

SOUTH AFRICA

CSP

ANNEX A.1 - ANNEX A.4

SO1: Democracy, Governance, and Capacity for Participatory Development Strengthened

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Acronyms: Annex A.1

Community-based organizations	CBOs
Community Outreach and Leadership Development Project	COLD
Democracy/Governance	D/G
Historically Disadvantaged Institutions	HDIs
Inkatha Freedom Party	IFP
National Party	NP
New Partnerships Initiative	NPI
Office of Democratic Institutional Development	ODID
Public Service Commission	PSC
Requests for Agreements and Requests for Proposals	RFAs/RFPs
South African Foundation for Public Management and Development	SAFPUM
South African Management and Development Institute	SAMDI
Strategic Objective Team for SO1	SOT1
Tertiary Education Linkages Project	TELP
Transition Support Staff	TSS

A. SO1. Democracy, Governance, and Capacity for Participatory Development Strengthened

1. Introduction

a. Background

South Africa's transformation is, in the first instance, political. Beginning with a fundamental change in the rules of the game and the distribution of power, it can best be understood as an effort to make real, tangible, and permanent the principles and promise contained in that initial wave of change. For this reason, the Mission's first strategic objective is democracy, governance, and capacity for participatory development strengthened.

Democratic governance is pursued not only as an end in itself but because it provides the enabling environment to achieve USAID/South Africa's other strategic objectives in the country. Progress in the political arena must continue in order to provide the stability and overall framework for the sustainable transformation of all sectors within South Africa. At the same time, socioeconomic and other challenges will impact the democratization process within South Africa.

The South Africa "miracle" is primarily a result of the efforts of South Africans working together to bring about the changes that have occurred. However, USAID/South Africa has been an active participant in the democratization process in South Africa. We have funded a broad range of programs to support civil society, as well as activities targeted at legal and human rights, conflict resolution, elections and governance. USAID played a major role in the 1994 national elections, through efforts in voter education, political party training, and local and international monitoring.

USAID/South Africa cannot hope to address all of the remaining challenges in the democracy and governance area given funding and time limitations. Neither can it continue its past approach of supporting a large number of diverse forces within society pushing for change. Rather, USAID/South Africa's strategy is to focus on a limited number of long-term results which are important for sustainable development and democratic governance and which the Mission is confident it can accomplish within expected limits on funding and time. The Mission's plan is to achieve sufficient progress in the development of specific institutions, methods of operation, and values so that it can be reasonably confident that the changes supported will be sustained after USAID leaves.

b. Consultation

The development of USAID/South Africa's strategy under SO1 has been significantly influenced by an intensive process of consultation with partners and customers that began in a formalized manner in October 1995. USAID/South Africa has always had good communication with South Africans through its extensive network of NGO grantees. However, in light of the significant rethinking of USAID/South Africa's portfolio through the strategic planning process, and the need to ensure the new strategy's relevance to South Africa's needs and confirm the validity of its development hypotheses, USAID/South Africa mounted a formal effort to involve South Africans from government and civil society and U.S. partners in the development of the Mission's strategy in this area.¹ This process has involved ten major meetings with South African and U.S. partners, visits to six provinces by local consultants, formation of a Reference Group of South African NGO representatives which has produced specific suggestions for SO1 strategy, and written suggestions for SO1 strategy from selected U.S. partners. These consultations were supplemented by discussions with other official donors, with the U.S. country team, including the Ambassador, and with individuals in AID/W.

The consultation process has several benefits. First, it allowed USAID/South Africa to benefit from the knowledge and analysis of highly skilled and experienced South African and American experts. The Reference Group included

¹The consultation process was supported by a joint USAID/South Africa and Global Democracy Center buy-in to the Implementing Policy Change Project. The assistance of the Global Bureau is gratefully acknowledged.

some of the most knowledgeable people in the sector in South Africa. U.S. representatives brought extensive international experience to the assessment of South Africa's needs. Second, the consultation process developed a sense of participation and ownership in development partners, which will make implementation of the strategy more effective and improve the sustainability of results. Third, the consultation process reduced barriers and expanded communication among development partners, both within and between South African and American groups.

Far from resisting the complexities of a strategic review or viewing it as internal USAID business, many partners were keen to participate in the process, especially members of the South African Reference Group. They seemed to appreciate the opportunity to have input to a donor's strategy as well as to enjoy the process of thinking strategically about long-term issues and objectives in their field. At the end of the consultation process shaping the CSP, USAID/South Africa invited all existing grantees in the SO1 area to a briefing on the new strategy and plans for implementation (solicited proposals, use of umbrellas, results indicators, etc.). The presentation was extremely well received. Partners said they appreciated USAID/South Africa's commitment to transparency and understood the need for strategic planning, even if it resulted in some areas of interest to existing grantees being deleted or changed. The Mission also gave the grantees an opportunity to voice their complaints about USAID/South Africa customer service, to inform our Customer Service Plan in SO1.

c. Fundamental Reassessment

The Mission's strategy development in the political field has involved more of a zero-based review than most other areas of the Mission's program. The Mission's previous political development portfolio was more heavily shaped by the "foundation" mode of programming than most other sectors of the Mission's program. In the past, the majority of political development activities were awarded in response to unsolicited proposals from South African and American organizations, resulting in a diverse portfolio. The emphasis was on responsiveness to evolving needs as identified by local players, and Mission political development priorities were broadly defined and short-term in nature. This was an appropriate approach for a period when political conditions were changing rapidly--up to and immediately after the 1994 national election. As a result, USAID/South Africa's political development portfolio in FY95 reflected a mix of the pre-elections priorities of community development, human rights, conflict resolution, and other areas, with more recent activities related to elections, democratic development, and governance.

By the end of FY95 there was a growing sense that developments in South Africa made it necessary and appropriate to develop a longer-term focus in this sector; there was growing pressure in the Mission to reduce the number and increase the size of its management units; USAID/South Africa had been directed to compete more activities by solicitation; and the CSP process and reengineering made it imperative that the Mission develop a long-term strategy and explicit results targets in the sector. As a result, the Mission decided that it needed to fundamentally reassess its democracy/governance (D/G) portfolio.

Under the proposed strategy, the Mission's program under SO1 will look quite different in FY97 from corresponding activities in FY95. (FY96 will be a transition year.) A large number of previous program areas will have ended (e.g., traditional community and leadership development); some will continue but with tighter targeting and more focus on long-term goals (e.g., human rights, conflict resolution, and governance); and some major new areas will be added (e.g., support for models of effective government/civil society cooperation for development). All the new priorities will be implemented with a focus on achieving specified results, with more use of Requests for Applications and Requests for Proposal (RFAs/RFPs) to direct activities, and with more use of umbrella mechanisms (one organization managing a number of sub-activities for the Mission) and other methods to enhance the Mission's ability to manage the portfolio effectively with limited staff resources.

2. Development of SOI Strategy

a. South African Context

SOI addresses three broad concerns in post-apartheid South Africa: democratic consolidation, governance, and participatory development. Following are overviews of the general context in each of these areas.

1) Democratic Consolidation

Global experience suggests that consolidation of democracy after a democratic transition is a vital phase of democratic development. Many promising transitions have not been followed by effective consolidation. However, in South Africa the consolidation process appears to be going quite well. South Africa has made impressive progress in building a sense of unity and reconciliation under the new democratic government--particularly in securing the support of the white population in general and Afrikaners in particular for the new democratic order. Not only was the GNU framework designed to protect the role of minorities, but President Mandela has also made a point of reaching out to those who could have resisted change. The reconciliation process may soon be forced to address some tough issues, particularly as the new Truth and Reconciliation Commission tries to deal with the sensitive problem of past transgressions by previous government officials and others during the apartheid era. But the new political order is succeeding in getting the main political forces in the country to work together--including in provincial and local governments, where newly elected ANC representatives are working pragmatically with representatives of the National Party (NP) and others; and in the defense force, where former members of the ANC's military arm, Umkhonto we Sizwe, as well as other military and paramilitary groups formerly involved in the anti-apartheid struggle, are being integrated into the defense forces.

The GNU has also moved to establish new norms of transparency and public accountability in government. This has occurred through legislation, changes in administrative practices, and an emphasis on open and participatory policy development. The national Parliament has moved away from its earlier rubber stamp role and developed increasing oversight functions.

Compared to other developing countries, South Africa has an unusually strong civil society, based both on organizations representing different interests in the more developed parts of society and on the extensive network of NGOs and community-based organizations (CBOs) that grew up during the anti-apartheid era as substitute providers of services to the disadvantaged population and mobilizers of communities and people. The weakest link in democratic participation in South Africa today is connections between the formal structures and people at the grassroots level. These have been hampered by people's lack of experience in political participation, poverty, lack of education, and the difficulty of developing new norms and methods for involving people in government decisions.

The GNU's emphasis on unity and cooperation has probably been wise in light of the risks of divisions and resistance that accompanied the democratic transition. Experiences elsewhere in the world show the potential for new democracies to be derailed by ethnic or ideological divisions. However, governing by consensus does have costs in terms of setting priorities and taking decisive action. For example, some believe that the need to maintain consensus has hampered efforts to pursue RDP goals and to set new directions in economic policy.

In general, the Mission feels that the GNU is making, or will be able to make, good progress on most institutional issues of democratic consolidation--such as elections administration, justice system reform, strengthening legislatures, and accountability and transparency in administration. These developments may take time, but the political will and commitment are present, newly-elected and appointed representatives are skillful consensus-builders, and South Africa has a history of democratic process in many areas to build upon (e.g., independence of the courts). Present or potential vulnerabilities in democratic consolidation include: continued political violence (especially in KwaZulu-Natal); the conflict between the ANC and the Inkatha Freedom Party (IFP) over federalism issues and the open questions about the future of KwaZulu-Natal; the lack of experience of most people with

democratic participation; and the possibility that the GNU will move toward much more partisan conflict as the 1999 national election approaches.

2) Governance

If democracy is an area of strength in the new South Africa, governance is an area of weakness. Serious governance problems that have plagued the GNU include: the slowness of RDP development and implementation; the slow progress in re-orienting government expenditures (complicated by political imperative not to cut services to the white population precipitately); the difficulties most new ministers have had in getting control of their departments and re-directing ministry programs; the severe problems that many provinces (formed after the 1994 election) have had in consolidating old homeland structures and developing effective administrations and programs; and continued problems of corruption and government ineffectiveness in the former homelands. There are many reasons for these governance problems. These include: the scope of the changes that have to be made in government; the limited number of trained people from the newly enfranchised political movements available to fill executive and management positions; the lack of experience of almost all the new people in governing; resistance of old civil servants to new policies; the lack of experience of existing bureaucracies with participatory development; and the major structural and administrative problems left by the legacies of the homelands.

Lack of trained public sector managers is a particularly serious problem. When all the political-level positions in national ministries, provincial governments, local governments, and national and provincial legislatures are added up, the total number far outstrips the supply of people from the newly elected political parties who have adequate training and experience to fill policy and management roles. The result is a lack of capacity to re-direct policy and ensure implementation, and a small number of key officials in each part of government struggling with overwhelming workloads.

Another problem is the changing nature of governance in the new South Africa. While the old public service had developed capacities in some areas, its relevance to the new order is limited by: a focus on providing First World-level services to the white population (with very high levels of civil service staffing); a Third World approach to services for the black population (e.g., services theoretically free but actually non-existent or allocated through patronage; no community participation or consultation); reliance on top-down and centralized models of administration; and a racially divided public service workforce, with many white (mainly Afrikaner) civil servants receiving high salaries and most blacks restricted to lower ranks and pay. New officials are trying to establish a new public service culture that is more innovative and less hierarchical, more product- and service-oriented and less procedure driven, and more in touch with the people.

These problems are not going to be solved quickly or easily. There is no quick fix for the shortage of trained people. This is aggravated by the fact that young people from the majority population who graduate from university with good skills face excellent opportunities in the private sector, making it hard to attract them into government. Improvements in national policy processes--reallocation of the budget, interdepartmental coordination, and management of RDP activities--may not take too long, but getting new provincial and local government structures functioning will take time, and rationalizing the public service and changing its culture will take even longer. Systemic changes in the public service have been hampered by conflicts between the Public Service Commission (the PSC combines functions of protecting standards and operational management of many key areas, and has been criticized for blocking changes desired by national and provincial leaders) and the Minister for Public Service and Administration, who does not yet have a department under him and who has had difficulty establishing control over the public service. Although some power and staff resources have recently been shifted from the PSC to the Ministry, Ministry capacity is still limited. At the provincial level, progress in achieving structural integration and setting up mechanisms for RDP delivery has varied considerably among provinces, depending on the quality and coherence of provincial leadership and the severity of the homeland legacies in individual provinces.

3) Participatory Development

Even before the 1994 election, the ANC committed itself to social upliftment programs with a strong emphasis on popular participation in what came to be called the RDP. Since entering office, the GNU has tried to preserve the original RDP focus on local empowerment, involvement of the people themselves in RDP programs, and community participation in decision-making. These themes arose out of the ANC's general political philosophy and the country's experience in the anti-apartheid era, when local NGOs and CBOs (community-based organizations) took over the functions of community organization and service delivery from illegitimate government authorities and performed them in ways that emphasized community participation and responsiveness to local needs (drawing heavily on foreign donor funding). This formed a culture of popular participation, linked to anti-apartheid activism. The GNU's early view was that it would lead the participation process itself, with newly-elected officials sensitive to the people's needs. The GNU did not see a major role for NGOs or CBOs in fostering popular participation or RDP delivery. This caused tensions with the NGO and CBO communities, especially when the GNU encouraged foreign donors to shift their funding from NGOs to direct support of government RDP programs. When a number of donors (USAID excepted) responded to this request, a funding crisis developed in the NGO community, compounding a leadership crisis due to the exodus of many experienced NGO leaders to government.

Within the last six months, the GNU has begun to reassess its views on NGOs and CBOs. Many provincial governments are working closely with CBOs to increase community participation in RDP decision-making. The national RDP Ministry now states that NGOs will play important roles in the RDP and is encouraging foreign donors to allocate some of their funds to NGO activities. While the funding crisis in the NGO community has not abated, there now appear to be grounds for cooperative relationships with government and NGO participation in RDP delivery.

While the social and economic development challenges facing the new South Africa are tremendous, the Mission believes that South Africa has unique opportunities for making the ideal of participatory development work due to an unusual constellation of factors. These include: a national political commitment by Government and other key societal actors to a long-term program of sustainable and equitable development (the RDP); a government that is committed to participatory development; a strong NGO sector that has experience in delivering services that are responsive to community needs; a developed CBO network that can help communities organize themselves and articulate their needs; and a private sector that is open to cooperation with government and NGOs (including philanthropy for social purposes, especially in the cities and communities in which companies reside). However, to translate this potential to reality, various problems will have to be overcome: NGO and CBOs will have to strengthen their development skills (transforming from protest to development); operational methods of involving NGOs in RDP delivery will have to be worked out; creative models of government, NGO, CBO, and private sector cooperation will have to be developed; and government will have to develop its capacity to implement participatory development (particularly at the local level).

b. Strategic Choices

The Mission has a considerable history of supporting both civic society and civil society during the anti-apartheid period.² Major investments in human rights, community and leadership development, and conflict resolution helped build a strong base of CSOs that are now playing important roles in civic society (e.g., human rights NGOs advocating strong human rights legislation) and civil society (e.g., NGOs helping new government officials design and implement RDP programs). In the lead-up and follow-on to the 1994 national election, a new range of democracy support activities were added, often with the help of U.S. PVOs, which provided elections support, voter education, party support, and democratic education. After the 1994 election, other activities were added to train new government officials and develop governance capacity. Thus the Mission is already involved in all three fields

² Consistent with USAID D/G definitions, civic society refers to CSOs that balance or check government (e.g., human rights NGOs), while civil society refers to CSOs that complement or cooperate with government for development (e.g. NGOs involved in urban services of fostering community participation in the RDP).

of democracy, governance, and participatory development. The question is how these fields should be balanced in the new strategy.

1) Democracy, Governance, and Partnerships for Development

As noted in Part I, support for the democratic transition is a cornerstone of the proposed USAID/South Africa strategy. This will be provided through general support for the new government's efforts to deliver tangible development benefits to the majority population (which most observers believe is critical for the long-term sustainability of democracy, and which is supported by all six SOs), and through direct programmatic support for democratic consolidation in SO1. The Mission believes that a major investment in democratic consolidation is merited under SO1 because of its importance of democratic consolidation to the broader transition. For reasons presented below, the Mission proposes to focus this assistance on three areas: human rights, conflict resolution, and participatory policy development. This is a key component of the proposed strategy.

Based on the consultation process and its own assessments, the Mission believes that South Africa also has critical needs in areas beyond democratic consolidation. In our terminology, we have grouped these under the headings of governance and partnerships for development. Governance refers to civil service and public management reform, including changing the culture of the public service. Partnerships for development refers to government/civil society/private sector cooperation for more effective and participatory development.

Improving governance and public management are critical to overall economic development and effective RDP delivery, which in turn will help make democracy sustainable. (One of the main threats to future stability in South Africa could be a perception that the new democratic government is not able to deliver on development.) They are also central concerns of the GNU. Agency democracy strategy does not encourage Missions to provide major support to governance and civil service development, in part because these issues are normally dealt with by the World Bank and the IMF as part of structural adjustment programs. But in South Africa the Bank and Fund are not active in these areas. Moreover, in South Africa the civil service issues are not mainly how to cut the public sector wage bill, but how to transform the public service so that it can serve the new needs of the country for participatory development targeting the majority population.

Partnerships for development is a key theme of the RDP supported by most of the Mission's SOs. While many SOs foster government/CSO/private sector cooperation in technical areas, there are some systemic process changes that SO1 is uniquely able to address. These involve innovative models of government/CSO/private sector partnerships and community participation that can be applied across sectors. SO1 support for such partnerships is consistent with the systems and model focus of the Mission's overall strategy. Systems and models are needed not only within technical areas, but also at the level of general approaches to implementing the RDP. The government has said it wants creative partnerships with civil society and the private sector, in part because it recognizes that it does not have sufficient resources, or in many cases the appropriate skills, to accomplish the RDP's goals by itself. SO1 contributions to partnership models will help the government achieve this goal.

The Mission also believes that support for government/CSO/private sector cooperation South Africa will have broader payoffs. As noted above, South Africa has unique capacity for making participatory development work because of its strong civil society base and willing government. If South Africa can demonstrate special accomplishment in terms of effective delivery and effective popular participation, it can serve as a model of successful participatory development for other countries in Africa and elsewhere.

Finally, there are important linkages and synergies among democratic consolidation, governance, and partnerships for development. For example: helping CSOs find sustainable roles in RDP delivery through partnerships with government and the private sector will help strengthen democratic pluralism; supporting popular participation in RDP delivery will build accountable governance; and a principal goal of governance reform in South Africa is changing the norms and culture of the public service to be more consistent with participatory development.

2) Balance Among the Three Areas

For the above reasons, the proposed strategy targets significant results in all three areas of democratic consolidation, governance, and partnerships for development under the high option. Democratic consolidation results are front-loaded--i.e., most of them are to be completed by the time of the 1999 general election. These results are protected from significant cuts under the low budget option, reflecting the importance of democratic consolidation as a basic fundamental of South Africa's development. In addition, this is consistent with legislative guidance. The 1993 legislation directs USAID to "support activities to promote human rights, democratization, and a civil society" in South Africa. Governance support is spread out over the duration of the Mission's program under the high option, reflecting the long-term nature of the problem. Under the low option, governance takes a major share of the necessary cutbacks in results--not because governance is seen as less important, but because it is a high-cost area in which a number of other donors are, and will remain, active. Partnerships for development is also spread out over the duration of the Mission's program under both the high and low options, reflecting the long-term nature of the task. However, it also takes a major share of the results cutbacks necessary under the low option, with a scaling back of the depth and expanse of efforts proposed. Thus, most of the cuts under the low option are taken in governance (heavy cuts) and partnerships for development (moderate cuts).

