



COMMISSION OF THE EUROPEAN COMMUNITIES

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EUROPEAN PROGRAMME FOR RECONSTRUCTION AND DEVELOPMENT

(Council Regulation 2259/96)

ANNUAL REPORT

(years 1996-1997)

(presented by the Commission)

INTRODUCTION

Council Regulation no. 2259/96 of 22 November 1996 established the legal base for development cooperation with South Africa. Article 9 of the Regulation states that the Commission shall submit an annual report on implementation of this Regulation to the European Parliament and the Council.

This is the first report established in application of Article 9; it covers the financial years 1996 and 1997.

The EPRD budget allocation was 130 M Ecu in 1996 and 127.5 M Ecu in 1997.

1. THE CONTEXT OF EPRD

Starting from the budget year 1986, the budgetary authority created a line (B7-5070) to support development actions in South Africa. This allocation, and the ones for the following years, funded the Special Programme for South Africa.

The Programme mainly targeted civic society (the EC did not have relations with the SA Government until after the 1994 democratic elections), initially focusing mainly on the struggle against apartheid but with an increasing attention to developmental issues. The Special Programme supported 744 projects, for a total of 443 M Ecu.

Since the democratic elections in April 1994, the EU/SA cooperation has evolved towards a more traditional "development" approach, involving more and more the new government in the European Programme for Reconstruction and Development (EPRD), the successor in 1995 of the Special Programme.

Already in April 1994, the Council had expressed its support for stepping up cooperation with South Africa by focusing Community assistance in areas of activity likely to improve the living conditions of the people, and especially the poorest sections of the population.

This was in line with the development programme presented by the new government (the Reconstruction and Development Programme - RDP). This governmental development programme (still ongoing) has experienced delivery problems and from 1996 it coexists with a broader macro-economic policy adopted by the government, known as GEAR (Growth Employment and Redistribution). GEAR has a stronger focus on growth and on the role of the private sector.

Apart from the policy scenario, since 1996 development activities in South Africa have gone through a process of restructuring and reorganization, and programming has been reinforced (see Chapter 3).

EU/SA relations have also evolved, with the accession of South Africa to the Lomé Convention, albeit as a qualified member of Lomé IV bis, which will become functional in 1998 only.

Bilateral negotiations are under way and the agreement which is expected to stem from the negotiations will provide a contractual framework to further enhance the trade and development cooperation between the EU and South Africa.

South Africa is bound to be one of the main development partners of the EU, especially in the African and Southern African context. However, the dual nature of South African economy and society (which contains very advanced segments and sub-sectors) and the progressive consolidation of the socio-economic transition initiated by the post-election government, make South Africa a special, different partner, with very atypical characteristics by comparison with other ACPs.

2. THE EPRD AND ITS PRIORITIES

The priorities of the EPRD are set by the Legal Base. Article 1 prescribes that priority shall be given to the poorest sections of the population.

Article 2 provides the list of sectors that can be targeted by the EPRD (democratization and human rights, education and training, health, rural development, urban development and social housing, support to the private sector and, in particular, to small and medium enterprises (SMEs), institutional strengthening, regional cooperation, protection of the environment).

Activities funded by the EPRD must clearly reflect government priorities (RDP and GEAR policies).

3. PROGRAMMING THE EPRD

Article 6 of the Legal Base (Council Regulation no. 2259/96) foresees the establishment of Multiannual Indicative Programmes (MIPs) to provide framework and strategy for EU funded cooperation activities in South Africa.

A strategy paper was presented by the European Commission to the Member States (SA Committee) and discussed in January 1996. On this basis, the Commission prepared with the South African Government a first Multiannual Indicative Programme (MIP) covering the 3 year period 1997-1999 which was signed in May 1997 (see annex VII).

The MIP fits with the provisions of the Legal Base in terms of focus (support to the poorest sections of the population in South Africa) and of eligible sectors (listed under Article 2 of the Legal Base).

The focal sectors indicated by the MIP are:

- basic social services (health, education and training, water and sanitation) (50-60% of MIP)
- private sector support (focus on employment creation and on small and medium enterprises (15-20% of the MIP)
- good governance and democratization (15-20% of MIP)
- regional cooperation (+/- 5% of MIP).

Human resources development, gender and environmental protection have been retained as horizontal themes.

The average annual indicative financial envelope is of about 125 Mecu for the period up to the end of 1999.

The EC and the SA Government recognized the key role decentralized cooperation partners (local governments, NGOs, Trade Unions, Universities, non-profit private bodies, etc.) are playing in development, and it was agreed that a minimum of 25% of EPRD resources would be allocated and implemented directly by the decentralized cooperation partners (see Chapter 6).

4. IMPLEMENTING THE EPRD

In 1996 and 1997, 15 and 14 programmes respectively were approved by the SA Committee (see Chapter 7) and signed. The table below shows the proportion of resources allocated to the different focal sectors, and the breakdown according to the implementing partner (government or decentralized).

Table 1 – the EPRD in 1996 and 1997

	SECTORS				IMPLEMENTING PARTNERS	
	Basic Social Services	Private Sector	Good Gov. And Democratization	Regional Coop. and others	Govt.	Decent.
1996	52%	9%	38%	1%	88%	12%
1997	69%	13% (1)	15%	3%	83%	17%

(1) The Labour Market Skills Development Programme (46 Mecu) is accounted for under "Basic Social Services", but has a strong interface with the "Private Sector" area.

Annex II provides a list of programmes/projects approved in 1996 and 1997 under the EPRD, and related commitments and payments.

Annex III provides information on global commitment and payment rates.

Annex IV provides a detailed status report on major ongoing programmes.

Annex V provides detailed information on contracts awarded on 1996 and 1997 programmes.

A major effort has been made to better focus the use of EPRD resources on a reduced number of programmes with a significant impact. This approach was also necessary to overcome aid management constraints, in view of the very limited staff resources (DG VIII headquarters and Delegation in Pretoria) which have had to cope with an extraordinary administrative workload and which need reinforcement.

A slow rate of disbursement has been a constant feature of the first years of the EPRD life, and only 30 Mecu was disbursed in 1996. The problems have been identified at several levels (capacity of the SA Government, lack of standard procedures and manuals, lack of some administrative tools etc.). Remedial actions are under way and payments improved, with 59 Mecu being disbursed in 1997 (including 13.6 Mecu on 1996 projects); nevertheless, it appears that major delays are still due to:

- lack of capacity for implementation,
- lack of knowledge and experience (at Department or NGO level) with EU procedures,
- conflicting EU and SA tendering procedures,
- change of staff within the beneficiaries' management units,
- extremely long time taken by the beneficiaries to finalize and sign financing agreements,
- lack of procedures allowing for local execution of payments.

5. MONITORING AND EVALUATION

A comprehensive monitoring and assessment system has been put in place. *Annual consultations* are held at the beginning of the year in order to assess progress and address current problems, in partnership with the Government and decentralized cooperation agents. These consultations require intense preparatory work, and provide a useful opportunity:

- to discuss in detail the implementation of every on-going project,
- to review and discuss the causes for delay, difficulties and problems encountered, etc.,
- to establish an agenda for the programming of the year ahead.

The outcome is written down in "agreed minutes", signed by both parties, which are an official reference document for assessing the implementation of the EPRD.

Six months later, a similar exercise ("mid-term review") takes place.

Annual consultations were held in April 1997 (see annex VI) and the mid-term review took place in November 1997.

Evaluation of programmes (mid-term and final) are often foreseen in the Financing Agreements. The 1996 and 1997 programmes being just started, such evaluations have not been launched yet.

6. THE COOPERATION PARTNERS

As indicated above, apart from support to Government (central, provincial), at least 25% of programmable resources are allocated for implementation through agents of decentralized cooperation.

On the NGO front, the European Commission actively encourages the formation of consortia, networks and other forms of partnerships, in order to achieve increased sectoral integration and to facilitate dialogue with the public sector.

Its policy was, under the Special Programme, to fund "channel" NGOs, operating through a large network of smaller NGOs. These channels were the Kagiso Trust, the South African Council of Churches (SACC) and the Southern African Catholic Bishops Conference (SACBC). In 1996 and 1997, it was decided to rather fund specialized NGOs, able to operate significant development programmes in the focal sectors of the MIP, in coordination with Government policies.

In view of the extremely high number of smaller and grass-roots NGO applications received by the European Commission, there is a strong need for establishing or funding intermediaries that would filter, appraise and eventually administer such NGO proposals. This issue will have to be addressed in 1998 as a matter of priority.

7. COORDINATION WITH THE MEMBER STATES

Articles 4.6, 7.2, 7.3, 8 and 9 of the Legal Base prescribe different levels of exchange of information and coordination with the Member States.

Periodical meetings are organized in Pretoria by the Presidency and by the EC Delegation to exchange information about the EPRD and the activities funded by the Member States. New EPRD initiatives (studies, draft financing proposals etc.) are systematically presented to the Member States local representations.

After local consultations, financing proposals are tabled to the South Africa Committee where the Member States give their opinion. The SA Committee met 4 times in 1996 and 4 times in 1997 to discuss and approve the 1996 and 1997 programmes.

Local meetings are also organized on sectoral issues in order to coordinate EC sectoral policies with the Member States. In addition, the appraisal of operations done on the occasion of the Annual Consultations (see Chapter 5) is discussed with the Member States, which receive a copy of the "agreed minutes" in conformity with Article 9.

8. OTHER MATTERS

During 1996 and 1997, the Delegation received the visit of several representatives of the EU institutions involved in cooperation and development, including the Court of Auditors, several MEPs, including the EP Delegation for Relations with South Africa, the European Investment Bank etc.

A special effort has been made to ensure that sufficient information is provided on the EPRD and its achievements, mainly in South Africa and in Europe as well. An ad-hoc programme (Information and Communication on the EPRD) was launched at the end of 1997.

9. CONCLUSIONS AND QUESTIONS FOR THE FUTURE

South Africa is the African country with which the European Commission has its largest cooperation programme.

Cooperation activities with South Africa have gone through a period of substantial re-direction and restructuring between 1994 and 1997. Both the European Commission and the SA Government are now engaged in a period of streamlining (procedural aspects, for instance; integration with the Lome Convention) and consolidation.

This situation, as well as the extreme complexity of the institutional and social scene in South Africa, puts severe pressure on each of the Commission services concerned, and requires permanent capacity strengthening at all levels, including the Delegation. In this context, it is important to initiate a reflection on "post-1999" that will certainly see South Africa as a major, but also very unique, partner of the EU.

Annexes

- I - Council Regulation no. 2259/96 of 22.11.1996
- II - List of projects approved in 1996 - Commitments and Payments
- III - List of projects approved in 1997 - Commitments and Payments
- IV - Commitments and Payments in 1996/1997 (totals)
- V - Information on contracts awarded
- VI - 1997 Annual Consultations Agreed Minutes
- VII - Multiannual Indicative programme (MIP)

COUNCIL REGULATION (EC) No 2259/96
of 22 November 1996
on development cooperation with South Africa

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 ⁽¹⁾,

Acting in accordance with the procedure laid down in Article 189c ⁽²⁾,

Whereas in the past Community policy 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 Non Governmental Organizations;

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 its declaration of 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 Community and the Republic of 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;

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

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

Whereas a financial reference amount, within the meaning of point 2 of the Declaration by the European Parliament, the Council and the Commission of 6 March 1995, is included in this Regulation for the duration of the programme, without thereby affecting the powers of the budgetary authority as they are defined by the Treaty,

HAS ADOPTED THIS REGULATION:

Article 1

The Community shall implement financial and technical cooperation with South Africa to support the policies and reforms carried out by that country's national authorities.

