



COMMISSION OF THE EUROPEAN COMMUNITIES

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COM(95) 174 final

95/0110 (SYN)

Proposal for a

COUNCIL REGULATION (EC)

ON DEVELOPMENT COOPERATION  
WITH SOUTH AFRICA

(presented by the Commission)

## **EXPLANATORY MEMORANDUM**

The policy of the Community towards South Africa has seen a dual approach : positive measures, as the Special Programme for assisting the victims of apartheid was called, and negative measures, in the form of economic sanctions imposed on the previous regime. The European Union has therefore been supporting the transition of South Africa towards democracy from 1986 to 1994 through Budget Line B7-5070 (Special Programme on South Africa). Over 700 projects have been financed for about 450 million ecus and the Community is now a leading donor in South Africa. Moreover, the election process in South Africa has benefited from Community's financial support for different activities. With the success of the first democratic elections and the subsequent formation of the Government of National Unity, we are currently in a period of transition.

The development cooperation between the Community and South Africa is evolving from a situation where the objective was the assistance to the victims of apartheid through several projects implemented by NGOs towards a set up where the objective is to support the policies of the Government of National Unity through a limited number of programmes, implemented by the Government of National Unity, NGOs and private sector. The role of interlocutor of the Community in the development policy dialogue, which was played in the past by NGOs, now belongs to the Government of National Unity.

The European Parliament has been playing a key role in assuring the continuation of Community support to a peaceful transition in South Africa.

The present policy concerning our relationship with South Africa is spelled out in the April 1994 General Affairs Council Declaration. It identifies three stages: (i) a set of immediate unilateral measures; (ii) the negotiation of a simplified bilateral agreement and (iii) the negotiation of a comprehensive and long term relationship.

The first two elements are now in place with the adoption of a series of immediate measures during 1994, and the signature in October 1994 of the Cooperation Agreement between the European Community and South Africa.

We are now at the third and most important stage. This is to build a comprehensive and long term relationship with South Africa. In this connection, the South African Government has already asked the Council and the ACP/EU Joint Assembly "... to open negotiations with a view to establishing the closest possible association with the Lomé Convention. South Africa asks also that negotiations should cover a possible agreement with the EU on specific elements that might more appropriately be accommodated outside the Lomé Convention, to the benefit of the existing Lomé members and South Africa itself ..."

Draft negotiating directives for the establishment of the framework for a long term relationship between the Community and South Africa have recently been presented by the Commission to the Council and are under discussion. It is essential, therefore, that the negotiating directives and the draft Council Regulation are fully coordinated. This could imply, at a future stage, some amendments to the draft Council Regulation.

In the meantime, pending the conclusion of a long term agreement, the Community's support to the Government's Programme for Reconstruction and Development will continue.

Part of this is the creation of a legal framework, to which end the present draft regulation is proposed for the implementation of development cooperation through the European Programme for Reconstruction and Development in South Africa.

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THE COUNCIL OF THE EUROPEAN UNION,

having regard to the Treaty establishing the European Community, and in particular Article 130w thereof,

having regard to the proposal from the Commission,

in cooperation with the European Parliament,<sup>1</sup>

whereas Community policy in the past towards South Africa took the form of punitive measures involving a trade embargo and economic sanctions against the government that bore responsibility for a policy of apartheid, and also of positive measures to help the victims of apartheid under the special programme of assistance channelled via NGOs;

whereas since the elections of April 1994 and the establishment of a democratic government the Community has turned towards a strategy of support for the policies and reforms undertaken by the South African authorities;

whereas in its declaration of 25 May 1993 the Council expressed its support for the establishment of democratic institutions;

whereas in the conclusions adopted on 19 April 1994 on future relations between the Community and South Africa the Council confirmed its support for stepping up cooperation with South Africa by focusing Community assistance on areas of activity likely to improve the living conditions of the people, and especially the poorest sections of the population;

whereas the aim of the Agreement on cooperation between the European Union and South Africa signed in Pretoria in October 1994 is to promote harmonious and sustainable social and economic development and constitutes the first stage in the establishment of long-term cooperation with South Africa for which a proposal for negotiating directives was submitted by the Commission to the Council on 31 March 1995<sup>2</sup>;

whereas the budgetary authority has decided in the framework of the 1986 budget, to create a budget line to support development actions in this country;

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<sup>1</sup> Opinion delivered on (O.J. n° ... of ..... ) and Decision of (O.J. n° ... of ..... )

<sup>2</sup> SEC (95) 486 final

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whereas the arrangements for administering the financial resources set aside by the Community for implementing such cooperation should be laid down;

**HAS ADOPTED THIS REGULATION:**

**Article 1**

The Community shall implement financial and technical cooperation with South Africa under a European Programme for Reconstruction and Development in South Africa, the aim of which shall be to contribute to South Africa's sustainable economic and social development and to consolidate the foundations laid for a democratic society.

