

Multiannual Indicative Programme

2007 - 2013.

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Programming Service:	DG DEV
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1. SUMMARY OF THE MIP

The Joint Country Strategy has identified the overall goals, specific objectives and areas of cooperation between the EU and South Africa from 2007 to 2013. The present Multiannual Indicative Programme (MIP) translates the Commission's response in the Country Strategy Paper (CSP) into a programme of action for this period. It is in accordance with Article 19 of Regulation No 1905/2006 of the European Parliament and of the Council establishing a financing instrument for development cooperation.

In accordance with this Regulation, the MIP focuses on the objectives of poverty reduction, sustainable economic and social development and the smooth and gradual integration of developing countries into the world economy. Additional attention is paid to

- a) the consolidation of a democratic society, good governance and a State governed by the rule of law and contributing to regional and continental stability and integration;
- b) providing support to the adjustment efforts occasioned in the region by the establishment of free-trade areas under the Trade, Development and Cooperation Agreement and other regional arrangements;
- c) the fight against poverty, inequality and exclusion, including by addressing the basic needs of the previously disadvantaged communities;
- d) the HIV/Aids pandemic and its impacts on the South African society.

The CSP and the MIP are fully in line with the Commission's communication on EU relations with South Africa, which envisages a move 'towards a strategic partnership' as well as a Trade and Development Cooperation Agreement (TDCA).

The Joint Country Strategy has been put together by South Africa, the European Commission and EU Member States, all of which adopted the Paris Declaration of March 2005. As spelled out in the CSP, European partners (Member States and the Commission) will, for their multi-annual programming, choose from the strategic areas of cooperation as identified in the CSP in accordance with their strengths, historical experiences and other preferences. Thus, while the Joint Country Strategy lists several possible areas of cooperation for the participant donors to choose from, the present MIP is more focused and limits the choice of sectors for the Commission's development programme to two focal sectors and three non-focal sectors.

Implementation of the MIP will be guided by the principles of ownership, focalisation, complementarity and added value (through innovation, best-practice models, pilot initiatives, systems development, capacity building, skills development and knowledge transfer).

The overall objective of the MIP 2007-2013 for cooperation between the Commission (EC) and South Africa (SA) will be the reduction of poverty and inequality. This goal will be achieved by concentrating on the following focal and non-focal priority areas:

Focal areas

- **Employment Creation**, with the emphasis on the second economy, fostering the links between the second and the first economies, generating employment, reducing inequality, developing skills and addressing social exclusion.

- **Capacity Development for Service Delivery and Social Cohesion:** Priority will be to improve capacity for service delivery by addressing bottlenecks in human and systems development.

Non-focal areas

- **Governance.** In the public domain the focus will be on fighting crime, including corruption, and promoting safety, security, the rule of law and the consolidation of democracy. There will be a parallel focus on human rights, mainly through the strengthening of civil society, including NGOs and social partners.
- **Regional and Pan-African Support.** The aim of these initiatives is the alleviation of poverty by focusing on further regional integration. EC support will address regional cooperation and integration efforts within SACU and SADC, taking into account the ongoing SADC/EPA negotiations, and will promote peace and security and sustainable social and economic development in line with the Millennium Development Goals (MDGs) across the African continent.
- **TDCA Facilities.** As part of the overall goal of enhancing the partnership between the EU and South Africa, the objective here is to fully implement the TDCA provisions on political dialogue, trade and investment issues, economic cooperation and development cooperation, where these are not addressed under the above headings, and also to pursue cooperation in other fields such as the environment, education and culture.

The MIP is fully integrated with South Africa's own development policy, for example the Reconstruction and Development Programme (RDP) and the Growth, Employment and Redistribution Strategy (GEAR). It is also aligned with more recent initiatives such as the Accelerated and Shared Growth Initiative for South Africa (ASGISA) and the Joint Initiative on Priority Skills Acquisition (JIPSA). The MIP is consistent with the approach followed in the previous strategy, building on the development commitments made previously.

The **cross-cutting themes** of gender, environment, collaboration with non-state actors, capacity building and, especially, HIV/AIDS will be given high priority in the feasibility, design and implementation stages of the programme. South Africa has the world's second highest number of HIV cases. Young, poor women are most at risk of HIV infection, and women in general are much more likely to be infected and affected than men. These factors reinforce the imperative need for HIV/AIDS and gender to receive urgent attention.

Close cooperation and coordination will be sought with other development partners, especially with the EU Member States, in line with the aid effectiveness commitments of the Paris Declaration.

Where implementation modalities are concerned, the progressive replacement of traditional projects/programmes by **sector-wide approaches and budget support** is proposed. In this context, the term "sector" is to be interpreted as going beyond the responsibility of just one department to include the competences of a cluster of departments. Accordingly, "budget support" will relate not just to the budget of a single department but to those of several departments and/or provincial/municipal administrations. This approach will result in fewer, larger interventions, reduced transaction costs and increased efficiency in delivery.

Based on the lessons learned from the previous strategy, the MIP provides for a degree of flexibility in terms of budget allocation and implementation modalities. A mid-term review will provide an opportunity to reappraise priorities and delivery methods.

2. INDICATIVE BUDGET

Regulation No 1905/2006 establishing a financing instrument for development cooperation earmarks an indicative amount of € 980 million for cooperation with South Africa.

Focal Area 1 – Employment Creation	35 - 45 %
Focal Area 2 – Capacity Development for Service Delivery and Social Cohesion	30 – 40 %
Non Focal Sector – Governance	5 - 20 %
Non Focal Sector – Regional and pan-African support	4 - 10%
Non Focal Sector – TDCA Facilities	up to 5%

3. PRIORITIES AND ACTIONS

3.1 Focal Area 1 – Employment Creation

Strategy context/justification

The existence of an underdeveloped informal economy (often referred to as "second economy") combined with severe skills shortages and high levels of unemployment continues to pose enormous obstacles to development and progress. An independent assessment of the priorities and needs for the economic cluster concluded that any support in this area should focus on formal employment creation especially within the second economy and on establishing links and integrating the second economy into the first. The promotion of full and productive employment and decent work opportunities, highlighted in point 47 of the UN summit conclusions of September 2005 regarding human and social development, constitutes a key element in poverty alleviation and sustainable development. The recently launched government plan, the Accelerated and Shared Growth Initiative, aims to promote economic growth, skills development and greater integration of the second economy into the first. Research and development for economic growth is identified as a crucial area in the CSP and should be seen as a cross-cutting theme that will enhance employment and social cohesion through knowledge generation and innovation.

Objectives

The **overall objective** is the alleviation of poverty through pro-poor, employment-rich economic growth and sustainable development, aimed at creating greater social cohesion while protecting the natural resource base. The **specific objectives** are to support employment creation initiatives through the creation of an enabling environment for economic growth and development, giving previously (and still) disadvantaged communities better access to financial resources, including trade related assistance to develop capacity to address bottlenecks to trade, improving the skills base of individuals within these disadvantaged communities and promoting their entrepreneurial skills development to support employment creation.

Actions/Approach:

Employment creation is a key priority of the SA government. EC support has, over the past decade, supported various efforts to this end. The current challenge is to utilise EC

resources to support more targeted efforts to advance the core strategies of the government for employment creation in SA. The State of the Nation 2006 refers to specific resources devoted to employment creation such as the expanded public works programme, the municipal infrastructure grants programme and others that offer large-scale job creation opportunities, along with national initiatives such as ASGISA and JIPSA that focus on accelerating economic growth and skills acquisition. R&D, particularly in the area of S&T, is a critical component of South Africa's strategy to deal with its economic challenges. Cooperation in the field of Information and Communication also has a strong potential for multi-sectoral development. EC interventions will therefore target specific efforts in these areas to ensure their efficient and effective delivery.

Development of export markets and Foreign Direct Investment is essential to ensure the sustainability and further expansion of employment creation. Focussing on export markets and FDI will also provide an additional effort for transition of informal activities to the formal sector. Bottlenecks to trade should therefore be addressed, in particular those that are impeding the expansion of sectors which have a high potential for the creation of employment. Therefore a significant amount will be dedicated to trade.

Since the services sector represents some 65% of GDP in South Africa, activities in this sector should be given a high priority. Moreover, since around 45% of the population lives in rural areas, support should also provide added value in the rural economy so as to tackle the problem of wealth distribution in the country in a more effective manner.

Expected Results

- Mainstreaming of the informal (second) economy, linking it to the first economy;
- Creation of an environment conducive to SMME growth and sustainable development and integration of the two economies;
- Increased skills and entrepreneurship, supporting employment creation particularly among the most disadvantaged groups;
- Knowledge creation and, where feasible, new labour-intensive business development in competitive markets, with a higher potential to absorb human capital with different skills levels;
- Broadened access to finance for SMMEs, particularly among disadvantaged groups;
- Accelerated rate of investment in SA, especially foreign direct investment in the productive sectors with a higher potential to absorb human capital with different skills levels;
- Increased contribution of R&D to economic growth and sustainable development.

Activities

Support should target economic development activities in line with government priorities such as ASGISA and could include:

- Strengthening business development services and boosting business associations with particular emphasis on access by disadvantaged groups to productive activities;

- Increasing public and private investments and partnerships as a means to foster employment generation;
- Increasing the supply of key skills, both high-level and artisan, through formal and non-formal training for both adults and youth;
- Investigating pilot support for special small business development, for example through the creation of credit schemes for emerging farmers and micro-credit facilities for very small businesses;
- Carry out a comprehensive trade needs assessment; address the bottlenecks identified in this study especially those related to labour intensive sectors.
- Providing access to finance and enhancing the regulatory environment for SMMEs, including for disadvantaged groups;
- Enhancing the capacity of the Expanded Public Works Programme and the Municipal Infrastructure Grant (MIG) Programme for public works to stimulate short-term job opportunities;
- Supporting R&D to establish sustainable livelihoods, support knowledge transfer to SMMEs, and improve social inclusion through social development and human capital programmes.

Implementation

A joint country-led approach based on close coordination and cooperation with other development partners in the field will be sought, notably with the IFIs, the EIB and institutions of the EU Member States. The principal mechanism for implementation would be sector-wide budget support programmes.

Cross-cutting issues

Capacity building and the participation of women in entrepreneurship and at all levels of training will be critical cross-cutting issues. The environmental impact of increased economic activity will be assessed. Employment opportunities associated with environmental technologies and services – such as renewable energies and waste management – will be investigated, and mitigating measures will be developed and included in the interventions. The impact of HIV, which is directly linked to the fight against unemployment since health and employability are intrinsically connected, requires innovative thinking and actions to develop flexible workplace practices and policies. Government partnerships with non-state actors have been shown to be particularly beneficial. The interventions will also seek to generically strengthen and promote, within an R&D context, public-private partnerships, skills development and good corporate governance.

Assumptions and Risks

- The growth of the 1st economy and the linkages between the 1st and 2nd economies will result in growth of the 2nd economy;
- Government would continue to be committed to reform of private sector regulation and development;
- Addressing the acute shortage of skills and capacity remains a national priority;
- Reducing unemployment will result in political and social stability;
- The prevalence of high rates of HIV/AIDS and other communicable diseases such as TB remains a major factor affecting the labour force.

Main Indicators

- Annual average growth rate of GDP of 6% by 2014
- Unemployment halved by 2014;
- Skills development programmes established for 3 years in line with ASGISA/JIPSA, resulting in greater employment access;
- Improved investment climate through ASGISA implementation, resulting in increased foreign direct investment inflows;
- A greater number of SMMEs accessing financial resources and services;
- An increased number of women using finance and business development services by 2009.
- Increased trade deriving from labour intensive sectors.

Indicative timeframe

The proposals for funding under this focal sector will be presented each year over the period of the MIP.

3.2 Focal Area 2 – Capacity Development for Service Delivery and Social Cohesion

Strategy Context/justification

For those who cannot earn a living from the first or second economies, a strong social network is a vital pillar in South Africa's socio-economic system. A social transformation has taken place thanks to the remarkable efforts made to provide social services to previously disadvantaged sections of the population. A necessary condition for meeting all the socio-economic challenges faced by South Africa is the delivery of better services to all South Africans. This has become a major preoccupation for the government. In order to be able to meet these challenges, there is a need for continued strengthening of institutional and administrative capacity at national, provincial and local levels.

Building on past support and the lessons of current development programmes, the new programme for 2007–2013 will focus on consolidating support to address the key challenges of capacity development for service delivery. To this end, the major capacity constraints will be addressed through development at national, provincial and local government level and through human development to ensure the consolidation of the fledgling democracy. Such support will unlock the scarce and necessary skills crucial for both economic growth and sustainable development.

Objectives

The **main objective** of this priority will be to improve access to public services and to increase the quality of service delivery.

Actions/Approach

The main actions will focus on human and systems development. The programme will also address public finance management and the budget process in relation to service delivery.

Expected Results

- Effective delivery and measurement of key services affecting urban and rural development, such as water and sanitation, waste management, sustainable energy and other essential services, including social protection and social welfare service interventions by line ministries, provincial and local government, with the appropriate involvement and consultation of relevant NSAs;
- Improved public financial management, including adaptation of budgeting, reporting and accounting systems to accommodate decentralisation, and trained accounting personnel at local government level;
- More municipalities providing support for skills development to create jobs through formal and non-formal training for both adults and youth and facilitating access to micro-enterprise development, including for disadvantaged groups;
- Further development and retention of human capital in the health and education sectors;
- Improved access to quality basic health care (including for HIV/AIDS) and education.

Activities

Subject to feasibility studies, activities could include:

- Support for budget preparation, reporting, and execution of financial management reforms.
- Support for training of health care personnel and health service providers and systems development for health service management;
- Support for the Department of Education to further develop policy implementation strategies aimed at improving the quality of primary and secondary education, along with non-formal education and functional literacy activities, and/or to respond more effectively to HIV/AIDS in public education institutions, with a focus on capacity development;
- A water services sector support programme, possibly building on Masibambane II, focusing in particular on water for growth and development;
- Training and systems development for other service providers, i.a. in enterprise development and waste management;

Implementation

Sector policy support through budgetary aid will be the preferred method of aid delivery. Implementation will as far as possible be in close collaboration with other donors and could include joint management with international organisations.

Cross-cutting issues

Gender, collaboration with non-state actors, environmental concerns and HIV/AIDS will be addressed as cross-cutting issues.

Improved service delivery as a result of expanded and strengthened capacities, systems and structures should benefit both males and females. Specific gender indicators will be developed for sector policy support programmes. All data collected for monitoring purposes will be disaggregated by gender.

The health and education sectors are at the forefront of South Africa's response to HIV/AIDS. As such, addressing HIV/AIDS is a central consideration in all proposed interventions. Particular attention will be paid to the social effects of the pandemic, including the situation of orphans.

Collaboration with non-state actors has been shown to greatly enhance capacity building and job creation, especially for women, and will continue to be explored and enhanced.

Strengthening national, provincial and local government will enable them to respond adequately to the severe environmental challenges they face in terms of both preventing and mitigating environmental degradation and pollution as well as disaster preparedness. Linkage with environment programmes will be encouraged, including the sustainability of service provision.

Risks and Assumptions

- The acute shortage of skills and capacity in planning, technical ability and knowledge, and financial management is addressed;
- GoSA remains committed to supporting provincial and local government in their service delivery role through increased decentralisation and allocation of resources;
- The successful establishment and functioning of intergovernmental fora;

- GoSA continues to promote 'equitable access to social services', beyond delivery, by tackling social exclusion and extending social protection coverage.
- Failure to address the implications of high prevalence rates of HIV and other communicable diseases such as TB will negatively impact the long-term sustainability of interventions.
- The quality of service delivery in both the education and health sectors will remain uneven in the medium term.
- Inequalities in resource allocation in the health and education sectors will continue.
- The brain drain in health and education due to the migration of personnel will continue.

Main Indicators

Indicators will be developed during the identification and formulation process. They are likely to include such key factors as:

- Improved financial management, credible budgets, and timely in-year reports;
- Achievement of targets for improved delivery of services in key areas, such as water, access to sustainable energy services, sanitation and waste management;
- Number of municipalities offering job skills training and micro-enterprise support;
- Education statistics as appropriate e.g. pass rates, educator qualifications, educator-learner ratios, resource allocations, Education for All (EFA) indicators;
- State of health facilities, staffing, information systems, health service utilisation and health demographic profile; HIV/AIDS prevalence and treatment rates (disaggregated by age and gender), plus data on the availability of and access to general information, testing, counselling and treatment.

Indicative timeframe

The proposals for funding under this focal sector will be presented in 2007 and 2009.

3.3 Non-Focal Area I – Governance

Strategy context / Justification

The EC considers governance critical to the pursuit of development. Under the EC definition, good governance is regarded as: “a multi-dimensional concept encompassing democracy, human rights, participation and the rule of law. The State is expected to ensure that human rights and democratic principles are respected, promoted and protected, to ensure people’s safety, to ensure public services delivery to citizens, to ensure transparency in the management of public resources and in decision-making processes, to guarantee the rule of law, to be responsive and accountable and to facilitate civil society participation.”

In addition, the EC is committed to contributing explicitly to strengthening the governance of the security system in countries and regions whether they are in conflict, post-conflict, in transition, or in a stable situation. Although the situation in SA is generally regarded as “stable”, the reality is that the security of its citizens and the conditions necessary for them to live in peace and freedom are threatened by violent crime. This has a very negative impact on local development and international perceptions of good governance in the country.

Objectives

- To promote democratic culture;
- To strengthen capacity and enhance participation of non-state actors (NSAs) in governance;
- To improve the law-making process at all levels of government
- To improve the prevention and combating of crime, especially violent crime, thus improving freedom, safety and security in the country.

Actions/Approach

Good governance is regarded as both a necessary precondition for, and a consequence of, democratic consolidation. To **strengthen participatory democracy** in South Africa, the proposed approach focuses on improving governance practices by supporting initiatives that enhance multi-actor (state/non-state) dialogue and partnerships.

Expected Results

- Increased space for public debate, institutionalisation of a culture of human rights;
- Improved civil society participation and more effective NSA contribution to governance;
- Improved law-making at national, provincial and local government level with increased opportunities for public participation and increased capacity of role players;
- Increased oversight and control of the security sector (justice, police and penitentiary) by the community;
- Coherent justice, crime prevention and security (JCPS) legislation, policy and strategy across departments and tiers of government, in accordance with internationally accepted principles and approaches to security sector reform (SSR);
- Coordinated and integrated JCPS management structures and optimised processes for accessible and sustainable service delivery nationally, provincially and locally;
- Improved JCPS capabilities in terms of: HR knowledge and skills; information, communication and knowledge management systems; and modern equipment and technologies.

A decrease in the number of crimes committed, especially violent crimes, as well as an improvement in social cohesion and in local and international perceptions of the crime situation in the country.

Activities

- Support for existing and new forums (think tanks, discussion groups, research institutions, media) for discussion, research and debate to strengthen democratic governance;
- Support for human rights training and civic education;
- Supporting and promoting programmes with non-state actors involved in governance-related activities (networks, human rights associations etc.);
- Assisting national and provincial legislatures and local councils to improve their law-making functions and bring law making closer to the population.
- Support for the establishment of structures, processes and mechanisms to improve the participation of stakeholders in JCPS initiatives through a multi-agency, multi-disciplinary and multi-faceted approach to crime prevention;
- Support for the JCPS Programme of Action focusing on: crime prevention and public safety; organised crime syndicates; improving the effectiveness of the criminal justice system; upholding national security; matters outstanding from the Truth and Reconciliation Committee; and big events (including the 2010 Soccer World Cup)

Implementation

Implementation will be in close collaboration with other donors, in particular European Member States, government and non-state actors, with special emphasis on governance issues. Although sector budget support for the improvement of the criminal justice system will be managed by DoJ&CD as the lead department of the Development Committee in the JCPS cluster, the partnership approach provides sufficient flexibility to allow for alternative mechanisms to be established for this purpose.

Cross-cutting issues

- Democratic governance
- Human rights
- Civil society participation
- Security sector reform (SSR)
- Issue of orphans
- Environmental governance

Risks and Assumptions

The first assumption is a sustained commitment to good governance by the government and the EC. The second assumption is that the government is receptive to the increased participation of non-state actors in governance-related issues.

A risk is that civil society will not view the environment as sufficiently conducive to constructive engagement with government. There are additional risks attached to achieving consensus and collaboration between different institutions and organisations. Local support for internationally agreed norms of good governance, the rule of law and respect for human rights must remain strong.

Main Indicators

- Increased opportunities for multi-actor dialogue (state/non-state actors);
- Increased receptiveness of government to accommodating civil society priorities and concerns;
- Increased quality and quantity of public debate on issues contributing to democratic governance;
- Degree to which non-state actors feel more empowered to engage with government on governance issues;
- Increased knowledge of human rights and civic education;
- Improved functioning of legislatures and councils, improved systems and processes and enhanced communication and civil society participation;
- Statistics as well as media coverage and opinion polls on public experiences and perceptions of the criminal justice situation;
- Active participation of relevant stakeholders in the structures, processes and collaborative interventions of the JCPS cluster;
- Integrated systems and facilities for delivering and accessing integrated JCPS services;
- Workplace skills development programmes.

Indicative timetable

Specification and formulation will start as soon as the MIP is approved, with support to commence in 2007, while the proposed sector budget support will be launched in 2008.

3.4 Non-Focal Area – Regional and Pan-African Support

Strategy context / justification

Despite improvements in economic performance, many parts of Africa continue to be marginalised. To halve poverty by 2015, it is estimated that Africa needs to achieve average growth of at least 8% per year. International awareness of the situation in Africa has significantly increased in recent years and there is a momentum for change. While Africa has diverse needs, it has now collectively embarked on a path of political, economic and cultural integration of the entire continent, as seen in the regional integration efforts promoted by the Regional Economic Communities (RECs) and the launching of the African Union (AU) and the New Partnership for Africa's Development (NEPAD).

In the southern African region, South Africa, a member of the Southern African Customs Union (SACU), has a strategic role to play in promoting the growth and development of the Southern Africa Development Community (SADC). As South Africa is not an EDF country, it participates in EDF/RIP funded regional cooperation programmes through contributions from the EC's annual budget commitments for South Africa. In addition, the SADC has recently proposed to include South Africa in the SADC EPA, so the regional support programme will need to take this into account.

On the continent, South Africa is one of the driving forces behind the AU and NEPAD. It promotes good governance and human rights, is an increasingly important investor, and is active in conflict prevention, mediation and resolution. Globally, South Africa occupies a unique position by advocating the interests of developing countries.

Europe acknowledges South Africa's role as an anchor country in the region and its unique position on the continent and globally, as seen in the Commission's Communication on a strategic partnership with South Africa. The EU's policies on Africa are largely consistent with South Africa's, as they are both actively committed to an agenda of peace and stability, good governance, democratisation and combating poverty throughout the African continent. The "EU Strategy for Africa" furthermore gives Europe a comprehensive framework for its relations with the African continent. Objectives include promoting the achievement of the MDGs in Africa by focusing on support in areas considered as prerequisites for attaining these goals, such as peace and security, good governance, economic growth, trade and interconnection, social cohesion, decent work, gender equality and the environment.

Actions/Approach

The actions to be implemented under this non-focal sector may involve support for pan-African and regional institutions as well as support for South Africa's role in the continent.

Objectives

The **overall objective** of the pan-African support initiatives is the alleviation of poverty by focusing on economic cooperation and integration of the region through targeting economic growth and sustainable social and economic development on the African continent to meet the Millennium Development Goals [MDGs] and to promote peace and political stability.

The **specific objective** of the pan-African initiatives is to support political, economic, social and environmental integration in the southern African region and the whole continent. Special attention will be given to the role South Africa will play in this process (potentially through trilateral cooperation) as well as to EU/EC-financed regional and pan-African support facilities.

Expected Results

- Deepened democracy, good governance, increased respect of human rights and the rule of law on the continent;
- Better pan-African infrastructure development in road, rail, air and maritime transport taking into account safety and security aspects in all transport modes, energy and water, with telecommunications upgrading and rehabilitation addressed;
- Accelerated pace of sustainable economic growth and more stable macro-economic frameworks;
- Improved human development indicators as a crucial precursor to sustainable development and rising income levels to meet the MDGs;
- Increased domestic and foreign investment.

Activities

Activities will focus on the contribution and role of SA in the southern African region (SADC) and on the continent as a whole. Potential activities could include work on the regulatory environment, institution building and capacity development, as well as support to engage in EPA implementation as a leading member of SADC.

Implementation

The AU development action plan and the SADC Regional Integrated Support Strategy will serve as the basis for jointly initiated implementation programmes. Implementation will be through contributions to EU/EC-financed regional (SADC) and pan-African initiatives, South African initiatives (potentially through trilateral cooperation), or other donor initiatives including those of EU Member States.

