

## **Introduction**

South Africa is an atypical developing country. The per capita GDP is around 3,200 \$ for a total population of 42,8 million people. Its main feature is a dual economy inherited from 50 years of apartheid, based along racial divides. The living standards for white South Africa (11% of the total population receiving 47% of total income) compares extremely favourably with those of the developed world whilst that for the black population ranks with those of the least developed countries.

The Government of National Unity and President Mandela were elected in April 1994, and South Africa emerged as a key player in international relations. The second elections held in June 1999, which led Thabo Mbeki to the Presidency, were acknowledged as peaceful, free and fair, thus demonstrating the progressive consolidation democracy in the country.

South Africa has a relatively diversified economy, where agriculture, mining (diamonds, gold and others), secondary industry and a well-developed tertiary sector contribute to the overall wealth of the country. Half of the external trade is with Western Europe. Another interesting specificity of the country is its vibrant civil society and the major role played by the NGO sector.

Despite a huge development potential, major development constraints exist, in particular a wide gap in distribution of wealth and income, lopsided human resources development, an alarming HIV/AIDS infection rate, high crime rate and problems within the judiciary system, unemployment and slow economic growth.

## **Political situation**

SA held its first democratic elections in 1994, bringing to an end the apartheid regime. The second, in June 1999, confirmed the African National Congress (ANC) majority. Thabo Mbeki, who replaced Nelson Mandela as leader of the ANC in 1997, became President. With just under a two-thirds majority in Parliament, the ANC governs seven out of nine provinces and is part of the coalition governing the two remaining provinces. In 1999 the Democratic Party (DP) and New National Party (NNP) together formed the Democratic Alliance (DA), the official opposition in Parliament until internal conflicts forced a separation. Smaller parties such as PAC play an active role in the debate on domestic and foreign policy. Fresh elections will take place in 2004 and little seems to threaten the ANC's hold on power.

The first elections of the 284 newly demarcated local governments took place in December 2000. Local governments are entrusted with rising responsibility for providing access to services and enhancing the economic and social well being of communities within their constituencies. Raising the capacity of local government to deliver will be a yardstick by which the performance of the central government will be measured.

Although SA has a constitution recognised as among the most progressive, a recent survey showed that 36% of the population had never heard of the Bill of Rights, 29 % did not know its purpose and 59% did not know where to seek help in the event of abuse. The entrenchment of the human rights culture in the country, in particular for the benefit of vulnerable groups, remains an important challenge, poverty and exclusion being major obstacles to the active enjoyment of human rights for most South Africans. Shortcomings in the Civil and Criminal Justice System still alienate many from the protection of law enforcement institutions (police and judiciary).

Although much has been done to further the peace and reconciliation process following

the apartheid era, notably the seven years of work of the Truth and Reconciliation Commission, the issue of reparations for the victims of apartheid has yet to be solved and the reconciliation process needs to be pursued on a long term basis. Both public authorities and civil society are very conscious of the need to address the issues of racism and xenophobia, which are still prevalent in all layers of the SA society. In the next few years the land issue, seen both in terms of restitution of confiscated land and transfer of property to reflect a fairer racial balance, may well become a litmus test by which the post-apartheid experiment will be judged.

The SA media is one of the most diverse and developed in Africa. However the complete post apartheid transformation of the media industry is still being achieved. Whilst the ownership of some media groups has been transferred to some empowerment companies, a more representative management structure needs to be reinforced.

## **Foreign Policy**

As regards foreign policy, the SA focus is on Africa. Pretoria's role at the international and continental level manifests itself in the manifold responsibilities it assumes: within the African Union (AU); Nepad; the Non-Aligned Movement (NAM) the Durban World Conference against Racism, the Johannesburg World Summit on Sustainable Development; and numerous multilateral and bilateral agreements and negotiations within the WTO framework, and with other partners, notably the EU, MERCOSUR and the USA. Key issues for SA in the international environment are:

**Nepad:** Nepad, of which President Mbeki is a key initiator, is an innovative plan for Africa's socio-economic development. The mechanisms for its implementation are in the process of being articulated. From the international community the initiative has received strong moral support, but less than expected in terms of concrete measures of assistance. Domestically, unions and civil society have to be better engaged in the Nepad process so that partnership and buy-in from all sectors are achieved.