Within this context the Community shall support operations to help the poorest sections of the population in South Africa.

**Article 2**

In operations carried out under this Regulation priority shall be given to the following: education and training; health; urban and rural development; support and cooperation with the private sector, and in particular for small and medium-sized enterprises; institution building and the organization of local communities; democratization and the protection of human rights.

**Article 3**

Cooperation agents eligible to receive financial assistance under this Regulation shall be national, provincial and local authorities and public bodies, non-governmental organizations and local communities, regional and international organizations, institutions and private operators.

**Article 4**

1. The means that may be deployed under the operations referred to in Article 1 shall include studies, technical assistance, training or other services, supplies and works, and also evaluation and monitoring audits and missions.

2. Community financing may cover capital expenditure, excluding the purchase of real estate, together with running costs, either in foreign exchange or in local currency, in accordance with requirements as implementation proceeds.

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3. Systematic efforts shall be made to obtain a contribution, notably of a financial nature, from the agents or partners who will be the ultimate beneficiaries of an operation (national authorities, local communities, companies or others), within the limits of their capacity and according to the nature of each operation.

4. Opportunities will be sought for cofinancing, particularly with the Member States. Necessary measures will be taken to emphasise the Community character of aid provided under this Regulation.

5. In order to reinforce coherence and complementarity between the actions financed by the Community and those financed by the Member States, with the aim of guaranteeing optimal efficiency of the totality of these actions, the Commission will take all necessary coordination measures, notably :

- a) the establishment of a system for the systematic exchange of information on actions financed by the Community and the Member States;
- b) on the spot coordination of these actions by means of regular meetings and exchange of information between the representatives of the Commission and Member States in the beneficiary country.

#### **Article 5**

Financial support under this Regulation shall take the form of grants.

#### **Article 6**

The operations referred to in Article 2 shall be carried out where possible under a multiannual indicative programme based on specific objectives.

#### **Article 7**

1. The Commission shall be responsible for appraising, taking decisions on and managing operations conducted under this Regulation, in accordance with the budgetary and other procedures in force, notably those laid down in the Financial Regulation applicable to the general budget of the European Communities.

2. Decisions concerning any operation financed under this Regulation at a cost of over ECU 2 million, or any adjustment of such an operation involving an increase of over 20% of the amount initially agreed, shall be adopted by means of the procedure stipulated in Article 8.

3. All financing agreements or contracts concluded under this Regulation shall provide for on-the-spot checks by the Commission and the Court of Auditors in accordance with the usual arrangements established by the Commission pursuant to the rules in force, in particular those laid down in the Financial Regulation applicable to the general budget of the European Communities.

4. Where operations involve financing agreements between the Community and the recipient country, such agreements shall stipulate that taxes, duties and charges shall not be borne by the Community.

5. Participation in invitations to tender and contracts shall be open on equal terms to all natural and legal persons of the Member States and the recipient country. Participation may be extended to include other developing countries.

6. Supplies shall originate in the Member States or the recipient country, or in other developing countries. In duly substantiated exceptional cases they may originate in other countries.

**Article 8**

1. The Commission shall be assisted by a committee to be known as the "South Africa Committee", consisting of representatives of the Member States and chaired by the representative of the Commission.

2. The Commission representative shall present to the Committee a draft of measures to be adopted. The Committee shall deliver its opinion on the draft, within a time limit which the chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority stipulated in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in that Article. The chairman shall not vote.

The Commission shall adopt measures which apply immediately. However, if these measures are not in accordance with the opinion of the Committee, they shall be communicated by the Commission to the Council forthwith. In that event the Commission may defer application of the measures which it has adopted for a period of not more than one month from the date of such communication.

The Council, acting by a qualified majority, may take a different decision within the time limit referred to in the previous paragraph.

**Article 9**

After each financial year the Commission shall present a report to Parliament and the Council summarizing operations financed and evaluating the implementation of this Regulation during the year.

