

USAID/South Africa

Annual Report

FY 2005

June 16, 2005

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South Africa

Performance:

In 2004, South Africa celebrated a decade of democracy and held its third consecutive national democratic elections. However, joblessness, crime, and corruption sap public support for South Africa's hard won democracy. The official unemployment rate is estimated at 27.8%, and crime rates remain extraordinarily high with 22.9% of South Africans being victims of crime in 2003. Income distribution is extremely unequal with over 50% of the total population, mostly black South Africans, living below the poverty line. The health of the South African population has declined rapidly over the last ten years largely due to the rapid spread of the HIV/AIDS epidemic, with an estimated HIV prevalence of 27.9% among pregnant women. The quality of education remains a concern with black South African students still receiving poorer instruction and access to advanced courses and technology. Almost 10 million South Africans still live in slums, 16% lack basic shelter and 41% lack basic sanitation. Only 80.3% of black South African households have access to piped water compared to 99.2% of Indians and 99.3% of white South African households. The transfer of ownership, equity and management from established commercial farmers to historically disadvantaged farmers remains one of South Africa's most sensitive rural development issues.

The USAID program supports South Africa's efforts to address these social and economic constraints. With all donor resources in South Africa totaling less than two percent of the government's budget, the USAID program focuses on strategic interventions that work as a medium to produce broader change. Through targeted interventions, USAID is helping South Africa make policy and operational changes that help fight crime, deliver basic services such as water, electricity and sanitation, and help stem the pandemic of HIV/AIDS. Programs in education and primary health care focus on the poorest provinces in South Africa - Eastern Cape, Kwa-Zulu Natal, Limpopo, Mpumalanga and Northern Cape (education only) which have 56% of the total population. USAID has scaled up programs to address the dramatic increase in HIV/AIDS throughout the country.

Challenges: South Africa's greatest challenges in the decade ahead are to ensure that the epic changes made in the first decade of freedom are consolidated and impact the lives of everyday South Africans. While the first decade included landmark changes in the country including the dismantling of entrenched apartheid systems in the legislative arena, there is still great social and economic division. With new policies and laws in place that provide a clear mandate and framework, South Africa can begin to make advances in reducing unemployment, fighting crime, stemming HIV/AIDS and providing basic services to all its citizens. USAID programs help South Africa put its sound macroeconomic policies into action and promote innovative approaches to boost employment and reduce poverty.

Key Achievements:

HIV/AIDS and Primary Health Care: USAID continued to support South African efforts to expand quality primary health care to neglected areas of the country. With HIV prevalence of 27.9% among pregnant women and tuberculosis rates among the top ten in the world, South Africa's health challenges are great. South Africa is a focus country under the President's Emergency Plan for AIDS Relief and USAID is a principal implementer of those programs. The significant boost in resources received under the Emergency Plan has helped to expand HIV/AIDS interventions across the country. The State Department's Office of the Global AIDS Coordinator's report discusses these achievements and programs at <<http://www.state.gov/s/gac>>. Over the past seven years USAID has helped South Africa transform primary health care in the Eastern Cape, one of South Africa's poorest provinces. Primary health care services are now available at 97% of the 689 clinics in the province reaching over 6.4 million people. Community involvement has increased with more than 600 well functioning hospital and clinic

committees. The province now devotes more than half of its budget to primary health care, compared to less than 20% of the budget in 1997. Using the achievements in the Eastern Cape, the USAID program builds on South Africa's considerable resources to expand health care to more South Africans around the country. USAID-funded experts help South Africans do their jobs better, by ensuring the quality of health care services through technical training, providing key guidelines, and building information systems that help South African health officials plan and budget to make sure clinics are staffed and that essential drugs are available when needed by patients.