Some would disagree with these decisions--arguing that South Africa is doing quite well on democratic consolidation on its own and needs less assistance in this area than in the problem areas of governance and making participatory development work. In particular, some might argue that governance should be protected as a major result area under the low option because it is so important for sustainable development and effective RDP delivery, which are South Africa's biggest challenges over the next 20 years. The Mission considered these arguments and believes them to have considerable merit. However, at the low budget option, hard choices had to be made. In the end, the Mission decided that the arguments for more focus on governance and participatory development under the low option were outweighed by the need to provide basic support to democratic consolidation in the short run.

c. Over-Arching Themes

The proposed SO1 strategy has four over-arching themes:

--**Catalytic Interventions.** As a result of the above decisions, the SO1 strategy covers a fairly wide range of Intermediate Results. With this breadth of Intermediate Results, it is not possible for USAID/South Africa to be solely responsible for achieving all of the IRs listed in the Results Framework. The decision to address a wide range of fields but to have very targeted results in each one was again a conscious Mission decision. It reflected a general strategy of supporting catalytic interventions that can spur broader changes by showing how something can be done (models), leveraging other resources, or giving critical processes needed boosts. This is reflected in SO1's Results Framework, which shows USAID/South Africa taking responsibility for limited proportions of the lower-level results under most Intermediate Results (counting on other partners to do the rest) and taking responsibility only for lower-level results (not the Intermediate Results) in one case.

--**Civil Society Emphasis.** A cross-cutting theme of SO1's strategy is working with and through CSOs, both as a way of accomplishing effective interventions and as a way of promoting sustainable roles for CSOs. Around the world, studies have shown the importance of a strong civil society to sustainable democracy. USAID/South Africa will contribute to this by helping CSOs find sustainable roles in development. This does not mean an absence of cooperation with government. In fact, one of the principal objectives of SO1 strategy is to help the government implement its stated commitment to build cooperative relationships between government and civil society, both in specific D/G results areas and in broader participatory development. This will entail USAID support to both CSOs and government. Support will not be continued for general CSO capacity building or general community or leadership development, but will rather focus on the role of CSOs in achieving specific D/G or participatory

development results included in the Results Framework, which address such "second generation" issues as CSO participation in policy development and CSO contributions to RDP delivery and participatory development.³

USAID/South Africa believes that it has a comparative advantage within the donor community in this area of promoting cooperation between government and CSOs--because of the Mission's strong base of experience in working with local and international NGOs, its capacity to effectively manage small grants (in some cases through umbrellas), and the special interest of the United States in promoting civil society. Many other donors that supported CSOs before 1994 have shifted their funding to direct support for government and the RDP and/or reduced their capacity to manage grants to NGOs (for example, the European Union cut funding to the Kagiso Trust, which previously managed its NGO grants).

--**Participation.** Participation is defined broadly to include public participation in processes to influence government policy, community involvement in service delivery, and general linkages between the people and their government. Fostering participation is a central theme of all three areas of SO1's strategy (democratic consolidation, governance, and participatory development). South Africa does not have to be sold on this principle; popular participation is a South African ideal rooted in the history of the anti-apartheid struggle and the democratic norms of the new Government. However, it needs assistance in developing effective methods of making participation work.

--**Help with the "How".** In almost all areas of SO1, there is a high degree of overlap between the goals and objectives of the South African Government and those of USAID/South Africa. As noted in Part I, the challenge in South Africa is not convincing the GNU to try to do the right things, but helping it with questions of "how." This is the focus of most of the proposed results under SO1.

d. Other Donors

Table 1 describes other donor activities in SO1 areas. As the table indicates, other donors are supporting a variety of activities related to RDP delivery that could be called participatory development. In governance, a large number of donors are assisting the national government in assorted technical areas and in general civil service development, as well as supporting provincial and local governments in forming new structures and in implementing the RDP. The main democracy areas in which other donors are working, or plan to work, are: (1) elections (declining support but still carrying over from local elections); (2) national Parliament (the European Union plans a major program to support capacity building in Parliament; various other donors have specialized programs); and (3) human rights (a number of donors plan to work with the Ministry of Justice to support Ministry and NGO activities in human rights). Under each intermediate result in SO1, USAID/South Africa's results assume active coordination and cooperation with other donors.

3. Results Framework

Tables 2 presents the Mission's Results Framework for the sub-goal of **political empowerment and the Strategic Objective of democracy, governance, and capacity for participatory development strengthened**. This Results Framework does not try to incorporate all the factors at work in democratic consolidation, governance, and participatory development. Rather, it focuses on those results that directly relate to the Mission's proposed areas of emphasis. Consolidation of democracy, governance, and participatory development are general conceptual categories, not clear divisions that neatly segregate all activities. Some intermediate results serve more than one area.

³ Prior to 1994, USAID/South Africa and other donors supported general capacity building in civil society as a method of black empowerment. Since 1994, the focus has shifted to the "second generation" challenges of making development work and finding effective roles for CSOs as partners or complements to government.

The Results Framework includes five Intermediate Results:

- IR 1.1: Increased human rights and access to equitable justice systems.
- IR 1.2: Political and community-level conflicts effectively mediated.
- IR 1.3: Public policy reflecting CSO and public participation.
- IR 1.4: Executive structures (especially provincial) better equipped to manage participatory development.
- IR 1.5: Innovative practices of partnership and participation adopted in provinces.

Intermediate Results 1.1 - 1.3 are associated with democratic consolidation. Intermediate Result 1.4 is associated with governance. Intermediate Result 1.5 is associated with partnerships for development.

In Table 2 the results that USAID/South Africa is willing to take responsibility for, or be a major contributor to, are indicated by solid borders. Results that USAID/South Africa is counting on others to produce are indicated by dotted borders. Results that USAID will take responsibility for under the high option but cannot accomplish under the low option (or, in some cases, can only accomplish at a lower level) are indicated by dark, solid borders.

a. Democratic Consolidation

Obviously the Mission could have chosen to target a wide range of results under democratic consolidation. However, to achieve measurable results, the Mission felt it was imperative to focus on a limited number of results, chosen based on importance to consolidating democracy at this stage of South Africa's transition and on USAID/South Africa's ability to have sustainable impacts due to its experience and existing relationships. In consultation with our partners, the Mission decided that these should be three Intermediate Results and two Special Results. Reasons for these choices:

--IR 1.1 - Increased human rights and access to equitable justice systems was chosen because of the special problems that have existed in this area in the past in South Africa and the need to consolidate and protect the human rights culture that the new government has established. Given South Africa's history, human rights consolidation is widely viewed as a critical component of democratic consolidation. USAID/South Africa also has a strong base of experience in human rights and developed relations with most of the NGOs and government officials likely to lead in this area.

--IR 1.2 - Political and community-level conflicts effectively mediated was chosen because of its importance to democratic stability in South Africa. Although not traditionally a sub-topic of D/G, conflict resolution continues to be a critical need in South Africa. Political violence is reduced considerably from its levels at the time of the 1994 elections, but political and community-level violence are still disrupting development and democratic participation in KwaZulu-Natal and other parts of the country. USAID/South Africa also has a strong base of experience with the country's leading NGOs in this field.

--IR 1.3 - Public policy reflecting CSO and Public Participation was chosen because of its importance to democratic pluralism and accountable government. As noted above, a weakness in South Africa's democracy is channels for citizen participation and involvement in government decision-making. One important channel for citizen and civil society input to government is through elected legislatures (national parliament, provincial legislatures, and local councils). These institutions have not yet developed strong mechanisms for public input, CSO policy advocacy, and constituency outreach. USAID/South Africa proposes to support political participation by strengthening both the capacity of civil society to generate public policy inputs and the capacity of legislatures (national and provincial) to receive them. USAID/South Africa believes that it has a comparative advantage in this area because: the Mission has

established relations with many CSOs that want to play a policy monitoring and policy advocacy role; South African members of legislatures are interested in exploring examples of political participation from a range of experiences (including those of the United States); and U.S. PVOs have expertise in this field.

--**Special Result - Strengthened independent electoral processes** was chosen after consultation with U.S. and South African organizations active in the electoral field, based on a Mission view that capacity for legitimate elections is critical for consolidated democracy, but that the principal elements of such capacity (electoral administration, voter education, etc.) can and should be provided by the government and local NGOs.⁴

--**Special Result - Enabling environment for CSOs improved** was chosen because of problems in proposed legislation affecting CSO fund raising capacity and independence from government.

1) IR 1.1 - Increased Human Rights and Access to Equitable Justice Systems

Rule of law and human rights is an area in which the Mission proposes to make significant investments that will contribute to a significant number of the lower-level results shown in Table 2. The new government has made major gains in terms of incorporating human rights in new legislation, but desired new directions have not yet translated into operational changes in staffing, attitudes, and training in the Ministry of Justice or sustainable funding for NGOs to support Ministry efforts. These are some of the problems being addressed by a USAID/South Africa bilateral agreement with the Ministry of Justice signed in late 1994. This program emphasizes training of black lawyers and paralegals; expansion of legal access through advice centers and paralegal services for the poor; and support for further legal reform. USAID/South Africa programming in this area has been, and will continue to be, coordinated with other donors planning major investments in the sector.

The Reference Group also highlighted the need for outside monitoring of government performance on human rights by NGOs (not funded by the government) in order to protect human rights gains over the long term. The Mission agreed with this recommendation and plans to contribute to an endowment to provide permanent funding to a CSO or a consortium of CSOs to carry out human rights monitoring. This IR also includes a result related to strengthening civic culture and democratic values through civic education.

2) IR 1.2 - Political and Community-Level Conflicts Effectively Mediated

Previously, conflict resolution focused on politically motivated violence and community disputes. Conflict resolution in the traditional mode will continue in troubled areas, but be supplemented by "second generation" conflict resolution on issues such as border disputes among provinces, land restitution, and water rights. IR 1.2 also envisions helping a conflict resolution CSO that can provide conflict resolution services within South Africa and in other countries reach a level of capacity and financial sustainability that will allow it to continue operations after the end of USAID/South Africa funding.

3) IR 1.3 - Public Policy Reflecting CSO and Public Participation

⁴ As noted earlier, USAID/South Africa provided major support to the 1994 national election (approximately \$30 million) and significant support to the 1995 local elections. This included substantial support to elections machinery and voter education. Both continue to be legitimate needs, but USAID/South Africa believes the GNU can manage adequate elections machinery with a small input of U.S. technical assistance to proposed independent electoral bodies. The main rationale for this is that South Africa has held two successful elections and appears to have enough capacity within government and civil society organizations to be able to meet future most electoral needs from internal resources. If, as the 1999 national election approaches, the election appears likely to be highly contentious and technical capacity appears to be lacking, USAID/South Africa may consider larger, one-time elections support in FY98. The South African Reference Group felt that voter education continues to be needed, but should be provided mainly from internal resources. Some U.S. PVOs argued that USAID should continue to support voter education, but the Mission concluded that sufficient resources are not available to do this.

This IR envisions a two-pronged approach to strengthening citizen, community, and civil society participation in public policy formulation--one on the supply side and one on the demand side. The supply side involves the strengthening of mechanisms for informing people about public policy issues and for developing independent policy inputs from civil society. This will entail support for CSOs to monitor public policy, provide public information, and advocate policy alternatives. The demand side involves strengthening mechanisms for government institutions, especially elected legislatures, to receive and incorporate inputs from civil society on policy and process issues. Targeted institutions include: national Parliament and its linkages with provincial and local governments (the institution with the greatest influence on policy formulation, but one that has already made great strides in opening up the legislative process to public inputs and is initiating new procedures for constituency outreach); provincial legislatures (with less capacity but also with unclear policy roles at present), and local councils (which are important for grassroots inputs). The participation issue will be given new dimensions if, as some expect, the new Constitution institutes election of parliamentary and legislative representatives by geographic area and direct representation of the provinces in the upper house of Parliament.

4) Special Result - Strengthened Independent Electoral Processes

This Special Result envisions limited support to proposed independent electoral bodies, which could be in the form of an independent electoral commission and/or an NGO consortium.

5) Special Result - Enabling Environment for CSOs Improved

This Special Result envisions USAID/South Africa support for CSO consortia efforts to press for an effective enabling environment for NGOs.

b. Governance

Most observers of the South African scene, and the Government itself, believe that South Africa needs a major transformation of government institutions--rationalizing the size and structure of the public service and changing its culture and orientation to favor participatory development, more cost-effective delivery, and more efficient public management. South Africa's governance problems are so large that they will require concerted efforts by government, CSOs, and official donors. Many donors have significant governance assistance programs underway, usually focused at national and provincial levels. At the national level, some donors are working with the Public Service Commission (PSC) and the South African Management and Development Institute (South Africa MD, the Government's training institute) to build capacity in the public service in specific areas. At the provincial level, many donors are working with one or more provinces on improved management and systems. USAID/South Africa has provided limited support to South Africa MD and the PSC and has funded workshops and training in most provinces through a local NGO (the South African Foundation for Public Management and Development, South Africa FPUM).

In the future, USAID/South Africa decided that it will not focus on South Africa MD or in-service training, because that is not our area of comparative advantage. (The British and the Canadians have government training institutes, and are better equipped to provide such assistance.) Rather USAID/South Africa assistance will draw on areas of U.S. expertise, such as "reinventing government," participatory development models, and training through university-based schools of government.

1) IR 1.4 - Executive Structures (Especially Provincial) Better Equipped to Manage Participatory Development

Specifically, under this IR, USAID/South Africa proposes to focus on three results:

--Local training and exchanges (visits between the U.S. and South Africa) to better equip executive branch officials (especially at provincial level) to manage participatory development.

--Technical assistance and training to help national or other officials deal with key emerging needs such as civil service restructuring and reorientation, interagency coordination for RDP delivery, or a new role for the RDP office focused on monitoring ministry performance in RDP delivery.

--Building the capacity of South African schools of government (especially at historically disadvantaged institutions, HDIs), in order to expand capability to produce new government officials trained in the skills of participatory development. Links with U.S. institutions (particularly in faculty exchanges, curriculum development, and pedagogy) could allow South African institutions to build their capacity at a faster pace (critical to meeting the public service's projected future needs for trained personnel from the majority population). The U.S. has a comparative advantage in university-based schools of government because of its developed system of graduate schools of public policy and public administration. These American institutions can be drawn upon to provide assistance to newly established schools of government at South African universities and to schools of government that are already established but trying to transform themselves to meet the new governance needs of the country. SO1's support for schools of government will benefit from major cooperation with SO2's Tertiary Education Linkages Project (TELP). TELP will provide significant resources to support the development of a "center of excellence" in government at an HDI. This will be combined with resources from SO1 to support broader capacity development in schools of government. TELP fits particularly well with SO1's objectives in this area, because it stresses development of human resources in HDIs through linkages between HDIs and advantaged tertiary institutions in South Africa and between South African and U.S. tertiary institutions.

c. Partnerships for Development

As a result of the history of the anti-apartheid struggle and extensive NGO development, South Africa entered its post-elections phase with the strongest civil society base in Africa and one of the strongest civil society bases in the developing world. The challenge now is to adapt that civil society base to the new needs of the country for RDP delivery and participatory development. On the government's side, there is a desire and a need for creative partnerships with CSOs and the private sector in order to boost RDP delivery. The Missions decided to commit to a major result in this area for the following reasons:

--A development model of government/civil society/private sector cooperation has much more potential to achieve effective social service delivery under the RDP that is participatory and responsive to local needs than the alternative of government-dominated delivery. The superiority of civil society involvement over a "government does all" approach is one of the general lessons of development experience in Africa and the developing world. It is also supported by the particular conditions of South Africa--e.g., government bureaucracies have little experience in providing quality services to the majority population and no history or culture of implementing participatory development, while South African CSOs have unusually strong capacity for participation and local organization (though not yet for service delivery). This is the main rationale for a major focus on partnerships--improvement of service delivery.

--Finding long-term development roles for NGOs appears to be the best, and possibly only, way to make NGOs sustainable in a future environment of reduced or nonexistent donor funding, which is important for the strength of civil society and democratic pluralism.⁵ This does not mean that NGOs will be able to

⁵ As noted above, the NGO community is in a state of crisis. A significant number of NGOs are suffering from serious funding problems and a much larger number are concerned about their long-term sustainability. These points came across strongly in USAID/South Africa's consultations with NGO representatives. The NGO representatives tended to see the solutions to the crisis in terms of a need for renewed donor commitments to NGO programs and for donor-supported capacity building in NGOs to train new leaders and to improve the fund raising capacity of NGOs. USAID/South Africa pointed out that most external donor funding was likely to end in 5-10 years, and suggested that long-term solutions depend on finding viable roles for NGOs in economic and social development in South Africa, in particular through cooperative relationships with government (which can provide funding from public sources and encourage private contributions to NGOs).

avoid a process of "shaking out" and consolidation that is already underway--as only those that are most successful in making the transition from "protest to development" survive, as the NGO community becomes more rationalized and probably smaller, and as individual NGOs become more specialized. It would, however, allow a rationalized NGO sector to have a long-term future. This is a secondary rationale for a focus on partnerships--to promote civil society for the sake of pluralism.

--Supporting partnerships between government and CSOs is also consistent with the Agency's global policy guidance under the New Partnerships Initiative (NPI). NPI's emphasis on cooperation among local governments, NGOs, CBOs, and the private sector for local development seems to fit South Africa's conditions quite well.⁶

If the Mission is going to work in this area, it is important to invest quickly and with sufficient resources to have early, visible effects, for two reasons:

--The next several years may be a critical window for intervention in this area. At present, the GNU seems to be open to broadening the development task beyond government, in part because of a belief in the efficacy and importance of civil society and in part because of a feeling that the Government is not able to deliver adequately on its RDP promises on its own. However, if the viability and effectiveness of government/civil society cooperation are not demonstrated in the next few years, the next government (after the 1999 election) could adopt a more statist approach. Thus, the next few years could be a critical period in setting the directions of future relations between government and civil society.

--USAID/South Africa's leadership in this area could leverage considerable other donor funding, if success can be demonstrated and if the GNU embraces the new approach. At present, most other donors are inclined to work predominantly with Government. They are not opposed to government/civil society cooperation, but they are not likely to move strongly in this direction on their own. If, however, the GNU were to become convinced of the value of such cooperation and encourage other donors to support it, substantial donor funding could be re-directed to this cause. USAID/South Africa is well-placed to take the lead in this area because it has established relationships with many NGOs that could play key roles in both service delivery and coordination with government; and because it has the management capacity to get such activities started quickly with adequate financial controls.

1) IR 1.5 - Innovative Practices of Partnership and Participation Adopted in Provinces

As noted above, in general South Africa seems well suited to an NPI approach. However, there are some limitations to South Africa's preconditions for NPI. One (already mentioned) is that NGOs and CBOs at present do not have solid capacity to manage service delivery on significant scales or even to foster broad-based community participation in government-managed delivery (although such capacity is growing). A second limitation is that there are very few successful models of effective government/civil society/private sector cooperation in South Africa to build upon. Government, NGOs, and the private sector are cooperating in some geographic areas, but there are few recognized principles for what works and what doesn't and very little dissemination of experience and lessons learned.