Cross-cutting issues

Equal participation of men and women at all levels of development initiatives remains crucial. This concept will be mainstreamed to ensure gender equality. The environmental impact of increased economic activity induced by the actions to be implemented will be assessed and mitigated. The promotion of corporate social responsibility and environmental standards will be addressed. Combating HIV/AIDS will be an integral part of all interventions.

Risks and Assumptions

The following assumptions are crucial for the success of the actions:

- Continuous macro-economic growth will be maintained under dynamic global financial scenarios;
- Capacity challenges will be overcome to deliver on agreed programmes and projects;

- Regional organisations and national policy bodies will work together to achieve the desired regional and continental development goals.
- Willingness of regional authorities to collaborate with SA in delivering programmes.

Main Indicators

- Assessment of the progress towards democratic principles, good governance and the rule of law, through the NEPAD Peer Review Mechanism
- Overall continental economic growth to reach 7% by the end of the decade and sustained thereafter
- Favourable environment created for investment
- Job creation
- Human development index

Indicative timeframe

The actions are expected to be implemented throughout the MIP in conjunction with other regional and pan-African initiatives. The identification and formulation of a pan-African and regional programme will start in 2007.

3.5 Non-Focal Area – Trade, Development and Cooperation Agreement Facilities

Strategy/Context

The TDCA was signed in 1999 and the chapters on trade and development cooperation apply provisionally from 1 January 2000. The ratification process was finalised in 2004 so that the full TDCA came into force on 1 May 2004. The review of the TDCA conducted in 2004 concluded that certain provisions needed to be amended and that priorities needed to be set for implementing the provisions on economic cooperation and on cooperation in other areas. Today, several aspects of the TDCA are still to be fully implemented, notably in the economic, social, environmental and cultural fields.

Objectives

The overall objective is to improve political, economic, trade, customs, social, environmental and cultural cooperation between SA and the EU so as to ensure poverty alleviation, further integration into the world economy and peace and security on the African continent. . Though the trade-related issues (including customs) will be a major aspect of the EPA negotiations and will be covered at regional level by appropriate assistance mechanisms, there is a need for additional actions at bilateral level – in the framework of the present TDCA – to take into account the importance of South Africa from a trade point of view

Actions/Approach

The actions to be implemented under this non-focal sector will focus on the facilitation of contacts and dialogue in order to move towards full implementation of the TDCA.

Expected Results

Enhanced cooperation between SA and the EU in all areas covered by the TDCA with increased peace and security in the region and on the continent, and with reduced poverty and inequality mainly through economic growth.

Activities

In order to ensure comprehensive cooperation aiming at a strategic partnership, studies, pilot projects, seminars, technical assistance, workshops, information activities and conferences will need to be financed under the NIP. Subjects covered will include all those areas mentioned in the TDCA, such as trade-related issues, including customs, the environment and climate change, transport (including air and maritime transport and the safety aspects of all transport modes), energy, statistical cooperation, education and culture, as well as subjects not covered by the TDCA but which both sides agree to address. Assistance in the area of customs should as a matter of priority focus on trade facilitation and enhancement of the security of the supply chain, in line with the World Customs Organisation (WCO) Framework of Standards.

Implementation

Implementation will be a joint effort by the line departments of the government of South Africa and the European Commission. To ensure the successful implementation of some parts of the TDCA, such as enhanced economic cooperation, private-sector companies, parastatals and other non-state actors will have an important role to play. In this context, a sector-by-sector approach appears to be most appropriate, and the involvement of EU Member states will be required where appropriate.

In order to avoid the development of many separate small projects and programmes, an overarching TDCA facility programme steered by the SA government and the European Commission should be developed under which specific activities could be facilitated.

Cross-cutting issues

Due to the ending of the apartheid regime only a decade ago, formerly marginalised groups in South Africa, forming the majority of the population, still need to receive strong support. In this context, particular attention has to be paid to implementing the existing policies for women and ensuring their legal rights. In addition, the development

of economic cooperation must pay particular attention to environmental issues and the use of natural resources.

Risks and Assumptions

In order to enhance political dialogue to bring about genuine political cooperation built on mutual openness, transparency and trust, and to create an overall enabling environment to enhance trade and economic cooperation, the SA line ministries and Commission departments will need to work together and apply international best practice. In addition, SA and EU private sector entities, parastatals and other non-state actors must be interested and willing to participate in developing cooperation in the different areas covered by the TDCA.

Main Indicators

An enhanced political dialogue can be measured by the number of meetings at different levels, the themes discussed (including those of a sensitive nature) and the actions decided and implemented.

Although trade and investment does not depend only on regulatory frameworks, customs duties, etc., but also, for example, on the productivity of industries, exchange rates, the availability of infrastructure and skilled human resources, and crime, SA/EU trade and investment can be expected to increase at least in absolute terms. The enhancement of economic, trade and customs cooperation will also make a positive contribution in this respect, and an indicator of improved economic cooperation will be the proportion of TDCA provisions under this title implemented by the end of the MIP. This indicator is also applicable to cooperation in other sectors.

Although not directly measurable, overall cooperation should ultimately make a positive contribution to economic growth in SA, the aim being to reach 6% growth between 2010 and 2014 and to reduce the official unemployment rate by 50% by 2014.

Indicative timeframe

As the TDCA came fully into force on 1 May 2004, some activities have been launched in order to adapt the TDCA to new realities and to enhance cooperation.

However, much remains to be done in order to fully implement the provisions of the TDCA. The enhancement of political dialogue is an evolutionary process. Trade and trade-related issues will need to be dealt with in line with the ongoing EPA negotiations. Work on complex trade-related issues may take longer. Economic cooperation issues to be dealt with on a sector-by-sector basis will be addressed from 2007 and over the period of the MIP. Development cooperation and cooperation in other areas such as cultural and social matters will also be pursued throughout the lifetime of the MIP.

3.6 Modalities

Specific programme and project financing agreements may be formulated and executed by the designated authorities. The National Authorising Officer or his Deputy from the National Treasury, on behalf of the Government of South Africa, and the Chief

Authorising Officer or his/ her designated representative on behalf of the European Commission may sign such agreements.

A copy of all subsidiary agreements will be guided and governed by the provisions of this Country Strategy Paper and Multi Annual Indicative Framework Cooperation Arrangement and shall be submitted to National Treasury (International Development Cooperation Chief Directorate) for final approval before signature.

4. ALIGNMENT, HARMONISATION AND CONSULTATION

4.1 Dialogue with government / alignment with national policies

The EC will continue to work closely with the GoSA departments and ministries concerned by the Indicative Programme. Apart from numerous ad hoc meetings on specific projects and activities with line ministries, regular meetings will continue to be held with the Deputy National Authorising Officer in the National Treasury.

The CSP and MIP 2007-13 have been prepared in response to the policies of the Government of South Africa, in line with EC development policy priorities and lessons learned from ongoing and past programmes.

4.2 Consultations with civil society

The EC's programme includes a large number of projects implemented by and through the South Africa NGO community. These include projects funded under the NGO co-financing budget line. The Delegation maintains close contacts with civil society as a whole and with the organisations that implement EC projects in particular. Several civil society organisations have been consulted in the preparation of the CSP/MIP. In addition, prior to the drafting of the CSP/MIP, the findings of the 2005 Country Strategy Evaluation were submitted to a stakeholders' seminar in which there was a strong civil society representation.

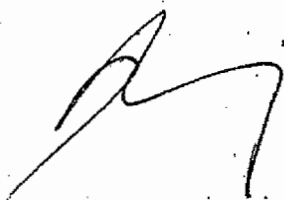
4.3 Harmonisation and coordination with Member States and other donors

The Joint Country Strategy has been drawn up by South Africa, the European Commission and EU Member States, all of which signed the Paris Declaration of March 2005. The Declaration obliges partners to conduct a joint analysis of the recipient country's development issues and establish a joint strategy for addressing them. This approach reduces the transaction costs involved in setting up a programme and helps partners to arrive at a shared vision of development priorities. The resulting Joint Country Strategy is broadly based on the South African government's own priorities.

The Member States that have worked with the European Commission and South Africa on this Joint Country Strategy are mainly those that have already had bilateral development cooperation programmes with South Africa: Belgium, Denmark, France,

Germany, Ireland, the Netherlands, Sweden and the UK. Austria and Finland have also actively participated in the process, and Italy has informed the Delegation that it subscribes to the joint CSP. Other EU Member States may also wish to use what has been agreed as the basis for their cooperation with South Africa. The design of the CSP/MIP has also been coordinated with the World Bank and the UN system, while other bi-lateral donors including NorAid, USAID and Japan have been consulted. Where possible, coordinated missions will be carried out and synergy will be sought between the interventions of the various donors in order to enhance effectiveness.

Done at Pretoria on 10 October 2007



For the European Commission



For the Government of the
Republic of South Africa

5. Annexes

Abbreviations

ASGISA	Accelerated and Shared Growth Initiative for South Africa
AU	African Union
BLNS	Botswana, Lesotho, Namibia, Swaziland
CAGE	Conflict and Governance Facility
CSP	Country Strategy Programme
DG	Directorate-General
DST	Department of Science and Technology
EC	European Commission
EDF	European Development Fund
EPA	Economic Partnership Agreement
EPRD	European Programme for Reconstruction and Development
EPWP	Expanded Public Works Programme
ESPI	Economic Support for Investment Promotion
EU	European Union
FDI	Foreign Direct Investment
FHR	Foundation for Human Rights
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GoSA	Government of South Africa
HoM	Heads of Mission
HR	Human Resources
MIG	Municipal Infrastructure Grant
JIPSA	Joint Initiative for Priority Skills Acquisition
MDG	Millennium Development Goals
MFMA	Municipal Finance Management Act
MS	Member State
MTEF	Medium-Term Economic Framework
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
MIP	Multiannual Indicative Programme
NSA	Non-State Actor
PEFA	Public Expenditure and Financial Accountability
PFMA	Public Finance Management Act
R&D	Research and Development
RDP	Reconstruction and Development Programme
RIP	Regional Indicative Programme
SA	South Africa
SADC	Southern Africa Development Community
SETA	Sector Education and Training Authority
SMME	Small, Micro or Medium-sized Enterprise
SWAP	Sector-Wide Approach
SWEEP	Sector-Wide Enterprise, Employment and Equity Programme
TDCA	Trade and Development Cooperation Agreement
UK	United Kingdom

UN	United Nations
US	United States
WTO	World Trade Organisation

5.1 List of EPRD Programmes and Projects for the 1999-2006 period (from CRIS, to be validated by Delegations)

In EUR million

Sector		Year	Primary Commitment	Disbursements until Dec 2006
1. Programme Aid				
1.1.	<i>Education and Training</i>		90.950	21.617
1.1.1	School Infrastructure Support Programme (SISP)	2003	66.000	7.657
1.1.2	Technical and Business Education Initiative Phase II (Tabeisa)	2004	4.950	1.745
1.1.3	Higher Education HIV/AIDS Programme (HEAIDS)	2004	20.000	12.215
1.2.	<i>Health and Population</i>		136.953	71.544
1.2.1	2000 Public Health Sector Support	1999	41.953	39.658
1.2.2	Partnerships for the Delivery of Primary Health Care including HIV/AIDS	2001	25.000	24.048
1.2.3	Support for the South African Government's Comprehensive Plan for the Care, Management and Treatment of HIV/AIDS (SuCop)	2004	25.000	7.838
1.2.4	Expanded Programme of Partnerships for the Delivery of Primary Health Care and HIV/AIDS Services	2006	45.000	0
1.3	<i>Water and Sanitation</i>		60.000	58.770
1.3.2	Water Services Sector Support Programme 2004 – 2007 (Masibambane II)	2004	60.000	58.770
1.4	<i>Urban Development</i>		97.700	42.724
1.4.1	Support for Capacity Building in the Social Housing Sector	1999	20.700	12.516
1.4.2	Support for Area Based Management in the Ethikwini Metropolitan Area	2002	35.000	26.208
1.4.3	Urban Renewal Programme in the Eastern Cape Programme	2005	30.000	4,000
1.4.4	Sustainable Rural Development in the Eastern Cape (SURUDEC)	2006	12.000	0

1.5	<i>Local and Rural Development</i>		109.300	45.307
1.5.1	Support for the Wild Coast Spatial Initiative	1999	12.800	12.196
1.5.2	Local Economic Development in the Limpopo Province	2001	34.000	14.736
1.5.3	Local Economic Development in KZN	2002	38.500	12.067
1.5.4	Local Economic Development in the Eastern Cape Province	2004	14.000	6.308
1.5.5	Community Based Participation in Local Government	2006	10.000	0
1.6	<i>Consolidation of Democracy, Good Governance and Civil Society</i>			
1.6.1	<i>Safety and Security, Justice</i>		50.700	45.526
1.6.1	Capacity Building and Institutional Development for the SA Police Service and the Department of Safety and Security	1999	18.500	16.887
1.6.1.2	Support for the Transformation of the Justice System: The e-Justice Programme	2000	25.000	25.000
1.6.1.3	Crime Prevention in the Eastern Cape	2003	7.200	3.639
1.6.2	<i>Human Rights, Good Governance, Support for Civil Society and Community Development</i>		94.248	51.702
1.6.2.1	Interfund	1999	3.438	3.436
1.6.2.2	Themba Lesizwe – Consolidating the Trauma Sector in SA	1999	7.510	6.676
1.6.2.3	2000 – 2004 Microprojects Programme in the Eastern Cape	1999	8.000	7.586
1.6.2.4	European Union Programme of Support for the Foundation of Human Rights (FHR)	2000	25.000	23.077
1.6.2.5	Conflict and Governance Fund (CAGE)	2002	4.000	2.815
1.6.2.6	Civil Society Advocacy Programme (CSAP)	2003	10.000	2.923
1.6.2.7	Legislatures Support Programme (LSP)	2003	10.000	5.189
1.6.2.8	Fight Against Human Trafficking	2005	6.300	0
1.6.2.9	Support for the Victim Empowerment Programme (VEP)	2005	20.000	0
1.7	<i>Private Sector Development</i>		168.244	103.118
1.7.1	Risk Capital Facility Phase I	2001	55.494	55.214
1.7.2	Sector-Wide Enterprise, Employment & Equity Programme (SWEEP) Phase I	2002	25.000	24.048
1.7.3	Pesticides Initiative Programme (PIP)	2003	4.800	3.856
1.7.4	Risk Capital Facility Phase II	2005	50.000	20.000
1.7.5	Financial Management Improvement Programme (FMIP) Phase II	2005	7.950	0
1.7.6	Sector-Wide Enterprise, Employment & Equity Programme (SWEEP) Phase II	2006	25.000	0
1.8	<i>Regional Cooperation</i>		37.724	12.653
1.8.1	Regional Monitoring & Surveillance of	1999	1.210	.772

	Fishing Activities (SADC)			
1.8.2	EU / SADC Investment Programme (ESIP)	1999	2.000	0
1.8.3	SADC Regional Response HIV/AIDS	2000	4.500	4.004
1.8.4	Economic Integration Support for the BLNS Countries	2000	3.000	0
1.8.5	Regional HIV/AIDS Education Programme (Soul City)	2002	10.000	5.967
1.8.6	SADC Regional Water Strategy	2002	7.289	1.910
1.8.7	AU/NEPAD Capacity Building	2004	2.000	0
1.8.8	Support for the Peace Facility for Africa	2005	7.725	0
1.9	<i>EPRD Sector: Facilities</i>		35.688	17.465
1.9.1	Support Programme for the IDC	2000	4.800	3.141
1.9.2	CWCI Phase II	2000	4.261	4.257
1.9.3	EPRD Support Facility Phase I	2002	5.760	4.582
1.9.4	Technical Assistance Team Phase II	2003	2.367	2.010
1.9.5	CWCI Phase III	2004	4.900	3.388
1.9.6	Audit/Evaluation Facility	2005	2.000	.087
1.9.7	ODA Support Programme	2006	11.600	0
1.10	<i>Other</i>		5.000	0
1.10.2	Programme to Support Pro-Poor Policy Development in South Africa		5.000	0
Total Programme Aid			881.507	470.426

5.2 MIP Planner

SOUTH AFRICA - NATIONAL INDICATIVE PROGRAMME

ANNUAL ACTION PLANS 2007 – 2010 - INDICATIVE PLANNING

Sector / Theme	2007	2008	2009	2010
<u>Focal</u>				
Employment Creation	X	X		X
Capacity Development for Service Delivery and Social Cohesion	X		X	X
<u>Non Focal</u>				
Governance		X	X	
Regional and Pan-African Support		X	X	X
TDCA facilities		X		

COOPERATION BETWEEN THE EUROPEAN UNION AND SOUTH AFRICA

Joint Country Strategy Paper 2007 — 2013

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INTRODUCTORY NOTE

This country strategy paper covers cooperation between South Africa and the EU in the years from 2007 to 2013. It is in accordance with Article 10 of Regulation No 1905/2006 of the European Parliament and of the Council establishing a financing instrument for development cooperation.

The joint country strategy set out in this paper is innovative in at least two respects.

Firstly, this joint country strategy has been drawn up by South Africa, the European Commission and EU member states, all of which adopted the Paris Declaration of March 2005. The Declaration requests partners to conduct a joint analysis of the recipient country's development issues and establish a joint strategy for addressing them. This approach reduces the transaction costs involved in setting up a programme and helps partners to arrive at a shared vision of development priorities. The resulting joint country strategy is broadly based on the South African government's own priorities, as well as on Commission and Member States policies.

The member states that have worked with the European Commission and South Africa on this joint country strategy are mainly those that have had bilateral development cooperation programmes with South Africa: Belgium, Denmark, France, Germany, Ireland, the Netherlands, Sweden and the UK. Austria and Finland have also actively participated in the process, and other EU member states may wish to use what has been agreed as the basis for their cooperation with South Africa. In future, South Africa may share the development cooperation parts of this joint country strategy with other donors outside the EU.

The country strategy paper sets out a joint response strategy, which the European Commission and EU member states will develop into a joint multi-annual indicative programme (MIP). The process of developing the MIP will depend on the timeframes for the individual programmes that will be conducted between EU member states and South Africa in the years to come. The South African government will take the lead in the coordination process, which will ensure that the various components of the MIP are complementary and consistent.

The European Commission has used this joint country strategy as its contribution to the MIP.

Secondly, it is much wider in scope than a traditional development cooperation strategy, as it takes into account the **Trade, Development and Cooperation Agreement (TDCA)** between the EU and South Africa that entered fully into force in May 2004, after ratification by all parties. The partners intend to develop the TDCA so that in the medium term it becomes a strategic partnership in every area, including development, politics, economics, trade, the environment and others. This joint country strategy covers all these areas, although the strategy for development is the most advanced because that is the area in which South Africa and the EU have been cooperating for the longest time.

The Process

Phase 1	June 2006	This country strategy paper contains the joint response strategy , which sets the overall direction and priorities for action.
Phase 2	From July 2006 onwards	This strategy will be translated into action by the joint multi-annual indicative programme (MIP) , which will coordinate contributions from the European Commission's own NIP and those of individual EU member states.

EXECUTIVE SUMMARY

Chapter 1

In formulating the new joint country strategy, the starting points were the EU's cooperation objectives and South Africa's policy agenda. Chapter 1 identifies the **EU's cooperation objectives**, in accordance with recent EU policy documents and Regulation 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation¹.

1. The **political objective** is to support and develop South Africa's political role as a stabilising factor in the region, the continent and beyond.
2. The **economic and trade objective** is to help South Africa play a crucial role in the economic integration of the region and be a trading partner in the globalised world economy, while expanding and liberalising mutual trade in goods, services and capital.
3. The **development objective** is to reduce poverty and inequality in accordance with the Millennium Development Goals, promoting internal social stability as well as environmental sustainability.

Chapter 2

Chapter 2's analysis of South Africa ends with a description of the **main challenges** facing the country in the years to come:

- Address unemployment, the development of the "second economy", i.e. the informal and subsistence economy, and the strengthening of its links with the formal economy.
- Fight the growing HIV/AIDS pandemic
- Combat criminality, including corruption, and strengthen safety and the rule of law
- Solve the land-reform issue
- Address environmental issues systematically
- Strengthen the capacity to deliver and provide equitable access to basic social services, particularly at the local level, and promote social cohesion
- Play an important part in Africa's peace and security issues
- Ensure secure and sustainable energy supplies.

Chapter 3

Chapter 3 describes the main items on **South Africa's policy agenda**.

- **Economics**
Develop a new sustainable industrial policy for the first economy (the formal, outward-looking economy) and promote the second economy, forging stronger links between the two.
- **Trade**
Integrate South Africa more fully with the world economy by actively participating in multilateral trade negotiations and by concluding preferential or free-trade agreements with other regions and countries. Enhance trade cooperation within the Southern African

¹ OJ, L 378, 27.10.2006, p. 41

Customs Union (SACU) as well as Southern Africa generally and in the SADC/EPA process in particular.

- **Social services**
Improve delivery of social services to the poor and promote equitable access to social services, while reducing dependence on social grants.
- **Politics**
Strengthen regional and pan-African cooperation.
- **Governance**
Strengthen the democratic process and the rule of law.
- **Environment**
Sustainably manage natural resources and protect ecosystems.

Chapter 4

The framework for cooperation is provided by international agreements on aid harmonisation and delivery, such as the **Paris Declaration**.

The EU's **critical assessment** of past and current cooperation with South Africa is that political dialogue has become recognised as essential to cooperation, so has increased and become more formalised over the past few years. As trade cooperation has grown, so has mutual trade in goods, and this has been very important for South Africa. However, there is more to do: trade in services needs to be liberalised and other trade-related issues dealt with. Most provisions for economic cooperation have not yet been implemented or developed, mainly because the TDCA did not come into full effect until 2004.

On development, the EU — Commission and Member States — is the major donor representing approximately 70% of all ODA. Evaluations have shown some common trends in terms of strengths and weaknesses. In the public sector, importing international best practices has been the key to success. Activities supported by an EU partner have been successful when they have focused on three elements: the way services are delivered, the capacity to deliver them and the quality of operations. Finance has played a secondary role. However, in the non-state sector budgets are much tighter and financial support is often just as important as capacity building.

On the basis of these analyses — and in line with the TDCA — cooperation between South Africa and the EU will in future cover politics, trade, the economy, development and other areas, as outlined in the joint response strategy set out in Chapter 5.

Chapter 5

Political dialogue will continue to cover internal political issues of mutual interest, with the objective of fostering peace, security, good governance and environmental sustainability throughout Africa. **Trade cooperation** will continue to increase trade between the EU and South Africa by seeking to further liberalise trade in goods and, especially, services. In addition, there will be a strong emphasis on trade-related issues², including competition policy, government procurement, intellectual-property rights and customs cooperation. Enhanced **economic cooperation** will become an essential part of the cooperation between South Africa and the EU, as in the medium term the social and economic benefits for South Africa could massively reinforce the benefits that development assistance has already brought. Economic cooperation

² Defined by Articles 19-49 of the TDCA.

could cover information and communications technology, industrial development, transport, mining, energy, tourism and the environment.

The goal of **development cooperation** will be to reduce poverty and inequality, in line with the government's policies and targets. This will focus on three main areas, each corresponding to one specific cooperation objective:

1. **Promote pro-poor, sustainable economic growth**, including in the second economy, i.e. economic growth that focuses on generating employment, reducing inequality, developing skills and tackling social exclusion.
2. **Improve the capacity and provision of basic services for the poor** at provincial and municipal level and promote equitable access to social services. These services mainly relate to health, HIV/AIDS, education, housing, and the infrastructure to provide basics such as water, sanitation, access to sustainable energy services, waste management and communication.
3. **Promote good governance**. In the public domain the focus will be on fighting crime, including corruption, and promoting safety, security and the rule of law. In the non-public domain the focus will be on strengthening civil society — especially NGOs, including social partners, and community-based organisations (CBOs).

Other areas for development cooperation are science and technology, regional and continent-wide cooperation (involving bodies such as SADC, SACU, NEPAD and the AU), land reform, sustainable resource management, environmental protection including meeting the challenge of climate change and sound management of chemicals, and TDCA-related support to provide seed money for activities related to politics, culture, the economy and trade, among others.

Some issues cut across, or can be addressed by, many different programmes. These **cross-cutting issues** include gender, the environment, HIV/AIDS, capacity building including private-public partnerships, good governance and innovation.

