



DEVELOPMENT  
COOPERATION  
**NEWS**  
**ISSUE 08**  
Feb | Mar



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



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# THE GLOBAL IMPACT OF COVID-19



# 1. THE GLOBAL IMPACT OF COVID19



Economists have described the global impact of COVID19 as a crisis of epic proportions. The crisis has had a significant impact on the economy of many states particularly in developing countries. The impact of the lockdowns adopted to mitigate the pandemic has severely strained economic activity. Non-essential services and production were directly affected by the lockdowns, which led, among other things, to a reduction in the number of hours worked and to job losses (Devex, 2020).

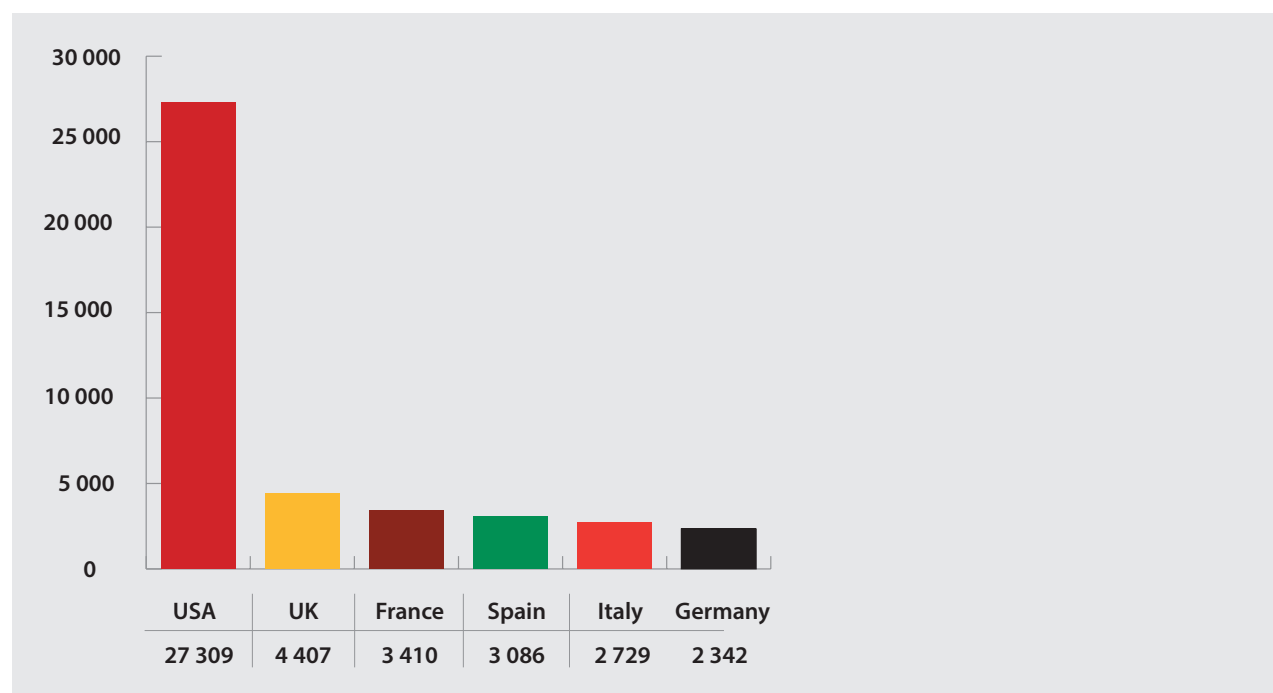
Developing countries with greater dependence on the service sector, higher levels of informality and weak safeguards against the termination of employment have experienced much higher initial job losses. COVID19 has caused disruptions in international trade. The fall in commodity prices has weakened the trade position of developing countries which in turn reduced employment in exporting sectors. Furthermore, massive capital outflows have led to currency

devaluations, making debt servicing and the importing of food and medical supply more onerous, all of which put additional pressure on developing countries fiscal balance (IMF, 2020). The health systems of many developed countries also experienced significant strains and this is precisely because of the overwhelming number of patients that have flooded hospitals in developed countries. Figure 1 below shows the number of cumulative cases of COVID19 in six developed countries.

## 1. THE GLOBAL IMPACT OF COVID-19

In South Africa, flows of development resources have been mainly provided by Development Partners such as the USAID. The agency provided in kind support to SA in the form of 1000 ventilators and accompanying equipment.

