

## COUNTRY STRATEGY PAPER II

# DEVELOPMENT COOPERATION BETWEEN FLANDERS AND SOUTH AFRICA

2012-2016



# Table of Contents

<b>1.</b>	<b>South Africa: country analysis and context of ODA</b> .....	<b>4</b>
	1.1. Country analysis .....	4
	1.2. Medium-Term Expenditure Framework 2009-2013 .....	9
	1.3. ODA, aid effectiveness and the role of donors .....	10
<b>2.</b>	<b>Flanders: ODA for South Africa and Southern Africa</b> .....	<b>11</b>
	2.1. Different forms of cooperation .....	11
	2.2. Flanders' policy framework for development cooperation .....	12
	2.3. Development cooperation with South Africa.....	13
	2.4. Lessons learned from the mid-term review and programme evaluations.....	13
<b>3.</b>	<b>Policy framework for bilateral cooperation</b> .....	<b>14</b>
	3.1. Principles of cooperation: Paris Declaration and Accra Agenda for Action .....	14
	3.2. Focal sectors, geographical focus and crosscutting themes .....	16
	3.3. Policy dialogue and cooperation with the three spheres of government.....	17
<b>4.</b>	<b>Indicative programme of cooperation</b> .....	<b>18</b>
	4.1. Overall objective.....	18
	4.2. Job creation through small enterprise development.....	18
	4.3. Sustainable smallholder agriculture and food security .....	19
	4.4. Added value: capacity building and mainstreaming community-based perspectives.....	21
	4.5. Implementation in three provinces: Free State, Limpopo, and KwaZulu-Natal.....	21
<b>5.</b>	<b>Management of the programme</b> .....	<b>22</b>
	5.1. Identification, formulation and implementation of projects and programmes .....	22
	5.2. Funding commitments and disbursement of funds .....	23
	5.3. Reporting, financial audits, monitoring and evaluation.....	23
	5.4. Risk management .....	24
 <b>Annexes</b>		
	Annex 1: Poverty indicators and ODA per province.....	27
	Annex 2: Recommendations from the Development Cooperation Review III.....	29
	Annex 3: Job creation through small enterprise development.....	31
	Annex 4: Smallholder agriculture and food security.....	33
	Annex 5: Outcome 7 : Vibrant equitable and sustainable rural communities and food security for all....	
	.....	36

## LIST OF ABBREVIATIONS

---

CPA	Community Property Associations
COGTA	Cooperative Governance and Traditional Affairs
CRDP	Comprehensive Rural Development Programme
CSP	Country Strategy Paper
EU	European Union
GHS	General Household Survey
IDP	Integrated Development Plan
IFSS	Integrated Food Security Strategy
MDG	Millennium Development Goal
MTSF	Medium-Term Strategic Framework
ODA	Official Development Assistance
PAF	Performance Assessment Framework
PGDS	Provincial Growth and Development Strategy
SA	South Africa
SADC	Southern Africa Development Community
SME	Small and Medium-sized Enterprises
TDCA	EU/SA Trade, Development and Cooperation Agreement

## 1. South Africa: country analysis and context of ODA

### 1.1. Country analysis

South Africa is a middle-income country with a total land area of slightly more than 1,2 million square kilometres. The country has a population of 50 million; Africans make up 79,3% of the total population, whites 9,1%, coloureds 9% and Indians 2,6%; women account for 52% and men for 48% of the population. In 2009, the GDP stood at US\$ 211,2 billion and the GDP per capita at US\$ 5,750.

The administrative structure is composed of national, provincial and local spheres of government. The country has nine provinces: the Eastern Cape, the Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, the Northern Cape, the North West and the Western Cape. The executive powers of provinces run concurrently with the national sphere. Provinces are responsible for, among others, agriculture, education, environmental protection and nature conservation, health, housing, welfare, language policy, police services, and public transport. Provinces are also responsible for promoting tourism, trade and investment. There are 283 municipalities, which provide basic social infrastructure and services, and are expected to act as key agents for local economic development.

Provincial and particularly local governments have been given the responsibility to deliver social and administrative infrastructure and services. Even though the government has succeeded in no small measure to improve the delivery of drinking water, decent housing, health services and education in various districts and municipalities, the challenge to satisfy and sustain the quality of services rendered still remains a challenge.

Poverty reduction and narrowing the inequality of the historically marginalized population remains a serious challenge. The economic crisis has resulted in employment falling by 3,4% in the first half of 2009, mainly in agriculture and the informal sector. The South African government will need increased sources of financing to address the unemployment situation, the service delivery challenges in various townships and districts, the water supply and sanitation backlogs, the provision of health services and the provision of quality education. The HIV/AIDS pandemic is a major threat to socio-economic development and remains a major item of social services expenditure. The pandemic has a huge impact on the economically active population, reducing the average life expectancy and increasing the number of orphans.

The work force is growing faster than the number of employment opportunities available in South Africa. The unemployment rate is around 25% since 2000. The majority of the unemployed are young and the ratio of women is increasing. There are about 5 million youths currently unemployed. The macro-economic stability and high growth rates were not able to generate faster growth in employment. Unemployment emanates largely from a lack of skills in areas where demand is high. The informal sector's lack of access to financial resources has reinforced the vicious cycle of poverty.

The financial crisis that affected the western world in 2008 has had an adverse effect on the economy of South Africa; gains that were being consolidated have been reversed. The current account deficit narrowed from 7,2% of GDP to 4% in 2009. Tax revenues decreased, while

expenditure to stimulate the economy increased. This has contributed to a relatively higher budget deficit, deteriorating the strong fiscal stance that prevailed over a decade. The deficit, which by international standards had been reasonably sound, went up from 0,7% of GDP in 2008-2009 to 4,5% of the GDP in 2009-2010. This adverse trend was mitigated by low external debt and a sound financial system.

The South African economy is already out of the recession and the GDP grew 2,5% in 2010 increasing to 3,5 to 4% by 2012. The share of investment to GDP has risen sharply in South Africa over the past decade (from 15% to 23% in 2009-2010), but is still lower than in the other BRICS economies. The financial crisis reduced South Africa's access to financial markets and simultaneously made credit very expensive.

### *Political and institutional situation*

A white minority under the apartheid state ruled South Africa from 1948 until the country's first non-racial, free and fair democratic election in 1994. After some intense negotiations and amendments, the Constitution of South Africa came into effect on 4 February 1997, replacing and repealing the Interim Constitution of 1993. Since 1994, South Africa has built a vibrant, fully functional Constitutional democracy. Institutions that support democracy and protect the rights of the citizens, such as the Office of the Public Protector, the South African Human Rights Commission, the Office of the Auditor General, the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities and the Gender Commission have been established and are fully functional.

The Constitution allows for national general elections to be held every five years, giving citizens the right to choose a government of their choice. All four of the country's democratic national elections were declared free and fair. The African National Congress is the ruling party in the national legislature, as well as in eight of the nine provinces, having received 65% of the vote during the 2009 general election. The main opposition party is the Democratic Alliance (16,7%), the Congress of the People (7,4%) and the Inkatha Freedom Party (4,6%).

Parliament is vibrant and holds the executive accountable. Government consists of national, provincial and local spheres. There are separations of power between legislature, executive and judiciary. Parliament consists of the National Assembly and the National Council of Provinces. Parliamentary sittings are open to the public. The National Assembly consists of no fewer than 350 and no more than 400 members, elected through a system of proportional representation for a five-year term. It elects the President and scrutinizes the executive. The National Council of Provinces consists of 54 permanent members and 36 special delegates, and aims to represent provincial interests in the national sphere of government.

In 2009, the composition of Cabinet and national departments were reconfigured to achieve better alignment between the ANC's electoral platform and the developmental challenges requiring urgent attention. The most notable change in the new structure is the advent of the National Planning Commission, which is responsible for drawing a coherent National Plan to which all spheres of government would adhere. It should allow for a more comprehensive view of socio-economic development in the country. The new structure also provides for a monitoring and evaluation competency in the Presidency to evaluate the performance of government in all three spheres.

### *Macro-economic situation*

In the year of the country's first democratic election, South Africa inherited a real GDP growth rate of 1,1%. In the years thereafter, the economy picked up with high GDP growth rates, averaging 4,2% in 2006 and 2007. In 2009, growth contracted and it was at its lowest level since 1994. South Africa's economy gained strength in the first half of 2010 as a result of special circumstances, including increased spending related to the soccer World Cup and stable inventories. Construction, manufacturing and mining started to grow again. Retail sales were 4,6 per cent higher in August 2010 compared with a year earlier, but the pace of growth slowed since the end of the World Cup.

For much of the 1994-2009 period South Africa has run budget deficits within globally acceptable margins, reducing debt as percentage of GDP from 43,5% in 1994 to 22,2% in 2009. The debt to GDP ratio is however expected to rise as a result of the deficit financing required, following the 2008-2009 financial recession. Sound fiscal policy has supported the high level of expenditure on social services and capital infrastructure. In per capita terms, real non-interest expenditure has doubled over the last eight years, leading to a reduction in poverty levels and an expansion of public services. The decline in debt service costs in the years preceding the recession created the fiscal space to expand infrastructure investment, social grants and public sector employment.