The aim of the Community cooperation programme, entitled the 'European Programme for Reconstruction and Development in South Africa', shall be to contribute to South Africa's harmonious and sustainable economic and social development and to consolidate the foundations laid for a democratic society and a State governed by the rule of law in which human rights and fundamental freedoms are respected.

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

Article 2

1. The operations to be carried out under this Regulation mainly concern the following:

- support for democratization and the protection of human rights,
- education and training,
- health,
- rural development,
- urban development and social housing,
- support of and cooperation with the private sector, and in particular for small and medium-size enterprises,
- strengthening of institutions and the organization of local communities,
- regional cooperation and integration,
- protection of the environment.

2. In its cooperation operations, the Community will take account of the priorities set by the South African Programme for Reconstruction and Development.

⁽¹⁾ OJ No C 235, 9. 9. 1995, p. 5.

⁽²⁾ Opinion of the European Parliament of 10 October 1995 (OJ No C 287, 30. 10. 1995, p. 29), Council Common Position of 19 March 1996 (OJ No C 134, 6. 5. 1996, p. 12) and Decision of the European Parliament of 18 July 1996 (OJ No C 261, 9. 9. 1996, p. 144).

Article 3

Cooperation partners eligible for financial assistance under this Regulation shall be national, provincial and local authorities and public bodies, non-governmental organizations and community-based organizations, regional and international organizations, institutions and public or private operators.

Article 4

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

2. Community financing in local or foreign currency, depending on the needs of the operation, may cover:

- investment, with the exception of the purchase of buildings,
- in duly substantiated cases, recurrent expenditure (including administrative, maintenance and operating costs) to ensure optimum use of the investments referred to in the first indent, the exploitation of which temporarily represents a burden for the partner. In those cases, a plan providing for the costs to be borne by the partner under the project must accompany the proposal for Community financing.

3. A financial contribution from the partners referred to in Article 3 shall in principle be required for each cooperation operation. That contribution will be requested in accordance with the possibilities of the partners concerned and depending on the nature of each operation. In specific cases where the partner is either a non-governmental organization or a community-based organization, the contribution may be made in kind according to its possibilities.

4. Opportunities may be sought for cofinancing by other providers of funds, particularly the Member States.

5. The Commission may take any appropriate step to ensure that the Community character of aid provided under this Regulation is made known.

6. In order to achieve the objectives of coherence and complementarity referred to in the Treaty and with the aim of guaranteeing optimal effectiveness of the aid, the Commission may take all necessary coordination measures, notably:

- (a) the establishment of a system for the systematic exchange of information on actions financed or

planned to be 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.

7. The Commission, in liaison with the Member States, may take any steps necessary to ensure adequate coordination with other providers of funds concerned.

Article 5

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

Article 6

Multiannual indicative programming based on specific objectives and the identification and implementation of the resulting operations referred to in Article 2 shall be carried out in the context of close contacts with the South African Government and taking account of the results of the coordination referred to in Article 4 (6) and (7).

In order to prepare for programming, in the context of increased coordination with the Member States, including on the spot, the Commission shall draw up a recapitulative document on cooperation strategy to be examined by the Committee referred to in Article 8 hereafter referred to as the 'Committee'. The Commission shall forward the multiannual indicative programme, drawn up on the basis of that examination, to the Committee for discussion, which shall take place at the request of the Commission or one or more Committee members. In that case, where it is not possible to reach a desirable consensus on the recapitulative document or the programme, the committee shall give its opinion in accordance with the procedure referred to in Article 8. The same procedure shall apply where amendments to the programme prove necessary.

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. In order to ensure transparency and achievement of the objectives referred to in Article 4 (6), the Commission shall forward project profiles to the Member States and their local representatives as soon as the decision to appraise them has been taken. The Commission shall subsequently update the project profiles and forward them to the Member States.

3. 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 more than 20 % in the amount initially agreed, and proposals for fundamental amendments to be made as a result of difficulties which emerged in implementing projects which have already started, shall be adopted by means of the procedure laid down in Article 8.

Where the overrun referred to in the first paragraph is more than ECU 4 million but less than 20 % of the original commitment, the Committee's opinion shall be sought by simplified and accelerated procedures.

The Commission shall inform the Committee succinctly of financing decisions it intends to take concerning projects and programmes of a value of under ECU 2 million. Such information shall be given at least one week before the decision is taken.

4. 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.

5. Where operations give rise to financing agreements between the Community and South Africa, such agreements shall stipulate that taxes, duties and charges shall not be borne by the Community.

6. Participation in invitations to tender and contracts shall be open on equal terms to all natural and legal persons in the Member States, South Africa and the ACP States. Participation may be extended to include other developing countries in duly substantiated cases and in order to ensure the best cost-effectiveness ratio.

7. Supplies shall originate in the Member States, South Africa or the ACP States. In duly substantiated exceptional cases, they may originate in other countries.

Article 8

1. The Commission shall be assisted by a committee, consisting of representatives of the Member States and chaired by the representative of the Commission.

2. The Commission representative shall submit 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 laid down 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.

3. (a) The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the committee.

(b) If the measures envisaged are not in accordance with the opinion of the committee, or if no opinion is delivered, the Commission shall, without delay, submit to the Council a proposal relating to the measures to be taken. The Council shall act by a qualified majority.

If, on the expiry of a period of one month, the Council has not acted, the proposed measures shall be adopted by the Commission.

Article 9

After each financial year the Commission shall submit an annual report on implementation of this Regulation to the European Parliament and the Council. The report shall set out the budget turnout with regard to commitments and payments and the projects and programmes financed in the course of the year. It shall contain precise and detailed statistics on contracts awarded for implementing projects and programmes.

The Commission shall regularly appraise operations financed by the Community to determine whether those operations' objectives have been reached and to establish guidelines for improving the effectiveness of future operations. Summaries of appraisal reports shall be forwarded to the Member States. Full reports shall be made available to Member States which request them.

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* and shall expire on 31 December 1999.

The financial reference amount for the implementation of this Regulation for the period from 1 January 1996 to 31 December 1999 shall be ECU 500 million.

The annual appropriations shall be authorized by the budgetary authority within the limits of the financial perspective.

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

Done at Brussels, 22 November 1996.

For the Council

The President

J. BURTON

LIST OF PROJECTS APPROVED IN 1996

PROJECT	CONTRACT No	Committments (ECU)	Payments (ECU)
Cato Manor*	96-73200-001	24,500,000	160,440
The Truth and Reconciliation Commission*	* 96-73200-002	1,950,000	1,577,532
Public Service Management Development	96-73200-003	19,206,000	1,147,453
Technical Support to the SA Department of Education	96-73200-004	17,200,000	0
Soul City	96-73200-005	2,350,000	2,071,993
NGO Rural Water Supply	96-73200-006	5,000,000	1,384,789
Non-grid Electrification of Rural Schools	96-73200-007	15,000,000	0
Policing in Eastern Cape Province	96-73200-008	9,000,000	0
Parliamentary Support Programme	96-73200-009	16,000,000	5,057,398
Support to the SA Trade Union Movement	96-73200-010	4,300,000	1,151,323
Trade and Investment Development Programme for SMMEs	96-73200-011	8,907,000	0
Young doctors	96-73200-012	750,000	0
IDASA	96-73200-013	1,978,000	572,837
DTI policy support	96-73200-014	1,970,000	0
FISCU	96-73200-015	1,100,000	528,324
	TOTAL	129,211,000	13,651,109

* Approved in 1995 under the 1996 budget

**Not included in train, but submitted separately by written procedures to the Member States in Brussels.

Annex III

LIST OF PROJECTS APPROVED IN 1997

PROJECT	CONTRACT No	Commitments (ECU)	Payments (ECU)
Audit (Ernst and Young)	97.73200.01	192,600**	40,000
Audit (Price Waterhouse)	97.73200.02	96,300**	30,531
SADC Regional Food Security Training	97-73200-03	300,000	200.000
Community Project Fund (Free State Department of Agriculture)	97-73299-04	17,000,000	
Support to Fight Corruption (Transparency International)	97-73200-05	300,000	
Soul City IV & V	97-73200-06	3,200,000	
Participatory Primary Health Programme (SACLA)	97-73200-07	9,600,000	853,368
Labour Market Skills Development (Department of Labour)	97-73200-08	46,000,000	
Integrated Community Sports Programme (SCORE)	97-73200-09	7,900,000	
Strengthening Local Government in Mpumalanga and Northern Province	97-73200-010	17,900,000	
Public Health Sectoral Support Programme	97-73200-011	22,500,000	
Education Sectoral Support Programme	97-73200-012	23,000,000*	
Conference, Workshop and Cultural Initiatives (CWCI) Fund	97-73200-013	1,900,000	
Information and Communication Programm on the EPRD	97-73200-	900,000	
	TOTAL(1997 Comm.)	127.5 Mecu	

* To be committed under the 1998 budget

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Annex IV

COMMITMENTS AND PAYMENTS IN 1996/ 1997

1996

Commitments: 129.211.100,00 Ecu (15 projects)

Payments: 28514.567,74 (99 payments)

1997

Commitments: 127.500.000,00 (11 projects)

Payments: 59.768.980,61 (137 payments)

**INFORMATION ON CONTRACTS AWARDED
PROJECTS 1996**

Project:	96-73200-01	CATO MANOR	
Financing Agreement:	Partner	SA Government	
	Amount	ECU	24.500.000
Contract:	Contractor	Doxiadis- Greece	
	Amount:	ECU	832.560
	Awarded through restricted tendering		
Total Paid:		ECU	190.381
Project:	96-73200-02	Truth and Reconciliation Commission (TRC)	
Financing Agreement:	Partner	TRC	
	Amount	ECU	1.950.000
Contract:	Contractor		
	Amount:	ECU	
Total Paid:		ECU	1.577.532
Project:	96-73200-03	Public Service Management Development	
Financing Agreement:	Partner	SA Government	
	Amount	ECU	19.206.000
Contract:	Contractor	Symonds Travers Morgan- UK	
	Amount:	ECU	1.553.400
	Awarded through restricted tendering		
Total Paid:		ECU	1.147.453
Project:	96-73200-04	Technical Support to SA Department of Education	
Financing Agreement:	Partner	SA Government	
	Amount	ECU	17.200.000
Contract:	Contractor	Hedco-Rep. Of Ireland	
	Amount:	ECU	633.310
	Awarded through restricted tendering		
Total Paid:		ECU	313.181
Project:	96-73200-05	Soul City	
Financing Agreement:	Partner	Institute for Urban Primary Health Care (SA)	
	Amount	ECU	2.350.000
Contract:	Contractor		
	Amount:	ECU	
Total Paid:		ECU	2.071.993

Project: 96-73200-06 **NGO Rural Water Supply**

Financing Agreement: Partner **Mvula Trust (SA)**
Amount ECU 5 000.000

Contract: Contractor
Amount: ECU

Total Paid: ECU 1.384.789

Project: 96-73200-07 **Non Grid Electrification of Rural Schools**

Financing Agreement: Partner **SA Government**
Amount ECU 15.000.000

Contract: Contractor **IED-France**
Amount: ECU 38.650
Direct Agreement after consultation

Total Paid: ECU 25.035

Project: 96-73200-08 **Policing in Eastern Cape**

Financing Agreement: Partner **SA Government**
Amount ECU 9.000.000

Contract: Contractor **Studio Bichara-Italy**
Amount: ECU 1.167.050
Awarded through restricted tendering

