

# Country strategy for development cooperation

South Africa

July 2004 – December 2008



REGERINGSKANSLIET

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**Country Strategy for Swedish  
Development Cooperation with  
South Africa**

**1 JULY 2004 – 31 DECEMBER 2008**

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## **Country Strategy for Development Cooperation with South Africa: 1 January 2004 – 31 December 2008**

### **1. The Commission**

The government of Sweden has decided to adopt a country strategy for continued development cooperation with the Republic of South Africa. Through a decision dated 27 March 2003, the government has commissioned the Swedish International Development Cooperation Agency (Sida) to submit a proposal for such a strategy, covering the period 1 July 2004 – 31 December 2008.

### **2. Basis for South African–Swedish Cooperation**

#### *2.1 From Humanitarian Support to Broader Cooperation*

Sweden has long-standing relations with democratic South Africa. From the early 1960s and up until the first non-racial elections in April 1994, some SEK 2.5 billion in Swedish humanitarian assistance was channelled to the African National Congress (ANC) and to a host of other organisations within the wider anti-apartheid movement. Following the ANC's electoral victory and the constitution of a Government of National Unity, the humanitarian programme was transformed in 1995 into a regular development cooperation programme, aiming both at supporting democratic reform and consolidation and contributing to poverty alleviation. Initially, cooperation targeted public administration, democracy and human rights, education, culture and the media, and urban development. In addition, Sweden supported development in the private sector and civil society.

A point of departure in the transformed development cooperation programme was that Swedish assistance should be provided in strategic areas during a brief transition period. The aim was to reinforce the capacity of the incoming government to assume responsibility for the country's development. Due to the potential strength of the South African economy, cooperation was to be directed at areas and issues where Sweden could contribute relevant knowledge and experience rather than large-scale grant transfers. Contrary to the situation in many developing countries, it was felt that the obstacles to democracy, nation-building and poverty alleviation in South Africa were not due to an absolute lack of financial resources. Instead, the country primarily needed to deal with a severely distorted economy, an undemocratic political culture and a deep skills gap between the white minority and the historically disadvantaged black majority.

#### *2.2 The Bi-National Commission*

In 1999, Sweden and South Africa established a standing Bi-National Commission (BNC). This is a political forum which in a Swedish context constitutes a unique platform for dialogue on ongoing and future bilateral relations.<sup>1</sup> Chaired at the highest government level, the objective of the commission is to broaden and deepen

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<sup>1</sup> South Africa is the only development cooperation partner with which Sweden has established a Bi-National Commission. Similar forums have, however, been set up between South Africa and other countries.

relations between the two countries. The work is shared between three committees, dealing with a) political issues, b) economic exchange and c) questions relating to the social, cultural and academic fields. The BNC was launched in Stockholm in October 2000, when President Mbeki led the South African delegation.

In 2001, the BNC decided to set up a joint Health Forum to explore avenues for developing broader relations in this area. Falling outside the traditional cooperation framework, the bilateral forum was launched in 2003 with the aid of a small contribution from Sida.

Over the last decade, Sweden's partnership with South Africa has thus developed in three stages, from humanitarian support via regular development assistance to broader cooperation. While the latter still needs consolidating, it rests on a solid base thanks to the two previous stages.

### **3. Summary of the Country Analysis<sup>2</sup>**

#### *3.1 Points of Departure*

Less than ten years after its first non-racial elections, a new, democratic, politically and economically stable South Africa has emerged. Often described in terms of 'a miracle', the peaceful and orderly transition from authoritarian minority rule to democracy – and from a highly regulated to an open economy – has in a short period of time established South Africa as an example to other countries. The country has made a definitive break with the historically divided, racist and isolated society of yesteryear, and now faces the challenge of building a united 'rainbow nation' while preserving ethno-cultural differences and 11 official languages.

The legacy of three and a half centuries of colonialism and apartheid minority rule, however, is widely manifest. The country's violent history of racially motivated exclusion, dispossession and inequality should be borne in mind when assessing the achievements made over less than a decade and considering the huge challenges that lie ahead. South Africa is a dual economy, clearly divided between an outward-looking, urban-based and internationally competitive modern sector and an inwardly oriented, traditional and rural subsistence sector. Straddling the two is an extensive, informal socioeconomy, chiefly based in the large townships and settlements surrounding the main cities.

Compared to other countries in sub-Saharan Africa, South Africa displays a combination of prerequisites for sustainable growth and social advancement lacking elsewhere. In addition to an extraordinarily rich store of natural resources, it has a modern market economy, a significant and growing manufacturing industry, a

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<sup>2</sup> The attached 'Country Analysis: Profile of South Africa (April 2003)' was jointly drafted by Sida and NORAD of Norway. In addition to a joint, independent Swedish–South African assessment of bilateral cooperation in 1999–2003, special studies have been commissioned from reputable South African research centres. The Human Sciences Research Council (HSRC) carried out a study on the HIV/Aids pandemic, while the African Centre for the Constructive Resolution of Conflicts (ACCORD) contributed to the strategy draft with data concerning South Africa and challenges in the Southern African region. Swedish NGOs based in South Africa also added their voices.

sophisticated financial market and a low foreign debt burden. The transport, energy, telecommunications and IT networks are highly developed. Adopted in 1996, the Constitution is regarded as one of the most progressive in the world. It incorporates a Bill of Rights enshrining social and economic rights and establishes a human rights based approach to development. Although the ruling ANC de facto occupies a near-hegemonic position, the country's fledgling democracy is based on a parliamentary multi-party system. The trade union movement is strong, civil society is well developed and the media are independent, critical and active.

### *3.2 Historical Divides and New Challenges*

Due to the dualism inherited from the apartheid years, South Africa faces enormous challenges. Ranked as an upper-middle income country, it is at the same time one of the most unequal societies in the world. There are glaring divisions between rich and poor, geographical regions and racial communities. If left unattended, they constitute serious threats to nation-building, stability and democracy. Almost half of the population of some 45 million (2001) – largely from the historically disadvantaged African majority – are classified as poor. Women and children are particularly vulnerable.

Poverty and unemployment are closely inter-related. Although the country's macroeconomic performance in recent years has been positive, formal employment has not kept pace with population growth. Mainly as a result of economic deregulation and a shift from labour-based primary production to capital-intensive manufacturing, black unemployment has soared to critical levels. In turn, the combination of inequality and joblessness goes a long way to explaining the prevalence of social aberrations such as violent crime, sexual assault and domestic violence. Dualism and poverty are major structural hurdles to be overcome.

Poverty is also closely related to environmental quality. Deprived of opportunities and resources, three quarters of South Africa's poor live in rural households with inadequate housing, water supply, sanitation and waste disposal services. Another challenge is to make economic growth and poverty reduction compatible with environmentally sustainable development. Natural resource depletion and environmental degradation jeopardise the long-term sustainability of current economic practices.

South Africa is a signatory to most of the relevant international conventions and agreements on environment, fisheries, wildlife, cultural heritage and tourism. Environment-related legislation can be further developed, however, to address the lack of long-term environmental sustainability in current growth policies.

In addition, the post-apartheid South African government has yet to bridge the gap between the adoption of impressive and progressive policies in a number of areas – not least those of women's rights, children, disabled persons and the environment – and their practical implementation at the local level where traditional values predominate. In the spirit of national consensus that prevailed after 1994, the government swiftly did away with the apartheid era's patchwork of 'White provinces', 'independent Bantustans' and 'Black homelands', establishing in their stead a unitary, republican state composed of a central structure and nine provincial governments.

Establishing economically viable, democratically accountable and responsive local government structures, however, proved considerably more complicated. Legislation in this regard was only passed in 1998-2000, and the first nationwide local elections took place as recently as December 2000.