Additional achievements in primary health care in FY 2004 include key HIV/AIDS services and support to 106 hospitals and 944 clinics in five provinces to improve the quality of care in maternal and child health and tuberculosis (TB). For example, USAID technical assistance helped an Eastern Cape hospital restructure its voluntary counseling and testing program, resulting in an increase from 40% to 72% of clients in the first nine months of 2004. Using innovative mobile clinics funded by USAID, an implementing partner reached more than 30,000 people in 32 rural clinics with services including sexually transmitted infections (STI) diagnosis and treatment and reproductive health and minor ailment services. Tuberculosis remains a key issue for South Africa with only a 54% cure rate and about 13% of those on treatment not completing the prescribed course. Research shows that the most effective treatment for TB is the directly observed treatment regime, which requires daily interaction with patients during the six to eight month treatment period. In South Africa, this labor intensive approach is being implemented by government clinics with the support of non-governmental organizations (NGOs). In FY 2004 USAID support for three NGOs implementing TB activities in eight communities across four provinces reached 8,106 people with TB prevention and treatment messages, and 461 patients completed their treatment.

Education: USAID's support to the transformation of the education sector in South Africa is producing demonstrable results. Working in 449 rural primary schools, the USAID program helped students increase their knowledge and skills. Results from a USAID-supported basic education program showed a 22% increase from 37% to 45% in literacy and mathematics from 2000 to 2003 in test scores for grade 3 students. Under apartheid, black South Africans were excluded from programs which built knowledge in math, science and technology at the secondary school level. Ensuring that black students have access to quality education in these areas which are essential for skilled employment is a key objective of USAID and the South African Government. USAID continued its commitment to this goal through specialized training for math, science and technology secondary school teachers, with 55 completing the program in FY 2004. Disparities remain at the higher education level as well, and USAID continued to assist South Africa's 17 historically disadvantaged higher education institutions in meeting international standards. These universities and technical institutes which served principally African, Colored (a South African racial classification) and Indian students under apartheid are in the process of merging. Some mergers will be between historically disadvantaged (black) and historically advantaged (white) institutions, while others will combine historically disadvantaged universities under one umbrella. USAID programs focus on helping the institutions prepare for these mergers, and in FY 2004 USAID assistance helped the merging universities and technical institutes harmonize curricula with the goal of continuing to offer quality instruction across the board.

Housing and Municipal Services: Urban areas in South Africa contain 57.7% of the population and produce 75% of the Gross National Product. South Africa's goal is to expand services to 80 - 100% of the urban population over the next ten years as it seeks to eradicate slums. USAID's innovative program assists South Africa to achieve this objective through cross-cutting approaches to advance clean energy technologies, to improve access to energy, and to test a range of options for managing solid waste in poor communities. Over the last five years the program has reached 3.3 million poor households with improved or new services in water, power, sanitation, and shelter. In FY 2004, USAID support to a South African organization resulted in six new projects valued at 689 million Rand (\$103.7 million) reaching over 133,000 households. USAID technical assistance helped put in place a new legal framework for municipal borrowing and during this year helped roll out revised financial procedures to 150 municipalities bringing more than half of the country's local governments into modern municipal management practices. Through a Development Credit Authority (DCA) guaranty, USAID launched a new \$35 million infrastructure finance program which will reach up to 10 municipalities over the next two years, focusing on water and sanitation services.

Democracy and Governance: USAID continued to assist South Africa in its fight against crime, boost its efforts to strengthen local government to assume a more accountable role, and to help civil society remain a vibrant counterpoint to government authority. USAID support to help restructure South Africa's court system has reduced the case backlog by 11% from 133,556 in FY 2000 to 119,050 in FY 2004 in districts courts, ensuring that South Africans have better and faster access to justice. USAID programs also address corruption which leads to lack of public confidence and reduced investment in South Africa. In FY 2004 a new USAID-supported forensic auditing unit in the Department of Justice (DOJ) uncovered four cases of corruption involving \$3.3 million and filed three of the cases in court since its inception in April 2004. Over the life of this program USAID has provided key technical assistance to help South Africa draft legislation which establishes the framework for local governments to raise revenue and provide services to their citizens. During FY 2004, the fourth and final major piece of such legislation -- the Property Rates Act, aimed at increasing municipal revenue -- was signed into law. USAID programs have complemented the legislation through direct assistance in 94 municipalities to help the local authorities respond to community needs. A FY 2004 survey found that 35% of the residents in these municipalities approved of the performance of their local council, up from 31% in FY 2002. Because many community based organizations are unaware of how local government functions and how they can influence local governance in a way that will benefit their communities, USAID is funding a program to build linkages between communities and local governments. Activities began in FY 2004 with 45 local organizations and 15 local councils in KwaZulu Natal, Limpopo and Gauteng provinces.