**African Union:** The new AU, with SA in the chair, will assume a larger role than its predecessor, encompassing many of the political, economic and social challenges facing the African continent. The issue for President Mbeki is perhaps less whether the AU will succeed in all its ambitions and more about how to "manage" the process in a way that enhances the chances of success of Nepad as well as SA standing within the international community.

**SADC:** The SA Government is committed to strengthening SADC performance in promoting peace and security in the region, hence strengthening Nepad's credibility.

**Great Lakes:** The credibility of Nepad and the AU is seen by some as depending on whether there is a successful resolution of existing conflicts such as those affecting the Great Lakes region. To this end SA in its capacity of chair of the AU has been an essential and active actor in brokering the recent agreement between Rwanda and the Democratic Republic of Congo (DRC). SA continues its intervention in Burundi in the form of its protection force, and has been very successful in searching for a peaceful resolution to conflict and disputes within that country.

SA's foreign relations priority remains that of promoting Nepad's credibility through active support to conflict resolution where there is a readiness to accept SA involvement, while at the same time seeking consensus around the Nepad initiative from both African and G8 countries. The Government acknowledges and appreciates the EU support in its endeavours. To this end the move to a structured EU/SA political dialogue is to be welcomed.

## **Economic and social situation**

Since 1994 SA has made considerable progress in social and economic transformation. Within the guiding macro economic policy framework, based on GEAR (Growth, Employment and Redistribution) high levels of protection and distortion, rapid price increases and negative growth have been reversed and a substantial measure of macroeconomic stability achieved.

The GDP growth rate picked up from 0.8% in 1998 to 3.4% in 2000 and slowed down to 2.2% in 2001, before rising to 2.6 per cent in 2002. Given the medium term outlook for the global economy, growth is expected to rise to 3.5 per cent in 2003, 3.7 per cent in 2004 and 3.9 per cent in 2005. Per capita income in 1999 was around US\$3160, which places SA as one of the middle-upper income group of countries. However, SA, more than almost any other developing country, has a dual economy: it has sophisticated physical infrastructure as well as financial, IT and telecommunication services, side by side with extreme levels of poverty and exclusion.

The budget deficit has gone down to 1.4% of the GDP in 2001/02 as a result of the gain in revenue through rationalisation of the tax regime and efficient tax collection. This helped to release additional financial resources for growth-oriented development programmes. The deficit is targeted to rise to 2.1% in 2003 and go down to 1.7% in 2004.

There has been a consistent drop in inflation except for a temporary surge in 2002 arising mainly due to the depreciation of the Rand and partly due to rising food prices. The rate of inflation is estimated to average around 6.9% in 2002.

There has been marked stability in the monetary policy management with a consistent decline in interest rates since 1994 and in spite of the ups and downs in the international financial and currency market. The exchange rate of the Rand depreciated by about 37% against the major currencies during the last six months of 2001.

A policy of trade liberalisation has been a major source of economic growth over the last years. Improvement in the country's international terms of trade (i.e. export prices rose faster than import prices) resulted in export earnings rising faster than payments for imports. As a consequence, the country's trade balance experiences a healthy surplus. Trade with the EU has grown substantially in value and quantity since the TDCA came into force on 1 January 2000. As exports expanded faster than imports, this development added to the overall trade surplus of SA. The positive development of the surplus was also compensating for the increasing deficit on the "services and income account" so that the overall deficit of the balance of the current account of SA decreased from 2000 (0.4% of GDP) to 2001 (0.2% of GDP) and amounted to a surplus during the first half of 2002. The slow down in global economic activity however, has held back SA's potential expansion in exports and imports since 2001.

Social transformation was accompanied by a remarkable effort in the provision of social services to previously disadvantaged populations. Since 1994, within the frame of sound and innovative sector policies, 7 million people have been provided with basic water supply, over 1.3 million houses built to provide shelter to over 5 million people, 400,000 electricity grid connections made and 412,000 new telephone lines installed. The Government has supported access to land and secure tenure for poor and previously disadvantaged communities. The total number of redistribution projects at the end of 2001 amounted to 834 involving around one million hectares of land and 96,063 households. Land transfer has been boosted by the recent decision to release up to 669,000 hectares of state agricultural land to emerging farmers. By March 2002, 29,877 restitution claims have been settled in favour of 62,245 households and 4,823 beneficiaries have received the Land Redistribution Programme grant. However both the redistribution and restitution

processes have been considered too slow and a number of current problems linked with the procedures for land acquisition, project planning, resources allocation and target groups are currently discussed with all relevant stakeholders. The sensitivity of the issue has evidently become more acute, given the deteriorating situation in Zimbabwe.