Figure 1: Cumulative cases of COVID19 in Developed Countries



*\*Figures obtained from the World Health Organisation (WHO) (2021)*

With 27,309 million cases, the United States of America (USA) has the highest number of COVID-19 cases followed by the United Kingdom (UK) with 4,407 million and France with 3,410 million. Spain is ranked fourth with 3,086 million infections, while Italy is ranked fifth with 2,729 million cases. Germany is ranked sixth with 2,342 million cases. In attempt to stop the spread of the virus, developed countries have embarked on

a massive rollout of COVID-19 vaccine. In the UK, the government has rolled out 450 million doses vaccines. The vaccine is being offered in some hospitals and pharmacies, at local vaccination centres run by GPs and at larger vaccination centres. Furthermore, the government has prioritized the following groups:

- People aged 65 and over
- People who are at high risk from coronavirus

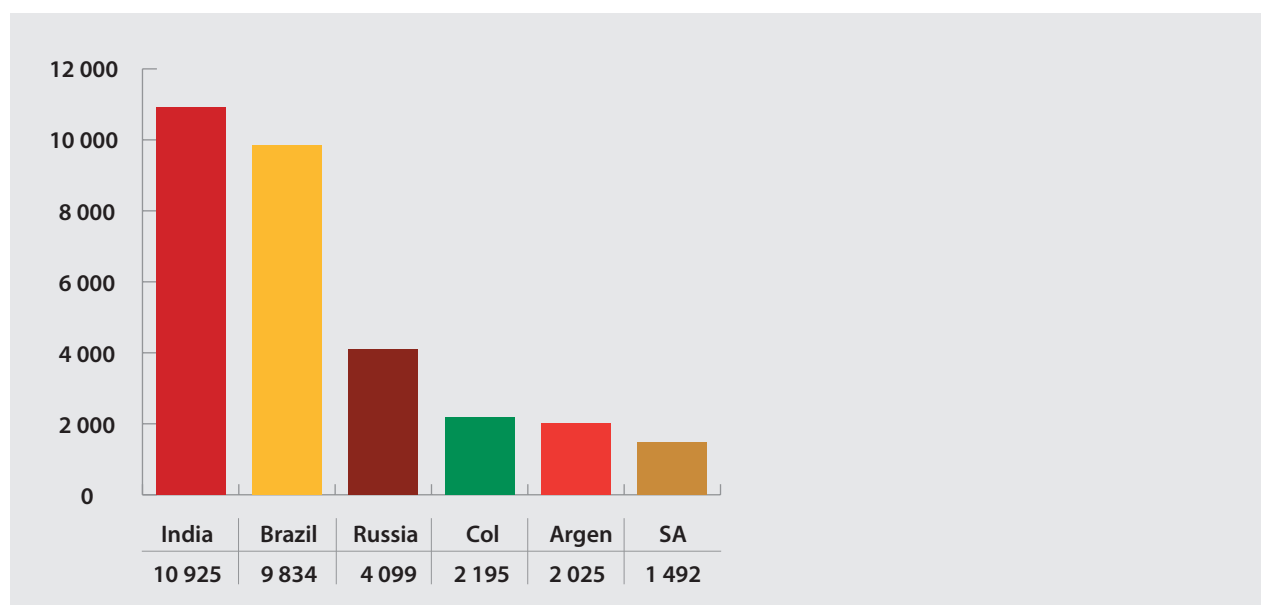
- People who are at moderate risk from coronavirus (clinically vulnerable)
- People who live or work in care homes
- Health and social care workers

Health systems in developing countries are also overwhelmed by the number of COVID-19 cases. Figure 2 below shows the number of COVID-19 cases in developing countries.



## 1. THE GLOBAL IMPACT OF COVID-19

Figure 2: Cumulative cases of COVID19 in Developing Countries



*\*Figures obtained from the World Health Organisation (WHO) (2021)*

With 9,956 million cases, India has the highest number of COVID-19 cases followed by Brazil with 6,970 million and Russia with 2,762 million. Colombia has 2,195 million cases and South Africa is last on the ranking with 883 thousand cases. In light of these developments, the donor community has pledged significant support to help countries fight the scourge of COVID-19. In South Africa, flows of development resources have been mainly provided by Development Partners such as the USAID. The agency provided in-kind support to SA in the form of 1000 ventilators and accompanying equipment. The ventilators are highly specialized medical equipment used in intensive care units that mainly support individuals whose lungs are not working adequately despite receiving oxygen (USAID, 2020).