The Mission's proposed programs will address some of these problems. They will work at two levels: in five focus provinces and nationally. In the five focus provinces, USAID/South Africa proposes to support specialized programs developed in consultation with governmental and civil society organizations in each province that can demonstrate innovative and effective models of government, civil society, and private sector partnerships and community involvement in development. In the early stages, USAID/South Africa will support processes to bring

⁶ NPI only targets local government cooperation with NGOs, CBOs, and the private sector. In South Africa, provincial governments will be as relevant to such cooperation as local government (or more so), especially in rural areas (where local government is weak or non-existent).

representatives from these sectors together and to define the area or areas they want to pursue and targets for accomplishment. USAID resources will then be used catalytically to mobilize private sector resources and encourage self-sustaining cooperation among the partners. The specific areas that a province's programs will focus on will vary from province to province. Based on a survey and consultations with the South African Reference Group, the Mission has tentatively identified the five focus provinces as KwaZulu-Natal, Northern Cape, Free State, Northern Province, and Eastern Cape.⁷ Tentative foci:

--**KwaZulu-Natal** - Reducing the gulf between CSOs and provincial government and building closer relations with new local authorities. Depoliticizing development. Emphasize violence mitigation and consensus building in early stages and move over time toward socioeconomic development.⁸

--**Northern Cape** - Work with NGOs from other areas to build CSO capacity in the province. Work with Premier's office on methods of attracting private sector resources and on cooperation with universities, NGOs, and other structures in neighboring provinces. Aim for an intensive program of perhaps three-years duration that will stimulate government, CSO, private sector cooperation.

--**Free State** - Work with Premier's office on strengthening relations between provincial government and the private sector, both for general economic development and for private sector participation in social investments. Link partnership efforts in Free State with those in Northern Cape.

--**Northern Province** - Work with Premier's office on government cooperation with traditional rural groups and on bringing the government/private sector nexus closer to NGOs in the few urban areas.

--**Eastern Cape** - Focus on economic development, building on already strong links between provincial government and private sector (mainly auto industry), and on government/CSO cooperation, building on developed CSO networks.

At the national level, USAID/South Africa proposes to support: (1) national dissemination of successful models from the focus provinces; and (2) national dissemination of best practices from non-focus provinces (i.e., USAID will help disseminate highly successful models demonstrated by others). The higher-level Intermediate Result to

⁷The choice of focus provinces was informed by the SOTI consultation process. SOTI first identified the six provinces that it thought should be considered--the five that were chosen plus Western Cape. Gauteng was ruled out on the grounds that it is the most highly resourced province in South Africa. Northwest Province was omitted because SOI already has some focused governance activities there that are not aimed at government/civil society cooperation. Mpumalanga was omitted because it receives strong support from several other donors. Local consultants hired under the IPC buy-in then visited all six candidate provinces and met with governmental, civil society, and private sector representatives. The consultants prepared a report that was reviewed with the Reference Group, which expressed its preferences. SOTI then selected focus provinces, based on these inputs. Western Cape was not chosen because it is highly resourced already, although it may be a source of models and NGO capacity that could be tapped into for work in other provinces, particularly the Northern Cape. KwaZulu-Natal was chosen because of the importance of the province to democratic consolidation and political stability and because political difficulties and poor government/civil society cooperation are hampering RDP delivery there. Northern Cape was chosen because it is a high-need province with a high-level of political will (demonstrated by the fact that the Premier and several members of his cabinet visited the Mission two days after the visit by the consultants to express their strong interest in participating). Free State was chosen because of its overall potential for development, dynamic political leadership, and potential for CSO contributions. Northern Province was chosen because of its high need, openness to outside assistance, and traditional rural community base. Eastern Cape was chosen because of the synergy possible with numerous other USAID/South Africa assistance activities (e.g., health, education, housing) and its current mobilization of government, NGO, private sector cooperation for economic development. Although the Mission originally intended to choose only four focus provinces, it decided in the end to select five, partly because Northern Cape has a very small population and will be paired for many programming purposes with the Free State.

⁸The Mission recognizes the special nature of the development challenges in KwaZulu-Natal, which are political as well as social and economic. IR 1.5 will support cooperative political development as well as partnerships for social and economic development and IR 1.2 (addressing conflict resolution) will support efforts to reduce political violence in KwaZulu Natal.

which USAID/South Africa will make a major contribution is adoption of innovative models of partnership and participation in all provinces.

d. Special Result Separate from SO1

Special Result - Political and Economic Linkages between the U.S. and South Africa Strengthened through Visits to the U.S. This Special Result does not contribute directly to SO1, but is aimed to serve broader U.S. foreign policy interests. It involves strengthening of political and economic linkages between the U.S. and South Africa through visits to the U.S. by South African political leaders, business groups, and representatives of civil society.

4. Low Option and What Results Will Not Be Achieved

As noted earlier, Table 2 indicates the results that will not be achieved under the low budget option by dark, solid borders. The Mission debated long and hard about what to cut under the low option. As noted earlier, the Mission felt that democratic consolidation Intermediate Results had to be protected because they were essential components of South Africa's transition. The option of cutting an entire Intermediate Result under governance or participatory development was considered, but rejected on the grounds that essential elements under each had to be preserved because of their importance to the RDP and because of U.S. comparative advantage. The compromise was that major but not total cuts were taken in IR 1.4 (addressing governance) and IR 1.5 (addressing government/civil society/private sector partnerships). Reasons for the specific cuts chosen, as well as the programmatic implications of what is given up, follow:

--The **Special Result - Enabling environment for CSOs improved** is cut under the low option because it was seen as the least vital element of democratic consolidation. If USAID/South Africa does not support this result, there is a chance that other bilateral or private donors would substitute. However, at a minimum, there would be likely to be a loss of momentum on improving the NGO enabling environment, and it is possible that there would be serious setbacks. In the latter case, the CSO sector as a whole would suffer, with major impacts on the sustainability of NGOs (including those supported by USAID).

--In **IR 1.4 - Executive Structures (especially provincial) better equipped to manage participatory development** the range of governance results achievable is substantially reduced under the low option. Some capacity building at national and provincial levels (short-term training and exchanges) and very selected technical assistance to support governance reforms in areas such as civil service restructuring and management of the RDP are preserved, but at lower levels than under the high option. In addition, major USAID assistance to schools of government is cut. The rationales for these cuts are that: (1) other donors are involved in training and technical assistance and the incremental U.S. contribution is therefore less vital; and (2) schools of government are a high-cost, long-term investment which are not affordable under the low option. The consequences of these cuts would be: (1) the United States would not be able to provide comprehensive advice on topics in which it has special expertise and experience, such as "reinventing government," methods for coordinating departments at the national level, and federal relations, which would have some adverse impact on the quality of reforms; and (2) loss of funding for schools of government under SO1 would prevent USAID/South Africa from supporting the strengthening of schools of government across a number of South Africa institutions. Some resources would still be available for a "center of excellence" in governance through SO2, but this would be restricted mainly to development of new curricula, pedagogy, and limited faculty exchanges. Since USAID/South Africa is the donor most interested in schools of government, reduction of USAID assistance would probably not be compensated for by other donors. The government probably will support schools of government, particularly if they can show that they offer real benefits to the public service, but the government's funds for the tertiary education sector as a whole are limited by budget constraints and the RDP emphasis on basic education. Thus the effect of reduced USAID/South Africa funding under the low option would be a slower pace of development of schools of government, with proportionally less ability to meet the urgent needs of the government for new officials trained in appropriate skills. This would impose some

immediate costs, but the main effect would be long term, in terms of slower transformation of the public service in representivity, culture, and skills for participatory development. Note that IR 1.5 shifts from being a result that USAID/South Africa takes responsibility for under the high option to one that USAID/South Africa is only contributing to under the low option (because of the substantial cutbacks in lower-level USAID/South Africa results under the low option).

--In IR 1.5 - Innovative practices of partnership and participation adopted in provinces the number of focus provinces is reduced from five to three under the low option. Tentatively, the three focus provinces preserved under the low option would be KwaZulu-Natal, Northern Cape, and the Free State--Northern Province and Eastern Cape would be dropped. Northern Province and Eastern Cape were chosen for cuts because the other three provinces were all seen as having special characteristics that made them higher priority (KwaZulu-Natal's special political needs, Northern Cape's high political will and openness to change, and Free State's activist government). Reducing the number of focus provinces would reduce the demonstration effects possible in government/civil society/private sector partnerships and community participation. Because of the differences in size and problems among provinces, the demonstration effects lost with cutting Northern Province and Eastern Cape would be substantial. Reasons for this:

- 1) One of the focus provinces that would be funded under the low option, KwaZulu-Natal, has special needs in violence mitigation and conflict resolution which will cause USAID/South Africa assistance in that province to concentrate on those problems, at least in the early years. This may provide some lessons for other provinces, but many of the lessons may be unique to KwaZulu-Natal's special political conditions.
- 2) The other two focus provinces under the low option, Northern Cape and Free State, are more representative of the general problems of less developed and moderately developed provinces, respectively. However, each of them also has special circumstances that will influence what partnerships are supported; Northern Cape has a population of only 0.7 million; and the two together represent a small base for demonstrating models.
- 3) Northern Province is a large province with special needs due to its rural nature, high poverty, and the fact that it has to deal with incorporation of three homelands (including two which were formerly so-called "independent states"--more separated than "self-governing states" and more problem-laden). Omitting Northern Province would cut direct benefits for an impoverished area and reduce model demonstration for other less-developed provinces.
- 4) A similar argument holds for Eastern Cape. Eastern Cape is also very poor and includes the two former "independent states" that probably had the greatest problems (Transkei and Ciskei). Omitting Eastern Cape would reduce direct impact on a high-need area (one given special attention by the GNU because of its problems) and reduce demonstration effects for other less-developed provinces.

5. Special Issues

a. Consistency with Agency Priorities

The relationships between USAID/South Africa intermediate results in SO1 and the Agency's global priorities in D/G are indicated in Table 3. Table 3 shows the objectives and approaches of the Agency's global strategy in D/G with indicators of which of these are addressed by the proposed SO1 strategy under the high option. As the table shows, the proposed SO1 strategy has strong overlaps with the global strategy in nine areas, weak overlaps in five areas, and little or no overlap in seven areas. Specific relationships for the five Intermediate Results in SO1's Results Framework are as follows:

--IRs 1.1 - 1.2 . These IRs (addressing human rights, conflict resolution) and the Special Result related to elections processes correspond roughly to the Agency's first two objectives: 2.1 (strengthened rule of law and respect for human rights); and 2.2 (more genuine and competitive political processes). Compared to the Agency's Framework, SOI (1) is involved heavily in human rights and justice issues (reflecting needs in South Africa and USAID comparative advantage); (2) does not provide extensive elections support (because of the relatively developed South African capacity in this area); and (3) adds an area not covered in the Agency's Framework, conflict resolution (because of the special importance of conflict resolution in South Africa).

--IR 1.3. This IR (addressing public participation in policy) and the Special Result related to enabling environment for CSOs correspond roughly to Agency Objective 2.3 (increased development of politically active civil society) plus two elements of Agency Objective 2.4 (increased citizen access to government information and strengthened effectiveness and independence of legislatures). USAID/South Africa's proposed support for CSOs focuses on "second-generation" issues--taking advantage of the already developed capacity in civil society to broaden participation in policy development, improve public information, and monitor government. It does not address CSO management and internal governance (not directly related to the IR) or media (relatively strong in South Africa already).

--IR 1.4. This IR (addressing governance) corresponds roughly to Agency Objective 2.4 (more transparent and accountable government institutions). The USAID/South Africa strategy targets major results in building governance capacity for participatory development, but does not address some of the accountability themes in the Agency's Framework. Reasons for this: (1) South Africa is relatively strong on public accountability and transparency, but (2) South Africa has a severe lack of technical and management skills in government (especially among new government officials), and (3) South Africa faces major problems in transforming the public service from the old top-down model to the new model of participatory development.

--IR 1.5. This IR (addressing government/civil society/private sector partnerships) represents a special category that does not appear in Agency global D/G priorities. It relates more to participatory development and NPI than to traditional D/G concerns, but has the side-effect of strengthening civil society (Agency Objective 2.3) by helping to ensure that NGOs have a sustainable role.

d. Program Synergies

As indicated earlier, there are many synergies between SO1 and the Mission's other SOs, based on the importance of political stability to economic development, the relevance of sustainable democracy to progress in social and economic upliftment, and the importance of governance to progress in the social sectors (and to the effectiveness of other SOs in these sectors). There are also many synergies between what other SOs are trying to accomplish and SO1--especially in the contributions of other SOs to governance capacity in their relevant ministries and their focus provinces.

In addition, there are special synergies between SO1 and other SOs in the area of government/civil society cooperation. SO1 support for government/civil society cooperation under IR 1.6 will support the efforts of other SOs to promote government/civil society cooperation in areas such as education, health, and housing and urban development, and vice versa. In most cases, other SOs plan to support government/civil society cooperation as a means to the end of better service delivery in their technical areas rather than as an end itself (although SO2 includes promotion of government/NGO cooperation in education as an explicit result). Thus, in most other SOs, government/civil society cooperation is a by-product. In SO1, strengthened government/civil society cooperation is treated as an end, with the ultimate aim of increasing the role of such cooperation in long-term socioeconomic development in South Africa. These efforts are clearly complementary.

6. Illustrative Activities and Indicators

a. Illustrative Activities

Development of specific activities for most results in SO1 will be done at the Results Package stage. Illustrative activities for each Intermediate Result based on the Mission's current thinking are:

--IR 1.1 - Increased human rights and access to equitable justice systems: (1) local CSOs (coordinated with the Ministry of Justice) train legal and paralegal professionals from the majority population; (2) recognition and support for advice centers from the Ministry of Justice; (3) local CSOs work with the Ministry of Justice to enact human rights legislation and legal reforms; (4) Ministry of Justice works with the Ministry of Education to include civic education about human rights and democracy in school curricula; and (5) CSOs carry out independent human rights monitoring of government performance. This IR will be implemented through a combination of: (1) the Mission's existing bilateral agreement with the Ministry of Justice; (2) grants to South African CSOs (some under the bilateral and some separate); and (3) an endowment to support a CSO or a consortium of CSOs to carry out independent human rights monitoring (hopefully with shared funding from other bilateral donors and the South African private sector).

--IR 1.2 - Political and community-level conflicts effectively mediated: (1) CSOs bring political antagonists together to reduce tensions or come to agreements in polarized areas (e.g., KwaZulu-Natal); (2) CSOs mediate community-level disputes; (3) CSOs help resolve conflicts around territorial borders within South Africa, land restitution, water rights, etc.; (4) CSOs develop their research and analysis capacity; and (5) one CSO builds sustainable capacity and linkages in order to be capable of providing conflict resolution services in South Africa and in other countries.⁹ Activities under this IR will be closely coordinated with activities in some focus provinces (e.g., KwaZulu-Natal) under IR 1.6 (Innovative practices of partnership and participation adopted in provinces).

⁹USAID/South Africa will not fund activities outside South Africa, but will support capacity building within a CSO to help it become sustainable through sale of services inside and outside South Africa.

--IR 1.3 - Public policy reflecting CSO and public participation: (1) CSOs monitor public policy and provide information to the public on policy and government process issues; (2) CSOs develop and advocate independent views on policy or government process issues; and (3) U.S. PVO, local CSOs, or a combination provide training and technical assistance to the national Parliament and provincial legislatures to build capacity to receive inputs from the public, CSOs, and other groups and to carry out constituency outreach.

--Special Result - Strengthened independent electoral processes: U.S. PVO, local CSOs, or a combination provide technical assistance to independent electoral bodies, which could be in the form of an independent electoral commission and/or an NGO consortium. Assistance might focus on exposure to foreign models and technical aspects such as regulatory functions.

--Special Result - Enabling environment for CSOs improved: A consortium or consortia of CSOs work with legislators to ensure enactment of favorable enabling environment legislation for CSOs (fund-raising rules, tax provisions, public accountability, etc.).

--IR 1.4 - Executive structures (especially provincial) better equipped to manage participatory development: (1) consortium of South African schools of government provides short-term training to elected and appointed officials at national, provincial, or local level; (2) elected and appointed officials from national, provincial, or local government visit the United States to learn about public management, affirmative action policies, or participatory methods; (3) technical assistance and training provided to key national or other officials to help them deal with critical problems in civil service reform or RDP management; (4) technical assistance and training provided to help government officials develop and implement policy in certain areas; (5) U.S. schools of public policy provide assistance to emerging schools of government in South Africa in faculty development, curriculum development, and pedagogy; and (6) capacity is built at various schools of government in South Africa so that output of graduates is measurably increased.

--IR 1.5 - Innovative practices of partnership and participation adopted in provinces: (1) U.S. PVOs, local CSOs, or a combination carry out innovative programs to bridge political divisions and build trust across barriers in KwaZulu-Natal; (2) U.S. PVOs, local CSOs, or a combination demonstrate innovative ways to defuse conflict and build trust in politically polarized communities; (3) CSOs from the Western Cape or the Free State help Northern Cape build CSO capacity and cooperation among the provincial government, CSOs, and the private sector; (4) U.S. PVOs, local CSOs, or a combination help the Premier of Free State develop and implement innovative models of government, CSO, and private sector partnerships for economic development and RDP delivery; (5) U.S. PVOs, local CSOs, or a combination work with traditional structures in rural areas of Northern Province to build cooperative relationships with the provincial government and the private sector; (6) U.S. PVOs, local CSOs, or a combination work with the Eastern Cape government on innovative ways to deal with development and governance in Ciskei and Transkei; (7) models of effective cooperation among government, civil society, and the private sector in SOI focus provinces are documented and disseminated in South Africa through conferences, publications, and Internet communications; and (8) "best practice" models of cooperation among government, civil society, and the private sector in Gauteng or Western Cape are documented and widely disseminated in South Africa through conferences, publications, and Internet communications.

--Special Result - Political and economic linkages between the U.S. and South Africa strengthened through visits to the U.S.: (1) Premier, selected MECs, and selected private sector representatives from Gauteng or Free State visit the U.S. to develop business and other links with states or cities; and (2) a national Minister, selected senior staff, and relevant private sector representatives visit the U.S. to learn from U.S. governance practices, build institutional links, or promote business relations.

b. Sustainability

Strategies and objectives for sustainability for the Intermediate Results:

--IR 1.1 - Increased human rights and access to equitable justice systems: (1) the training of legal and paralegal professionals will produce one-time results and, if effective, be sustained by the Ministry of Justice; (2) the whole thrust of the advice center effort is to build sustainability through commitment to financial support from the Ministry of Justice; (3) human rights legislation and legal reforms are one-time results and the human rights endowment will help ensure on-going enforcement; (4) civic education in school curricula, once incorporated, is likely to be sustained; and (5) the human rights endowment is aimed at making human rights monitoring sustainable by providing permanent funding.

--IR 1.2 - Political and community-level conflicts effectively mediated: (1) conflict resolution services will be supported by USAID/South Africa through a critical period in the transition process (6 - 8 years, depending on the approved budget option); if these services have been effective, they may receive funding from government or the private sector in South Africa after the end of USAID funding; even if they do not, important one-time impacts will have been achieved; and (2) the purpose of providing institutional and capacity-building support to one CSO so that it can develop the capacity to sell its services inside and outside South Africa is to make that CSO self-sustaining.

--IR 1.3 - Public policy reflecting CSO and public participation: (1) support for CSOs to provide public policy monitoring, public information, and policy advocacy will demonstrate the value of the civil society function and hopefully enable the CSOs to attract funding after the end of USAID support; even if they do not, important one-time impacts will have been achieved; and (2) changes in the operations of legislatures resulting from assistance to increase their capacity to receive inputs from civil society will likely be sustained.

--Special Result - Strengthened independent electoral processes: Assistance to independent electoral bodies is likely to lead to sustainable improvements in capacity and regulatory functions, since these bodies will receive funding from the government.

--Special Result - Enabling environment for CSOs Improved: If a favorable enabling environment for CSOs is established, it is likely to be sustained; one of the objectives of improving the enabling environment for CSOs (including fund-raising incentives) is to make them more sustainable.