Bearing in mind that civil servants from the former apartheid era and officials representing the new South Africa are still searching for constructive ways to cooperate, it is not surprising that central government policies and directives frequently become diluted at local delivery points. Transformed from above, to a great extent the new South Africa still has feet of clay in terms of grassroots policy implementation. Weak administrations, bureaucratic obstruction, absenteeism, lack of capacity and under-spending of allocated funds at the provincial and local levels often stall national plans for socioeconomic transformation. To tackle these inherited structural problems, a culture of responsive local government and professional service delivery must be established.

As Sweden is already committed in this regard, it is proposed below that Swedish assistance should in the future be governed by the overall goal of creating conditions that will enable poor people in South Africa to improve their situation in life, i.e. reducing poverty, inequality and vulnerability. In 2004-2008, cooperation should increasingly target the objectives of improved local governance, enhanced service delivery and a strong democratic culture.

### *3.3 The HIV/Aids Pandemic*

The worsening HIV/Aids pandemic is the single most serious threat to South Africa's social fabric, and to the country's growth and development as a whole. In 2002, South Africa had some 4.7 million HIV carriers, which represented almost one in ten of the estimated 50 million people living with HIV/Aids around the world. In the same year, a community-based survey – criticised by some for being too conservative – found that HIV prevalence in the total population was 11.4%, with a rate of 15.6% in the sexually active 15-49 age group. Largely mirroring general socioeconomic conditions, the infection rate was highest for Africans (18.4%), followed by Coloureds (6.6%) and Whites (6.2%), while only 1.8% of the Indian community carried the virus. Many women in South African society are oppressed and subjected to abuse (see more under 3.6), and are therefore more at risk than men. Vulnerability is greatest in informal sectors, where contributing factors include poverty, labour migration, mobility and the breakdown of family norms. In South Africa at present, 1,800 people a day are infected while the daily mortality rate from HIV/Aids is 100 – although unofficial sources put this figure at 600. One child in ten has lost one or both of its parents and an estimated 5 per cent of South Africa's children are HIV carriers themselves. Today, virtually all South Africans have been directly affected by the pandemic at the personal level.

Unless the spread of the disease is arrested, the effects will be disastrous. Between 5 and 7 million South Africans will die of HIV-related illnesses by 2010. The number of Aids orphans, estimated at 1.2 million in 2002, will rise to more than 2 million during the same period. A fall in average life expectancy from a pre-pandemic high of 60 years in 1990 to 45 in 2005 is also anticipated. The effects on the economically active population will be dramatic. Poverty and social exclusion will be aggravated,



which will break up social networks and have a major impact on both social expenditure and the public sector's already weak delivery capacity. Although forecasts concerning the macroeconomic effects differ – varying from modest declines to a potential collapse – HIV/Aids will adversely affect the quantity and quality of the labour market.

The South African government's response to the HIV/Aids pandemic has been hesitant, provoking criticism both domestically and internationally. The resultant inactivity and uncertainty has caused personal tragedies and public losses. While the government launched a strategic plan in 2000 to combat HIV/Aids (and other sexually transmitted diseases) – based on the premise that HIV causes Aids – and also increased funding to preventive programmes, its reluctance to introduce anti-retroviral therapy has sparked particularly strong reactions. Combined with the fact that an effective response by the private sector seems wanting, the government's inability to display the kind of resolute political leadership that is required to arrest the pandemic is ominous. This said, in mid-2003 it was announced that the government had agreed to urgently develop a national anti-retroviral treatment plan. The programme has been criticised for proceeding too slowly.

Swedish development resources should be set aside for activities mitigating the impact of HIV/Aids. In addition to possible direct interventions, it is proposed below that considerations regarding the pandemic should inform the entire cooperation programme in 2004-2008.

#### *3.4 Macroeconomic Stability, Employment, Skills and Black Empowerment*

Since 1994, the government has laid the basis for macroeconomic growth. Structural adjustment is well under way, as are deregulation of the national economy and the liberalisation of foreign trade. In 1996, the government adopted the so-called GEAR (Growth, Employment and Redistribution) strategy, a liberal framework domestically based on tight monetary and fiscal policies and externally on export-led growth. The strategy has been criticised by the ANC-aligned COSATU (Congress of South African Trade Unions), the SACP (South African Communist Party) and other organisations for cutting back public expenditure and for emphasising privatisation. Among the central tenets of the GEAR strategy are stabilisation of the public debt, efficient tax collection, accelerated tariff reductions and a gradual liberalisation of exchange controls. Monetary policy is to be overseen by the South African Reserve Bank, which has an autonomous role.

Under GEAR, South Africa has achieved macroeconomic stability and, in general, robust fiscal health. GDP growth and investment have increased. With support from Sweden and others, revenue collection has improved, enabling total public spending to expand. Proceeds from exports have risen. Indicative of the resilience of the South African economy in an uncertain global environment, real GDP growth reached 2.2% in 2001 and 2.6% in 2002. In 2003, GDP per capita is expected to grow by 3.3%, rising to 4% by 2005. Recorded growth, however, is far below the target of 6% per annum required to arrest further increases in formal sector unemployment. Job creation has therefore fallen behind. The unemployment rate of 30–40% represents a gigantic challenge.

Joblessness is closely linked to low levels of education and training. Arguably the most serious of all the pervasive, racially based inequalities created by apartheid is that relating to human capital. The destructive impact of Bantu Education (for Blacks) in combination with the Job Reservation Act (for Whites) has caused the kind of damage that will take decades to repair. Since 1994, considerable resources have been allocated to rectify this legacy. At around 6% of GDP, South Africa has one of the highest rates of public investment in general education and skills development in the world.

The South African economy is still largely controlled by the White minority, and redistribution of ownership is essential if the government is to achieve its objective of erasing racial inequalities. To increase the participation of historically disadvantaged South Africans, a policy of Black Economic Empowerment (BEE) has been launched. By far the most significant initiative is the Mining Charter, a 'socioeconomic contract' concluded in 2002 between the government and the mining companies. Under the charter, 26% of the industry's assets are to be brought under Black ownership over a ten-year period. The BEE policy is likely to occupy a prominent place in the public debate over the next few years.

With regard to employment, skills development and Black entrepreneurship, small, medium and micro enterprises (SMMEs) have considerable potential. Absorbing more than half of the workforce formally employed in the private sector, an estimated 3 million SMMEs contribute some 42% to South Africa's GDP. Small businesses owned by women represent an important part of the economy and are a particular focus of attention, *inter alia* via the South African Women Entrepreneurs Network (SAWEN).

After convening a national 'Growth and Development Summit' in mid-2003, the government announced plans for an expanded labour market programme, both as an instrument for poverty alleviation and as a basis for skills development. The scale and details have yet to be worked out but the programme will focus on both social (houses, schools etc.) and physical infrastructure (such as roads, railways and ports). While it involves a higher degree of state intervention – and thereby a deviation from the government's liberal GEAR strategy – the initiative has generally been well received.

Below, it is proposed that a bilateral Labour Market Forum be established, modelled on the BNC Health Forum. Based on tripartite cooperation between governments, employers and organised labour in the two countries, the forum would in particular address issues relating to employment, skills and capacity building, including black economic empowerment.

### 3.5 Selected Socioeconomic Achievements

With regard to macroeconomic prospects, a stable basis has been laid and South Africa is moving in the right direction. Performance, however, has not fully met government targets, and foreign investment has also been below expectations. Given the socioeconomic challenges that lie ahead, it seems unlikely that there will be sufficient fiscal scope for dramatic improvements regarding poverty alleviation during the period 2004-2008. In fact, despite considerable gains in a number of areas, the

UNDP composite Human Development Index (HDI) for South Africa fell between 1995 and 2000, from 0.724 to 0.695, placing the country in the bottom half of the 'medium human development' list. Out of 173 countries, South Africa was ranked 107. Data for 2001 confirmed this trend. With an index of 0.684, the country had fallen to 111<sup>th</sup> place, below Cape Verde and only just above Equatorial Guinea, which are developing African countries with considerably smaller economies. Unless radically addressed, the HIV/Aids pandemic will push South Africa further down the HDI ladder.