As a next step, South Africa, the European Commission and EU member states will seek to turn this joint response strategy into a joint multi-annual indicative programme (MIP). They intend to share the different parts of the programme among themselves by applying the principles of **complementarity, coherence and coordination**. The division of labour will take into account the fact that some partners specialise in specific areas and sectors. Sharing tasks according to these principles will improve the efficiency with which aid is delivered, significantly increasing the impact it has. Better dialogue at the policy level — to which all partners are committed — will help to ensure that this happens. Making a smooth transition from the joint response strategy to the MIP will require effective means of coordinating programmes and activities. This will be backed up by targeted lending programmes run by European financing institutions, including the European Investment Bank, in line with TDCA objectives.

The results will be monitored and managed by means of regular joint evaluations by South Africa and the partners. Aid from overseas will continue to play a minor role in South Africa's total budget, so in future the South African government may fund programmes currently financed by donors. The **real value provided by aid** is not the finance itself but what comes with it: best practice, innovation, risk-taking, pilot programmes, systems development, capacity building, and above all skills and knowledge. This is especially important at the local level, benefiting service delivery by means of innovative delivery mechanisms and capacity building. It is these benefits that justify the EU's continued support for South Africa, a middle-income country with a low and sustainable budget deficit.

This strategy reflects the new European development policy laid down in the **European Consensus** of November 2005 and the EU's **Strategy for Africa**. The strategy is also consistent with the Paris Declaration, and has remarkable potential for achieving the Millennium Development Goals in South Africa — particularly in reducing the poverty of those who were disadvantaged under apartheid. Last but not least, because it is embedded in the TDCA, this strategy will establish and strengthen the links between development and the other areas of cooperation, to the mutual benefit of South Africa and the EU. It is hoped that in the years to come the strategy will build on the existing foundations and establish a comprehensive strategic partnership between the two sides.

CHAPTER 1 EU COOPERATION OBJECTIVES

The European Commission's development policy and its processes are laid down in the **European Consensus**, a document adopted by the European Council in November 2005. The European Consensus underlines the overriding objective of poverty reduction and is in full accordance with the UN's Millennium Development Goals (MDGs). From a European perspective, it adds to the MDGs the objectives of good governance, respect for human rights and awareness of globalisation's social dimension, and underlines the multi-dimensional aspects of poverty in its economic, social and environmental dimensions. It reinforces the commitment to coordinate and harmonise development activities, particularly with member states, and seeks to strengthen the links to other EU policies, such as foreign and security policy and those on trade, migration, employment and the environment.

This is in accordance with the overall objectives of Regulation 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation³, which states that the Community pursues a development cooperation policy aimed at achieving the objectives of poverty reduction, sustainable economic and social development and the smooth and gradual integration of developing countries into the world economy.

Cooperation between the EU and the African continent has long suffered from a lack of consistency, in terms of both policy and implementation. In order to reflect the new pan-African reality, which includes initiatives such as the African Union, NEPAD and Regional Economic Communities, a new **Strategy for Africa** has been introduced. The strategy, adopted by the European Council in December 2005, aims to give the EU a single, comprehensive and long-term framework for its relations with Africa. The central objective is to help achieve the MDGs in Africa. EU support will be strengthened in those areas considered prerequisites for achieving the MDGs, notably peace, security and good governance. EU cooperation will also help to create the right economic environment for achieving the MDGs by encouraging environmentally sustainable growth, competitiveness and trade between the different countries of southern Africa, as well as by promoting integration and connection — both regional and continental. Other key areas for cooperation are the provision of basic services, such as health and education, and environmental sustainability. The EU has committed itself not only to increasing development aid but also to improving the delivery of aid by making it more efficient, coherent and coordinated. The strategy includes budget support — general and sector-specific — which it is believed will make aid delivery more transparent, predictable and result-oriented as well as, ultimately, enhancing the EU's political leverage.

South Africa and the EU signed a **Trade, Development and Cooperation Agreement (TDCA)** in October 1999. This provided the basis for comprehensive cooperation between South Africa and the EU, covering political dialogue, trade and trade-related issues, economic affairs and development, as well as other areas such as science and technology, culture and social issues. Until the TDCA was ratified by all parties and full entry into force on 1 May 2004, the Agreement was applied provisionally and partially and development and trade were at the centre of cooperation between South Africa and the EU. The TDCA requires the partners to widen and deepen their cooperation. This wider cooperation is also governed by the Cotonou Agreement between the EU and ACP (African, Caribbean and Pacific) countries, of which South Africa is also a qualified member.

³ OJ, L 378, 27.10.2006, p. 41

The EU member states are also partners in these agreements, as they are signing parties to the Cotonou Agreement, the TDCA and this Country Strategy Paper, and members of the European Council. In addition, they are bound by their national laws and regulations, and by bilateral agreements with South Africa.

In November 2005, the joint EU-South Africa Cooperation Council called for a strategic framework. Providing such a framework is the purpose of the Commission's **Communication on a Strategic Partnership with South Africa** to the Council and Parliament, dated (June) 2006. It is meant to give the EU a comprehensive, coherent and coordinated long-term framework for its relations with South Africa, one which is mindful of the country's traumatic past, its role as an anchor in the region and its unique position on the continent and on the global scene. It also builds on the European Consensus and the EU Strategy for Africa.

The importance of strengthening the social dimension of globalisation and of promoting productive employment and decent work opportunities was highlighted in point 47 of the **2005 UN MDG Review Summit conclusions of September 2005** regarding human and social development. UN member states undertook in particular to *“strongly support fair globalisation and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the MDGs.”*

According to the documents mentioned above, the EU's cooperation with South Africa has three objectives:

1. The **political objective** is to support and develop South Africa's political role as a stabilising influence in the region, the continent and beyond.
2. The **economic and trade objective** is to help South Africa play a crucial role in the economic integration of the region and be a trading partner in the globalised world economy, while expanding and liberalising trade in goods, services and capital.
3. The **development objective** is to reduce poverty and inequality in accordance with the Millennium Development Goals, promoting internal social stability as well as environmental sustainability.

CHAPTER 2 THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION IN SOUTH AFRICA

South Africa's current social and economic situation has been shaped by apartheid. Over time, the majority of black South Africans (a term which in South Africa also includes Asian and "coloured" people) were forced off the land, out of agricultural markets, and increasingly occupied a marginal role in South Africa's growing mining and manufacturing industries. Black communities were pushed into arid Bantustans and overcrowded, racially designed zones, which were economically unsustainable and largely dependent on white South Africa.

"Bantu" education systems neglected mathematics and the sciences and were primarily designed to meet the need for unskilled labour. The resulting shortage of managerial, technical and specialised skills is recognised as a key constraint that impacts still today on local innovation as well as on growth in the small-business and informal sector. This is reflected in South Africa's relatively low proportion of small and medium-sized enterprises, accentuated by apartheid's limitations on black people's ownership of firms and on the business activities they could engage in — mainly restricting them to the retail supply of food and fuel. These constraints have had a negative impact on the culture of entrepreneurship, and the effect has been compounded by limited access to savings and credit institutions.

In contrast, the largely white-owned formal sector became highly concentrated and capital-intensive. During apartheid it grew on capital-related subsidies and import substitution as a response to sanctions. The result was that, by 1990, six conglomerations centred on mining and finance controlled companies with 80% of the market capitalisation on the Johannesburg stock exchange.

Ten years after the apartheid regime was replaced by a democratic government, South Africa remains deeply marked by its historical heritage. While there have been remarkable achievements in bringing about reconciliation between the masters and victims of apartheid, the "rainbow nation" spoken of by Nelson Mandela is still far in the distance. Economic disparity prevails. Large firms in the formal economy have been able to build on the dominant position they achieved during apartheid, and to take advantage of the new opportunities in modern South Africa. This contrasts starkly with the previously gravely neglected subsistence and informal economies, where many of the population's black majority still live in dire poverty.

These contrasting situations conform roughly to what have been termed the "first" and "second" economies by President Mbeki. The first economy is modern, capital-intensive and outward-looking. The second economy is, in the President's words, "characterised by underdevelopment, contributes little to GDP, contains a big percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the first and the global economy and is incapable of self-generated growth and development."

The government is committed to narrowing the enormous gap between rich and poor through a set of comprehensive policy measures such as employment generation, Black Economic Empowerment, skills development and social grants. However, the turn-around has not yet been achieved, leaving the country exposed to the risk of growing discontent among the poor and threatening internal political stability.

2.1 Political Situation

Although much remains to be done to **consolidate South Africa's young democracy**, one in which human rights and fundamental freedoms are respected, the country has made great efforts to institutionalise democracy, and the political environment has been stable. The achievements include:

- a multi-party political system
- a functioning parliamentary democracy
- a respected constitution and entrenched rule of law
- an independent judiciary
- mechanisms for accountability, transparency and information in public administration

The first general and free national and provincial **elections** in April 1994 put an end to apartheid and brought Nelson Mandela, leader of the African National Congress (ANC), to power as President of a Government of National Unity. The second and third elections, held in June 1999 and April 2004, confirmed the ANC's mandate with Thabo Mbeki as President. In 2004, the ANC, which regularly collects the majority of black votes, was returned with a majority of a little over two thirds. Since 2004, it has also been running all nine provinces⁴. The ANC is in alliance with the Congress of South African Trade Unions and the South African Communist Party, with which it established common lists for the elections. The main official opposition in Parliament is formed by the Democratic Alliance. The New National Party, led in 1994 by ex-President De Klerk, decided in 2005 to cease operating and integrate itself into the ANC. Mangosuthu Buthelezi's Inkatha Freedom Party, based in KwaZulu-Natal, has been receiving a shrinking share of the vote (7% at national level in 2004). Other smaller parties, such as the Pan-African Congress, Independent Democrats and Freedom Front, play an active but small role in the debate on domestic and foreign-policy issues.

During apartheid, **civil society** played a prominent role in taking action against the government to bring about political change. Since 1994, civil society has continued to have a major impact in South Africa by advocating proper and effective governance and by championing issues such as poverty, gender parity and effective service delivery, getting the government to commit to tangible reforms. However, it has been weakened by the disappearance of the overseas funding that it received during apartheid, and by the loss of many of its members to government, the civil service and the private sector. Thus, although new partnerships between civil-society organisations and the government have gradually emerged — especially in the sphere of service delivery — there is undoubtedly scope for strengthening civil society's advocacy and campaigning role.

In the post-apartheid peace and reconciliation process, intense efforts have been made to address exclusion and lack of integration, but both public authorities and civil society are very conscious that these problems are still prevalent at every level of South African society. In this context the approval of the Black Economic Empowerment (BEE) Charters and the implementation of the **Broad-Based Black Economic Empowerment Act** of 2003 were important steps towards achieving economic inclusion and equity for the black majority. However, black empowerment at the workplace is happening slowly and much remains to be done to achieve empowerment that is truly "broad-based".

South Africa plays an active role **within Africa and internationally**. The country is a key member of the African Union (AU), supporting growth and development through the AU's New

⁴ In the March 2006 municipal elections the ANC again won a two-thirds majority.

Partnership for Africa's Development (NEPAD), and promoting good governance through the African Peer Review Mechanism. South Africa is engaged in UN reform processes, as well as being a member of the Non-Aligned Movement (NAM), the G77 coalition of developing nations, the Commonwealth of Nations, the WTO (as part of IBSA) and the G20 group of developing nations with a special interest in agriculture. South Africa has concluded or is negotiating numerous multilateral and bilateral agreements within the WTO framework, notably with the EU, Mercosur, the USA and EFTA. In the area of peace and security, South Africa has been playing a very active and constructive role on the African continent, helping to address crises and broker conflict resolution in Rwanda, the Democratic Republic of Congo, Burundi, Liberia, Sudan and Côte d'Ivoire.

South Africa is also playing a key **strategic role in its region**, and may become the driving force behind growth and development in the SADC. However, the region is highly unequal, and there are regional dynamics and sensitivities that influence the extent to which South Africa can assume a leadership role. While South Africa's economic strength translates into significant political influence, it has focused on forms of diplomacy that emphasise consultation and consensus.

2.2 Economic Situation

Economic growth in the ten years after the end of the apartheid regime averaged 2.9% per annum, increased to 4.5% in 2004 and to 5.0% in 2005 and 2006. Manufacturing (20% of GDP in 2005) and services (70% of GDP in 2005) contribute most to **GDP**, while the shares of mining (only 7% in 2005) and agriculture (3% in 2005) have shrunk⁵.

Over the last few years, **macro-economic stability** has been achieved. As a result the government has had scope to increase its expenditure, and fiscal policy has become more expansionary, while keeping within prudent limits. Since 2000, the budget deficit has remained between 1.4% and 2.3% of GDP. For 2005, the deficit has been estimated at 0.5%. Overall public debt amounts to 30.8% of GDP and public expenditure remains at an affordable and sustainable level equal to 27% of GDP.

The achievement of macro-economic stability is also due to the strict **monetary policy** followed since the late 1990s. This reduced inflation to 3.9% in 2005, ensuring that it stayed within the South African Reserve Bank's 3-6% target range. Since the middle of 2003 the Reserve Bank has been in a position to reduce interest rates (the repo rate has fallen from 13.5% to 7% in 2005 but was raised again to 9% in 2006), which has stimulated domestic demand and economic growth.

In the **external sector**, the rand depreciated in early 2001 but has strengthened considerably since the middle of 2002. This has had a dampening effect on exports in the mining and manufacturing sectors, with implications for economic growth. The growing economy and lower interest rates have boosted domestic demand and this — combined with the lower price of foreign products — has increased imports. As a consequence, the current-account surplus became a deficit in 2002 and by 2005 was equivalent to about 4% of GDP. This reversal took place mainly vis-à-vis the EU, South Africa's major trading partner. So, although South Africa had enjoyed a trade surplus with the EU since 1998, this turned into a slight deficit in 2004.

So far, however, the current-account deficit has easily been financed by significant portfolio inflows. Foreign direct investment continues to grow, although inflows remain volatile and low —

⁵ Some of South Africa's manufacturing, however, draws on its natural resource base.

less than \$1 billion per year, or 3.2% of GDP. Whenever there is a need to curb the rand's volatility, the Reserve Bank adjusts its foreign reserves, which stood at US\$22 billion (equivalent to 23 weeks of imports) in February 2006.

However, in spite of an improved financial account, increased spending in social services, and a significant increase in GDP growth, South Africa continues to face daunting challenges – both structural and social. South Africa is a **dual economy** with great inequality. South Africa is an upper-middle income economy and one of the BRICS countries with higher GNI per capita than Brazil, China and India. Standards of living, both in economic and social terms, vary according to skin colour and between urban and rural communities. The first economy, with its large, capital-intensive firms built up under apartheid, has been best placed to take advantage of trade liberalisation and macroeconomic stability. Smaller firms and those in the informal economy have done less well. Many black, Asian and coloured South Africans live a precarious existence in this second economy, moving between unemployment, work in the informal sector (often as “hawkers”) and poorly paid jobs in the formal sector. Often they have to travel great distances to formal jobs because of the apartheid policy of locating their communities away from the centres of formal employment. The second economy also contains millions of the very poorest — mostly black people, marginalised and unskilled, who take up informal activities simply to survive.

Parts of the country have advanced physical infrastructures and sophisticated financial, IT and telecommunications networks, equivalent to those in the developed world⁶. However, in other parts there is extreme deprivation and exclusion, leading to poverty comparable with that of the least-developed countries. South Africa's Gini coefficient of 0.58 illustrates that there is a significant social and economic divide. This affects the black population most: almost 50% of the black population is reported to live below the national poverty line, compared with only 2% of whites.⁷

Tangible though modest economic growth and the stable internal and external macro-economic situation have not produced a sustainable solution to **unemployment**, the country's key economic and social problem. Jobs are being created, but not fast enough to incorporate the number of new entrants into the labour market. The demand for labour has been constricted by slow economic growth — a result of low rates of investment and saving (18.4% and 14.2% of GDP respectively in the first nine months of 2006) — and also the continued ability of capital-intensive firms to benefit from the base they built up under apartheid. The opening up of the economy has reduced the importance of sectors such as mining, clothing and textiles and boosted less labour-intensive sectors such as wholesale and retail trade, services, construction and communications. The legacy of apartheid means that there is a structural element to the unemployment in the country. Business is highly concentrated in certain areas of the country, further disadvantaging people who live far away from sources of employment growth, potential employees who lack skills, and potential entrepreneurs who lack both collateral and access to the financial and business services that might help them set up their own enterprises.

The fact that the workforce is growing faster (up 18% between 1995 and 2004) than the number of employment opportunities (up 10.5% during the same period) has also contributed to unemployment. The unemployment rate is currently between 25.5% and 39% of the workforce,

⁶ This developed-world infrastructure, however, is reaching the limit of its capacity, mainly in power supply, ports and railway transport systems, so large investment programmes are needed. Also, infrastructure is still poor in much of the former homelands.

⁷ The black population grew by 7.5 million people or 25% between 1994 and 2004. The coloured population grew by 0.6 million or 19%, the Indian by 0.1 million or 12%, and the white by 0.1 million or 2%.

depending on whether or not “discouraged” workers are included⁸ — i.e. those who are no longer looking for long-term employment. A large majority of the unemployed are young⁹. There are disproportionately more women unemployed than men, and unemployment is geographically skewed, with the highest levels found in the provinces of Limpopo, KwaZulu-Natal and the Free State.¹⁰

The **labour force’s lack of relevant skills** also contributes to unemployment. The shortage of skilled workers is a consequence of emigration and apartheid-era education policies. At the same time, a growing number of unskilled youths are entering the labour market. On the other hand, South Africa continues to act as a magnet for migrants from other parts of Africa. These include skilled professionals, unskilled job-seekers, illegal migrants, refugees, and cross-border traders — and human trafficking is on the rise. While South Africa has “exported” skills to the developed world, it has also drawn in skilled workers from other parts of the region and the continent¹¹. Overall, the skills gap is considered a major impediment to economic growth.

It is hoped that the growth of **small, micro and medium-sized enterprises (SMMEs)** will boost the second economy and reduce unemployment¹². However, the anticipated employment boom has not materialised, and employment in the informal sector fell by 6.9% between September 2000 and March 2006¹³, perhaps because of the regulatory environment, and certainly because of difficulties in accessing finance. There is a debate about whether to shift the focus away from grassroots SMMEs, and to establish links between larger, first-economy companies and SMMEs, thereby bringing them into the mainstream of the economy. Whatever the outcome of this debate, it illustrates the need for a coherent strategy for developing the second economy — and for a comprehensive policy on encouraging employment. Additional research and political discussion by state and non-state actors (the private sector and NGOs) is required to enable more informed decision-making in this area.

Despite the complex economic challenges facing South Africa, it is nevertheless the most developed economy on the continent, and in the **Southern African region** in particular. South Africa is a full member of the South African Customs Union (SACU) and the Southern African Development Community (SADC). As a qualified signatory to the Lomé Convention and the Cotonou Agreement, South Africa is also a member of the ACP group. In the past it has provided assistance and advice to the SADC countries involved in the negotiations for the Economic Partnership Agreements, and since early 2006 the SADC-EPA countries have proposed that South Africa be included in the negotiations and in the future EPA. To that end, the complex linkages between the SADC EPA and the TDCA need to be clarified. South Africa accounts for 50% of sub-Saharan Africa’s GDP, and 75% of SADC’s GDP. South African investment represents 49% of all foreign direct investment (FDI) in the rest of Southern Africa, and 80% of trade in Southern

⁸ Employment statistics vary according to sources and can only indicate orders of magnitude and major trends. The official figure used by Stats SA is the lower figure, which excludes “discouraged” workers.

⁹ Currently more than two thirds of South Africans aged between 18 and 35 are unemployed.

¹⁰ An economic analysis carried out at Harvard University found that, after the fall of apartheid, the supply of labour increased and there was an unprecedented influx of African women into the labour market. These new entrants into the labour market tended to be relatively less skilled. At about the same time, the demand for labour fell in the mining and agricultural sectors. These shrinking sectors also tended to employ relatively less-skilled labour. The shrinking demand for and huge influx of relatively unskilled labour made unemployment balloon among the less skilled and/or less experienced workers. (Why Has Unemployment Risen in the New South Africa? — Abhijit Banerjee, Sebastian Galiani, Jim Levinsohn, Ingrid Woolard, CID Working Paper No 134, October 2006).

¹¹ This explains the long delays in the finalisation of a protocol on the free movement of people within the SADC.

¹² Official statistics estimate that around a quarter of the workforce is employed in the informal sector (particularly in agriculture, construction, wholesale and the retail trade). SMMEs generate 30% of GDP and account for 50-60% of formal employment.

¹³ Stats SA: Labour Force Survey.

Africa is with South Africa. For South Africa, however, regional trade constitutes only a small proportion of its overall exports, while Europe is its major trading partner — which illustrates the marked asymmetry in trading relationships in the region.

Trade with the EU comes under the TDCA, which will create a free-trade area between South Africa and the EU over an asymmetric, transitional period of 12 years. According to estimates made at the time of negotiating the agreement, it covers about 90% of the then bilateral trade. Since the provisional introduction of the TDCA on 1 January 2000, South Africa – EU trade has grown significantly in spite of the volatility of the rand. The EU is South Africa's most important economic trading partner, accounting for over 40% of its imports and exports, as well as 70% of foreign direct investment. South Africa is also the EU's largest trading partner in Africa.

The expansion of South African businesses in the region is also gaining momentum. Although this could have benefits for other African countries, it has also been a cause for concern over, for example, the extent to which South African companies buy supplies from South African rather than local suppliers. Despite such concerns, there are also key players in South Africa's private sector who see poverty as a threat to stability in the region, and are thus potential partners in development projects. These companies have experience of meeting global environmental and labour standards that are the keys to accessing markets in the developed world. In addition, where South African business goes, so its labour movement follows, bringing ideas about labour rights to a region not known for its high standards in this area.

2.3 Social Situation

For those who cannot earn a living from the first or second economies, a **strong social network** is a vital pillar of South Africa's socio-economic system. A social transformation has taken place thanks to the remarkable efforts made to provide social services to previously disadvantaged sections of the population. Government spending on social services has increased tremendously over the last ten years and now represents about 63% of its total budget. The social support and protection provision incorporates a number of social grants addressing different types of potential exclusion, such as an Older Person's Grant, Disability Grant and Child Support Grant, grants being managed and administered largely by a newly created Social Security Agency. Expenditure on grants in the 2005/2006 budget year amounted to some ZAR 55 billion. Additionally, an Unemployment Insurance Fund has been created, contribution to which is mandatory including for such small scale and low earning employment as domestic workers.

Since 1994, close to nine million people have been provided with a basic water supply, so that 85% of households now have access to clean water. Over 1.5 million houses have been built or are under construction, providing shelter to over six million people, as a result of which 64% of households were living in proper houses at the beginning of the new millennium. At the same time, over 500 000 houses were connected to the main electricity grid, meaning that 70% of households were using electricity for lighting. Health services are improving too: 90% of children are now covered by immunisation programmes against common infectious diseases, and the usage of antenatal clinics is as high as 95%. In education, the enrolment rate in secondary schools has increased from 40%, reaching 89% in 2004. Matriculation pass rates improved from 49.3% in 1998 to 70.7% in 2004.

South Africa's **formal education system** has three levels: General Education and Training, which lasts nine years and is compulsory for all children between the ages of 6 and 15; Further Education and Training, which lasts three years and includes vocational education; and Higher Education, which is equivalent to tertiary education. Access to General Education and Training is virtually

universal, and needy children are exempted from paying school fees, so the major challenge in formal education is to make the quality more consistent. Outside formal education, the priority is to make up for the deliberately inferior education the majority of the population were given in the apartheid era. Consequently, education and training authorities have been established to develop the skills required for economic growth and global participation.

Despite progressive legislation and the provisions of the constitution, there is still great **disparity between males and females** in South Africa. The problem is cultural: violence against women is often not addressed, which also exacerbates the HIV/AIDS epidemic, especially among young women and girls. Cultural practices also result in women having less access to education and credit, resulting in — and causing — lower literacy levels among them. At the same time, government institutions are unable to achieve gender targets.

To deepen and broaden democracy, **local governments** have been given responsibility for delivering social and administrative services including health, education, water, sanitation, infrastructure and environmental protection. However, during the initial period in which responsibilities were being transferred, local governments were overwhelmed by the scale of what had to be accomplished. In many cases, provincial and local tiers of government were not ready to fulfil their new functions transparently and professionally — highlighted by the fact that provincial departments often underspent the conditional grants earmarked for basic services. This poor delivery of local services caused riots and unrest in some communities.

In 2004, the government adopted a new strategy to create integrated communities, recognising that, despite having built 1.6 million houses, integration remained a problem. Breaking New Ground is an ambitious plan aimed at using housing to create **sustainable human settlements** rather than just shelter. This new vision was quickly accepted by various parts of government and soon became established thanks to an interdepartmental process jointly spearheaded by the Departments of Housing and Provincial and Local Government. Other sectors have also adopted the new strategy, which suggests that housing will play a key role in bundling together services and facilities — such as water, electricity, waste management, crèches, schools, playgrounds and health facilities — as well as spatially integrating communities, as required by the Integrated Development Plans (IDPs).