--IR 1.4 - Executive structures (especially provincial) better equipped to manage participatory development: (1) short-term training of government officials by South African schools of government will achieve one-time benefits; however, if the training proves effective, government may pay to continue it and the effects will be multiplied and sustained; (2) visits of government officials to the U.S. are only intended to achieve one-time results in increased awareness and capacity-building; (3) technical assistance help government officials deal with critical problems in civil service reform or RDP management or develop policy in key areas are only intended to achieve one-time impacts; and (4) the sustainability of improvements in capacity in South African schools of government will depend on the willingness of government and the tertiary institutions to fund the recurrent costs for new capacity built; a key criterion for USAID investment will be the willingness and capability of government and tertiary institutions to meet these costs; consultative processes will be designed to reveal how committed the government and tertiary institution are to developing schools of government and what areas such development should stress to maximize the prospects for long-term sustainability.

--IR 1.5 - Innovative practices of partnership and participation adopted in provinces: (1) as noted above, one of the objectives of this IR (besides strengthening development processes in general) is to help CSOs achieve long-term sustainability by developing effective partnerships with government and the private sector (the only long-term sources of funding); finding viable long-term roles in development is the

only real solution to NGO sustainability (and those NGOs that are not able to meet this need will go out of business); (2) as for the partnerships themselves, most of those that are effective in furthering development will probably be able to attract government and/or private sector funding for continuation after the end of USAID funding; others may end or be modified; (3) if one or more of the focus provinces is not demonstrating results that appear likely to be replicable and sustainable, USAID/South Africa will shift resources to other provinces with more promise; and (4) the purpose of documenting and disseminating successful models of partnerships from SO1 focus provinces and "best practices" from non-focus provinces is to spread knowledge of what works so that effective partnerships can be achieved on a broad basis, and due to their effectiveness, be sustained; even if only some of them are sustained, the net contribution to participatory development will be substantial.

--Special Result - Political and economic linkages between the U.S. and South Africa strengthened through visits to the U.S.: The visits will achieve important one-time results during a critical period in the development of U.S.-South African post-transition relations; if the visit process is effective, there might be some possibility of its continuing at a low level after the end of USAID funding based on private funding from U.S. and South African sources; however, the effectiveness of the program does not depend on this.

c. Measuring Results

A central component of reengineering is setting results targets and measuring progress toward them. In long-term development programs, this often means setting targets on a continuum--i.e., reaching a certain point by the end of the planning period, and then moving further along the continuum in subsequent periods. In South Africa, however, the current strategy is a graduation or exit strategy and the current planning period is expected to be the last one. In these circumstances, it is not as justifiable to specify targets as points on a continuum, because there will be no follow-on efforts by USAID. In these circumstances, there is more of a burden to specify end-points or completion standards--i.e., discrete stopping points.

In the case of SO1, USAID/South Africa has the added problem that there are few commonly accepted guidelines and methodologies for setting targets in D/G and measuring progress toward them. In most D/G areas, it is difficult to identify quantitative indicators and targets that are valid measures of progress and completion of Intermediate Results. In South Africa, this problem is compounded by the fact that many of the Mission's proposed results are intended to catalyze broader, continuing change.

USAID/South Africa examined these issues in SO1. Due to the late definition of the Results Framework (due in part to the extensive consultation process), the SOT did not have time to develop targets and indicators for the Intermediate Results at the CSP stage. This will be done at the Results Package stage, which is currently underway. Tentative indicators of progress for some IRs are listed below:

--IR 1.1 - Increased human rights and access to equitable justice systems - Public opinion on equity, access, and human rights; level of justice system infrastructure in under-served areas.

--IR 1.2 - Political and community-level conflicts effectively mediated - Conflicting parties' rating of impact of the interventions: helped/hindered/had no effect.

--IR 1.3 - Public policy reflecting CSO and public participation - Degree of CSO involvement in selected public policy decisions.

However, the Mission does not propose to report on progress in SO1 solely by selected quantitative indicators. Rather the Mission plans to use a combination of qualitative and quantitative measures of progress, presented in narrative form. For example, progress in IR 1.1 (Increased human rights and access to equitable justice systems) will be a narrative presentation that describes the type of systems change targeted in the justice system and some indicators of progress (some qualitative and some quantitative). The latter measures will not attempt to be comprehensive, but will present a reasonable indication of success and the Mission's particular contributions to

these effects. The SOT will occasionally call in the Reference Group and other consultative bodies to get their impartial assessments of the SO's performance measurements.

7. Program Implementation

a. Teams

The Mission's Strategic Objective Team for SO1 (SOT1) has been operating for approximately eleven months. Up to now, it has consisted of all members of the Office of Democratic Institutional Development (ODID) and the Transition Support Staff (TSS), plus representatives from Office of Program and Project Development, RCO, RLA, Controller, and SOs 2 and 6. SOT1 is chaired by the Director of ODID.

As noted earlier, SOT1 has established a Reference Group of South Africans, which may continue as an advisory body to the SOT on broad strategy. Some of the members of the Reference Group and other selected individuals will be asked to join SOT1 as members of the extended team. SOT1 has formed preliminary Results Package Teams to manage implementation of the strategy, which are also expected to have extended team members.

b. Solicited Proposals

In the past USAID/South Africa did most of its programming in the D/G field through selection from unsolicited proposals from South African and U.S. NGOs and PVOs. Many hundreds of proposals were received every year. In what has been compared to a "foundation" mode of operation, the Mission then chose a very small percentage of activities to fund based on its sense of what program areas were most important, the merits of the individual proposals, and the capacity of the proposing organizations. In 1994 the AID/W Office of Procurement examined USAID/South Africa's system and concluded that it represented *de facto* competition, due to the implicitly competitive selection process. However, the Office of Procurement also encouraged the Mission to go further in publicizing its strategic objectives, and, where possible, to use RFAs/RFPs (requests for agreements and requests for proposals) to make the competition solicited.

The formulation of a Results Framework and Results Packages (soon) will allow the Mission to move much further toward solicited competition in SO1. Starting in FY96, the Mission will publicize its SO1 Results Framework and issue RFAs/RFPs in most areas linked to specific Intermediate Results. By FY97 the Mission expects that its mortgages on past agreements will be drastically reduced, and most SO1 funds will be programmed through RFAs/RFPs (mainly RFAs).¹¹ This will not only strengthen competition, but also allow the Mission to measure more rigorously the contribution of activities and groups of activities to Intermediate Results.

c. Reducing Management Units

Under the previous foundation mode of operation, USAID/South Africa's D/G portfolio consisted of a very large number of individual grants to South African NGOs and a smaller number of grants to U.S. PVOs. This resulted in a tremendous management workload for USAID/South Africa staff. While considerable progress has been made in reducing the number of management units in D/G in the last two years (especially in the grant-intensive Human

¹¹In FY96 a large proportion of SO1 programming will be taken up by mortgages from previous grant agreements. At present, mortgage commitments total approximately \$16 million, which is a major share of FY96 SO1 funds. The Mission will review all agreements with mortgages to determine which ones support activities consistent with the new strategy, which ones can be modified with the consent of the grantee to fit the strategy better, and which ones do not fit. For the last category, the Mission will then make case-by-case decisions on whether to continue, reduce, or end the activity. Because of the large volume of FY96 mortgage commitments, the Mission plans to apply a tight screen of fit to the new strategy. Even with a tight screen, however, a major portion of FY96 resources will go to funding mortgages of existing agreements, which will limit the portion of the budget that can be programmed by solicited competition. By FY97 this will no longer be the case and SO1 will move more completely to solicited competition.

Rights portfolio), the number continues to outstretch staff capacity, resulting in less than optimal monitoring and implementation oversight.

The Mission expects to have to operate with even tighter constraints on Operating Expenses and personnel in the future. Accordingly, the Mission has decided that it must find ways to radically reduce the number of management units and increase their average size, particularly in the management intensive portfolios of SO1 and SO2. To this end, SO1 plans to take various steps to reduce the number of management units over the next two years. One step will be to use umbrella mechanisms, wherever possible, to manage large numbers of individual activities through single agreements--in most cases cooperative agreements with local NGOs, possibly in cooperation with local or U.S. private sector organizations. For example, the Mission will try to design the results package for IR 1.5 so that all activities in each focus province, and possibly in all focus provinces, will be managed by one umbrella organization (most likely a local NGO). The Mission also hopes to substantially consolidate human rights programming through use of local umbrellas. A second step will be to limit the number of new individual grants and press for larger average size.¹²

¹²In SO1 the Mission expects to rely heavily on local South African organizations as partners, while recognizing and tapping the special expertise of U.S. PVOs. The 1993 legislation directs USAID/South Africa to work with local organizations "to the maximum extent possible." Because South Africa has many CSOs with good technical and management capacity in the D/G field, USAID/South Africa believes that they will be able to compete effectively under RFAs. The capacity of South African organizations to serve as umbrellas may be more limited. If necessary, USAID/South Africa will consider umbrella agreements that link local NGOs with South African or U.S. non-profit or for-profit organizations that can provide short-term help on financial controls and USAID/South Africa accountability standards. All umbrella agreements will be advertised and competed.

The results described in previous sections were developed to fulfill Strategic Objective 2. Each IR is a necessary condition, and in concert they are sufficient to achieve the objective. USAID's support is relatively small, but it is critical to catalyzing and accelerating the respective IRs and thus achieving the Strategic Objective.

The burden on NGOs, and particularly the Government, is very heavy, but all evidence thus far clearly indicates the strong commitment and motivation of our partners to carry out their responsibilities. Therefore it is reasonable to anticipate that these Intermediate Results are attainable, and that these Results will lead to achievement of Strategic Objective 2.

VI. Critical Assumptions

It is acknowledged that USAID/South Africa's efforts are supplemental and complement the array of activities sponsored by the Government of National Unity, other international donors, and local South African charitable institutions, foundations, and the private sector. There are inter-dependent and symbiotic relationships that exist in which each agency or institution utilizes its comparative advantage (e.g., financial resources, personnel, facilities, geographic location, hierarchical position, particular sub-sectoral interest) to affect the quality of education provided in South Africa. For example, the comparative advantages of USAID/South Africa include a sizable financial assistance package, historical success in building a leadership base, successes in education policy dialogue, long and substantial experience in the education sector (e.g., approximately 40 percent of past assistance directly applied to education, training, and human resources development), and development of tested models now available for wider dissemination.

Therefore, the success of USAID/South Africa rests to a large extent on the continued involvement of other key players, the political stability gained through the democratic elections of 1994, the success of provincial governments in establishing their functional autonomy, in continued local economic growth which will provide the tax base for continued funding of public education, and many other factors. External to South Africa, but certainly germane to the successful accomplishment of USAID's objectives, is continued GNU funding at a level commensurate with the scope of activities outlined in this chapter. It is paramount that partnerships are established with the GNU, other donors, and NGOs to develop and disseminate quality information and practices to affect policy and improve implementation. The Mission hopes that strong partnership arrangements will be developed allowing for support to be phased out over time, and enabling the government to pick up, on a contractual and other bases, the full cost of interventions it values, thus assuring sustainability.

It is imperative that interventions by development partners be monitored, efforts quantified, and that accomplishments be reported for the benefit of the entire donor, government, and private sector community involved in the upliftment of public education in South Africa. There will be periodic adjustments made to goals, objectives, and ultimately activities based on information gained. These adjustments will not be done unilaterally, but will reflect the involvement of the various parties mentioned above.

By design, USAID/South Africa's program management approach has included NGO and community-based capacity-building. In the post-elections era, this effort has led to substantial willingness by NGOs, both U.S. and South African, to assist the GNU with the integration of the education system. NGOs are now poised to provide tested educational practices, services, and products to help "kickstart" the GNU's institutional restructuring and educational agenda. USAID/South Africa's investment in human resources development and partnerships with NGOs have built trust and solid relationships with the new GNU leaders. The GNU and provincial governments have requested USAID assistance in the fields of policy analysis, strategic planning, financial management, and change management. In tertiary education, the Commission on Higher Education, building on existing relationships with USAID, has requested help to facilitate the drafting of a blueprint on higher education. The NGO community has requested assistance in addressing important issues such as sustainability, marketing services to the GNU, and reorganization and amalgamation.

USAID/South Africa has actively collaborated with the larger donor community. The Donor Coordination Group, which meets approximately every second month, includes the European Union, Great Britain, Canada, Germany, Japan, the World Bank, UNDP Liaison Office, Sweden, and the Ford Foundation. In addition to discussing sector and sub-sector assistance provided by each donor, experiences and problems are shared. The group meeting is an effective forum for discussing issues of common interest, such as the RDP, the national

literacy campaign, the culture of learning issue, and prioritizing responses to the needs of the Ministry of Education. Future efforts to enhance collaboration will include increased contact with the private sector which already occupies a seat in the tertiary education advisory group, the civil service commission and other governmental agencies impacting human resources development in the country, the academic community, and large government parastatals which function like donors (such as ESKOM, the national electric utility company).

Donor coordination is a main feature of Youth Development activities. Such coordination will facilitate policy planning and implementation, including the development of provincial business plans which would in turn allow the provincial departments to access RDP funds. Two bilateral agreements with the GNU focus on youth development. Combined, the agreements will address the following types of activities:

- coordination with provinces, ministries, and the larger forum of stakeholders (e.g., NGOs, CBOs, private sector) through technical advisors;
- policy and systems development, both national government and provincial, to address (a) employment and job creation, (b) education and training, (c) health, (d) social issues, and (e) creation of a national service scheme;
- monitoring, evaluation and data collection to assist in informing the National Youth Commission and provincial government departments in the development of future, multi-sectoral policies and planning activities. The data will facilitate impact assessments in order to improve the quality of youth development services offered;
- consultations and needs analysis;
- organizational development through workshops and provision of support for technical assistance to build capacity within GNU structures for the implementation of coordinated youth development programs and activities;
- staff development and training;
- rationalization of resources; and
- employment opportunities.

USAID/South Africa's assistance program has been designed with the input of GNU, Ministry, and Department of Education officials; NGO, international donor community, and private sector involvement through consultation. These consultations take various forms, from formal solicitation of input during the design of specific projects, to on-going dialogue during regularly scheduled meetings, and through the normal process of project monitoring. For example, the SABER Bilateral Agreement (discussed below) was based on priority areas identified by the RDP and the Minister of Education in the White Paper on Education. Further consultation took place in a meeting between the Minister of Education and the donor community (December, 1994). In July, 1995, the Department of Education disseminated the draft Bilateral Agreements on basic education to all provinces for review and comment. Similarly, NGOs have been consulted and have generally agreed that the focus and approach to interventions through bilaterals is a sound strategy.

The ESAT Bilateral was designed in similar fashion to SABER's. In higher education, youth development, and tertiary education, consultations among USAID staff members, government officials and NGOs have taken place. In tertiary education, a formal consultative body has been formed to advise project management. A second advisory body has been formed to review applications for assistance and to recommend action by USAID.

VII. Illustrative Approaches, Strategies, and Activities

A. Intermediate Result 2.1: Policies for Transformation of the Education System are Approved and Enacted

Illustrative activities being funded to address this objective include provision of technical assistance to the national Department of Education and provincial departments of education in educational policy formulation, strategic planning, budgeting and implementation. Through consultations with Provincial officials, areas which need immediate attention and support within the new unified departments of education have been identified and are being addressed. In fiscal year 1995, four Bilateral Agreements were signed which will provide support for a variety of activities which will strengthen national and provincial government structures. For example, one project will enable USAID/South Africa to assist the National Commission on Higher Education (NCHE) to investigate all aspects of higher education and to make appropriate policy recommendations for defining the higher education system and specifying its goals; describing the institutional types required for the system, their particular functions and missions, their respective inter-relationships and their relationship with Government; the structures required to govern and administer higher education; and funding mechanisms for institutions and students in higher education.

Other activities being funded through the Bilaterals which address Intermediate Result 2.1 include the establishment of curriculum and assessment systems to manage national and provincial adult basic education services, as well as the development of an operational system for the NQF and the National Education Bill. This includes support for policy formulation and legislation at the national level on accreditation, testing and assessment, standard setting and validation of services, and research on outcomes-based education for adult basic education and training (ABET). In the area of pre-primary/primary education, technical assistance will be provided under the Bilateral Agreement for the development and institutionalization of a system for program monitoring and assessment which will in turn provide information for further educational policy and planning decisions. This support may also include increased and more diversified use of educational media for the expanded delivery of quality basic education programs and the dissemination of proven and effective models in mathematics, science, early childhood development and English. Support is also being provided for establishing linkages between highly successful NGO in-service teacher training (INSET) programs previously piloted with USAID support and Colleges of Education which are the responsibility of the provincial government structures.

Research in school-based reform has been supported through study tours abroad. Also, extensive management information system data bases have been developed and training in their utilization has been made available to the provinces. Provincial workshops on needs assessments and education management information systems have been provided in several of the select focus provinces and an "Audit of Education Statistics in the New Provinces" has been published and disseminated.

It is important to note that the implementation of the Bilateral Agreements at the provincial level is ongoing and that the select focus provinces for the two Bilateral Agreements in ABET and pre-primary/primary education were only identified by the GNU in February 1996. The needs assessment and strategic planning process is continuing in these four provinces in order to determine the exact priority areas of need for further technical assistance and grant support. For example, it is likely that one province may identify curriculum and assessment in ABET as an urgent priority for further policy development while another province may identify teacher training and colleges of education as its priority area in need of support. The Bilateral Agreements were designed and negotiated to accommodate the varying needs of the provinces which often face slightly different challenges, dependent upon the inherited formal education structures, political-will, demographic and other socio-economic-political factors. It is also important to note that USAID assistance provided in one province is most often replicable across other provinces and that there exist formal exchanges of information, policies, structures and training in order to extend the impact of USAID's investment. For example, this past year USAID provided technical assistance for the development of the Gauteng province Education Bill which has served as a model for other provinces now undergoing the same process.

B. Intermediate Result 2.2: Responsive and Functional Organizational System

Extensive technical assistance in strategic and economic planning has been given to National and Provincial governments, and to Historically Disadvantaged Institutions (universities and technikons). Assistance, technical as well as economic support, have been rendered to address student tuition funding issues.

Additional assistance to the Department of Education will be provided through bilateral agreements to provide support for youth development issues. The objective of this activity is to increase the skills, employability and civic values of large numbers of young people whose experiences in the fight against apartheid led them to drop out of school, out of the job market, and out of social structures. Nationwide, there are estimated to be as many as six million disadvantaged and disenfranchised youth who could benefit from these services.

C. Intermediate Result 2.3: Adequate Qualified Human Resources Base

USAID has supported numerous civil society organizations (CSOs) which have been commissioned to conduct applied research and to develop innovative education models or methods for enhancing the quality and efficiency of education. These tested models are now available for replication. Areas impacted include pre-primary education; in-service teacher education; distance education; development of curriculum and teacher training methodologies in math, science and language; and adult basic education and training. Similarly, CSOs have been utilized to expand the provision of services, particularly in areas such as teacher training in the use of innovative, student-centered methodologies.

