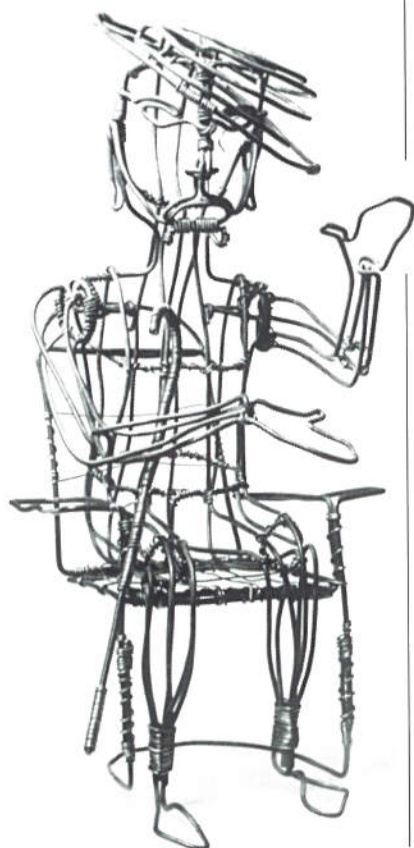
Bophuthatswana National College of Nursing (investment loan)

To construct and furnish academic and residential accommodation for the nurses' college in Mmabatho. The academic buildings will accommodate 600 student and specialist nurses, while the residential facilities will accommodate 300 students on campus. The balance of students will receive practical training at five hospitals.

Borrower: Bophuthatswana government

DBSA finance: R11 375 000

Total Cost: R22 889 000



Centre for Information Analysis

The Centre for Information Analysis provides development information to Bank staff and the development community at large. The information available from the Centre is also used in various forums involved in the debate on the future constitutional dispensation for South Africa.

The Centre continuously identifies new needs for information, collects the information on data base, and analyses and interprets it before disseminating it to users. During the past financial year, the Centre decided to supplement information obtained from external sources with internally generated information by applying specific quantitative techniques and specialised computer programmes. In this way the Centre was able to provide scientific, calculated, comprehensive and updated development information and forecasts.

The Centre continued to liaise with those governmental, parastatal and research organisations which are also involved in the provision of information to prevent duplication of activities and to ensure standardisation and compatibility of information concepts.

The Centre maintains a time series data base on demography, labour and employment, urbanisation, health, education and training, national accounts, natural resources and agriculture. Negotiations have also been entered into to make some of these data dimensions available to selected external users on a cost-recovery basis or through information exchange agreements.

Information inventory

The need was identified for information on aspects such as mining, manufacturing, trade and services, tourism, construction, income and expenditure and public finance, and a computerised information inventory was compiled consisting of more than 7 000 entries of relevant reports, survey results and data bases.

During the past year, reports were published on aspects such as regional analysis, labour and employment, education and various development indicators. To disseminate information as widely as possible, a users' data base consisting of the names and addresses of more than 10 000 potential users of development information was compiled. A total of 2 600 copies of 10 different publications were distributed externally, and R190 000 was recovered, compared to R21 000 during the previous year.



Enquiries, advice and libraries

The Information Enquiry Service is for the benefit of both Bank staff and external users. During the review period more than 150 days were spent on over 900 internal and external enquiries. The 294 local and international clients included individuals, private organisations, non-governmental and extra-parliamentary organisations, government departments, universities, development agencies and the media.

The Centre manages the main library of the Bank. To facilitate access to its stock, the 28 000 international and local books and periodicals were catalogued on a computerised system in the year under review. Over 2 400 inter-library loans were arranged for both internal and external clients. A statistical library provides quick access to more than 2 200 selected items, which are kept on reserve.

The Centre was involved in Regions A, F and G during the past year commenting on numerous consultant reports, rendering advice, and attending and facilitating workshops.

During the review period, experts on quantitative analysis from organisations such as the African Development Bank, the IMF and the World Bank, as well as numerous academics from foreign universities, visited the Centre for information on South Africa. Arrangements have been established for the exchange of information.

The personnel complement of the Centre numbered 20 professional and 6 support staff.

Dr Dan du Plessis (front), Director, Centre for Policy Analysis, and (from left) Neels Wolmarans, Divisional Manager, David Viljoen, information analyst, Yvonne Zungu, librarian, Janine Erasmus, Andries Mouton, Faried Manuel, Carel Meintjies and Johan Calitz, all information analysts, Jan Pieterse, Divisional Manager, and Elmarie Oosthuizen, information analyst.

Human Resources, Legal and Administration Group



Dr Jannie Zaaiman (standing centre), Group Manager, Human Resources, Legal and Administration Group, seated (from left) Tinka Wiswe, legal adviser, Nomsa Matlou, human resources officer, JJ Betten and Dr Marietjie van der Walt, Divisional Managers, and Helen Moatshe, secretary, and (standing from left) Athalia Motau, wordprocessor operator, Tryphina Mtshali, tea lady, Roy Greybe, Divisional Manager, Sue Matheson, secretary, and Dr Johan van Zyl, development training officer.

Human resources

The external environmental changes had a direct impact on the internal management of the human resource complement of the Bank.

The Human Resources Division embarked on a process to assess the needs of the organisation against those of the individual and a number of priorities were set. These were:

- to emphasise the responsibility of managers in the disciplined management and development of the staff. Managers were equipped with support and learning opportunities to strengthen their coaching and counselling skills. People development and people management became integral to managerial objectives and performance.
- to make optimal use of the abilities, skills and potential of employees, especially with regard to staff skills not being fully employed and in some cases resulting in under-performance. The causes and possible remedies were critically reviewed. The central specialist functions in the Bank (the Centres for Environmental and Technical Specialists, Institutional Specialists and Financial Specialists reported on in previous reports) were decentralised and this led to a major restructuring. The restructuring further highlighted the problem of duplication and a productivity survey has been designed to assess and analyse the situation. Recommendations from this survey, as well as the more disciplined management of staff, will contribute to the optimum redeployment of staff in the Bank.

to sharpen the affirmative-action approach of the Bank as an important dimension of the approved human resources philosophy. The process will be managed by a steering committee and action team to secure the widest support from staff members. Progress has been made in appointing and promoting black and female staff members to all levels in the organisation, with the focus now on managerial levels. The biggest achievement, however, lies in the change in attitudes that has visibly occurred among many staff members, putting the Bank well on its way to becoming an integrated multi-cultural organisation.