The **HIV/AIDS pandemic** is a major threat to social and economic development. The estimated number of HIV-infected people rose from 3.8 million in 1999 to 5.5 million in 2006. This represents an estimated adult prevalence rate of 21.5%, which is substantially higher among the black parts of the population than the white. Of the 500 000-750 000 people who currently need anti-retroviral treatment (ART), only 130 000 have access to it¹⁴. The pandemic's effects in the medium and long term will be to reduce the total population, the average life expectancy, and the proportion of the population that is economically active, while drastically increasing the number of orphans¹⁵. The social and economic costs will be staggering.

Levels of **crime** in South Africa are among the highest in the world. Although statistics released by the government in 2004/05 indicate that some crime rates seem to be falling, they are still very high. This crime and violence has highly adverse effects on the lives and well-being of the whole population. It also risks adversely affecting the economy and foreign direct investment in South Africa. White-collar crime in the form of **corruption** has a damaging effect on development for

¹⁴ Although the percentage of people receiving ART is high in global terms, some observers claim the government could do much more. The government has allocated more than 3.4 billion rand (6% of the yearly health budget) for anti-retroviral drugs up to the end of 2007.

¹⁵ It is estimated that, by 2010, around 1.5 million children will have been orphaned by HIV/AIDS.

the poor and on the public's confidence in the national government and — even more so — in the provincial and municipal administrations. The government is giving the issue particular attention.

Access to **justice** for vulnerable and indigent groups remains an issue, especially in rural areas where accessibility is poor. The problem is also partly a result of the system being overburdened. In its response to crime, the state has tended to favour retribution, resulting in tougher laws and maximum sentencing, which has given the country the highest incarceration rate in Africa¹⁶. Restorative approaches to justice still need to be explored.

Under the apartheid regime, several million people¹⁷ were forcibly removed from their land. As a result, **land and land reform** are emotive issues. In 2000 the government committed itself again to the target set out in the 1994 Reconstruction and Development Programme: by 2014, 30% of the country's agricultural land (around 24 million hectares) should be transferred to previously disadvantaged communities. Implementing land reform has, however, been a slow process. Since 1994 black ownership of land has increased by only 3% (2.3 million hectares) to 16% (12.8 million hectares) of the total. And of a total of 79 000 land-restitution claims originally lodged, 57 900 have been settled, at a cost of 2.5 billion rand. The slow progress has been attributed to two main causes: the limited success of the "willing buyer-willing seller" policy and lack of capacity in the provincial administrations charged with land reform. As a result, the deadline for settling claims has had to be extended to 2007. The reform's slow pace has caused discontent, most vocally among organisations such as the Alliance of Land and Agrarian Reform, which is composed of landless people's organisations, NGOs, groups of small farmers and producers and the South African Communist Party. It is generally recognised that faster progress is required in order to ensure social cohesion and political stability.

2.4 Environmental Situation

South Africa is facing important environmental challenges. As both an industrialised and a developing country, South Africa faces a twofold set of environmental challenges. Growth in water usage outpacing supply, increasingly difficult access to agricultural and drinking water, increasing soil erosion and desertification, inadequate waste and chemicals management, air pollution resulting in acid rain, and the pollution of rivers from agricultural runoff and urban discharges all have an impact on food security, long-term welfare and economic development of the poorest, especially among the rural population. In addition, climate change is likely to exacerbate many of these environmental concerns and bring new challenges. At the same time, South Africa faces growth in its greenhouse gas emissions, in particular from its energy sector, where most of its electricity generation is expected to continue to be based on coal, as well as from its transport sector.

South Africa is an arid country with only 8.6% of the rainfall available as surface water, one of the lowest conversion ratios in the world. Similarly, South Africa's groundwater resources are limited compared to world averages. Scarcity of freshwater resources and highly variable hydrological conditions have led to every major river being regulated in order to ensure adequate water supply for development. South Africa's available **freshwater resources** are already almost fully utilised and under stress. Many water resources are polluted by industrial effluents, domestic and commercial sewage, acid mine drainage, agricultural runoff and litter. At the projected population growth and economic development rates, and with the increasing impact of climate change, projected demand for water resources is unlikely to be sustainable. Limits on both water supply and quality are thus likely to restrain the country's further socio-economic development. To

¹⁶ In 2004 the rate was 413 people per 100 000. 186 000 prisoners are being held in overcrowded detention houses.

¹⁷ Estimates range from 3 to 6 million people.

augment supplies, South Africa is looking towards water sources in other southern African countries (e.g. Lesotho).

More than 90% of South Africa's land surface falls within a **desertification** risk area. The Department of Water Affairs and Forestry is promoting, via its National Action Plan, the development of community forestry to reduce the pressure on natural woodlands, which are suffering from rapid depletion as they are the only source of energy for many poor people. The promotion of specific energy technologies for sustainable use of renewable energy sources, especially of biomass should be strengthened in order to complement other measures.

South Africa's coastal and marine resources are under considerable threat and are already severely degraded in many areas due to over-harvesting and urban/industrial development. Coastal areas are mainly used for tourism, recreation and leisure, commercial and recreational fishing, agriculture and mining. At present, it is estimated that about 12 million people (about 30% of the population) live within 60 km of the coast. Coastal and marine resources thus play a major role in sustaining economic and social development, and contribute to employment and food security. The major land-based pollutants are wastewater from industries and sewerage as well as run-off from agricultural lands and urban areas. South Africa is situated on one of the major global oil tanker routes, which, together with its notoriously rough sea conditions, makes it highly vulnerable to oil spills, as reflected in the relatively high number of recorded shipping accidents.

South Africa has one of the world's greatest **diversity of plant and animal species** contained within one country, and is home to many species found nowhere else in the world. It is anticipated that increasing demand for land restitution will lead to loss of natural habitats and potential loss of biodiversity.

South Africa's total **waste stream** for 1998 was estimated at 538 million tonnes. Industrial and mining waste amounts to about 470 million tonnes per annum (87% of the 1998 total). Non-hazardous industrial waste amounts to approximately 16 million tonnes. 95% of urban waste is disposed of on landfill sites, of which there are about 1 200.

South Africa plays an active role in **chemicals management**. It supports the Strategic Approach for International Chemicals Management (SAICM) which was adopted on 6 February 2006 in Dubai and is party to the Stockholm Convention on Persistent Organic Pollutants and to the Rotterdam Convention on the prior informed consent for certain hazardous chemicals and pesticides in international trade. South Africa is furthermore committed to implement the Globally Harmonised System for Classification and Labelling of Chemicals (GHS). As the recently adopted new EU Chemicals legislation, REACH will be of global importance. South Africa as well as other states are being involved in the preparations of guidelines for the implementation of REACH.

South Africa is also facing a serious **climate change** challenge. In the United Nations Framework Convention on Climate Change (UNFCCC), it is a Non-Annex I country. It is also a signatory to the Kyoto Protocol, which it ratified on 31 July 2002. South Africa has also ratified the UN Convention to Combat Desertification (30/09/97) and the UN Convention on Biodiversity (02/11/95).

South Africa is the largest energy consumer and greenhouse gas emitter in Africa. The adverse environmental effects of both the first and second economies are considerable. South Africa is currently among the world's top 20 greenhouse gas polluters, with emissions expected to increase

by 30% over the next ten years.¹⁸ Its per capita CO₂ emissions are almost at the level of the EU, which is to a large extent caused by its reliance on coal. In 2002 South Africa was the world's fourth largest coal exporter. Exports, mostly of steam coal, totalled 70m t, most of which went to Europe.¹⁹ Recently the Department of Environmental Affairs and Tourism (DEAT) set up a Working Group on "Long Term Climate Scenario Planning" that is trying to identify different options as well as economic costs of South Africa's future climate policy. This process will also determine South Africa's position in the negotiations within the United Nations Framework Convention on Climate Change (UNFCCC) on a post-2012 climate change regime.

In its role as an African anchor country as well as a key representative of the emerging South, South Africa is one of the key partners of the European Union in the discussions on the post-2012 climate change regime. It is, and was in the past, one of the leading G-77 countries in the dialogue on a post-2012 regime.

Potential changes in climate may have significant effects on various sectors of society and the economy. The South African Country Studies Programme identified the health sector, maize production, plant and animal biodiversity, water resources, and rangelands as the areas of highest vulnerability to climate change, and proposed suitable adaptation measures to offset adverse consequences.²⁰

2.5 Medium-Term Challenges

Over the next decade, South Africa needs to continue to follow a coherent and structured approach to tackling poverty, integrating it within sector policies, strategies, project activities and budgetary allocations. The **vision for 2014** is to make South Africa a united, non-racial, non-sexist and democratic society. Consolidation of democracy will be closely linked to measures aimed at integrating the whole of society in a growing economy from which all can benefit. Failure to achieve this target might well result in the continuation of unacceptably high levels of poverty and inequality, both economic and social, which would adversely affect political stability and social cohesion.

The main challenges facing South African society are the HIV/AIDS pandemic and high unemployment, which creates poverty, inequality, crime and, ultimately, political instability.

One way of **tackling unemployment** is to achieve sustainably higher employment-rich economic growth, produced by labour-intensive economic activities. This approach would require the first economy to continue to play the dominant economic role while the second economy is supported and strengthened, including through the promotion of decent work and more equitable access to social protection, with the informal sector being helped to join the mainstream economy. **Skills development in crucial areas** would be a high priority. Such an approach would also help to reduce inequality in income distribution as well as the dependence of households on social grants. It would be essential to ensure that the benefits of growth extend to those parts of the country where the poor are concentrated.

Good health is essential for South Africa's social and economic development. One of the key challenges is to increase access to the primary health-care system, which is particularly important

¹⁸ The so-called "brown" environmental issues, such as sewage-treatment facilities and disposal of community waste, adversely affect the lives mainly of the poor urban and peri-urban population.

¹⁹ IEA World Energy Outlook 2004.

²⁰ National Communication of South Africa to the UNFCCC.

for mothers and their babies, and for combating infectious diseases such as HIV/AIDS and tuberculosis. Addressing this challenge will reduce mortality and morbidity. A multi-faceted approach is needed to **combat the HIV/AIDS pandemic**, incorporating prevention, scaling up anti-retroviral treatment (by addressing health-system constraints), and caring for the increasing number of orphans and vulnerable children. The overstretched delivery capacity at provincial and local level will require particular attention.

Another huge challenge is the **fight against criminality and violent crime** and enforcing the rule of law. This will require major investment in human resources and equipment, combined with a strengthening of the capacity of the law-enforcement agencies, helping them to build strong, cooperative partnerships with communities and civil-society organisations. The retributive approach used so far needs to be complemented by crime-prevention initiatives and the introduction of a credible approach to restorative justice.

The fight against crime should also tackle white collar criminality, including corruption and money laundering, and drugs trafficking. This also calls for strengthening the capacity of law enforcement bodies in these areas.

South Africa's social, political and economic stability also depends on meeting the challenge of access to **land** and security of tenure. The implementation measures have to be seen as part of a strategy to improve the lot of the rural poor and to give them access to the mainstream economy, while at the same time guaranteeing the constitutional protection of property rights. The process must ensure that beneficiaries of land restitution and redistribution are enabled to use the land productively and in a sustainable way — essential for building sustainability into the process of redistributing assets to previously disadvantaged communities.

In the medium term, **protecting the environment** and using natural resources in a sustainable way will be major challenges, with a direct impact on people's livelihoods. Given South Africa's climate sensitivity, particular attention will have to be devoted to the global challenge of climate change²¹. The country will have to balance mitigation and adaptation measures. The investigation into potential mitigation options needs to be extended to include more specific macro-economic modelling to evaluate the impact of different measures on the economy. The promotion of climate-friendly and energy-efficient technologies has to be further integrated within the government's cleaner technology initiatives. The integration of environmental sustainability and climate change into planning and policy formulation in the vulnerable sectors is essential.

A necessary condition for meeting all the challenges listed above is that the solution should result in the delivery of better services to South Africans. This has become a major preoccupation for the government. In order to be able to meet these challenges, it needs to continue its efforts to **strengthen its own institutional and administrative capacity** at national, provincial and local levels.

The **participation of communities, civil society and the private sector** is essential for implementing these policies and strengthening South Africa's young constitutional democracy. Public-private partnership encourages the mobilisation of private resources for developmental objectives. Specific mechanisms are crucial to ensure participation and partnership at local level, so need to be supported.

²¹ Report in Global Environmental Challenge.

South Africa will play a vital **political role at international level** by advocating the interests of developing countries. It also has an important part to play in Africa, where the AU and NEPAD face tremendous challenges in establishing functioning democracies, based on peace and security that engage in the sustainable development required to alleviate poverty. South Africa is expected to be continuously engaged in this important process²². The country's various strengths present both opportunities and threats to its neighbours in the region, as their ambivalent attitudes show. However, both the region's and the continent's prospects for development rest to a great extent on the role South Africa chooses to play.

²² South Africa has already developed a range of instruments to this effect, including the Renaissance Fund and DBSA.

CHAPTER 3 SOUTH AFRICA'S NATIONAL POLICY AGENDA

After the fall of the apartheid regime and the democratic elections of April 1994, the government of South Africa issued a white paper for a **Reconstruction and Development Programme (RDP)** as a framework for tackling apartheid's legacy of poverty and inequality for the vast majority of the black population. The white paper sets out the vision for a fundamental transformation of society by means of strong and stable democratic institutions that are representative and participative, encouraging sustainable and environmentally friendly growth and development. It emphasises the necessity for redistributing resources to address inequalities.

The RDP white paper has the following five key programmes:

- Meeting basic needs, such as housing, water, sanitation, health, nutrition, job creation and land reform.
- Developing human resources.
- Building the economy by encouraging savings, boosting investment in productive enterprises and engaging in cooperative partnership with neighbouring countries.
- Democratising the state and society.
- Highlighting the part to be played by social organisations and institutions.

The RDP white paper was reinforced and elaborated on by the **Macro-Economic Strategy for Growth, Employment and Redistribution (GEAR)**, issued in 1996. This strategy explained the vision for accelerated growth and increased job creation, which would have a significant effect in redistributing income and economic opportunities to previously disadvantaged communities. As a result, the government managed to achieve most of its macroeconomic policy goals, including lowering the fiscal deficit and curbing inflation. This set a sound framework for developing a flourishing first economy — one which is outward-facing, competitive and modern.

Nonetheless, GEAR was unable to adequately address two areas: job creation and investment. Nor was economic growth as high as expected, averaging 2.6% over the GEAR period. The conclusion was that developing only the first economy has had a limited effect on South Africa's socio-economic problems. What is more, GEAR had little if any impact on the central problem area: the second economy, the underdevelopment of which has both historical and ongoing causes. Consequently, the dual structure of the economy has remained largely untouched, with high levels of unemployment and poverty persisting.

The government's ultimate long-term objective is to facilitate and support the informal sector so that it can be absorbed into the first economy. For the medium term, there is a growing belief in the **"developmental state"**. This refers to the state's role in leading intervention and investment, with a particular focus on labour-intensive infrastructure development, in order to tackle unemployment and underdevelopment. Between 1996 and 2005, a number of government strategies and programmes have been devised to enhance and consolidate the social and economic transformation of South Africa by tackling poverty and vulnerability and by bridging the gap between the first and second economies. Initiatives have included the Integrated Sustainable Rural Development Programme, the Urban Renewal Programme, the Expanded Public Works Programme, the Comprehensive Agricultural Support Programme, the Municipal Integrated Development Plans, the Human Resource Development Programme and the National Skills Development Strategy. There has also been an increased focus on infrastructure spending in poor regions, developing SMMEs, pioneering an integrated manufacturing strategy, expanding micro-credit, developing skills and promoting black economic empowerment.

The government's goal is to halve poverty and unemployment by 2014. In order to achieve this, it is estimated that the economy must achieve an annual growth rate of 6% for 2010-14.²³ Attention will continue to be paid to the first economy, by — among other things — developing a new **Industrial Policy**, announced in August 2005. While the previous industrial policy focused mainly on the manufacturing sector, the new strategy is to increase investment in more risky, progressive ventures such as nuclear, aerospace and biofuel projects. This will create new opportunities for cooperation with the EU, especially in science and technology. The policy is intended to be more proactive and aggressive, and will enlarge the scope and scale of government intervention. Initial plans include setting up a state-financed “**structural fund**” to stimulate private-sector investment in poor and underdeveloped areas. As with the EU's structural policy, the fund will target specific regions of the country for development²⁴.

The policy objectives set out above are also pursued by means of **trade policy**. Its coordination with industrial policy is under review. South Africa's trade strategy is to deepen its participation in the world trading system. This includes increasing exports of South African goods and services, as well as improving market-access opportunities for them. The strategy targets both developed and developing countries — emerging markets especially. South Africa has entered into a number of regional and bilateral trading arrangements over the past ten years, including participation in the Southern African Development Community (**SADC**) and the conclusion of a free-trade agreement with the EU.

South Africa is a member of the Southern African Customs Union (**SACU**), which has recently redefined the terms of its members' relationship with one another. This includes democratising the decision-making process, developing common institutions, and beginning to harmonise policies that affect intra-SACU trade. Because of its membership of SACU, South Africa increasingly conducts its international trade negotiations as part of the Union.

It was as part of SACU that in December 2004 South Africa concluded a preferential trade agreement with MERCOSUR and a free-trade agreement with the countries of the European Free Trade Association (EFTA). A trade agreement is also currently being negotiated with the United States. South Africa is also considering negotiating trade agreements with countries such as Nigeria and Kenya. In addition, South Africa — again as part of SACU — has approved the negotiation of a Preferential Trade Agreement with India and China.

The **EU and SADC are negotiating an economic partnership agreement**, though the institutional relationships are complex. These negotiations aim at developing a more predictable and rules-based regional market for goods and services and also at harmonising trade rules within the region and, as far as possible, with the EU. SADC has proposed to include South Africa in their proposed single trade regime for the whole EPA. South Africa expects from Europe the same trade benefits as the other, less developed countries of the region, and is promoting full regional integration in Southern Africa.

At multilateral level, South Africa seeks to foster common approaches with other developing countries through strategic alliances and coalitions. The aim is to strengthen the developmental dimension of **WTO negotiations** and to help developing countries integrate more closely with the multilateral trading system.

²³ Some analysts believe even stronger growth — 7% — is possible.

²⁴ A political choice has still to be made between this and the National Spatial Development Initiative, which targets areas of the country that have high economic potential.

In addition to its industrial and trade policies, the South African government is tackling economic growth, unemployment and poverty in a more comprehensive and targeted way. In mid-2005, it embarked on a new strategy commonly referred to as the **Accelerated and Shared Growth Initiative (ASGISA)**, though it is formally known as the **Growth and Empowerment Strategy (GES)**. This has an associated **ten-year Programme of Action (POA)** for Sustainable Growth and Development²⁵. The strategy is driven by the urgent need to bridge the gap between the first and second economies by bringing marginalised people into the mainstream economy. It has two main elements:

- The creation of an enabling environment for productive investment by enterprises.
- Investment in skills and human capabilities.

As part of its 6% **growth objective**, the government intends to ensure continued macroeconomic stability combined with a more growth-oriented fiscal stance. This will be linked to microeconomic reforms that are expected to improve the interaction between supply and demand. These reforms are also intended to help overcome obstacles to direct foreign and domestic investment. The challenge is to ensure that increased investment and productivity are translated into the long-term growth and increased employment that will alleviate poverty and reduce inequality. That entails transforming short-term job opportunities into longer-term employability by means of a demand-driven system of skills development.

The implementation of the **National Skills Development Strategy** (2005-2010) will play a key role in realising the government's ambitious goal of halving unemployment by 2014. There is a growing recognition of the severe shortage of relevant skills in key sectors of the economy — and of a skills mismatch. Ensuring that the skills supply responds to demand in the labour market will involve many different areas of education and training, including early-childhood development, adult basic education and training, “outcome-based” further education training, and science, maths and technology literacy. It will also mean “infusing the early years of education with general literacy”, including reading, writing and basic mathematics.

In promoting economic equity, tackling inequality and broadening economic participation, a key instrument will be the implementation of the **BEE Charters** (the official term is “Broad-based Black Economic Empowerment”) and related sectoral codes of good practice. Economic empowerment needs to be broad-based, so the strategy is to bring the second economy — with its widely dispersed informal SMMEs — closer to the formal sector of the economy. This linking of the first and second economies is forecast to reduce unemployment.

The objectives of Broad-based Black Economic Empowerment are widely supported, not least by foreign direct investors, but attention must be paid to BEE's effect on the cost of doing business and on investors' ability to maintain control over their investments. BEE's progress through the legislative process and its practical administration will have an enormous effect on the successful transformation of South Africa's economy, and on keeping the country attractive to foreign investors. Both are essential for sustainable growth.

In a nutshell, ASGISA (or GES) is a comprehensive attempt to support the first economy, promote the second economy and establish stronger links between the two. ASGISA also includes traditional tools such as state-run employment programmes and public investment in infrastructure through state-controlled enterprises.

²⁵ The GES is part of the SA version of what is usually called a “poverty-reduction strategy” in developing countries.

The government aims to establish an overarching, holistic approach to the struggle against poverty and underdevelopment. The three pillars that support this are: support for the first economy, support for the second economy and a **social security net** for the most vulnerable parts of the population. This last pillar consists of social grants made to almost 30% of all households, as well as even greater spending in the form of the “social wage”, which includes free basic water and electricity, free primary health care and subsidised education. Both social grants and social wages are distributed to a growing number of poor people, absorbing increasing amounts, in both proportional and absolute terms, of budgetary funds²⁶.

However, the provision of services, especially at local government level, is hampered by an acute shortage of skills and knowledge. In October 2004 the government adopted **Project Consolidate** as a short-term emergency measure. Its objective was to help the weakest municipalities to accelerate delivery, particularly of free basic services such as sanitation, water, electricity and refuse removal. The municipalities are being supported in five key performance areas: basic service delivery and infrastructure, local economic development, municipal financial viability, good governance and community participation. In this project, support, coordination and — where necessary — intervention come from key national departments, including the Department of Provincial and Local Government, the Department of Public Services and Administration, the Office of the Public Service Commission and the National Treasury.

The government has accepted that the HIV/AIDS pandemic is a serious developmental and social challenge, and has made addressing it a priority. In 2004 the government introduced the Operational Plan for Comprehensive HIV/AIDS Care, Management and Treatment. This meets international standards, and includes a budget of 3.4 billion rand for anti-retroviral drugs up to the end of 2007. Prevention work, helping the overstretched health system to deliver treatment, and taking care of orphans and vulnerable children will all require additional effort on a huge scale.

Within the first ten years of democratic rule, the South African government designed a comprehensive policy framework in order to combat corruption and established a number of institutions to implement the policies. However, implementation capacity is limited, especially at local level. The government’s **Anti-Corruption Strategy** of 2002 seeks to address these limitations through various capacity-building initiatives, with a focus on public administrations.

Section 24 of the South African constitution enshrines the right of citizens to live in a clean and healthy environment. In October 1997, the Department of **Environmental** Affairs and Tourism (DEAT), the central environmental policy-making body in South Africa, developed the White Paper on Environmental Management, which provided the framework for a modern environmental policy, embodied in the 1988 National Environmental Act. This Act addresses such issues as air, water and marine pollution, waste management, deforestation, energy efficiency and the conservation of biodiversity; it consolidates the once-fragmented environmental legislation and establishes national standards.

On **land reform**, the government will continue to operate within a legal process, offering a fair price that can be challenged in court — despite the increasing sentiment within both government and civil society that the “willing buyer-willing seller” approach has not produced the desired results. However, the government does intend to be more proactive in how and where it buys land, and has announced that it will consider the compulsory purchase of land where protracted

²⁶ Transfers to households in the 2006/07 budget have increased by 134% to 83 billion rand — 17% of all expenditure, compared with 14% in 2002/03. These figures exclude the social wage, which is more difficult to calculate.

negotiations have failed to produce an agreement. It recognises that land-reform programmes are long-term and understands the importance of regulatory reform and good post-settlement support for the beneficiaries of land reform.

South Africa is also building development partnerships with the rest of Africa, within the framework established by the African Renaissance vision and the New Partnership for African Development. The government has initiated discussion with international donors on the potential for **trilateral cooperation**²⁷, targeting low-income countries and crisis states on the continent. As in other parts of the world, this kind of relationship presents an opportunity to break away from the linear and one-directional flows that have characterised donor relations between the developed and developing worlds, and to translate the stated commitments to partnership into new ways of working.