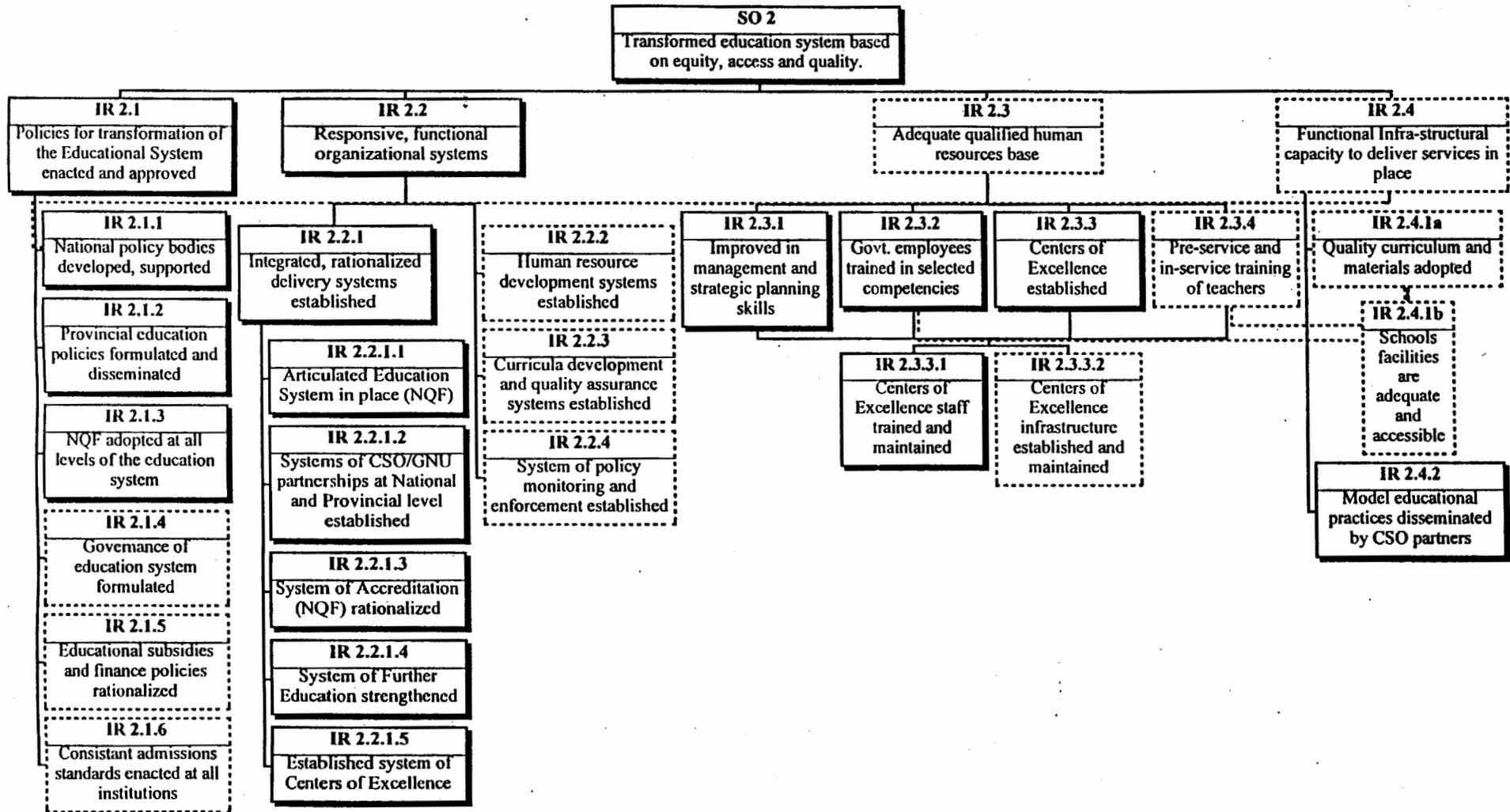
In basic education two bilateral agreements with initial values of \$19 million will provide the basis for the majority of new activities. Although both have activities which apply to Intermediate Result 2.1, they focus mostly on Intermediate Result 2.3. The first bilateral (i.e., SABER project) specifically addresses support to the transformation of primary education, particularly at the provincial level. The bilateral program will formalize and operationalize a partnership for reconstruction and development of the education system between CSOs and provincial governments. Services to be provided by CSOs to provincial departments of education include school management programs, in-service and pre-service training and support, linked to colleges of education, provision of tested materials, with a special focus on English, math, and science, strengthening of early childhood development programs, special curriculum and training to address the needs of out-of-school children.

The second bilateral agreement, addressing unique educational needs, will focus on planning and development of adult basic education and training (ABET). Through this bilateral (i.e., ESAT Project) a national plan for ABET will be developed in which NGOs play a critical role in providing delivery services, develop national standards for curriculum, accreditation and learner assessment, and employ distance education models to improve access and impact.

D. Intermediate Result 2.4: Functional Infrastructural Capacity to Deliver Services is in Place

During USAID's first 10 years in South Africa, substantial investments were made in supporting indigenous NGO initiatives which pilot-tested and evaluated improved models and alternative delivery mechanisms for basic education for disadvantaged South Africans. The models now have the potential for wider dissemination to help support the transformation of educational content and delivery systems. Two factors make this possible. First, there is widespread agreement about the need to open up access to education to allow learners mobility between formal and informal education through standardized certification and validation. Second, there is a growing awareness that traditional delivery mechanisms alone cannot begin to address the current education crisis. Distance education programs by radio, television and print, pioneered by NGOs with assistance from USAID, have opened access to large numbers of educationally disadvantaged South Africans. Recognizing the potential of media as a tool in education reconstruction, the GNU has incorporated distance education as an integral part of a cost-effective education system. Models in English language instruction and science education, funded by USAID, are now distributed nationally through television and radio to reach a potential audience of millions of South African learners. Models in early childhood development and mathematics education are also being refined and it is anticipated that these proven and accepted models will also be disseminated nationally through distance education and through mass "newspapers in education" inserts as well.

STRATEGIC OBJECTIVE 2 RESULTS FRAMEWORK



VIII. HOW SUSTAINABILITY WILL BE ACHIEVED

Education is crucial for achieving Mission goals, but programmatically, the key to sustainability is our shift to working with the GNU in their priority areas. Also crucial, is the involvement of traditional NGO partners with the GNU to enhance the sustainability of their capabilities. Without improvements in the majority population's educational level, long-term gains in economic growth and equity will be limited. USAID/South Africa's programs under SO2 will address tertiary education, targeted areas in human resources development, and basic education. SO2 contains three elements essential for the transformation and improvement of South Africa's public education system -- policy reform, establishment of systems to execute policies, and capacity building at national and provincial levels. The integration of the educational system assumes improvements in quality, equity, access, and cost-efficiency.

USAID's involvement in South Africa's education system is essential to the United States Government's support for sustainable transformation. Tremendous social, economic, and political disparities have been created and perpetuated by the apartheid system. In order to narrow this gap, and for meaningful participation by the majority population in matters that affect their lives, a minimum level of education is required. While achievement of this objective is a long-term goal that will require fiscal resources beyond those USAID can contribute, focused, targeted, and select interventions are needed now to assist the GNU to embark on this important task in a comprehensive manner. Without the critical ingredient of educational improvements for the disadvantaged population, the achievement and sustainability of the Mission's other strategic objectives and project outputs will be diminished, and the time frame in which the majority population can be expected to gain political, economic, and social parity will be substantially prolonged. In addition to building on results accomplished with USAID assistance, the U.S. has much to offer in helping to re-design the South African education system. The "equal educational opportunity" characteristic of our system, the qualitative aspects that can be adapted here, such as student-centered methodologies, our experience in coordinating and harmonizing the various educational systems at the state, county, or city level, can be useful in South Africa.

USAID/South Africa's strategic objective of establishing policies, systems, and capacities contributing to a transformed education system is closely tied to supporting the economic, political and social empowerment of the disadvantaged majority population. There is a strong link between this strategic objective and those of democracy, health and economic growth. An educated citizenry supports the economy and helps to increase productivity and employment. As a culture of learning is restored and takes root, participation in civil and democratic society improves. As education levels improve, per capita income rises, child survival rates improve, and productivity improves. With improved literacy and numeric skills and a higher pass rate among students, opportunities for skills-based growth in the overall South African economy also improves.

IX. CUSTOMER SERVICE PLAN

The SO2 vision statement is "*Education for Life.*"

A variety of methods to understand customer needs, demands and reactions to USAID/South Africa's services have been utilized. These include site visits, evaluations, consultative meetings, workshops and donor meetings to exchange ideas and coordinate activities. In the future, interviews and surveys will be utilized to determine customers' needs of services.

Customer standards are:

- 1) Being responsive to their requests for information and procedures;
- 2) Being transparent in our activities that relate to customers;
- 3) Promoting the use of local expertise; and
- 4) Customers are satisfied and continue to use services.

The following services will be offered to achieve anticipated results:

- 1) Financial assistance in the form of grants and contracts;
- 2) Technical assistance;

- 3) Training; and
- 4) Results package management including voucher services.

CUSTOMERS, PARTNERS AND STAKEHOLDERS:

We have identified STUDENTS as our ultimate customers.

Our intermediate customers include the following:
provincial departments of education, educators, NGOs, communities, corporations, HDIs and CSOs.

Our partners include the following: NGOs, CSOs, national Department of Education, provincial departments of education, Commission on Higher Education, Committee on Further Education, Historically Disadvantaged Institutions, historically white universities, U.S. Universities, contractors and other international donors.

In addition to our development partners, SO2 stakeholders include the U.S. Congress, US taxpayers, U.S. Embassy, public and private sector employers, and the RDP.

X. HOW ACHIEVEMENT OF SO2 WILL BE JUDGED

Targets and time frames are presented in the attached performance plan which references the results outlined above. Through careful process and summative monitoring, and base lines established early on, credible comparisons will be made in which policies and systems developed and implemented, and capacities strengthened are documented. Attainment of these targets will constitute accomplishment of SO2.

A Results Reporting document (R2) is presently being developed in conjunction with the CSP. Re-engineering practices are being implemented whereby staff will assume responsibility for results packages. As envisioned, there will be concerted emphasis and effort which will facilitate tracking and documentation of progress. The annual Results Review and Resources Request (R4) will be the main vehicle for reporting results.

XI. GEOGRAPHIC FOCUS

Prior to the 1994 national election and before the establishment of the present nine provincial entities, USAID/South Africa provided services throughout the entire country, with the exception of the unrecognized homelands. Presently, four provinces are being targeted for concentration in the basic education sub-sector (see section above, "I.C., Assistance to Provincial Ministries and Departments of Education"). However, the following provinces have been the major beneficiaries of basic education services: Eastern Cape, Gauteng, KwaZulu-Natal, Mpumalanga, Northern Cape, Northern Transvaal, Free State, and Western Cape. In the tertiary education sub-sector, the geographic focus is determined by the location of the nine universities and six technikons which constitute the historically disadvantaged institutions being served. Therefore, only the Free State, Northern Cape, and Mpumalanga are not represented in this sub-sector. It must be pointed out, however, that assistance provided to the national Ministry of Education (e.g., support to the Commission on Higher Education) benefits the entire country. The services under the further education sub-sector have been mostly general, benefiting the country as a whole. Individual provinces which have been served include the Western Cape, Gauteng, and KwaZulu-Natal Provinces.

There is presently dialogue among USAID/South Africa Strategic Objective teams to coordinate geographic focus and to concentrate resources, where feasible, for greater and more sustainable impact.

XII. RESOURCE REQUIREMENTS FOR SO2

A. USAID/South Africa High and Low Funding Scenarios

The level of funding required to accomplish SO2 is \$131.3 million over eight years under the high option, and \$89.6 million over six years under the low option. The high option covers the period FY 1996 to FY 2003; the

low option runs FY 1996 to FY 2001. Table 1 shows the funding level per fiscal year required under either scenario.

B. Implication of Low Budget Scenario

A case was made earlier, commending the GNU for the high level of funding allocated to public education. However, when issues of redress are considered, the urgency for qualitative improvements in the educational system, the needs of other competing sectors, and the prudent unwillingness of the GNU to increase its debt ratio, resources to address transformational needs become precious and scarce. Since USAID/South Africa's strategy does not address infrastructural or recurrent expenditures, the impact, dollar for dollar, of USAID assistance accomplishes much more. A reduction of \$42.2 million (32.1 percent), if the low budget scenario were to become a reality, would imply significant changes in the strategy. Funding of NGOs would be curtailed, with a loss of their particular function in adding and accelerating qualitative changes, and reducing their role as sentinels, brokers and arbiters for the public will. The failure to support the adoption of proven and tested NGO models will limit USAID's impact to one of limited systemic change at the policy level and thereby restrict demonstrated qualitative change at the classroom level in the near term. Without support at the provincial level which demonstrates both the efficacy and efficiency of new curriculum, testing and assessment models, it is possible that a considerable amount of time may be lost before the provincial education structures are able to focus on the incorporation of such models as change agents in the reform process. Furthermore, there remains a substantial risk that many of the NGOs previously supported by USAID who have been stellar performers and produced exceptionally valuable alternative models may not survive in the near term and USAID's investment to date of tens of millions of dollars may be lost. Until recently, new provincial structures were not prepared to incorporate the new methodologies and they are only beginning to demonstrate the management capability to focus on such reforms which are urgently needed at the community and school level. Earlier assumptions that USAID's grantees could easily broker their services to the provincial structures after the 1994 election have proven wanting as the national and provincial structures dealt with more immediate management and restructuring demands and faced limited budgets with which to make demonstrable change.

Investments in establishing or strengthening centers of excellence would also be seriously affected. In the present high option scenario, an education, a governance/public policy and an economics centers of excellence are planned. The low option would afford us the opportunity to strengthen specific departments in these sectors, but the notion of centers of excellence would have to be down graded substantially. In particular, these centers would be unable to adopt the role envisioned for them and would not accomplish the breadth or depth of expertise and outputs that the country needs. Linkages and faculty exchanges envisioned between centers of excellence and U.S. institutions would also be tempered. Ultimately, the low budget scenario would cause a reduction in the needed human resources of critical choice, and this would have a negative impact on the long-term prospects in quality of education, governance, and economic growth. Consequently, the structured and designed synergies among SOs would be greatly reduced.

In basic education, the number of provinces impacted by planned interventions would, of necessity, have to be reduced from four to two. Other provinces would also be negatively impacted since policies, systems, and practices which would have been available for replication would be reduced. Synergies as a result of SOs concentrating their resources in common provinces would also be reduced. Finally, the pace and qualitative nature of the envisioned transformation of the education system would be negatively affected.

The task of identifying strategy components that would be abandoned, given the low funding option, has been difficult. The implications of these cuts, as noted above, would slow the pace of transformation, would reduce the scope, and would affect qualitative improvements needed. However, the emphasis on policies, which define course of action; and systems, the purposeful, functionally related groups of elements required for the implementation of policy, would have to be maintained. Reliance on the government, other international donors or local foundations to offset the deficit deficiency, is not a realistic option. The strategy presented here, by definition, already assumes the role these partners will play.

TABLE 1

**SO2: TRANSFORMED EDUCATION SYSTEM BASED ON EQUITY, ACCESS AND QUALITY
(HIGH OPTION, IN MILLIONS OF DOLLARS)**

INTERMEDIATE RESULTS	SM	SM
IR 2.1 Policies for transformation of the Educational System enacted and approved.		33.0
IR 2.1.1 National Policy Bodies Developed, Supported.	6.5	
IR 2.1.2 Provincial Education Policies Formulated and Disseminated.	16.0	
IR 2.1.3 NQF Adopted at all levels of the Education System.	10.5	
IR 2.2 Responsive, Functional Organizational Systems.		
IR 2.2.1 Integrated, Rationalized Delivery Systems Established.		33.3
IR 2.2.1.1 Articulated Education System in Place (NQF).	6.5	
IR 2.2.1.2 Systems of CSO/GNU Partnerships at National and Provincial Level Established.	13.5	
IR 2.2.1.3 System of Accreditation (NQF) Rationalized.	5.5	
IR 2.2.1.4 System of Further Education Strengthened.	4.8	
IR 2.2.1.5 Established System of Centers of Excellence.	3.0	
IR 2.3 Adequate Qualified Human Resources Base.		52.6
IR 2.3.1 Improvement in Management and Strategic Planning Skills.	13.6	
IR 2.3.2 Govt. Employees Trained in Selected Competencies.	10.5	
IR 2.3.3 Centers of Excellence Established.	16.0	
IR 2.3.3.1 Centers of Excellence Staff Trained and Maintained.	12.5	
IR 2.4 Functional Infra-Structural Capacity to Deliver Services in Place.		12.4
IR 2.4.1 Model Educational Practices Disseminated by CSO Partners.		
TOTAL		131.3

TABLE 2

**SO2: TRANSFORMED EDUCATION SYSTEM BASED ON EQUITY, ACCESS AND QUALITY
(LOW OPTION, IN MILLIONS OF DOLLARS)**

INTERMEDIATE RESULTS	\$M	\$M
IR 2.1 Policies for transformation of the Educational System enacted and approved.		21.5
IR 2.1.1 National Policy Bodies Developed, Supported.	6.0	
IR 2.1.2 Provincial Education Policies Formulated and Disseminated.	10.0	
IR 2.1.3 NQF Adopted at all levels of the Education System.	5.5	
IR 2.2 Responsive, Functional Organizational Systems.		
IR 2.2.1 Integrated, Rationalized Delivery Systems Established.		25.3
IR 2.2.1.1 Articulated Education System in Place (NQF).	5.0	
IR 2.2.1.2 Systems of CSO/GNU Partnerships at National and Provincial Level Established.	9.5	
IR 2.2.1.3 System of Accreditation (NQF) Rationalized.	5.0	
IR 2.2.1.4 System of Further Education Strengthened.	3.8	
IR 2.2.1.5 Established System of Centers of Excellence.	2.0	
IR 2.3 Adequate Qualified Human Resources Base.		38.3
IR 2.3.1 Improvement in Management and Strategic Planning Skills.	9.6	
IR 2.3.2 Govt. Employees Trained in Selected Competencies.	6.5	
IR 2.3.3 Centers of Excellence Established.	12.7	
IR 2.3.3.1 Centers of Excellence Staff Trained and Maintained.	9.5	
IR 2.4 Functional Infra-Structural Capacity to Deliver Services in Place.		4.0
IR 2.4.1 Model Educational Practices Disseminated by CSO Partners.		
TOTAL		89.1

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ATTACHMENT: SOUTH AFRICA EDUCATION SECTOR ASSESSMENT

I. Basic Education¹

The April 1994 elections in South Africa swept in a new government committed to overcoming the legacies of decades of an apartheid regime that systematically excluded the vast majority of the population from full participation in the civic, social, economic and educational spheres of life in the country. Facing the Government of National Unity (GNU) are two major, interrelated issues: 1) formulating and implementing policies that address the major ills of inherited practices; and 2) dismantling the existing discriminatory, cumbersome and archaic organizational and administrative structures to create a unitary system of education for all.

This assessment of the basic education sector in South Africa provides a description of the status of the basic education sector including discussions on the status of policy development, the National Qualifications Framework (NQF), early child care and education, and adult basic education. This assessment will also include a discussion of the types of support provided to basic education, e.g., Government support, private sector and foreign donor support. Finally, this assessment will provide justifications for the types of interventions contemplated in Part Two.

A. Status of Basic Education in South Africa

1. Definition

A discussion of the status of the basic education sector in South Africa must begin with a definition of the term, "basic education." The Ministry of Education's (MOE) White Paper defines basic education as 10 years of schooling (reception year through grade 9) which is compulsory for all children. Basic education also includes adult education and training up through the level of General Education Certificate. The Interim Constitution provides that every person shall have the right to a basic education. The Interim Constitution has designated Eleven languages² as official, and learners have the right to instruction in the language of his or her choice where this is reasonably practicable.

2. Policy Development

Three major documents currently express the vision and values of the new South Africa for the development of its nation's resources: They are: the 1993 Interim Constitution, the MOE White Paper, and the Reconstruction and Development Program (RDP) document. Chapter 3 of the Interim Constitution affirms and specifies the fundamental rights and freedoms of all persons, including the right to education. The White Paper, released in February, 1995, is the first education policy document by the GNU and spells out in some detail current thought about educational policy for the nation. It also addresses organizational and administrative arrangements required to implement the new unitary system of education. The broad objective of the RDP is to deal with past deficiencies and backlogs so that growth is stimulated. The RDP seeks to integrate departments at all levels of government to implement its objectives in a more holistic way, and ensure community participation in RDP projects. A key RDP strategy is to prioritize ministerial budgets from a zero base.

At both the national and provincial levels, the transition is underway from the fragmentation of separate systems of education based on ethnicity to a single unitary system. The structural outline for such a system is evolving; new departments are being created; posts are being established and in some instances, filled. Steps have been taken to delineate the respective powers and responsibilities of the national and provincial ministries and departments of education. In general, the role of the national MOE is to develop general education policy to

¹ This sub-sector assessment is a summary drawn from the Basic Education Sector Assessment prepared by DevTech Systems, Inc. for USAID/South Africa in September, 1995.