Succession plans for all managerial and strategically important positions are being put in place, while managers are managing the careers of their staff in terms of these plans. A revision of the job evaluation system in the Bank has addressed most of the problems previously associated with the grading system.

The total staff complement of the Bank at 31 March 1992 stood at 652 compared with 682 at the same time in the previous year. The Human Resources, Legal and Administration Group had a total of 134 staff members, 34 of them professional and 100 support staff members, compared with a total of 141 in the previous year.

Specialist mobilisation

The Bank has, since its inception, followed a policy of maintaining a core staff complement and of making extensive use of external specialists. It remains firm policy to broaden the exposure of a wide range of external specialists to the activities of the Bank.

During 1991/92, the Bank made 82 external specialist appointments to assist with the execution of its functions, bringing the cumulative number of active appointments by the Bank to 879. The data base was expanded by 626 individuals and 202 firms during this period, bringing the total number of skills registered to 4 474 and firms registered to 1 764.

Capacity building and training

The Bank continues to base the training and development of employees on needs identified through its performance appraisal system. The focus remains the same: to provide opportunities whereby employees incrementally increase their effectiveness on the job. A total of 569 staff members attended 87 different courses locally. These included management, leadership, verbal and written communication, human resources and

financial management courses. Exposure to the latest international management thinking is also afforded to our senior managers. One such employee attended a senior executive seminar in Lausanne, Switzerland.

Training and development interventions are increasingly being seen as another of the products of the Bank. Thus employees of major clients and other interested parties were able to benefit from training courses and seminars being conducted by the Bank on a cost-recovery basis.

Internal training around the broad theme of 'managing the process of development' also received attention. A specially designed four-day workshop for small groups was presented to more than 200 developmentalists in the Bank. A series of orientation seminars was also arranged for outside consultants and nearly 100 attended.

Legal services

The main services rendered by the Legal Division are the recording of all management operational decisions pertaining to the development programme by keeping proper minutes and thereafter compiling loan or grant agreements based on the decisions. In the year under review, about 150 loan and grant agreements were drawn up by the Bank. The division was also involved in providing advice on obtaining loan funds from a consortium of foreign banks.

The legal advisers maintain contact with developments in the field of the law and apply such developments in their task of providing inputs into the projects and programmes of the Bank. In this respect, it was a challenging year, as the law reform drive, which included the Abolition of Racially Based Land Measures Act, created opportunities for increasing access to South Africa's resources. Direct access to loans, grants and technical assistance for end-users who are not part of the formal government structures was made possible through advice on how to establish legal entities which directly represent these community interests. Law reform still has a long way to go and the Division remains involved in advising on the reformulation of laws which have a direct development impact.

Administration and technical

The Bank has had an average of 1 900 visitors per month since moving to the building in November 1988. The facilities have accommodated the needs of the Bank adequately and interaction of its staff members for the effective execution of their work was promoted by a well-placed service and support infrastructure. The building structure in itself requires little maintenance, is energy efficient and is complemented by a well-established typical Highveld garden comprising 1 400 indigenous trees.

Report on the Groups and Centres

Finance Group



The Finance Group is charged with the overall responsibility for financial risk management, which includes ensuring that the Bank remains adequately and appropriately funded in the short, medium and long term, and that its financial resources are managed in accordance with internal control procedures and Bank policy.

The staff complement of 39 in the Group at year-end consisted of 23 professional and 16 support staff members. The Group has an internal and external service orientation. Its information systems provide vital support in the programming and effective management of the operations of the Bank. These systems are also proving increasingly useful in providing information to a wide range of external clients and borrowers. The Group's support to borrowers includes providing assistance with respect to loan draw-downs from the Bank and the administration of related borrowings.

Steps were taken to further enhance the policies and procedures of the Treasury functions. The comprehensive reviews undertaken, with the assistance of external specialists, provided useful support for the development of a comprehensive risk management approach incorporating all financial risks into a single integrated strategy.

The services of the external auditors were extensively used in reviewing and advising on the control environment of various financial information systems implemented within the Group and on improvements to the audit policy of the Bank and the operations of the Audit Committee.

*Richard Kirkland (front),
Group Manager, Finance, and
Divisional Managers (from left)
Dirk Swanevelder,
Kobus Viljoen and
Norman Weitz.*

Five-year financial highlights

For the years ended 31 March	1988	1989	1990	1991	1992	Forecast 1993
	Rm	Rm	Rm	Rm	Rm	Rm
Balance sheet						
Total assets	1 605	2 035	2 525	3 730	4 631	5 545
Capital employed						
Share capital	164	200	200	200	200	200
Development Fund	1 155	1 526	1 901	2 401	2 903	3 407
Reserves	79	96	113	115	150	183
Permanent capital	1 398	1 882	2 214	2 716	3 253	3 790
Medium- and long-term financing	123	81	95	671	943	1 212
Employment of capital						
Development loans	1 125	1 585	2 325	3 291	3 989	4 960
Investments	457	411	129	392	502	499
Cash flow						
Loans advanced	283	493	729	988	760	927
(at 1983 constant prices)	156	238	308	371	251	260
Commitments						
Commitments outstanding	1 600	2 152	2 546	2 102	1 586	1 233
(at 1983 constant prices)	885	1 037	1 074	788	523	346
Guarantees outstanding	134	115	58	65	20	20
Income statement						
Interest income	103	122	138	189	256	344
Interest expenditure	(21)	(14)	(9)	(62)	(117)	(165)
Expenditure	(41)	(68)	(77)	(76)	(86)	(105)
(at 1983 constant prices)	(23)	(33)	(32)	(28)	(28)	(32)
Operating surplus	39	38	50	47	50	68
Provision for development loan losses	(11)	(21)	(33)	(45)	(15)	(35)
Surplus transferred to general reserve	28	17	17	2	35	33
Ratios						
	%	%	%	%	%	%
Financial gearing ¹	8,8	4,4	4,3	24,7	29,0	32,0
Reserves/Development loans	7,0	6,1	4,9	3,5	3,8	3,7
Average return on development loans	7,2	7,4	7,4	7,3	7,9	7,9
Average interest on medium- and long-term financing	13,3	13,3	14,0	15,7	16,2	16,2
Expenditure as percentage of average disbursed loan portfolio ²	4,5	5,0	3,9	2,7	2,4	2,3
Expenditure as percentage of development loans advances ³	14,5	13,8	10,6	7,7	11,3	11,3
Values						
Interest cover (times) ⁴	4,9	8,7	15,3	3,0	2,2	2,1
Inflation factor (1983=R100)	R55,30	R48,20	R42,20	R37,50	R33,00	R28,10