That said, impressive socioeconomic gains have been made in a short space of time and gradual improvements in this area appear likely over the next few years. The allocations to education, health, housing, social welfare and other services in the 2003/04 budget represented 58.3% of non-interest expenditure, up from 52.9% a decade earlier. Further increases are foreseen in the Medium-Term Expenditure Framework (MTEF) for the period up to 2005/06.

South Africa is the only country in sub-Saharan Africa with a non-contributory *social security system*, covering disability, child and pension grants. Introduced on a needs basis in 1998, the child grant was by 2002 extended to some 2.5 million beneficiaries below the age of 7. Over the present MTEF period, it will be extended to those in need until they turn 14, a reform that will add 3.2 million children to the programme. It is estimated that by 2005 the number of social assistance beneficiaries will exceed 8 million, covering almost a fifth of the total population (but only one third of those below the national poverty line). It should be noted, however, that a significant number of eligible beneficiaries do not receive the grants. In particular, children without documentation and/or without adult caregivers – among them HIV/Aids orphans – are experiencing severe problems in this respect.

Receiving more than 20% of the budget resources, *education* – an important area of Swedish assistance – is given priority in the new South Africa. Since 1994, new curricula based on respect for human rights have been introduced at all levels, and more than 30,000 public schools that were previously racially segregated have been integrated. Net enrolment in primary education exceeds 95% and the secondary school matriculation pass rate has increased from 49% in 1999 to 69% in 2002. The literacy rate in the 15-24 age group has risen to 95%.

With regard to *housing* – another primary area for Swedish assistance – some 1.5 million low-cost homes had been built by 2002 and more than 1.4 million housing subsidies had been approved. Between 1995 and 2000, the proportion of households occupying formal dwellings increased from 66 to 73%. In the same period, the share of households using electricity grew from 63 to 72% and those using tap water as their main water source from 78 to 84%. By 2002, over 2.5 million new telephone lines had been installed, *inter alia* connecting some 2,700 rural villages to the outside world.

The transition to democracy has meant that *gender equality* has finally arrived on the government agenda, resulting in at least three major gains for women in the political sphere: participation, state representation and institutional mechanisms to advance their status. With respect for human rights as its basic principle, the Constitution provides a solid foundation for gender equality and affirmative action, as well as for

the attainment of personal freedom and security, and socioeconomic rights. There remains, however, a considerable gap between what has been achieved in the political and legal spheres and the reality of most women's lives. This is especially true of poor women, and of Black women in the rural areas and in informal settlements in particular. Mainly due to a long history of abnormal human relations, caused by apartheid, South African society displays extreme levels of gender-based *domestic violence and sexual abuse*, not least against children (see below).

### *3.6 Democracy and human rights*

The fight against apartheid was a struggle for democracy and human rights. Democratic South Africa was born out of the 1994 elections. The changes that have taken place in South African society have been rapid and revolutionary, but also surprisingly peaceful. A multi-party system has been introduced, a comprehensive and progressive Constitution has been adopted, and judicial, executive and legislative powers have been duly separated. The judicial system is independent, freedom of expression prevails, civil society is strong and active, all forms of discrimination are prohibited and the country has become a signatory to a number of important human rights conventions.

Despite the remarkable progress that has been made, it should be borne in mind that this is a fledgling democracy and that a democratic culture has not been fully established in South Africa. In practice, there are shortcomings in a number of areas due to such factors as limited financial and staffing resources, coordination problems in the administrative field, occasionally ambivalent policies (e.g. HIV/Aids), corruption, and certain attitudes left over from the apartheid era.

Clear elements of racial segregation and discrimination of women still persist, as do a number of problems relating to fundamental socioeconomic concerns. In addition, there are fears that the increasing dominance of a single political party will have unfortunate consequences.

The high rate of crime and violence in South African society represents a further threat to human rights. As noted above, women and children are the ones who suffer most violence. The violence to which South African women have been exposed was aggravated by the abnormal forms (and laws) for social relations introduced under apartheid. To combat violence against women and children, parliament has adopted a special law, the Domestic Violence Act, incorporating a very wide definition of wife-beating. In present-day South Africa, three women out of four are subjected to physical assault and two out of three to sexual abuse. The proportion of rapes is said to be one of the highest in the world. Police are often reluctant to intervene in such cases, viewing them as 'family quarrels'. Where cases have actually been reported to the police, they seldom reach the courts, as women often encounter a lack of understanding or interest when contacting the police or judicial officials.

### *3.7 South Africa in Africa*

Guided by President Mbeki's vision of an 'African renaissance', post-apartheid South Africa has assumed a leading role in the search for recovery, good governance,

peace and stability on the African continent. Being both the dominant economic power in the region and a political model for others, its role is crucial. South Africa has only 7% of the sub-Saharan population but in 1996 had no less than 41% of the region's GDP. At the same time, it controlled more than 90% of the combined stock market capital. Success in South Africa, therefore, is important for Africa as a whole. Conversely, it could be said that continental reconstruction, growth and development are of decisive importance for South Africa's own future.

The government has been particularly active in transforming the Organisation of African Unity (OAU) into the African Union (AU). Largely modelled on its European Union (EU) counterpart, the AU has ambitious plans for a continental parliament, a central bank, a single currency, a court of justice and a common defence mechanism under a Peace and Security Council. South Africa has also been in the forefront of the New Economic Partnership for Africa's Development (NEPAD), an innovative framework for African recovery and socioeconomic development. Indigenously owned, NEPAD reflects an African determination to shoulder responsibility for the continent's problems by ending armed conflicts, improving governance and strengthening regional integration. At the same time, it is calling for a new partnership with the international community, on equal terms. It is seeking assistance in the form of increased resource flows, debt relief and fair access to the global market. With initial financial assistance *inter alia* from Sweden and the other Nordic countries, a NEPAD Secretariat has been temporarily established outside Johannesburg.

Although its 'quiet diplomacy' and reluctance to openly censure the Mugabe regime in neighbouring Zimbabwe has provoked criticism, South Africa has come to play a leading role as a mediator and peace-builder on the African continent. In Burundi and the Democratic Republic of Congo in particular, it has not only been actively involved in diplomatic negotiations – regularly hosting sensitive and protracted peace talks – but has followed up its commitment through participation in peace-keeping operations.

Closer to home, the Southern African Customs Union (SACU) and the Southern African Development Community (SADC) are important forums for regional cooperation and balanced growth. Not classified as an expense in government accounts, South Africa's participation in SACU represents a substantial means of indirect support to the other member countries, i.e. Botswana, Lesotho, Namibia and Swaziland. Although South Africa does not consider itself a donor country, the government has established an African Renaissance Fund, administered by the Department of Foreign Affairs. It channels resources to the AU, NEPAD and various other initiatives aiming at integration and development in Africa.

It is proposed that Swedish assistance – channelled through Sida's allocation for regional cooperation in Africa or provided under the bilateral country allocation – be increased so as to benefit South Africa's efforts to promote continental peace, stability and development. As regards Southern Africa, conflict prevention and resolution should be addressed, along with critical cross-border issues such as water management, HIV/Aids and human trafficking. Support should be given to sub-regional initiatives involving Botswana, Lesotho, Namibia and – provided that a solution can be found to the present political crisis there – Swaziland. Swedish companies and NGOs

represented in South Africa should be encouraged to extend their fields of operation into neighbouring countries.

### *3.8 Commercial Relations between Sweden and South Africa*

In spite of macroeconomic stability, a favourable legislative environment, good infrastructure, significant natural resources and a considerable market, much-needed direct foreign investment has been limited. Among the reasons advanced are high rates of violent crime, the HIV/Aids pandemic, a lack of skilled labour and uncertain political prospects in the Southern African region, notably in Zimbabwe.