The summary shall contain information concerning the agents with which contracts in implementation of this Regulation were concluded.

The report shall also include a summary description of external evaluations carried out, where appropriate, in respect of specific operations.

**Article 10**

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, ...

**For the Council  
The President**



**Financial Sheet**

1. BUDGET LINE: B7-5070

2. TITLE OF BUDGET LINE: European Programme for Reconstruction and Development in South Africa

3. LEGAL BASE: Proposal for a Council Regulation in preparation

4. DESCRIPTION OF BUDGET LINE

4.1 General Objectives

This budget line is designated to finance the programmes aimed towards improving the situation of the most disadvantaged groups of the South African society. This follows from the priorities defined by the European Parliament in their Resolution dated 15th of December 1993 regarding development perspectives in South Africa and Southern Africa (OJ C 20, 24.01.1994, p.120) and also considering the Council Decision regarding the aid for South Africa in accordance with the Interim Agreement (OJ L 341, 30.12.1994, p. 61).

In the relations between the European Commission and South Africa, there has been an evolution from the past, through the present, to the future.

- a) The "past" has seen a dual approach towards South Africa: positive measures, as the Special Programme for assisting the victims of apartheid was called, and negative measures, in the form of economic sanctions imposed on the previous regime. The European Union has therefore been supporting the transition of South Africa towards democracy from 1986 to 1994 through Budget Line B 7-5070 (Special Programme on South Africa). Over 700 projects have been financed for about 450 MECU and the Commission is now a leading Donor in South Africa. The election process in South Africa has benefited from EU financial support for different activities: election observers, voter education and the financing of the electoral campaigns of all registered parties. With the success of the first democratic elections, held in April, this support already belongs to the "past".
- b) At "present" a transition is taking place. The new Government is defining its policies and the whole of South Africa is involved in this exercise. In particular, the transition in development cooperation between the EU and SA concerns the following aspects:

	PAST	FUTURE
NAME	Special Programme	European Programme on Reconstuction and Development
OBJECTIVE	assistance to the victims of apartheid	more "classical" development programmes coherent with Government policies
INTERLOCUTOR	NGOs	Government of National Unity (GNU)
IMPLEMENTING AGENTS	NGOs	Government of National Unity, NGOs and Private Sector
PATTERN	several projects	a limited number of programmes coherent with GNU policies
AREAS/SECTORS	education, rural and community development, health, good governance and democratization and microenterprises	areas/sectors resulting from the ongoing discussions with government

The EPRD is therefore a continuation of the Special Programme on South Africa, originally proposed by the European Parliament in 1985 and confirmed on several occasions by the European Council. The modifications with respect to the past years reflect the democratic evolution of South Africa after the elections in April 1994. The Government is already playing its role both as the interlocutor to the Commission in the policy dialogue and in project implementation. The traditional partners' role is thus becoming one of implementing agents.

4.2. Period covered by the action and foreseen modalities for its renewal.

Budget Line B7-5070 is a renewable annual action. The duration of the projects implemented in its framework depends on their features and it is normally between one and three years.

5. CLASSIFICATION OF EXPENDITURE/INCOME

5.1 DNO (Dépense Non Obligatoire, Non-obligatory expenditures/credits)

5.2 CD (Crédit Dissocié, Dissociated expenditures/credits)

6. TYPE OF EXPENDITURES/INCOME

The funding of programmes and projects by the Community out of this budget line has often reached up to 100% but with more and more financing being channeled through Government services and the progressive involvement of the Private Sector, the share of the Commission Budget contribution on a "per programme" basis is likely to decrease.

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Administrative expenditures necessary to execute the programmes and projects are also covered as well as costs for project preparation and evaluation.

## 7. FINANCIAL INCIDENCE

### 7.1 Calculation

Each month the Commission Services receive several applications for funding. It is estimated that per month an average of 50 to 60 applications were directed to the PCO before its closure. These applications constitute the first step toward the financing dossier which is submitted to Member States and then to the Commission for formal approval. In general terms, the requests for financial assistance go beyond the available resources every year.

In 1994, out of the budgeted amount of 110 MECU, 102.5 MECU were committed by the end of the year, as 7.5 MECU were reallocated for emergency aid to Bosnia. Due to the fact that projects totalling 136.5 MECU were approved, the balance of 34 MECU shall be committed in 1995.