²⁷ Cooperation between the South African government, an overseas development partner and another African country.

CHAPTER 4 OVERVIEW OF COOPERATION PAST AND PRESENT

4.1 Development Cooperation

Before 1994, the European Commission and some member states supported a number of South African and international NGOs in the anti-apartheid movement in assisting needy parts of the population. With the transition to a democratic government in 1994, cooperation increased. **Agreements on development cooperation** were concluded between the South African government and a number of European partners, including the European Commission and the European Investment Bank (EIB). In subsequent years, eight EU member states signed such agreements, mostly containing multi-annual cooperation programmes with indicative financial envelopes. Other member states supported development projects in several sectors in a less programmed way, and some of the new member states are considering joining in, either on a programmed basis or not.

A summary of past and present EU development assistance to South Africa is given in the **table of donors** in Annex 2. The EU is South Africa's most important development partner by far, providing 70% of all external assistance funds: 25% from the Commission, 20% from the EIB and 25% from member states. However, aid constitutes just 1.3% of the government's budget and 0.3% of GNP, and donors are much less engaged with the government on development cooperation than in more aid-dependent countries or those with a poverty-reduction strategy paper.

The table of donors reveals the **widespread presence of EU partners in nearly all economic and social areas** relevant to development. Major donors are found side by side in key sectors such as education, health, including the fight against the HIV/AIDS pandemic, and economic development. A serious challenge for bilateral programmes faced by donors and the host country is that they have been too fragmented and not always well coordinated thereby reducing the potential impact of projects.²⁸

In the absence of a systematic overall evaluation of EU donors' assistance to South Africa in recent years, it is difficult to **assess the programmes** in terms of their impact and sustainability. Such an evaluation would reveal that outcomes vary tremendously. Nevertheless, some trends can be discerned. Activities that follow the traditional project approach generally produce discernible results in terms of output and impact, provided that the issue of implementation capacity has been properly and promptly addressed. A key success factor is the recipient agencies having a high level of ownership. A sector wide approach, and where used sector budget support, have been positive in terms of impact and sustainability, but they require a substantive policy dialogue. Donor assistance is not generally visible at national level, but its visibility improves at lower levels (such as provinces and municipalities). The interventions that are most often positively assessed are those that import best international practice into South Africa — especially very innovative projects (see Annex 2a).

The most **common problems** experienced by a number of partners are caused by lack of capacity. While capacity in national departments is relatively good (although it varies greatly between departments), it is less so at provincial level and even less at municipal level.

²⁸ However, encouraging examples of good coordination can also be found. Work to build the capacity of public services has helped to improve service delivery because cooperation and alignment were excellent. The work was implemented by the Development Bank of Southern Africa and included the UK-funded Integrated Provincial Support Programme and the German-funded Public Service Reform Programme.

Most EU donors cooperate with both **public and non-state partners** (those in the private sector and civil society). These non-state partners, mainly NGOs and CBOs, are generally considered very important for strengthening South Africa's young democracy, acting as mentors in civic and human rights — especially given the weight of the ruling party.

Some development partners are reassessing their presence or role in South Africa, perceiving that there is less need for donor assistance now than in the immediate post-apartheid era. Some are also considering **new ways of working** such as “silent partnerships” (where donors cooperate among themselves with one taking the lead) and are looking at better ways of harmonising and coordinating their activities, recognising that they could be particularly improved at the sector level.

South Africa is also thinking about its **role, both as a recipient of aid and as a collaborative partner**. It actively follows the debate on aid effectiveness within the OECD's Development Assistance Committee and is keen for donors to use the government's systems. It has started to engage in trilateral cooperation with donors.

Concerning more specifically **Community cooperation** with South Africa, an amount of some EUR 877.5 million was committed under the 2000-2006 Financial Perspectives, which has been fully committed. The most recent evaluation of the current country strategy describes the relevance of the programme as high, but its efficiency, impact and sustainability as mixed. It recommends a stronger focus, an emphasis on economic growth, employment, the delivery of social services and governance, and more flexibility in applying implementation rules.

Under its current lending mandate of EUR 825 million for South Africa over 2000-2006, the **European Investment Bank** (EIB) has so far signed loan commitments for a total of EUR 757 million and the current envelope is expected to be fully committed by the end of 2006. At the end of August 2006, the portfolio of active (not yet repaid) EIB loans in South Africa comprised 15 operations for a total outstanding amount of EUR 998 million. Most of these resources were made available for the financing of major public or private infrastructure projects, with 27% of all committed funds going on municipal infrastructure investments and about 19% devoted to on-lending to smaller and medium-sized private enterprises.

The Bank's funding for projects in South Africa adds value in the following main respects:

- it provides borrowers with long-term resources at competitive rates that match the cash-flow profile of infrastructure projects with a very long economic lifespan;
- for projects serving the local market, disbursements can be made in South African rand, thus avoiding any exposure to foreign exchange risks;
- the Bank can provide technical expertise in the design and implementation of projects; and
- its involvement gives assurance to other lenders and rating agencies, thus lowering the cost of their funding.

A selection of assessments of member-state and European Commission programme components is attached to the table of donors in Annex 2.

4.2 Political Dialogue

Since the apartheid regime ended, politicians and officials from South Africa and the EU have informally exchanged views on political issues of mutual interest. Structured, formal dialogue, as

mentioned in Article 4 of the TDCA, was launched in the June 2002 Cooperation Council. Since the TDCA was ratified in 2004, political dialogue has been taking place at ministerial level in the course of the Cooperation Council's annual meetings. Political dialogue is also continuing through contacts in South Africa, with South African government departments talking to the EU delegation and representatives of the member states.

Political dialogue is considered an essential component of cooperation, covering all domestic, African, European and international issues of mutual interest. Peace, security, governance as well as environment issues are seen as particularly important. Discussions have included issues such as the activities of the African Peace Facility, EU enlargement, UN reforms, fragile states (such as DRC, Sudan, Zimbabwe), HIV/AIDS, the Middle East peace process, climate change and developments within NEPAD and the AU.

4.3 Trade Cooperation

Besides cooperation on development issues, implementation of the TDCA's trade provisions has been under way since 2000 with the aim of establishing a free-trade area (FTA) between South Africa and the EU by 2012 at the latest. The EU has agreed to open its markets faster and more extensively to South African products than South Africa has for products from the EU.

Trade between the two partners has developed considerably over the last decade and is worth around €30 billion per year. Although South Africa enjoyed a trade surplus with the EU for many years, this has recently turned into a slight deficit. The main cause of this change is the rand's strong appreciation in the last three years. The EU is South Africa's most important trading partner, accounting for about 32% of South African exports and 41% of its imports²⁹. By contrast, South Africa accounts for only 1.5% of the EU's external trade.

Following the liberalisation of trade in goods, joint efforts are under way to liberalise trade in services, and progress is being made on trade-related issues such as investment, intellectual property and government procurement.

Regarding competition policy, South Africa's Competition Commission and Tribunal operate on a level comparable to that of competition agencies in the EU, and the DG Competition of the Commission has operational co-operation with them as it does with many other competition agencies worldwide."

4.4 Economic Cooperation

Europeans continue to be the most important source of **foreign direct investment** in South Africa, with their share increasing to around 80% in 2005. Moreover, the European Union accounted for approximately 66% of net foreign investment in South Africa in 2003 and 2004, and in 2005 the EU's share of the total assets held by foreigners in South Africa amounted to around 60%.

Economic cooperation under the TDCA covers a wide range of sectors, including industry, SMEs, telecommunications and information technology, postal services, energy, mining and minerals, transport, tourism, agriculture, fisheries, consumer policy and consumer health protection. Because this chapter of the TDCA only came into force on 1 May 2004, several of these are still to be implemented. However, the provisions for SMEs were included in the development framework and a bilateral dialogue on the Information Society has been initiated in 2006 highlighting potential cooperation in ICT development related issues.

²⁹ The latter share has shrunk during recent years — see figures in Annex 1.

4.5 Other Cooperation

Science and technology have been the other main areas of cooperation, as a separate agreement came into force in November 1997. On the basis of this agreement, South Africa has been able to participate in the EU's Framework Programmes for research and technological development. Although participation in the Framework Programmes has proven valuable in terms of internationalising South African research and strengthening its integration within European research networks, the country continues to experience serious human resource deficits in science and technology (S&T). South Africa has therefore embarked on a programme of increased international cooperation to foster the country's technological capability and broaden its human capital base. In other areas, such as environmental, cultural and social issues, provisions still need to be developed and implemented.

CHAPTER 5 JOINT RESPONSE STRATEGY

5.1 The Framework

South Africa is unusual: it is a middle-income country that has a solid macro-economic base and considerable financial resources, but with one of the highest levels of inequality in the world. This makes it difficult for donors to define the role of development cooperation in the country. Little that applies to other sub-Saharan African countries fits South Africa. Devising a joint EC-EU country strategy for South Africa calls for critical reflection on **what “value-added” development cooperation can bring to the country.**

The features described in Chapter 4 — and the experiences of donors who work in other low aid-dependent, middle-income countries — suggest the following:

- South Africa’s strong macro-economy, together with its sound domestic financial resources, means that the government could, in future, use its own financial resources to fund programmes that are currently financed by donors. The real value added by ODA is not the finance itself, but what comes with it: best practice³⁰, innovation, risk-taking, pilot programmes, systems development, capacity building, and above all skills and knowledge.

Development cooperation is merely one of the ways in which the EU is helping South Africa meet its objectives. Other areas covered by the TDCA will need to be developed, including politics, the economy, trade, science and technology, and culture. This does not necessarily mean extending financial aid to these areas but rather developing a broad, equal partnership based on mutual interest. This will require a wider and deeper dialogue in all areas of cooperation.

The experience of development cooperation in South Africa since 1994, along with current regional developments and international agreements on harmonisation, suggest that:

- Development cooperation in and with South Africa must be designed to address the country’s challenges and take into account its particular circumstances. It should cover not just bilateral development assistance, but also trilateral cooperation, as well as strengthening regional trade and investment. Development cooperation needs to be better integrated into overall cooperation.
- Cooperation with South Africa needs to be developed into a strategic partnership, which will require wide-ranging, high-level dialogue between South Africa and the EU. The mutual interest in cooperation needs to be stressed in all TDCA-related areas, including development cooperation.
- EU partners will work with the government on policy issues by helping the government to develop policies and see their implications, rather than by trying to influence the content of the policies directly. EU donors can use their aid to “buy into” dialogue on South African policies, strategies and policy implementation, and they can strengthen the system through technical cooperation and sector budget support.
- To support policies, EU partners should contribute to capacity development by enhancing communication and offering forums for communication between citizens and government, and by supporting and facilitating systems development in South Africa. They should avoid replacing capacity with technical assistance.

³⁰ “Best practice” is loosely defined as sustainable systems for the generation, transfer and retention of skills, knowledge and information that are essential for doing business.

- Development cooperation should focus on helping the country address the most critical and essential poverty-related problems, such as unemployment, job creation, inequality, service delivery, safety and security, and HIV/AIDS.
- Development aid should have a role in addressing the broader framework within which development takes place by strengthening civil society, or by addressing issues such as the rule of law, crime and corruption (areas where good governance needs to be promoted).
- The government is much more accountable to the general population than in heavily aided countries, and this might justify supporting the advocacy role of CSOs.
- Budget-support interventions can add value if:
 - They are delivered at departmental, provincial or municipal level.
 - Financial support buys into policy dialogue in a sector, with an approach based on results and performance indicators.
 - There is scope for additionality — linked to capacity building, innovation or risky new pilot initiatives, for example.
 - The government is not experiencing significant problems in spending its own funds in the relevant area.
- Coordination between donors and with government (central and sectoral) needs to be reinforced. This requires a strong emphasis on working with the government to improve alignment with policies and procedures, and on improving donor coordination and pooled funding, if donor initiatives are to have an impact.

From these considerations, the following **general principles** can be derived. EU development partners will add value to South Africa's development process through:

- Innovation
- Developing best-practice models
- Pilot initiatives
- Risk-taking and sharing
- Facilitating systems development
- Capacity, skills and knowledge development
- Strengthening dialogue and cooperation within South Africa and with Europe
- Providing appropriate long-term funding to support priority investments in infrastructure and promote private sector growth

This is the background against which the joint EU response strategy is proposed.

5.2 Areas of Cooperation

Cooperation will cover all areas of the TDCA — including trade, economic, political, development and other cooperation.

Political dialogue will continue to cover all domestic and internal political issues of mutual interest considered to be priorities, with a view in particular to fostering peace, security, good governance and the environment in Africa. **Trade cooperation** will continue to seek to liberalise trade in goods and especially in services and capital, while paying due attention to the social

dimension of globalisation. There will also be a strong emphasis on the development and implementation of trade-related issues, including cooperation on customs and trade facilitation and the acceptance of international standards such as the WCO Framework of Standards to Secure and Facilitate Global Trade. Enhanced **economic cooperation** will become an essential element in overall cooperation between South Africa and the EU: in the medium term, the social and economic benefits of trade and economic cooperation could reinforce the effects of development assistance. Areas of economic cooperation could include information and communications technology, industrial development, transport (including security and safety aspects in all transport modes and the need for conformity with international instruments), mining, energy, taxation, tourism, employment and social policy, and the environment. Moreover, policy dialogue in the area of air transport should aim to restore the legal certainty of the existing air services agreements between South Africa and EU member states. In addition, the European Commission and South Africa have confirmed their interest in deepening their dialogue on environmental concerns. They also share a strong commitment to tackling the causes and impacts of climate change and a partnership on climate change is envisaged.

Cooperation in other areas could include cooperation in the field of education, training and culture.

The goal of **development cooperation** will be **poverty alleviation in the context of sustainable development**, in line with the South African government's policy objectives.

The European partners will focus on three areas of development cooperation with a specific objective for each of them:

1. **To promote pro-poor, sustainable economic growth**, including in the second economy, focusing on generating employment, reducing inequality, developing skills and tackling social exclusion.
2. **To improve the capacity and provision of basic services for the poor** at provincial and municipal level, and promote equitable access to social services. These services mainly relate to the provision of social protection and social welfare service, health, HIV/AIDS, education, housing, and the infrastructure to provide basics such as access to water, sanitation, sustainable energy services, waste management and communication.
3. **To promote good governance** in both the public and non-public domains. On the state side, this would focus on fighting crime, including corruption, and promoting safety, security and the rule of law. On the non-state side, the focus would be on strengthening civil society and helping NGOs, CBOs, social partners and indeed non-state actors generally to play their part in partnership with government. This would include not only tackling poverty unemployment and social exclusion (focal area 1) and delivering social services (focal area 2), but also monitoring good governance and human rights enforcement, including empowering the victims of poverty and violence.

Other areas for development cooperation with a strong direct or indirect link to the focal areas are:

- **Science and technology** within the EU framework programmes and within development cooperation between the EU and South Africa, with the aim of establishing science and technology capacity and enabling science-based interventions for poverty alleviation and economic growth promotion.
- **Regional and continental cooperation** through SADC, SACU, NEPAD and the AU, focusing on opportunities for South Africa to contribute to achieving the MDGs and to promote development, human rights, peace, environment and stability more widely.

- **Land reform**, including transport, farmer support networks and access to markets.
- **Sustainable resource management** and environmental protection, including combating climate change.
- **TDCA-related financial support, providing seed money for activities related to political, economic, trade, cultural and other forms of cooperation.**

The following **cross-cutting issues**, which represent major challenges for South Africa, should be brought into the mainstream of EU-funded activities:

- **Gender.** The main issue is translating policies into practice in all the interventions under this joint country strategy. These include women's access to employment, women's access to skills development, the role of women in delivering and receiving social services, and the way women specifically are affected by HIV/AIDS.
- **The environment.** Each intervention under this joint country strategy will have to comply with global environmental objectives and South African environmental regulations, present and future, including appropriate impact assessments.
- **HIV/AIDS.** All interventions will contain in principle an awareness component aimed at changing behaviour. In addition, all will support capacity building and human-resources management in response to the pandemic at all levels of South African society.
- **Capacity building**, including public-private partnerships. In each programme, capacity building will benefit all stakeholders, from the authority responsible for providing the service to the service provider and the final beneficiary. Because of their essential function in providing basic social services, local governments and local communities will be at the centre of capacity building activities.
- **Good governance.** This is to be a central feature of all development assistance activities, covering proper management of public finances, including the tax area, better service delivery, accountability and the participation of targeted beneficiaries in delivery processes.
- **Innovation.** Given its particular importance in South African development cooperation, innovation will be a guiding principle for all EU-funded interventions.

5.3 Means of Implementation

Political dialogue will continue between the South African government and the various EU institutions and member states. Contacts will continue between, on the one side, EU missions, embassies, the European Commission delegation and its services in Brussels and, on the other side, the South African government's departments and its mission in Brussels. High-level visits and contacts in both directions will also continue and may become more regular. Once a year, discussions will also be held at ministerial level.

This political engagement needs to take greater account of South Africa's wider roles in the region, the continent and the world, and to look in particular at the potential for engagement and partnership between the EU and South Africa at these other levels rather than just at a country level.

Within **trade cooperation**, the South Africa-EU Trade Cooperation Committee and its technical working group will continue to play an important role in developing and negotiating trade and trade-related issues in order to facilitate access to each other's markets. In addition, both parties can work closely together to enhance Southern African sustainable regional integration. Activities

will also help South African exporters to become better acquainted with the EU market. Workshops, seminars and conferences will be organised, and in some cases specific support programmes financed from development resources may also be useful.

There is a need to ensure coherence between the TDCA and the wider process of developing meaningful economic partnerships in the Southern African region. The ongoing negotiations on **Economic Partnership Agreements** need to take into account the complexities of the structures and membership of regional organisations and should help to improve its economic integration. The coherence of the region's trade relations with the EU will therefore need careful examination, including the rules governing these relations. Designing regional frameworks will be essential for trade integration and development.

In most areas of **economic cooperation**, public authorities can play only a limited, mainly catalytic, role. Public authorities can finance and organise particular activities such as training, education, capacity building, research, studies, conferences, seminars and workshops. Cooperation between small and medium-sized companies needs to be promoted, and contacts need to be initiated and facilitated between larger companies and public or private institutions involved in education, training, research, standards, and the assessment of quality and conformity. As a first step to enhance this economic cooperation, a committee — under the leadership of the South African Department of Trade and Industry and composed of government departments and representatives from the EU donor community — should meet to agree the areas to be covered in the short and medium term and develop a work plan.

Depending on the type of intervention, **development cooperation** will be financed by grants from the budgets of the European Commission and member states or by loans from European financial institutions such as the EIB, KfW and AfD. **Financial envelopes** for these sources will be decided by donor partners in the course of their individual programming processes, during the lifetime of this joint country strategy³¹.

Concerning the **European Investment Bank**, the Third RSA-EIB Framework Agreement for the period 2007-2013 is expected to come into force in early 2007. Within the broad development cooperation objectives set by the Bank, including in particular support for the Accelerated and Shared Growth Initiative for South Africa (ASGISA), EIB support under this new mandate will focus on priority infrastructure investment programmes, the promotion of private sector growth and support for smaller and medium-sized enterprises through financial intermediaries.

As set out in ASGISA, public sector investment is planned to rise significantly in the coming years. About 40% of this will be spent by public enterprises, notably in the areas of transport and power generation and distribution. Local municipalities will also be called upon to provide basic electricity, transport, water and sewerage services. To support this large-scale programme with appropriately structured long-term funds, a significant part of the overall amount under the EIB's new mandate is earmarked for priority public infrastructure, in particular in the power, transport, water and housing sectors.

In line with the ASGISA economic growth and poverty reduction objectives, EIB cooperation for the period 2007-2013 will also aim to support private sector growth and foreign direct investment, particularly in the area of technical and/or financial structuring of the investment, either through direct funding or, in the case of smaller and medium-sized ventures, through support for the South African commercial banking sector and development finance institutions..

³¹ The EIB envelope for South Africa over 2007-13 (own resources with a guarantee from the EC) has been set at €1.5bn.

All European partners will choose from the full list of strategic areas of cooperation set out above in accordance with their strengths, historical experiences and other preferences. However, where a partner is using a **multi-annual programme** as the basis for its cooperation, it is expected to cover at least one of the focal areas described above. This should lead to a concentration of funds in those areas particularly relevant to development. Individual multi-annual indicative programmes are expected to build on this overarching joint response strategy and be consistent with it. Development partners should also comply with the principle of **complementarity**. This should result in a division of labour and specialisation in specific sectors, raising the possibility of “silent partnership”, whereby one partner transfers funds to another without being involved in implementation. Funds may also be pooled. The forward-looking table of donors in Annex 2b gives a provisional overview of the issues that will require the most effort to coordinate — by the development partners, but under South African guidance.

Transforming this joint country strategy into a joint MIP will require systematic coordination of all the partners in a well-designed process. Depending on their existing programming cycles, it may be several years before all partners are fully aligned³². To guide this process, the partners in this joint country strategy envisage establishing a **Joint Country Programming Advisory Committee** in South Africa. This would:

- Keep records of all ongoing individual programming activities in South Africa.
- Guide any external and internal partner institutions seeking information on these programming activities.
- Monitor South African and EU policy developments relevant to programming.
- Give advice on which priority areas in this joint CSP need specific support.
- Record information on the implementation of individual programmes.
- Support the organisation of joint monitoring and evaluation missions in sectors or subsectors. This would help to develop reliable indicators of success.

This Committee would facilitate the process of establishing a joint MIP in line with the principles set by the Paris Declaration. It would involve the National Treasury, the European Commission and member states, but would be open to other like-minded partners in development³³. It would operate throughout the duration of this joint country strategy, at least.

South African partners should, as in the past, be both state and non-state actors, including parastatal and private entities. With the progressive devolution of service delivery from national to municipal level, it is expected that municipal bodies will increasingly assume the role of implementing partners. Civil society organisations (NGOs and CBOs) could play an active role in service delivery, human rights, good governance, empowerment and HIV/AIDS. Direct partnerships with private-sector organisations (such as financial institutions) should increasingly be formed. Twinning public and private entities is also to be encouraged.

In the context of the African Renaissance vision and the **New Partnership for African Development**, South Africa has initiated discussions with international donors on the potential for new forms of development partnership, including trilateral cooperation, targeting low-income

³² A common commitment could be envisaged to limit the transition period for a joint MIP to, for example, the end of 2008.

³³ The South African government should invite other ODA partners to join in. The mandate and ways of working need to be agreed among all partners.

countries and crisis states in Africa. The EU is open to exploring innovative forms of development partnership, as long as they are consistent with the broad principles of aid effectiveness.

Ways of delivering aid will continue to be varied, including projects, programmes and sector-wide approaches with budget support. EU partners (particularly the European Commission) increasingly favour the latter approach. It presents a variety of implementation advantages, but also requires a policy dialogue with the South African partner — though the rules for this dialogue need further development. The intention is to extend the dialogue on sector policies and implementation issues to other relevant partners, including EU stakeholders and government clusters.

In order to strengthen the country's policies, institutions and human resources, the whole range of EU **technical cooperation tools** will be offered, including short- and long-term advice from experts and consultancies, coaching, exposure trips, support for networking, twinning arrangements, knowledge management and exchange arrangements.

In order to minimise transaction costs, partners will coordinate their **monitoring and evaluation** processes for the implementation of each individual MIP. The government's key indicators, stipulated in the Government Programme of Action (2005), will be used to evaluate the implementation and impact of policies and strategies. These indicators are organised in five clusters:

- Economic
- Social
- Government and administration
- Justice, crime prevention, safety and security
- International relations, peace and security

The **main result** expected from this development cooperation strategy is that it should help improve the economic and social welfare of the poor black population and increase equality, continuing South Africa's development into a stable and flourishing democracy unthreatened by crime and unrest. The strategy should also help South Africa to be a stabilising influence in the region and throughout Africa.

The following **risks** need attention:

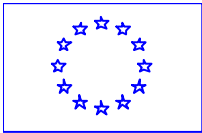
- The South African partners in various sectors may not provide the necessary leadership, despite the efforts of their EU partners to combine their strategies and coordinate activities and funding. This would leave the EU's assistance fragmented and dissipate its impact.
- If the new strategy is successful, it will ensure that the EU partners (the European Commission and member states) remain committed to coordinating their activities fully. However, if the strategy is unsuccessful, coordination may break down and EU partners may go back to operating traditional bilateral programmes.

To mitigate these risks, coordination mechanisms in all areas of cooperation must be strengthened. This will be the main task for all partners involved in the years to come.