Public expenditure priorities reflect strategic policies: in the consolidated budget, social services were allocated 48% of total resources, of which almost half for the education sector. The protection services receive 17% of the budget, while the economic sectors are allocated 10%. Interest payments absorb 17% and are expected to fall below 15% over the period of the current MTEF. An ambitious reform of the public finance management systems and procedures came into force in April 2000. The recent report on Observance of Standards and Codes (ROSC) concluded that the quality of fiscal management and transparency in SA are high by international standards.

Notwithstanding the Government's efforts, slow growth of the economy and low foreign investment, high and rising unemployment and widening income inequality remain key issues to be addressed. SA's rate of poverty is 45%, with nearly 20 million citizens living below the poverty line. While 45% of the population is rural, 75% of poor people live in rural areas. Human Poverty, which includes deprivation of longevity, living standards and knowledge, affects 20% of the population. The Human Development Index for SA is 0.695, placing SA in the middle rank.

KwaZulu Natal	8,924,643	63	36.2	0.602	21.12	21
Eastern Cape	6,658,670	74.3	20.2	0.596	23.34	22
Limpopo	5,337,267	77.9	13.2	0.531	28.34	18
Gauteng	7,807,273	32.3	29.4	0.712	10.45	10
North West	3,562,280	60.9	22.9	0.63	18.37	9
Mpumalanga	3,003,327	63.9	29.7	0.628	21.71	8
Free State	2,714,654	54.1	27.9	0.65	15.01	6
Western Cape	4,170,971	29.1	8.7	0.702	9.68	4
Northern Cape	875,222	57.5	11.2	0.632	17.95	2

Source: Human Development Report 2000, SA Health Review 2000

However the average HDI is misleading in that it does not account for the fact that SA is the third most unequal society in the world. In 1996 the poorest quintile received 1.5 % of total income against 65% received by the richest quintile. The Gini coefficient is 0.58, among the highest in the world. Inequality of income between race groups is extremely high: 57.2% of Africans live below the poverty line against only 2.1% of Whites. Unemployment has increased from 1.8 million in 1995 to 3.2 million in 1999. It is higher among African women (52% in 1997) and African men (42.5%) than among other population groups.

### **Sustainability of current policies**

As part of the new agenda, a strengthened focus seeks to narrow the socio-economic imbalances by reprioritisation of Government expenditure. The aim is to enhance delivery of social services and employment creation through infrastructure development. The delivery of free basic services such as the expansion of the Child Support Grant and the strengthening of the social security system are expected to have significant fiscal implications.

Sustainability of current policies is ensured by SA fiscal rigour, which is illustrated by

total fiscal revenue at 27% of GDP accompanied by a sustainable fiscal deficit. The SA Government is also committed to strict monetary policy and continuation of an open outward oriented trade policy.

Sustainability problems may emerge at the local level, where capacity constraints may affect the maintenance of infrastructure and endanger in the medium term the delivery of services. In order to strengthen the capacity of delivery of services at local level, the Private Public Partnership initiative has been introduced. This is a contractual arrangement between private and public entities to ensure that delivery is effective and mentorship for maintenance is enhanced. Capacity building budgetary support measures are introduced through the ISRDS (Integrated Sustainable Rural Development Programme) and URPs (Urban Renewal Programme).

The major threat to the sustainability of the SA Government's current policies, indeed to any development progress in SA, comes from the HIV/AIDS pandemic. The number of HIV infected people is expected to grow from 3.75 million in 1999 to 5.5 million in 2004 (current population level: 44 million). The number of AIDS orphans is projected to grow from 250,000 in 1999 to 750,000 in 2004. Poverty and social exclusion are likely to be aggravated. This will have a major impact on social expenditure as well as on the delivery capacity of the public administration, which risks losing experienced personnel in highly labour intensive sectors. Without effective intervention it is further estimated that 5-7 million South Africans will die of HIV-related illnesses by 2010. SA's health system, ranked by the WHO at 175 out of 191 member states, struggles under the weight of AIDS and related diseases such as tuberculosis. Although a social development framework for an integrated and co-ordinated response to HIV/AIDS has been drawn up, directing about R1 billion in 2002/03 to prevention interventions, the overall implications and effects of this pandemic have yet to be fully evaluated, and a comprehensive Government response to be developed and rolled out.