Total Paid: ECU 0

Project: 96-73200-09 **Parliamentary Support Programme**

Financing Agreement: Partner **SA Government**
Amount ECU 16.000.000

Contract: Contractor
Amount: ECU
To be awarded through open international tender

Total Paid: ECU 5.057.398

Project: 96-73200-10 **Support to SA Trade Union Movement**

Financing Agreement: Partner **South Africa Labour Development Trust**
Amount ECU 4.300.000

Contract: Contractor
Amount: ECU 0

Total Paid: ECU 1 151.323

Project: 96-73200-11 Trade and Investment Development SMME's

Financing Agreement: Partner SA Government
Amount ECU 8.907.000

Contract: Contractor
Amount: ECU 0
To be awarded through restricted tendering

Total Paid: ECU 0

Project: 96-73200-12 Young Doctors

Financing Agreement: Partner SA Government and CIM-Germany
Amount ECU 750.000

Contract: Contractor
Amount: ECU 0

Total Paid: ECU 186.250

Project: 96-73200-13 IDASA

Financing Agreement: Partner Institute for Democracy in South Africa
Amount ECU 1.978.000

Contract: Contractor
Amount: ECU 0

Total Paid: ECU 572.837

Project: 96-73200-14 DTI Policy Support

Financing Agreement: Partner SA Government-Not signed
Amount ECU 1.970.000

Contract: Contractor
Amount: ECU 0

Total Paid: ECU 0

Project: 96-73200-15 FISCU

Financing Agreement: Partner SA Government
Amount ECU 1.100.000

Contract: Contractor EAC- Bursvik ECU 85.000
Price Waterhouse ECU 919.890

Total Paid: ECU 528.324

PROJECTS 1997

Project: 97-73200-01 **Audit - Project Closure**

Financing Agreement: Partner **None**
Amount ECU 192.600

Contract: Contractor **Ernst & Young-Belgium**
Amount: ECU 192.600
Awarded through restricted tendering

Total Paid: ECU 40.000

Project: 97-73200-02 **Audit - Project Closure**

Financing Agreement: Partner **None**
Amount ECU 96.300

Contract: Contractor **Price Waterhouse-Belgium**
Amount: ECU 96.300
Awarded through restricted tendering

Total Paid: ECU 30.531

Project: 97-73200-03 **SADC Regional Food Security Training**

Financing Agreement: Partner **SA Government**
Amount ECU 300.000

Contract: Contractor
Amount: ECU

Total Paid: ECU 200.000

Project: 97-73200-04 **Community Proj. Fund. (Free State Dep. Of Agriculture)**

Financing Agreement: Partner **SA Government**
Amount ECU 17.000.000

Contract: Contractor **IP-Germany (not signed)**
Amount: ECU 651.963
Awarded through restricted tender

Total Paid: ECU 0

Project: 97-73200-05 **Support to Fight Corruption**

Financing Agreement: Partner **Transparency International**
Amount ECU 300.000

Contract: Contractor
Amount: ECU

Total Paid: ECU 0

Project:	97-73200-06	Soul City IV and V
Financing Agreement:	Partner	Institute or Urban Primary Health Care
	Amount	ECU 3.200.000
Contract:	Contractor	
	Amount:	ECU
Total Paid:		ECU 0
Project:	97-73200-07	Participatory Primary Health Programme
Financing Agreement:	Partner	SACLA (NGO-SA)
	Amount	ECU 9.600.000
Contract:	Contractor	
	Amount:	ECU
Total Paid:		ECU 853.368
Project:	97-73200-08	Labour Market Skills Development
Financing Agreement:	Partner	SA Government
	Amount	ECU 46.000.000
Contract:	Contractor	
	Amount:	ECU
Total Paid:		ECU 0
Project:	97-73200-09	Integrated Community Sports Programme
Financing Agreement:	Partner	SCORE (NGO-SA)
	Amount	ECU 7.900.000
Contract:	Contractor	
	Amount:	ECU
Total Paid:		ECU 0
Project:	97-73200-10	Strengt. Loc. Governm. Mpumalanga and North Province
Financing Agreement:	Partner	SA Government
	Amount	ECU 17.900.000
Contract:	Contractor	
	Amount:	ECU
Total Paid:		ECU 0

Project: 97-73200-11 **Public Health Sectoral Support Prog:**

Financing Agreement: Partner Amount **SA Government**
ECU 22.500.000

Contract: Contractor Amount: ECU

Total Paid: ECU 0

Project: 97-73200-12 **Education Sectoral Support Programme**

Financing Agreement: Partner Amount **SA Government**
ECU 23.000.000

Contract: Contractor Amount: ECU

Total Paid: ECU 0

Project: 97-73200-13 **Conference, Workshop and Cultural Initiatives Fund**

Financing Agreement: Partner Amount **SA Government**
ECU 1.900.000

Contract: Contractor Amount: ECU

Total Paid: ECU 0

Project: 97-73200-14 **Information and Communication Programme**

Financing Agreement: Partner Amount **SA Government**
ECU 900.000

Contract: Contractor Amount: ECU

Total Paid: ECU 0

AGREED MINUTES

1997 ANNUAL CONSULTATIONS ON OFFICIAL DEVELOPMENT COOPERATION BETWEEN SOUTH AFRICA AND THE EUROPEAN COMMISSION ON THE EUROPEAN PROGRAMME FOR RECONSTRUCTION AND DEVELOPMENT (EPRD)

Held in Pretoria from 14th - 15th April 1997

1. OPENING REMARKS

The South African Delegation welcomed the European Commission delegation and noted that these first Annual Consultations between the EU and South Africa were taking place exactly two years after the signing of the 'Declaration of Intent' by Minister Jay Naidoo and Commissioner Pinheiro. The purpose of the consultations was to review progress on the implementation of the European Programme for Reconstruction and Development (EPRD) and find solutions to problems that were being encountered in the implementation of the programme. The discussions would also focus on a Multi-annual Indicative Programme (MIP). It was noted that the EPRD had successfully channeled resources into RDP projects as well as NGO initiatives and that all funds available had so far been committed, implementation had however been slow.

European Commission Delegation thanked the Department of Finance for all the preparation that had gone into the Consultations and noted that many of the Departments involved in EU cooperation were present indicating the extent and spread of the Programme. The achievements of the programme were stressed and the history of SA-EU cooperation which started with the EC 'Special Programme' was recalled. The EC stated that although the government was the Commission's principal interlocutor in its development cooperation, other actors also played an important role. The Delegation was happy to note that EU support was responding to government priorities as outlined in the Reconstruction and Development Programme (RDP) and the Growth Employment And Redistribution (GEAR) strategy. The 'Declaration of Intent' was designed to set out the priorities of the programme and that the MIP would be a step further in the process.

The EC delegation noted that although there was a need to highlight the successes of the programme, it was also important to outline concerns. First there was a need to understand better why implementation and disbursement of funds was so slow and second there was a need for more clarity about future commitments of resources. The EPRD should be Relevant (to South Africa's policies and needs), Efficient and Sustainable (with a strong link between projects of support and government policy).

2. GENERAL MATTERS

2.1 Implementation of the Multi-annual Indicative Programme (MIP)

The EC outlined the background to the MIP. It was required by the EU Council in terms of the agreement to provide support to South Africa, it could provide a multi-annual (3 year) basis for longer-term programming. The MIP would be 'indicative' and have the necessary flexibility to respond to changing needs. The document would set out the sectors of cooperation, timetables, targets, expected results and means of implementation.

The Commission would like to see the EPRD focused and the MIP to express the priorities of Government for EU support. The document should set out the roles of the different implementing partners of the programme and suggest which actors were appropriate for which activities. The MIP should clarify the role and tasks of the 'National Authorising Officer' (NAO). It should indicate the scale of resources to be devoted to each sector. Finally the MIP should outline the Regional Dimension of the Programme.

The EC added that the process of prioritisation would mean that some sectors would be effectively excluded from the MIP, however, this would lead to better management of the Programme and better visibility in the priority sectors. There needed to be a system of arbitration on the South African Government side to prioritise the sectors.

2.2 Tender Procedures

The SA Delegation (State Tender Board) noted that according to the new Constitution public procurement tenders needed to be: fair, equitable, competitive, transparent and cost effective. Two systems of preferences were also to be applied under South Africa's new government procurement policy. There would be a 10% price preference if over 80% of the content was local. There would also be a 10% price preference in favour of RDP principles of contracts over R2 million.

The State Tender Board also considered that the Commission's regulations on tendering provided for much higher ceilings for restricted invitations to tender. The State Tender Board also stated that they would like to form part of the evaluation team of tenders where South African money was involved.

The EC responded that there seemed to be no disagreement on the principles for tendering. It was noted that following detailed discussions between the Commission and South Africa in early 1996, a pragmatic approach had been adopted whereby draft EU regulations would be used prior to the outcome of long-term negotiations. It was added that too low ceilings for undertaking pre-qualification tenders would drastically slow down the implementation of projects.

The SA Delegation stated that donor funds should be deposited in the RDP Fund. This fund was subject to the Exchequer Act, and therefore the same regulations governing South African Government funds applied to donor funds (notably tender rules and payment of taxes).

It was proposed that the matter be taken up during discussions on the MIP in Wednesday.

2.3 Payment of VAT and other tax and duties

The SA Delegation introduced the topic explaining that current Financing Agreements do not foresee payment of taxes and duties. SA is now proposing that the provisions outlined in Article 309 of the Lomé Convention regarding the payment of local taxes should be adopted for the EPRD.

The EC responded that South Africa's accession to Lomé would only be ratified by around September and hence problems might be encountered in the meantime. Furthermore, Article 309 followed on from article 308 which implied that the Commission should not pay taxes which do not apply to other donors.

The EC noted that these issues of VAT and tendering were hampering implementation of the programme and made a strong plea that EU funds should be treated differently from South African exchequer funds and would not be subject to the domestic rules of the State Tender Board. If agreement on VAT and tender issues could be reached, a major impediment to implementation would be removed.

The SA Delegation responded that it would look at a number of options for dealing with the VAT problem. The Department of Finance would explore the possibility of instituting a reimbursement system within existing legislation. If this was not possible, the Department might ask Parliament to retrospectively authorise the provisions of the existing agreements. The Government would also seek to have the issue dealt with within a bilateral agreement.

2.4 Reimbursement/disbursement and flow of funds

The EC Delegation introduced the item saying that during the first discussions between the Commission and Department of Finance, a reimbursement system was requested by South Africa. In recent discussions with Deputy Minister Gill Marcus, an advance payment system had been agreed upon and will be reflected in future Financing Agreements. A standard text for a 'rider' to the existing Financing Agreements had therefore been prepared.

SA Delegation asked that these be presented before the end of the week.

The EC mentioned that as well as agreement on the text, a list was required of the Agreements it should apply to.

2.5 Status of Technical Assistants

The SA Delegation noted that agreements covering the status of technical assistants had been signed with most donors.

The EC suggested that this issue might be dealt with in the interim by a reference in the MIP and taken up as appropriate in a standard annex in the Financing Agreement.

The SA Delegation responded that an 'exchange of letter' could be drafted dealing with the issue whereby EC funded technical assistants would benefit from provisions equivalent to those accorded under bilateral agreements with EU Member States.

2.6 Format and timing of Financing Agreements

The SA Delegation introduced this item by saying the Department of Finance had taken legal advice which suggested that the standard text of the existing Financing Agreement was acceptable. There were some minor issues that needed to be discussed.

The EC responded that it was very happy the issue had finally been resolved. It was suggested that a commitment might be undertaken by both parties that the Agreements be signed within 60 days of the Financing Decision, as happened under Lomé.