² These are: South Sotho, North Sotho, Tswana, Zulu, Tsonga, Ndebele, Swazi, Venda, Xhosa, Afrikaans, and English.

impact the nation as a whole. Such policies include, *inter alia*, promoting compliance with constitutional guarantees relating to education; establishing and maintaining an educational information management system (EMIS); and establishing norms and standards with respect to curriculum frameworks, standards, examinations, and certification. The Interim Constitution vested substantial powers in provincial legislatures and governments to run education affairs, other than universities and technikons. The delivery of basic educational services to learners was declared a responsibility of provincial governments.

3. The National Qualifications Framework (NQF)

South Africa has had a fragmented education system with numerous discrete examining bodies certificated by the South African Certification Board. There has been very little congruence or cohesion between the bodies, and movement between different provisions has been difficult. Far reaching plans were put forward to transform education by redesigning the accreditation system and pegging levels and standards into a framework that will promote a unitary education system for life-long learning. This framework will examine outcomes (competencies) of learning, however acquired, at eight levels to give horizontal and vertical access to further learning.

The organizing mechanism for this will be the NQF. The GNU has identified the NQF as an organizing concept for a transformed system of education, incorporating the concept of life-long learning as a central principle. This requires that there be expanded ways in which people are able to acquire learning and qualifications of high quality. The NQF is seen as the integrating vehicle by which education and training at one level can be linked to another level of learning, thus allowing learners to progress to still higher levels without restriction of the starting point in the education and training system.

The NQF is underpinned by the following set of principles which are designed to meet the development needs of the individual, and the social and economic needs of the country:

-- Integration of education and training should be relevant to development needs and have national and international credibility. The system should have a coherent framework of principles and certification. Standards should be established on a nationally agreed framework and have internationally accepted outcomes. Legitimacy should be ensured by the stakeholders' participation in planning and monitoring of development.

-- Access should be provided to appropriate levels to all learners and progression ensured by articulation of credits allowing movement between components of the delivery system. Progress through the levels should be possible through different appropriate combinations of the components of the delivery system. Portability should ensure that learners can transfer credits from and between learning provisions and employers. Prior learning should be assessed and credited. Learner's guidance should be given by educators and trainers who themselves meet nationally recognized standards.

The NQF has the potential to influence the whole of education. It is regarded by the GNU as the organizing force for the transformation of the education system. Conceptually, the idea is well advanced, but much must be done to make the scheme workable while maintaining its integrity. Areas in which support are needed include: implementation at both the national and provincial levels; assisting education providers to convert existing curricula and instructional materials to an outcomes-based format; developing procedures for assessing prior learning and developing proofs of capabilities; and the training of evaluators.

4. Early Child Care and Education

Early childhood development (ECD) is recognized by experts in the field and by the Government of National Unity as the processes of child development from birth to age nine. ECD underscores the interdependent nature of the child's physical, mental, moral, social, cognitive, and academic development during these early years; and includes programs that are directed toward the care and education of children prior to and during formal early primary school, from the reception year (Grade 0) through Standard 1 (Grade 3). The GNU recognizes the crucial importance of the healthy development of young children in the current context of reconstruction and development in South Africa and makes a strong statement to this effect in the 1995 White Paper:

The GNU also recognizes that children's success in school and later life depends as much on the quality of the child's early learning experiences as on the child's readiness to benefit from these experiences. That is, the government recognizes the need to insure that appropriate standards and curricula for direct service and teacher programs in ECD be established and that teachers are properly trained.

The White Paper summarizes the relationship between the national and provincial governments relative to ECD and the respective roles that these bodies will play in developing and implementing policy on ECD. It envisages that the National Department of Education along with provincial departments and all stakeholders, will reshape ECD curriculum and teaching methodology and acknowledges the significant contribution of NGO resource and training agencies. The government has assigned responsibility for ECD provision to the provincial level. However, emphasizing government's limited fiscal and human resources in this area, the White Paper notes that the provincial department's role in implementing ECD will be primarily "facilitative."

Equally relevant to the area of ECD, the White Paper sets forth a policy of government provision of 10 years of compulsory education beginning with Grade 0 or the reception year. The reception year is to be implemented in phases and in the context of improvements in junior primary schooling towards developmentally-based, child-centered learning.

The challenges in early childhood development in South Africa derive from three factors: 1)lack of access; 2)lack of quality; and 3)funding constraints. As noted above, most majority population children do not have access to pre-primary experiences which would bolster their capacity to succeed in the early primary years. Furthermore, the low quality of early primary education represented in inappropriate curricula and teaching methods, combined with poor facilities and overcrowding, and often complicated even further with issues of language differences, significantly contribute to failure rates among majority population children.

NGOs have pioneered and piloted innovative, child-centered curriculum for pre and junior primary schools, and concomitant curriculum for teacher training. Some have given special attention to developing curriculum and materials and providing training in English, math, and science. In addition, a number developed effective distance education models for training, parent education, and interfacing with centers and schools through radio.

5. Adult Basic Education and Training (ABET) in South Africa

There are 15 million illiterate adults in South Africa. The Center for Education Policy Development's (CEPD) Draft Policy Framework defines adult basic education as the provision of education, including basic literacy and numeracy, to a level equivalent to the General Education Certificates to adults who have had little or no formal schooling. The key CEPD principle is the right of the individual to access life-long learning, integration of the education and training system, national standards, credit accumulation, recognition of prior learning, integration of academic and vocational skills, and democratic participation.

The White Paper states (P.30) that the building of partnerships is the organizing principle of the national ABET. This includes partnerships with all constituencies with a vital interest in the ABET enterprise, including organized labor and business, women's and youth organizations, civics, churches, specialist NGOs, learner associations, all levels of government, media and other stakeholders.

A concern has been raised by stakeholders about the number of learners who are reached and successfully complete ABET programs. The low output is due, in part, to the high drop-out rate. This state of affairs is the result of a number of factors including the following: inadequate access to centers by learners; the times at which classes are conducted are inconvenient; learners holding full-time jobs; family and community responsibilities; and learner motivation. No doubt the following organizational factors also play a part in the low productivity of ABET programs: the location of centers; the lack of human and financial resources leading to a lack of qualified instructors and instructional materials; management capacity; and provider motivation.

It is expected that the formation of umbrella bodies, like the National Literacy Cooperative (NLC), the establishment of the NQF, the increasing general awareness of the relationship of ABE to economic and social development, and government's efforts to create an enabling environment will result in more effective programs of adult education and training.

B. Support to Basic Education in South Africa

Support to basic education in South Africa may be viewed as coming from three sources: the government, foreign donors, and private sources within South Africa and from families (households) of students. The South African government obviously is the primary funding source; however, the other two make significant contributions to educational financing in the country.

1. Government Support

South Africa allocated a total of R27.26 billion (US\$7.78 billion) for education in 1993-94, which represents 2.4 percent of the GNU budget, or 7.3 percent of the gross domestic product. This level of funding for education is within the upper range suggested by organizations such as UNESCO. The total figure rose to R29.25 billion in 1994-95 and is projected to increase to R32.2 billion in 1995-96. This is an increase of about 10 percent for the most recent years, before adjustment for inflation. In 1994-95, the schools and colleges were allocated R25.38 billion, or 86.77 percent of the total education budget. Current reports are that schools and colleges have been allocated about 85 percent in the current budget.

The budget for basic education was divided among the nine provinces for the current financial year. The longer-term problem of funding basic education raises the issue of provincial/national taxing authority. This is a complex issue involving assumptions about the availability of additional tax revenues at the provincial level on top of an already high tax structure, political commitment to the principle of educational equity and, to some extent, the control of education.

2. Private Sector and Foreign Donors

There are numerous sources of support for basic education other than directly from the government. South Africa is unlike many developing countries where contributions from foreign governments and multilaterals form the bulk of assistance outside government channels. Support from foreign foundations, foreign-based corporations, and South African corporate social responsibility programs probably exceeds direct funding from foreign governments by a factor of 2, and a significant proportion of it is directed towards education programs. In addition, individual and church-based philanthropy provides a significant contribution.

3. Household Support for Education

The question of "free" education raises a definitional problem, since there are a number of schooling costs typically borne by families and guardians in countries where education is regarded as free. School uniforms, materials fees, school lunches, transportation and laboratory fees are examples of such costs. In 1993, the Education Foundation did a survey of the cost of schooling in households and found that the amount spent on education by families, when extrapolated to the whole of South Africa, was equivalent to 32 percent of the total budget. This is a dramatic figure, which suggests that family support to education is a very important component in analyzing and developing educational foundation funding programs.

C. The importance of intervention of the Type proposed by USAID/South Africa

USAID/South Africa's education strategic objective (SO) is: "Improved policies, (sub)systems, and capacities for a transformed education system." The current status of basic education in South Africa as described above provides justification for this education SO. With regard to policy, whereas the GNU has made important progress in its policy formulation, particularly with respect to the development of the NQF, there remains the urgent need to develop policies emanating from the NQF that are necessary for its successful implementation, particularly at the provincial level. There is also a broader need to pass enabling legislation that completes the dismantling of the Apartheid system and replaces it with the legal framework for translating educational policies into practices that impact positively upon learners. As this is not an area supported with very much government resources, it is an area where USAID/South Africa can make significant contributions through strategic allocations of its resources.

In addition to continued policy development, there is an immediate need to establish systems at the national and provincial levels for managing the educational system, including those required for the development of effective partnerships between the government and civil society organizations, as well as a rationalized system of accreditation.

Finally, the development of capacities at both the governmental (national and provincial) and non-governmental level to actually transform the educational system is critical. In particular, there is a need to develop the human capacities required to manage and further develop the systems of management.

II. Further and Tertiary Education

A. Further Education

This is the level that follows the attainment of the General Education Certificate within the compulsory phase of schooling or through Adult Basic Education programs. The Further Education sub-sector is still in the process of being clearly defined by the GNU and other stakeholders but it will include large segments of the college sector. Further Education will provide schooling, training and adult education as an integrated system. A balanced curriculum leading to the Further Education Certificate will be developed for all learners, e.g. students learning within formal education institutions, workers in industry or out of school youth through community learning centers or community colleges. It is envisaged that the curriculum at this level will seek to open learning paths that are consistent with the goal of life-long learning.

B. Tertiary Education

The tertiary education sector in South Africa refers to all organized learning activities which take place in universities, technikons, technical colleges, community colleges and colleges of education. These institutions offer professional academic education, ranging from the under graduate through to doctoral levels, non-degree training or diplomas, vocational and occupational training and the training of teachers. The control of the universities and technikons lies with the national Department of Education while the technical colleges and the colleges of education are the responsibility of the provincial departments of education.

The 1950s in South Africa were characterized by the passing of apartheid legislation, which among others, were aimed at tightening the control and fragmentation of the tertiary education system. This process left the tertiary education system for the disadvantaged majority fragmented, inaccessible, under-resourced and under-developed, leading to gross inequalities in educational attainment, skills, employment opportunity and productivity. The segregation and duplication of institutions and programs have led to overall inefficiency in the use of resources, inadequate academic preparation, under-qualified staff, inferior facilities, high failure and high drop out rates.

C. GNU Involvement

The Government of National Unity (GNU)/Ministry of Education (MOE) has prioritized major reform measures. The main areas described and identified in the Education and Training White Paper, March 1995, as requiring significant reforms in the tertiary and further education sectors are:

1. To address access problems -- lack of access or unequal access to education and training at all levels; the NQF is regarded as a key instrument for addressing the problem of access;
2. To change the current curriculum and rid the education and training system of the legacy of racism, apartheid, dogmatism and outmoded teaching practices;
3. To provide facilitative and regulatory mechanism that will lead to the transformation of teacher education and training. Teacher education is regarded by the ministry as one of the "central pillars of national human resource development strategy";
4. To introduce and provide student recovery programs in mathematics and science;
5. To develop and establish a further education system, which is aimed at addressing the inadequacy of programs at the senior school level, in and out of school, the workplace, private study and informal educational institutions;
6. To transform the higher education system in terms of racial and ethnic fragmentation, inadequate student financing, and high failure rates resulting from under-prepared students; and
7. To create partnerships for human resource development with interested bodies nationally and internationally.

The Minister of Education has appointed a National Commission on Higher Education to review the entire tertiary education sector (including the colleges of education sub-sector) and give recommendations as to its transformation with reference to its identity, structure, governance, management, planning, programs, qualification structure, articulation and more.

D. Results to be Achieved in Further Education

- * To assist the MOE in the establishment of a Student Financial Aid Scheme.
- * To assist the GNU/MOE in the establishment of a National Commission or Committee on Further Education and the implementation of its recommendations on the formulation of further education policies.
- * National and provincial further education policies formulated and disseminated.
- * A transformed and articulated further education system in place.
- * A system of accreditation rationalized - NQF.
- * A system of further education strengthened and sustainable.
- * NGO, CSO and GNU partnerships developed at the national and provincial levels in the areas of further education.
- * Provincial departments of education (further education level) strengthened.

E. USAID/South Africa's Contribution to Tertiary Education

According to the Advisory Committee on the Tertiary Sector Crisis to the Minister of Education, the present tertiary system needs a coherent policy framework with a redefinition of the role of government. USAID/South Africa supports the Ministry of education in this regard through:

- policy analysis and planning.** HBUs have been restricted access, until recently, to the policy and decision-making structures of university education. USAID provides funding to the National Commission on Higher Education through TELP. The funding is through technical assistance. There is an added advantage in this case because in funding the Commission it also contributes information to Further Education on Colleges of Education which are at the moment still under Further education.
- capacity building.** USAID is contributing towards capacity building through activities undertaken under TELP. Also, by funding the African Institute for Policy Analysis (AIPA) the capacity of the Vice Chancellors of the HDIs will be strengthened to enable them to be equal participants in the transformation of the tertiary education sector in South Africa.
- linkages:** An indigenous capacity for training and research is a necessary but not sufficient condition for tertiary education to contribute to growth. Through TELP linkages HDIs will be able to link up with HBCUs and other U.S. institutions of higher learning. This will contribute towards the strengthening of programs in strategic disciplines as well as research in the HDIs.

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**Strategic Objective 3: More Equitable, Unified, and Sustainable System
Delivering Integrated Primary Health Care to all South Africans**

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Acronyms: Annex A.3

CDC	Centers for Disease Control and Prevention
CAs	Critical Assumptions
DHS	Demographic and Health Survey
DOH	Department of Health
EU	European Union
EPI	Expanded programs of immunization
FSN	Foreign Service National
HCPs	Health Care Points
HDD	Health Development Division
IRs	Intermediate Results
NHIS/SA	National Health Information System for South Africa
NHS	National Health System
ODA	Overseas Development Administration
OSD	Office of Social Development
ORT	Oral Rehydration Therapy
PHC	Primary Health Care
PID	Project Identification Document
PP	Project Paper
R4	Results Review and Resource Request
SOT3	Strategic Objective Team 3
USDH	U.S. Direct Hire

**Strategic Objective 3: More Equitable, Unified, and Sustainable System
Delivering Integrated Primary Health Care to all South Africans**

1. Overview

The major health care challenge for the new South Africa is to provide equity in basic health care to all South Africans and, in the process, to rectify the underlying inequities in health services provision brought about and supported by apartheid. **Achieving SO3 will result in a more equitable, unified and sustainable system delivering integrated primary health care (PHC) services to all South Africans.** SO3 will accomplish this both by increasing access to an integrated package of PHC services, and by improving the institutional sustainability of critical PHC management and service delivery systems. SO3 will be achieved through a single, comprehensive project¹ -- emphasizing the focused nature of USAID/South Africa's assistance to the GNU in accomplishing the most critical objective of the RDP's strategy for the health sector.

The EQUITY Project was specifically designed to achieve SO3, and is fully consistent with the SO3 results framework. Thus, there is no reason to realign or otherwise amend the EQUITY Project. As discussed in subsection 3.b below, SO3 was developed through intensive consultations with the GNU and other development partners and stakeholders.

2. Problem Analysis

South Africa has a population of over 40 million people, 73 percent of whom are women and children. Although classified as a middle-income country, South Africa exhibits major inequalities resulting largely from previous apartheid policies which ensured racial, gender and regional disparities. The majority of South Africa's people -- the historically disadvantaged population² have inadequate access to basic services, including health, clean water and basic sanitation. Further, according to 1994 statistics, between 35 and 55 percent live in poverty, and 75 percent of the poor live in rural areas (compared to 53 percent of the general population). Women and children are perhaps the most vulnerable groups in South Africa.

a. The Health System and the Need for Restructuring

South Africa has had a highly fragmented public health system that actually consisted of a three-tier, 14-department (ministry) "system" designed to serve the different population groups separately. Communication among the various tiers and within tiers was generally poor even within the individual population group systems -- rendering the services structurally, functionally, and politically fragmented. In addition, there was no opportunity for community involvement in helping to determine priorities and provide guidance to the system.

Resource allocations under apartheid neglected geographical areas with large proportions of black and especially rural populations, and also favored high-technology curative health care for the minority white population which it did serve. The result was an inequitable system, and key health status indicators reflect the system's biases and ineffectiveness (see next subsection). All of these factors -- fragmentation, curative focus, and lack of community participation -- resulted in a large, majority population which was deprived of even basic primary health care.

¹ The Equity in Integrated Primary Health Care Project ("The EQUITY Project"). The project grant agreement was signed with the GNU in September 1995.

² In this document the terms "historically disadvantaged population" and "majority population" are used interchangeably. Similarly, the term "black" is used to refer collectively to South African individuals of African, Colored and Asian (Indian) descent.

In addition to inequity, the previous health care system itself had many weaknesses. Historically, health planning and management was centralized. Information and other management systems were ineffective and fragmented. The same was true for human resource development and other critical elements of the system. Thus, overall health system strengthening has become SO3's focus.

b. Results of Inequities and Ineffectiveness

The health status outcomes of the inequities and ineffectiveness of the past political and health systems can be seen from a few basic health status indicators. These indicators reflect the inequities in health care that have led the GNU to designate approximately one-third of its RDP health priority areas to those dealing with restructuring and shifting of resources to focus on integrated PHC.

Child survival. The infant mortality rate among African children is nearly 10 times higher than that of white children. The life expectancy of African and Colored children at birth is 10 years less than that of white children. While diarrheal disease is the major cause of death among 1-4 year old African and Colored children, it accounts for only 4 percent of deaths of white children in this age category. In 1990, 74,283 cases of TB were identified for ages 1-4, and of these, African and Colored children accounted for 98 percent. As with many other countries, early weaning of babies and low birth weight are both serious child survival problems. While breastfeeding is sustained for longer periods in rural areas, the duration of breastfeeding is declining, and the benefit of providing only breast milk for a period of 4 to 6 months is not widely appreciated or practiced.

Reproductive health and family planning. The quality and effectiveness of reproductive health services are clearly poorest for South Africa's historically disadvantaged population. At least 30 percent of women in rural areas give birth at home, and a significant proportion of these births are unassisted by trained persons. The most common causes of maternal mortality are sepsis, hemorrhage, and hypertension. The contribution of complications from illegal abortions and obstructed labor to the maternal mortality rate is unknown, but the evidence indicates that illegal abortions are a significant contributor. In addition, two of the main contributors of morbidity and mortality among adolescents are pregnancy and sexually transmitted diseases (STDs), yet health programs specifically targeting youth are virtually non-existent.

Family planning has been a sensitive and political issue in the past. Now the GNU has the opportunity to develop effective maternal and child health care and women's services -- as part of the PHC service package -- that will meet the needs of clients to space and/or limit births in order to improve the health of both the mothers and children. In addition, more accessible family planning services will eventually yield results in decreasing fertility and reducing the population growth rate -- with corresponding economic and social benefits (as described in Section 4 below).