Nevertheless, commercial relations with Sweden have steadily grown since the economic sanctions against apartheid were lifted. From 1994 to 2003, the number of subsidiaries established by Swedish companies has increased to around 80. Several of the larger firms are represented, but many smaller companies – *inter alia* in the IT sector – have also set up local offices. Development in this area has been stimulated by the 1999 Swedish–South African Partnership Week, which included a trade exhibition with more than 100 participating companies from Sweden. In addition, a Swedish–South African Business Partnership Fund (SSBF) was launched to promote links between small and medium-sized businesses in the two countries.

As a result of South Africa's procurement of JAS Gripen fighter planes, investments from Sweden have also been promoted through significant offset undertakings entered into by the Swedish-British SAAB/BAE Systems consortium. Since 1994, total Swedish investments in South Africa have exceeded SEK 1 billion.

Bilateral Swedish–South African trade is governed by the Trade, Development and Cooperation Agreement between the European Union and South Africa. In 2002, trade between Sweden and South Africa amounted to some SEK 3.6 billion, of which two thirds represented Swedish exports to South Africa and one third South African exports to Sweden. The latter proportion is growing.

The Swedish tourist potential should also be considered. Representing no less than 4.9% of GDP in 2002, the tourist industry is among the fastest-growing sectors in the country. Sweden, too, has contributed, albeit modestly, to South Africa's status as one of the most popular non-traditional tourist destinations in the world.

### *3.8 Corruption and economic crime*

The country analysis concludes that post-apartheid South Africa stands out as a functioning and stable multi-party democracy. Although there have been incidents of extremism against the state, there would appear to be little in the foreseeable future to threaten the stability of the political system or the parliamentary majority of the ruling ANC.

In 2001, South Africa was ranked 38<sup>th</sup> out of 91 countries in Transparency International's corruption index. Corruption in South Africa is perceived as a real concern. Several prominent ANC politicians have been convicted of corruption or fraud – which, of course, also shows the strength of the legal system.

The South African government has made its intention to fight corruption and economic crime abundantly clear. In the case of international development cooperation, no cases of fraudulent behaviour or misappropriation of donor funds have been reported.

As will be seen below, it is proposed that Swedish assistance focus increasingly on the Eastern Cape province. This is not only one of the poorest provinces in South Africa but has in recent years experienced deep politico-administrative problems. Whereas an important objective of Swedish support is to assist the provincial authorities in establishing a transparent, democratic and efficient administration – financial management being a significant component of Swedish participation – these problems should be borne in mind and safeguards against corruption be included when projects and programmes are designed.

## **4. Findings of the Performance Analysis**

### *4.1 General conclusions*

Cooperation during the five-year period 1999-2003 has been guided by a common purpose, i.e. to bring reform initiatives to constructive implementation and to build democratic structures. Cooperation has generally been characterised by a strong adherence to the overriding objective of reducing poverty, inequality and vulnerability. Sweden's main contribution has been to transfer knowledge and experience. The principal areas of cooperation have been democratic governance, urban development and housing, education, research, culture, economic cooperation and private sector development. Gender equality, HIV/Aids, children's rights and environment have been the predominant cross-cutting issues.

International development assistance plays only a marginal role in the South African economy. Due to the fact that supported activities are characterised by a strong element of South African ownership, it is often difficult to identify and quantify the impact of a given contribution. However, in the case of bilateral cooperation between Sweden and South Africa, a number of evaluations, assessments and follow-ups indicate that Swedish contributions in several areas have had particularly significant results. A number of such areas are identified below. One case in point is the multi-sector assistance provided in the Northern Cape Province, where support to public administration – both at the provincial and at the local level – and to education and urban development has had a favourable impact on governance and social development. As the assistance to the Northern Cape has been scaled down, the approaches and models used are to a large extent being replicated in the province of the Eastern Cape.

Initiated at a crucial juncture in South Africa's transformation, institutional cooperation between public authorities and service agencies in the two countries has also been of great strategic significance. During the apartheid era, the so-called 'independent Bantustans' and 'Black homelands' – among them Bophutatswana, Ciskei, Transkei and Venda, all with significant populations – were not included in South Africa's

national statistics. The assistance extended by Statistics Sweden to Stats SA has been of great value in redressing this historical anomaly and establishing a basis for proper national accounting and socioeconomic planning. Similarly, the institutional partnership between the Swedish National Tax Board and the South African Revenue Service has dramatically improved the capacity of the latter, resulting in increased revenue collection and additional financial resources for development. Also, Swedish peer support to the South African Police Service has contributed to the democratisation of the police force, with an emphasis on practical application of the human rights principle.

#### 4.2 Disbursements 1999-2003

Actual (1999-2002) and projected (2003) disbursements within the Swedish–South African development cooperation programme during the present strategy period are as follows (in SEK million):

Sector/Area	1999	2000	2001	2002	2003 est
Education	66.2	33.5	35.3	26.7	12.0
Culture	19.9	21.5	19.4	14.8	8.2
Other social sectors	15.0	15.0	7.2	5.0	-
Democratic governance	140.7	134.8	113.0	98.2	85.6
Urban development and housing	55.9	43.2	32.9	28.5	33.8
Economic cooperation	18.6	34.1	44.4	18.5	13.4
Natural resources	3.8	6.9	4.3	4.3	0.6
Research and university cooperation	N.A.	1.7	3.7	7.6	12.2
Health Forum	-	-	-	-	3.5
Others	16.7	4.7	12.0	8.9	10.4
<b>TOTAL</b>	<b>336.8</b>	<b>295.4</b>	<b>272.2</b>	<b>212.5</b>	<b>179.7</b>

While total disbursements from Sweden over the four-year period 1999-2002 exceed SEK 1.1 billion, annual transfers show a downward trend, from a high point of SEK 337 million in 1999 to a low point of SEK 212 million in 2002, which represents a decline of no less than 37%. This decrease is due both to a planned phasing out of activities and to an increased share of co-financing.

Outside the bilateral partnership agreement, a number of Swedish NGOs receive significant financial support from Sida for activities in South Africa. Funds allocated during the four-year period 1999-2002 totalled SEK 134.6 million, which represents



more than 10% of the official country allocation and makes South Africa the foremost recipient of assistance from Sida-sponsored Swedish NGOs.

## **5. South Africa's Development Policy**

The second term of democratic governance, dating from 1999 and led by President Mbeki, has focused on implementation and improved service delivery. The priority aim is to reduce poverty, inequality and vulnerability. This aim is expressed in strategy documents such as the Integrated Sustainable Rural Development Programme, the Urban Renewal Strategy and the Medium-Term Expenditure Framework.<sup>3</sup> The role of the National Treasury in monitoring provincial poverty reduction strategies should be underlined. The budget for 2003/4 reflects this orientation, with a bias towards socioeconomic issues, skills development, safety, land restitution, responses to HIV/Aids, SMMEs, BEE and local governance.

To honour its commitment to a 'better life for all', pledged in the 1994 Reconstruction and Development Programme, the government is facing difficult choices between competing economic and social policy priorities and spending pressures in the medium-term. Balancing these choices, it needs to ensure that budgeted expenditure is affordable and sustainable and that it effectively contributes to the broader socioeconomic policy objectives.

The progress made in stabilising the macroeconomy and in improving management of public finances has enabled the South African government to shift the focus towards micro-economic reforms aimed at unblocking obstacles to higher growth, job creation and social development. Maintaining macroeconomic stability alongside micro-economic reforms will, however, remain a key objective when addressing the challenges of equitable and sustainable development.

After a period focused on policy development and an enabling legislative framework, emphasis has shifted to implementation and service delivery. In this context, the objective of integrated governance is being reinforced by stronger coordination and the grouping of 23 national government departments into five cabinet clusters with common sectoral challenges.

Local administrations are expected to play an increasingly important role in the implementation of these policies, especially with regard to service delivery and the promotion of economic development.