The EC also pointed out that each Agreement was in two parts. The first part covered procedural issues and was not changed from agreement to agreement and the second was a summary of the project document which should have the prior agreement of the implementing Department.

It was agreed that the NAO, once nominated, would be responsible for the signing of all Financing Agreements that were to be implemented by Government.

The SA Delegation wound up the discussion by saying that in regard to Financing Agreements related to decentralised cooperation, the Department accepted the proposals set out in the draft MIP. This stated that the implementing agents should be responsible for the implementation of the contract directly to the Commission and not through government.

3. STATUS OF COOPERATION

3.1 On-going projects

LAND AFFAIRS

Background

There is one ongoing project with Land Affairs, support for the RDP Land Reform Pilot Programme along with Denmark and the UK. There is an EU-funded TA in the Department (Paul Zille).

LAND REFORM PILOT PROGRAMME *Project No: '95-75070-003*

Project summary

The project constitutes EU support for the initial phase of the Government's land reform effort. The Programme supports the acquisition of land for productive purposes by poor and landless communities which form legal entities. Qualifying communities also receive support for project planing, management and the development of basic on-farm infrastructure. The project is joint funded by the UK and Denmark.

Total amount committed (ECUs):	11 m
Total amount disbursed (ECUs):	1m

- Financing decision made 06/95
- Financing Agreement signed 05/96
- Workplan submitted 09/96
- Installments made 11/96
- End of contract 05/98

Project status

Programme implementation, although variable between provinces, has been slower than expected. This is due to the pilot nature of the programme; non-existence - prior to the project's inception - of Department of Land Affairs provincial and pilot offices and operational difficulties associated with the provincial agency agreements that were required for the management of the Programme's pilot districts. Following the completion of the Pilot's two year time-scale, district offices have been successfully integrated into the Department's provincial directorates. This will allow for more effective management of the projects and staff, and facilitate the improvement and standardisation of project implementation and management procedures.

A progress report and workplan was submitted in September 1996. An institutional review has been undertaken. A consultant has been selected following a tender as the implementing agency for the Community Facilitation Fund element of the project.

In line with the donor financing agreements, a report for all three donors to the programme is currently under preparation (for presentation on 22nd April 1997). A mid-term review of the donor contribution to the land reform programme is scheduled for June/July 1997. Draft terms of reference have been prepared and circulated by the Department.

Conclusions

The meeting concluded that the meeting of donors scheduled for 22nd April might consider whether the production of the next workplan should await the outcome of the mid-term review.

HEALTH

Background

The Department of Health was the first government institution to enter into an agreement with the EU. Three projects were agreed in 1994 and Financing Agreements were signed by the Department of Health early in 1995.

Two EU-funded technical assistants (Mr. Bill Bradshaw and Dr. Malcolm Seagal) are currently working with the Department.

Progress with the implementation of the three projects has been slow. The contract period for all the projects has been extended to the end of this year (December 1997).

The administration of the three projects has received significant attention in recent months. In particular, newly designed management reports have been developed to enable weekly monitoring of progress. In addition a change in the management of the projects has been instigated to further improve the scrutiny of project activities. The Deputy Directors General have been requested to personally review the new weekly progress reports with programme and activity managers to ensure that issues and constraints are being addressed.

HIV-AIDS PROGRAMME Project No: '94-75070-055

Project summary

The project supports the Department of Health's National HIV/AIDS programme. The objectives of the support are to increase the awareness of safe sex practices in youth and other socially vulnerable groups, reduce HIV infection and secure legal and social equality for those with HIV/AIDS.

Total amount committed (ECUs):	11.2 m
Total amount disbursed (ECUs):	3.3m

- Financing decision made 11/94
- Financing Agreement signed 03/95
- First installment paid (09/95)
- End of contract 31/12/97

Project status

The project is ongoing. Progress in implementation has been slow due to institutional capacity constraints and personnel changes in the Department and a lack of clarity

regarding procedures to be followed. However, a workplan for the final phase of the project has recently been agreed by the Commission. A further report is expected covering up to 31st March 1997. It is anticipated that a further 42% of the total contract amount will be spent in the second quarter, 30% in the third quarter and 13% in the last quarter. The contract for EU support will finish at the end of the year.

DISTRICT HEALTH SYSTEMS SUPPORT PROGRAMME Project No: '94-75070-056

Project summary

Within the context of supporting the development of a national comprehensive strategic health plan, the objective of the project is to support the restructuring of the national health system through the development of district health systems.

Total amount committed (ECUs): 5.7m
Total amount disbursed (ECUs): 2.5m

- Financing decision made 11/94
- Financing Agreement signed 03/95
- First installment paid (06/95)
- End of contract 31/12/97

Project status

The project is ongoing. As with the other health projects, long delays have been experienced in implementation due mainly to institutional constraints particularly in the provinces and lack of clarity with regard to procedures. A report setting out progress to date is due as is a workplan setting out the timetable for implementation of the remainder of the programme before the end of the year.

Conclusion

The Department would prepare the report and workplan for this project as soon as possible. The meeting noted that there was a danger that failure to provide the workplan for the final phase of this project might lead to a gap in the coverage of expenditure.

TECHNICAL ASSISTANCE PROGRAMME TO THE DEPARTMENT OF HEALTH *Project No: '94-75070-058*

Project summary

Health sector reforms planned and supported through this technical assistance project are aimed at improving the general health and well-being of majority of the population with a specific focus on the poorest populations in rural and urban areas.

Total amount committed (ECUs): 2.5m
Total amount disbursed (ECUs): 1m

- Financing decision made 11/94
- Financing Agreement signed 03/95
- First installment paid (06/95)
- End of contract 31/12/97

Project status

The project is ongoing. Delays have been experienced along with the other health projects. However, expenditure has increased 100% in the first three months of this year. A workplan for the final phase of the project has recently been agreed by the Commission. A further report is expected covering up to 31st March 1997. It is anticipated that a further 31% of the total contract value will be spent in the second quarter, 25% in the third quarter and 22% in the final quarter of the year.

YOUNG EUROPEAN DOCTORS FOR SA PROGRAMME *Project No: '96-75200-012*

Project summary

The project foresees the provision of 50 medical doctors as young European volunteers to hospitals in medically underserved areas in KwaZulu-Natal, Mpumalanga and Northern Province. The project will be run by GTZ/CIM in cooperation with Department of Health. The total EU contribution for the programme is 1,1 million ECUs. 750,000 million ECUs will come from the EPRD, the balance from another EU programme budgetline

Total amount committed (ECUs): 750,000
Total amount disbursed (ECUs): Nil

- Financing decision made 12/96

Project status

The project has been agreed to but no Financing Agreement has been signed. The Commission has sent the annex related to technical and administrative provisions for the Department to agree. The Department has recently forwarded comments on the annex to the Commission.

Conclusion

The Commission would provide the Department with the final text of the Financing Agreement for their scrutiny before signature. The Department will give their approval as soon as possible (within two weeks of receipt) to the agreement.

Overall conclusions

The Department will invite the Department of Finance and the Delegation to their next monthly meeting of project managers to see how the projects can be speeded up. The meeting noted that the performance of the Department in implementing existing projects would be taken into account when looking at future EU support for the sector. It was confirmed that the three existing agreements in the health sector will terminate at the end of 1997.

TRADE AND INDUSTRY

Background

There are three projects with DTI . Two on SMMEs and one on Industrial and Trade Policy.

PRIVATE SECTOR DEVELOPMENT PROGRAMME - SMMEs Project No: '95 75070-006

Project summary

The project is divided into three components. The first part targets micro-lending NGOs by providing funds to build their capacity. This activity will be implemented by Khula Enterprise Finance Ltd, a section 21 company in which government has a 51% stake. The second element is an indemnity scheme, aimed at enabling SMEs to access capital from banks. It is being implemented by First National Bank and its subsidiaries and Khula. The third part of the programme is the provision of technical assistance to Khula.

Total amount committed (ECUs): 11m
Total amount disbursed (ECUs): Nil

- Financing decision made 06/95
- Financing Agreement signed 05/96
- Workplans prepared by implementing parties (Khula and FNB) 09 - 11/96

Project status

The project is not yet underway. Numerous delays have held up the implementation of the project. These have included institutional changes related to government agencies dealing with SMMEs and protracted discussions between the parties involved about procedural issues. Workplans have been prepared for some time and are still awaiting final agreement by the Department, before submission to the Commission.

Conclusion

The meeting agreed on a text for the DTI to convey to the Commission in agreeing the workplans relevant to the programme.

“The DTI approves the management by Khula and implementation by private banks of the Micro and Small Enterprise Business Creation Scheme. The experience of the implementation of this programme calls for particular attention to be given to better defining the policy responsibilities of the Government vis a vis the implementation responsibilities of the private sector partners”.

It was agreed that the contract would not be split into its constituent components on the understanding that slow progress in one of the components would not be an impediment to financial disbursements to other elements.

Project summary

The project, to be implemented through Ntsika Enterprise Promotion Agency (NEPA), will benefit previously disadvantaged SMEs providing training in the basic principles of international competitiveness for export. Furthermore, product specific groups of SMEs will receive 'hands on' integrated technical assistance in all aspects of export development. Opportunities to upgrade technology through a programme of international partnership instruments will be available to SMEs within specific product sectors.

Total amount committed (ECUs): 8.9m
Total amount disbursed (ECUs): Nil

- Financing decision made 10/95
- Financing Agreement (FA) signed 02/97

Project status

The project is not yet underway. Workplans need to be prepared by NEPA. A tender for the programme management unit needs to be launched.

Conclusion

The Commission and Ntsika will agree the terms of reference for consultants to prepare the workplan. These consultants will be contracted by Ntsika in the coming two weeks. In the meantime, Ntsika and the Delegation would begin immediately to prepare a tender dossier for the service contracts required for the projects. The meeting pointed out that normally consultants should not be required to draft workplans.

Project summary

The project aims to improve the policy development and implementation capacity of the DTI in issues concerning industrial policy and trade.

Total amount committed (ECUs): 2m
Total amount disbursed (ECUs): Nil

- Financing decision made 12/96

Project status

Awaiting text of Financing Agreement and signature thereof.

Conclusion

The Commission will forward the text of the Financing Agreement to the Department in the coming few days. The Department and Delegation would complete the tender dossier for the service contracts required within the project, in the next two weeks.

TRUTH AND RECONCILIATION COMMISSION

Background

The TRC signed their agreement directly with the EU in October.

SUPPORT FOR THE TRUTH AND RECONCILIATION COMMISSION (TRC) Project No: '96-73200-009

Project summary

EU support will assist the TRC's investigations unit, help with interpretation and translation and the research component of the Commission's work. The project covers the period up until the end of the year.

Total amount committed (ECUs):	2m
Total amount disbursed (ECUs):	1.56

- Financing decision made 07/96
- Financing Agreement signed 09/96
- Workplan submitted to EU 01/97
- First installment made 03/97
- End of contract 12/97

Project status

The project is underway and on track. A first workplan was submitted early in the year and payment made soon after.

Conclusion

The TRC will meet in the coming three weeks with the Delegation to discuss financial issues and the selection of investigators.

WATER AFFAIRS

Background

One project is on-going with the Department. A number of technical assistant contracts have been awarded following tender processes and these elements of the project are up and running.

WATER DEVELOPMENT PROGRAMME - EASTERN CAPE Project No: '95-75070-004

Project summary

The project provides technical assistance to the Department, and particularly in the Eastern Cape, in project management, monitoring and evaluation and environmental issues. The EU contribution will also cover the extension of water supplies to 200 communities in the province.