### **Medium term challenges**

Widening income inequality, slow growth, high and rising unemployment and the HIV/AIDS pandemic are the main challenges facing the SA Government in the medium term.

SA has largely succeeded in maintaining macroeconomic stability and can now move towards a more growth oriented fiscal stance. Within this framework, policy is shifting toward getting the microeconomic reforms on track. These include continued tariff reforms, the restructuring of state assets, getting back towards its inflation targets, increasing the consistency of its regulatory frameworks and eliminating the net open forward position. These reforms must be implemented while the Government accelerates investment in human and capital infrastructure to boost long-term growth and poverty reduction.

As policy and institutional reforms have been finalised, the emphasis is now on outcomes and on delivery. Institutional and administrative capacity has to be strengthened at all three levels of government to improve the capacity to deliver. The translation of policies into strategic and management plans is acknowledged as a weak link that deserves attention. Institutional and administrative capacity is an important ingredient in the definition of policies.

The transfer of responsibilities to local governments could slow the delivery of services unless accompanied by an adequate effort in capacity building. The outcome of discussions concerning the appropriate divisions of powers and functions between the district and local municipalities is likely to have a profound impact upon the fundamental

structure of local governments in SA. Empowering local governments is an important dimension of deepening and broadening democracy.

Levels of crime in SA, which are among the highest in the world, affect the safety above all of the poorer members of the population, especially women and children. The high levels of crime and violence, particularly when they impact on the expatriate community, have a negative impact on foreign investment. Reinforcing crime prevention activities is a huge challenge that requires major investment in human resources and infrastructure, coupled with capacity building and strong co-operation with communities.

Addressing unemployment is another major challenge. Microeconomic reform is expected to improve the supply response to domestic and foreign demand and to remove obstacles to investment. The challenge is to ensure that increased investment and productivity are translated into higher employment. Other major initiatives are a sustained expansion of the public works programme and the extension of employment incentives to support services in the public sector. The challenge in this case is to transform short-term job opportunities into longer-term employability through a demand-driven system of skills development.

Ensuring access to land and security of tenure is a foremost challenge. Speeding up the processing of rural claims will have a major impact on the land restitution programme. It is foreseen that the disposal of State land will give an impulse to local economic activities. Land tenure reform remains an essential ingredient of rural development. Ensuring that beneficiaries of land restitution and redistribution are enabled to use the land in a productive manner is key to building sustainability into the process of redistribution of assets to previously disadvantaged communities.

Participation and partnership are key to policy implementation in SA. Participation by communities and civil society is necessary to ensure that policies respond to the needs of beneficiary populations. Public-private partnership encourages the mobilisation of private resources for developmental objectives. Specific mechanisms to ensure participation and partnership at the local government level are crucial.

SA has made the deliberate choice to tackle poverty reduction through its sectoral policies and budgetary allocations within the different social, economic and criminal justice cluster approaches. SA aims to reduce poverty through:

- Increasing income support and improving access to basic services for the poor
- Strengthening employment creation incentives
- Reinforcing crime prevention capabilities
- Deepening the skills base of the economy
- Enhancing the regional environment for private sector investment
- Advancing tax reform in support of growth and development
- Continued investment in new infrastructures and maintenance and rehabilitation of existing infrastructures.

The Government aims to focus more on coherent policies targeted towards outcomes. This will involve agreeing on outcomes to be achieved in a range of policy interventions, and regular monitoring and evaluation of their direct impact on poverty. The SA government is presently considering ways in which its reach could better extend to the poor and very poor.

### **The regional and sub-regional framework**

South Africa is a fully-fledged member of the South African Customs Union (SACU) and the Southern African Development Community (SADC). As a qualified signatory to the Cotonou Agreement, South Africa is also a member of the ACP group.

South Africa was the first chair of the African Union. It is the co-author and driving force

behind the "New Partnership for African Development" (Nepad), a commitment by African leaders to take ownership and responsibility for the sustainable economic development of the continent.

## **Relations with the European Union**

The European Union is the most important strategic partner to South Africa. South Africa's trade with the European Community constitutes of over 40% of total trade. Political links with the Community and its member states are well established and date back to times of strong support for the anti-apartheid struggle.

This strategic partnership is expressed in the Trade, Development and Co-operation Agreement (TDCA) (which includes provision for a Free Trade Area (FTA), financial assistance and development cooperation, trade related issues, economic cooperation, social and cultural cooperation and political dialogue. Pending ratification, the TDCA is provisionally and partially being applied since 1 January 2000. The application covers trade, development co-operation and financial co-operation chapters only. Wine & Spirits agreements have been signed on 28 January 2002. Negotiations on the Fisheries Agreement have been suspended by mutual agreement.