¹ Medium- and long-term financing/permanent capital

² Expenditure/[(opening balance development loans and closing balance development loans)/2]

³ Expenditure/development loans advanced

⁴ Interest income/interest expenditure

Financial results and related matters

Gross interest income of R256,4 million was posted in the year to 31 March 1992, representing an increase of 35,6 per cent (1991: 37,2 per cent) over the preceding year's figure of R189,0 million. This increase is primarily attributable to the increasing number of development loans contracted in previous years and now in repayment. Erosion of these earnings through borrower default was reduced to the minimum through sound asset management and amounted to R4,1 million (1991: R2,1 million).

Interest expenditure for the year increased by 88,8 per cent to R116,7 million (1991: R61,8 million) as the Bank began to feel the full effect of borrowings contracted earlier. The Bank continues to follow a comprehensive strategy of carefully monitored phased gearing, in order to keep funding costs to a minimum.

The combined effect of the above was a marginal increase of R12,7 million in net operating income to R137,1 million (1991: R124,4 million). This margin was applied to meeting overhead expenditure of R87,3 million (1991: R76,9 million), leaving a surplus before provisions and transfers to reserves of R49,9 million (1991: R47,5 million). Of this surplus an incremental R15 million (1991: R45,0 million) was provided for loan losses while the residual surplus of R34,9 million (1991: R2,5 million) was transferred, as in previous years, to the General Reserve.

Gross operating expenditure (before taxation refunds) continues to be strictly controlled, rising 13,6 per cent to R103,3 million (1991: R90,9 million). Cost control is but one aspect of the Bank's ongoing drive with respect to the economic and efficient management of its financial, human and other resources. The increase in gross overhead expenditure during the coming year is expected to be contained well within the inflation rate.

The key variances recorded against the Bank's printed budget for the year under review were as follows:

□ A favourable variance of R25,2 million in interest received on development loans, as originally envisaged impairment of this income source through loan delinquency (conservatively discounted in the budget) did not materialise. Early and decisive Bank intervention was responsible for this positive outcome.

□ A favourable variance of R6,2 million in interest received on investments due to the higher than budgeted liquidity levels maintained.

□ An unfavourable variance of R3,9 million in interest paid due to timing variation in the funds' mobilisation initiatives from budgeted issue dates.

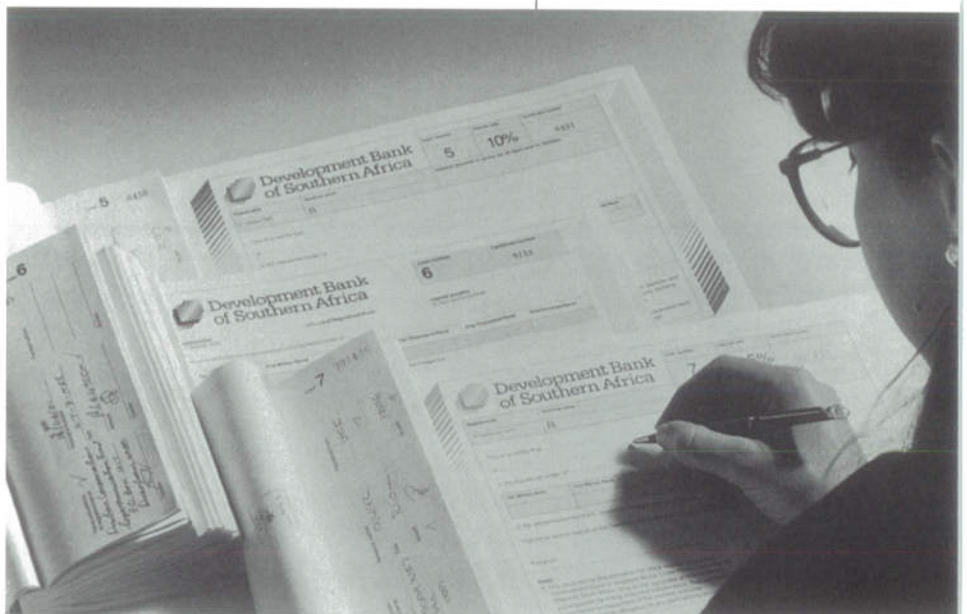
The foregoing resulted in the surplus before provisions exceeding the budgeted amount by R24,1 million.

Development Fund

Grant aid receipts from the South African government during the year totalling R502,0 million increased the level of the Development Fund to R2 903,3 million at year-end. Further grants of R989,0 million remain committed by the government, of which R504,0 million will be received during the forthcoming financial year.