Total amount committed (ECUs): 18m
Total amount disbursed (ECUs): 724,000

- Financing decision made 06/95
- Financing Agreement signed 05/96
- Tenders for programme management and technical assistance launched 01-09/96
- Technical assistance teams in place 09 - 11/96
- Workplans for water supply implementation 1997 sent to Brussels 03/97
- End of contract May 1999

Project status

The project is underway. Four service contracts are operational concerning; project management, information systems, monitoring and evaluation and environmental technical assistance. A proposal for the first phase of the works element of the programme is with the Commission.

Conclusion

The Commission is expected to approve the workplan and make a payment of R18 million in the coming days.

EDUCATION

Background

There are two projects with the Department.

LIBRARY BOOKS AND TRAINING FOR HISTORICALLY DISADVANTAGED INSTITUTIONS *Project No: '95-75070-009*

Project summary

The project will provide support for historically disadvantaged universities and technicians in the form of equipment, books and training.

Total amount committed (ECUs): 11m
Total amount disbursed (ECUs): Nil

- Financing decision made 10/95
- Financing Agreement signed 05/96
- Tender for management contract launched 07/96

Project Status

The project is not yet underway. The implementation of the project, and particularly of the establishment of the management unit have been delayed. The contract of the management of the project is currently being negotiated with The British Council. Once this unit is in place, implementation can proceed.

Conclusion

The Department will send a letter in the coming few days to the Delegation approving the appointment of the British Council.

TECHNICAL SUPPORT TO THE DEPT. OF EDUCATION *Project No: '96-73200-004*

Project summary

The programme, to be managed by the Joint Education Trust (JET) will work mainly with provincial departments of education to develop and pilot Early Childhood Development and Adult Basic Education strategies. The programme will also focus on improving administrative and management capacity.

Total amount committed (ECUs): 17m
Total amount disbursed (ECUs): Nil

- Financing decision made 07/96
- Financing Agreement (FA) signed 02/97
- Agreement between implementing agency (Joint Education Trust) and Department under discussion

Project status

Project not yet underway. Again, delays have been experienced in getting this project started. Initially this was due to discussion regarding the contractual relationships of the parties involved. Institutional constraints in the Department of Education have also hampered efforts to make decisions necessary to get the programme underway. However, the Joint Education Trust has drafted an interim workplan and established terms of reference for the technical assistant foreseen in the programme.

Conclusions

A meeting to be held on 16th April will discuss the interim workplan. The contract between JET and the Department is with the Director General and is expected to be approved in the coming few days. The tender documents for technical assistance were in Brussels. This tender would be launched within the next few weeks.

Other projects

The Bursary Programme: The Department will discuss with the Delegation the modalities for the transfer of the remainder of the Kagiso Trust Bursary Programme to the Tertiary Education Fund of South Africa (TEFSA). The meeting noted that the amount available for this transfer was around R30 - 35 million. The Commission stressed that no further commitments for bursary provision had been made.

University of the North Maths and Science Programme (UNIFY). The Commission recalled the Financing Agreement and stressed the need to proceed with the tender that would provide technical assistance services for years 2 and 3. The meeting also resolved that the Department of Finance would convene a meeting between the Delegation and the Department regarding the UNIFY project at the University of the North.

MINERALS AND ENERGY

Background

This RDP project is being implemented by Eskom.

NON-GRID ELECTRIFICATION OF RURAL SCHOOLS Project No: '96-73200-007

Project summary

The project, to be implemented by the Department of Minerals and Energy and ESKOM, will provide non-grid electricity to 1,000 schools in the Eastern Cape and Northern Province.

Total amount committed (ECUs):	15m
Total amount disbursed (ECUs):	Nil

- Financing decision made 07/96
- Financing Agreement signed 02/97

Project status

Due to the brevity of the original project appraisal, the Department and Commission have agreed to conduct a review of the project before it gets underway. Meanwhile, Eskom have drafted technical specifications for the supplies that will be needed on the project.

Conclusions

The Commission had asked ISPRA to review the tender documents. The Commission would sign a contract in the near future with the consultant to undertake the review.

PARLIAMENT

Background

The Agreement was signed by the Speaker of the National Assembly in her capacity as President of the Speakers' Forum.

PARLIAMENTARY SUPPORT PROGRAMME *Project No: '96-73200-009*

Project summary

The aim of the project is to empower legislatures both on national and provincial level to fulfill their democratic functions, namely; consideration of legislature, policy formulation, monitoring of the executive, constituency work and public education.

Total amount committed (ECUs): 16m
Total amount disbursed (ECUs): 0.6m

- Financing decision made 07/96
- Financing Agreement signed 10/96
- Interim workplan has been submitted to EU, 02/97
- First installment paid 03/97
- End of contract 04/99

Project Status

The project is underway and on track. A project coordinator and deputy coordinator have been appointed. An interim workplan has been submitted and approved covering the period 1st March to the end of June 1997. The project coordination team is currently preparing the 1st annual workplan. This is due to be submitted at the end of the month.

Conclusions

The annual workplan would be submitted in the 2nd or 3rd week of May.

As regards future funding, the Commission pointed out that due to the scale of the existing project it was unlikely that further funds could be committed in the near future.

SAFETY AND SECURITY - EASTERN CAPE

POLICING IN EASTERN CAPE Project No: '96-73200-008

Project summary

The project, will be implemented by the Provincial Ministry of Safety and Security over three years. It is jointly funded with British ODA. Improved civilian oversight of the Police Service, better management, improved infrastructure and management thereof and training will be promoted through the project.

Total amount committed (ECUs): 9m
Total amount disbursed (ECUs): Nil

- Financing decision made 07/96
- Financing Agreement signed 02/97
- Tender for technical assistance launched in February
- End of contract 02/99

Project status

The project is underway and on track. A project manager has been recruited and the Project Steering Committee set up. A tender was opened on April 15th for the provision of technical assistance and the tender evaluation is underway. A fourth project steering committee to be held by the end of April will consider the first project report.

HOUSING

CATO MANOR DEVELOPMENT PROGRAMME Project No: '96-73200-01

Project summary

EU support for the RDP Presidential Project in Cato Manor is aimed in the following areas; the development of infrastructure, promotion of access to loan finance for housing and strengthening implementation capacity in the area of project management.

Total amount committed (ECUs): 24.5m
Total amount disbursed (ECUs): Nil

- Financing decision made 10/95
- Financing Agreement (FA) signed 02/97
- Tender for management unit launched 07/96

Project status

The project is not yet underway. Lengthy delays have been experienced. These have been caused by discussions about the role of the various parties involved. A contract is about to be signed with a company to provide technical assistance services. The project will soon be submitting an interim workplan. The ongoing conflict around land claims of the Cato Manor site have the potential to hamper project implementation. The Department stated that they felt this problem would be overcome.

Conclusion

The Commission is negotiating the signing of the contract for technical assistance. This should be done by month's end.

JUSTICE

Background

There is one EU funded project which involves the Department. However, implementation is the responsibility of an independent foundation - the European Union Foundation for Human Rights. A proposed 'rider' to the Financing Agreement has been sent to the Commission which clarifies the relationship between the various parties involved in the Programme.

HUMAN RIGHTS PROGRAMME *Project No: '94-75070-066*

Project summary

The programme uses NGOs as implementing agencies to support individuals and communities seeking access to their constitutional rights and basic services. The programme has four main objectives; to ensure that the public institutions dealing with human rights provisions of the Constitution function effectively, to encourage a strong NGO community in the sector, to increase legal provision to needy communities and to increase awareness about human rights.

Total amount committed (ECUs):	15 m
Total amount disbursed (ECUs):	3.8 m

- Financing decision made 11/94
- Financing Agreement signed 05/96
- First installment paid (12/96)
- End of contract 11/99

Project status

The project is ongoing. A number of delays were experienced in setting up the project, these revolved around the relationship of the Department to the project and the appointment of Board members for the Foundation. The programme is now running smoothly. The Commission has committed R21 million (approximately 3.8 million ECUs) for the Programme for this year, 80% of which it has disbursed. Of this, around R9 million has already been committed to 21 individual projects. 24 NGOs are currently involved in the implementation of these projects.

AGRICULTURE

PARTICIPATION BY SOUTH AFRICA IN THE SADC REGIONAL FOOD SECURITY TRAINING PROGRAMME *Project number 97/73200/003*

Project summary and status

The project is an ongoing initiative within the SADC region. This project allows South Africa to participate in the programme using EPRD resources whereas the rest of the programme is funded from the European Development Fund. The regional programme contributes to agreed SADC goals for the food security sector.

A draft copy of the Financing Agreement together with the technical and administrative provisions annex of the Financing Agreement have been sent to the department for approval. A workplan has been drafted by the project management and sent to the Department of Agriculture for approval. Terms of reference for two tenders have been sent to the Department for approval.

A financial commitment is due to be formalised by the Commission in the coming days.

Total amount committed (ECUs):	300,000
Total amount disbursed (ECUs):	Nil

- Financing decision still to be taken
- Financing Agreement still to be signed
- End of contract 09/98

Conclusions

The Department of Finance will contact the Department of Agriculture to ensure they provide agreement for the Financing Agreement text and tender dossiers. This would be done in the next two weeks.

PUBLIC SERVICE AND ADMINISTRATION

Background

This is the only programme with the department. It will be implemented by the public service training institute, SAMDI and by a consortium of six universities, JUPMET.

PUBLIC SERVICE MANAGEMENT DEVELOPMENT PROGRAMME Project No: '96-73200-003

Project summary

The aim of the project is to enhance the performance and management capacity of the Public Service. The three year project will be implemented by the Department of Public Service and Administration along with training institutions. The project will consist of training of public servants and technical assistance to the department with regard to training policy.

Total amount committed (ECUs): 19m

Total amount disbursed (ECUs): Nil

- Financing decision made 07/96
- Financing Agreement (FA) signed 02/97

Project status

The project is not yet underway. The long process of a pre-qualification tender is the main reason for this. The pre-qualification tender for a management unit is currently being evaluated.

Conclusions

The Commission will approve a shortlist and tender dossier for the second phase of the tender within the next three weeks. The workplan for JUPMET cannot be approved until one is received from SAMDI to ensure there are no overlaps.

FINANCE

TECHNICAL ASSISTANCE CONSULTANCY PROGRAMME Project No: '95-75070-007

Project summary

The project provides a facility for the engagement of consultants and technical assistants to work on various aspects of the EPRD throughout the project cycle. The facility is managed by GTZ.

Total amount committed (ECUs): 5m
Total amount disbursed (ECUs): 241,000

- Financing decision made 06/95
- Financing Agreement signed 05/96
- Open tender launched 03/96
- Contract awarded to GTZ 12/96
- First installment made 12/96

Project status

The project is underway and on track.

SADC FINANCE AND INVESTMENT RESEARCH PROGRAMME Project No: '96-73200-15

Project summary

The project will consist of a major study on finance and investment in the SADC region.

Total amount committed (ECUs): 1.1m
Total amount disbursed (ECUs): Nil

- Financing decision made 12/96
- Financing Agreement signed 02/97
- Tender concluded
- End of contract 02/98

Project status

Negotiations with the company which will undertake the project have been concluded.

Conclusion

The Commission will sign the contract with the consultant in the coming days.

Without prejudging the decisions to be made about appraising or financing future projects, which would be taken in the light of the priorities to be agreed in the MIP, the following partners also took part in the consultations to present their plans or proposals.

3.2 Projects under appraisal

The Department of Agriculture in the Free State Province reported to the meeting that a project preparation exercise had been undertaken early this year to identify possible EU support. A project proposal for a small projects fund for community initiatives in economically viable and sustainable food and income generation activities is in its final stages of development.