The German government has pledged significant support for COVID-19 in SA. It has disbursed a €2 million grant as part of an emergency response to COVID-19 that will provide the NDoH with protective equipment. In January 2021, SA received 1 million doses of the COVID-19 vaccine and 500 000 doses in February of the Oxford University-AstraZeneca vaccine from the Serum Institute of India. The country will embark on vaccinating an estimated 1.25 million healthcare workers. Furthermore, the government of South Africa is targeting to vaccinate 67% of the population by 2021 and this will be conducted through following phases:

- Phase 1 will focus on frontline healthcare workers;
- Phase 2 will see us vaccinate essential workers, persons in congregate

settings, persons over 60 years and persons over 18 years with co-morbidities; and

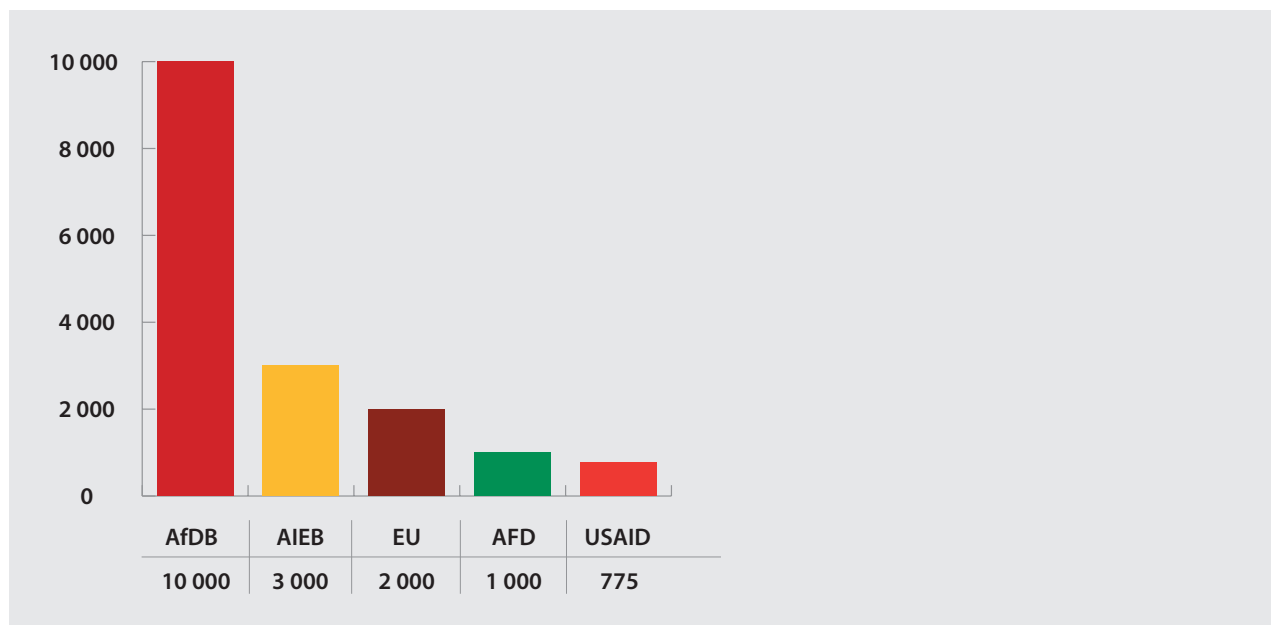
- Phase 3 will focus on persons older than 18 years, targeting 22 500 000 of the population.

There are number of positive outcomes that can be discerned from the impact of COVID-19. Firstly, COVID-19 has drastically altered the nature of work with many enterprises having to make provisions for their employees to work from home. Secondly, COVID-19 has also altered the flow of ODA to developing countries with shifts from programmes that support economic development to programmes that are aimed at strengthening health systems in developing nations to help governments manage the outbreak of the pandemic.

## 2. DEVELOPMENT FINANCE RESOURCES TO AFRICA

International donors have committed to supporting African governments in tackling the impact of COVID19 on social and economic sectors. The support is in the form of loans, technical assistance and grants. While some of the funds will be disbursed for new programmes, a portion of the funding will also be reallocated to existing programmes that could not be implemented due to COVID19. Figure 3 below shows the pledges made by various donors in supporting African governments.

**Figure 3:** COVID19 Support to Africa



*\*Figures obtained from Devex (2020)*

The African Development Bank (AfDB) has mobilized USD10 billion to create a COVID19 Rapid Response Facility. On the main, the facility seeks to lessen the economic and social impact of COVID19. The African Export Import Bank (AIEB) ranks second in the list of the largest provider of COVID19 support to Africa. The agency has pledged USD 3 billion mainly in the form of loans to support the private sector in Africa. Furthermore, support will be provided for high risk debt distress in West Africa and boosting production in oil and

gas mining in Central Africa. The EU has pledged USD2 billion in the form of grants and loans to help African countries fight the scourge of COVID-19. Most of the funding will be reallocated to programmes that could not be implemented to COCIV-19 (Devex, 2020). The main beneficiaries of EU funding will be Nigeria and Uganda. The EU will disburse USD 54 million to Nigeria and USD32 to Uganda. Bilateral development partners have also pledged support. They include the United States of America (USA) and France. Through the Agency

Française de Développement (AFD), France announced a USD1.1 billion. In addition, the African Union (AU) has secured 270 million COVID-19 vaccine doses (from Pfizer, Johnson & Johnson and AstraZeneca) for Africa through the COVID-19 African Vaccine Acquisition Task Team (AVATT). The African Export-Import Bank will facilitate payments by providing advance procurement commitment guarantees of up to US\$2 billion to the manufacturers on behalf of the Member States.