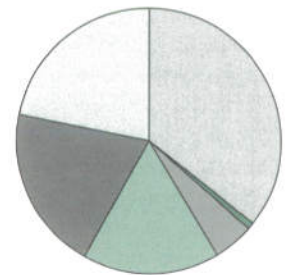
Borrowing

During the year political and economic volatility locally and internationally significantly affected the financial markets. The local capital market witnessed a sustained rise in the level of interest rates between March 1991 and October 1991. During this period investors marginally



reduced their holdings in the Bank's local bonds, while also switching from the longer dated bond (maturing 2010) to the shorter dated 1996 bond. The former trend was undoubtedly compounded by the effects, from an investor's perspective, of further changes during the year to prudential investment guidelines in favour of equities. The Bank expects to reverse this marginal shortening of its funding portfolio during the coming year with increased emphasis on further issues of its long-dated DV07 bond.

Figure 6
Distribution of Bank's local bonds, 31 March 1992, R701,5 million issued



The Bank continued active market-making in its local bonds during the year. The longer term objective remains one of increasing the volume and marketability of these bonds. The risks associated with this activity are prudently managed in accordance with improved risk management approaches, the introduction of which gave rise to the transfer of securities from the 'hedging' to the 'trading' portfolio.

uncertainties accelerated. The accumulated general provision for loan losses was increased with an incremental provision during the year of R15 million (1991: R45 million) to R165 million (1991: R150 million). The balance of the net surplus was transferred to the General Reserve, further strengthening the resource base of the Bank. Adequate provision has also been made in forward planning for the accumulative provision to maintain a meaningful relationship with a rising lending book over time.

Liquidity

The level of liquidity represented by the investment portfolio was raised during the year from R391,6 million at the beginning of the year to R502,1 million by year-end. This increase was managed as a general precautionary measure in view of the increased uncertainty which appears set to characterise South Africa's current transitional period.

Risk management

The Bank continues to place significant emphasis on financial risk management and has made further progress in addressing financial risks within a single integrated strategy. The risks associated with its activities in the domestic and international capital markets are addressed through appropriate and comprehensive hedging strategies.

The Development Fund remains key in the capital structure of the Bank and its future growth through grant aid receipts will continue to be proactively managed. The significant size and equity character of the Fund allows the Bank to absorb the impact of interest differentials between the additional funding it secures at market rates and the development loans it makes on concessionary terms while also mitigating the effects of inflation on the capital base.

Gearing and gearing capacity continue to be carefully monitored. Instead of simplistically viewing the level of debt as a function of its net worth, the decisions of the Bank with respect to capitalisation are based on a rational analysis of its cash flows. This necessitates forecasts of the performance of the Bank on a multi-year basis to obtain a profile of the levels of debt that can be serviced under varying circumstances. Implicit in this approach is an evaluation of a variety of risks, including portfolio and interest rate risk, crucial to any judgement on an appropriate level of gearing.

The credit risk management of the Bank has always embraced the implementation of proactive remedial strategies directed at deteriorating credits. In this respect the ability of the Bank to intervene through the management of the project cycle, structural

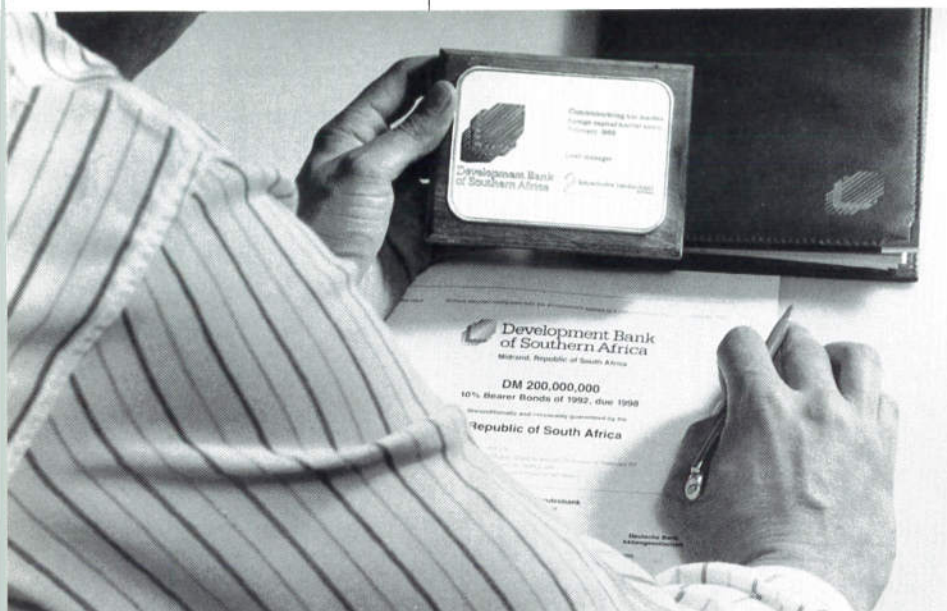
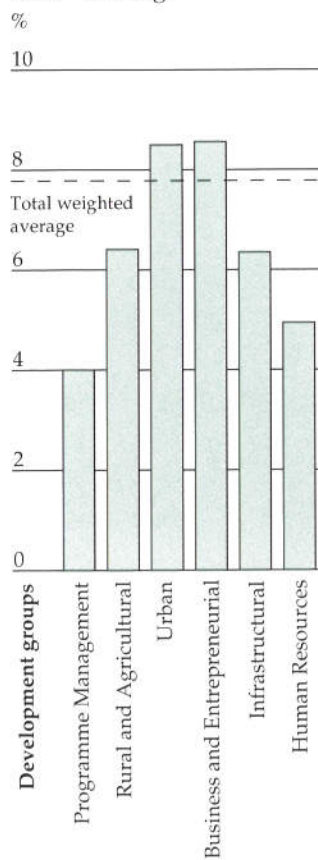


Figure 7
Weighted average interest rates – lending



During the year a successful maiden entry was made into the international capital markets with the issue in February 1992 of DM200 million 1992/1998 bearer bonds. The launch was preceded by well-attended Bank presentations in the financial centres of Frankfurt and Zurich. The issue gives effect to the Bank's intention to further broaden and diversify its funding base.

The weighted average all-in cost of borrowing for the year was 16,2 per cent (1991: 15,7 per cent). Salient details of all Bank bonds are contained in schedule A of the financial statements.