The Department of Labour reported on a project identification exercise undertaken by the Department and Commission which is nearing conclusion. The exercise had explored possible EU assistance for the development and implementation of government's training policy.

The Department of Housing reported on progress regarding possible EU support for RDP Special Integrated Presidential Projects ('SIPPs') in Northern Province and Mpumalanga. A preliminary 'pre-feasibility' study was undertaken at the end of last year. Terms of reference have been developed for a further study to review the proposals for EU support and to strengthen the capacity-building emphasis of the project.

3.3 Other projects discussed

The Department of Arts Culture Science and Technology informed the meeting of South African policy in the sector and of the various projects already identified by the Department. The meeting was informed that terms of reference for a study to explore possible EPRD support for Science and Technology had been forwarded to the Delegation via the Department of Finance. The representatives of both the Department and the Department of Finance pointed out that Science and Technology was a government priority and requested a response from the Commission regarding the proposed study at the earliest opportunity.

The Department of Public Works has submitted terms of reference to the Delegation via the Department of Finance proposing a project preparation study to look at possible EU support for the restructuring of the unit in the department dealing with public works policy as well as possible management and training support.

The Department of Finance has submitted a request to the Commission to explore the possibility of EU support for an initiative to bolster Financial Management in the Office of the Accountant General. The meeting was also informed that a proposal was being developed for support to Project Management in the Department of Finance. Discussions

on these proposals would be held between the Department and the Delegation within the coming month.

The Department of Transport had submitted a request to the Commission via the Department of Finance regarding support for a port management project in the SADC region to be organised by the International Maritime Organisation (IMO). The Commission responded that the request had not yet been received and noted that a proposal for a regional project would need to be submitted in liaison with the appropriate SADC structures. The Commission also mentioned that a major transport study in the region had recently been agreed to.

The Department of Water Affairs and Forestry recalled to the meeting that they had submitted a request via the Department of Finance for the Commission to conduct a study into the Working for Water project. A response was expected from the Commission within the coming few weeks.

The National Youth Commission based in the Office of the Deputy President informed the meeting of its plans to encourage the promotion of youth issues within the work of government.

4. SECTOR SUPPORT PROGRAMMES

The Department of Finance recalled their earlier request for the Commission to consider assistance for targeted Sector Support Programmes in the areas of Health and Education. The Department said that in the period of major budgetary restructuring by government in both sectors, such sector support was a major priority of the government for EPRD assistance. The Department further recalled the discussions between Deputy Minister Gill Marcus and Acting Director General Philippe Soubestre on this subject at their meeting in February.

The Department underlined the urgency of the request and asked the Commission to consider the deployment of a team of experts as soon as possible to appraise the proposal

The Commission took note of the request and suggested the matter be referred to discussions of the MIP.

5. OVERALL CONCLUSION OF THE SESSION

The session on project status provoked discussion on a number of issues. The conclusions of which are summarised below.

- It was agreed that the issue of future programmes for support under the EPRD would be discussed in the context of the MIP.

- It was observed that a Department's ability to implement existing projects swiftly and successfully would be taking into account in decisions on future EPRD support.
- The coherence of projects with government and departmental policy was essential to ensure successful and sustainable projects.
- The volume and diversity of projects being undertaken and those in the pipeline illustrated the need for a stronger focus and a system of processing government priorities was required.

6. OTHER MATTERS

- The meeting agreed that annual consultations on the status of cooperation would take place in February or March. These consultations would review the status of projects and discuss policy and procedural issues related to the EPRD. A mid-term review would be held in September at a lower level and involve a review of only those projects in which discussion was required. Regular two-monthly meetings would be held between the Delegation and Department of Finance.
- The meeting further agreed on channels of communication between the Commission and Government with regards to the EPRD. The Department of Finance would address all correspondence to the Head of Delegation. Correspondence between government and commission in regard to projects would be sent by the Department of Finance except where technical issues and operational matters of existing projects were concerned. In this case the Department responsible for the project would correspond directly with the Delegation with a copy to the Department of Finance.

Signed on 18th April 1997 in Pretoria.



Shaheed M Rajie
For the Government of the
Republic of South Africa



Jean-Claude Boidin
For the European Commission

LIST OF PARTICIPANTSEuropean Commission

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MULTI-ANNUAL INDICATIVE PROGRAMME

FRAMEWORK FOR COOPERATION

BETWEEN

**THE REPUBLIC OF SOUTH AFRICA AND THE EUROPEAN
COMMUNITY**

May 1997

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MULTI-ANNUAL INDICATIVE PROGRAMME
A FRAMEWORK FOR COOPERATION
BETWEEN SOUTH AFRICA AND THE EUROPEAN COMMUNITY

I. GENERAL FRAMEWORK

1. The Government of South Africa represented by Deputy Minister of Finance Ms. Gill Marcus, the European Commission represented by Mr. Philippe Soubestre, Director General for Development and the European Investment Bank represented by Mr. Justin Loasby held discussions in Cape Town on May 13, 1997 with a view to determining the general guidelines of cooperation between South Africa and the European Community.
2. During these discussions, the indicative programme of the Community aid to South Africa was drawn up in accordance with the cooperation Agreement signed between South Africa and the European Community in October 1994.
3. The representatives of the Government of South Africa and of the European Commission underlined that their cooperation is based on the following priorities, and that all the arrangements outlined in this programme will be inspired by them:
 - Development and consolidation of democracy, and of the rule of law as well as respect for human rights and fundamental freedoms.
 - Improvement in the standard of living as a contribution to poverty alleviation of previously disadvantaged communities through the development support programmes to basic social sectors in areas like health, education, water supply and sanitation ..etc.
 - Sustainable economic and social development with particular emphasis in the development of human resources taking into account questions of gender and environmental protection.
 - Promotion of the private sector development that will encourage the establishment of sustainable income generating activities to historically disadvantaged part of the population.

4. These priorities will be implemented systematically on the basis of the Integrated Approach - The Project Management Cycle.
5. Within this general framework, the overall objective pursued through the cooperation under this Indicative Programme is redressing the inequalities inherited from the system of apartheid. As poverty and the inequalities are found predominantly in the ex-homelands, cooperation between South Africa and the European Commission will be primarily concentrated on the improvement of the living standards of the disadvantaged communities in these areas. In this context, particular emphasis will be given on the necessity of the improvement of the living condition of women.
6. As regards programmable financial cooperation with South Africa, the Community envisages an annual indicative financial envelope of about 125 million ECU for the period up to the end of 1999.
7. Furthermore, the European Investment Bank could contribute, from the resources which it manages, to the financing of productive investment projects in compliance with the criteria and Statute of the Bank.
8. The effectiveness of any development effort requires a stable macro-economic framework facilitating sustainable economic growth. The South African Government issued 'A Macro-Economic Strategy for Growth, Employment and Redistribution' (GEAR) in June 1996. In the medium to long run, the Government commits itself to pursue the objectives of the Strategy which seeks to attain, among others, a competitive fast-growing economy which creates sufficient jobs, a redistribution of income and opportunities in favour of the poor and a society in which sound health, education and other services are available to all.

II. FOCAL AREAS OF COOPERATION

The European Programme for Reconstruction and Development (EPRD) earmarks a reference financial amount of 500 Million ECU for the period from 1st January 1996 to 31st December 1999. Thus, the annual allocation for the EPRD for the period up to end of 1999 is about 125 Million ECU. This amount has to be committed every year for various agreed projects/programmes from within the focal areas. Considering the limited resources available for funding projects, it was agreed to identify focal areas of intervention on which the Commission's support will be concentrated. Focusing the EPRD support in a limited number of intervention areas will help avoid thinly spread activities. Such an approach will assist in targeting development assistance on impact-oriented priority

sectors of the Government which are coherent with the Government's overall development policies.

The parties have agreed on the following areas of cooperation:

Focal Areas	Total Indicative Programmable Allocation	Channels of Implementation (Indicative % Allocations)	
		Government	Agents of Decentralized Coop.
1. Basic Social Services	50-60%		
• Sector Support Program for Health & Education	40-50%	100%	—
• Other Activities	10-20%	50%	50%
2. Private Sector Development	15-20%	50%	50%
3. Good Governance and Democratization	15-20%	50%	50%
Other Areas			
4. Regional Cooperation	+/-5%	100%	—
5. Unallocated	+/-5%	50%	50%

In implementing Government channeled programmes, opportunities to develop collaboration with agents of decentralized cooperation will duly be sought, and appropriate modalities to speed up effective delivery will be elaborated.

The Multi-Annual Indicative Programme of the European Programme for Reconstruction and Development (EPRD) will also take into account human resource development, gender issues and environmental protection as cross sectoral themes.

Decentralized cooperation is a mechanism or an instrument used for implementation of part or whole of various programmes. Development programmes covered by decentralized cooperation shall be within the focal areas indicated above and shall be based on the RDP objectives and principles. Formulation of projects or

programmes will be designed in a manner that is coherent with the Government's sectoral policies and priorities. See chapter III.

1. BASIC SOCIAL SERVICES SECTOR

1.1 Specific Objective

The main objective of support to the basic social services sector is to contribute to an improvement in the standard of living of the poor in disadvantaged community areas. Interventions, are multi-dimensional and designed to contribute to the social transformation of the inherited inequalities . Particular emphasis will be given on 'sectoral support to education, training and health'.

1.2 Sectoral Policies and the Government's Commitments

The Government has already given particular focus on the provision of basic social services development to the historically disadvantaged communities. This has been elaborated in the White Paper for Reconstruction and Development Programme (RDP). The Government is exerting maximum effort to ensure that proper mechanisms are in place to enhance convenient access to economic opportunities as well as easier access to health, education and to other social amenities. Taking account of the discrepancies inherited from the past, sectoral policies were drawn for health, education and training. A White Paper on water supply and sanitation was adopted stating that water supply is a human right issue; and that due to the scarcity of quality water supply, it is to be given economic value. See Annex 2.

The Government has confirmed its commitment to the transformation of the social sector in favour of the disadvantaged communities by undertaking a reprioritisation of the national budget based on the objectives and principles envisaged in the RDP policy document. This would result in additional budgetary allocation for operation and maintenance of social infrastructures and basic social services.

It will ensure that adequate financial and human resources will be provided in the education and health sectors to guarantee sustainability of agreed programmes/projects including coverage of recurrent expenditures. It will also review policy developments (including budgetary allocations) during annual consultations.

Support of the European Community

Support of the Community in basic social services development will have as its goal improvement in the standard of living of the historically disadvantaged communities both in rural and urban areas. The programme will focus on key initiatives in support of primary education, further education and training and in primary health, HIV/AIDS and reproductive health. Complementary activities such as provision of water and basic sanitation, urban upgrading, access road may also be supported.

The "sector support programmes" on health and education will provide financial resources to cover capital and equipment expenses related to the implementation of specific Government priority projects and programmes to be agreed upon after joint appraisal. In duly substantiated cases recurrent expenditures could be covered provided they are explicitly stipulated in the financing agreements.

Questions related to gender and impact of the projects on environmental protection will receive special consideration during the project formulation stage and in the course of development of the various interventions.

2. Private Sector Support

Specific Objective

The primary objective of the private sector support is to encourage income generating and employment creation activities in favour of the previously disadvantaged part of the population in both the rural and urban areas. It will also take as its objective the enhancement of linkage opportunities of small and medium enterprises with the developed sectors of the economy.

Sectoral Policies and the Government's Commitment

The 'Macro-Economic Strategy' document of 1994 takes promotion of small and medium enterprise development as a key element for employment creation and income generation. It entails areas related to creating an enabling environment to investment, trade policy reform, including in enhancing productivity and competitiveness. The strategy also covers competition policy which introduces anti-trust legislation to create a more competitive and dynamic business environment.