Source: OECD

### 3. DEVELOPMENT RESOURCE FLOWS TO SA: AN ANALYSIS OF NEW, ADDITIONAL AND REPRIORITIZED FUNDS



International donors have committed to helping the South African (SA) government to fight the scourge of COVID19. Support will mainly be in the form of additional and reprioritized funds from existing programmes. The donor support is discussed in greater detail in the section below.

#### 3.1 An analysis of support from the European Union

The EU has committed a grant of €2.2 million to be used together with the remaining funds that had previously been allocated to SA. In addition, the EU is also working on the reprogramming of existing support for COVID19 responses. Financial adjustments will be made in the following programmes:

- Capacity Building for Employment Promotion: The programme is

led by the Government Technical Advisory Centre (GTAC) and it seeks to support the government of South Africa to meet the key national objective of reducing unemployment. Support for COVID19 will include a cost extension of €1 million that will support the development of Small Medium Enterprises (SMEs) and policy initiatives that promote employment; and

- Support Programme for National Science Innovation (NSI): This programme is led by the Department of Science and Innovation and it seeks to support interventions that promote inclusive growth. Support for COVID19 responses will include a €1.5 million that supports efforts that promote employment opportunities in rural municipalities.

#### 3.2 An analysis of support from Germany

German support for COVID19 responses stretches across a wide variety sectors that include municipalities, the private sector and National government departments. Support to these sectors is discussed in greater detail below:

- National Departments: Through the Germany Multi-sectoral HIV prevention programme, Germany committed a €2 million grant as part of an emergency response to Covid-19. The funding will be key in providing the NDoH with protective equipment. Additional funding will come in a €1 million grant that will help in the upscaling of lab facilities of the department of health in Limpopo.
- Department of Cooperative Government and Traditional

### 3. DEVELOPMENT RESOURCE FLOWS TO SA: AN ANALYSIS OF NEW, ADDITIONAL AND REPRIORITIZED FUNDS

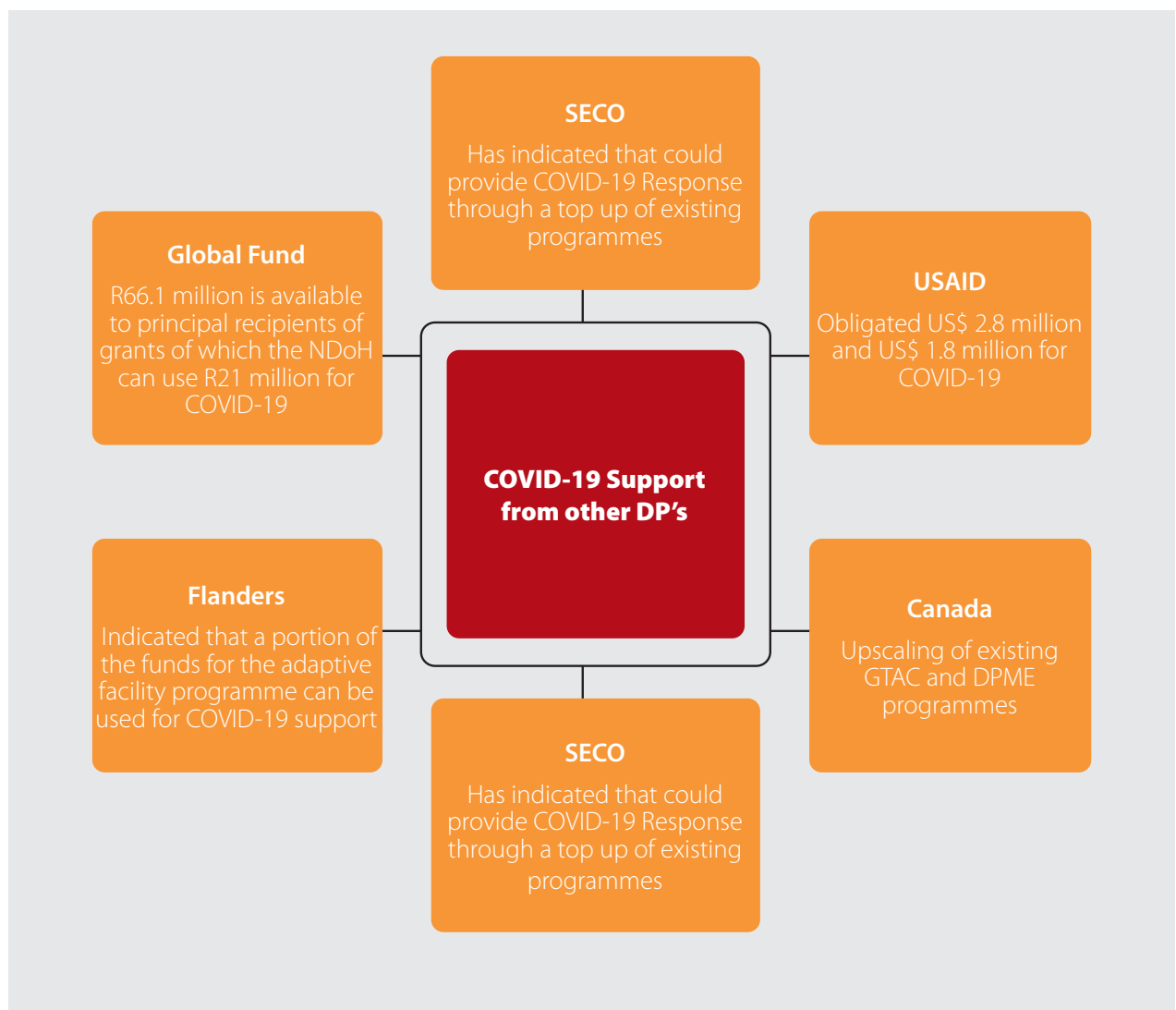
Affairs (COGTA): Germany has readjusted the funds made available in the Government Support Programme (GSP II). In this regard, funding will be increased to €1 million to help coordinate COVID19 responses in