## **6. South Africa and the Millennium Development Goals**

In September 2000, South Africa – like Sweden – signed the UN Millennium Declaration. A comprehensive agenda for reducing poverty and vulnerability, the declaration established eight broad Millennium Development Goals (MDGs), to be reached by the year 2015. The South African government is actively seeking to expedite the achievement of the goals, nationally as well as on a global scale. This

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<sup>3</sup> Among other key policy documents are the Integrated Manufacturing Strategy, the Human Resource and Skills Development Strategy, the Health Sector Strategic Framework and the HIV/Aids Strategic Plan.

was demonstrated *inter alia* at the World Summit on Sustainable Development (WSSD), held in Johannesburg in August-September 2002. The host country successfully promoted the inclusion of a number of targets relating to environmental sustainability (Goal No. 7), such as halving the number of people without basic sanitation, reversing biodiversity loss and phasing out chemicals that adversely affect health. As noted above, with regard to a global partnership for development (Goal No. 8), South Africa plays a leading role in NEPAD.

In cooperation with the United Nations Development Programme (UNDP), developing and transition countries are to submit interim reports on the implementation of the MDGs by the end of 2004. This will also give South Africa an opportunity to review the achievements made in the country during the 'first decade of democracy and freedom', i.e. since the non-racial elections of 1994. A draft report – prepared by Stats SA and the UNDP at the request of the Department of Social Development – was submitted to the government in mid-2003. The report's conclusions confirmed the findings of the country analysis. The following were among the key interim conclusions relating to the main socioeconomic MDGs:

*Goal No. 1: Eradicate extreme poverty and hunger:* In 2000, 11.5% of South Africa's citizens were living on less than USD 1 per day. No significant change in the position of the poorest section of the population was registered between 1995 and 2000;

*Goal No. 2: Achieve universal primary education:* In 2000, net enrolment in primary education in South Africa exceeded 95%, which represented a high figure compared to any country;

*Goal No. 3: Promote gender equality and empower women:* Compared to boys, a lower proportion of South African girls attend primary education. However, a higher proportion of girls are in secondary and tertiary education. Literacy rates among males and females are very similar. In 2000, 45.6% of people in gainful employment were women. Women held almost one third of all seats in the national parliament. Oppression and abuse of women is widespread;

*Goal No. 4: Reduce child mortality:* The under-five mortality rate decreased from 93 to 70 per 1,000 children between 1990 and 2000, which is in line with the MDG target of reducing child mortality by two thirds by 2015;

*Goal No. 5: Improve maternal health:* Maternal mortality rates decreased from 250 to 230 per 100,000 live births between 1990 and 1995. According to the Department of Health, the rate was as low as 150 in 1998; and

*Goal No. 6: Combat HIV/Aids, malaria and other diseases:* As noted above, HIV/Aids is spreading in South Africa and now constitutes the single most serious threat to the country's social fabric, and to growth and development in the country. While the prevalence of malaria is low, the incidence rate for tuberculosis is among the highest in the world, and increasing.

Thus South Africa is well on course to achieving most of the Millennium Development Goals. Prospects are not encouraging, however, as regards either poverty alleviation

for the most destitute citizens or the fight against HIV/Aids among the population in general.

## **7. The Donor Environment**

Due to the size of the South African economy, official international development assistance (ODA) plays a marginal role, corresponding in 2000 to a mere 1% of the budget or 0.2% of GDP. Accordingly, assistance is focusing on capacity building and skills development in selected strategic areas for service delivery.

The principal sectors, which are also those accorded the highest priority by the South African government, are:

- Education
- Health
- Urban development and housing
- Private sector and local economic development
- The judiciary
- Water and sanitation
- Regional cooperation and integration

The largest donor is the European Commission (EC), which – together with the European Investment Bank (EIB) – annually contributes some EUR 200 million. The European Union (i.e. EC, EIB and the member states together) represents around 70% of all ODA to the country. The EC-EIB are followed by the United States, Sweden, Germany, Japan, the UK, Denmark, the Netherlands and Norway. The main focus of these donors' programmes is reduction of poverty, inequality and vulnerability, and democratic development (including the strengthening of local governance and measures to combat HIV/Aids, criminality and poverty).

As South Africa is a comparatively rich country with domestic capital at its disposal, most donors have focused their efforts on more programme-oriented forms of assistance, including institutional partnerships, or have sought cooperation with the private sector and/or civil society. A number of assessments by donor organisations have indicated that technological cooperation is much appreciated by South African partners and represents an effective instrument for strengthening indigenous implementation capacity.

Development cooperation with South Africa is in general programme-oriented, linked to the needs of government departments. Sector support programmes are relatively few but increasing in number. They include Sector Wide Support for the Private Sector (SWEET) and the Department of Water Affairs' Masimbambane Programme, both with EU as the main donor and lead agent. The Directorate for International Development Cooperation (IDC) in the South African National Treasury coordinates all ODA. To improve coordination at the strategic level, a Donors Forum has been established. It will be convened by the IDC three or four times a year. On the South African side, the IDC convenes a Donor Coordinators' Forum with provincial and national donor coordinators, and will also convene an annual International Development Forum at ministerial level. Within the EU, counsellors for development cooperation meet once a month to improve coordination among the member states.

## **8. Objectives of the Development Cooperation Programme**

In accordance with Sweden's Policy for Global Development, the overall goal of development cooperation with South Africa is to help create conditions that will enable poor people in that country to improve their situation, in the context of equitable and sustainable development. Development cooperation will focus on (i) reducing poverty, inequality and vulnerability, and (ii) consolidating democracy and respect for human rights.

The country strategy governing cooperation between Sweden and South Africa in 1999-2003 laid down that traditional aid relations "shall gradually – as the South African government succeeds in tackling the inheritance of apartheid – be phased out in favour of other forms of cooperation". During the five-year period, "a strategic goal shall be established, namely to promote long-term, broader relations".

Considerable ground towards this goal has been covered. Since 1999, five municipal twinning agreements have been concluded. Joint funds have been introduced in the areas of private sector development and research. The foundation for a cultural fund has been laid. In addition to institutional partnerships (e.g. within the areas of tax collection and statistics), a Health Forum has been established under the Bi-National Commission.

By 2003, the development cooperation programme was increasingly characterised by partnerships of various kinds, co-financed by the two partners. Thus the 'starting point' of the 2004-2008 country strategy defined in the Swedish government guidelines – that "*the present development cooperation shall be transformed into broader cooperation, based on mutuality and joint financing*" – has already been reached in a number of areas during the present strategy period (1999-2003).

While the transformation of the programme is to continue and be intensified during the coming strategy period, the impact of the HIV/Aids pandemic on South African society is of such a nature and magnitude that a departure from this approach is justified for the purpose of combating the spread of the disease.

The South African government is committed to addressing the needs of the poor, as well as to upholding democratic and human rights. Cooperation is mainly geared

towards supporting the poverty reduction objectives, the Millennium Development Goals, economic growth and the consolidation of the country's fledgling democracy. Partnerships that meet with these priorities should be well aligned with the overriding objectives of the development cooperation programme.

## 9. Transformation of the Cooperation

The transformed development cooperation programme will be based on a careful selection and composition of the areas of intervention, as well as of the forms of the relationship. It will be negotiated and will involve consultative processes in both countries. Built on shared experiences, the transformation is not motivated by a downscaling of priorities, nor by the assumption that the need for support no longer exists. It is rather based on the Swedish assessment that South Africa, relative to most other African countries, has the financial resources for its development needs, although it is still confronted with a range of inherited problems.

Swedish participation – based on South African ownership – should involve broader sections of the Swedish society in direct, mutually beneficial, relations with South African counterparts, and:

- add relative value;
- focus on technical expertise and capacity building;
- encourage experience/lessons sharing;
- contribute to cooperation between Sweden and South Africa in third countries as well as in multilateral forums; and
- help South Africa to learn from Swedish cooperation with other countries.