Employment Generation: Unemployment is South Africa's number one issue. USAID's employment generation program continued to help historically disadvantaged small, medium and microenterprises create sustainable jobs. Using technical assistance to help these firms meet production, standards, and financial and regulatory requirements, USAID is working with businesses to expand their markets and compete in the domestic and global economies. Exceeding expectations, in the last two years the USAID employment generation program has generated over 4,500 jobs and over \$279 million in sales in the small and medium business and agribusiness sectors. Because the cost of financing including banking charges is high in South Africa, in FY 2004 USAID used the DCA to guarantee a loan for Capitec Bank, a new innovative bank that provides financial services for the poor. This loan will help Capitec expand its operations to new markets throughout the country and build its branch network.

Economic Capacity: USAID's economic capacity building program continued to build a cadre of historically disadvantaged South African economists. Since the start of the program 64 South Africans have received masters and doctorates in economics at U.S. universities with an additional seven receiving economics degrees at South African universities. In FY 2004, 41 historically disadvantaged South Africans completed their training. Twenty eight of those receiving degrees were parliamentarians from disadvantaged backgrounds who publicly acknowledge the USAID program for its impact on parliament's ability to review and analyze the national budget judiciously. These USAID-trained economists are in positions of influence and decision-making in the South African government, using their skills to expand the government's knowledge based on the dynamics and fundamentals of poverty to direct and develop policies dealing with unemployment and poverty. In FY 2004 USAID-funded advisors working alongside South Africans produced analyses that resulted in policy changes including opening the banking sector to greater domestic and international competition and developing truth-in-lending and communal land tenure legislation. The program also has helped to build the capacity of the government's public-private partnership unit, and during this period four projects were finalized with a value of \$287 million. One of these activities was the construction of a new campus for a government office which emphasized the use of black and small-business contractors, protection of the environment, urban renewal and cost savings. Ultimately, this partnership generated savings of over \$200 million compared to construction by government. This same unit also developed a way for the government to use public-private partnerships to implement the program. The resulting approach is cheaper to run, delivers the grants to individuals faster, and reduces waiting time.

Regional HIV/AIDS Program (RHAP): The Regional HIV/AIDS program was approved as a stand-alone program in FY 2004, and is implemented in a joint regional strategy with the U.S. Centers for Disease Control and Prevention. Building on its earlier activities under an Africa Bureau Objective, RHAP

achievements in FY 2004 include the scale-up of activities in the USAID non-presence countries of Lesotho and Swaziland and increased access to HIV/AIDS prevention programs and services under the Corridors of Hope (COH) cross-border program. The cross-border program operates through 38 sites in eight countries within the region, reaching over four million people in FY 2004 with essential information and services to prevent transmission of HIV/AIDS. RHAP expanded programs in Lesotho and Swaziland, opened three new clinics in Lesotho and reached 1,165 pregnant women with prevention of mother to child transmission programs in Swaziland in the first three months of operation. These critical services are essential in helping both countries tackle the HIV/AIDS epidemic. According to the latest UNAIDS figures, Swaziland has the highest HIV prevalence rate in the world at 38.8%, while Lesotho ranks third at 28.9%.