Loans

The development loan portfolio, before provisions, increased by 21,2 per cent over the year to close at R3 988,9 million (1991: R3 291,2 million). Compound growth over the last five years equates to 35 per cent. Disbursement flows of R759,5 million (1991: R987,8 million) were achieved against a budgeted flow of R982,5 million. The shortfall is attributed to changes and constraints in the socio-political environment, more fully explained in the operational section of the directors' report.

At 31 March 1992 the weighted average maturity and lending rate for the portfolio was 18 years and 7,9 per cent respectively.

The development loan portfolio received increased management attention as the economy continued to slow and as political

adjustment programmes and programme management is important, and is more fully discussed in the operational section of this annual report. Effective management of the development loan portfolio, particularly during the period of constitutional transition, is of paramount importance and the Bank will not hesitate to discharge its responsibility to all stakeholders in this respect.

The liquidity levels of the Bank are continuously monitored and provide an important buffer against unforeseen variations in its cash flows, while also contributing a vital element of flexibility to its funding strategy.

Objectives 1992/93

Financial objectives of the Bank for the forthcoming year include:

- Further development of the risk management approach.
- Further enhancement of organisational effectiveness and the economic management of scarce development resources. This initiative will, from a financial point of view, be driven by an in-depth activity-based costing exercise.
- Reviewing the many value-added services rendered by the Bank with a view to considering the selective recovery of associated costs. The Bank, in contrast to many other international development organisations, does not actively pursue the recovery or sharing of these costs. As a consequence, overhead expenditure is higher than might otherwise be the case, simultaneously distorting comparisons with similar organisations. Preliminary investigations and analyses have, for example, revealed that support services requested of the Bank in terms of bilateral arrangements between governments at present add approximately R11 million to the Bank's overhead costs. In an effort to alleviate the distortionary effects on future reporting, the Bank will also be investigating appropriate additional disclosure of reported results during the coming year.
- Reviewing development lending terms to ensure that clients' development needs can continue to be met on a sustainable basis.

Accountability

In accordance with an overarching philosophy of being held fully accountable, the Bank strives to comprehensively disclose and explain its financial results. In doing so, the Bank:

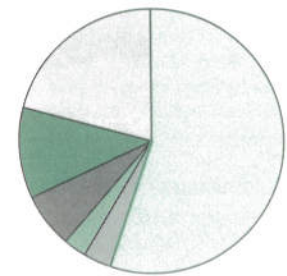
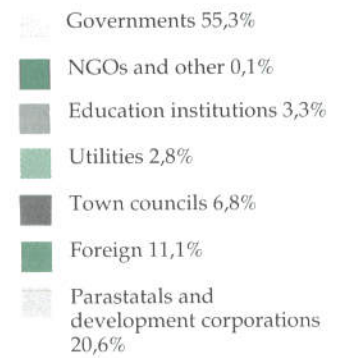
- regularly reviews accounting standards and policies to ensure that its reported information remains relevant and reliable
- exposes bondholders to Bank-supported projects as an additional means of keeping these investors informed
- released, for the first time, interim results at the half year, emulating the practice of the private sector
- has taken cognisance of the existence of draft legislation regarding the accountability of public entities (the Accountability of Public Entities Bill). The spirit and underlying intentions regarding this legislation have long been espoused and practised by the Bank and permeate all its development activities.

Effects of changing prices on reported results

Price changes in an inflationary environment have a significant effect on the results of operations. Historical cost accounting under such circumstances does not adequately reflect true financial performance and can significantly distort published information available to the users of financial statements. To date, however, no simplistic or standard solution exists for appropriately reflecting the impact of inflation on financial reporting. Cognisant of the need to provide some indication of the impact of a persistently high level of inflation on its results and financial resource base, the Bank has, as a compromise, restated key line items in its five-year summary (page 44) at 1983 constant prices. An appropriate composite index is used as the deflator.

The effects of inflation on the Bank's development activities are also constantly evaluated as part of the risk-management approach.

Figure 8
Loanbook: Bank borrowers



Management's responsibility for, and approval of, the annual financial statements

The annual financial statements and other financial information set out in this annual report were prepared by management in conformity with generally accepted accounting practice as applicable to similar institutions and applied on a consistent basis throughout the year, except where specified in the financial statements. The manner of presentation of the financial statements, the selection of accounting policies and the integrity of the financial information are the responsibility of the Board of Directors and management. The financial statements have been approved by the Board of Directors and have been signed on their behalf by the undersigned directors.

The Board of Directors is ultimately responsible for the maintenance of effective internal controls. The day-to-day responsibility for monitoring effective internal controls, which concentrate on critical risk areas, rests with management. These areas are identified by management, confirmed by the Audit Committee and endorsed by the external auditors. All controls relating to these critical risk areas are closely monitored and audited by both the internal and external auditors.

We are of the opinion that the controls in use are adequate to provide reasonable assurance that the assets are safeguarded against loss or unauthorised use and that the financial records can be relied on for preparing the financial statements and maintaining accountability for assets and liabilities. There are, however, inherent limitations in any control system and the cost of maintaining a control system is carefully evaluated relative to the benefits to be derived.



Prof O P F Horwood
Chairman of the Board
of Directors
21 May 1992

The management of audit risk is set out in the audit policy as approved by the Council of Governors and the Board of Directors. This policy sets out the role and responsibilities of the Directors and the Audit Committee, as well as the conduct of both the internal and external auditors. The principles of independence and objectivity, as well as of 'value for money' auditing, which is directed at efficiency and effectiveness issues, are supported by the policy. This audit policy accepts that no restrictions are placed on the internal or external auditors in the execution of their duties. Management meets with both the internal and external auditors, through the Audit Steering Committee, on a regular basis throughout the year. The external auditors are responsible for independently reviewing and reporting on the Bank's annual financial statements and the underlying controls. The external auditors are appointed each year, taking account of the recommendations of the Audit Committee. The annual financial statements have been examined by the Bank's external auditors and their report is presented on page 49.