## **2003-2006 Country Strategy**

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South Africa has signed the Cotonou Agreement as a «qualified» member with no access to its financial instruments and preferential trade regime. Development aid - the European Programme for Reconstruction and Development (EPRD) - is financed from Commission budget line B7-320, and has been operational since 1995. The Regulation for budget line B7-320, adopted in August 2000, earmarks an indicative amount of 885,5 million Euro for the 2000 to 2006 period. Financial commitment has been of the order of magnitude of EUR 125 million per annum, and yearly payments are now nearing the same level. The European Development Bank also has an agreement with South Africa and provides loans for an average amount of € 120 million per annum. These amounts combined make the EU by far the most important donor but represent a very limited contribution (around 1.5%) to the overall annual government budget.

The EPRD is geared to closely support the Government's Reconstruction and Development Programme. The new Multi-annual Indicative Programme (MIP) has been adopted by the Commission, but remains to be signed. It covers the period 2003 – 2005 (with a possible extension of one year to make it coincide with the Commission financial forecasts until 2006) and concentrates on the historically most deprived and poorest provinces (Eastern Cape, KwaZulu-Natal and Limpopo). In line with the previous programme, it focuses on Equitable access to and sustainable provision of social services; Equitable economic growth; Deepening Democracy; and on Regional integration and cooperation.

Under the new, 2003-2006 Country Strategy Paper, the overall objective is to strengthen political cooperation, and to support the SA policies and strategies to reduce inequality, poverty and vulnerability. In this context, a further aim is to support SA efforts to mitigate the HIV/AIDS pandemic and its impact on the society

The strategy focuses on four main objectives:

1. Equitable access to and sustainable provision of social services
2. Equitable and sustainable economic growth
3. Deepening democracy
4. Regional integration and co-operation

The impact of co-operation in these four main areas will be strengthened by the systematic integration of the following crosscutting issues in development programmes:

- a. HIV/AIDS
- b. Capacity building
- c. Civil society and other non-state actors involvement
- d. Governance
- e. Environment
- f. Gender

The strategy proposes an increased emphasis on demand for services, economic opportunities and democratic values. Strengthening the capacity of communities and individuals will help them to engage with the three spheres of governments, to participate in development processes and to expect increased accountability. This will be at the heart of all future programmes and a core feature of the future strategy. Full integration of cross cutting issues is fundamental to achieving the purposes of each area of co-operation. As recommended by successive evaluations, special attention will be given to developing strategies for the crosscutting issues and in creating synergies between the different areas of co-operation.

Whenever possible and appropriate, the support of the EC will be targeted towards the three most deprived provinces of SA, in order to contribute to redressing the inequalities and imbalances of the past: KwaZulu Natal, Eastern Cape and Limpopo. High poverty rates combined with large population, results in a cumulated share of the poverty gap of 61% for these three provinces. Provincial HDI are below while HPI are above the national average. 70.8% of the total SA rural population are found in these three provinces. KwaZulu Natal and Eastern Cape concentrate nearly half of the population estimated to be HIV positive in SA. Within these three provinces, special attention will be given to the urban and rural development nodes identified in the Integrated Rural Development and Urban Renewal Strategies as priority areas for intervention.

Within this proposed strategy, the EC will support the definition of an active pro-poor policy framework based on specific poverty indicators allowing a better monitoring of the impact of its interventions on poverty reduction.

The sector wide approach will be further promoted in the implementation of EC assistance as a mean to:

- Promote increased ownership of development programmes by the relevant stakeholders
- Ensure further alignment of EC assistance to strategic priorities as reflected in the MTEF
- Increase co-ordination with other donors in the sector concerned
- Shift the emphasis from donor inputs and procedures to outcomes and performance indicators of the overall programme
- Address capacity constraints within implementing agencies
- Ensure joint monitoring and evaluation of both government and donors contributions
- Promote accountability and good governance of the overall resource allocation for development programmes in accordance with the Public Finance Management Act
- And thereby improve the quality of policy dialogue and of the partnership between SA authorities and the donor community.

The EC will maintain its support to the Government for an improved alignment of ODA to SA development priorities and will enhance its effort in co-ordinating with MS and other donors for a stronger effectiveness and impact of ODA.