Real GDP growth is projected to reach 3,5% in 2011, 4% in 2012 and 4,5 per cent by 2013. At these rates of growth, it will take some time before the economy reaches full capacity and create additional employment. Inflation has declined more than expected in 2010 and is expected to remain below 6% over the next three years. South Africa has identified stable macro-economic policies, which will allow for exchange rate stabilisation and countercyclical monetary and fiscal policy.

### *Poverty reduction through job creation and social grants*

Poverty and unemployment are closely linked. Unemployment in the strict sense of the term increased from 2 million in 1995 to 4,4 million in 2003, declining to 3,9 million in 2007, before increasing to 4,3 million in 2010. The number of jobs created since 2003 has started to outstrip the growth in the labour force, with a reversal in the trend since the onset of the 2008 global financial crisis. Poverty and unemployment persist despite the economic growth experienced in the past 10 years.

South Africa's industrial policy seeks to support labour-absorbing sectors, while also improving competitiveness at firm and sector levels, decreasing concentration and increasing innovation and productivity. The extension of temporary employment opportunities through the Expanded Public Works Programme has improved since the programmes introduction in 2004, and can be expected to continue to improve due to the introduction of the Community Work Programme. The EPWP is expected to provide employment opportunities and training to at least one million persons within the first five years of implementation.

South Africa has achieved the target of halving the proportion of the population living below the poverty line of a \$1 per day. The expansion of income support through social assistance grants has contributed significantly to this outcome. Yet little or no progress has been made in reducing income inequality, or expanding employment opportunities for the poor. The *Gini Coefficient* inequality worsened from 0,64 to 0,66 in 2008. As redistributive and poverty alleviation measure, government's social assistance and welfare services have increased in the

past decade. Social grant beneficiaries have tripled since financial year 2002-2003, reaching over 13,8 million in 2010-2011.

### *Local government*

Municipalities form the interface between the public authorities and the poor. They vary considerably in terms of size, economic base and poverty concentrations. South Africa's cities face substantial challenges, owing largely to the pace of economic growth, structural unemployment, migration from the countryside, and growing informal settlements. In more rural municipalities, the major challenge is to step up delivery of electricity, water and sanitation. A strong link exists between the institutional and socio-economic vulnerability of municipalities. There are very high levels of basic infrastructure bottlenecks and public services backlogs, low levels of governance and accountability, and there is a high staff vacancy rate.

### *Crime and corruption*

South Africa has high levels of crime, and the nature of crime is particularly violent. Major challenges include the high proportion of violent crime, domestic violence, court case backlogs, prison overcrowding and a high rate of recidivism. The crime statistics show a decrease in most crimes particularly armed robberies, housebreakings and business robberies as well as contact crimes. The government aims to reduce levels of overall contact and trio crimes (hijacking, business and house robberies), ensure an effective and integrated justice system, manage crime perceptions, and effectively manage South African borders. In addition, the government has pledged to fight corruption in society and in the administration.

### *Improving education and skills development*

Since 1994, South Africa has made huge investments in education and training. Education has enjoyed the largest share of the national budget throughout the past 15 years. South Africa has near-complete primary school enrolment and is likely to achieve a literacy rate of over 95 per cent for 15-24 year olds in 2015. The challenges facing the education system include substantial backlogs in school buildings and facilities, an insufficient number of qualified teachers, poor school management and high absenteeism among teachers and students.

The government's first priority is to improve the quality of basic education, ensuring high quality of teaching and learning, early childhood development, improved literacy and numeracy, as well as better examination performance. The government has asked all teachers to be in class on time and to teach for at least seven hours a day. The government is improving the curriculum, enhancing pedagogy and providing learning support material (textbooks and workbooks) to all learners and teachers in every school. Measurable improvement in the literacy and numeracy rates of Grades 3, 6 and 9 learners is anticipated, which will be measured through annual content knowledge tests.

University and further education enrolment need to be expanded given that available skills training programmes do not meet the economy's needs. South Africa has to create a skilled workforce to address the current skills deficit and to support inclusive growth, and it needs to build a sustainable training capacity to maintain a skilled workforce.

### *Public health*

Health outcomes in a decade and half have varied performance. Positive developments have occurred with respect to some targets. For instance, the number of children suffering from severe malnutrition decreased from 89 000 in 2001 to 26 000 in 2008. South Africa is likely

to reduce the incidence of severe malnutrition in children under 5 of age to 0,7 per 1000. Remarkable progress has been recorded with respect to national immunisation coverage for children less than one year. The immunisation rate improved from 63% in 1998 to 95.5% in 2009. Other health outcomes declined or did not show improvement. Life expectancy declined from 54 years and 9 months in 2001 to 50 years and 4 months in 2010.

South Africa's infant and child mortality rates are high and above international norms. Under-five mortality rates were 97 per 1000 live births in 2001 and 104 per 1000 live births in 2007. This level of under-five mortality is far higher than the international target set for South Africa (20 per thousand live births). South Africa is also unlikely to reduce infant mortality to the MDG 4 target of 18 deaths per 1000 births by 2015. The three major killers of children under five years of age in South Africa are HIV/AIDS, neonatal causes, and infections such as pneumonia and diarrhoea.

South Africa is one of the few countries with an increase in maternal mortality since 1990, despite improvements in antenatal care coverage and use of modern contraceptive methods. The current level of maternal mortality is 625, far higher than the MDG 5 target of 38 per 100 000 live births by 2015. Critical factors contributing to this scourge are the high prevalence of HIV, complications associated with hypertension as well as deficiencies in obstetric services.

The prevalence of HIV appears to have stabilized; for the 15-24 year-old population it is estimated to have declined from over 10 per cent in 2005 to 8,7 per cent in 2008. South Africa now has the largest antiretroviral therapy programme in the world, though the proportion of those with advanced HIV infection that are on treatment (42% in 2009) is still well below target. Successful completion of tuberculosis treatment (76% in 2008) is also below the MDG 6 target (85%). Malaria does not pose a widespread health hazard in South Africa, and is effectively combated through an insecticide-spraying programme and an effective medical response capability.

### *Environmental situation*

South Africa, like the rest of the world, is vulnerable to the impacts of climate change, biodiversity loss and diminishing water resources. The country has a rich diversity of natural assets and is considered one of the world's most bio-diverse countries. South Africa makes up 2% of global area and is home to 10% of the world's plants and 7% of its reptiles, mammals and birds.

But much of the terrestrial ecosystems and 80% of river systems are threatened. South Africa ranks among the world's 20 biggest green gas emitters and is the highest emitter within the African continent. Unaddressed, these issues could undermine South Africa's ability to pursue a sustainable growth path. Spatial planning policy making is fragmented, while it needs to address competing land uses and ensure that industry and infrastructure development do not jeopardise the long-term sustainability of natural systems and the environment.

The main objective of government is to encourage sustainable resource management by focusing on various interventions: diversification of the energy mix in pursuance of renewable energy alternatives and promotion of energy efficiency; adopting waste-reduction practices and enforcing a zero tolerance approach to illegal and unsustainable exploitation of resources; improving air and atmospheric quality for the health and well being of citizens; supporting local and sustainable food production; ensuring sustainable water use and preserving the quality of drinking water; and enhancing biodiversity and the preservation of natural habitats. To fulfil its obligations to both current and future generations, South Africa



ratified the UN Framework Convention on Climate Change (1997), acceded to the Kyoto Protocol (2002), and launched the Climate Change Response Strategy (2004).

## **1.2. Medium-Term Expenditure Framework 2009-2013**

In his State of the Nation Address of 3 June 2009, the new President cautioned: *“The economic downturn will affect the pace at which our country is able to address the social and economic challenges it faces. But it will not alter the direction of our development.”* The new government’s primary domestic policy objective is the fight against poverty and the country’s economic development.

This overarching objective has led to the formulation in the MTSF of ten policy priorities:

- More inclusive economic growth, decent work and sustainable livelihoods
- Economic and social infrastructure
- Rural development, food security and land reform
- Access to quality education
- Improved healthcare
- The fight against crime and corruption
- Cohesive and sustainable communities
- Creation of a better Africa and a better world
- Sustainable resource management and use
- A developmental state, including the improvement of public services.

Soon after his appointment, the President has reconfigured the composition of Cabinet and national departments in order to achieve better alignment between these ten policy priorities and the structure of the administration. The government has been working towards building a performance-orientated state, translating the MTSF policy priorities into twelve outcomes. Each outcome has a limited number of measurable outputs, sub-outputs and clear targets.

Based on the outcomes, the President has signed performance agreements with all Cabinet members. In these performance agreements, ministers have been requested to establish and participate in Implementation Forums for each of the twelve outcomes. The Implementation Forums have developed delivery agreements for the outcomes.

In January 2010, the Cabinet adopted the Outcomes Approach, which comprises twelve Presidential Outcomes:

1. Improved quality of basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Create a better South Africa and contribute to a better and safer Africa and World.

12. An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.

These outcomes should allow the government to meet expectations of the population and improve their lives in a meaningful manner. They are meant to increase the strategic focus of the administration and enable it to deliver better services. All departments and agencies that are involved in the direct delivery required to achieve an outcome, are party to the relevant performance agreement. The Presidency monitors the delivery on the performance agreements – it tracks and reports on the key aspects through indicators for the outputs, sub-outputs and activities.