Gender: A Gender Assessment conducted in FY 2004 identified a number of best practices as well as establishing recommendations for future consideration. A particular issue identified by the team is gender-based violence which has the potential to undermine the ability of nearly all the programs to achieve their ultimate development goals. South Africa has one of the highest incidences of gender-based violence in the world. The assessment recommends developing ways to address gender-based violence as a cross-cutting priority as new programming opportunities arise. In ongoing programs, USAID addresses gender concerns by helping women owned businesses increase sales and access finance, promoting the participation of women in economic policy analysis and decision making, improving access to justice for women and children victims of violent crimes, providing training for women to become judges, and promoting the role of women in housing development and municipal management. USAID health activities focus on expanding the availability and quality of HIV/AIDS and primary health care services, including the prevention of mother to child transmission and orphans and vulnerable children programs. USAID also supports the innovative Men As Partners program which seeks to increase male roles and responsibilities in reproductive health issues.

Integrated Programming and Cross-Cutting Issues: With HIV prevalence of 27.9% among pregnant women, the impact of the epidemic is not restricted to the health sector, and USAID/South Africa supports a number of multisectoral activities which address specific aspects of AIDS. For example, the Democracy and Governance Program and the Municipal and Housing Services program jointly support an NGO program which brings local government councilors, officials and community leaders together to develop joint plans to mitigate the HIV/AIDS pandemic. By the end of 2004 the program had assisted 124 of the 284 municipalities to develop HIV/AIDS strategic plans, of which 62 are being implemented. USAID also funded seven South African universities to undertake HIV/AIDS-focused activities in support of university staff, students, and the surrounding communities. In FY 2004, with USAID funding, Takalani Sesame continued its television and radio programming which reaches pre-school children with messages about HIV/AIDS through the HIV-positive Muppet "Kami". The Economic Capacity Building program brought together several donors and private foundations and corporations to continue funding essential research on the economic impact of HIV/AIDS in South Africa. In other areas of collaboration, the Mission's Economic Capacity Building and the Democracy and Governance programs collaborated to train members of parliament and nine provincial legislatures' public accounts committees to analyze and implement the findings of the Auditor-General to advance anti-corruption objectives. The Housing and Municipal Services program worked with the Democracy and Governance team to provide technical and "peer-to-peer" assistance to the South African Cities Network in designing sustainable city development strategies.

Global Development Alliances and Partnerships: USAID/South Africa leveraged \$653 million in FY 2004 from Global Development Alliances (GDAs) and partnerships with non-traditional partners, primarily the private sector. A GDA with Business Against Crime, a nonprofit association of major South African corporations, continued to address accessibility and effectiveness of the South African Department of Justice. USAID continued to support a public-private partnership with Microsoft and other key private sector firms to support teacher training in math, science and technology. A GDA in intellectual property rights and a regional GDA in the area of urban youth development have leveraged almost \$2.5 million over the last two fiscal years as well.

Furthermore, USAID programs with two South African units, the Municipal Infrastructure Investment Unit

(MIIU) and the Public Private Partnership (PPP) Unit encouraged investment and financing by the private sector and leveraged nearly \$400 million. The PPP unit leveraged \$287 million, while the MIIU leveraged approximately \$103.7 million (R689 million) in deals in FY 2004. Ongoing donor coordination in research on the economic impact of HIV/AIDS is expected to leverage \$8 million by the end of FY 2006. USAID also established two new partnerships with a non-profit South African organization, Mindset Network, which uses satellite broadcasts with additional print and internet material to expand educational information. One of these Mindset programs will focus on HIV/AIDS and related issues and will be targeted to healthcare workers, patients, and the general public, leveraging \$3 million at the end of FY 2005. The other partnership with Mindset, foundations, and key South Africa private sector firms delivers high quality materials in basic education and will leverage \$3 million by the end of FY 2007. While not meeting a strict definition of Global Development Alliances, these innovative partnerships continue to leverage additional resources for development as USAID input is limited to technical assistance in the design and structuring of these partnerships or transactions.