## **Priorities for co-operation**

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### **Area of Co-operation 1 - Equitable access to and sustainable provision of social services**

The purpose is to support Government's implementation of policies and strategies aimed at increasing access to and use of social services for poor people to improve their quality of life.

Despite considerable progress, a significant backlog in social infrastructures and services still result in many of the poorer South Africans being deprived of access to water and sanitation, primary health care, basic education and vocational training and social housing. In addition to contributing to the reduction of the backlog, the focus of the response strategy is on the sustainability of social services in the context of decentralisation of powers to provincial and local governments. This includes the provision of services that reflect the needs and the preferences of the poor, are affordable and can be maintained at the local level.

Under this area of co-operation the EC will contribute to the following results:

- Increased access to and use of services by the poor population
- Services delivered that respond to the needs of the poor population
- Different models of service delivery piloted
- Improved sustainability of services delivered
- Capacity of local governments in provision of services improved
- Development partnerships with civil society promoted
- Interaction between service providers and users of services at local level improved.

In the Health sector the purpose of future co-operation will be to contribute to increased access, quality and use of health care services, including the continuum of care for HIV/AIDS, by disadvantaged populations. This purpose will be articulated along two themes: HIV/AIDS and capacity building in health services delivery and will be achieved through support programmes and knowledge development.

Support programmes in the area of HIV/AIDS will cover prevention and care as well as human rights and social issues such as the impact on women and children (orphans in particular). It should be directed to government and civil society organisations that have the mandate, potential capacity and willingness to address the needs of those affected and infected. In addition, appropriate capacity development will be supported in the different spheres of government, particularly provinces and district municipalities, to strengthen co-operative governance and to enable them to better plan and manage healthcare services in partnership with CSOs, within national policy guidelines.

Knowledge development on HIV/AIDS will include on-going research into the impact of the epidemic, prevention programmes, treatment options and care for those affected. Wide dissemination of research results on these themes will be supported.

Wider based research into the viability and lessons learnt from the decentralisation of the management of health services will be undertaken to build a knowledge base for future interventions in SA and in the region.

In Human resource development the EC will support the Government's Human Resource development strategies aiming to foster the development of a fully functioning education and training system that will contribute to the social uplifting of the poor by developing skills responsive to the societal and economic needs of the country. The EC contribution will:

1. Assist in addressing the nation-wide backlog in schools infrastructure and services in targeted nodal areas;
2. Support the improvement in the quality of the Further Education and Training bands of the National Qualifications Framework,
3. Focus on the impact of the HIV/AIDS pandemic on the education sector.

In Water services and sanitation the purpose will be to contribute to improved access and use of water and sanitation services by the poor. The EC's sector-wide approach will facilitate the decentralisation of service delivery to local government and the transition of the national department's role to a policy making, regulatory and monitoring body. Focus will remain on the development of appropriate technologies, the transfer of existing schemes to local governments or water boards, affordability and sustainability of services provided together with the inclusion of gender and environmental considerations.

The EC will contribute to the integration of orphans and children in vulnerable situations into social life. It will in particular support the improved coverage and effectiveness of social grants to vulnerable children (including those affected/infected by HIV/AIDS), better access to social services, integration into a supportive social environment and awareness campaigns. Different models of delivery and integration will be piloted, in collaboration with civil society.

## **Area of Co-operation 2 - Equitable and sustainable economic growth**

The purpose is to contribute to the acceleration of growth, equity and employment.

The EC will support the Government's effort in the field of microeconomic reform to enhance incentives and remove obstacles that prevent economic agents from responding positively to demand and the improved macroeconomic environment.

By supporting the sector-wide IMS and local development programmes in selected areas, the EC will contribute to the following:

- **Enhanced Policy & Regulatory Environment:** Supporting national and local government spheres in terms of integrated development planning, urban and regional planning, legislative environment etc.
- **Partnerships & Linkages Promoted:** 'Linkage' spans the formal and informal sectors, small and established enterprises, rural and urban areas, skills development and job opportunities and public and private investment. Within the ABMD framework the following linkages can be identified: social housing, sustainable communities and special needs housing.
- **Improved access to economic opportunities:** access to inputs, assets (with special emphasis on land ), information, 'know-how', finance, trade opportunities and markets.
- **Improved access to science, technology, research and development:** innovation and research development provision of an enabling environment for R&D.
- **Enhanced accountability and governance** with special emphasis on corporate and co-operative governance and consultation in policy-making.
- **Enhanced institutional capacity** of key stakeholders, both public and private sector institutions, to contribute to an enabling environment for investment and growth.