In November 2010, the Minister of Economic Development announced the framework for a New Growth Path, which aims to address unemployment, inequality and poverty by unlocking employment opportunities in South Africa. Partnerships with the social partners and other countries are critical to the success of the New Growth Path. Six key sectors have been identified as having potential for higher levels of employment: agriculture, infrastructure development, the green economy, manufacturing, mining and beneficiation, and tourism. While looking to the private sector to create most of the jobs, the government will certainly play its part. A jobs fund of 9 billion Rand has been established to finance new job-creation initiatives over the next three years. In addition, the Industrial Development Corporation has set aside 10 billion Rand over the next five years for investment in economic activities with a high job potential.

### **1.3. ODA, aid effectiveness and the role of donors**

In South Africa, ODA is a relatively small proportion of public sector resources (0,7% of the national budget). Between 2000 and 2008, approximately \$8 billion of ODA was committed to South Africa, of which about 77% was actually disbursed. Despite the fact that South Africa is a middle-income country and that a number of donors diminished their ODA, the total ODA to South Africa is still increasing.

#### *Third Development Cooperation Review*

An evaluation of ODA to South Africa was commissioned by IDC in 2009 and a number of conclusions and recommendations were formulated in order to improve aid effectiveness and ODA management.<sup>1</sup> Key issues are the importance of ownership at all governance levels, improved ODA management, and strengthening alignment, harmonisation, and monitoring and evaluation systems. Donors should focus their aid on areas where they can make a difference: ODA should be used for pilot programmes, innovation, risk taking, skills and knowledge development, capacity building and systems development (see annex 2).

#### *Joint EU/SA Country Strategy Paper*

Building on the momentum of the Paris Declaration of March 2005, South Africa, the European Commission and the EU Member States have drawn up the Joint EU/South Africa Country Strategy Paper 2007-2013.<sup>2</sup> The Country Strategy Paper contains the joint response strategy, which is developed into a joint multi-annual indicative programme. The Joint EU/SA CSP is broader than a traditional development cooperation strategy and takes into account the EU/South Africa Trade, Development and Cooperation Agreement (TDCA, 2004).

<sup>1</sup> A. Fölscher, M. Smith and T. Davies, *Development Cooperation Review III Final report*, 13 July 2010.

<sup>2</sup> The European Commission, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, the Netherlands, Sweden and the UK participated in the process.

The EU's cooperation with South Africa has three objectives:

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

European partners are supposed to support one of the focal areas of the Joint EU/SA CSP, when establishing a multi-annual programme of cooperation. Aid from the European partners should be complementary, resulting in a division of labour and sectoral specialisation. Both the South African government and non-state actors are considered as development partners of the EU.

## 2. Flanders: ODA for South Africa and Southern Africa

### 2.1. Different forms of cooperation

Flanders and South Africa have a diversified history of cooperation, dating back to 1994. Numerous cooperation initiatives and partnerships have been developed in a wide range of areas, such as democratisation, public management, agriculture, rural development, natural resources management, education, training, research, employment, entrepreneurship, transport, tourism, culture, youth and sports. The business community, universities and a number of civil society organisations have developed a number of partnerships. A number of Flemish policy domains have been involved in support to South Africa's development: international affairs; education and training; economy, science and innovation; work and social economy; culture and youth.

During recent years, Flanders has made efforts to improve internal coordination and alignment. The *Framework Decree on Development Cooperation (2007)* requires the various Flemish departments and agencies to align their support with the priorities of the Country Strategy Paper.<sup>3</sup> As stated in the *Policy Note on Foreign Policy, International Entrepreneurship and Development Cooperation (2009-2014)*, the Flemish Minister in charge of development cooperation has to take up a coordinating role with respect to all development cooperation initiatives of the Flemish Government.

Focal sectors of the Flemish development cooperation are: agriculture and food security, public health, employment creation and entrepreneurship, trade and development. The crosscutting issues mainstreamed into the different programmes are: HIV/AIDS, gender, children's rights, sustainable development and good governance.

*Support to initiatives in southern Africa*

The Flemish Government has deliberately decided to focus the disbursement of its ODA in southern Africa, and more specifically in its three partner countries: Malawi, Mozambique and South Africa. Besides national programmes, Flanders is supporting a number of initiatives at sub-regional level, the sub-region being defined as the Southern Africa Development Community. As illustration, a few examples of Flanders' support to the sub-region are given below.

*Agriculture and food security (MDG 1):* Due to the effects of climate change, smallholder agriculture is increasingly important in order to guarantee the access of rural populations to safe and nutritious food. In Malawi and Mozambique, Flanders supports the World Food Programme and the FAO to improve smallholder agriculture and food security.

*Public health (MDG 4, 5 and 6):* Flanders is supporting a number of programmes of international organisations that aim at the reduction of maternal and child mortality (MDG 4 & 5) and prevention of HIV/AIDS (MDG 6).

*Employment creation and entrepreneurship (MDG1 and 8):* In order to foster capacity development in the economic cluster, Flanders supports tourism and port management in the three partner countries. Flanders is also supporting initiatives in favour of the Decent Work Agenda through support to the International Labour Organisation.

*Trade and development (MDG 8):* Flanders is supporting initiatives within the broader frame of Aid for Trade with the intention to strengthen export capacity, including *fair trade* initiatives of smallholder producers and farmer organisations.

*Good governance* is a major contributing factor for the furthering of economic growth, social development and democracy. In its partner countries, Flanders contributes to the promotion of good governance in the public sector and the private sector through a range of small initiatives.

*Disaster prevention, reduction and recovery:* southern Africa is vulnerable to a number of natural disasters – such as droughts, floods and cyclones – that are increasing in numbers due to climate change. Flanders directs part of its humanitarian aid to its partner countries in southern Africa in order to support a structural approach to disaster prevention.

## **2.2. Flanders' policy framework for development cooperation**

As outlined in the *Policy Note on Foreign Policy, International Entrepreneurship and Development Cooperation (2009-2014)*, it is the Flemish Government's ambition to contribute to a prosperous and democratic world through its international partnerships. Flanders has set out a set of objectives to define its policy goals for foreign policy, international trade and investments, and development cooperation. Flanders favours fair rules for world trade and improved labour and environmental standards at global level.

As to *development cooperation*, the overall aim is to contribute to poverty reduction and the socio-economic development in developing countries. Being one of the most flourishing regions in the world, Flanders wants to contribute to the realisation of the Millennium Development Goals. Flemish development cooperation aims to be in line with the international agreements on good donorship as outlined in the *Paris Declaration on Aid*

*Effectiveness (2005)*, the *EU Code of Conduct on the Division of Labour between Donors (2007)*, and the *Accra Agenda for Action (2008)*.

Put in a broader perspective, Flanders' policy is to fully align its international cooperation programmes with the development cooperation policy of the EU. The *Decree on Development Cooperation* of 13 June 2007 offers a general framework for Flanders' development cooperation policy. It stipulates that the transversal themes of gender, children's rights, prevention of HIV/AIDS, good governance and sustainable development should be mainstreamed in all the supported initiatives. Due to the increasingly negative effects of climate change on developing countries, *climate change adaptation* has been added as a transversal theme.

### **2.3. Development cooperation with South Africa**

Soon after the election of the first democratic government in 1994, Flanders started supporting poverty reduction projects in South Africa. In the meantime, numerous contacts and exchanges between universities, organisations of civil society and the business community have flourished. Since the middle of the 1990's, Flanders and South Africa have established different forms of consultation and cooperation.

In August 2001, the governments of Flanders and South Africa signed a Memorandum of Understanding on Development Cooperation. Initially, the support covered a wide range of sectors and a great number of smaller projects. A deliberate choice was made to focus Flemish support on three provinces in order to avoid unnecessary scattering of available resources. Key selection criteria were the degree of poverty, the Human Development Index (HDI), the size of the rural population, and the already existing cooperation between Flanders and South Africa. The Free State had an established cooperation in education and small enterprise development. Limpopo was the poorest province. And KwaZulu-Natal was the province with the largest rural population (see annex 1).

Since 2005 the programme became more focussed. The first five-year Country Strategy Paper (CSP I) was drafted jointly and approved by both governments. In 2008, an external and independent mid-term review of the implementation of the first CSP was held. A number of conclusions and recommendations were formulated in order to improve the quality and output of the cooperation programme. The provincial programmes in KwaZulu-Natal and Limpopo have been subject to mid-term reviews and have been partially reoriented.

### **2.4. Lessons learned from the mid-term review and programme evaluations**

The mid-term review of the first CSP on development cooperation and the evaluation of the programmes in KwaZulu-Natal and Limpopo revealed a number of strengths and weaknesses. At policy and strategic level, the mid-term review confirmed that:

- CSP I is aligned to the priorities of the South African government, the MDG's, the Paris Declaration and the Joint EU/SA CSP;
- The strategic priorities are highly relevant and to the benefit of the vulnerable population groups;
- The clear sector choices and the choice for working in the three provinces remain a valid option.

The first CSP and the implementation of the programmes also showed a number of shortcomings and lessons learned, of which the major ones are:

- There is need for clear and measurable objectives for the different programmes under the CSP;
- There is need for clarification of the role of all South African and Flemish partners involved in the implementation of the programmes under the CSP and need for clear communication lines;
- There is need for appropriate capacity building and support in order to avoid delays in the implementation;
- Appropriate partners should be selected as to guarantee proper progress in the implementation of the programmes; there is a role for government and non-governmental partners;
- A risk management strategy should be developed to address problems arising during the implementation of the programmes.