ACRONYMS AND ABBREVIATIONS

ACP	African, Caribbean and Pacific Group of States
AFD	Agence Française de Développement (French Development Agency)
ANC	African National Congress
APRM	African Peer Review Mechanism
ART	Anti-retroviral treatment
ASGISA	Accelerated and Shared Growth Initiative South Africa
AU	African Union
BEE	Black Economic Empowerment
BLNS	Botswana, Lesotho, Namibia, Swaziland
CBO	Community-based organisation
CSO	Civil society organisation
CSP	Country strategy paper
DAC	Development Assistance Committee (part of OECD)
DBSA	Development Bank of Southern Africa
DoE	Department of Education
DEAT	Department of Environmental Affairs and Tourism
DoL	Department of Labour
DLA	Department of Land Affairs
DPLG	Department of Provincial and Local Government
DPISA	Department of Public Service and Administration
DRC	Democratic Republic of Congo
DST	Department of Science and Technology
DTI	Department of Trade and Industry
EBA	Everything But Arms
EC	European Commission
EFTA	European Free Trade Association
EIB	European Investment Bank
EPA	Economic Partnership Agreement
EPRD	European Programme for Reconstruction and Development
EU	European Union
FDI	Foreign direct investment
G20	Group of 20
G77	Group of 77
GDP	Gross domestic product
GEAR	Growth, Employment and Redistribution
GES	Growth and Empowerment Strategy
GNI	Gross national income
GNP	Gross national product

GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Society for Technical Cooperation)
HDI	Human Development Index
IBSA	India, Brazil, South Africa
ICT	Information and communications technology
IDC	International Development Cooperation
IDPs	Integrated development plans
INCA	Infrastructure Finance Corporation
KfW	KfW Bankengruppe
MDG	Millennium Development Goal
Mercosur	Mercado Común del Sur (Southern Common Market)
MIC	Middle-income country
MIP	Multiannual indicative programme
MS	EU member state
NAM	Non-Aligned Movement
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
NLCC	National Land Claims Commission
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
POA	Programme of action
PPP	Public-private partnership
PRSP	Poverty-reduction strategy paper
RDP	Reconstruction and Development Programme
REC	Regional Economic Community
SA	South Africa <i>or</i> South African
SACP	South African Communist Party
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAPS	South African Police Service
SME	Small or medium-sized enterprise
SMME	Small, micro or medium-sized enterprise
S&T	Science and technology
Stats SA	Statistics South Africa
SWAP	Sector-wide approach
TA	Technical assistance
TDCA	Trade, Development and Cooperation Agreement
UK	United Kingdom
WTO	World Trade Organisation
ZAR	South African Rand



EUROPEAN UNION

Delegation of the European Commission
in South Africa

Pretoria, 03-04-2006

ANNEX 1

COUNTRY FACT SHEET: SOUTH AFRICA

General

Surface area (km²): 1.2 million (roughly the equivalent of France, Germany and Italy combined)

Composition of parliament: 400 seats in total. African National Congress (291); Democratic Alliance (46); Inkatha Freedom Party (23)

Population

Population total: 46.8 million (2005 estimate)

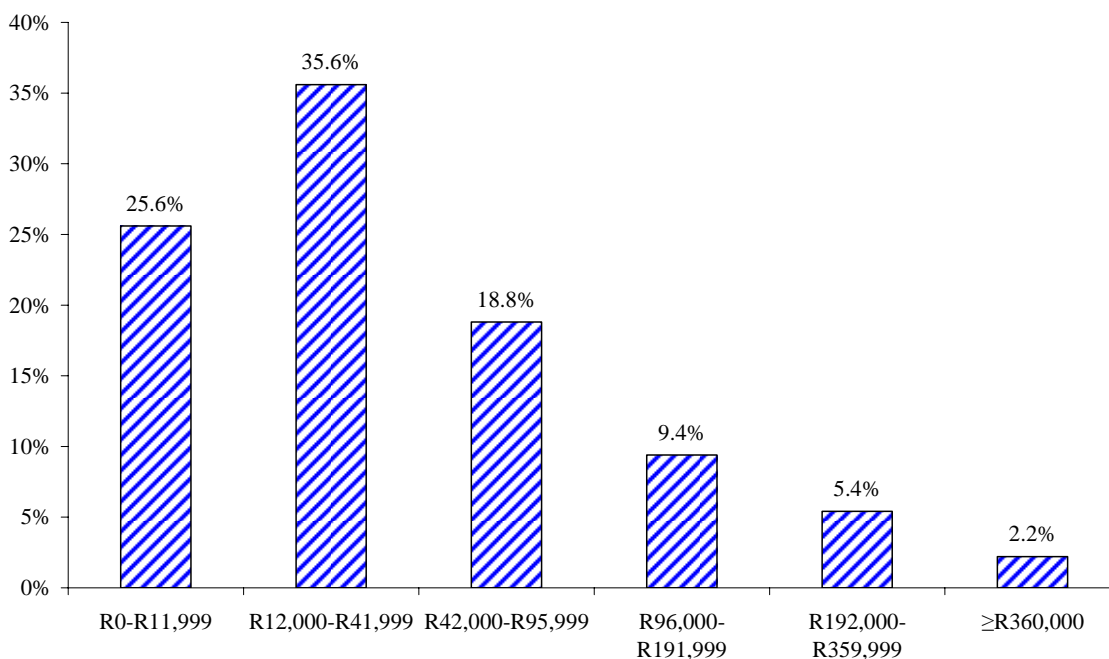
Population growth rate: 0.9% (2005 estimate)

Distribution by race: African (79.4%); Coloured (8.8%); Indian/Asian (2.5%); White (9.3%)

Distribution by gender: Male (49.2%); Female (50.8%)

Distribution by province: Eastern Cape (15%); Free State (6.3%); Gauteng (19.2%); Kwazulu-Natal (20.6%); Limpopo (12%); Mpumalanga (6.9%); Northern Cape (1.9%); North West (8.2%); Western Cape (9.9%)

Distribution by annual income across all South African households:



Economy and Macroeconomic Indicators

GDP (at current market prices):	R1 375 billion (2004); US\$213.1 billion (2004)
GDP growth (average annual rate):	5% (2005); 3.1% (1995)
GNI per capita:	US\$3 630 (2004, Atlas method); US\$2 980 (1999, Atlas method)
Major sector contributors to GDP (2004):	Services (70%) ¹ — key contributors being finance, real estate and business services (20%), general government services (15%), wholesale and retail, hotels and restaurants (14%) and transport and communications (10%); Manufacturing (20%); Mining (7%); Agriculture (3%)
Inflation rate:	4.5% (Feb 2006), 3.9% (2005), 6.9% (1999)
Gross national savings rate:	13.7% of GDP (2005), 15.8% (1999)
Investment rate:	16.8% of GDP (2005), 15.4% (1999)
Foreign direct investment, total:	R39.5 billion; US\$5.2 billion (2003)
Foreign direct investment:	3.2% of GDP (2003)
Foreign direct investment inflows as share of total, by major investor (measured over period 1994-2002):	EU (29%) — of which UK (17%), Germany (7%), Italy (3%), France (2%); US (26%); Malaysia (11%)

In addition, the EU holds about 60% of total South African assets held by foreigners.

Trade and External Sector

Exports, total (at market prices):	26.6% of GDP (2004)
Exports, average annual growth:	2.5% (2004), 7.2% (1996)
Exports to EU (at market prices):	€15.7 billion (2004) — of which 25% are precious metals and stones, 22% mineral products and 5% vehicles, aircraft and transport equipment; €7.6 billion (1995)
Exports to world, by major product:	Precious metals and stones (27%); iron and steel (12%); machinery and appliances (9%); mineral fuels (8%); vehicles, parts and accessories (8%) (2004)
Exports to world, by major trading partner:	EU (32%): UK (9%), Germany (7%), Netherlands (4%), Italy (3%), Spain (2%), France (2%), Belgium (2%), remaining EU 25 each <1%; US (10%); SADC (9%); Japan (9%); rest of Africa (4%); Taiwan (3%); Australia (2%) (2004)
Imports, total (at market prices):	27% of GDP (2004)
Imports, average annual growth:	14.1% (2004), 8.7% (1996)

¹ Tourism alone now accounts for 7% of GDP.

Imports from EU (at market prices): €16.1 billion (2004) — of which 35% machinery and appliances, 24% vehicles, aircraft and transport equipment and 10% chemicals;
 €8.7 billion (1995)

Imports from world, by major product: Machinery and appliances (26%); vehicles, parts and accessories (17%); mineral fuels (14%); aircraft (4%) (2004)

Imports from world, by major trading partner: EU (41%): Germany (14%), UK (7%), France (6%), Italy (3%), Sweden, Netherlands, Spain, Belgium, Ireland, Austria, Hungary, Finland and Poland (1%), remaining EU 25 each <1%; China (8%); US (8%); Japan (7%); Saudi Arabia (6%); Iran (5%); SADC (2%); rest of Africa (2%) (2004)

Trade balance with world: -R6.8 billion (2004)

Trade balance with EU²: -€0.4 billion (2004)

Current account balance: -R44 billion, equivalent to 3.2% of GDP at market prices (2004); -1.65% of GDP (1996)

Foreign reserves, absolute: US\$22 billion (Feb 2006)

Foreign reserves, weeks of imports: Estimated at around 23 weeks

Government Income and Expenditure / Public finances

Government revenue, total: R411.1 billion (2005), R446 billion (2006 est.)

Government revenue, % of GDP at market prices: 25.9% (2005)

Government expenditure, total: R418.9 billion (2005), R472.7 billion (2006 est.)

Government expenditure, % of GDP at market prices: 27% (2005), 23% (1995)

Government expenditure per sector as % of GDP:
 Education (5.6%), health (3.1%), other social services (6.1%) (2003)

Government expenditure per sector as % of budget:
 Total 63.1% — of which education (23.8%), health (13.3%) and other social services (25.9%) (2004)

Government budget deficit/surplus: 0.5% of GDP (2005), 1.5% (2006 est.)

Donor contribution to budget: 1.3% of total budget, 0.3% of GDP

Government debt (ZAR): R500.8 billion (2004)

Government debt as % of GDP at market prices:
 Total debt 36.4% — of which external debt (5%), domestic debt (31.4%) (2004)
 Total debt 30.8% (2005)

² **This is the first time since at least 1999 that the balance of trade with the EU has been in deficit.** Please note that this figure differs somewhat from the official South African trade figures, which record a slightly larger trade deficit with the EU. The discrepancy seems to be caused by differences in methods of measurement.

Employment

Workforce, total ³ :	16.2 million — of whom employed (11.9 million), unemployed (4.3 million) (Mar 2005)
Employed in formal sector (including agriculture) ⁴ :	8.3 million — of whom approximately 6.7 million are skilled or semi-skilled and 1.6 million work in elementary occupations other than domestic work (Sept 2004)
Employed in informal sector ⁵ :	2.4 million — of whom about 45.4% are in trade (Sept 2004)
Employed in domestic service:	0.9 million (Sept 2004)
Rate of unemployment:	Official rate (strict definition excludes discouraged job seekers) is estimated at 26.5% (Mar 2005); expanded definition rate (includes discouraged job seekers) is 40.5% (Mar 2005)
Unemployment by population group (as % of population group), according to official rate:	Black African (31.6%); Coloured (19.8%); Indian/Asian (18%); White (5.1%).
Unemployment by gender (as % of male/female population):	Male (22.4%); female (31.4%)
Employment share per sector:	Primary (12.6%) — of which 9.1% agriculture, fishing and forestry and 3.5% mining; secondary (22.6%) — of which 14% manufacturing; and tertiary (64.7%)

Poverty

Gini coefficient:	0.58 (2004); 0.6 (1995)
Proportion of population living on <R354 per month — i.e. below national poverty line:	45.8%
Proportion of population living on <US\$1 per day:	10.5% (2002)
Proportion of population living on <US\$1 per day, by population group:	African (12.8%); Coloured (3.6%); Indian (3.1%); White (0.4%)
Proportion of population living on <US\$1 per day, by province:	Western Cape (2.7%); Eastern Cape (15.3%); Northern Cape (8.3%); Free State (6.6%); Kwazulu-Natal (13.1%); North West (11.9%); Gauteng (3.4%); Mpumalanga (9.2%); and Limpopo (18.5%)

³ This is the total economically active population — i.e. all those who are able to work, whether they are employed or unemployed. This estimate is based on the official rate of unemployment, **which excludes discouraged job-seekers** — i.e. those who have given up looking for work.

⁴ “The formal sector includes all businesses that are registered in any way.” — Stats SA

⁵ “The informal sector consists of those businesses that are not registered in any way. They are generally small in nature, and are seldom run from business premises. Instead, they are run from homes, street pavements or other informal arrangements.”- Stats SA

Human Development Index (HDI)⁶: 0.68 (2002)

Access to water:	80% of African-headed households have access to piped water, either in the dwelling, on site or from a communal tap. Almost all households in the other population groups have access.
Access to electricity:	70% of households use electricity for lighting, but only about 50% use it for heating and cooking (paraffin and wood are the primary alternatives for the latter)
Access to telephone:	42% of all households have access to a telephone (either land-line or mobile)
Access to toilet facilities:	Approximately 1 in every 7 households has no access to toilet facilities
HIV and AIDS prevalence, total:	21.5% — equivalent to 5.1 million persons (2003) ⁷ ; 10.5% (1995)

EU representation in SA

Austria; Belgium; Cyprus; Czech Republic; Denmark; Finland; France; Germany; Greece; Hungary; Ireland; Italy; the Netherlands; Poland; Portugal; Slovakia; Spain; Sweden; the United Kingdom

⁶ The UN Human Development Index (HDI) measures a country's achievements in three aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined gross primary, secondary, and tertiary enrolment ratio; and standard of living is measured by GDP per capita (PPP US\$).

⁷ This is the prevalence rate among the adult population aged 15-49 years.

Annex 2a: EU DEVELOPMENT COOPERATION WITH SOUTH AFRICA (table of donors detailing cooperation past and present)

Country/ Institution ¹	Total amount 2000 – 2005 €m ²	Main focal sectors	Cross-cutting themes	Main results	Success stories	Main cooperation partners
EC	760	Social services, deepening democracy, economic development, regional integration.	HIV/AIDS, gender, capacity building, governance, environment, non-state actors.	EC has been present in all major socio-economic sectors that are important for development. Its programmes are seen as relevant in terms of support for SA policy in these sectors. Main focus has been on establishing innovative, best-practice activities that would add to existing SA practices.	In the water services sector, the EC and member states such as Ireland continue to support a Sector-Wide Approach Programme (SWAP) where all sector partners have a role to play. In the water services sector, the stakeholders and partners involved continue to do well in exceeding the targets set for providing clean water and basic sanitation under the Masibambane II programme as well as providing support to local government and other key stakeholders.	National government, provinces, municipalities, non-state actors.
Belgium ³	44	Safety and security, health, land reform	Non-state actors?	With limited means, Belgium's development cooperation has found a useful "niche" in South Africa. However, it has been difficult to find a specific role for Belgian aid in the health sector, since multiple sources of funding are already available to the Department of Health. The land sector is the most obvious for Belgium as a focal sector for the future.		Department of Health, NLCC, SAPS, local NGOs and universities.
Denmark	214?	Skills development, good governance, urban environment, private-sector development.	HIV/AIDS, (ICT)		Environmental cooperation has been going on since 1995, focussing on support for legislative and institutional strengthening and capacity building for environmental policy, planning and regulation. As a direct result, important legislation on waste management, air quality, forestry, water and renewable energy and energy efficiency has been passed and is currently being implemented.	
Finland	40	Education, environment, private sector/SMMs, science and technology (IT), non-state actors	Gender, governance, environment, capacity building	Most promising results in building environmental management capacity and forms of new institutional cooperation in the information society sector.		DOE, DST, DTI, Provincial Departments, NGO-sector
Germany	234	Local governance and development, skills development; good governance	HIV/AIDS (addressed wherever suitable 'points of entry' can be identified in focal areas and projects)	The main strength of cooperation with SA is the close contacts between professional counterparts in the public authorities through a long-term programme of advisory services. Particularly appreciated is the contribution to capacity building and best practices in key areas of public administration. By concentrating on three focal areas, accompanied by a significant reduction in the number of projects, the programme now has a clear strategic	Under the TRANSFORM project, implemented by DEAT with support from GTZ, methods for community-based natural-resource management were developed, tested and successfully disseminated. Lessons learnt were used for the formulation of national policies and guidelines on the involvement of communities in the use of natural resources, which are now the basis for the implementation of DEAT-financed support interventions. BASED supported the Limpopo Department of	The 'lead ministries' DPLG, DoL and DPSA are coordinating the German support in the three focal areas

¹ Programmed Development Cooperation.

² Commitments.

³ Including Flanders.

				orientation	Agriculture in pilot areas with the introduction of participatory development approaches leading to enhanced food security and agricultural income. Its success is visible not only in significant production increases, certified seeds and various food commodities, formulation of many self-organised groups, etc, but also in the institutional changes introduced in DLA aimed at responding better to the needs of farmers. The success of the project was recognised by naming DLA the 'best department in the province' and by a national award for innovative and sustainable approaches.	
France	360	Basic infrastructures and essential services, development of private sector, good governance, culture and French language, sciences and technologies	Capacity building, focus on previously disadvantaged communities (PDC), institutional strengthening, regional prospects	Significant contribution to basic infrastructures for PDC communities, job creation in the SME sector.	<ol style="list-style-type: none"> (1) Extended partnership with the Development Bank of Southern Africa (DBSA) on loan finance and knowledge sharing. (2) Contribution to creating the Infrastructure Finance Corporation (INCA) and supporting the INCA Capacity Building Fund. (3) Support (with a guarantee mechanism) of EduLoan (microfinance for education). (4) Support for the South African Police Service (SAPS): ownership by SAPS, relevance of the niches for intervention and leverage at national and regional levels. 	DBSA, IDC, municipalities, commercial banks, national departments, NEPAD
Ireland	47	Education, health, water and sanitation, governance/ democracy/human rights, HIV/AIDS, Local Economic Development	HIV/AIDS, gender, good governance, environment	Since 1994 Irish Aid has evolved to the point where it is building on successful experiences, working within a sectoral and geographic focus and continuing to partner both Government (at all levels) and civil society.	Irish Aid has been engaged with the Free State Province Department of Health since 1997 — supporting a comprehensive primary healthcare approach through a district-based health system (with input from appropriate NGOs on HIV/AIDS). This programme of support was very favourably reviewed in 2005 and is now in a structured exit phase (to the end of 2007) meant to harness and consolidate the gains and achievements to date, while ensuring their sustainability through integration with the Free State Department of Health's own plans and systems. The programme is a good example of the development benefits and impact that can be achieved through longer-term engagement between partners.	National, provincial, local government. More than 30% through civil society.
Netherlands		Education, HIV/AIDS			Cooperation in the area of education, dating back to the mid-90s, has contributed considerably to the process of transforming the education system into education for all children in SA. It focuses particularly on supporting innovative models of school systems as central elements not only in education but also in community development. Policy-oriented research programmes are also supported with a view to contributing to policy development and innovation through policy dialogue.	National, provincial, local, NGOs, CBOs.
Sweden	142	Democratic governance, urban development, education, culture, research, private-sector development, economic cooperation.	Gender, equity, HIV/AIDS, children's rights, environment.	The previous country support strategy (1999-2003) emphasised policy development and capacity building. In general targets were met. In the case of support for governance and urban development, the cooperation could be successfully concluded at the beginning of the		Transformation from traditional partners to cooperation between SA and Swedish societies, with reciprocal benefits and joint funding of operations.

				next country strategy period. Other provincial and local administrators have proved to have less capacity. Current and future cooperation emphasises the transformation into 'broader cooperation', based on mutuality and joint financing, i.e. the mode of cooperation is being modified, e.g. twinning arrangements between institutions, provinces and municipalities, technical cooperation, partnership funds, dialogue fora in areas of common interest (health and labour market).		Hence new tools outside the traditional set. Future: direct institutional partnerships, co-financed, with little public funds involved.
UK	252?	Education/skills development, good governance, public sector development, private sector development, NGOs, environment, land reform.	HIV/AIDS, capacity building, governance, equality	Development assistance most valued by SA when it gives access to expertise only available outside the country and provides opportunities for innovation and trying new approaches.	Employment Promotion Project — overseen by senior people from government, labour and business. It has assisted with rethinking labour market institutions and government approaches to training. Integrated Provincial Support Programme — working with the DPSA to strengthen provincial government. DPSA has been actively involved throughout and has taken over procurement functions and brought the lesson-learning component into the department. Support for the Restructuring of Public Enterprises in SA — since 1994 the Department of Public Enterprises has taken the lead and been very effective in coordinating restructuring efforts between departments and decisions on how the project is to be used; as a result the impact of the project has increased.	Government (national, provincial and local level), civil society, other international institutions.

Country ¹	Total amount 2000 – 2005 €million (commitments)	Main focal sectors	Cross-cutting themes	Main results	Success stories	Main cooperation partners
Austria	6.9	Government, civil society, environment				
Cyprus						
Czech Republic	-					
Greece						
Hungary						
Italy	41	Health, private-sector development, drug trafficking, nature conservation		Main results very satisfactory especially in the health sector.		
Poland						
Portugal		Education				
Slovakia						
Spain	2.7	Tourism, health, education, capacity building		Very positive results and contribution to job creation particularly in the tourism and health sectors.		

¹ Non-programmed development cooperation.

Annex 2b: FUTURE EU-SA DEVELOPMENT COOPERATION

	SOCIAL SERVICES (focus on capacity building)	GROWTH and EMPLOYMENT (focus on SECOND ECONOMY)	GOVERNANCE		OTHER	CROSS-CUTTING
			Government/ Local Gov/ Public Sector	Non-State Actors/ NGOs/CBOs		
Austria						
Belgium ¹					2	
Denmark		3				
EC ⁴						
Finland						
France	5	6			7	
Germany						
Ireland					8	
Italy						
Netherlands		9			10	
Portugal						
Spain		11				
Sweden		12				
UK ¹³						
Total:	14	10	9	9	7	11

Comment:

¹ Including Flanders.

² Focal area: land affairs.

³ Urban environment.

⁴ Future sectors of EC development cooperation are only provisional and will be decided in the CSP process.

⁵ Infrastructure (urban renewal, social housing, basic services).

⁶ Job creation, development of Black SMEs.

⁷ Regional infrastructure (energy, ICT), environment and the fight against climate change.

⁸ Regional: HIV/AIDS programme.

⁹ Rural development: agriculture — capacity support.

¹⁰ Regional: HIV/AIDS programme.

¹¹ Tourism.

¹² Urban development: twinning arrangements.

¹³ Future sectors of UK development cooperation are only provisional and will be decided during 2006.

CALENDAR OF EVENTS

June 2005 — October 2005	An evaluation of the previous CSP (2003-2006) is launched, resulting in a report discussed in October 2005 by stakeholders including South African departments, projects, member-state representatives and non-state actors.
October 2005 — March 2006	Preparation and commissioning (by the Delegation in close cooperation with DG DEV and the NAO) of three sector studies in potential areas of future cooperation. Study results are presented to a large number of stakeholders, including NSAs, at three different events during that period. Eight local member-state development counsellors form a group of partners aiming at a joint EU-wide CSP for South Africa. National Treasury (NT) encourages this joint process.
December 2005	The Delegation informs DG DEV and Commissioner Michel's Cabinet of progress and the way forward.
April 2006	NT invites all stakeholders involved in preparing the CSP to a joint discussion of the three sector studies and the way forward.
10 April 2006	The Delegation sends a first draft of the joint CSP to EC headquarters and MS capitals, as well as to NT for dispatch in SA.
April 2006 — May 2006	Comments on the draft are sent by addressees to the Delegation, to be incorporated in the next draft.
15 June 2006	Work on the draft is finished at local level, and the final draft is sent to EU partners with a joint covering letter signed by the Austrian Presidency and NT, inviting EU partners to confirm joint ownership of the document and recognise it as the basis for future programming work.
June 2006 — October 2006	EC Delegation works on draft MIP (for the EC component of the envisaged joint MIP)
November 2006 — July 2007	Approval process of CSP, including the EC MIP in the Commission
Summer - 2007	Signing of the CSP/MIP between SA Government and the EC

SOUTH AFRICA COUNTRY ENVIRONMENTAL PROFILE

1. SUMMARY

Main Environmental Problems

As both an industrialised and a developing country, South Africa faces a twofold set of environmental challenges. Growth in water usage outpacing supply, increasingly difficult access to agricultural and drinking water, increasing soil erosion and desertification, inadequate waste management, air pollution resulting in acid rain, and the pollution of rivers from agricultural runoff and urban discharges all have an impact on food security, long-term welfare and economic development of the poorest, in particular among the rural population. In addition, climate change is likely to exacerbate many of these environmental concerns and pose new challenges.