It also stressed that due to the obstacles encountered in the past, the SMME sector is to receive particular attention.

In order to address the issue, a White Paper was issued on small business promotion. Various programmes and institutions such as a business centre for small enterprises, a promotion agency to provide non-financial assistance, financing scheme for wholesale loans, loan guarantee schemes and a competitiveness fund for consultancy advice on technology and marketing have been established.

Support of the European Community

Support of the Community will primarily aim at SMMEs (small, medium and micro-enterprises) including possible linkages to developed parts of the economy. Promotion of linkages will reinforce new enterprises by activating resources (financial, services and training facilities...etc.) of the former in favour of the latter. Assistance could entail business support in new ventures through outsourcing, increased competitiveness, the outcome of which would envisage increased sales and job creation. Within the private sector development, small scale farmers might be considered as potential target group for the EPRD support.

SMME support will address gender issue by giving particular attention to the needs and aspiration of women who play a key role in many of the informal business activities.

Particular attention will also be given to the role of the financial intermediaries such as the banks, NGOs and the like by encouraging and supporting them to offer their services to the disadvantaged population previously excluded from those services. Guarantee and indemnity schemes, technical and other targeted assistance to the public and private sector institutions and companies *can* provide through the participatory support schemes.

Closer collaboration and partnership with chambers of commerce, business schools and with other professional organizations dealing with private sector development *could* be encouraged as well as funding of targeted vocational and managerial training.

The contents of future programmes in these areas will take account of the experience gained in implementation of ongoing projects/programmes.

3. Good Governance and Democratization

Specific Objectives

The main objective of the EPRD support to good governance is to enhance the effective and efficient management system of the national, provincial and local government administrations including that of strengthening the legislature (parliament) and the judiciary systems. The other objective of the support is to advance and deepen a transparent and accountable democratic system of Government with the active participation of the society. Programmes directed to local governments shall put emphasis on increasing their capacity to improve living conditions of their constituencies.

Sectoral Policy and the Government's Commitment

One of the major components of the RDP has been its emphasis on capacity building of the provinces and local governments. Issues related to democratization, good governance and rule of the law are all well entrenched in the new constitution which underscores on the basic tenets of democracy which entail a non-racial and non-sexist society.

The Department of Constitutional Affairs and Local Government has been established to strengthen the capacity of local governments to enable them to effectively run the day-to-day administration in their localities and to ensure that they are capable of efficient delivery of services to their constituencies.

The crime prevention strategy recently adopted is another major initiative taken by the Government which targets at rooting out the serious crime situation in the country. The Government will continue committing adequate budgetary allocations and human resources in order to ensure sustainability of implementation of policies, in particular in crime prevention initiatives.

Support of the Community

- The Community will provide support in good governance related initiatives. The assistance will focus on the restructuring and reorientation of public service, capacity building and establishment of appropriate management and information systems at national, provincial and local levels.
- Special emphasis will be given to capacity building in departments (national and provincial), local governments, professional associations, NGOs ..etc. involved in the

management of the focal areas of the EPRD. These will focus mainly in policy formulation, programming, budgeting and service delivery.

- Assistance to the legal system will address efficiency in the legal practice. The support will envisage restructuring of the judiciary system and training of judges and technical advisory services in specific areas as identified by the Government. Support to crime prevention initiatives and human right issues shall be part of the programme. In general the cooperation will aim at attaining a qualitative change in legal practice so that confidence in the legal system will prevail and that the rule of law in the country will be enhanced.

4. Regional Cooperation

Specific Objectives

The primary objective of regional cooperation is to incorporate South Africa within the regional programmes being implemented through the Southern African Development Community (SADC).

Government's Policy and Commitments

The RDP White Paper and the Macro-Economic Strategy clearly stress the importance of regional cooperation. Both policy documents reiterate that growth and development within South Africa cannot be looked at in isolation from the regional development. As a result, South Africa has been nominated as a coordinator of the financial and investment portfolio of the SADC region.

South Africa has already committed itself in the studies to be undertaken in the areas of regional investment and finance matters.

Support of the Community

The SADC and the Commission have agreed on the following focal areas:

- Infrastructure and Services
- Trade, Investment and Finance
- Food, Agriculture and Natural Resources
- SADC Secretariat for Capacity Building
- Other Activities.

Even though the modalities of cooperation will be elaborated in due course, the first two major sectors of the regional programmes represent the focal areas of concentration. Programmes falling under food, agriculture and natural resources; and capacity building of the SADC secretariat will be supplementary support programmes.

5. Cooperation Outside of the Focal Areas

Unallocated resources referred to in page 3 may be used to finance limited activities (e.g. preparatory studies and pilot programmes) of common interest. Support to science and technology will be addressed from this resource allocation.

Appropriate resources will also be earmarked to reinforce the capacities of the NAO and the Commission services for the appraisal, monitoring, implementation, evaluation and ensuring adequate visibility in the public of the above mentioned activities.

6. Horizontal Themes: Human Resource Development, Gender and Environmental Protection

Programmes that will be developed within the focal areas will have cross-sectoral support dimensions translated into practice through three horizontal themes - human resource development, gender and environmental protection .

Human resource development is an important element in the EPRD initiatives. Attention will be given to training and technical assistance related to capacity building and institutional development. In addition, the support will address entrepreneurial, technical and vocational training. The latter initiative will have a strong emphasis on training and advisory services on job creation in both formal and informal sectors particularly benefiting the youth and women.

Gender sensitivity assessment has crucial implications for achievement of all development objectives. Gender analysis should, therefore, be addressed in the conception, design and implementation of all development policies and interventions as well as in monitoring and evaluation stages.

Environmental protection and preservation are key factors in all development initiatives. The primary reasons for performing environmental assessment, which include socio-cultural elements, are to improve the quality of projects and their sustainability through direct discussions with stake-holders and

beneficiaries. Development programmes financed under the EPRD, need to take account of environmental consideration at all phases of the 'project management cycle'.

III. DECENTRALIZED COOPERATION

Decentralized cooperation is an instrument for implementation of development projects or programmes at local and grass root levels. A minimum of 25% of programmable resources will be allocated for implementation through agents of decentralized cooperation.

Agents of decentralized cooperation mainly cover decentralized public authorities, rural and village groups, cooperative, trade unions, teaching and research institutions, NGOs, other associations including professional and business associations, groups and agents which are able and wish to contribute to the development of the country on their own initiatives, providing that the agents and/or the operations are non-profit making.

The historical involvement of civil society in the evolution of the present day South Africa has resulted to the widespread presence of agents of 'decentralized cooperation'. These partners have, in general, proven to be an effective instrument for implementation of grass root developments. Moreover, they have often shown efficiency in delivery of services. The support given to programmes being implemented through decentralized cooperation mechanism will, however, be within the focal areas stipulated above, i.e., basic social services, private sector development, and good governance and democratization.

Identification, preparation of projects and signing of agreements with agents of decentralized cooperation will be handled by the EU Commission. The implementing agencies will be accountable to the Commission. However, copies of the agreements and progress reports on implementation of projects/programmes will be submitted to the Department of Finance on a regular basis.

IV. EIB INTERVENTION

The EIB loans can be made available to borrowers in the public and private sectors. The support will focus on long-term investment projects which will enhance and be coherent with the RDP principles and objectives. In line with the Bank's normal requirement, projects have to be evaluated against financial and economic viability and should be technically feasible taking into account the environmental implications.

V. MODALITIES OF PROGRAMME PREPARATION, IMPLEMENTATION, MONITORING AND EVALUATION

Appropriate qualitative exercise will be emphasized during the identification and formulation (appraisal) phases of the project cycle following the *logical framework* approach. The financing proposals emanating from the project formulation documents will result in preparing the financing agreements. Attention will be given to regular follow-up and monitoring of project implementation. Ongoing and ex-post evaluation of the programmes will receive due attention.

The Government of South Africa will appoint a National Authorizing Officer (NAO). The NAO will designate an appropriate official in the Department of Finance to act as Deputy National Authorizing Officer to handle day-to-day activities related to EU development assistance.

The status of non-national technical assistants and their dependents with regard to exemption from customs duties, income taxes, residence and work permits, imports of personal effects, open and management of bank accounts, arrest and detention and settlement of disputes and other relevant matters will be addressed by exchange of letters between the Department of Finance and the European Commission.

The implementation of the EPRD projects will be supported with technical assistance experts. The specialists will be expected to play an important role in expediting the tasks related to fulfillment of the project management cycle. In the course of their duties, the transfer of skills and capacity building to their counterparts will be ensured. In order to attain maximum coordination, coherence and complementarity of programmes; an effective mechanism of consultation with other donors, in particular with the EU member states, will be undertaken.

The Community's annual allocation for South Africa will be decided by the end of each year in the framework of its budgetary procedure. In order to speed up the implementation process, the South African Government will identify specific government executed projects for the subsequent year latest at the beginning of the last quarter of each year. The project ideas will be discussed and elaborated with the EU Delegation during the last quarter of the year.

The implementation of the projects being drawn from the multi-annual indicative programme begins with the signing of the financing agreements for the specific projects. Implementing agencies are required to have approved annual work plans and

have to submit regular reports as stipulated in the respective financing agreements.

The Annual consultation will take place tentatively in February/March of each year. It will review the status of implementation of the various project/programmes. The Annual Consultation will also address ongoing policies including budgetary issues within the focal sectors. Furthermore, it will elaborate projects and programmes to be committed for the ensuing year.

There will be a mid-term review tentatively in September or October of each year which will review implementation constraints and programming of uncommitted funds.

Besides regular follow up and monitoring mechanism will be established between the Department of Finance and the EU Delegation on a monthly basis.

The tendering system will be transparent and shall be open, fair, cost effective and competitive. It will be implemented according to the relevant EC regulations (i.e. Financial regulation applicable to the European Communities General Budget; Council regulation (EC) 2259/96 of 22 Nov. 1996 on Development with South Africa). The closing dates and times for the invitation of tenders will be coordinated by the Commission in conjunction with the appropriate state authority.

The Multi-Annual Indicative Programme will enter into effect six weeks upon signature by the South African Government and the European Commission, unless one party advises the other to the contrary within this period.

At the request of one of the parties and when the circumstances do justify, there may be a review of the agreed indicative sectoral allocations and/or other provisions of the present Multi-Annual Indicative Programme.

Done in Cape Town, Republic of South Africa, on the fourteenth day of May 1997, in three originals.



For the Government
of
South Africa



For the Commission
of the
European Communities

MEMORANDUM OF UNDERSTANDING

SUPPORT OF THE EUROPEAN INVESTMENT BANK TO THE REPUBLIC OF SOUTH AFRICA TOWARDS THE IMPLEMENTATION OF DEVELOPMENT COOPERATION

With reference to Section I/7 and Section IV of the Multi-Annual Indicative Programme (Framework of Cooperation between South Africa and the European Community), the European Investment Bank (the "Bank") could contribute to the financing of productive projects and programmes - or other investments aimed at promoting the private and public sectors - in particular in industry (including agro-industry), commercial agriculture, tourism, mining, energy, water and sewerage, transport and telecommunications, as well as other services linked to these sectors.

The determination of the amounts and the conditions for the financing of the projects will depend on the results of a detailed appraisal of every project, carried out in compliance with the procedures of the Bank.

The ceiling amount to be made available by the Bank under the two Framework Agreements is 675 (300 + 375) MECU for the period to end 1999.