The mid-term review indicated that the strategic priorities, the sectors – agriculture and food security, job creation through small enterprise development, and HIV/AIDS prevention – and the focus on vulnerable population groups are still highly relevant. The choice for working in the Free State, Limpopo and KwaZulu-Natal remains valid. Taking this into account, Flanders has proposed to build upon the achieved experience and expertise in the same sectors and provinces. Lessons learned from the programme evaluations will serve to improve the quality of the new cooperation programme.

### 3. Policy framework for bilateral cooperation

#### 3.1. Principles of cooperation: Paris Declaration and Accra Agenda for Action

Flanders' programme of cooperation with South Africa aims to contribute to the realisation of the *Millennium Development Goals* in South Africa and to align with the *Medium-Term Strategic Framework 2009-2014* of the South African Government. Both governments commit themselves to undertake their cooperation within the framework of the *Paris Declaration on Aid Effectiveness* (2005), the *Accra Agenda of Action* (2008) and the *Fourth High Level Forum in Busan* (South Korea, 2011).

The development cooperation programme between Flanders and South Africa takes place within a spirit of partnership, implying that both parties have rights, duties and responsibilities and can be held accountable to each other. Mutual trust, transparency, policy dialogue and consultation are inherent elements of this partnership. ODA expenditure in South Africa should be effective, efficient and add value.

South Africa's third Development Cooperation Review concludes that ODA is effective when it means one or any combination of three things:

1. *Effective aid*: ODA interventions that achieve what they set out to achieve and the effects of which are sustained, albeit through government take-up of activities or proper maintenance of ODA-funded infrastructure;
2. *Efficient aid*: ODA interventions that achieve what they set out to achieve on time and at least cost;
3. *Aid that adds value*: ODA interventions of which the returns are worth the transaction costs and which leverage South African domestic resources to address government priorities.

Commonly this has been understood to mean that aid should be about innovation, piloting, risk taking and capacity building and should be sustainable.<sup>4</sup>

#### *The important role of ownership at all levels of governance*

As became clear from the third Development Cooperation Review, development partners recognize that South African ownership at national level is very strong, while ownership at provincial and local levels is not always as consistently strong as at the centre.<sup>5</sup> When initiating new development programmes, a thorough analysis should be made to get a clear view on the quality of ownership and leadership. Appropriate measures should be taken to guarantee successful identification, formulation and programme implementation. Ownership also implies that sufficient capacity is available to realise the set objectives. Each initiative should provide for the appropriate level of technical assistance and capacity building of the relevant stakeholders.

#### *Alignment with country priorities, systems and procedures*

The cooperation programme between South Africa and Flanders will be aligned to the priorities set out in the Medium-Term Strategic Framework 2009-2014, the national priorities for ODA, and the Provincial Growth and Development Strategies (PGDS). Flanders will continue to use country systems and procedures whenever appropriate and effective. Alignment also entails that Flanders continues to commit itself on a long-term basis and guarantees continuity and predictability in the cooperation. In case of support to civil society organisations, Flanders will support organisations that align themselves to South Africa's development priorities. The aid provided by the Flemish Government will continue to be *untied* and will rely on South African public finance systems whenever possible.

#### *Harmonising and streamlining aid delivery at country level*

The programmes under this CSP will be harmonised and coordinated with the Joint EU/SA Country Strategy Paper and Multi-annual Indicative Programme 2007-2013. Whenever possible, analytical work and diagnostic reviews will be shared with other donors.

#### *Achieving and demonstrating development results*

Both South Africa and Flanders will manage resources and improve decision making in order to obtain the outcomes they jointly put forward. They will work together in a participatory way to strengthen capacities of the relevant stakeholders and will aim for appropriate results. Both governments will also invest in improved monitoring and evaluation of the development initiatives undertaken in South Africa.

#### *Strengthen mutual accountability for development*

South Africa and Flanders will continue to enhance mutual accountability and transparency in the use of development resources and results. This will be done at institutional as well as at programme level. One of the instruments is the Annual Consultation, where progress is discussed in the implementation of the partnership commitments. A Performance Assessment Framework (PAF) will be jointly developed to measure progress.

Flanders and South Africa are both accountable to their citizens, reporting annually to their respective parliament about ODA expenditure, effectiveness, efficiency and added value. This reporting serves to increase public awareness and support for further ODA expenditure.

---

<sup>4</sup> Alta Fölscher, Matthew Smith, Theresa Davies, *Development Cooperation Review III: Final Report*, July 2010, pp. 10-11

<sup>5</sup> Id. p. 11.

### 3.2. Focal sectors, geographical focus and crosscutting themes

For the first multi-annual CSP (2005-2009) the provincial authorities of Free State, KwaZulu-Natal and Limpopo were asked to put forward their priority areas (with a maximum of two), on the basis of their respective PGDS. Programmes were developed in the following sectors: prevention of HIV/AIDS (Free State), agriculture and food security (KwaZulu-Natal, Limpopo), and SME development (Free State). For the second CSP the approach described below has been proposed.

#### *A focussed approach: sectors and geographical areas*

The third Development Cooperation Review states that '*aid should be targeted appropriately, since it is too easy for ODA to be irrelevant against the size of domestic spending, and there is a continued risk of too little resources spread over too many targets.*<sup>6</sup> In application of the *EU Code of Conduct on the Division of Labour among Donors*, the number of focal sectors will be limited to two sectors of South Africa's *economic investment and employment cluster*. This will bring a stronger focus in the bilateral cooperation, which should increase aid effectiveness by reducing transaction costs and maximising available expertise.

Flanders and South Africa have agreed that cooperation under this second CSP will focus on: (1) job creation through small enterprise development, and (2) smallholder agriculture and food security. Prevention of HIV/AIDS will be taken up as a crosscutting issue in both programmes.

In application of the Memorandum of Understanding on Development Cooperation between Flanders and South Africa and in line with the recommendations of the mid-term review, the implementation of the programmes will remain focussed on Free State, Limpopo and KwaZulu-Natal. However, the approach will be slightly different. The cooperation programme will contribute to the strengthening of the principle of cooperative governance between the three spheres of government by pursuing strong alignment with the policies of the national level, while taking fully into account the priorities and context of the provincial and local governments in the formulation of initiatives. See chapter 4 for more details about the focal sectors.

#### *Crosscutting themes*

The crosscutting themes of gender, children's rights, HIV/AIDS, sustainable development, good governance, and climate change are all high on the international agenda. Although the incidence of HIV infection in South Africa is diminishing, *HIV/AIDS* still has a huge impact on the social wellbeing and the economic situation in the country and needs therefore the necessary attention throughout the programme of cooperation. All programmes will at least contain an awareness-raising component. As to *gender*, South African policies should be translated into practice, including women's access to employment, skills development, land, information and services in agriculture. Women and children are specifically affected by HIV/AIDS. *Children* are often in a vulnerable position in society, and their rights should be secured.

All initiatives implemented under this CSP will have to meet with the social, environmental and economic requirements of *sustainable development*. Support to agricultural programmes

---

<sup>6</sup> Alta Fölscher, Matthew Smith, Theresa Davies, *Development Cooperation Review III: Final Report*, July 2010, July 2010, p. 65.



and food security will take into account the effect of *climate change* in South Africa. Since rainfall patterns have changed over the last 40 years in South Africa, with less rainfall along the coastline and more rainfall inland, this has had an enduring effect on water availability for crop production, influencing the food security situation in the rural areas.

*Good governance* is central to the successful implementation of projects and programmes. It entails proper management of public finances, better service delivery, mutual accountability and the participation of the beneficiaries in delivery processes. *Capacity building* will have to be dealt with in all initiatives, benefiting all stakeholders involved in the implementation, including programme management teams, service providers and final beneficiaries.

The above-mentioned themes will be mainstreamed in the different initiatives implementing the indicative programme of cooperation defined in this CSP.

### **3.3. Policy dialogue and cooperation with the three spheres of government**

Flanders and South Africa will engage in an ongoing policy dialogue related to the second indicative programme of cooperation. Flanders will also participate in the relevant aid coordination mechanisms in South Africa at both policy and implementation level, which are organised by either the South African government or the European Union.

Annual consultations between Flanders and South Africa will take place to discuss policy issues and the progress made in the implementation of the indicative programme, which will be monitored by means of a Performance Assessment Framework. FICA will monitor progress in project and programme implementation. At the annual consultation, the Flemish Department of Foreign Affairs and FICA will represent Flanders, while IDC and the relevant policy planning and implementing partners will represent South Africa.

#### *Cooperation with the appropriate governance levels<sup>7</sup>*

One of the major lessons learned of the first CSP is that ownership within government structures at provincial and local level is not always sufficiently strong and that they do not always dispose of the required capacity to implement programmes in a successful way. The Constitution of South Africa establishes three distinct spheres of government at national, provincial and local level. Each sphere has certain mandates, roles and responsibilities for various aspects of government policies and programmes. All three spheres of government are assigned to work together in a cooperative manner. The programme developed under the second CSP will support the efforts for effective cooperation between national, provincial and local spheres of government and provide for the strengthening of coordination between the involved government departments and agencies.