The Audit Committee is composed of non-executive directors and meets with management, the internal and the external auditors, both separately and together, four times a year. The Audit Committee approves the critical risk areas and reviews and discusses the auditors' findings as well as current accounting matters and the annual financial statements. Both the internal and external auditors have free access to this committee.



Prof W L Nkuhlu
Director

Auditors' report

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

We have audited the annual financial statements as set out on pages 50 to 60. Our audit has been conducted in accordance with generally accepted auditing standards. In our opinion these financial statements fairly present the financial position of the Development Bank of Southern Africa as at 31 March 1992, the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting practice for similar institutions.

Ernst & Young

Ernst & Young
Chartered Accountants (SA)
Johannesburg
21 May 1992

Financial reports

50	Balance sheets
51	Income statements
52	Cash flow statements
53	Notes to the financial statements
60	Schedule A – Registered bonds

Balance sheets

at 31 March

	Note	1992 R'000	1991 R'000
Capital employed			
Share capital	2	200 000	200 000
Development Fund	3	2 903 344	2 401 344
Reserves	4	<u>149 966</u>	<u>115 102</u>
Permanent capital		3 253 310	2 716 446
Deferred interest	5	395 687	298 866
Medium- and long-term financing	6	943 112	671 282
Short-term liabilities	7	<u>38 557</u>	<u>43 707</u>
		<u>4 630 666</u>	<u>3 730 301</u>
Employment of capital			
Fixed property	8	35 217	35 217
Development loans	9	3 988 939	3 291 200
Investments	10	502 144	391 636
Other receivables and cash	11	<u>104 366</u>	<u>12 248</u>
		<u>4 630 666</u>	<u>3 730 301</u>

Income statements

for the years ended 31 March

	Note	1992 R'000	1991 R'000
Income			
Interest income	12	256 359	189 006
Interest expenditure	13	<u>(116 707)</u>	<u>(61 815)</u>
Net interest income		139 652	127 191
Other income		<u>1 033</u>	<u>1 182</u>
		140 685	128 373
Technical assistance grants		<u>(3 560)</u>	<u>(3 949)</u>
Net operating income		137 125	124 424
Expenditure		(87 261)	(76 925)
Auditors' remuneration	14	<u>(414)</u>	<u>(189)</u>
Governors' and directors' emoluments		<u>(646)</u>	<u>(578)</u>
Net operating expenditure	15	<u>(86 201)</u>	<u>(76 158)</u>
Surplus before provisions		49 864	47 499
Provision for loan losses	4	<u>(15 000)</u>	<u>(45 000)</u>
Surplus transferred to general reserve		<u>34 864</u>	<u>2 499</u>

Cash flow statements

for the years ended 31 March

	Note	1992 R'000	1991 R'000
Funding			
Cash generated from financing activities		768 159	1 075 580
Development Fund contribution		502 000	500 700
Net proceeds of bond issues		266 159	574 880
Cash generated from operating activities	17	68 626	48 992
Development loan repayments		143 612	68 389
		<u>980 397</u>	<u>1 192 961</u>
Applied			
Development loan advances		759 530	987 769
Increase in investments		110 508	262 447
Increase/decrease() in bank balances		110 359	(57 255)
		<u>980 397</u>	<u>1 192 961</u>

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Interest received on development loans

1.1.1 Deferred interest

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

1.1.2 Direct interest

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

1.1.3 Interest on non-performing loans

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

1.2 Capital market bonds

The discount or premium on the issue of registered bonds is amortised over the term of these bonds using the yield to redemption method. Other bond issue costs are amortised over the term of these bonds using the straight-line redemption method. Discounts, premiums and other bond and financing costs amortised are recorded as an element of interest expenditure.

1.3 Development loans

Development loans are stated after deduction of specific and general provisions. In the previous year, the amounts required as specific and general provisions were reflected in reserves. Comparative figures have been adjusted to reflect the present policy.

Development loans, including capitalised interest, are placed on a non-performing status when, in the opinion of the directors, the recovery of the whole or portion thereof becomes doubtful. Income recognition on affected loans is accordingly suspended until payments have actually been received. Deferred interest raised in prior years on development loans subsequently placed on a non-performing

status, is set off against such loans.

The Bank makes appropriate specific provision for losses on development loans when such loans are placed on a non-performing status. Further general provisions are maintained against risks which, although not specifically identified, exist in any portfolio of advances. The aggregate provision for loan losses is periodically adjusted based on a review of the prevailing circumstances. Any such provision is recorded as a charge against income for the period and will be used to meet actual losses on such loans. Losses in excess of the accumulated provision would be charged against income for the period.

1.4 Investments

Investments consist of capital and money market instruments. The methods of valuation are as follows:

Hedging securities are stated at cost and profits or losses are accounted for on realisation.

Trading securities are stated at market value and profits or losses are accounted for on revaluation.

Where cost contains premiums or discounts on purchase, such amounts are amortised over the period to redemption using the yield to redemption method and are recorded as an element of interest received.

1.5 Fixed property

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

1.6 Other operating assets

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

1.7 Grants received

All grants received are taken directly to the Development Fund.

1.8 Foreign currencies

Transactions in foreign currencies are recorded at the spot rates ruling at transaction date. Assets, liabilities and commitments in foreign currencies are translated into South African rand at the rates of exchange ruling at year-end or at the forward rates, where applicable. The premium on forward exchange contracts is amortised to income as part of financing costs over the term of the underlying contract. The unexpensed portion of the premium at the balance sheet date is shown as a deduction from the related liability.