The Bank takes note of the intention of the Government of South Africa to submit proposals to the Bank, or to authorize that proposals be submitted to it, for financial assistance in the following areas:

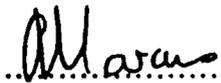
- Assistance to the small and medium scale enterprise sector through approved financial intermediaries or through government;
- Investment in infrastructure (e.g. electricity, water and telecommunications); and
- Development of operations in the industry (including the agro-industry), mining, tourism, transport sectors.

With respect to the financing by the Bank in South Africa, both parties undertake that operations from the Bank's own resources, whether made directly or through intermediaries, will be in accordance with the provisions as stipulated in the Framework

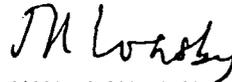
Agreements for financial cooperation between the Government of the Republic of South Africa and the Bank, the first as signed on 12 September 1995, and the second to be signed in the second half of 1997. During April 1997, consultations on the second Framework Agreement for financial cooperation between the Republic of South Africa and the European Investment Bank commenced.

The Bank draws attention to the fact that this programme could be suspended in the event that the Government of the Republic South Africa were to fall into arrears in its obligations to the Bank.

Signed in Cape Town, Republic of South Africa, on May 2, 1997.



.....
On behalf of the Government
Republic of South Africa



.....
On behalf of the of the
European Investment Bank

BASIC GOVERNMENT POLICIES

1. The Reconstruction and Development Programme (RDP)

Following the democratic election in April 1994, a White Paper on Reconstruction and Development was issued in November 1994. The White paper is a policy framework for integrated and coherent socio-economic progress and transformation of South Africa. It is a basic policy document which addresses key areas of interventions in order to redress the political and socio-economic imbalances of the apartheid legacy.

The RDP has the following six basic principles:

- a) Integrated and sustainable development
- b) People-driven in the process of meeting the needs with maximum transparency and inclusivity
- c) Peace and security
- d) Nation building
- e) Meeting basic needs and building infrastructure
- f) Democratization

The RDP policy document refers to the following five key programmes:

- a) Meeting Basic Needs:- This include job creation, land and agrarian reform, housing, water and sanitation, energy supplies, health care and nutrition...etc.
- b) Developing Human Resources:- The key government support area is transformation of the educational and training system
- c) Building the Economy:- It highlights issues related to barriers to growth and investment such as government dissaving, capital outflows, low exports, high import propensity and low productivity. The close economic relationship with the neighbouring countries and the need to develop a comprehensive strategy are emphasized.
- d) Democratizing the state and society
- e) Implementing the RDP.

The economic policy framework of the RDP White Paper highlights the creation of a strong, dynamic and balanced economy which will;

- a) create jobs in both formal and informal sectors

- b) alleviate poverty, low wages and extreme inequalities inherited from the apartheid system
- c) address economic imbalances and structural problems in the various sectors
- d) integrate into the world economy by raising the efficiency of the manufacturing capacity and increase country's export potential
- e) address uneven development within the region
- f) ensure that no one suffers from discrimination in hiring, promotion or training on the basis of race or gender
- g) develop the human resource capacity
- h) democratize the economy and empower the historically disadvantaged.

In order to achieve the RDP objectives, the Government stressed on the following basic economic development strategy:

- a) Financial and monetary discipline
- b) Establishment of a conducive environment for economic growth.
- c) Trade and industry policies designed to foster a greater outward orientation.
- d) Modernization of human resource programmes
- e) Reform of the labour market institutions to facilitate fair and equitable collective bargaining.

2. A MACRO-ECONOMIC STRATEGY: Growth, Employment and Redistribution

The macro-economic strategy stresses that the prevailing 3% economic growth per annum will not reverse the unemployment situation. It will also provide inadequate resources for the necessary expansion of in social service delivery. The economy should grow by 6% per year and 400,000 jobs per annum in order to reduce unemployment and improve the living standard for all.

In order to attain higher economic growth and significant job creation without undermining the macro-economic stability, the Government strategy is design to entail:

- a) A competitive platform for export growth;
- b) A stable environment for a surge in private investment;
- c) Restructuring public services and government capital expenditure;
- d) New emphasis in industrial and infrastructural development;
- e) Greater labour market flexibility;

- f) Enhanced human resource development

The macro-economic package envisages the following elements:

- a) A faster fiscal deficit reduction programme to contain debt service obligations, counter inflation and free resources for investment;
- b) A renewed focus on budget reform to strengthen the redistribution thrust of expenditure;
- c) An exchange rate policy to keep the real effective rate stable at a competitive level,
- d) A consistent monetary policy to prevent a resurgence of inflation;
- e) Further steps in the gradual relaxation of exchange controls;
- f) Speeding up the restructuring of state assets;
- g) Tax incentives to stimulate new investment in competitive and labour absorbing projects;
- h) Expansion of infrastructure programmes that will address service deficiencies and backlogs;

The long term vision of the macro-economic strategy will be:

- a) A competitive fast growing economy which creates sufficient jobs for all work-seekers,
- b) A redistribution of income and opportunities in favour of the poor,
- c) A society in which sound health, education and other services are available to all, and
- d) An environment in which homes are secure and places of work are productive.

II. SECTORAL POLICIES

1. Education

The educational system under apartheid era was organized in a complex hierarchy of separate racial and ethnic departments and services. Funding of education and training had been grossly unequal across the racial ethnic sub-systems. These discriminatory provisions resulted to huge disparities in physical, professional services and teaching quality. Majority of the black population had little access to education and training. As a result of unequal access to education, huge inequalities in skills and competence in the nation's labour force along racial and ethnic line developed. Consequently, there have been unequal opportunities in employment.

The constitution guarantees equal access to basic education for all. The policy of the Government stipulated that education and training are basic human rights. The need to overhaul the learning programmes or curricula have been highlighted in the White Paper. Special attention has been given to student recovery programme in science and mathematics.

The White Paper on Reconstruction and Development Programme (RDP) took human resource development as one of the key programmes. A White Paper on Education and Training was issued in March 1995.

The policy on education specified that state resources are deployed according to the principles of equity so that the same quality of learning opportunities for all citizens will be established. The rehabilitation of the schools and colleges is to go hand in hand with gradual transfer of ownership of these institutions to the communities. National Qualification Framework (NQF) has been put in place to ensure that standard quality of education is maintained.

Adult Basic Education and Training:- Specially the black adult population, had no schooling or inadequate schooling in the past. The Department of Education views adult education and training as a driving force for social change and economic development.

Early Childhood Development:- Early childhood education is taken as a starting point of a national human resource development strategy. As it is a multi-disciplinary field, the need for closer cooperation with the Departments of Health and Welfare is recognized.

Further Education and Training: According to the Government, the key to a successful integrated approach to education and training lies at the post compulsory phase of education.

Higher Education or Tertiary education: The government acknowledges that higher education represents a major source for national development. The Government has approved the appointment of a National Commission on Higher Education. The Commission has started its work.

The White Paper on Education and Training has delineated the national and provincial powers in education and training. Substantial powers have been vested in the provincial legislatures and governments to run educational affairs other than the universities and technikons which are subject to a national policy framework.

2. Health

Following the democratic election in April 1994, the Government has given special emphasis to strengthen of and improve access to primary health services. The budget allocation for non-hospital primary care services has gone up to 19% in 1995/96 as compared to 11% of total public sector health expenditure in 1992/93. A Medium Term Expenditure Framework has been adopted to guide the relative redistribution of resources towards primary health care.

In 1994 health care for children under 6 and pregnant women has been declared to be free. In April 1996, the Government announced access to free health care to all groups of patients at primary health care clinics.

The key area in health sector transformation has been the District Health System. It is considered as a vehicle for the provision of the comprehensive primary health care.

3. Water Supply and Sanitation

The Water Supply and Sanitation Policy document was issued in November 1994. Provision of water supply and sanitation have been targeted objectives as part of the fulfillment of basic needs stipulated in the Reconstruction and Development Programme. The lack of basic services such as water supply and sanitation is one of the major symptoms of poverty and underdevelopment.

The following eight principles have been established in the Water Supply and Sanitation Policy: a) Water supply development should be demand driven and community based. b) Basic water supply services are human rights c) Some for 'all' rather 'all' for some d) Equitable regional allocation of development resources. e) Water has economic value. f) The user pays. g) Water supply being part of the integrated development of the country. h) Environmental integrity.

5. Private Sector Development

The Government has elaborated policy statements on both the RDP policy paper and the 'Macro-Economic Strategy' of 1996. The RDP White paper covers a wide range of policy issues related to private sector development. It entails areas related to creating an enabling environment to investment; trade policy reform in areas like enhancing productivity and competitiveness. It also covers competition policy which introduces anti-trust legislation to create a more competitive and dynamic business environment. This policy ensures that efficient participation of small and medium enterprises are not jeopardized by anti-competitive nature of operation by developed business entities.

The Government has committed itself to the support of small and medium enterprise development. The key areas of support to this sub-sector includes the following:

- Access to advice and training
- Access to marketing
- Access to finance
- Access to infrastructure and premises
- Access to appropriate technology
- Encouraging inter-firm linkages

The 'Macro-Economic Strategy' also gives special emphasis to private sector development. Various institutions were established to support small and medium enterprises. Small business centre has been constituted in the Department of Trade and Industry. A promotion agency has been set up to support non-financial assistance; an enterprise to handle wholesale loans; an agency for credit guarantee schemes and special support for pre-shipment export finance guarantee and access to working capital. Competitive fund for consultancy advice on technology and marketing has been established.

In order to support the small and medium enterprise development and give legal basis for the establishment of the above entrepreneurial development institutions; a National Small Business Enabling Act (Notice 1304 of 1995) was issued.

GUIDING PRINCIPLES FOR DECENTRALIZED COOPERATION

1. Background

The European Union has been supporting development initiatives in South Africa through non-government organisations since 1986. Since the start of EU cooperation with the Government in 1994, support under the EPRD has been composed of a combination of support for government projects and support for non-governmental organisations - NGOs.

The European Commission has recently launched a study into the issue of decentralised cooperation. This process is aimed at identifying potential 'agents' of decentralised cooperation and at examining ways in which this type of development assistance might best be implemented.

2. Definition of 'decentralised cooperation'

'Decentralised cooperation' is an approach to development which gives 'decentralised agents'¹ of development a key role in the conception and management of development projects. The approach must be participatory, bottom up, unambiguously focusing on the final beneficiaries and on the identification by them of their needs and requests. The role of the central authorities and the Commission is limited to monitoring and being kept informed, having agreed to the modalities of this instrument of support.

3. Objectives

The aim of this type of cooperation is to speed up implementation of development projects under the EPRD and benefit the particular capabilities, innovative operating methods and resources of the agents of decentralised cooperation.

¹ The fourth Lomé Convention refers to 'agents of decentralised cooperation' as; decentralised public authorities, rural and village groups, cooperatives, trades unions, teaching and research institutions, non-governmental development organisations, other associations, groups and agents which are able and wish to contribute to the development of the Country on their own initiative, providing that the agents and/or the operations are non-profit-making.

4. Guiding principles of decentralised cooperation under the EPRD.

An indicative proportion of 25% of the resources available under the EPRD will be devoted to decentralised cooperation. The precise modalities of how this element of the EPRD will be implemented will be agreed by the South African Government and European Commission at a later stage following the completion of the study into decentralised cooperation. The following three guiding principles have been agreed by the Government and Commission regarding the implementation of decentralised cooperation;

- The actions will be within the three focal sectors agreed in the MIP.
- Appropriate reporting mechanisms will be developed.
- Actions funded through decentralised cooperation should be coherent with initiatives being implemented within the rest of the EPRD.

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