- the three spheres of government;
- Municipalities: A grant of €50,000 from the Violence Prevention through Urban Upgrading (VPUU) programme in the Western Cape will be used for food parcels in the city of Cape Town

#### 3.3 An analysis of support from other donors

Other Development Partners (DPs) that are expected to provide substantive Covid19 support to SA are shown in the diagram below.

Figure 4: COVID 19 support to SA from other donors



## 4. SOUTH AFRICA IN THE COVAX INITIATIVE



A group of high Income and Middle-Income Countries have collectively embarked on efforts that seek to create a COVAX facility. The facility is a global initiative aimed at working with vaccine manufacturers to provide countries worldwide equitable access to safe and effective vaccines, once they are licensed and approved. COVAX currently has the world's largest and most diverse COVID-19 vaccine portfolio - including nine candidate vaccines, with a further nine under evaluation and conversations underway with other major producers.

The COVAX Facility is a Gavi-coordinated pooled procurement mechanism for new COVID-19 vaccines, through which COVAX will ensure fair and equitable access to vaccines for each participating economy, using an allocation framework currently being formulated by WHO. The COVAX Facility will do this by pooling buying power from participating economies and providing volume guarantees across a range of promising vaccine candidates, allowing those vaccine manufacturers whose expertise is essential to large scale production of the new vaccines,

to make early, at-risk investments in manufacturing capacity – providing participating countries and economies with the best chance at rapid access to doses of a successful COVID-19 vaccine. In 2021, COVAX is expected to deliver two billion doses of safe, effective vaccines that have passed regulatory approval and/or WHO prequalification. These vaccines will be offered equally to all participating countries, proportional to their populations, initially prioritising healthcare workers then expanding to cover vulnerable groups, such as the elderly and those with pre-existing conditions. Further doses will then be made available based on country need, vulnerability and COVID-19 threat. The COVAX Facility will also maintain a buffer of doses for emergency and humanitarian use, including dealing with severe outbreaks before they spiral out of control.

Eight African countries have agreed to self-finance their vaccine doses through the COVAX Facility. This expression of interest will turn into binding commitments to join the initiative by 18 September, with upfront payments to follow no later than 9 October 2020.

Equatorial Guinea has signed up to COVAX as it is the most effective way to ensure that our people can access COVID-19 vaccines. In addition, 46 countries in Africa are eligible for support from the financing instrument, the COVAX AMC which has raised approximately US\$ 700 million against an initial target of securing US\$ 2 billion seed funding from high-income donor countries, as well as private sector and philanthropists by the end of 2020 (WHO, 2020).

In addition, GAVI has played a critical role in ensuring that the COVID-19 vaccine is distributed to developing nations. It has announced the approval of up to \$150 million to help 92 low- and middle-income countries prepare for the delivery of future COVID-19 vaccines, including technical assistance and cold chain equipment.