STDs/HIV/AIDS. In the past seven to nine years, the HIV epidemic has continued to progress rapidly, with a doubling rate of infection every 13-15 months. Currently, approximately 2 million South Africans are already infected with HIV, and more than 8,500 have been diagnosed with AIDS. Mathematical models predict that in the next five years, at least 250,000 HIV-infected people will start to develop AIDS symptoms. In addition, the results of the October/November 1994 national antenatal HIV survey show that more than 7.5 percent of women attending public health antenatal clinics were infected with HIV. KwaZulu-Natal had the highest rate: 14 percent.

The interrelationships between HIV/AIDS and STDs has been well documented internationally, and the aggressiveness of the African HIV epidemic has apparently been due largely to the high prevalence of STDs. In South Africa, STDs have been a neglected area of health care. Furthermore, according to calculations from the national Department of Health (DOH), approximately one out of every twelve people in South Africa will be infected with at least one STD within the next year.

c. Potential Approaches for Dealing with the Problem

In considering how USAID/South Africa might best assist the GNU to address the problems of the health sector, the Mission carried out a review of the sector in order to identify critical constraints that would hinder the achievement

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of sustainable national development that the GNU sought to accomplish through the RDP. The health sector review led to the consideration of several approaches for utilizing USAID assistance in achieving sustainable development in the sector.

Direct delivery of basic health services. Given the inequities of the former health system and the resulting large numbers of disadvantaged people who desperately need health services, one approach would be to use available USAID resources for the health sector to carry out a "campaign" to provide basic services to those most in need. While this might help to achieve the GNU's political and humanitarian objectives of providing services (in every sector) as quickly as possible, the main shortcoming of such an approach is that it would not likely lead to sustainability. Furthermore, given the magnitude of GNU resources available to provide needed basic services in the restructured system, USAID's resources available to the health sector would have little impact by comparison.

Support exclusively to HIV/AIDS program. HIV/AIDS is one of the RDP health priority areas, and the DOH intends to pursue a comprehensive national program in order to limit the devastating impact of this disease. USAID/South Africa has supported high-priority HIV/AIDS activities through NGOs at both national and community levels for more than four years. Thus, continuing to focus exclusively on HIV/AIDS comprises another possible option for USAID support. This approach, however -- a massive influx of funds for a specific program -- is inconsistent with the RDP's strategy of providing a package of basic health services (of which HIV/AIDS is an important one). While the GNU recognizes that HIV/AIDS is a serious problem, especially among high-risk groups and in certain areas of the country, its strategy is to ensure that HIV/AIDS (and STDs in general) are attacked through the PHC approach. Thus, it is logical that USAID's continuing assistance in the HIV/AIDS area be integrated into the strengthened PHC service delivery program -- both in improving access to HIV/AIDS services in the public sector, and in providing needed support to NGOs over the next few years to help ensure their sustainability where their roles are critical over the long term.

Systems development to support integrated PHC services. In initial consultations with the GNU concerning potential USAID assistance to the health sector, the concept of developing systems that will ensure effective delivery of integrated PHC services quickly became the preferred approach. Not only does this approach help to support the principal health objectives of the RDP, but it also coincides with USAID's predominant capabilities and comparative advantage in the sector. Furthermore, USAID's resources would be used to build capacity, strengthen the basic health services delivery system, increase access to services, and ensure the sustainability of the PHC system.

USAID/South Africa's health sector review reached the following conclusions which support both USAID's involvement in the health sector and specifically the integrated PHC systems development approach:

- The earlier analyses conducted by USAID/South Africa in relation to potential USAID health sector support, taken together with those carried out recently by other organizations and development partners, provide an adequate basis to determine whether and how USAID should become involved in the health sector.
- The magnitude of South Africa's health indicators, especially for the majority African population, warrant the inclusion of a health strategic objective in the Mission's CSP.
- The integrated PHC approach coincides with and supports the priorities and strategies of the GNU, USAID/South Africa, the Africa Bureau, and the Agency.

d. The Resulting SO3 Approach

On the basis of the above consideration of alternative approaches, USAID/South Africa and the GNU have mutually decided that USAID will support the integrated PHC systems development approach. The rationale for supporting the development of an integrated primary health care system rather than the delivery of specific health interventions, such as family planning or HIV/AIDS, is based on more than the fact that the GNU has identified such a system as

the cornerstone of its new health system. The rationale is also supported by lessons learned from health and child survival programs elsewhere in Africa. In particular, USAID's child survival strategy of the 1980s, which was based largely on a selective primary health care approach, proved only a qualified success. There is a strong and growing consensus that, while efforts in both expanded programs of immunization (EPI) and oral rehydration therapy (ORT) were very successful during the 1980s, coverage levels have now plateaued or are even decreasing. The principal lesson learned from this is that such interventions cannot be sustained without a functioning health system, and that much greater attention must be given to reinforcing the support components of integrated health systems. It has also been found that improvements in health systems increase access to primary health care and provide essential support for family planning programs and other health interventions. The recently completed institutional analysis for USAID/South Africa's health project design has strongly supported this view for South Africa.

The systems development rationale is also strongly supported by the national Department of Health's recently developed vision for the health sector³, which reflects the principles of the RDP:

- The health sector must play its part in promoting equity by developing one unified health system.
- The system will focus on districts as the major locus of implementation and will emphasize the primary health care approach.
- Local authorities, NGOs and the private sector will unite with the public sector in promotion of common goals.
- Central, provincial and district levels will play distinct and complementary roles.
- An integrated package of essential PHC services will be available to the entire population.

Bridging activities. Another unique aspect of SO3 is the use of additive USAID/W field support funds to carry out "bridging activities" -- high-priority activities identified jointly by the GNU and USAID/South Africa that should be initiated quickly in order to lay the foundations for more rapid implementation of the EQUITY Project once the institutional contractor's long-term technical assistance team is in place. These bridging activities are being supported by the Global Bureau's field support funds and will not draw on EQUITY Project funding. Approximately \$3.2 million of Global Bureau field support was made available in FY 95. The mutually agreed bridging activities include (1) a nationwide demographic and health (DHS) survey; (2) a national-level health system situation analysis⁴; (3) development of an in-service training program in integrated primary health care, principally for rural nurse clinicians; and (4) development of an in-service management training program for health managers at provincial level and below. The DHS is being planned to oversample in the Eastern Cape Province, so that additional analyses will be available both to serve as a project baseline and to provide current information for EQUITY project planning and implementation. All of these bridging activities are being developed and implemented to ensure that they provide continuity with similar activities that will continue under the EQUITY Project.

³ "Towards a National Health System," National Department of Health, Pretoria, November 1995.

⁴ The DOH and USAID/South Africa are currently reassessing the need for a full-scale, national situation analysis, since many of the elements originally conceived may now be available from recent studies and other sources.

3. SO3 Results Framework

This section will summarize the results framework itself; discuss the involvement and commitment of other development partners and stakeholders; provide some illustrative program approaches, strategies and activities; and indicate how SO3 achievement will be measured.

a. Summary of the Results Framework

As already noted, the RDP presents a broad agenda for improving basic health services and redressing the inequities of service delivery within the current South African health system. USAID/South Africa and the DOH have jointly identified areas where USAID resources can provide significant impact in assisting South Africa's efforts to bring about an equitable, integrated system of basic health services needed to address the health problems already described. Major emphasis will be on assisting the GNU to develop an effective delivery system for providing these services. The major intermediate results that will be achieved and reflect success are discussed in the sub-sections below.

The fragmentation of the system under apartheid resulted not only in inequitable access to health care, but also in tremendous inefficiencies in the health system. Large segments of the population, in particular the rural African population and those in squatter settlements, often lack the most basic services due to a lack of adequate facilities and trained staff. Where services are available, they are often of a lesser standard than those available to other segments of the population.

The GNU has already embarked on its program to consolidate the present fragmented health system into a unified system from national to community level. At the same time, the health care system has to deal with the very real implications resulting from the decision to expand the number of provinces from four to nine. In addition, the RDP emphasizes the district level as the focus of its efforts to improve access to the whole health care system, including access to PHC services. Taking these factors into account, the restructuring program will (a) place a much greater emphasis on preventive and promotive health care, (b) rationalize the delivery of curative health care to make it more cost-efficient, (c) decentralize the newly restructured health system to bring about greater involvement of communities in determining their health care needs, and (d) make a reasonable standard of health care available to all South Africans, in particular to those residing in the rural areas and squatter settlements and those most at risk -- women, children, and adolescents. These RDP principles have recently (November 1995) been transformed into the goals of the national health system (NHS), as follows:

- Unify fragmented health services at all levels into a comprehensive and integrated NHS.
- Promote equity, accessibility and utilization of health services;
- Extend the availability and ensure the appropriateness of health services;
- Develop health promotion activities;
- Develop the human resources available to the health sector;
- Foster community participation across the health sector; and
- Improve planning of the health sector and monitoring of health status and health services.

As noted, USAID/South Africa has decided to achieve SO3 through the implementation of a single, comprehensive project -- the EQUITY Project. In achieving SO3 through a single, well-focused project, USAID/South Africa's implementation and management will be much more streamlined, cost-effective and management-efficient.

Implementation of SO3 will take a capacity-building and systems development approach. It will assist the GNU to change and strengthen its health service delivery system so that high-quality, essential services can be made available to all South Africans, especially those currently underserved. It will do this by concentrating support

initially during Phase 1 (Years 1-4) principally in a single province, the Eastern Cape, in order to have sufficient resources available to develop the new system and make it fully operational. The Eastern Cape was selected jointly by the national DOH and the nine provinces, based on the following criteria which were mutually agreed upon with USAID: That the focus province (1) be representative with respect to key factors (e.g., urban vs. rural balance, general level of development, population density); (2) have a sufficient level of physical and human resource infrastructure in place to ensure that project implementation will not be unduly hampered; (3) have a supportive administrative structure (e.g., new provincial management structure in place and key positions filled); and (4) need the capacity-building support that the EQUITY Project will provide. The national scope of the project will be achieved by continually interacting with health personnel of other provinces and sharing the lessons learned in Eastern Cape with these other provinces so that replication and implementation of workable systems can proceed rapidly throughout the country -- principally during Phase 2 (Years 5-7). These linkages with the other provinces not only will help ensure coordination among the national DOH and all nine provinces in deciding on the nature and content of the Eastern Cape systems development, but also will help focus on lessons learned in the other eight provinces that will be of benefit in the Eastern Cape. The focus province approach has other advantages: (1) it will make possible a sustainable impact on the health system in Eastern Cape province, and (2) it will make the project much more manageable for both the GNU and USAID/South Africa. Given the systems development approach, the project will not support the actual delivery of services except as part of research or pilot activities to determine more effective ways to deliver services.

As indicated in the overview statement, achieving SO3 will result in a more equitable, unified, and sustainable system delivering integrated PHC services to all South Africans. In order to achieve this strategic objective, implementation through the focused EQUITY Project will work to accomplish the following six intermediate results (IRs). Our sector analysis, as well as intensive GNU consultations, have revealed that these six IRs are necessary components of achieving SO3. One can see that there is a strong congruence between these SO3 outcomes and the national health system goals stated above.

- Access to integrated package of PHC services increased.
- Effective health care referral system operating.
- PHC managers at provincial level and below effectively utilizing enhanced management skills.
- Efficiency and effectiveness of PHC service delivery increased.
- PHC training program strengthened and institutionalized at provincial level.
- Information systems at provincial level and below being used effectively for program development, management and monitoring.

These six intermediate results are summarized in the following figure. This figure highlights the six intermediate results; includes the principal indicators that will measure the achievement of each respective result; and indicates a number of results that must be accomplished by other development partners in order for the respective intermediate result to be accomplished. Note that all six results and their respective indicators apply both to the Eastern Cape Province and to the other eight provinces. The detailed results framework at the end of this annex provides specific targets for each indicator; generally higher targets have been set for the Eastern Cape Province, since the levels of achievement in the other eight provinces during Phase 2 are expected to be somewhat lower. As discussed in more detail in subsection 3.d below, at least some of these indicators and targets are likely to change from time to time, either because of a change in the situation and/or the desire to have SO3 indicators and DOH indicators identical where feasible.

Critical assumptions. In addition to the importance of these other-partner results in achieving SO3, the following critical assumptions under-lie its achievement:

- Overall health sector resources from the GNU and other development partners will continue to be available at anticipated levels.
- Intersectoral collaboration will be successful in achieving a positive impact on health from other sectors (e.g., improvements in access roads, water supply, sanitation).
- The existing positive health policy environment, both at parliamentary and Ministry of Health levels, will continue to support needed health system reforms.

b. Involvement and Commitment of Other Development Partners and Stakeholders

Collaboration in the design of SO3. Collaboration in the design of the EQUITY Project itself began with the development of the project concept in May-June 1994. USAID/South Africa and REDSO/ESA representatives met not only with the Honorable Minister of Health and key DOH officials, but also with key South African health sector organizations and individuals. Together, this group provided both a source of ideas about what the project should accomplish, and a sounding board as the overall project concept was developed. The same high level of consultation and collaboration continued through the design of the EQUITY Project Identification Document (PID).

At the beginning of the Project Paper (PP) design effort in late January 1995, the DOH and USAID/South Africa began to hold weekly EQUITY Project progress meetings. These meetings encouraged discussions not only about the project focus and content, but also about how the design process should be carried out. The major elements in the design process included (1) an initial one-day, national-level project design workshop which was designed to involve central DOH officials, representatives from all nine provinces, and relevant NGO and other development partners; (2) an initial, three-day field trip to Eastern Cape Province (the focus province), and frequent follow-up visits as needed; (3) participation of both national DOH and Eastern Cape Department of Health and Welfare (DOHW) officials in intensive consultations as the document was drafted; (4) a follow-up workshop to obtain broad input and feedback on the first draft of the PP, leading to a revised, final draft; (5) participation of Eastern Cape stakeholders through the use of focus group discussions and a work session with both government, private sector, and NGO health service providers; (6) the development of an Eastern Cape Province EQUITY Project Steering Committee; and (7) joint review of the final draft to ensure full agreement by the national DOH, the Eastern Cape DOHW, and USAID/South Africa.

Coordination with other development partners. At a different level, USAID/South Africa has invested considerable time and effort with other relevant bilateral and multilateral development partners in the health sector to ensure that resources are effectively coordinated. USAID/South Africa's initiative with these key donors -- especially the European Union (EU), the British Overseas Development Administration (ODA), the World Bank and UNICEF -- has been instrumental in achieving this objective. Collaboration has included not only the more usual donor-with-donor and donor-with-government meetings, but also coordinated, short-term TA visits to develop plans for linked activities. Another important example is coordination among donors to ensure that focus-province types of efforts are distributed among a number of provinces in accordance with GNU priorities (to ensure an equitable distribution of donor resources), and that such activities are complementary. This continuing, close working relationship among donors in the health sector will have a major impact on the effective use of all development partner resources. Another, somewhat different example is the first annual consultation on development cooperation between the GNU and USAID/South Africa in October 1995. The fact that this latter consultation deals with the entire USAID/South Africa development portfolio helps to ensure that our overall strategy and linkages are consistent with the RDP.

Involvement of other stakeholders. In addition to the involvement of many stakeholders as just described, USAID/South Africa included consultation with SO3's intended beneficiaries as an integral part of the Social and Gender Analysis for the EQUITY Project. The purpose of the analysis was to examine the potential impact of SO3 on the different social groups who are the intended beneficiaries. Thus, this analysis will help USAID/South Africa ensure that SO3's intermediate results will benefit the communities and people it is designed to serve. The results of the analysis have been extremely useful and will continue to be so as full SO3 implementation begins.

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First, the analysis included focus group discussions with communities in three socio-culturally different areas in the Eastern Cape Province. Six male groups and six female groups provided a broad range of information on health practices and health-seeking behavior of their communities; three sets of groups (two male and two female each) represented rural areas in the former Transkei and Ciskei, as well as the urban area of East London. Second, a one-day workshop was held in the Eastern Cape Province with leaders in health, social sciences, NGOs, CBOs, traditional healers, and health practitioners. The workshop also included participant "experts" from the Eastern Cape DOHW and from selected districts, NGOs, PHC practitioners from the neighboring provinces of KwaZulu-Natal and Western Cape, and representatives of churches working in the communities. These two forms of consultation provided extremely useful information concerning the interest of people in improving their own health status. This interest involves both the services people want and where they go to receive them (depending on the perceived problem), and the community development role people are willing to play in improving health and related community-level services (e.g., clean water and sanitation). The results of this consultation (and similar future consultations with communities) will continue to influence the way in which SO3 meets the health needs of South Africans.

c. Illustrative SO3 Program Strategies and Activities

The following summary illustrates how SO3 will achieve each of its intermediate results, and in turn, how these results will lead to achieving SO3 itself. It is important to relate these illustrative activities not only to the respective intermediate result, but also to the indicators that will demonstrate the achievement of each result (as shown in the first figure above). For convenience, these indicators are provided at the beginning of the discussion of each result. As indicated in the intermediate results figure, all six intermediate results and their respective indicators apply both to the Eastern Cape Province and to the other eight provinces. In addition to the illustrative strategies and activities discussed below, the summary results framework emphasizes the importance of key results that need to be achieved by other development partners.

IR 3.1: Access to Integrated Package of PHC Services Increased

The indicators of achievement for this result are as follows:

- Increased percentage of majority population served.
- Number of health care points (HCPs) increased in areas serving the majority population.
- Package of PHC services routinely provided in each HCP expanded.
- Effective mechanisms for involvement of communities and other stakeholders in planning, decision-making, and monitoring of integrated PHC services increased at provincial level and below.
- Health workers' attitude and motivation improved and acceptability to clients increased.

As discussed earlier, the GNU has already begun the process of consolidating the fragmented health system, redistributing services in an equitable manner, and drastically changing health care priorities to ensure that primary health care, with its community orientation and attention to priority health problems, can be achieved. This restructuring of the health system is intended to draw the different health authorities and the private sector into one unified health system at all levels -- central, provincial, district, local government and community -- and to make an integrated package of essential PHC services accessible to the entire population.⁵ SO3, through the EQUITY Project, will help to achieve this increased access in several different ways. Youth is a key target group for increased access to both health services and health information.

Both the RDP and the EQUITY Project stress the importance of community and stakeholder involvement in health care, since without it there is no assurance that the basic health services being provided are the ones the community wants and will use as a way to improve their health status. Thus, activities encouraging community and stakeholder

⁵ One early step will be to define "integrated PHC services" as they apply to the different levels of HCPs. This will be done jointly among the DOH, Eastern Cape DOHW, the institutional contractor, and USAID/South Africa.

involvement, especially in underserved areas, will be undertaken through appropriate mechanisms. Until district-level structures have been developed (following the November 1995 local elections), it will be difficult to achieve effective involvement at district level.

Other activities related to increased access will focus on expanding the range of PHC services available at each health care point (HCP), which in turn should make the HCP a more attractive place from which to receive care. Some HCPs -- especially the locations served periodically by mobile teams -- will be more difficult locations for expanding the number of services. Certain others (e.g., static clinics and community health centers) will be more amenable to service expansion so long as staffing is sufficient (a critical assumption). Adding youth-oriented programs at all appropriate HCPs will be critical in reaching this group and providing increased access to both information and services.

Another way to increase access is to provide more HCPs. SO3 may be able to do this to a limited extent, for example, by establishing and/or re-initiating PHC service delivery at mobile HCPs until a more permanent solution is available. However, SO3 will rely on planned RDP funds to the DOH and the provinces to provide the resources needed to construct additional health clinics and other facilities. Collaborating to accomplish this will be an important element of SO3. Access can also be increased by providing additional health care providers -- both at existing HCPs where staffing is inadequate and to staff the new HCPs. However, since SO3 will not achieve increased access directly through these two means, both are considered to be critical assumptions.