	1992 R'000	1991 R'000
2. Share capital		
Authorised and subscribed 200 000 shares at a par value of R10 000 each	<u>2 000 000</u>	<u>2 000 000</u>
Callable capital 180 000 shares at a par value of R10 000 each	<u>1 800 000</u>	<u>1 800 000</u>
Paid-up capital 20 000 shares at a par value of R10 000 each	<u>200 000</u>	<u>200 000</u>
3. Development Fund		
Balance at beginning of year	2 401 344	1 900 644
Grants received	502 000	500 700
Under existing commitments	500 000	500 700
In respect of specific projects	2 000	
Balance at end of year	<u>2 903 344</u>	<u>2 401 344</u>
Outstanding commitment of the South African government	988 954	1 485 000
Under existing commitments	984 954	1 485 000
In respect of specific projects	4 000	
4. Reserves		
General reserve		
Balance at beginning of year	115 102	217 603
Prior year adjustment	—	(105 000)
	<u>115 102</u>	<u>112 603</u>
Transfer from income statement	<u>34 864</u>	<u>2 499</u>
Balance at end of year	<u>149 966</u>	<u>115 102</u>

These reserves are not distributable to the members in the normal course of business and can be utilised to create specific reserves.

During the year the Bank changed its policy regarding disclosure of the specific and general provisions for losses on development loans. Such provisions are now deducted from development loans as opposed to being reflected in reserves as in previous years.

This change in policy had the effect of decreasing the opening balance on the reserves at the beginning of the year by R150 million. This is reflected by way of restatement of the results for the year ended 31 March 1991 through a provision of R45 million and a reduction in the reserves by a prior adjustment of R105 million which relates to years prior to 1 April 1990.

	1992 R'000	1991 R'000
5. Deferred interest		
Balance at beginning of year	298 866	207 449
Interest capitalised	<u>108 911</u>	<u>103 860</u>
	407 777	311 309
Transferred to income statement	<u>(12 090)</u>	<u>(12 443)</u>
Balance at end of year	<u><u>395 687</u></u>	<u><u>298 866</u></u>
Expected transfer from deferred interest to interest income:		
Within 1 year	16 593	12 070
Thereafter	<u>379 094</u>	<u>286 796</u>
	<u><u>395 687</u></u>	<u><u>298 866</u></u>
6. Medium- and long-term financing		
Balance at beginning of year	671 282	112 858
Net issued during the year	<u>528 144</u>	<u>646 508</u>
Per schedule A	1 199 426	759 366
Unamortised issue discounts and forward cover premiums	<u>(256 314)</u>	<u>(88 084)</u>
Balance at end of year	<u><u>943 112</u></u>	<u><u>671 282</u></u>
7. Short-term liabilities		
Short-term financing	14 350	31 010
Accounts payable	9 305	6 578
Accrued interest	<u>14 902</u>	<u>6 119</u>
	<u><u>38 557</u></u>	<u><u>43 707</u></u>
8. Fixed property		
At cost	35 217	35 217
Building	<u>33 335</u>	<u>33 335</u>
Infrastructure	<u>1 882</u>	<u>1 882</u>

The head office was constructed on land donated to the Bank by the South African government, which land comprises Erf 3 of the township Headway Hill, registration division JR Transvaal, measuring 24,6125 ha. The value of the fixed property as at 31 March 1992 was R56,8 million, on the basis of a replacement cost valuation carried out by First Bowring Protection Consultants (Pty) Ltd as at that date.

	1992 R'000	1991 R'000
9. Development loans		
Movement		
Balance at beginning of year	3 291 200	2 325 403
	1 051 518	1 195 774
Loans advanced	759 530	987 769
Interest capitalised	291 988	208 005
	4 342 718	3 521 177
Repayments	(338 779)	(184 977)
	4 003 939	3 336 200
Incremental general provision for loan losses	(15 000)	(45 000)
Balance at end of year	<u>3 988 939</u>	<u>3 291 200</u>
Analysis		
Total loan commitment	5 757 882	5 509 662
	(1 577 826)	(2 089 136)
Loan balances to be disbursed (note 16.1)	(1 126 641)	(1 401 017)
Loans approved but not yet concluded (note 16.2)	(451 185)	(688 119)
Disbursed commitments	4 180 056	3 420 526
	(26 117)	20 674
Interest capitalised	868 715	576 727
Repayments	(894 832)	(556 053)
	4 153 939	3 441 200
General provision for loan losses (note 4)	(165 000)	(150 000)
	<u>3 988 939</u>	<u>3 291 200</u>
Expected repayments:		
Within 1 year	157 224	102 909
Thereafter	3 996 715	3 338 291
	<u>4 153 939</u>	<u>3 441 200</u>
10. Investments		
Fixed deposits	145 074	226 104
Hedging securities		112 164
Trading securities	357 070	53 368
	<u>502 144</u>	<u>391 636</u>
Market value of hedging securities		<u>112 539</u>
Maturity analysis:		
0 – 1 year	145 074	226 090
1 – 3 years		14
Longer than 3 years	357 070	165 532
	<u>502 144</u>	<u>391 636</u>

	1992 R'000	1991 R'000
11. Other receivables and cash		
Interest on investments	7 427	7 861
Accounts receivable	849	1 996
Bank balances	<u>96 090</u>	<u>2 391</u>
	<u>104 366</u>	<u>12 248</u>
12. Interest income		
Investments	61 192	60 320
Development loans	195 167	128 686
Direct interest	183 077	116 243
Deferred interest	12 090	12 443
	<u>256 359</u>	<u>189 006</u>
13. Interest expenditure		
Interest on long- and medium-term finance	111 036	60 269
Amortisation of issue discounts and forward cover premium	<u>5 671</u>	<u>1 546</u>
	<u>116 707</u>	<u>61 815</u>
14. Auditors' remuneration		
For the audit		
– current year	194	130
– previous year	2	
For consulting services		
– current year	156	57
– previous year	56	
Expenses		
– current year	4	2
– previous year	<u>2</u>	
	<u>414</u>	<u>189</u>
15. Operating expenditure		
Consultants' fees	6 339	5 685
Communication costs	825	850
Data processing	3 087	3 172
Human resources	79 072	66 323
Operating assets written off	2 310	3 856
Subsistence and travel	5 893	4 976
Other	<u>5 783</u>	<u>6 051</u>
	103 309	90 913
Refund of direct and indirect taxation	<u>(17 108)</u>	<u>(14 755)</u>
	<u>86 201</u>	<u>76 158</u>