#### *Improved ownership at decentralised level*

In order to improve ownership at decentralised level, the cooperation programme will have to facilitate a more active role of provincial and local institutions and final beneficiaries. The Department of Cooperative Governance acknowledges that a number of strategic shifts are required to give a more active role to provincial and local governments and communities. This implies community-driven development approaches, empowerment of provincial and local institutions, programming based on real experience and knowledge, and a more active role for

---

<sup>7</sup> See also: Department of Cooperative Governance and Traditional Affairs, Strategic Plan: FY 2009-2014, August 2009, pp. 32-33.

local communities.<sup>8</sup> In order to improve ownership of the projects and programmes, provincial and local government levels will have to be involved from the start in the programming of the different initiatives.<sup>9</sup> The same goes for the beneficiaries of the programmes: a participatory process should allow them to play an active role in project design and implementation.

#### *Cooperation with government and non-government actors*

Not only cooperation between the three spheres of government needs to be improved but also co-operation and partnerships between government, the private sector and civil society – including NGOs, communities, unions, employers, institutions of tertiary education.<sup>10</sup> The cooperation programme will strive for improvement of the mechanisms for coordination and partnership between these actors. A number of South African NGO's and Civil Society Organisations (CSO's) can play an active role in improving the ownership of the beneficiaries.

## 4. Indicative programme of cooperation

### 4.1. Overall objective

The overall objective of the indicative programme of cooperation is to contribute to the reduction of poverty and inequality as outlined in the MTSF 2009-2014 and the Joint EU/SA CSP.<sup>11</sup>

### 4.2. Job creation through small enterprise development

Special emphasis of the programme will be on facilitating access of the marginalised and poor to the labour market by means of the promotion of decent work, skills development, entrepreneurship training, and the promotion of small enterprise development. Flanders will contribute to realising the MTSF target to halve unemployment by 2014 and align with the focus on job creation contained in the Joint EU/SA CSP.<sup>12</sup> The objectives of the Department of Trade and Industry, the Economic Development Department, the respective PGDS and the provincial departments of Economic Development will have to be taken into account when identifying and formulating projects and programmes. A brief description of the sector is provided in annex 3.

#### *Specific objectives*

The cooperation initiatives under CSP II will contribute to Presidential Outcome 4 (Decent Employment). More specifically, the projects and programmes will contribute to

1. the sustainable development of small enterprises, social enterprises and cooperatives;

<sup>8</sup> Department Cooperative Governance and Traditional Affairs, Strategic Plan, FY 2009-2014, August 2009, p. 33.

<sup>9</sup> Alta Fölscher, Matthew Smith and Theresa Davies, Development Cooperation Review III, Final report, July 2010, p. 62.

<sup>10</sup> Republic of South Africa, MDG Country Report, 2010, p. 116.

<sup>11</sup> See: Joint CSP EU- South Africa, MIP 2007-2013, p. 3.

<sup>12</sup> Cooperation between the European Union and South Africa, Multiannual Indicative Programme 2007-2013, p. 7.

2. the development of appropriate skills among disadvantaged population groups to support their access to the labour market;
3. and to the promotion of an enabling environment for small enterprise development.

All initiatives will contribute to improved access to decent work of the disadvantaged population groups in KwaZulu-Natal, Limpopo and Free State. Flanders' contribution will be geared towards the realisation of MDG 1 (decent work for all, including women and youth) and MDG 8 (youth employment).

### *Expected results*

The initiatives under this CSP 2012-2016 will contribute to Outcome 4, but the expected results may differ from province to province, depending on the provincial priorities and needs related to job creation through small enterprise development. Projects and programmes under this CSP should contribute to some of the following results:

- A policy environment created which is more conducive to sustainable SME and cooperative growth and development from national to local level;
- Increased skills and entrepreneurship, supporting access to employment among the most disadvantaged groups in KwaZulu-Natal, Limpopo and Free State;
- Decent work opportunities –taking into account the effects of climate change- at local level increased in the abovementioned provinces;
- Improved access to SME and cooperative development services;
- Intergovernmental cooperation and relations improved;
- Coordination between the relevant government departments strengthened.

### *Indicators*

Along with project-specific indicators, the indicators from the PGDS and the departments in charge of Economic Development, a number of indicators from the delivery agreement of Outcome 4 will be used for measuring the relevant results:

- The number of initiatives set up to create a more conducive policy environment;
- The number of competitive small enterprises, cooperatives, and social enterprises integrated into the value chains of the mainstream economy;
- The number of women and youth employed;
- The number of persons trained for the labour market and decent work.

## **4.3. Sustainable smallholder agriculture and food security**

Together with the South African partners, Flanders has built up experience in supporting smallholder and emerging farmers in the context of land reform programmes. Flanders will continue its support to the reduction of poverty levels in the rural areas of South Africa, focussing on food security and the increase of smallholder and emerging farmers' incomes by improving agricultural production and marketing. The objectives of the MTSF, the Department of Agriculture, Forestry and Fisheries, the respective PGDS and the provincial departments of Agriculture will have to be taken into account when identifying and formulating projects and programmes.<sup>13</sup> Although each province might define a different focus, the aim will be to improve livelihoods by means of income generation in agriculture and the rural economy.<sup>14</sup> A brief description of the sector is provided in annex 4.

<sup>13</sup> See also: AgriSETA, *Sector Analysis Agriculture*, Prepared for submission to the Department of Higher Education and Training, June 2010, p. 5.

<sup>14</sup> See also: Department of Agriculture, Forestry and Fisheries, *Strategic Plan 2010/11*, 82 p.

The cooperation programme will contribute to Presidential Outcome 7 (Vibrant, equitable and sustainable rural communities and food security for all) and be complementary to the Joint EU/SA CSP in the field of rural development. The EU is attaching great importance to smallholder agriculture and food security in Africa and has developed a policy framework to assist in addressing food security challenges.<sup>15</sup> The framework prioritises the improvement of smallholder resilience and rural livelihoods and the strengthening of assistance mechanisms for vulnerable population groups.

### *Specific objectives:*

By contributing to improved food security and smallholder agricultural production, Flanders supports South Africa in halving poverty and hunger by 2015 (MDG 1) for the previously disadvantaged population groups (i.e., subsistence, smallholder and emerging farmers). Focus will be on

- 1) improved sustainable agricultural production, marketing and food security
- 2) a better organised farming community (farmer organisations, cooperatives),
- 3) enhanced policy making and a better understanding of the complexity of food security in the rural areas.

Major attention will be given to the poorer households, with special attention for women and young persons and people with HIV/AIDS. Strategies and tools will have to take into account the different resource bases of smallholder farmers in South Africa.

### *Expected results*

Programmes under this CSP should contribute to some of the following results:

- Subsistence, smallholder and emerging farmers are organised for access to credit, inputs and marketing;
- Subsistence, smallholder and emerging farmers get more and better extension advice for sustainable agricultural production, taking into account their resource base;
- Management of natural resources is improved to counter the negative effects of climate change;
- Smallholder agricultural production is increased and access to the market is improved (value chain developed);
- Employment opportunities in the rural economy have increased;
- Food and nutrition security of the rural households has improved;
- Mechanisms for dealing with natural disaster risks affecting agricultural production introduced and rural communities empowered to deal with natural disasters;
- Intergovernmental cooperation and relations have improved and coordination between the relevant government departments has strengthened.

### *Indicators*

Along with project-specific indicators, the indicators from the PGDS and the departments in charge of Agriculture, a number of indicators from the delivery agreement of Outcome 7 will be used for measuring the relevant results:

- Percentage of smallholders producing for sale;

---

<sup>15</sup> European Commission, Communication from the Commission to the Council and the European Parliament: An EU policy framework to assist developing countries in addressing food security challenges, COM(2010)127, 9 p.

- The improved access of smallholders to agricultural services, extension advice and markets;
- The number of farmers organisations and cooperatives established and functioning;
- The malnutrition ratio of children under five years old has dropped;
- Agricultural practices have improved to counter the effects of climate change;
- The number of rural small enterprises established (i.e., producers, millers, retailers).

#### **4.4. Added value: capacity building and mainstreaming community-based perspectives**

Whenever feasible and necessary, all supported programmes under CSP II need to build in possibilities for capacity building in order to guarantee sustainability. Capacity building should include institutional capacity building, investing in teams, units, departments and systems rather than in individuals. It is known that the effectiveness of capacity building can be hampered by high staff turnover, shortage of personnel, institutional instability, inadequate design as well as weak monitoring and evaluation of capacity-building initiatives. Therefore, in function of the objectives and results to be obtained, capacity building should include various forms of learning, such as service training, mentoring, coaching, and the involvement of technical assistance.<sup>16</sup> Capacity building should benefit all stakeholders involved in the implementation, including programme management, service providers and final beneficiaries.

A community-based perspective will serve as entry-point for programme development. Existing and new government initiatives will be coordinated and modularised in innovative ways. Within the broader economic and social framework of each province, community-driven and problem-solving approaches will allow communities to take charge of their development. Flanders' support will serve to craft innovative solutions that rely on available poverty reduction tools. The new programme's strategic approach will be inclusive, involving government, private sector and civil society for project formulation, implementation and the monitoring of progress and performance.

