

Multiannual Indicative Programme

2007 - 2013.

Country/Sub-Region:	South Africa
Budget Years:	2007-2013
Budget Lines:	21 06 02
Legal Base:	DCI
Cost of Order:	EUR 980 Million
Programming Service:	DG DEV
Head of Unit:	J. Pinto Teixeira
Coordinator:	M. Leysen

Table of Contents

1.	SUMMARY OF THE MIP	3
2.	INDICATIVE BUDGET	7
3.	PRIORITIES AND ACTIONS	7
3.1	FOCAL AREA 1 – EMPLOYMENT CREATION	7
3.2	FOCAL AREA 2 – CAPACITY DEVELOPMENT FOR SERVICE DELIVERY AND SOCIAL COHESION	11
3.3	NON-FOCAL AREA I – GOVERNANCE.....	14
3.4	NON-FOCAL AREA – REGIONAL AND PAN-AFRICAN SUPPORT	17
3.5	NON-FOCAL AREA – TRADE, DEVELOPMENT AND COOPERATION AGREEMENT . FACILITIES	20
3.6	MODALITIES	22
4.	ALIGNMENT, HARMONISATION AND CONSULTATION.....	23
4.1	DIALOGUE WITH GOVERNMENT / ALIGNMENT WITH NATIONAL POLICIES	23
4.2	CONSULTATIONS WITH CIVIL SOCIETY	23
4.3	HARMONISATION AND COORDINATION WITH MEMBER STATES AND OTHER	23
	DONORS	23
5.	ABBREVIATIONSAND ANNEXES	25
5.1	LIST OF EPRD PROGRAMMES AND PROJECTS FOR THE 1999-2006 PERIOD	26
5.2	MIP PLANNER.....	29

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 Republic of South Africa

For the European Commission

Jabulani MOLEKETI,
National Authorising Officer
Deputy Minister for Finance

Louis MICHEL
Commissioner for Development
and Humanitarian Aid

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 (SWEEEP) 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 (SWEEEP) 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		