	1992 R'000	1991 R'000
16. Commitments and contingent liabilities		
16.1 Commitments in respect of agreements concluded but not fully disbursed		
– Loan agreements	1 126 641	1 401 017
– Technical assistance grants	<u>5 419</u>	<u>6 507</u>
	<u>1 132 060</u>	<u>1 407 524</u>
16.2 Commitments in respect of agreements approved by the Bank and still under consideration by the prospective borrowers		
– Loan agreements	451 185	688 119
– Technical assistance grants	<u>649</u>	<u>1 179</u>
	<u>451 834</u>	<u>689 298</u>
16.3 Loan guarantees		
– Guarantees issued by the Bank	880	45 000
– Guarantees approved by the Bank but still under consideration by the prospective borrowers	<u>19 289</u>	<u>20 089</u>
	<u>20 169</u>	<u>65 089</u>
16.4 Financing of staff benefits	<u>3 181</u>	<u>4 734</u>

Financing is done through a financial institution. Guarantees are issued by the Bank in support of certain loans granted

	1992 R'000	1991 R'000
17. Notes to the cash flow statements		
Cash generated from operating activities		
Surplus before provisions	(49 864)	(47 499)
Non-cash item: discount amortised	<u>(5 671)</u>	<u>(1 546)</u>
	<u>(55 535)</u>	<u>(49 045)</u>
Increase in accounts payable	(2 727)	(1 085)
Increase in interest payable on bonds	<u>(8 783)</u>	<u>(1 417)</u>
	<u>(11 510)</u>	<u>(2 502)</u>
Increase/decrease() in interest on investments	(434)	2 758
Increase/decrease() in accounts receivable	<u>(1 147)</u>	<u>(203)</u>
	<u>(1 581)</u>	<u>2 555</u>
Cash generated from operating activities	<u>(68 626)</u>	<u>(48 992)</u>

18. Pension Fund

An average number of 662 (1991: 675) employees were members of the Development Bank Pension Fund, to which the Bank contributed R5,9 million (1991: R4,6 million).

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

19. Comparatives

Comparative figures have been restated where appropriate.

20. Normal income tax

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

Schedule A

Registered bonds as at 31 March 1992

	Authorised value			Repayment date	Balance in issue	
	1992 Rm	1991 Rm	Coupon rate %		1992 Rm	1991 Rm
(1) Local						
DV04		7	10,0	1991		6
DV05	250	250	10,0	1996	243	93
DV06	250	250	10,0	2001	44	47
DV07	1 500	1 500	14,5	2010	415	613
	2 000	2 007			702	759
(2) Foreign						
	497		10,0	1998	497	
Total medium- and long-term financing	2 497	2 007			1 199	759

Notes

1. All local registered bonds carry a AAA rating (Republic Ratings) and are referred to by their respective Reuters acronyms.
2. The Bank has committed short-term standby facilities totalling R400 million, which carry an A1 rating (Republic Ratings).
3. The foreign liability is fully covered forward.
4. The weighted average all-in cost of the above finance amounted to 16,2 per cent (1991: 15,7 per cent).

Abbreviations

ADB:	African Development Bank
Agriwane:	KaNgwane Agricultural Corporation (Pty) Ltd
ANC:	African National Congress
Bifsa:	Building Industries Federation South Africa
BNDC:	Bophuthatswana National Development Corporation Ltd
Contralesa:	Congress of Traditional Leaders of South Africa
Cosatu:	Congress of South African Trade Unions
DBSA:	Development Bank of Southern Africa
Ecosa:	Economic Community of Southern Africa
EC:	European Community
Eskom:	Electricity supply utility
FED:	Foundation for Entrepreneurship Development
GDP:	Gross domestic product
GGP:	Gross geographic product
HUCA:	Huhudi Civic Association
IBEC:	Independent Business Enrichment Centre
IDT:	Independent Development Trust
IMF:	International Monetary Fund
JNF:	Joint negotiating forum
KFC:	KwaZulu Finance and Investment Corporation Ltd
Kescor:	KaNgwane Electricity Supply Corporation (Pty) Ltd
KTT:	KwaZulu Training Trust
Nafu:	National African Farmers' Union
NGO:	Non-governmental organisation
PAC:	Pan-Africanist Congress
RIDP:	Regional industrial development programme
RSC:	Regional Services Council
SAM:	Social accounting matrix
Satour:	South African Tourism Board
UDP:	Urban development plan
Unitra:	University of Transkei
Wesgro:	Association for the Western Cape's Economic Growth

Abbreviations

ADB:	African Development Bank
Agriwane:	KaNgwane Agricultural Corporation (Pty) Ltd
ANC:	African National Congress
Bifsa:	Building Industries Federation South Africa
BNDC:	Bophuthatswana National Development Corporation Ltd
Contralesa:	Congress of Traditional Leaders of South Africa
Cosatu:	Congress of South African Trade Unions
DBSA:	Development Bank of Southern Africa
Ecosa:	Economic Community of Southern Africa
EC:	European Community
Eskom:	Electricity supply utility
FED:	Foundation for Entrepreneurship Development
GDP:	Gross domestic product
GGP:	Gross geographic product
HUCA:	Huhudi Civic Association
IBEC:	Independent Business Enrichment Centre
IDT:	Independent Development Trust
IMF:	International Monetary Fund
JNF:	Joint negotiating forum
KFC:	KwaZulu Finance and Investment Corporation Ltd
Kescor:	KaNgwane Electricity Supply Corporation (Pty) Ltd
KTT:	KwaZulu Training Trust
Nafu:	National African Farmers' Union
NGO:	Non-governmental organisation
PAC:	Pan-Africanist Congress
RIDP:	Regional industrial development programme
RSC:	Regional Services Council
SAM:	Social accounting matrix
Satour:	South African Tourism Board
UDP:	Urban development plan
Unitra:	University of Transkei
Wesgro:	Association for the Western Cape's Economic Growth