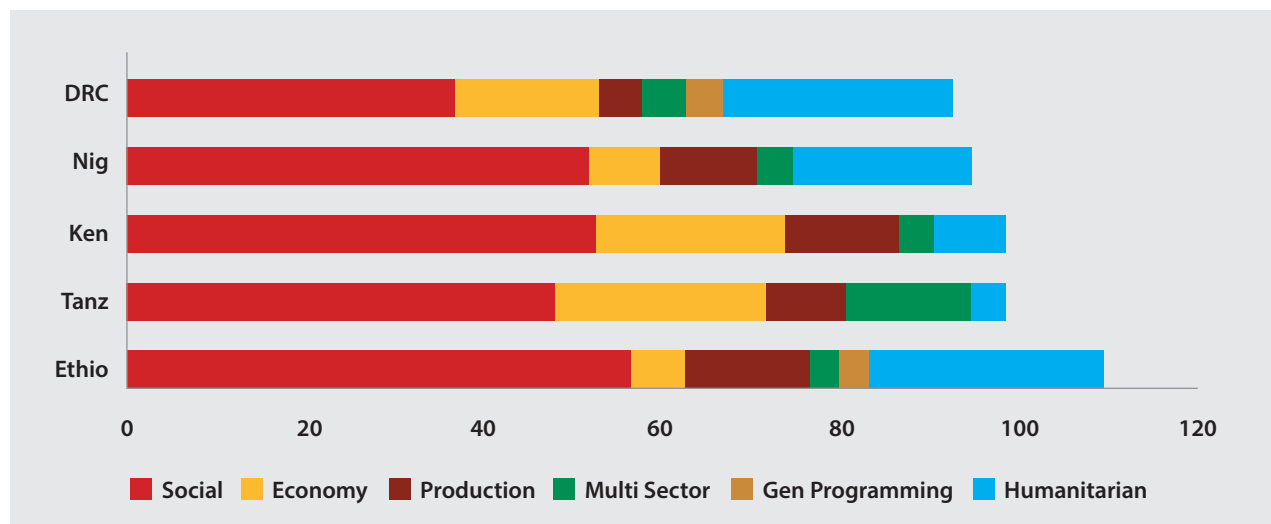
South Africa is also one of many African states that has participated in the COVEX initiative. In December 2020, President Cyril Ramaphosa announced that the Solidarity Fund will make an initial payment of R283 million towards the procurement of COVID-19 vaccine through COVAX (SA Government, 2020).



## 5. SECTOR SUPPORT FOR ODA PROGRAMMES IN AFRICA

ODA programmes in Africa have been channelled to various sectors. They include the social sector, economic sector, humanitarian sector etc. Figure 5 below shows the sectors that received significant support from DPs in 5 African states.

**Figure 5:** ODA to 5 largest recipients in Africa by sector in 2017



**\*\* \* Figures obtained from Development Aid at a Glance: Statistics by Region 2019th Edition. (Online). Available at: <http://www.oecd.org.dac>**

In Ethiopia, the social sector received significant support from DPs. A total of 57% of ODA programmes were channelled to social programmes that seek to deliver quality education to rural inhabitants. Furthermore, a significant portion of donor support in Ethiopia was channelled towards providing humanitarian aid mainly in the form of increasing access to safe water and sanitation, treating malnourished children and mothers and providing education

for refugee children. In the DRC, 26% of ODA programmes were directed at providing support for humanitarian relief in Eastern province of Goma. In this regard, DPs played a critical role in providing support for survivors of sexual violence and protecting vulnerable people<sup>1</sup>. Support for the economic sector was high in Tanzania with a total of 24% of the ODA programmes being channelled towards initiatives that are geared towards promoting the development of

the private sector. In many African countries, agricultural production has been a catalysed for economic growth, hence some donor programmes have been focused on bolstering the production sector. In Kenya, 13% of the programmes were channelled to the production sector. In this regard, the support was largely provided by the USAID. In 2017, the USAID provided USD 25 million in agricultural loans that were aimed at supporting smallholder farmers<sup>2</sup>

<sup>1</sup>EU, 2020. EU Support to the Democratic Republic of Congo. [https://ec.europa.eu/international-partnerships/where-we-work/congo-democratic-republic\\_en](https://ec.europa.eu/international-partnerships/where-we-work/congo-democratic-republic_en)

<sup>2</sup>USAID, 2018. Kenya Country Profile. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/711111/kenya-country-profile-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/711111/kenya-country-profile-2018.pdf)

## 6. GERMAN/SA CONSULTATION



Development Cooperation between South Africa and Germany dates back to 1992. Over the last two decades bilateral cooperation has matured into a partnership with Germany supporting the government of South Africa's priorities. Currently, the partnership

is active in three focal areas namely Governance and Public Administration, Green Economy and Technical and Vocational Education and Training (TVET) and Skills Development. Since 1980 the total bilateral Technical and Financial Cooperation amounts to € 1.7

billion. As shown in Table 1 the trend in new funds committed has been erratic with a sharp decline in 2014 and a sharp rise in 2016 and an amount of €255 million being negotiated at the November 2020 Consultation between Germany and South Africa.