Mobilising new and enhancing existing platforms in order to enable local communities to access existing South African funds for small enterprise development and food security will be part of the approach. South Africa's sector policy guidelines will guide the process, while donor-funded initiatives will serve to set up and strengthen incubators, which put government policies into practice, taking the benefit to the final beneficiaries as starting point.

#### **4.5. Implementation in three provinces: Free State, Limpopo, and KwaZulu-Natal**

The programmes under CSP II will guarantee continuity and contribute to improved poverty alleviation in the three above-mentioned provinces. Together with the Eastern Cape, KwaZulu-Natal and Limpopo still belong to the three provinces with the highest poverty rates. Both KwaZulu-Natal and Limpopo are provinces with a relative large population, and the average number of poor people in KwaZulu-Natal (58,5%) and Limpopo (64,6%) is higher than the national average (47,1%). Although the poverty rate in Free State is lower than in the two other provinces (39,2%), a number of indicators are showing that

---

<sup>16</sup> Alta Fölscher, Matthew Smith and Theresa Davies, Development Cooperation Review III: Final Report, July 2010. p. 70.

unemployment, malnourishment, under-five mortality as well as inadequate access to food are higher than the national average.

### *A national approach with a local focus for implementation*

According to the third Development Cooperation Review, the management capacity of ODA in the three provinces is different. Limpopo has a certain coordinating capacity in the Office of the Premier, but is also facing some challenges (capacity building, coordination, flow of information and documentation). In KwaZulu-Natal the Provincial Treasury has maintained oversight over expenditure and a number of provincial departments made progress in setting up and maintaining ODA databases. The Free State has the weakest ODA coordination of the three provinces and a weak understanding of ODA among political stakeholders.<sup>17</sup> As learned from the mid-term review of the first CSP, the general delivery capacity of provincial government departments is highly vulnerable to high staff turnover, unfilled vacancies or lack of qualified staff with project management skills.

Given the fact that the capacity to manage ODA in the three provinces varies and that there are weaknesses in ownership and management of programmes at provincial and local level, the programmes under this CSP will support the efforts of the national government in delivering support to the provincial and local levels in the context of the intergovernmental relations framework. The supported initiatives will include innovative coordination mechanisms and address at the appropriate level weaknesses in communication and programme management.

## 5. Management of the programme

### **5.1. Identification, formulation and implementation of projects and programmes**

The South African and Flemish governments are sharing the responsibility for the achievement of results under this CSP. Their roles will have to be clearly defined in the different initiatives. The Flemish Government has assigned the Flemish International Cooperation Agency (FICA) with the implementation of its development cooperation policy. FICA is accountable to the Flemish Minister in charge of development cooperation for the funding and result-based management of the development cooperation programmes.

The management of the bilateral cooperation programme should take into account the qualitative requirements of the Flemish Government, the operational guidelines for the management of ODA outlined by IDC, and the recommendations – see Annex 2- of the third Development Cooperation Review.<sup>18</sup>

#### *Identification and formulation*

The South African authorities are responsible for the identification of the initiatives that will give shape to the indicative programme of cooperation of CSP II. Identified initiatives will be assessed by FICA and if approved, FICA and IDC will elaborate jointly agreed terms of reference in order to start a participative formulation process. This should involve the necessary expertise and the relevant South African stakeholders. On the basis of jointly

<sup>17</sup> Id., pp. 60-61.

<sup>18</sup> IDC, National Treasury, The Policy Framework and Operational Guidelines for the Management of Official Development Assistance, Pretoria, May 2010

agreed terms of reference, FICA can appoint consultants to facilitate the design of projects and programmes.

In case of cooperation with an international organisation, FICA will consult IDC before the start of the formulation process. The results of the formulation will be submitted to IDC for final comments.

In case of cooperation with a non-governmental actor as partner for the implementation, FICA will assess whether the project corresponds to the objectives of CSP II. IDC will be informed of the funding approval and receive a copy of the project document.

### *Implementation*

Programme or project implementation will be the responsibility of the partners in South Africa. All details regarding project or programme objectives, activities, outcomes and results as well as budget allocations will be specified in a project or programme formulation document. Administrative elements regarding steering committee, the timing of fund transfers, reporting, audit procedures and closure of an initiative will be stipulated in a project or programme agreement.

For each programme of cooperation, an inception phase will be provided to review the project design and to prepare the work plan, the monitoring and evaluation system, and the reporting requirements.

## **5.2. Funding commitments and disbursement of funds**

The authority for approval of the Flemish funding of programmes and projects lies with the Flemish Minister in charge of development cooperation. On behalf of the latter, FICA will provide funding for projects and programmes that have been identified and agreed upon by both parties.

During the indicative programme of cooperation's timeframe (2012-2016), Flanders envisages to commit on average 5 million Euros per year. Through the Delegation of the Flemish Government in Pretoria, FICA will inform IDC of the available amounts during the first quarter of every calendar year.

For support to initiatives of the Government of South Africa, funding will be transferred to the RDP Fund Account, from where it will transit to the implementing departments and agencies. Funding for an international organisation or a non-state actor will be transferred directly to that partner.

## **5.3. Reporting, financial audits, monitoring and evaluation**

Reporting shall be based on the work plans agreed upon in the project or programme agreement and will consist of a progress report as well as a financial report. The modalities for reporting will be discussed and agreed upon during the inception phase and respect the monitoring and evaluation requirements of FICA. Should the need arise to develop new reporting formats, these will be developed in close consultation with IDC and the relevant partners. As far as the Flemish Government's financial rules and regulations allow, FICA will rely on South Africa's procedures for financial reporting. In case of pooled funding, the reporting agreed with the other donors will apply.

As a general rule, FICA can audit all projects or programmes. The modalities for the audit will be stipulated in the project or programme agreement. The audit should be aligned with the partner's systems and correspond to international standards on auditing. When participating in joint programmes, Flanders will take part in joint audits with the other donors.

### *Monitoring*

The implementing partners carry the overall responsibility for the implementation of projects and programmes and reporting on progress and results. FICA – when applicable, with other donors – will monitor the delivery of well-defined results and the expenditure of funds. The monitoring process includes the reporting mechanisms stated above, quarterly meetings, field visits, and the Annual Consultation.<sup>19</sup>

### *Evaluation of the programme of cooperation*

As a general rule, all programmes or projects will be evaluated. The project or programme agreement, will stipulate the modalities for mid-term review and evaluation. Mid-term reviews may also be initiated at FICA's request. When funding joint programmes, FICA will take part in the joint reviews and evaluations.

For the monitoring and evaluation of the programmes, the indicators used will be correlated with the relevant provincial and national indicators on employment through small enterprise development, smallholder agriculture, and food security. Besides the relevant indicators from the Outcomes Approach, some project management indicators could be used as well.

### *Monitoring and evaluation at policy level*

As a general instrument for monitoring, a Performance Assessment Framework (PAF) will be jointly developed during the first year of the second CSP. This PAF will be based on the existing OECD/DAC formats and will integrate the results at the level of the general and specific objectives of this CSP.

During regular policy dialogue (as described above under 3.3.), the joint progress made on the PAF will be discussed with a view to enhance mutual accountability. In 2014, the Flemish Department of Foreign Affairs and IDC will jointly undertake a mid-term review to assess the progress made in the implementation of the second CSP, and to draw conclusions for future cooperation.

## **5.4. Risk management**

In case of any risks occurring during the implementation of the second CSP, Flanders and South Africa might need to take a number of measures to safeguard the proper management of the programmes and the funds. The final beneficiaries will remain the disadvantaged population of South Africa. Supporting the poor to manage the risks they face in their everyday lives, reducing their vulnerability and building their capacity is the backbone of the development cooperation programme between Flanders and South Africa.

Risk management will be applied on the basis of the following principles:

- The Paris Declaration principles should be adhered to in considering any changes in aid modalities.

---

<sup>19</sup> In the course of 2011, FICA will develop a new monitoring and evaluation system.



- Together with other donors, Flanders will monitor risks in cooperation programme and will try to find mitigating solutions in dialogue with South Africa.
- Risk identification, analysis, management and monitoring will be built into all the initiatives that result from this CSP.
- In case of declining performance and increased risk, Flanders may reorient (part of) the funding from government support to non-governmental organisations or international institutions, and this in line with the objectives defined in this CSP.