Presidential Initiatives: USAID/South Africa responded to seven Presidential Initiatives in FY 2004 which included: 1) President's Emergency Plan for AIDS Relief - activities in all areas of prevention, treatment, palliative care and orphans and vulnerable children; 2) Africa Education Initiative - teacher training and a new regional program using satellite and television-based approaches to expand primary education; 3) Initiative to End Hunger in Africa - continued work on improved pest resistant potato varieties and a NEPAD pilot project in developing national level biotechnology policies; 4) Water for the Poor Initiative - activities to restructure water system operations, promote payment for services, and ensure efficient and equitable water service delivery; 5) Global Climate Change - programs in cost recovery, energy efficiency, and the use and financing of clean energy and water saving technologies; 6) Clean Energy Initiative - partnerships demonstrating energy efficient delivery of basic services and shelter; and 7) Trade Initiative - assistance to emerging businesses to export to other African countries for which exports totaled \$15.6 million in FY 2004.

Results Framework

674-001 Democratic Consolidation Advanced

SO Level Indicator(s):

Percentage of a nationally representative sample preferring democracy over all other forms of government.

1.3 Strategic CSO/Government Partnerships Strengthened for Improved Policy Development and Service Delivery

IR 1.1 A more effective and accessible criminal justice system.

IR 1.2 Effective and Democratic Local Governance

674-002 Increased Access to Quality Education and Training

SO Level Indicator(s):

Improved student performance in literacy and numeracy (Grade 3) and mathematics and science (Grade 6)

2.4 Mitigate the Impacts of HIV/AIDS on the Education sector

IR 2.1 Enhanced Capacity of Teachers (targeted to the teaching of numeracy, literacy, math, and science)

IR 2.2 Effective Implementation of Curriculum (with a focus on math and science)

IR 2.3 Improved Management and Governance of Educational Institutions

674-004 Improved Capacity to Formulate, Evaluate and Implement Economic Policies

SO Level Indicator(s):

Full-time equivalent students.

Number of directorates strengthened.

Number of historically disadvantaged people completing on term advanced degrees and placed in jobs as economists.

Number of quality studies produced.

Weighted average of all IR indicators.

IR 4.1 Strengthened human resources in economics and policy

IR 4.2 Strengthened government departments that deal with economic policy matters

IR 4.3 Strengthened think tanks to formulate and deal with economic policy options

IR 4.4 Strengthened centers of economic excellence in teaching and research at historically disadvantaged Universities

674-006 Increased Access to Shelter and Environmentally sound Municipal Services

SO Level Indicator(s):

Number of household assisted to obtain shelter/urban services through the provision of credit and subsidies to low income communities (cumulative)

Rand value (in millions) of funds leveraged for shelter and urban services (cumulative)*

Shelter units constructed through programs supported by USAID (cumulative)

IR 6.1 Improved policy environment for facilitating access to shelter and urban services**

IR 6.2 Capacity building initiatives in service delivery and housing undertaken**

674-008 Increased Use of HIV/AIDS and Other Primary Health Care Services

SO Level Indicator(s):

Immunization rates: percentage children under 5 years fully immunized

National percentage of women who received PMTCT services in the last calendar year

Percentage of antenatal clients receiving post-test HIV test result during antenatal care

IR 8.1 HIV/AIDS prevention measures strengthened

IR 8.2 Management of STIs improved

IR 8.3 Treatment for TB and AIDS improved

IR 8.4 HIV/AIDS care and support expanded

IR 8.5 Selected primary health care systems and services improved

674-009 Increased Market-Driven Employment Opportunities

SO Level Indicator(s):

Net Change In Private Sector Employment By USAID Assisted Enterprises

IR 9.1 More Rapid Growth of Existing Small Medium and Micro Enterprises

IR 9.2 Increased Commercial Viability of Existing Small and Medium Agribusinesses

674-010

674-xxx Regional impact of HIV/AIDS reduced