The proposed transformation rests on historical ties and a common political interest in widening and deepening the bilateral relationship. It is also in line with the Swedish Government Bill 2002/03:122 'Shared Responsibility: Sweden's Policy for Global Development', which states as one of its basic propositions:

*Global development policy concerns us all. Swedish society as a whole must be involved in these efforts. In the Swedish Government Offices, the responsibility for achieving [the goal of equitable and sustainable development] will be divided among all the ministries. Community organisations, popular movements and the private sector will be assigned a more important role.*

The transformation of development cooperation is also defined by the aims expressed in the same bill under 6.4, 'Different situations require different forms of development cooperation arrangements' (p 62):

*Development cooperation should be based on the realisation that conditions, needs and interests vary between different countries. It should be adapted to the perspectives, interests, capacity, conditions and needs of poor women, men and children. All international efforts should be based on the developing countries' own national poverty reduction strategies and priorities.*

South Africa's transition from a regulated economic system and minority rule to an open economy and democratic governance enjoys many similarities with the process in Russia and other Eastern European countries. In addition to the economic potential, they have a number of socioeconomic challenges in common. These include such aspects as a high crime rate, trafficking, drug abuse, domestic violence and the spread of HIV/Aids. The models applied and the experience gained in cooperation between Sweden and the Eastern European countries should also be relevant to cooperation with South Africa.

During the continuing transformation process, flexibility is essential. Before a solid portfolio of sustainable partnerships can be established, a number of trial attempts will need to be made. There should also be further scope for new, demand-driven initiatives. As part of the 'broader cooperation' it has established with many other countries – notably the transition economies of Eastern Europe and medium-income countries in Asia and Latin America – Sweden is pursuing a range of small-scale projects, within such frameworks as contract-financed technological cooperation.

### 9.1 The Transformation 'Toolbox'

Future cooperation with South Africa may take many forms. The existing instruments at Sida's disposal should be considered and their applicability to broader cooperation in a South African context should be assessed.<sup>4</sup> The most important tools include<sup>5</sup>:

a) *Contract Financed Technical Cooperation (CFTC)*, based on the principle of a high volume of assistance with a low level of administration at Sida and its counterpart. Resting on the sharing of costs and responsibilities between two competent partners, it is a form of cooperation well suited to South Africa. A CFTC window, called the Technical Cooperation Facility (TCF), has already been introduced into the Swedish–South African cooperation programme.

b) *Financial market development*: Sida has at its disposal a number of financing facilities, mainly for investments in infrastructure and in the private sector, but also for developing financial markets for the benefit of the poor. While most credit facilities are not applicable to South Africa, financial guarantees could be of interest, *inter alia* to provide continued support for micro-credit institutions. Guarantees are presently contemplated for financing low-cost housing and for support to different micro-credit schemes in the private sector. Funding of NGOs could also be considered in this context.

c) *International Training Courses (ITC)*: South Africa already sends a substantial number of participants to most of the 80-odd courses that Sida arranges every year. The same training concept could be applied at the national, sub-regional and regional levels. South Africa could act as host for many courses. Presently under consideration is a course in local governance.

d) *Twinning*: The expression is defined here as cooperation between municipalities,

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<sup>4</sup> Common features of these tools are ownership on the part of the relevant partner, and thus limited demands on Sida as regards administration and management, and also that they allow for considerable flexibility in development programmes in terms both of time and money and of direction and content.

<sup>5</sup> The list is not meant to be exclusive; other forms and means of cooperation may be explored.

local government structures and/or public institutions, based on peer education and a mutually beneficial exchange of knowledge and experience. Five municipal twinning arrangements have been established, some with financing through the urban development programme and some through Sida's frame agreement with SALA-IDA. Similar arrangements between other municipalities, as well as between provinces/counties in the two countries, will be encouraged.

The twinning agreements are broad, encompassing a wide variety of activities, not only in the area of urban development, but also in governance, business, culture, education, youth, sports and civil society, thus addressing a wide range of cross-cutting issues.

If the twinning arrangements are to increase in the future, agreement on proper guidelines should be reached. They should outline the overall objectives of the cooperation and define the requirements for project design, reporting structures etc. The possibility of conferring responsibility on SALA-IDA for the administration of cooperation undertakings in accordance with such guidelines is to be explored

e) The *'fund model'* has been implemented in South Africa in two cases. The most salient example is SSBF, established in 1999 to promote strategic partnerships between Swedish enterprises and South African small and medium-sized BEEs. When the present agreement expires in 2009, the operation is expected to continue under different ownership. The Research Fund was established in 1999 as a partnership initiative between the Swedish and the South African national research councils. It finances some 10 to 20 joint research projects per year. The establishment of a Culture Fund is currently in preparation.

f) *Regional projects and programmes and tripartite cooperation:* Both South Africa and Sweden have declared their interest in jointly supporting other, less developed countries in Africa. Some tripartite cooperation initiatives have been launched, notably between the South African Police Services and the Swedish National Police Board to assist with capacity building in Rwanda. Another initiative – also targeting Rwanda – is the partnership between the Sida-financed Municipal Training Institute (MTI) in the Northern Cape Province and SALA-IDA.<sup>6</sup>

g) *Bilateral forums* for exchanges of experience and for the programming of joint undertakings. At the initiative of the Bi-National Commission, a bilateral Health Forum has been introduced. In addition, the possibility of establishing a Labour Market Forum will be explored. Additional forums may be considered. It is proposed that the two governments make special financial provisions to facilitate this kind of exchange.

h) *Support to civil society* is an area that presents challenges in a transformed cooperation scenario, particularly to South African NGOs engaged in advocacy and lobbying. Sida operates an important global civil society support programme. The 80/20 Programme – which takes its name from the funding ratio between Sida and

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<sup>6</sup> These initiatives have been taken despite the absence of guidelines or procedural arrangements on Sweden's side. In future, it is proposed that tripartite cooperation with South Africa be confined to those sectors where there is, or has been, a bilateral relationship. In addition, Sweden and South Africa should agree on procedures for such arrangements, including project design and monitoring, principles for cost-sharing, etc.

the Swedish NGOs – is its largest individual budget line. Under this programme, considerable resources are directed to South Africa.

An important challenge is to make the aforementioned instruments known in both Sweden and South Africa. Resources should be set aside for testing the instruments' applicability and for marketing/promotion purposes.

## **10. Areas of Future Cooperation, 2004-2008**

During the coming strategy period, all implementation agreements – except the one guiding SSBF – will expire. Ongoing programmes may be extended beyond 2004 and new programmes may be introduced if they are deemed to have the potential to result in sustainable, co-financed partnerships. Additional new programmes will only be considered if they:

- a) would make a tangible difference in addressing HIV/Aids; or
- b) facilitate or result in cooperation between Sweden and South Africa in other African countries.<sup>7</sup>

### 10.1 Democratic Governance

Swedish assistance will cover a small number of focal areas. Support to civil society may increasingly be channelled through Swedish NGOs. In addition, support will be concentrated to the Eastern Cape Province. Opportunities for drawing on/replicating practices from the Northern Cape local government programme will be explored in connection with urban development support and local twinning arrangements.

The aim is to link and merge projects, not only within the democratic governance sector but also in the fields of education and urban development, as a means of achieving greater impact on service delivery and poverty alleviation. Efforts to mitigate the effects of HIV/Aids will again be intensified and will be mainstreamed into all programmes and projects.

Support at the provincial level is to be combined with support to local government. To achieve greater impact, both the political and administrative side of local government will be taken into consideration.

#### *10.1.1 Public administration*

Cooperation with the Eastern Cape Provincial Administration (ECPA), covering service delivery improvements in areas such as human resource development, financial management, HIV/Aids and education, will continue until the end of the strategy period. Opportunities for further institutional twinning arrangements will be explored, along with prospects for linking projects to the local government level. The

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<sup>7</sup> Cf. the Swedish Government's foreign policy declaration of 11 February 2004, identifying HIV/Aids and conflict prevention work as priority areas in Sweden's development effort.



ECPA is expected to assume an increasing share of the costs for project implementation.

Support to national institutions in the public sector will continue until current agreements expire. Most will end towards the middle of the coming strategy period. This is an area which lends itself to continued cooperation under the CFTC facility. If further support is considered, it should be with a view to transforming it into CFTC-based relationships.