## References

- Cooperation between the European Union and South Africa, Joint Country Strategy Paper 2007-2013, 34 pp + Annexes.
- Economic Development Department, Republic of South Africa, The New Growth path: The Framework, November 2010, 36 p.
- Department of Agriculture, Forestry and Fisheries, Republic of South Africa, Strategic Plan 2010-2011, 82 p.
- Department of Rural Development and Land Reform, Republic of South Africa, Strategic Plan 2010-2013, 40 p.
- FAO, Food Security in South Africa, Roles of Agriculture Project International Conference, 20-22 October 2003, Rome, 62 p.
- Flemish Government, Decree on Development Cooperation, Brussels, 13 June 2007.
- Flemish Government, Policy Note on Foreign Policy, International Entrepreneurship and Development Cooperation, 2009-2014, January 2010, 67 p.
- A. Fölscher, M. Smith, Th. Davies, Development Cooperation Review III: Final Report, 13 July 2010, 89 p. & Annexes.
- Health Systems Trust, Health Statistics, <http://www.hst.org.za/healthstats>
- National Treasury, IDC, The Policy Framework and Operational Guidelines for the Management of Official Development Assistance, Pretoria, 2010, 104 p.
- M. Leibbrandt, I. Woolard, A. Finn, J. Argent, Trends in South African income distribution and poverty since the fall of Apartheid, 20 January 2010, OECD social, employment and migration working papers No. 101, [www.oecd.org/els/workingpapers](http://www.oecd.org/els/workingpapers).
- Ministry of Rural Development and Land Reform, The Comprehensive Rural Development Programme Framework, Pretoria, 28 July 2009, 32 p.
- Statistics South Africa, National Food Consumption Survey, Pretoria, 2010.
- Republic of South Africa and UNDP, Millennium Development Goals: Country Report 2010, Pretoria, 2010, 139 p.
- Statistics South Africa, Quarterly Labour Force Survey, 2010
- The Presidency, Development Indicators 2010, [www.thepresidency.gov.za](http://www.thepresidency.gov.za)
- The Presidency, Together doing more and better. Medium-Term Strategic Framework. A Framework to Guide Government's Programme in the Electoral Mandate Period (2009-2014), July 2009, 46 p.
- The Presidency, Towards a fifteen year review, October 2007, 134 p; [www.thepresidency.gov.za](http://www.thepresidency.gov.za)
- UNICEF, Situation Analysis of Children in South Africa, Pretoria, April 2009, 116 p.

**Annex 1 – Poverty indicators and ODA per province***Free State, KwaZulu-Natal and Limpopo: key poverty indicators<sup>20</sup>*

	KwaZulu-Natal	Limpopo	Free State	National
Total population (mid 2008)	10 105 437	5 274 836	2 877 694	48 687 323
Average HH size (2007)	4,6	4,3	3,5	3,9
Rural population (%) <sup>21</sup> (2000)	42%	82%	26%	39% (2008) UNICEF
HDI (2003)	0.631	0.594	0.672	0.668
HDI 2010 with AIDS <sup>22</sup>	0.498	0.431	0.548	0.542
HDI 2010 without AIDS <sup>23</sup>	0.614	0.544	0.662	0.544
Poverty rates in % (2008)	58,5	64,6	39,2	47,1
Unemployment % of population (June 2010)	20,8	22,6	28,0	25,3
Under-5 mortality rate (2006 figures)	99/1000	58/1000	91/1000	75/1000
% of households with inadequate food access (GHS, 2009)	12,5	8	16,6	11,5
% of households with severely inadequate food access (GHS, 2009)	10,6	3,9	16,9	8,1
% of children malnourished : stunting (2003)	13,3	26,6	32,9	27,4

<sup>20</sup> Sources: The Presidency, Indicators 2010, [www.thepresidency.gov.za](http://www.thepresidency.gov.za)  
 UNICEF, Situation analysis of children in South Africa, April 2009  
 Statistics South Africa, Quarterly Labour Force Survey, Quarter 2, 2010  
 Statistics South Africa, General Household Survey, June, 2009

<sup>21</sup> Derived from: Provide project, Quantifying the economic divide in South African agriculture: an income-side analysis, September 2005

<sup>22</sup> Health Trust, Health Statistics, [www.hst.org.za](http://www.hst.org.za)

<sup>23</sup> Id.

*ODA distribution in SA: DCIS data for 2008-2009<sup>24</sup>*

	Distribution of commitments, including loans (%)	ODA excluding loans (Million Rand)	Poverty ranking by % population living in poverty (2001 Census)	ODA per capita	ODA per person living in poverty
KwaZulu-Natal	24	2 940	4	297	516
Eastern Cape	22	2 797	2	405	608
Limpopo	13	1 690	1	302	412
Mpumalanga	10	1 242	6	355	690
Western Cape	15	1 141	8	243	815
Northern Cape	5	674	4	474	1 349
Northwest	4	452	4	133	238
Free State	3	390	3	134	217
Gauteng	4	321	8	34	87

<sup>24</sup> Note that Free State in the period under review is still ranked as third poorest province. The 2009 census provides different results.

## Annex 2 – Recommendations from Development Cooperation Review III

The latest ODA review provides detailed recommendations on project identification, formulation and implementation (see Box 5.1<sup>25</sup>):

### **Initiating and programming ODA interventions:**

- South African institutions should play a greater role in the initiation of ODA interventions. Donor-driven ODA interventions are more risky in terms of ownership, alignment (at the micro level) and aid effectiveness, and should be undertaken in ways that minimise this risk.
- At the very least, the recipients should be significantly involved if not lead programming processes.
- Baselines and monitoring and evaluation frameworks must form part of programming documentation.
- Implementation roles and responsibilities must be negotiated during the programming phase and set out clearly in the programming documents.
- Care must be taken to spend enough time programming interventions, and to allocate enough time for the start-up phase.
- ODA should be programmed to align not only with SA national priorities, but national and institutional priorities for ODA. At national level these have been clarified to be innovation, piloting, risk taking and capacity building. Institutions should develop a clear understanding of what their priorities for ODA are.
- Endemic challenges in the SA institutional context should be dealt with at the programming stage.

### **Implementation arrangements**

- The RDP channel should be used in conjunction with recipient implementation arrangements when the recipients have ownership of the programme and the capacity to implement it. When this is not present, PIUs/PMUs that are constructed to support ownership and which report to the recipient, can be useful.
- Where the RDP channel is not used, other implementation arrangements should compensate to ensure ownership if the risk of ineffective ODA is to be managed.
- Care should be taken to establish functional project or programme steering committees, in other words their composition, mandate and meeting schedule should be conducive to ownership and aid effectiveness.
- Procurement arrangements should be chosen taking into account recipient capacity and the nature of the programme.
- Arrangements for reporting, monitoring and evaluation should take into account recipient internal accountability and mutual accountability requirements. Arrangements that only take into account donor requirements add to transaction costs without contributing to local accountability, and ultimately to ownership and aid effectiveness.

### **Arrangements in the SA programming, budgeting, reporting cycle**

- Institutions should be strategic on the use of ODA within their overall strategic plan.

<sup>25</sup> Alta Fölscher, Matthew Smith and Theresa Davies, Development Cooperation Review III, 2010, pp. 86-87

- Aid should be integrated in planning, budgeting and reporting processes at the centre and institutional levels, and reflected on plan, on budget and on report. This is particularly necessary for departments and sectors in which aid is significant, but may be less necessary and have lower returns for sectors where aid is less significant. It will be necessary for the central budget authorities to develop functional rules in this regard to ensure that aid is reflected appropriately.
- Aid should be visible in parliamentary accountability processes, to incentivise internal accountability, as well as political accountability. This does not mean necessarily that parliament should approve aid in the appropriation process, but it does mean that reporting on aid to parliament should become institutionalised.
- In this regard it is necessary to develop a central instrument to report on the allocation and use of all aid annually, loan and grant financed and flowing through the RDP fund or through other disbursement mechanisms.
- Particularly in aid-significant departments and sectors, an effort needs to be made to solve issues around the integration of aid information and disconnected donor / recipient institution budgeting cycles on a donor-by-donor basis.
- ODA should feature in the developing government wide monitoring and evaluation system.
- Overall the IDC should provide clear frameworks and guiding formats for reporting on ODA internally.

...

#### **Other recommendations**

- Lessons learnt around the use of ODA for capacity building should be documented. The valuable lessons around building capacity for coordinating service delivery across government institutions learnt in several significant ODA programmes that did this well, should also be understood better, documented and disseminated.

### Annex 3 – Job creation through small enterprise development

#### *Brief analysis of the employment situation*

South Africa has the most developed and diversified economy of southern Africa. The South African economy is characterised by capital-intensive business undertakings a high degree of duality, with a relative large group of the population working in the informal sector, which is absorbing a lot of the unskilled labour force. Unemployment is also geographically skewed, with the highest levels found in the provinces of Free State, Limpopo, KwaZulu-Natal.

At the same time the country is facing a high level of unemployment and is not able to accommodate the yearly growing number of job seekers into the formal labour market, which is dominated by capital-intensive business undertakings. About two third of the unemployed are young people between the age of 18 and 35, and the unemployment rate is higher among women than men (27,6 vs. 23,3%, June 2010). There are also differences between the provinces, varying between 20-30%. One of the big problems of the labour force is the **lack of relevant skills**. This is both due to the education policy of the past as well as to emigration of skilled South Africans to other parts of the world.

#### *Formal and informal employment*

*Thousand persons*

	September 2001	September 2005	September 2009	June 2010
Informal sector employment (excl. agric)	1 967	2 462	2 109	2 122
Formal sector employment (excl. agric)	7 027	7 987	9 356	8 848
Agriculture	1 178	925	710	620
Domestic	881	859	1 194	1 152
<b>Total Employment</b>	<b>11 181</b>	<b>12 301</b>	<b>13 369</b>	<b>12 742</b>

#### *Unemployment rates in South Africa by population group, 2009- 2010<sup>26</sup>*

Population group	2 <sup>nd</sup> quarter 2009 % unemployed	1 <sup>st</sup> quarter 2010 % unemployed	2 <sup>nd</sup> quarter 2010 % unemployed
African/black	27,9	29,7	29,5
Coloured	19,5	21,8	22,5
Asian/Indian	11,3	9,2	10,1
White	4,6	6,1	6,4

#### *South African policy regarding employment creation*

The creation of employment is one of the major concerns of the South African government and a number of policies, strategies and programmes were developed since 1994 to address the issue. The major ones are: the *Accelerated and Shared Growth Initiative* (2005), the *Joint Initiative on Priority Skills Acquisition* (2006), the *National Skills Development Strategy* (2005-2010) and the *Industrial Policy Action Plan* (2007). Also the Broad Based Black Economic Empowerment (BBEEE) aims at economic empowerment and equitable access to employment for the previously disadvantaged groups.