## 6. GERMAN/SA CONSULTATION

**Table 1:** New funds commitments, € millions

|                                                                | 2010  | 2012  | 2014 | 2016   | 2018  | 2020  |
|----------------------------------------------------------------|-------|-------|------|--------|-------|-------|
| Financial Cooperation Programmes                               | 84    | 251.4 | 38.5 | 285.75 | 123   | 227   |
| Technical Cooperation Programmes                               | 28.5  | 35.5  | 34.0 | 28.5   | 29.6  | 28    |
| Re-programmed Funds                                            | 8.3   | 2.1   | 0.2  | 0      | 15    | 8     |
| Additional Commitments                                         | 0     | 0     | 0    | 0      | 96.3  | 35.6  |
| Total                                                          | 120.8 | 289   | 72.7 | 314.25 | 263.6 | 298.6 |
| Total excluding re-programmed funds and Additional Commitments | 112.5 | 286.9 | 72.5 | 314.25 | 152.6 | 255   |

**Source:** Summary Records of the Negotiations between South Africa and Germany 2010, 2012, 2014, 2016, 2018, 2020

The focal areas of cooperation has changed over the years as shown in Table 2. Between 2004-2011 Local Governance and Development was supported with a separate focal area for Good Governance being supported between 2004-2008. Between 2010-2020 these focal areas changed to Governance and Public Administration. Energy and Climate was the focal area between 2009-2014 before it changed to Green Economy in 2014. HIV was a cross cutting issue supported in 2004-2008 before changing to HIV/AIDS Prevention between 2009-2018. HIV/AIDS Prevention stopped being an area of focus in 2018 and was replaced with Technical and Vocational Education and Training and Skills Development although Skills Development was a separate area of focus between 2004-2008.

**Table 2:** Focal areas of support from 2004 to 2020.

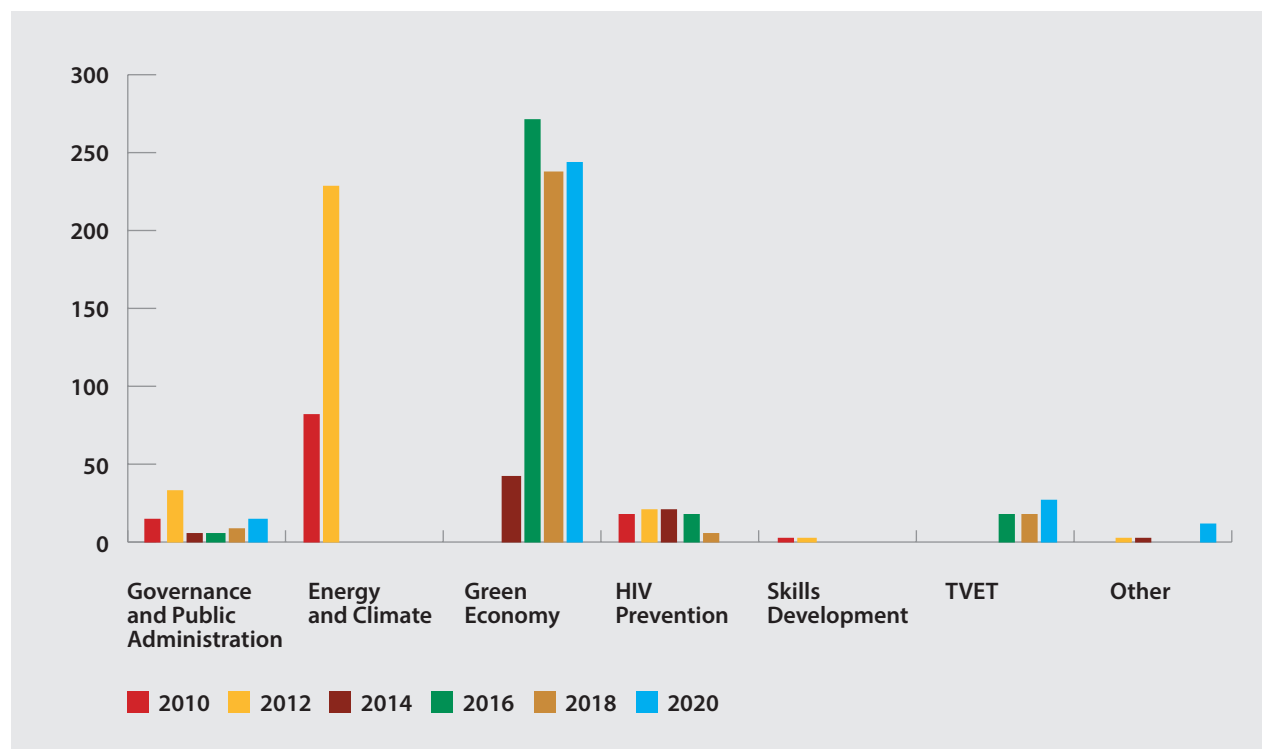
| Focal Areas 2004-2008            | Focal Areas 2009-2011                                                       | Focal Areas 2010-2014                                      | Focal Areas 2016-2018                                                         | Focal Areas 2020                                                              |
|----------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| Local Governance and Development | Local Governance and Development                                            | Governance and Public Administration                       | Governance and Public Administration                                          | Governance and Public Administration                                          |
| Good Governance                  | Energy and Climate                                                          | Energy and Climate (changed name to Green economy in 2014) | Green Economy                                                                 | Green Economy                                                                 |
| Skills development               | HIV/AIDS Prevention                                                         | HIV/AIDS Prevention                                        | HIV/AIDS Prevention                                                           |                                                                               |
|                                  |                                                                             |                                                            | Technical and Vocational Education and Training (TVET) and Skills Development | Technical and Vocational Education and Training (TVET) and Skills Development |
| Others HIV (cross cutting Issue) | Private Sector Cooperation, Trilateral Cooperation and Pan African Projects | Other                                                      | Other                                                                         | Other                                                                         |