South Africa also faces important challenges in tackling the growth in its greenhouse gas emissions, in particular from its energy and transport sectors. It is the largest energy consumer and greenhouse gas emitter in Africa. Its per capita CO₂ emissions are almost at the level of the EU. The energy sector, which mainly relies on coal and oil or its products for electricity generation⁵⁸, is the single largest source of carbon dioxide (CO₂), sulphur dioxide (SO₂) and mercury emissions in the country. Emissions from vehicles (aeroplanes, ships, trains and road vehicles) contribute close to half of total national volatile organic carbon emissions (VOC).

South Africa's available freshwater resources are already almost fully utilised and under stress. At the projected population growth and economic development rates, projected demand for water resources in South Africa is unlikely to be sustainable. Supply will be a major constraint on the future socio-economic development of the country, in terms of both the amount and quality of water available. At present many water resources are polluted by industrial effluents, domestic and commercial sewage, acid mine drainage, agricultural runoff and litter.

South Africa has one of the world's greatest diversity of plant and animal species contained within one country, and is home to many species found nowhere else in the world. Terrestrial resources are rapidly disappearing, however, due to conversion of natural habitat to farmland, forestry, human settlement, and industrial development. Some species are under threat from over-collection for medicinal, ornamental and horticultural purposes.

Degradation of vegetation and soils is also a widespread problem in South Africa. Rapid population growth and inappropriate government policies in the past encouraged cultivation in unsuitable areas and the use of poor agricultural methods to produce sufficient food. More than 90% of South Africa's land surface falls within a desertification risk area. The Department of Water Affairs and Forestry is promoting, via its National Action Plan, the development of community forestry to reduce the pressure on natural woodlands, which are the sole source of energy for a significant part of the population, but which are rapidly being denuded.

⁵⁸ Energy-generating activities include electricity generation, oil and coal refinement to produce petroleum products, coal mining and gas extraction, wood burning and the burning of coal and oil to produce heat for industrial and other purposes.

South Africa's coastal and marine resources play a major role in sustaining economic and social development, and contribute to the employment and food security of local populations. However, they are under considerable threat and are already severely degraded in many areas due to over-harvesting and urban/industrial development.

Main Conclusions and Recommendations

At present, many policies exist which encourage wasteful use of resources and uncontrolled generation of pollution and waste. Although in many cases new policies have been developed to replace these, it will be some time before they are fully operational.

2. STATE OF THE ENVIRONMENT

PHYSICAL ENVIRONMENT AND RESOURCES

Land resources

South Africa has a broad range of geological, soil and landscape forms. Vegetation varies from arid shrub land, through savannah and woodlands to coastal and alpine forests.

Degradation of vegetation and soils is a widespread problem in South Africa. Rapid population growth and inappropriate government policies in the past encouraged cultivation in unsuitable areas and the use of poor agricultural methods to produce sufficient food.

Furthermore, it is estimated that water erosion affects 6.1 million hectares of cultivated soil and wind erosion affects 10.9 million hectares. This results in an estimated annual mean loss of 2.5 tonnes per hectare. This is highly unsustainable as it is 8 times faster than natural processes.

More than 90% of South Africa's land surface falls within a desertification risk area. The Department of Water Affairs and Forestry is promoting, via its National Action Plan, the development of community forestry to reduce the pressure on natural woodlands, which are the sole source of energy for a significant part of the population, but which are rapidly being denuded.

Water resources

Freshwater is the scarcest resource in the country. South Africa is a semi-arid country with only 8.6% of annual rainfall available as surface water (48.2 km³). This is one of the lowest ratios in the world. Like its surface waters, South Africa's groundwater resources are relatively limited compared to world averages. About 4.8 km³ of groundwater is produced per year, of which an estimated 3 km³ is in turn drained by rivers.

The scarcity of water is compounded by pollution and waste of surface- and groundwater resources through unsound domestic, agricultural and industrial uses. At present many water resources are polluted by industrial effluents, domestic and commercial sewage, acid mine drainage, agricultural runoff and litter. As many of these pollution sources are spread out across the country, it is difficult to estimate the magnitude of the pollution problem. However, Western Cape, Eastern Cape, KwaZulu-Natal and the Vaal rivers have major problems with Total Dissolved Solids (TDS), and most of South Africa's rivers have a eutrophication

problem. Moreover, susceptible terrestrial and freshwater ecosystems are likely to show the adverse effects of acid deposition in a few decades if the current emission rates of sulphur dioxide and nitric oxide are continued or increased.

South Africa's available freshwater resources are already almost fully utilised and under stress. The scarcity of freshwater resources has led to every major river in South Africa being regulated in order to ensure adequate water supply for development. At the projected population growth and economic development rates, the projected demand for water resources in South Africa is unlikely to be sustainable. The estimated population growth and increase in domestic use will increase the demand for water by over 50% by the year 2030. Supply will be a major constraint on the future socio-economic development of the country, in terms of both the quantity and quality of water available.

To augment supplies, South Africa is looking towards water sources in other southern African countries (e.g. Lesotho) to assist in providing sufficient water for projected future demands. However, the risks of international dependency on such a priority resource are high. Other possible sources of water, such as desalinisation of seawater and water from icebergs, may be potential options in the long term, but are currently too expensive to exploit.

Estimates of still undeveloped resource potential, especially in the better-watered south-eastern regions of the country, show that the yield from surface water could be increased by approximately 5.6 km³ per year by the year 2025. Potential also still exists for further groundwater development, although on a smaller scale. Substantial volumes of water from urban and industrial developments are returned to streams and are available for reuse, with a specific potential in some coastal cities where wastewater is discharged into the sea. Total usable water return flows are close to double the current yield from groundwater.

Climate and climate change

South Africa has a great variety of climate zones, from the extreme desert of the Kalahari near Namibia to the subtropical climate along the border with Mozambique. The extreme southwest has a climate similar to that of the Mediterranean with wet winters and hot, dry summers. Further east on the country's south coast, rainfall is distributed more evenly throughout the year, producing a green landscape.

On average, temperature stations in South Africa showed an increase of 0.2°C during the 1990s, which is not yet a cause for alarm. The increase in temperature may be associated with global warming, although this is hard to prove statistically with such a short record.

In the long term, however, greenhouse-gas emissions will inevitably have an important effect on South Africa's climate. South Africa was the 15th largest global emitter of CO₂ in 2002, responsible for 1.47% of global emissions. The energy sector, which mainly relies on coal and oil or its products⁵⁹, is the single largest source of carbon dioxide (CO₂), sulphur dioxide and mercury (SO₂) emissions in South Africa. In 2002 South Africa was the world's fourth-largest coal exporter. Exports, mostly of steam coal, totalled 70m t, most of which went to Europe. Coal exports from Africa are expected to total 110m t in 2030, or around 10% of world coal trade, the majority of which will continue to go to the European Union.⁶⁰

⁵⁹ Energy-generating activities include electricity generation, oil and coal refinement to produce petroleum products, coal mining and gas extraction, wood burning and the burning of coal and oil to produce heat for industrial and other purposes.

⁶⁰ IEA World Energy Outlook 2004.

Emissions from vehicles (aeroplanes, ships, trains and road vehicles) account for 44% of total national nitric oxide emissions and 45% of total national volatile organic carbon emissions (VOC). Agricultural activities contribute the most to methane emissions (48% of the national total) and nitrous oxide emissions (78% of the national total).

All in all, carbon dioxide, nitrous oxide and methane emissions are increasing slightly, even though many ozone depleting compounds have been phased out since 1990. Furthermore, the use of fuel material such as wood, dung and coal contributes greatly to air pollution.

Potential changes in climate may have significant effects on various sectors of South African society and the country's economy. The South African Country Studies Programme identified the health sector, maize production, plant and animal biodiversity, water resources, and rangelands as the areas of highest vulnerability to climate change, and proposed suitable adaptation measures to offset adverse consequences.⁶¹

Waste management

South Africa's total waste stream for 1998 was estimated at 538 million tonnes. Industrial and mining waste amounts to about 470 million tonnes per annum (87% of the 1998 total). Non-hazardous industrial waste amounts to approximately 16 million tonnes. 95% of urban waste is disposed of on landfill sites, of which there are about 1 200 in South Africa.

Industrial, agricultural and human settlements generate large amounts of harmful waste. South Africa produces 42 million cubic metres of solid waste per annum. This equals 0.7 kg per person per day. This figure is more in line with that for developed countries than with that for undeveloped countries. Furthermore, 5 million cubic metres of harmful waste is generated per year. South Africa's capacity to store and treat this waste is very limited and serious landfill shortages are foreseen in the next 10 years. Another concern is the high percentage of hazardous waste not disposed of in the correct manner. Only 5% of hazardous waste is dumped at hazardous waste disposal sites.

ECOSYSTEMS AND BIOLOGICAL DIVERSITY

Terrestrial ecosystems

With the increasing demand for land restitution, it is anticipated that there will be an increased loss of natural habitats and a potential loss of biodiversity. In future, land will certainly be more intensively utilised and hospitable environments outside formal conservation areas will come under increasing pressure for food production.

Nearly 91% of the country falls within the United Nations definition of "affected drylands". These are extraordinarily dry areas where rainfall is low and potential evaporation is high. Dryland systems are often very sensitive to change, and therefore need to be managed carefully. For example, crops grown in these areas are usually not irrigated, and depend on rainfall. Drought-induced crop failure can result in direct food shortages at local level, usually affecting subsistence agriculturalists the hardest. Removal of vegetation (ground cover) from dryland areas can increase the risk of soil erosion, making the soil less fertile and less able to support vegetation (natural or cultivated crops) in future.

⁶¹ National Communication of South Africa to the UNFCCC.

The land ownership reform process, under way since 1994, allowing all South Africans fair access to land and natural resources, has resulted in more than 6 million hectares of previously state-owned land now being more intensively cultivated. This already significant demand on the land, combined with a growing population and hence a growing demand for food, space and other resources, makes it essential that the land and its resources are used wisely and in a sustainable fashion.

Plantation forests occupy about 1.5 million hectares of land in South Africa. These forests support industries important to the economy of South Africa. Although they take up a relatively small area (little more than 1% of total land area), these forests place high demands on the environment (e.g. in terms of water use) compared to both the area occupied and the natural vegetation they replace. There is therefore particular concern about the role of forestry in national sustainable development.

Marine and coastal ecosystems

The South African coastline is rugged and its rocky shores are exposed to high wave energy. It has very few truly sheltered bays and is dominated by strong winds throughout much of the year. Eighty per cent of the 3000 km coastline consists of sandy beaches usually backed by low sand dunes. The rocky shores support a rich flora and fauna and in many areas provide a rich food resource for subsistence dwellers along the coast.

The coastal and marine resources provide opportunities for economic and social activities that include: fisheries, agriculture, mineral resource exploitation and a range of development opportunities. Many South Africans are dependent on the coast for their subsistence. At present, it is estimated that about 12 million people live within 60 km of the coast, corresponding to about 30% of the population.

The sustainability of South Africa's coastal and marine systems and resources is thus important, since they constitute a rich and diverse national asset, but one sensitive to human-induced and environmental pressures.

However, South Africa's coastal and marine resources are under considerable threat and are already severely degraded in many areas due to over-harvesting and urban/industrial development. There are gaps in scientific understanding of the functioning of South African coastal and marine systems. Much of the existing knowledge relates to fisheries, particularly those of the Benguela upwelling system, inter-tidal and estuarine ecology, coastal processes, and the physical oceanography (particularly of the surf zone) and marine geology of the continental shelf. By contrast, the terrestrial components of the coastal zone, in particular the impact and sustainability of land-based human developments, are less well researched.

Biological diversity

South Africa is characterised by a wide diversity of plant and animal life and is ranked as the third most biologically diverse country in the world, mainly due to the richness of the plant life. Over 18 000 species of vascular plants are found in South Africa, of which over 80% occur nowhere else. Estimates of total species numbers in the country vary from 250 000 to 1 000 000, and it is estimated that South Africa has 5.8% of the world's mammal species, 8% of the world's bird species, 4.6% of the world's reptile species, 16% of marine fish species and 5.5% of the world's recorded insect species. Over 10 000 species of coastal animals and plants (almost 15% of the world's total coastal species) are found along South Africa's coast, with about 12% of these occurring nowhere else. In terms of the number of endemic species of mammals, birds, reptiles and amphibians, South Africa ranks as the 5th richest country in

Africa and the 24th richest in the world. This diversity is due to variation in climate, geology, soils and landscape form.

There are two internationally recognised biodiversity hotspots, namely the Cape Floristic Kingdom and the Succulent Karoo. An additional six national hotspots have also been identified in the Wolkeberg, Maputuland, Pondoland, eastern mountain and Albany. South Africa also has a rich diversity in mammals, birds, insects, reptiles and amphibians.

Terrestrial resources are rapidly disappearing, however, due to the conversion of natural habitat to farmland, forestry, human settlement, and industrial development. Due to poverty, population growth and economic development, human settlements in South Africa have expanded rapidly. As a result, 25% of South Africa's terrestrial habitats have been altered from their natural state. Five percent of the remaining unaltered terrestrial habitats suffer from degradation due to removal of vegetation and exposure of soil and soil loss. Only 6% of South Africa's terrestrial habitats and 17% of the coastline is under formal protection. This is still some way away from the conservation target set by the World Conservation Union, calling for a minimum of 10% of each habitat type to be protected.

The commercial exploitation of many fish species due to national and international demand has severely depleted fish stocks. The poaching of abalone for export is also a big problem, and exploitation of the rocky shores has led to a decline in various species.

South Africa also has the highest concentration of threatened plant groups in the world. Approximately 3 435 of South Africa's plant groups are considered to be globally threatened with extinction. A further 204 groups are estimated to be threatened at local level. Some species are under threat from over-collection for medicinal, ornamental, and horticultural purposes, while others are threatened by the invasion of alien organisms. Alien organisms can replace large numbers (even whole populations) of native animals and plants, and alien plants use greater quantities of scarce water resources.

LIVING CONDITIONS IN HUMAN SETTLEMENTS

Climate

According to recent studies investigating the human impacts of climate change, warmer temperatures in South Africa may lead to: a) more deaths, especially among the elderly, due directly to heat waves; b) a greater risk of epidemic infectious illnesses, such as malaria, due to an expansion of suitable habitat (for mosquitoes that carry malaria); and c) a rise in the sea level, predicted to reach between 0.4 and 0.55 m above the 1990 level by the year 2100, which will cause damage to coastal infrastructure and salt contamination of fresh groundwater near the coast, and threaten the homes of people living in low-lying coastal areas.

Pollution and environmental health

Where atmospheric pollution is concerned, the levels of sulphur dioxide, nitric oxide and ozone are on average within the accepted South African guidelines for human health and the prevention of direct ecosystem damage. The measured concentrations at ground level are not currently showing an upward trend. There are occasions, especially in the major urban areas, where the concentrations of sulphur dioxide, nitric oxide, ozone and smoke particles could lead to further health problems in people who are already experiencing respiratory problems.

No trend is apparent in the number of times these levels are exceeded, but with more people living in urban areas, the impact is likely to increase.

There are numerous 'natural' sources of atmospheric pollutants, such as veld fires, in addition to industrial sources. Outdoor air quality is generally worst in urban industrialised areas, but the poorest air quality is to be found indoors, frequently in rural areas, in badly ventilated housing where coal, dung or wood is burned in open hearths without chimneys.

Lower atmosphere (tropospheric) methane has increased steadily from 1983 to 1998 (total increase of 8.3% over the time period). For almost half the year, minimum erythema dose (MED) levels lie within the dangerous to very dangerous categories for Cape Town, Durban and Pretoria. January and December show the highest levels.

Rapid urbanisation has resulted in informal shanty towns springing up near cities. In most of them, waste management is at a very low level or absent. Due to the pollution of water resources, the local population is threatened by waterborne diseases. Surveys are currently under way to identify high-risk areas and the number of high-risk inhabitants with the aim of launching information and other programmes to reduce pollution.

3. ENVIRONMENT POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

INSTITUTIONAL FRAMEWORK FOR THE ENVIRONMENT

The Department of Environmental Affairs and Tourism manages, under the guidance of the Minister, Deputy Minister and the top management of the department, the development and implementation of policies governing three interrelated components of South Africa's socio-economic development: tourism, the fishing industry and environmental management.

ENVIRONMENT POLICY AND LEGISLATION

National policies and legislation

South Africa has policies, programmes and/or legislation in place to address the major environmental issues in the areas of poverty reduction, the atmosphere, land use planning, deforestation, combating desertification and drought, sustainable agriculture, biological diversity, biotechnology, oceans and coastal areas, freshwater management, toxic chemicals, and hazardous and solid wastes.

Specific policies include the following:

- National Environmental Management Act (NEMA) (1998)
- White Paper on Environmental Management Policy (May 1998)⁶²
The paper sets out a vision, policy principles and strategic goals for environmental management and sustainable use of natural resources in South Africa. The vision

⁶² <http://www.environment.gov.za/PolLeg/WhitePapers/EnvMgmt.htm>.

foresees an integrated and holistic management system for the environment aimed at achieving sustainable development now and in the future. The goals of this policy include, for example, the establishment of an effective institutional and legislative framework, the promotion of sustainable resource use and impact management, and the promotion of environmental literacy, education and empowerment. The policy defines the role of the Department of Environmental Affairs and Tourism (referred to below as ‘the Department’) as the lead agent for environmental management, including exercising government custodianship of the environment and ensuring that environmental rights are enforced.

- White Paper on Integrated Pollution and Waste Management (May 2000)⁶³
The paper on Integrated Pollution and Waste Management (IPWM) sets out the government’s vision and strategic goals for integrated pollution and waste management in South Africa. The approach of the IPWM is to prevent pollution, to minimise waste and to control and remedy impacts. The management of waste is to be implemented in a holistic and integrated manner, extending over the entire waste cycle from “cradle to grave”, including the generation, storage, collection, transportation, treatment and final disposal of waste.
- White Paper for Sustainable Coastal Development in South Africa (April 2000)⁶⁴
The paper provides the framework for the delivery of coastal management functions. The goals of the policy are, among others, to: ensure meaningful public participation and promote partnerships between the state, private sector and civil society; promote an integrated coastal planning and management approach; establish and manage a system of coastal protected areas; rehabilitate damaged or degraded coastal ecosystems and habitats; and implement pollution control and waste management measures to minimise adverse impacts on the health of coastal communities and ecosystems.
- White Paper on Conservation and Sustainable Use of South Africa's Biological Diversity (July 1997)⁶⁵
The paper identifies a number of strategies to be developed to give effect to specific policies. The actions required range from enhancing the protected area network to the development of specific strategies such as one for the conservation and sustainable use of reptiles and amphibians. Policy goals are to: conserve the diversity of landscapes, ecosystems, habitats, communities, populations, species and genes in South Africa; use biological resources in a sustainable fashion and minimise adverse impacts on biological diversity; and ensure that benefits derived from the use and development of South Africa’s genetic resources serve national interests.
- White Paper on a Marine Fisheries Policy for South Africa (May 1997)⁶⁶
The paper's policy objectives include, for example: the establishment of levels and patterns of exploitation that do not jeopardise the soundness of the resource, its environment, or the ecosystem on which biodiversity and long-term optimal sustainable yields depend; and the development of long-term management plans, which include operational management procedures, to ensure optimal utilisation of all

⁶³ <http://www.environment.gov.za/PolLeg/WhitePapers/20978.pdf>.

⁶⁴ http://www.polity.org.za/html/govdocs/white_papers/coastal/index.html.

⁶⁵ <http://www.environment.gov.za/PolLeg/WhitePapers/Biodiversity/Contents.htm>.

⁶⁶ http://www.polity.org.za/html/govdocs/white_papers/marine.html?rebookmark=1.

significant living marine resources. The policy makes provision for the designation of marine protected areas (MPAs) for the purposes of scientific study, experimental fishing or conservation, and may include special areas for the protection of particular species. MPAs require careful zoning to minimise their effect on the activities of users.

- National Water Act (1998) (described in detail below)
- National Forests Act
- Atmospheric Pollution Prevention Act
- Development Facilitation Act (1995)
- draft Energy Policy
- Environmental Impact Assessment (EIA) regulations and the associated schedule of activities, together with the Guideline Document for the Implementation of the Environmental Impact Assessment regulations, which were adopted in 1997.

In addition, South Africa has signed several international environment conventions:

- United Nations Framework Convention on Climate Change (UNFCCC)
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
- United Nations Convention on Biological Diversity (UNCBD)
- United Nations Convention to Combat Desertification (UNCCD)
- London Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Ramsar Convention on Wetlands

Sector policies

Water management

South Africa has signed and ratified the SADC Shared Water Course System Protocol and the Revised Protocol on Shared Water Courses that describes how the signatory parties will utilise and develop internationally shared water resources. Intergovernmental discussions and studies are under way on the sharing of Orange River water between South Africa and Namibia, as well as on the sharing of Limpopo River water between South Africa and the other three countries in the Limpopo River Basin: Botswana, Zimbabwe and Mozambique.

The Lesotho Highlands Water Project (LHWP) was conceived principally to export water from Lesotho to the north of South Africa. This 30-year scheme will eventually consist of five vast reservoirs and more than 200 km of tunnels that will divert water from the natural southwesterly flow of rivers, arising in an upstream sub-basin of the Orange river basin in the Lesotho highlands, northwards to deliver 70 m³/sec to the Vaal river basin (which is another

sub-basin of the Orange river basin) to secure future water supplies to South Africa's industrial powerhouse in the Pretoria-Witwatersrand-Vereniging (PWV) area. Most of the construction will take place inside Lesotho. The 1991 cost estimate was US\$5.2 billion.

The National Water Act (1998) stipulates water management by Water User Associations (WUA) at local level. All water users in an area will be members of a WUA, which should eventually have full responsibility for local management. Each WUA will have an elected management body, with all sectors of water users represented on the committee. Nineteen such water management areas have been identified. The administrative procedures for converting irrigation board areas, private schemes and government water schemes into WUAs are currently in progress. The conditions for the use of water to be overseen by the WUAs include: i) equal access to water by all interested parties; ii) safeguards against water wastage and inefficient water use; and iii) safeguards against pollution.

The main objectives of the WUAs are: effective water use and measures to prevent misuse; environmentally friendly production practices; prevention of salinisation and reclaiming salinised areas; and the management of water-borne diseases.

Waste management

The plastic bags agreement and supporting regulations (of 9 May 2003) have dramatically reduced the environmental impact of this highly visible waste stream, resulting in a 50% reduction in the consumption of plastic bags. Work is in progress to follow up this success with targeted and customised agreements for other problem waste streams, including tyres and glass.

Clean-up operations at Thor Chemicals were initiated in 2003, with the employment of specialist project engineers to plan, coordinate and monitor the safety, health and environmental impacts of clean-up operations.

Marine and coastal ecosystems

South Africa has international legal obligations and national responsibilities in the management and use of its coastline, e.g. under the Sea Shore Act in conjunction with the Maritime Zone Act, which claims maritime and economic boundaries for South Africa in accordance with international law (Henderson, 1996). South Africa is also a signatory to the World Conservation Strategy of the IUCN. One of the means by which this strategy is being implemented is the Sea Fisheries Act of 1988, which includes as policy guidelines the conservation of marine ecosystems and the optimal and sustainable utilisation of marine resources (i.e. by meeting present needs without over-harvesting and reducing the ability of the system to provide for the needs of future generations). Furthermore, the National Coastal Management Policy for South Africa includes provisions for integrated coastal management and sustainable use of resources.

The Marine Living Resources Act (18 of 1998) sets out the broad objectives of fishery management and access rights, together with transformation and empowerment objectives.

Building on this, the fishing rights allocation process has been restructured. A Rights Allocation Unit was established in 2001 to manage the first phase of the process, and a new allocation policy, which addresses long-term rights and includes a new fee structure, was put in place. The allocation of medium-term fishing rights was completed in 2001, which ensured greater stability and demonstrated transparency and fairness to the industry. The new system

has benefited many communities and will ensure that the fishing industry can avoid over-fishing and continue to grow. To prepare for the next phase of issuing long-term commercial fishing rights during 2004/05, the Department has begun the process of establishing a new Rights Allocation Unit as well as a Rights Verification Unit (to verify details in applications for fishing rights). New commercial fisheries are currently in an experimental phase, during which their commercial viability will be assessed. A plan is in place to phase in a further three new fisheries per year over the next five years.

Terrestrial ecosystems

South Africa needs to address the problem of land degradation through effective land-use planning. Continued efforts by nature conservation authorities to involve local communities in managing and sharing the benefits of conservation areas will change the attitudes resulting from the exclusionist policies of the past, and will contribute to greater understanding and ownership of natural resources.