<sup>26</sup> Statistics South Africa, *Quarterly Labour Force Survey*, Quarter 2, 2010, Statistical Release P0211, xvii-57 p.

In November 2010, *The New Growth Path: The Framework* was launched, with the intention to restructure the South African economy to improve labour absorption, to undo persisting inequalities from the past and increase the rate of growth. Infrastructure development and investment in skills development of people are considered as cornerstones. The framework foresees a role for government, the private sector, labour and civil society with the intention to grow five million jobs by 2020. Key sectors are: infrastructure, agriculture, mining, the green economy, the manufacturing sector, tourism and certain services.

The development of small and medium-sized enterprises and cooperatives should enhance the number of employment opportunities. The most important policy documents are the *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa* (1995) and the *Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises* (2005).

It is also the intention of the Government to *develop a new policy for cooperatives*, which would also create employment opportunities and contribute to poverty reduction. The development of small and medium-sized enterprises and cooperatives is facing numerous challenges in a business environment geared mostly towards larger enterprises.

#### *Job creation and enterprise development in the MTSF 2009-2013*

The MTSF builds further upon aforementioned strategies and policies. One of the major strategic priorities of the MTSF is to speed up growth and transform the economy to create decent work and sustainable livelihoods (strategic priority 1) with the final aim to halve poverty and unemployment by 2014. The government is undertaking a number of measures in order to realise the necessary conditions for the creation of decent work. More jobs will have to be created in the major industries but also integrated rural development and agrarian reform will be needed to increase employment opportunities.

The MTSF describes a number of elements of the strategy to enhance growth and employment, and to create employment opportunities for the previously disadvantaged groups, such as:

- The promotion of the creation of decent employment;
- Undertaking interventions for creating *a more inclusive economy*, by expanding opportunities for the poor to get access to the labour market;
- Broadening the impact of growth and ensuring its benefits reach all sectors of society particularly the poor and marginalised;
- Strengthening competitiveness and promotion of *small and medium-sized enterprises (SME's) and cooperatives*, which are a cornerstone for the economic growth and the creation of decent work.



## Annex 4 – Smallholder agriculture and food security

South Africa subscribes to the concept of food security, as defined by the World Food Summit in 1996. Food security exists *when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life*. The right of access to sufficient food is a basic human right and is enshrined in the South African constitution. The country is producing sufficient food for its population at national level, but a large number of individual households are still food insecure. It is not clear how many people in South Africa are – chronically or transitory – food insecure.

Figures from surveys show divergent results ranging from 20 (General Household Survey, 2009) to over 50% (National Food Consumption Survey, 2005). But food insecurity is increasing, and the rising food prices also had a negative effect on the access to affordable and nutritious food among the poorer sections of the population. People who are food insecure will also experience more health and malnutrition problems. It is estimated that 1,5 million children in South Africa experience malnutrition, and that one out of five children is stunted (National Food Consumption Survey, 2005).

Food insecurity and malnutrition are highest in the provinces with large rural populations such as KwaZulu-Natal, Limpopo, Eastern Cape and the Free State.<sup>27</sup> Research has indicated that own food production contributes to the improvement of the nutritional status of households in the rural areas. Nevertheless, it is not evident that surplus food production might be automatically spent on extra food for the family.

### *Subsistence and smallholder agriculture*

In South Africa the distribution of land is highly uneven and the still predominantly white commercial farming sector – with about 39 000 commercial farms – owns about 80% of all the agricultural land. On the other hand, it is estimated that South Africa is having about 2 to 4 million subsistence and smallholder farmers, who are mainly settled in the former homelands.<sup>28</sup> Most of them are cultivating small plots of 0,5-1,5 ha, and have limited access to services, inputs, agricultural advice or markets. Most farmers are also not producing sufficient food or income for the family, and need to buy extra food to meet household needs. There is also a group of about 240 000 smallholder farmers producing for the market.

The Department of Agriculture, Forestry and Fisheries defines three categories of farmers:

#### **1. Subsistence/resource-poor farmers**

*This refers to a category of farmers that, due to resource constraints, and using limited technology, produce food to supplement their household food needs, with little or no selling of produce to the market.*

#### **2. Smallholder farmers**

*Smallholder farmers produce food for home consumption, as well as sell surplus produce to the market. Due to the erratic nature of their production, less successful smallholders will sometimes regress into the resource-poor/subsistence category. However, the more*

*successful ones will graduate into the commercial category. This category is therefore intermediate between subsistence and commercial.*

### **3. Commercial farmers**

*This category of farmers produces primarily for the market and makes considerable living from farming. In practical terms, in order to be classified as commercial, farm income must exceed a minimum economic size. Due to the expensive nature of capital formation and implementation of technological processes, the landowners of such farms are often large in scale to counteract the low returns on investment of the sector.*

More than two third of all those engaged in agriculture are women, while their husbands are working in town, in the industry or in the mines. Some young people aged between 15-29 years are engaged in farming. There is a proven negative interaction between HIV/AIDS prevalence and food security. Access to nutritious food at the other hand has not only a positive effect on the health of people affected by HIV/AIDS.

#### *The link between food security and agriculture*

Food security is a complex issue and the interaction between the multiple factors – such as e.g. access to land, extension services, credit, cash, health status, household composition - that influence access to food in South Africa are not yet well understood. As in other countries in the region, smallholder agricultural production might also contribute to household food security, improved nutrition and an increase of income in the rural areas in South Africa. The South African government has become increasingly aware of the potential of smallholder agricultural producers.

#### *Land reform and new emerging farmers*

There is also a growing number of emerging farmers benefiting from the land reform programmes. However the land reform programme is making much slower progress than expected and up till now only 7% (5,7 million ha) of the 82 million ha white owned farmland has been redistributed. The land reform programmes are also not providing the anticipated benefits to the recipients mainly due to lack of planning and support after resettlement.

#### *Food security and smallholder production in the MTSF 2009-2013*

Food security linked to rural development is one of the 10 strategic priorities of the MTSF of the South Africa government. Strategic priority 3 of the MTSF aims at a “*comprehensive rural development strategy linked to land and agrarian reform and food security*”.

The MTSF emphasises following major actions to improve food security and sustainable livelihoods:

- Ensuring that land reform is more coherently linked to the creation of livelihoods for the poor;
- Stimulate agricultural production by means of institutional support (infrastructure, transport, access to marketing and credit, extension advice);
- Intensification of the Ilima / Letsema campaign to stimulate communities to grow their own food;
- Ensuring access by poor households to basic foods at affordable prices and to improve the logistics of food distribution;
- Supporting the development of emerging cooperatives and encouraging an enhanced role for agriculture cooperatives;
- Skills development by means of training (agricultural colleges) and mentoring of farmers;

It is the intention that by the end of the MTSF rural households will be able to satisfy 60% of their food requirements from own production.

*Other government policies relevant to food security and smallholder agricultural production*

In 2002, an *Integrated Food Security Strategy South Africa* (IFSS) was developed with the goal of eradicating hunger, malnutrition and food insecurity by 2015. Its objectives are to: (a) Increase household food production and trading; (b) Improve income generation and job creation opportunities; (c) Improve nutrition and food safety; (d) Increase safety nets and food emergency management systems; (e) Improve analysis and information management system; (f) Provide capacity building; and (g) Hold stakeholder dialogue. The IFSS entrenches public, private and civil society partnerships and focuses on household food security without overlooking national food security. For the implementation of the programme both interdepartmental coordination and cooperation is required. A number of projects have been set up under the IFSS, under the coordination of the then Department of Agriculture and Land (now the Department of Agriculture, Forestry and Fisheries).

Food security is one of the elements in the *Comprehensive Rural Development Programme Framework* (CRDP), which focuses on land reform, agrarian transformation and rural development.<sup>29</sup> Similar to the IFSS, the realisation of the CRDP requires intergovernmental cooperation, a participatory community-based planning approach, the cooperation of various government departments, non-governmental organisations, research institutions and communities. Implementation lies with the Department of Rural Development and Land Reform.

## **Annex 5 – Vibrant, equitable and sustainable rural communities and food security for all**

Selected outputs and measures related to food security and smallholder agricultural production of Outcome 7 of the Outcomes Approach:

### *Output 1: Improved access to affordable and diverse food*

- *The percentage of the total population that experiences hunger diminishes from 52% to 30% using national food consumption survey data.*
- *The rate of under-nutrition of children falls from 9,3% to 5%.*
- *Establishing 67 929 community, institutional and school gardens to enable at least 30% of poor households to produce some of their food and improve income.*

### *Output 4: Improved employment opportunities and promotion of economic livelihoods*

- *Percentage of small farmers producing for sale rises from 4,07% to 10%.*

### *Output 5: Enabling institutional environment for sustainable and inclusive growth*

- *At least 30% of small farmers are organized in producer associations or marketing coops to give collective power in negotiating for inputs and marketing.*