The financial allocation for 1995 has been increased to 125 MECU, in order to reaffirm the support of the European Union to the peaceful transition taking place in South Africa and to assist the new Government in the implementation of major policy reforms.

In current ECU an equal amount is envisaged for 1996 and the following years.

### 7.2 Sectoral breakdown of expenditure

It is likely that for the next one or two years education and professional training will remain the most important sectors for EU assistance to South Africa, closely followed by health. These sectors are, according to the "Governments White Paper on Reconstruction and Development" of very high priority. Local elections are scheduled before the end of 1995 and a request for financial assistance to the Commission might be forthcoming.

Taking into account the Commission recent involvement in some sectors, in 1996 the aid could be targeted mainly to the following areas: education and training (52%), health (21%), good governance and democratisation (9%), community development (7%), as well as to the infrastructural (3%), social and humanitarian sector. This breakdown is provisional, due to the fact that the talks between the Commission and the South African Government have not yet quantified the share of the financial allocation of Budget Line B7-5070 to be allocated to each sector.

## 8. DISPOSITIONS AGAINST FRAUD

All accounts of the traditional partners, the NGOs through which most of the funds have been channeled in the past (Kagiso Trust, SACBC and SACC), are audited annually. The financial correctness is guaranteed by annual audit statements of all concerned accounts. Furthermore in each contract provisions are drawn up to safeguard the interests of the EU in accordance with the Financial Regulation of 13th March 1990 applicable to the General Budget of the European Communities.

## 9. ELEMENTS FOR ANALYSING COSTS-EFFICIENCY

### 9.1 Special quantifiable objectives

The programme for 1996 will be designed in close cooperation with the Government. It is envisaged to move from a project-oriented to a programme-oriented approach. This will decrease the number of actions per year and facilitate the administration and closer monitoring of their progress.

Wherever possible and appropriate the Commission will continue to insist on a contribution of the targeted group or institution.

Measures shall entail the financing of:

- projects which allow the Government to accelerate the implementation of the Reconstruction and Development Programme (RDP);
- development programmes for the local communities executed by Kagiso Trust, the trade unions and the Southern African Catholic Bishops Conference (SACBC) and the South African Council of Churches (SACC);
- programmes designed to improve the housing conditions and related projects in the poorest regions of the country;
- programmes to improve training and education in rural areas and urban regions less advanced;
- support-programmes in the sector of professional training, including teachers training and student scholarships (around 8.000 per year);
- programmes and projects in the health sector in rural areas and urban regions less advanced;
- investments, including risk capital, micro-enterprises support and employment creation programmes;
- development of sport in the townships.

### 9.2 Justification of the measures

After the democratic elections in April 1994, there is a shift in EU-South Africa cooperation towards a more traditional "development" approach and involve more and more the now democratically authorized government in the programme.

The financial support given by the European Union to the 'new' South Africa can reinforce

democracy and provide the new Government with additional resources for carrying out the policy reforms which should result in improved living conditions and access to better services for the most disadvantaged communities.

This shall be done by the Commission with Budget Line B7-5070 in close collaboration with the Member States and their bilateral cooperation programmes. Donor coordination meetings take place on a regular basis in South Africa. The Commission is designated as the coordinating donor in the Health Sector.

Up to now, Member States experts have been consulted on every project financed under Budget Line B7-5070: a preliminary meeting took place in South Africa and then Member States experts met with Commission representatives in Brussels. The opinion of Member States on each "train" of projects was the basis on which the financing decision was formally taken by the Commission.

In Art. 8 of the Council Regulation a "South Africa Committee" of Member States is foreseen under the chairmanship of the Commission.

### 9.3. Monitoring and evaluation of actions

The whole Programme shall be evaluated by an independent external body in 1995. On a time to time basis specific sectoral programme or even specific projects are qualitatively and quantitatively evaluated.

In 1994 and early 1995, the following evaluations and sector studies reports were produced with funding from Budget Line B7-5070:

- KT-EU Bursary Programme
- Preparation of the EU Human Rights Programme
- Adult Basic Education Project - Fort Hare
- Microprojects Programme Evaluation
- Guide for project preparation

The following studies will be completed soon:

- Trade Union programme preparation
- South Africa - EU trade policy study
- Small Projects Programmes Evaluation

The outcome of the evaluations is taken into account when preparing new project proposals.

There are provisions in the Council Regulation for monitoring the execution of Budget Line B7-5070 and for evaluations of individual actions being carried out.

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# DOCUMENTS

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