Direct budget support to government departments, such as the Office of the Status of Disabled Persons and the Department of Justice, will be discontinued. The agreements in force expire in 2004 and 2005 respectively.

Further support to the South African Department of Safety and Security and related institutions should be considered, however, with a view to strengthening institutional partnerships. Prospects for continuing the institutional partnership between the South African Department of Social Development and the Swedish Ministry of Social Affairs are to be explored. Similarly, direct links between Swedish *ombudsman* offices and their South African counterparts will be encouraged, particularly in the areas of women's and children's rights.

#### *10.1.2 Legal and social sectors*

Substantial support has been given to paralegal advice services and impact litigation via the Swedish section of the International Commission of Jurists. This assistance will last until the end of 2006. If it is to continue further, ownership must by that time have passed to the South African government.

Under the 2001 BNC agreement, the possibility of extending areas of cooperation is to be considered, with a view to enabling other departments in the South African 'Justice Cluster'<sup>8</sup> to take part in institutional partnerships between Sweden and South Africa.

#### *10.1.3 Civil society*

Given the importance that Sweden attaches to civil society for socioeconomic development and the strengthening of democratic processes, Swedish NGOs will be encouraged to continue and expand their work in South Africa with Sida's 80/20 support. Prospects for strengthening South African grant-making bodies and other organisations working towards a more conducive domestic funding environment could be explored.

The role of trade unions, churches and other broadly based organisations should be emphasised. During the struggle against apartheid, COSATU, the South African Council of Churches (SACC) and the Congress of Traditional Leaders of South Africa (CONTRALESA), were all major recipients of Swedish humanitarian support. These relations should be encouraged, preferably based on partnership arrangements with

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<sup>8</sup> The *Justice Cluster* is composed of the Department of Justice, the Department of Safety and Security, the Department for Correctional Services and the Department for Social Development.

their Swedish counterparts. In the case of the trade union movement, such partnerships could be an integral component of the proposed Labour Market Forum. SACC and CONTRALESA could play a prominent role in the combat against HIV/Aids.

## 10.2 Urban Development

The agreements on support to Sol Plaatjie (Kimberley) and Nelson Mandela Metro (Port Elizabeth) are valid until the end of 2004 and 2005 respectively. Further assistance should then be channelled via established twinning arrangements.

Cooperation with Buffalo City (East London) was only initiated in late 2001 and will expire in June 2004. A two-year extension will then be needed to consolidate the results of this cooperation and to replace it with the twinning arrangement with Gävle, initiated in June 2003.

Twinning/partnership arrangements between local government structures have proved an effective means of transferring expertise and capacity building. At present, cost sharing is substantial (about 50/50), taking into account the worktime that the local government bodies have invested in the projects.

Sweden has supported a large number of initiatives aimed at improving access to finance for low-income housing. As both focus and methodology are being reviewed and there is no lack of capital, no further financial assistance is planned during the forthcoming strategy period. Sweden will be involved in the review process.

Financial guarantees for the construction of low-cost housing may be contemplated.

## 10.3 Education

In line with the general transformation of development cooperation, the present programme of grant support to compulsory school education will be phased out during the strategy period. The current agreement with the South African Department of Education on inclusive education, 'A School for All', will expire in 2006. The support programme also covers children affected by HIV/Aids. Funding has been allocated for institutional cooperation with Swedish institutions. If deemed of mutual benefit, and if an acceptable formula for cost sharing can be worked out, cooperation may be extended.

Continued support to human resource management in the Eastern Cape Province will include assistance to the provincial Department of Education. Contact with interested educational institutions in Sweden will be encouraged. The universities of Port Elizabeth and Göteborg are already engaged in joint programmes.

## 10.4 Research

The South African-Swedish Partnership Programme has been successful and is in line with the criteria of reciprocity and cost-sharing (currently standing at 1:3). The current cycle of the Swedish-South African Research Partnership Programme will

come to an end in the year 2006. The programme will then be extended and continue throughout the forthcoming strategy period, but with a larger South African cost contribution. The Department of Science and Technology will join its Swedish counterpart, the Ministry of Education and Science, in identifying and developing programmes of mutual interests for future implementation in the areas of research, science, technology and innovation. These programmes may also include multi-party (multi-country) research partnerships.

The possibility of introducing a special 'invitation area' for research on HIV/Aids has been proposed by the HIV/Aids team in Lusaka. Such an area may be established through additional funds. It would be governed by the same general procedures as the present cooperation programme, but allow for full financing of the research.

### 10.5 Culture

Culture is an area with a strong potential for reciprocal cooperation. It plays an important and relevant role in the present situation in South Africa and cooperation in this field is mutually rewarding. Culture is an integral part of popular empowerment and nation building, promotes behavioural change, and is a key driver in the South African government's moral regeneration and social cohesion strategies. Long-term financial sustainability is, however, problematic.

In 2002, a feasibility study was undertaken regarding the creation of a joint Swedish–South African Culture Fund. In accordance with its recommendations, such a fund will be set up towards the end of 2003 and become operational from April 2004. The two governments are to share the costs and the activities of the fund are to be of mutual benefit. The fund will be administered jointly by South Africa's National Arts Council and Sweden's National Council for Cultural Affairs.

### 10.6 Private Sector Development and Economic Cooperation

The cooperation programme currently under way in this area involves support to the South African Micro Finance Regulatory Council, which works with consumer protection and the development of the micro-lending sector, to the Micro Enterprise Alliance, a network of micro-enterprise development organisations, mainly focusing on advocacy, lobbying and increasing the efficiency of its members, and to two micro-credit organisations, Finca and Marang.

All the specific agreements will expire during the forthcoming strategy period. At least one of the micro-credit organisations is expected to become a commercially viable model for credit provision to the poor.

The final phase of Swedish support to the Community Self-Employment Centre, COMSEC, in the Eastern Cape will be completed during the strategy period.

Support for regional cooperation on micro-finance issues is to be explored.

The SSBF agreement is valid until December 2009. The period for promotion of business-to-business linkages has been extended to mid-2007. The SSBF is expected to continue facilitating viable, long-term, bilateral partnerships.

Other initiatives based on reciprocity will also be considered during the strategy period, such as entrepreneurship for women and Start South.

In accordance with Sweden's Policy for Global Development, Sida should work closely with the Swedish resource base, including government promotion agencies, to develop instruments and forms of cooperation that would bring together and put to use different kinds of experience, components and resources.

To help South Africa reap the benefits of its new free trade agreement with the EU, capacity-building assistance in the trade and trade policy field may, if requested, be supplied to the parties concerned. Central government administration is likely to be the foremost recipient in this respect. Internal capacity-building assistance may also be provided to help South Africa develop its trade policy in the WTO. In view of South African membership of the Southern African Customs Union (SACU) and the central significance of the connection to other members' economic partnership negotiations with the EU, it may be necessary to take the regional dimension into account.

**#Svårtydd svensk mening – rätt tolkat?#**

## 10.7 Proposed new areas of cooperation

### 10.7.1 *HIV/Aids*

Hitherto, HIV/Aids has not constituted a bilateral area of cooperation in its own right. Instead, it has been mainstreamed into the various development programmes and projects. Given the extent of the problem, both the country analysis and the performance analysis indicate that such an approach is inadequate. It is therefore argued that the HIV/Aids threat merits exclusion from the overall criteria and principles for transformation.

There is a close link between the spread of the HIV pandemic and gender relations. Sexual violence against women and children often has its roots in the pandemic, and attitudes and misconceptions contribute to the spread of the virus and impede and delay preventive measures.

Sweden seeks to encourage strategic combinations and synergetic effects by supporting important concerns and principles at different levels, both in civil society and in the public sector, the aim being to achieve a greater, more tangible impact. Among the more pressing and important ones are those of gender and domestic violence, particularly in relation to HIV/Aids.