At national level the EC, through its support to the implementation of the IMS, will contribute to increased competitiveness and efficiency. Competitiveness of selected sectors will be achieved through benchmarking, provision of customised services and the removal of obstacles to sector growth. Special attention will be given to gender imbalance in Science and Technology.

The effort at national level will be coupled by interventions at local level, preferably in the

areas identified by the SDIs, the URP and the IRSDS. By supporting local development the EC aims at stimulating pro-poor growth by contributing to the creation of local enabling environments, focusing on linkages between a wide range of local productive activities and improving access to information, assets (including land) and services. Local development implies participation of local governments and communities and has an important governance dimension. Within its framework, new models of delivery of social infrastructure (e.g. housing) with increased participation by and accountability towards beneficiaries will be tested and promoted, especially in urban areas.

The EC will also continue to promote trade and investment between SA and the EC. Through the TDCA the parties will continue to promote a successful institutional dialogue to co-operate to a positive agenda in international trade (WTO) and to eliminate remaining and eventually arising obstacles to trade flows and increased Foreign Direct Investment. The advancement of the Wines and Spirits Agreement will continue positively to affect the overall environment for trade discussion and implementation. The SA Wines and Spirits industry will also receive additional support for the restructuring of the sector following the submission of a programme proposal by the SA Government. This cooperation will certainly also cover the possibility of EU support to institutional capacity building measures in SA such as in the area of trade statistics. The discussions towards a fisheries agreement, currently suspended, may be resumed after the completion of the EU fishery policy reform.

### **Area of Co-operation 3 – Deepening Democracy**

The purpose is to contribute to the strengthening of social capital and democratic values with a specific focus on local level.

The new structure of local governments, defined by the Demarcation Act adopted in 1999, and the establishment of new Local Authorities following the December 2000 elections, have empowered local governments as key role players in the development process. Accountability to the people and participation of the people in local democratic processes are crucial to improve government effectiveness.

The EC will contribute to increased accountability and participation by strengthening the capacity of local councillors and officials, traditional leaders and community-based organisations to fulfil their mandates. A stronger interaction between local governments and provincial legislatures will also be supported.

High levels of crime infringe the rights of SA citizens, and vulnerable groups in particular. The level of violence against women and children is especially disturbing. The impact of this type of criminality is most severe among the poor. The EC will support, inter alia, the implementation of the NCPS, the White Paper on Safety and Security and the Domestic Violence Act, especially in rural areas.

While in the past the EC has mainly supported the improvement of law enforcement services, this ongoing effort will be matched with support to crime prevention initiatives through improved community participation, sector policing, stronger co-ordination and integration within the Criminal Justice System at the local level as well as ensuring accountability and respect for human rights standards by all actors in the sector. Community participation will include the promotion of social values to revitalise the social fabric of local communities.

In SA the civil society movement, which encompasses around 100.000 civil society organisations of all kinds, is playing a crucial role in the transformation process and in promoting equitable development policies. Advocacy is a vital function for CSOs to ensure increased government accountability and promotion of the interests of the poor and

vulnerable groups. The EC will directly support the advocacy role of civil society. The aim is to support and strengthen the contribution of civil society to the formulation and the implementation of policies. The advocacy role will also be supported at the regional level, to promote a constructive interaction between regional integration processes and civil society.

#### **Area of Co-operation 4: Regional Integration and Co-operation**

The purpose is to promote the active participation of SA in the regional integration process in the SADC region and to promote peace, democracy and good governance on the African Continent.

SA has been involved in the preparation of the 9th EDF SADC Regional Indicative Programme and supports its proposed main objective of deepening regional economic integration and the development of transport services.

The EC will support initiatives and interventions in the area of intra-regional trade (including trade liberalisation, customs procedures, the removal of technical barriers to trade and investment promotion, the development of a regional capital market and cross-border payments and preparation for international trade negotiations) at SADC and SACU level. EC support will also be mobilised in support of the development of regional transport policy and water resource management.

The EC will also assist SA in the promotion of specific regional Nepad initiatives in particular in the area of capacity building, good governance and conflict prevention and resolution. Support will also be provided to ensure the full participation of African Civil Society organisations in the policy planning debates and the implementation of Nepad.