Biodiversity and conservation

The National Environmental Management Protected Areas Bill and the National Environmental Management Biodiversity Bill both ensure the regulated management and utilisation of South Africa's biodiversity. One of the Department's main objectives is to develop Transfrontier Conservation Areas (TFCAs) as a mechanism for both conservation and economic development. The government has extended the land under conservation and protection with the intention of having 8 per cent of total land cover under conservation by 2014. The promulgation and ultimate enactment of the Biodiversity Bill will address the national need to regulate bioprospecting (the search, collection, extraction or development of genetic resources for commercial or industrial exploitation) and facilitate the equitable sharing of benefits from the potential development of South Africa's biological resources.

Guidance has been provided for the authorities managing heritage and conservation areas in the shape of a Community-Based Natural Resources Management guideline, launched at the recent World Parks Congress. The Cape Action Plan for the Environment was also initiated in 2003 under the Biodiversity and Conservation sub-programme. A treaty establishing Ais-Ais/Richtersveld as a trans-frontier conservation area has been signed by the heads of state of South Africa, Botswana and Namibia, and projects aimed at integrating Great Limpopo were initiated in 2003 in collaboration with the government of Zimbabwe.

Since 2000/01, additional land has been added to South African National Parks, and more programmes for park expansion and consolidation will be implemented in 2004. The Department received approval from the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Cites) Conference of Parties (COP) for a one-off sale of ivory stockpiles in the Kruger National Park, to take place during 2004/05. A subregional cooperative plan on this sale has been agreed with Botswana and Namibia.

Poverty relief

Since 1999, the Department has been funding a poverty relief programme. Projects funded include tourism development (through the construction of accommodation, craft markets and information centres), waste recycling and coast care projects. Road-building and small infrastructure projects (such as pathways, boardwalks and fencing) have also helped to attract commercial interest to previously isolated areas with tourism potential. Between 1999 and 2003, more than 400 projects were funded. They are reported to have created over 2.5 million temporary job days and 2 312 permanent jobs. In addition, they provided over 253 000

training days with the focus on service provision and management in the tourism and environmental conservation sectors, as well as on literacy, numeracy, life skills, and managerial skills.

Social dimension

The government has developed a number of policies and passed a number of laws to alleviate the pressures of social imbalances on natural resources, and to promote sustainable development. These include the Reconstruction and Development Programme, a White Paper on Population Policy, and the National Crime Prevention Strategy. The government has also initiated several housing-development, electrification and water services schemes, and has identified focal areas for economic development and job creation. The largest share of the national budget goes on education, reflecting the government's priority for nation building and empowerment of its people. The success of these government initiatives is dependent on the capacity and financial resources to implement them within a sustainable development framework. Population growth will be a deciding factor in the success of sustainable development strategies. If standards of living improve, birth rates are predicted to fall and the population may stabilise. However, even under these conditions, if the number of households continues to increase, there will still be increased demand for space, services, infrastructure, and waste disposal. The impact of HIV and AIDS on the population is uncertain, but is likely to be greatest on the economically active section of the population, and could reduce growth in GDP by 2-3% by 2010.

International Cooperation

Transboundary environmental issues

At present, six Transfrontier Conservation Areas (TFCAs) are proposed along the borders of South Africa with its neighbouring countries: Kgalagadi TFCA (South Africa and Botswana); Richtersveld/Ai Ais TFCA (South Africa and Namibia); Gaza/Kruger/Gonarezhou TFCA (South Africa, Mozambique and Zimbabwe); Lubombo TFCA (South Africa, Mozambique and Swaziland); Limpopo-Shashe TFCA (South Africa, Botswana and Zimbabwe); Maloti/Drakensberg TFCA (South Africa and Lesotho).

These TFCAs are unanimously heralded as conservation landmarks, playing a significant role in promoting regional integration, creating parks of a size that will boost conservation of biodiversity, and improving conservation-based tourism and economic growth.

Establishment of the TFCAs will support the broader political aims of socio-economic development in the Southern African sub-continent, where rural areas are chronically subject to high unemployment and low income, as well as greatly improve regional ecosystem management. Such cross-border collaboration would also give effect to the stated objectives of the SADC, which aims for synergistic regional initiatives to gain economic, social and conservation benefits for the subcontinent as a whole.

The objectives for the establishment of TFCAs are to:

- Foster transnational collaboration and cooperation between the countries in implementing ecosystem management;
- Promote cooperation in the management of biological resources by encouraging social, economic and other partnerships among governments, the private sector, local communities and NGOs;

- Enhance ecosystem integrity and natural ecological processes by harmonising wildlife management procedures across international boundaries and striving to remove artificial boundaries impeding the natural movements of animals;
- Develop frameworks and strategies whereby local communities can participate in the management and sustainable use of natural resources within the TFCA; and
- Promote transborder ecotourism development as a means for fostering regional socio-economic development.

Sustainable development and the environment

The World Summit on Sustainable Development, which South Africa successfully hosted in 2002, showcased the ability of South Africa and Africa as a whole to take up the challenge of integrating social development with economic prosperity and environmental protection. Global partnerships were formed to address poverty, and South Africa will play an important role in supporting the implementation of the summit agreements over the next decade. The summit reaffirmed sustainable development as a central element of the international agenda, and gave new impetus to global action to fight poverty and protect the environment. South Africa will also participate actively in the development of the programme set out by the Commission for Sustainable Development to monitor the implementation of the summit's outcomes over the next 10 years. The South African government hosted a very successful World Parks Congress (WPC) in September 2003 in Durban, a 10-yearly meeting of professionals in protected area management.

Climate change

The National Climate Change Communication and Climate Change Response Strategy was finalised and published in 2003. This strategy provides a comprehensive framework for climate change prevention, mitigation and adaptation responses in South Africa.

In its role as an African anchor country as well as a key representative of the emerging South, South Africa is one of the key partners of the European Union in the discussions on the post-2012 climate change regime. South Africa continues to be one of the leading G-77 countries in the dialogue on a post-2012 regime. Within the United Nations Framework Convention on Climate Change (UNFCCC), South Africa is a Non-Annex I country. South Africa is also a signatory to the Kyoto Protocol, which it ratified on 31 July 2002.

South Africa showed strong leadership in its role as G-77 & China chair during the negotiations in Nairobi, and provided one of the two co-facilitators for the Convention Dialogue (Sande de Wet). Furthermore, South Africa submitted a dialogue working paper on sustainable development policies and measures (SD-PAMs), underlining the importance of stabilising greenhouse gas emissions in the context of sustainable development in stating that "a more sustainable development path has lower emissions, even without any explicit climate policy". In June 2006, South Africa also hosted the Ministerial Indaba.

The UNFCCC COP12 Nairobi meeting agreed on a package of decisions on key developing country issues, including the adaptation fund, the special climate change fund and the 5-year programme of work on adaptation. It also agreed a work plan for the Ad Hoc Working Group to discuss further commitments for developed countries under the Kyoto Protocol and agreed to carry out a full review of the Kyoto Protocol in 2008, with preparations to start in 2007.

South Africa is in the vanguard of the G77 & China in calling for further action under the UNFCCC and is one of the key developing countries advocating further advancement in the climate change regime. With regard to discussions on future action and a post-2012 regime, South Africa has stated in the past that voluntary reduction commitments should be discussable. South Africa is more open than Brazil, India and China to alternative approaches.

4. ANALYSIS OF AID

EC-SA COOPERATION

The European Commission in South Africa does not have a programme devoted exclusively to the environment, as this has not been one of priorities in the previous country strategy papers or Multi-Indicative Plans. However, the environment has been a cross-cutting issue addressed in various sections of the general programme. Examples include:

- 1) Masibambane 2: The Water Programme
- 2) Support for Urban Renewal in the Eastern Cape: strategic development plans addressing the environment
- 3) Area-Based Management: micro-interventions in areas such as Itrump-Markets and SDB

Furthermore, the Commission is seeking to intensify its environment dialogue with South Africa, especially with respect to the issue of climate change and the promotion of environmentally sustainable growth through sustainable resource management, as set out in the CSP 2007-2013.

For the EU, South Africa is one of the strategic partners to discuss the follow-up to Nairobi as well as the Montreal Action Plan and South Africa's position on a post-2012 climate regime. This is also with a view to reconfirming South Africa in its leadership role in the group of 77 & China beyond the official term of its chairmanship. A climate change partnership would facilitate a regular exchange of opinions and provide an institutionalised forum for cooperation within a broader EU-South Africa dialogue on the environment.

The European Commission adopted on 10 January 2007 an Energy and Climate Change Package.⁶⁷ This paper will look at further actions within the EU and options for action by third countries, including developing countries, with the aim of limiting climate change to a level below 2°C degrees Celsius. The Commission is keen to discuss bilaterally with South Africa the recommendations in its strategy paper, and the its views on further action "post-2012". One possibility could be to have a joint expert meeting on "post-2012" in the context of our new high-level dialogue. The package promotes also clean coal technologies and South Africa being one of the most important exporters of coal to the EU, cooperation in this field is of high interest to the Commission.

There have been a number of recent meetings between the Commission and South Africa. Discussions covered in particular the launch of a formal and regular dialogue on environmental issues of mutual interest, such as environmental governance, sustainable Consumption and Production (SCP), waste management, biodiversity, climate change as well

⁶⁷ [COM\(2007\) 1 and COM\(2007\) 2](#)

as a strategy for the environment at pan-African level. Accordingly, the Commission would welcome a first meeting under the new dialogue in spring 2007. More generally, the Commission could envisage the dialogue comprising a senior-level policy dialogue and a Working Group on Climate change.

Furthermore, as part of increasing EC-SA cooperation, the Commission has proposed to organise a roundtable discussion jointly with South Africa and UNEP next spring in order to discuss their respective challenges in meeting the Johannesburg commitments on sustainable consumption and production.

OTHER DONOR ACTIVITIES

Other donors active in environmental issues include DANIDA, which focuses on alternative and renewable energy sources. Cooperation with donors and other multilateral international institutions such as UNEP or GEF could be improved. Current UNEP projects in South Africa include:

- 1) Indicator Strategy for State of the Environment Assessment and Reporting for Southern Africa. The objective of the project is to identify and agree on the indicators to be used in State of the Environment reporting in the SADC region.
- 2) Centre for Environmental Information and Statistics. The objective of this project is to establish a national facility in South Africa to make environmental information available to decision-makers and the general public. The main areas of work will include state of the environment reporting, indicator development and geographic information systems (GIS). It is envisaged that the Centre will be involved in UNEP project activities in the region.

5. CONCLUSIONS AND RECOMMENDATIONS

Environmental policies in South Africa are driven by both national and international forces. International driving forces include trade, the signing of international agreements and conventions, and the adoption of international environmental standards. National driving forces are population growth, the need to meet basic human needs and to improve the quality of life for all, and the need to alleviate poverty through employment, equity, and economic growth.

The pressures that arise from these driving forces are an increased demand for resources and ecosystem services, increased generation of pollution and waste, and pressure for more sustainable development. Increased demand for resources such as water, fuel and food leads to exploitation and depletion of these resources. Demand for agricultural and industrial products leads to the conversion of land from natural habitats to cropland, forests, and urban and industrial settlements, the expansion of agriculture into unsuitable areas, and the overstocking of animals on grazing lands. Intensive agricultural and industrial activities also contribute to soil degradation and erosion, use vast amounts of water and energy, and result in pollution of the air, water, and soil with waste products. Sustainable development pressures include the development of national policies and strategies to comply with international conventions and changes in management practices to suit consumer preferences.

These driving forces and pressures are the causes of the current state of the environment in South Africa. The consequences of having a degraded and polluted environment are a reduced capacity to provide space, food, energy and other commodities and less effective functioning of vital life support systems such as water quality control, nutrient cycling and climate regulation. Degradation also reduces the natural environment's ability to provide recreation opportunities and to absorb waste products.

Population growth adds to the problem by increasing the number of people needing access to resources.

Post-apartheid political reforms (including a new Constitution, several new environmental policies, the signing of international agreements, the development of a participatory approach to policy making, and greater transparency at all levels of government) have laid the foundations for sustainable development in South Africa. Restructuring of the Department of Environmental Affairs and Tourism, increased public awareness of environmental issues, and inclusion of environmental education in the Curriculum 2005 are also positive steps towards sustainable development. However, it is essential that these political reforms are backed up by financial and human resources in order to implement them effectively. It is vital that social, economic and environmental needs are considered together. If social and economic issues are addressed separately from environmental issues, ecological and social collapse is certain. Economic and political reforms are also required to ensure that the environment is treated as an integral part of social and economic development, and not as an alternative to it.

Above all, population factors (including mortality and migration) must be addressed in order to stabilise demand for resources and production of wastes, to be able to meet the basic needs of all South Africans, and to improve the quality of life for present and future generations. In line with international trends, the Development Bank of Southern Africa has predicted a drop in South Africa's fertility rate if the quality of life improves. Many of the responses listed above have the potential to enhance quality of life if they are implemented and monitored effectively. This would help ensure the sustainability of resources in the long term for future generations, leading to an ever-improving quality of life as technology improves.

Annex 1: Sources

<http://www.unep.net>

http://www.fao.org/ag/agl/aglw/aquastat/countries/south_africa/index.stm

<http://www.gefweb.org/>

<http://www.environment.gov.za>

Annex 2: SA membership in international organisations relating to development and the environment

African Development Bank (ADB)

African Development Fund (ADF)

Cairns Group Commission for Social Development (CSD)

Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR)

Commission for Sustainable Development
 Commission on Population and Development (CPD)
 Commission on the Peaceful Uses of Outer Space (COPUOS)
 Commonwealth Science Council (CSC)
 Executive Board of the United Nations Children's Fund (UNICEF)
 Executive Board of the United Nations Development Programme (UNDP)
 Executive Board of the United Nations Population Fund (UNFPA)
 Executive Committee of the Programme of the United Nations High Commissioner for Refugees (UNHCR)
 Food and Agriculture Organisation (FAO)
 Group of 77 & China
 Global Environment Facility (GEF)
 Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)
 Intergovernmental Oceanographic Commission (IOC)
 International Atomic Energy (IAEA)
 International Bank for Reconstruction and Development (IBRD) (World Bank)
 International Commission for the Conservation of Atlantic Tunas (ICCAT)
 International Development Association (IDA)
 International Finance Corporation (IFC)
 International Fund for Agricultural Development (IFAD)
 International Hydrographic Organisation (IHO)
 International Labour Organisation (ILO)
 International Maritime Organisation (IMO)
 International Mobile Satellite Organisation (INMARSAT)
 International Monetary Fund (IMF)
 International Organisation of Legal Meteorology (IOLM)
 International Organisation for Migration (IOM)
 International Seabed Authority (ISA)
 International Sugar Organisation (ISO)
 International Trade Centre — UNCTAD/WTO
 International Union for the Protection of New Varieties of Plants (UPOV)
 International Whaling Commission (IWC)
 Missile Technology Control Regime (MTCR)
 Nuclear Suppliers Group Office International de la Vigne et du Vin (OIV)
 Organisation for the Prohibition of Chemical Weapons (OPCW)
 Organisation of African Unity (OAU)
 Preparatory Commission and Provisional Technical secretariat (PTS) for the Comprehensive Nuclear Test Ban Treaty Organisation (CTBTO)
 South Centre Southern African Customs Union (SACU)
 Southern African Development Community (SADC)
 UNEP Governing Council
 United Nations (General Assembly)
 United Nations Conference on Trade and Development (UNCTAD)
 United Nations Economic Commission for Africa (UNECA)
 United Nations Educational, Scientific and Cultural Organisation (UNESCO)
 World Conservation Union (IUCN)
 World Health Organisation (WHO)
 World Meteorological Organisation (WMO)
 World Tourism Organisation (WTO)
 World Trade Organisation (WTO)

Migration profile South Africa

Immigration

<u>Total number of residents</u>	47.4 million ⁶⁸
Of which:	
Own nationals	97.7%
Immigrants	2.3% ⁶⁹
	(0.16 migrants/1000population ⁷⁰)

Status immigrants

Refugees (and asylum seekers)	442 000 ⁷¹
Labour migrants/permanent	N/A
Labour migrants/seasonal	N/A
p.m. internally displaced persons	

- Prior to 1994, South Africa did not recognize the UN and the OAU Refugee Conventions. Its first-ever refugee legislation came into force in 2000. The number of refugee applications up to April 2001 were 64 341 of which 17 198 were accepted.⁷² In 2003 there were 24 000 recognised refugees (from DRC, Burundi, Rwanda, Angola and Somalia) and 66 000 asylum seekers.⁷³
- There has been a decline since 1994 in the number of people entering legally on temporary work permits. In 1996 a total of 52 704 permits were issued while in 2000 the number was only 15 834.⁷⁴
- A significant shift in patterns of labour migration to South Africa since 1990 has been the declining importance of traditional contract migration to the South African mines, due to serious downsizing in the mining business. A striking aspect, however, is the proportional increase in foreign migrants working in the mines, as compared to South Africans. The primary sources of irregular labour migrants are still Mozambique, Lesotho and Zimbabwe. About a quarter of all miners are now Mozambicans.⁷⁵

Immigration trend

Number of arriving (legal) immigrants 1996	5407 (SADC 1432)
Number of arriving (legal) immigrants 2001	4832 (SADC 791)

⁶⁸ Statistics SA mid-2006

⁶⁹ Census 2001

⁷⁰ CIA 2006

⁷¹ Human Right Watch, Nov 17 2005

⁷² UNHCR/Department of home affairs

⁷³ UNHCR

⁷⁴ SAMP (Southern African Migration Project) "Migration resources: Brain drain resources 2004

⁷⁵ UN/POP/MIG/2005/05

Number of arriving (legal) immigrants 2003 10 578⁷⁶ (SADC 2135⁷⁷)

- Although there has been a decline in legal immigration, South Africa still plays a central role in the cross-border migration picture with 86% of the total number of migrants currently working there. The proportion is over 95% in all countries except Zimbabwe where only 33% of the migrant workers work in South Africa.⁷⁸
- There have been wide fluctuations in the trends of documented immigration to South Africa. One peak occurred in 1975 and the other in 1982. From 1990 onwards there was a downward trend until 2001 when the trend started picking up. In 2003 the number of documented immigrants to SA was 10 578, an increase of 61.6% as compared to the 2002 figure of 6 545.⁷⁹
- The media frequently uses an estimate of 5 to 8 million foreigners without immigration documents, while migration scholars generally agree that the lower end of this range, 5 million, is more reasonable. However, some scholars even claim that 500 000 is the more accurate number.⁸⁰ The Department of Home Affairs quotes figures between 2.5 and 7 million.

Education:

Skilled labour

N/A

- During 2003, 90.4% of the documented immigrants to South Africa were not economically active.⁸¹

Main countries of origin:

- Unfortunately, reliable data on the undocumented number of people are not available, so the figures below only refer to official immigrants.
- 52.9% of the number granted residence was permanent residents of an overseas country and 46.9% were permanent residents of a mainland African country.⁸² 22% were born in Europe, 67% in neighbouring SADC countries, 4% in the rest of Africa and 4% in Asia
- During 2003, leading source countries were Nigeria (16.1%), UK (9.8%), Zimbabwe (9.1%), Pakistan (6.1%), China (5.3%) and India (5.2%).
- Today, due to the political and economic situation in Zimbabwe, Zimbabweans are arguably the largest group of foreign Africans in South Africa, having recently overtaken Mozambicans, who historically held that position.⁸³

⁷⁶ Stats SA Report No 03-51-03 (2003)

⁷⁷ SAMP "States of vulnerability: the future brain drain of talent to South Africa" 2005

⁷⁸ SAMP Migration Policy series No 44, 2006

⁷⁹ Stats SA Report No 03-51-03 (2003)

⁸⁰ Human Rights Watch "Recent labour migration to South Africa" 2007

⁸¹ Stats SA Report No 03-51-03 (2003)

⁸² Stats SA Report No 03-51-03 (2003)

⁸³ Human Rights Watch "Recent labour migration to South Africa", 2007

However, often cited numbers of 2-3 million irregular Zimbabweans in South Africa in 2004 are likely to be exaggerated.⁸⁴

Rate of return:

N/A

- Forced returns: In the decade after 1994 over 1 million people were deported from South Africa as "illegal aliens". In 1988 the figure was 44 225 and in 2005 it rose to 209 988.⁸⁵ Two countries – Mozambique and Zimbabwe - clearly dominate the deportation league table.
- Deported individuals often return almost immediately to South Africa, underscoring the limitations of the deportation policy.⁸⁶
- Repatriation procedures have caused some tension between the South African government and governments of neighbouring states and have been criticised by human rights organisations.

Finance

Amount of outgoing migrant remittances (to SADC countries): 610 million EUR⁸⁷/
annum

Remittances as % of GDP

N/A

Emigrants

Total number of emigrants 1987-2003

521 571 (World Bank data)
130 965 (SA official data)⁸⁸

- Official South African emigration statistics are probably very misleading due to the fact that the statistics are compiled from self-declaration at the point of exit. There could be many reasons for citizens not to give "emigration" as the reason for departure. Therefore, when comparing the South African emigration statistics with the major destination-country statistics of immigrant arrivals from South Africa, there is a considerable difference.

Status emigrants

Refugees

N/A

Labour migrants/permanent

65.2%⁸⁹

Labour migrants/seasonal

N/A

⁸⁴ UN/POP/MIG/2005/05, 30 June 2005

⁸⁵ *ibid*

⁸⁶ SAMP ,” Migration Policy Brief No.3, 2001

⁸⁷ SAMP Migration policy series No. 44, 2006

⁸⁸ UN Expert meeting on international migration and development, New York, 7 July 2005

⁸⁹ Stats SA Report No 03-51-03 (2003)

Legal situation emigrants

Documented	N/A
Undocumented	N/A

Trend

Number of self-declared leaving migrants in 90	appr. 5000
Number of self-declared leaving migrants in 97	appr. 10 000
Number of self-declared leaving migrants in 2003	appr. 16 000 ⁹⁰

- The emigration data from 1970 to present show three major peaks. These peaks occurred in 1977, 1986 and 1994. During those peak years the leading destination country for self-declared emigrants was the UK. In the post-1994 period the trend in self-declared emigration from South Africa to other countries has been gradual. In 2003 the number of self-declared emigrants turned out to be 48.4% higher than that of 2002, increasing from 10 890 to 16 165. Of these 16 165, 78.6% were South African citizens. The rest were permanent residents who were either returning to their countries of origin or emigrating to other countries after having settled in SA for a while.⁹¹
- Official emigration statistics show that 82,811 people emigrated from South Africa between 1989 and 1997. Official statistics from the "big five" destination countries (Australia, Canada, New Zealand, UK, USA) show that 233,609 South Africans landed as immigrants over the same time period.⁹²

Education: skilled labour 7%⁹³

- The figure of 7% for the skilled labour and the total aggregate emigration rate of 1.4% for the entire population under consideration, sets rather alarmist references to a South African brain drain in perspective, especially as the figures include those who were born in South Africa but educated abroad. As an example, more than 12,000 doctors trained in South Africa now work in an OECD country, as compared to 33 000 working in South Africa, according to 2006 World Health Organisation statistics.⁹⁴
- During 2003, 65.2% of the self-declared emigrants were economically active with 26.7% in the skilled labour category.⁹⁵ Between 1987 and 1997, 10 140 people with professional qualifications emigrated from South Africa to the five main destination countries. However, destination-country statistics of immigrant arrivals from South Africa show that 32 296 professionally trained persons arrived from South Africa during the same period.⁹⁶

⁹⁰ Stats SA Report No 03-51-03 (2003)

⁹¹ Ibid

⁹² SAMP "Migration resources: brain drain resources" 2004

⁹³ SOPEMI, ISBN 92-64-01944-8, OECD 2004

⁹⁴ Pop.div UN Department of economic and social affairs

⁹⁵ Stats SA Report No 03-51-03 (2003)

⁹⁶ UN/POP/MIG/2005/05 30 June 2005

Main countries of destination

- UK (32.2%), Australia (14.1%), US (9.9%), New Zealand (6.0%) and Canada (2.5%)⁹⁷

Rate of return

N/A

Finance

Amount of incoming migrant remittances	392 million EUR/annum ⁹⁸ (SADC 2.99 million EUR)
Remittances as % of GDP	0.2

- South Africa is the top third country in Sub-Saharan Africa when it comes to receiving remittances. The bulk of it comes from OECD-countries. However it does not represent a big part of the GDP when comparing to neighbouring countries like Lesotho, where the incoming remittances represents 25.9% of the GDP.

⁹⁷ SAMP South Africa, Nov 2006 and Stats SA report No 03-51-03 (2003)

⁹⁸ Pop.div UN Department of economic and social affairs (remittances received in 2004)