Larger projects focusing on public service delivery have the potential for significant impact. They constitute important platforms from which cooperation in the HIV/Aids area may be developed. In order to achieve greater impact, the possibilities of coordinating interventions and creating synergies will be assessed. Similarly, the

opportunities of targeting different intervention points at the provincial and local government levels, as well as within the civil society, will be explored.

Support to organisations with a rights-based/legal approach to the HIV/Aids will continue and be stepped up during the strategy period. HIV/Aids will also become one of the principal areas for institutional cooperation between the statistical agencies, i.e. StatsSA and Statistics Sweden.

At the beginning of 2004, a plan of strategy is to be developed for the period as a whole, addressing issues such as policy dialogue, areas of support, and the mainstreaming of HIV/Aids. In addition, annual plans of activity are to be drawn up in close consultation with Sida's regional HIV/Aids team in Lusaka. These plans are to include gender aspects as well as support for measures to combat violence against women and children, both of which are closely linked to the AIDS pandemic.

### *10.7.2 Labour Market Forum*

A major obstacle to South Africa's economic growth and equitable development, as well as to inclusive nation-building, is the high level of unemployment. Job creation, therefore, is a crucial aim.

Swedish labour market policies – pro-actively involving the state, the employers and the trade unions – should be relevant to South Africa. Following the model of the Health Forum, it is proposed that a Labour Market Forum be established under the Bi-National Commission. Politically anchored at government level in both Sweden and South Africa, the forum could facilitate tripartite communication and an ongoing dialogue between concerned institutions and organisations in the two countries. The relevance and possible replication of Swedish experience of employment office activities and of job-oriented skills training, should be explored. Special attention should be paid to measures that promote fundamental rights and safety in the workplace.

With financial support from Sida, the key actors in the Swedish labour market – the Confederation of Swedish Enterprise, the Swedish Trade Union Confederation (LO) and the Confederation of Professional Employees (TCO) – have taken an independent initiative to launch a 'Labour Market Dialogue' with selected countries, including South Africa. The question of how this initiative might be linked to the proposed Labour Market Forum will be explored.

### *10.7.3 Cross-Cutting Issues*

Cross-cutting issues affecting the environment, democracy and human rights, women, children and young people, the disabled, gender equality and HIV/Aids must be taken into account in all development contexts, even when they have not been identified as key intervention areas. In this respect, the Bi-National Commission can play an important part as a forum for dialogue.

Under Sweden's transformed development programme, ownership will be shared between South African and Swedish partners. This will necessarily involve a new role

for Sida in Stockholm and for the Swedish embassy in Pretoria as regards dialogue with the various stakeholders on cross-cutting issues.

This dialogue will include existing and potential partners and must focus increasingly on capacity building. Funding for the purpose of addressing cross-cutting issues should be made available in the various partnerships.

If the development aims are to be fulfilled, cross-cutting issues such as environmental concerns and sustainable management, gender, democracy, human rights and HIV/Aids, must be addressed. Activities relating to these fields will, where applicable, be considered in all areas of future cooperation. The various transformation tools will play a part in this connection. At the beginning of the strategy period, a plan is to be developed for addressing cross-cutting issues in 2004-2008.

Further, South Africa and Sweden should in all areas of cooperation share experiences and jointly develop best practices with other countries in the fields in which they are active, including HIV/Aids, domestic violence, gender inequality, environment, low-income housing, and local government service delivery.

### *11. A Financial Planning Model*

In its March 2003 guidelines to Sida, the Swedish government stated that “present development cooperation shall be transformed into broader cooperation, based on reciprocity and joint financing”. It further stated that Sida’s proposals were to “specify the anticipated volume of assistance during the strategy period and how it is to be gradually reduced”.

Since 1999, Swedish development assistance to South Africa has been decreasing yearly. From a peak of SEK 337 million in the first year of the present strategy period, estimated disbursements in 2003 will amount to less than SEK 180 million. The indicative budget allocation for the 2004 budget year is SEK 140 million and for the period 1 July 2004–30 June 2006, SEK 300 million. A number of cost-sharing arrangements have been introduced, ranging from direct co-financing to indirect national, provincial or local South African contributions. While it is difficult to estimate the monetary value of these contributions, it is fair to state that partnerships and co-financing are already a salient feature of the development cooperation programme. Examples of co-financed undertakings include a) support to the Nelson Mandela, Buffalo City and Sol Plaatjie local government structures, where cost sharing is 2:1, i.e. South African contributions amount to a third of the total cost<sup>9</sup>, b) the Research Fund, where South Africa is responsible for a quarter of the funding allocation, c) the proposed Culture Fund, where agreement has been reached on a contribution amounting to one-fifth of the total, and d) contract-financed technical cooperation in various fields, including partnerships between the Swedish and South African tax authorities based on the CFTC model.

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<sup>9</sup> The contributions from South African local government bodies cover such items as consultancy costs, the financing of pilot projects (hardware) and workshops etc.

The main thrust of development cooperation during the forthcoming strategy period will be to pave the way for direct institutional, co-financed partnerships from 2009 onwards. The readiness of partner institutions to finance a share of the programme out of their own funds will of course be contingent on the benefit that the partnership confers upon each participant. However, in the case of Swedish partners, self-financing opportunities are limited by the availability of budget funds for international activities and by legislation that prevents local and regional authorities from financing activities abroad out of revenue. Opportunities for establishing financially sustainable partnerships are better in the income-generating sphere, especially in business cooperation.

While the participants will gradually assume greater responsibility for the financing of partnerships, public funding from Sweden and South Africa will continue to be necessary, albeit in other forms than currently found in bilateral development cooperation. Although in many areas it is too early to establish the forms of public support, Sweden should as a matter of urgency enter into a dialogue and arrive at an agreement with the South African authorities on a suitable timetable for increased co-financing during the strategy period. The goal is for the broader development programme by common consent to be financed jointly by Sweden and South Africa in roughly equal parts by the end of the period.

## **12. Administrative Considerations**

### *12.1 The Bi-National Commission*

As new ground will be broken in 2004-2008, new instruments will need to be applied and new actors will be increasingly introduced during the strategy period. Sida's role will change. In light of this – and with a view to establishing and guiding the process at the highest political level in the two countries – it is proposed that the Bi-National Commission oversee the process towards a long-term, sustainable and co-financed broader partnership. Reports on progress and shortcomings with regard to the implementation of the country strategy should be submitted to the BNC.

Representing as it does a unique forum for political dialogue, the Commission itself could in addition discuss general concerns and cross-cutting issues of relevance to the bilateral development cooperation programme, such as local service delivery, relations with civil society, environment, corruption, crime and violence, the rights of women and children rights, and HIV/Aids. South Africa's role in Southern Africa and on the African continent at large should be included on the agenda, with a view to identifying possible areas for tripartite arrangements.

### *12.2 Monitoring and follow up*

Monitoring and follow-up of *general developments and trends* will be effectuated via semi-annual reports on the development cooperation programme, and via the annual country plan. The latter will provide a basis for a mid-term review of the country strategy. It should also include monitoring of the co-financing mechanism over the strategy period.

In accordance with standard practice, the implementation of the country strategy is to be contingent on developments in the country. Sida is to inform the Swedish Ministry for Foreign Affairs in advance of the anticipated annual volume of development assistance and of major undertakings, and also consult with the ministry prior to decisions on important matters of principle. Sida and the Ministry for Foreign Affairs are to jointly review the status of development cooperation with South Africa on an annual basis. In addition, reports are to be submitted in connection with meetings of the South African–Swedish Bi-National Commission.

*Programmes and projects* will be followed up by means of project reporting, project visits, the rating system, sector reviews and evaluations.

The methods used for transforming the development cooperation programme will be systematically followed up.

Total administrative resources at the Embassy are expected to diminish during the strategy period. A redistribution of resources between Sida and the Embassy may also prove necessary. Additional short-term resources may be allocated for implementing the transformation of development cooperation with South Africa. The transformation process will also necessitate changes in the roles and functions of staff both at the Embassy and at Sida in Stockholm.





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