#### **Crosscutting issues**

Six crosscutting issues will be integrated in EC interventions in each of the areas of co-operation. Each crosscutting issue will be explicitly assessed during the appraisal phase and the recommended approach integrated in each financial proposal. The approaches set out below will be preferred.

#### **HIV/AIDS**

Due to the extent and the gravity of the pandemic, specific measures will be included in all programmes, in addition to interventions in health and education. EC interventions in each of the areas of co-operation will systematically integrate:

1. an awareness component aimed at behavioural change
2. an assessment of the impact of HIV/AIDS in relation to the specific sector
3. capacity building and human resources management in response to the pandemic.

In Area of Co-operation 1, a specific objective will be to make social services accessible to people infected/affected by HIV/AIDS through the continuum of care cycle and the promotion of the most effective prevention strategies. In Area of Co-operation 2, the focus will be on prevention and establishing specific mechanisms to maintain HIV infected/affected as economically active individuals as long as possible. In Areas of Co-operation 3 and 4, awareness campaigns around a range of social issues linked to HIV/AIDS will be supported.

## **Capacity building**

Policy implementation and service delivery is restrained by weak capacity at different levels of government and society. Capacity building will be developed around the specific functions at the core of each intervention. Under each programme, capacity building will benefit the chain of relevant stakeholders, from the authority responsible for the provision of the service and the service provider to the final beneficiary. Communities and civil society organisations will be included. Capacity building, not limited to training, but including mentoring and improvement of systems, will be linked and contribute to the overall system that has been established by the SA authorities (Skills Development Strategy and National Qualifications Framework). It is expected that local governments, increasingly responsible for the provision of services, and local communities will be at the centre of capacity building activities during the period covered by this strategy.

## **Civil society and non state actors involvement**

A vibrant civil society plays a vital role in piloting different models of service delivery, in contributing to the definition of policies and in targeting excluded populations. In the four areas of co-operation, support to civil society will follow two main approaches:

1. Development partnerships between civil society and government at national and local level will continue to be supported. The aim will be to extend the coverage and maintain a variety of approaches in the delivery of services.
2. Support to membership-based organisations (CSOs and CBOs) around specific functions and initiatives, with the aim of enabling grassroots organisations to play an active and meaningful advocacy role in influencing government decisions.

Umbrella organisations, CSOs and CBOs networks can contribute to the implementation of both these approaches. The support to civil society will also seek to contribute to the long-term sustainability of CBOs and CSOs, both in service delivery and in advocacy.

## **Governance**

Good governance will be integrated in all EPRD interventions with the specific aim of improving administrative capacity, effective and accountable administration and promotion of the rule of law. Intergovernmental relations and co-operative governance will also be given strong consideration and, as appropriate, support under each programme. Emphasis will also be placed on monitoring and evaluation of development policies and programmes. The EC will support the development of relevant key performance indicators that form an integral part of the MTEF and the public expenditure review.

## **Gender**

The constitutional and legislative framework in SA provides a very positive institutional environment to ensure gender equality; however the translation of policies into practice, in particular the entrenchment of women's rights, requires specific attention. Gender mainstreaming will be built in at all levels of the project cycle to ensure that gender-specific issues in each of the development sectors supported by the EC are identified in the analysis and are subject to specific interventions whenever appropriate. Special emphasis is given to women's access to basic services, but also to the crucial role women play in ensuring sustainability of services at community level. Women are expected to be main

beneficiaries as they are specially affected by the HIV/AIDS pandemic and victims of domestic violence. Women will also receive support for their vital role in delivering increasingly needed social services at community level and in reviving social values in rural and urban SA. Constraints to women's participation in skills development and income generating activities will be taken into account and addressed under Area of Co-operation 2.

## **Environment**

A specific environmental assessment will be included in the preparation of each intervention to ensure compliance with environmental regulations and also to develop activities that will promote environmental enhancement. Consideration will be given to the physical, social and cultural environment. Environmental assessment will continue to be integral part of water and sanitation programmes and will be extended to support to local governments. The development and adoption of appropriate technologies will be supported under Area of Co-operation 2. Advocacy activities in the field of environment will be eligible for support under Area of Co-operation 3.

## **Financial Data**

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Overall EPRD Financial Flow Pattern (In million Euro)

1995	125.0	45.59	36
1996	129.6	29.12	22
1997	127.5	60.20	47
1998	127.5	71.98	56
1999	127.5	99.95	78
2000	123.5	105.00	85
2001	121.8	110.00	90
2002	127.0	117.00	92
2003	127.0		