**Source:** Summary Records of the Negotiations between South Africa and Germany 2010, 2012, 2014, 2016, 2018, 2020

## 6. GERMAN/SA CONSULTATION

Focal Area Distribution of New Funds Committed is shown in Figure 6.

**Figure 6:** Focal Area Distribution of New Funds Committed



**Source:** Summary Records of the Negotiations between South Africa and Germany 2010, 2012, 2014, 2016, 2018, 2020

The November 2020 Consultation between Germany and South Africa agreed that future cooperation will focus on the areas

- Peaceful and inclusive societies with a focus on good governance and conflict prevention;
- Training and sustainable growth for decent jobs with a focus on technical and vocational education and training;
- Responsibility for our planet- climate and energy with a focus on renewable energies and energy efficiency.

Programmes for new financial and technical cooperation commitments in priority areas Green economy and Governance and Public Administration are:

- **Investments in the Power Sector Reform Programme** (new programme; FC grant) €7million This program intends to finance extensive studies on energy transition.
- **Innovative Financing of Green Infrastructure** (new programme; FC grant) €20 million This programme is meant to support the introduction and use of innovative finance instruments in the finance market of South Africa.
- **Support to the Energy Sector Reform Programme** (new programme; FC loan) €200 million With this programme Germany



## 6. GERMAN/SA CONSULTATION

will support South Africa to reform its energy sector. Areas of support could include the repurposing of coal power plants, job creation and reskilling in other sectors in the respective regions, eg. Mpumalanga.

- **South African-German Energy Programme - SAGEN 4** (ongoing programme, TC grant) €12.5 million Funds committed to a fourth phase of SAGEN to assist South Africa in its energy sector development. The proposed key areas are: (i) Supporting an electricity sector reform that addresses the security of electricity supply, promotes investment and ensures affordability. (ii) Supporting the technical dimension of the energy transition in integrating renewable energy and energy efficiency could be another area of future cooperation
- **Violence and Crime Prevention Programme** (ongoing programme; TC grant) €1.5 million Germany will provide a commitment of €1.5 million for an extension of the current commission of the VCP III programme. The scope of activities to be carried out will be defined through consultations with all relevant partners.
- **Transparency and Integrity Programme** (new programme; TC grant) € 8 million. The new programme will contribute to the prevention goals within the implementation of the newly adopted National Anti-Corruption Strategy (NACS) and follow a multi-sector and multi-level approach.
- **SDG Initiative South Africa** (new programme, TC grant) € 3 million Germany committed an additional €0.5 million to the SDG initiative from the Study and Expert Fund till September 2021 and will continue the cooperation and prepare a full-fledged support programme with the above-mentioned new pledge of € 3 million.
- **Study and Expert Fund** (ongoing programme; TC grant) €3 million. This open fund allows for innovative studies and piloting of new policy approaches. With the support of this fund new avenues for future German-South African cooperation can be explored.

There are other instruments and contributions available as part of German development cooperation such as EU and Multilateral Cooperation, Regional, Sectoral and Global Cooperation; KfW promotional loans, Non-governmental organisations and foundations and Cooperation with the Private Sector etc.