Finally, an important way to increase access is to improve the attitude and motivation of the health care workers, so that clients see the health care workers as caring, helpful people who will provide the best services they can. This kind of improvement may be achieved in some cases through community involvement mechanisms, but it must also be addressed in the health system itself to ensure that clients actually use available services and don't bypass them in search of more client-friendly health care workers.

Increased access to PHC services is perhaps the most critical intermediate result that will lead to the accomplishment of SO3. Without increased access for the majority population, the health system will not be equitable. Taking the above activities together with others that may be developed as part of the annual action plans of the EQUITY Project, the outcome should be an increased number and percentage of historically disadvantaged people served.

IR 3.2: Effective Health Care Referral System Operating

The indicators for this result are as follows:

- Percentage of clients using appropriate HCP as entry point increased.
- Incentives to encourage use of appropriate HCPs developed and implemented.
- Community-level mechanisms operating to help ensure use of appropriate HCPs.

The unplanned, checkered distribution of clinics in the townships and rural areas and the lack of private-sector alternatives have resulted in an over-utilization of hospitals, especially in the cities. One study has shown that up to 80 percent of patients seeking care at hospital emergency rooms could be treated effectively at a lower-level HCPs. The results of this situation are the higher cost and typically poorer quality PHC services in hospitals due to the pressure on the staff and facilities, and the under-utilization of more appropriate HCPs at the periphery. Although referrals do take place, there is no uniform referral system. SO3 will develop and implement an effective referral system among primary, secondary and tertiary care levels, including the private sector where appropriate. This is likely to occur first in the Eastern Cape Province, and lessons learned will be used in replicating the system in the other provinces.

Unless the health care referral system is operating well, people are not likely to receive the services they need. Similarly, if clients seek services at the wrong level, scarce resources will be wasted and the system will become less efficient. Achieving an effective referral system will require the development of a variety of mechanisms to

help ensure that clients initially seek care at the appropriate level. This will likely include incentives to encourage the use of appropriate HCPs as entry points for care; these may in fact be "negative incentives," such as a surcharge for going to the wrong source of care. Community-level mechanisms, including education and awareness, will be necessary so that people can judge where to go for care. Taken together, these mechanisms and others that may be developed should increase the percentage of clients using an appropriate HCP as their entry point to the health system -- the principal indicator for this result.

IR 3.3: PHC Managers at Provincial Level and Below Effectively Utilizing Enhanced Management Skills

The indicators for this result are as follows:

- Percentage of PHC managers who have completed in-service management training programs increased at provincial level and below.
- Percentage of PHC managers carrying out their responsibilities at a satisfactory or higher level increased at provincial level and below.

As noted above, one goal of the national health system is for the districts to be the focal point for the delivery of health care services. However, there is widespread realization that the current level of managerial skills at provincial level and below is currently inadequate to reach that goal -- to deal fully and effectively with the planned organizational changes, the integration and devolution of services, the greater emphasis on the PHC approach, and the emphasis on increased efficiency and equity. Some progress is already taking place; for example, most provincial departments of health have begun to establish their own human resource planning and development units, which will coordinate training to meet identified needs. However, with an entirely new organizational structure and health system being put in place, and with many new faces occupying newly created positions, a comprehensive health management program must be developed to help implement these changes. SO3 will provide needed support to increase the knowledge and effective use of management skills, and in turn will achieve the indicators noted above. Note that this result deals essentially with management capacity-building, while the following result focuses largely on management systems improvement.

IR 3.4: Efficiency and Effectiveness of PHC Service Delivery Increased

The indicators for this result are as follows:

- Appropriate package of integrated PHC services available at each category of HCP at provincial level and below.
- Financial and human resources reallocated at provincial level and below to ensure that PHC service delivery is sustainable.
- Unified organizational structure and management systems operating effectively at provincial level and below.
- Cost-effectiveness mechanisms tested and implemented at provincial level and below.
- Client waiting time at HCPs decreased.

Due to its history of fragmentation and multiple health authorities at different levels, South Africa's health care system suffers from many inefficiencies. Unless overall system efficiency can be improved, the system will be too expensive to operate -- leading to inequities that are likely to affect the majority population negatively. As already noted, many of the national-level constraints and opportunities are being addressed by the GNU as it reforms the health system and delineates and clarifies authorities and responsibilities. However, other opportunities to improve efficiency and effectiveness exist at the provincial level and below. These opportunities can be summarized in four areas: (1) greater integration of PHC services, (2) better resource reallocation between curative and preventive services, (3) management systems improvement, and (4) improvements in cost-effectiveness. SO3 will assist the DOH and the provinces to explore the range of feasible interventions among these four categories, and to implement the selected interventions to increase efficiency and effectiveness of PHC services.

PHC service integration. The primary purpose of integrating PHC services is to improve access to those services; however, integration should often increase cost-effectiveness (see below). In the process of integrating PHC services, selected programs that typically operate "vertically" now will be truly integrated into the range of PHC

services offered at certain HCPs, while others will be adapted so that initial services (e.g., screening) will be more accessible as part of the integrated PHC package, while other levels of service (e.g., treatment, follow-up) may continue to have a vertical component in at least the foreseeable future. SO3 will assist in this integration process in a number of ways.

Resource reallocation. Because of the system's historic focus on curative care catering to the aging white population, serious misallocation of resources exists between curative and preventive services in the health care system inherited by the GNU. In the recent past, as much as three-fourths of public health expenditures were curative in nature. The policies of the GNU have made major advances in redressing this imbalance, especially with the strong focus on accessible PHC services. Much remains to be done, however, to operationalize this national policy at the provincial level. SO3 will provide assistance through several related activities.

Management systems improvement. The critical need to improve health management systems has already been stressed. SO3 will develop and implement improved management systems through the development and implementation of a management improvement strategy that -- together with the management capacity-building activities just described -- will help to strengthen and streamline the management process (planning, decision-making, managing, monitoring and evaluating) at the provincial level and below. This strategy is likely to address, among other things, management systems and mechanisms that will be needed to manage effectively the health care system from the provincial level to the community. Based on the management improvement strategy, SO3 will adapt existing systems (e.g., planning, budgeting, accounting, personnel, facility and equipment maintenance) to achieve the objectives of the strategy.

Improving cost effectiveness. Although the primary focus of both the GNU and SO3 is on improving access to PHC services, sustainability of the system is also required. Therefore, SO3 will improve the cost-effectiveness of health services through building a consensus among all stakeholders to implement needed cost-effectiveness reforms; and in developing and implementing a strategy and action plan for achieving these key reforms. Operations research studies will typically be used to determine what will and won't work. The resulting cost-effectiveness strategy might include such different elements as (1) free services, (2) enforcement of the existing cost-sharing mechanisms (e.g., fee-for-service structures), and (3) increased cost sharing for selected -- perhaps curative -- services. This latter area could include mandatory payments by medical aid schemes where services provided are covered by the schemes. The extent to which this and similar insurance-related mechanisms will be incorporated will be determined by the outcome of the current GNU national health insurance proposal.

IR 3.5: PHC Training Program Strengthened and Institutionalized at Provincial Level

The indicators for this result are as follows:

- Provincial-level PHC training action plans developed and implemented.
- PHC training institutionalized in accordance with the action plan in the Eastern Cape Province.
- PHC training institutionalized in the other eight provinces in accordance with respective action plans.

The development of human resources is a specific RDP health priority. It is clear that, if an increased focus on integrated PHC is to take place, a tremendous effort at reorienting and training health providers is necessary. The education of medical, nursing and other health professionals is currently based largely on the curative model. For example, there is little in the existing medical curriculum that stresses demography, epidemiology, planning, community involvement, management, and other important elements of the PHC system. Consequently, pre-service as well as in-service training curricula and materials for all health workers have to be rationalized and modified, so that cadres from medical doctors to community health workers become knowledgeable about, skilled in, and committed to the PHC goals of the RDP. SO3 resources are expected to achieve the sustainability of an overall PHC training program by helping to implement the provincial training action plans developed by each of the provinces.

IR 3.6: Information Systems at Provincial Level and Below Being Used Effectively for Program Development, Management and Monitoring

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The indicators for this result are as follows:

- Data sources and analyses developed, implemented and institutionalized to monitor achievement of provincial health objectives.
- Health information system developed and implemented at provincial and district levels in accordance with national guidelines.
- Program progress and effectiveness monitored and periodically evaluated.
- Health information systems institutionalized within the management system at provincial and district levels.

Due to the fragmented nature of the previous health care system, there have been no uniform reporting requirements and no integrated national health information system. Without an effective information system, it will not be possible to identify, analyze, and overcome service delivery problems that will limit the system's impact on improved health. Until a comprehensive national health information system is operational, both the DOH and the provinces will continue to have difficulty in a number of key areas: (1) monitoring the health status of all South Africans, particularly those currently underserved; (2) assessing existing health services and the relative effectiveness of interventions; (3) setting national health goals and objectives, and determining health priorities based on the needs of the people; and (4) developing realistic policies and plans.

Fortunately, one of the national committees established a year ago by the DOH is dealing with the very issues just identified. The Committee on the National Health Information System for South Africa (NHIS/SA) has come a long way during the year in identifying goals and objectives, major components, and the key responsibilities of the various levels of the health care system. The principal goal of the NHIS/SA is to develop a comprehensive NHIS that includes the public and private sectors at local, district, provincial and national levels. SO3 will contribute to the development and institutionalization of the NHIS/SA principally at the provincial level, as measured by the above indicators.

d. Measuring SO3 Achievement

The principal results to be achieved by SO3 have just been summarized, together with their respective indicators. However, there are corresponding baseline figures and measurable targets for each indicator. All of these taken together comprise the results framework, which is summarized in graphical form above. Results, indicators and targets are provided for all relevant levels -- CSP goal, sub-goal, and SO3 itself. Attainment of these results will indicate full SO3 achievement.

As with any indicators and targets that are developed in advance of the program that will achieve the results, the DOH and USAID/South Africa anticipate that at least some of the indicators and targets will be revised from time to time to reflect changes in the situation. One reason is that, until baselines are established for all indicators, the proposed targets will be estimates. In addition, USAID/South Africa and the DOH will work to ensure that to the extent possible, their programmatic indicators will be identical. Doing so will avoid duplication, including the measurement of the indicators themselves. Common indicators and targets will have the advantage both of reinforcing the mutual commitment to achieve them, and of reducing the magnitude and cost of data collection and analysis required to produce them. Revisions required for these and other reasons will be reflected in the EQUITY Project annual action plans, as well as in the annual SO3 results review and resource request (R4).

4. SO3 Causal Relationships and Linkages

a. Causal Relationships Within SO3

The causal relationships within SO3 itself have been described in the previous section. The discussion has attempted to demonstrate that if all of the indicators of a given intermediate result are achieved, then the result itself will be achieved. Similarly, if all six intermediate results are accomplished, then SO3 will also be achieved. However, the second intermediate results figure does identify a number of critical assumptions that also must be met in order to achieve the outcome. For example, for the first result dealing with increasing access, one critical

assumption is that GNU/DOH resources will be available to construct new HCPs (e.g., clinics, health centers) -- that is, to expand the number of points where services are available. While this indicator doesn't necessarily have to be achieved (fully or at all) to achieve the result "increased," the indicator is necessary to achieve the specific target (e.g., "increased by 25 percent in the focus province by 2000"). Thus, the assumptions are indeed critical, depending on how they have been factored into the specific targets shown for each indicator.

b. Relationship of SO3 to CSP Sub-goal

The CSP sub-goal is "the political, economic and social empowerment of the historically disadvantaged population." SO3's specific contribution to this sub-goal is "improved health status;" this result will be fully achieved if the reductions in infant and child mortality rates, maternal mortality rate, and fertility rate are achieved (as indicated by the magnitude of the respective targets). At the same time, SO3 has clear cause and effect linkages with each of the other "empowerment" components of this sub-goal. In a generic sense these linkages are well known, and they are merely summarized here to indicate the significant empowerment impact of SO3.

Political empowerment. SO3 involves communities and other stakeholders in the planning, decision-making, and monitoring of their PHC services. The involvement of historically disadvantaged people in determining the scope and nature of their basic health services is in itself an empowering activity. In addition, their community involvement in health care typically expands into other areas where they also have a role in determining the outcome of important influences on their lives. This involvement, in turn, leads to political empowerment and results in political stability.

Economic empowerment. The impact of accessible PHC services is that people benefit from promotive, preventive and basic curative services, and thus avoid diseases and conditions that otherwise would negatively affect them. In turn, their health status improves -- the population as a whole becomes healthier. For those who work (and attend school) this leads to improved labor productivity, and collectively results in increased productive capacity. PHC services will not only improve health status, but as a result of effective family planning services, fertility will be reduced. With smaller families, per capita income will increase and the economic status of families will improve.

Social empowerment. The improved health status resulting from accessible PHC services typically leads to improved life expectancy, which means that the disadvantaged population will have longer, more productive lives. The smaller families resulting from effective family planning services will lead to an improved quality of life for all family members -- providing an important form of social empowerment.

c. Synergy with results and resources of other SOs

There are a number of possible linkages between SO3 and other SOs that would have a synergistic effect on SO3. Four examples are summarized below; more may arise as all six SOs are more fully developed in the coming months.

Improved urban/periurban services. SO6 will result in improved urban and periurban services -- electricity, water supply and sanitation -- as the infrastructure is developed to support low-cost housing in selected provinces. These improved services will have a direct and positive impact on the health of residents in the improved areas. While the contribution may not be large in national terms, the health benefits will be significant to the people who receive them.

Base for expanding health services. SO2's preschool education program has been successful in developing many community-based preschool programs serving the disadvantaged population in both urban and rural areas. Many of those programs have incorporated basic health services for the children -- to compensate for the fact that such services are not available in the area. This situation provides the opportunity for SO3 to use such existing, community-based services as the focal point for expanding integrated PHC services in areas where they don't exist,

and may not exist for a considerable period until resources are available to construct and fully staff fixed facilities. This situation provides a useful option for expanding service delivery sooner than can be done otherwise.

"Open learning" expertise. The concept of "open learning" (often referred to as distance teaching) will be a critical component of SO3's efforts both to improve management skills (result 3.3) and to strengthen and institutionalize PHC training at the provincial level (result 3.5). Based on its experience with open learning, SO2 should be able to provide guidance to SO3 in how to use the concept effectively in achieving SO3's efforts in both the management skills and PHC training institutionalization areas.

Strengthening the role of civil society. Firstly, this will occur by empowering communities to have a role in planning and monitoring their health services. In addition, community involvement in health care usually expands into other areas (e.g., planning of physical infrastructure such as roads and electricity) where community members can also have a role in determining ways in which they can improve the quality of their lives.

5. SO3's Contribution to the Programmatic Focus of the CSP

In accordance with current Agency guidance for strategic planning, USAID/South Africa's CSP must select its programmatic focus -- the limited number of strategic (and special) objectives which encompass all program resources to be managed by the Mission. The following subsections describe how SO3 meets the proscribed factors that must be considered (and haven't been presented in other subsections of the SO3 section).

a. Contribution to Agency's Mission of Sustainable Development

There are five Agency goals through which the Agency's mission of sustainable development will be achieved. SO3 is fully supportive of the overall Agency strategic goal of "world's population stabilized and human health protected in a sustainable fashion" because of its focus on:

- > Emphasizing the development of an integrated approach to the delivery of family planning and other services that enhance women's health and children's well-being and survival;
- > Enhancing the capacity of local institutions, communities and individuals to identify and solve their health and family planning problems; and
- > Addressing the technical and managerial aspects of health and family planning program sustainability.

SO3 also supports all four of the Agency's strategic objectives under the strategic goal just stated, namely (1) sustainable reduction in unintended pregnancies; (2) sustainable reduction in child mortality; (3) sustainable reduction in maternal mortality; and (4) sustainable reduction in STD/HIV transmissions among key populations. The USAID/South Africa program will support these objectives by focusing on improving the availability of, access to, and utilization of key health interventions through development and improvement of support and delivery systems. An important cross-cutting theme in this effort will be sustainability, which will be promoted by building host-country capacity to plan and manage its new health system.

USAID/South Africa's program also will directly support the Africa Bureau's Child Survival Strategy, which, in turn, is designed to support and implement the overall USAID Child Survival Strategy, with emphasis on the particular challenges facing Africa. The Africa Bureau's Child Survival Strategy clearly states that "where effective health systems are put in place to support child survival initiatives, these systems provide the basis for a package of essential health care and family planning services which benefits the entire population -- a package of services which is a highly cost-effective means of improving health care, particularly for rural and poor populations." The USAID/South Africa program will directly support the three principal objectives of this strategy; specifically, to:

- Strengthen health systems in Africa to ensure adequate personnel and logistical support for specific interventions, and to increase both coverage and utilization rates for services;
- Strengthen the capabilities of African institutions, both public and private, for the provision and management of high-quality health care services; and
- Reduce morbidity and mortality in Africa's under-five population through the successful implementation of targeted interventions.

In supporting these objectives, SO3 adheres to the following strategic directions outlined in the Agency's Child Survival Strategy:

- Continue the successful implementation of focused interventions while promoting integration at the service delivery level;
- Strengthen health support systems required for sustainable service delivery;
- Provide institutional support for ministries of health;
- Encourage partnerships of ministries of health with NGOs and the commercial private sector;
- Promote equitable coverage of populations; and
- Promote demand for services, with an emphasis on increasing utilization rates and the level of community participation.

b. Meeting the Needs and Interests of the GNU

As described above, there is essentially a one-to-one correspondence between the intermediate results of SO3 and the goals of the national health system as presented in the GNU's November 1995 policy development document (see Section 3.a). In fact, the EQUITY Project was designed based on the DOH's earlier statement of health priorities (October 1994), which are similar in content to the newer DOH health system framework. Through extensive dialogue between the DOH and USAID/South Africa during the last year, it was possible to identify those areas of highest priority to the GNU which also coincide with USAID priorities and predominant capabilities. As a consequence, it was decided that the EQUITY Project should support those priority areas which focus on (a) the GNU's efforts to restructure and unify its national and provincial health programs and administrations, and (b) the development and implementation of an integrated primary health care program which incorporates those interventions considered of highest priority by USAID. The project also places emphasis on strengthening inter-sectoral linkages between the health system and areas such as water, sanitation, housing, transportation and education -- all of which are RDP objectives and directly impact on the effectiveness of the health delivery system.

c. Potential for Significant, Sustained Impact

It should be clear from the rationale already presented that SO3 has been intentionally designed as a single, comprehensive intervention that will both meet one of the major RDP objectives -- access to basic health services for all South Africans -- and will do so in a way that will ensure sustainability in the long-term future. The fact that the GNU has committed itself, through the EQUITY Project grant agreement, to provide at least 36 percent of total EQUITY Project funding is further evidence of the GNU's commitment to achieving sustained impact in the most important element of the RDP's health care reform. The commitment of the other development partners, as summarized in the next section, further strengthens the likelihood of achieving sustainable development in primary health care. Perhaps the most important point about SO3 is that it has been designed to achieve its impact within the likely minimum length of USAID/South Africa's phase-out strategic plan; that is, by the year 2002. Viewed another

way, SO3 would not only achieve the Mission's strategic goal of sustainable transformation, but actually sustainable development in the broad health sector.

Since the SO3 strategy is systems development, not service delivery, achieving the intermediate results will strengthen the overall PHC delivery system. As described, the outcome of these system improvements will be increased use of PHC services. Because widespread increased use of PHC services may not occur until late in the project life, USAID/South Africa does not expect major health status improvements by the project completion date. Nonetheless, the eventual outcome of that increased use will be improvement in health status -- lower infant, child and maternal mortality, reduced fertility -- which are the health indicators of the CSP sub-goal. With time, of course, these health status improvements will lead to increased life expectancy, which is the health indicator of the CSP goal itself.

Furthermore, the improved health status that eventually takes place will have a very positive impact on the overall cost-effectiveness of SO3. According to the EQUITY Project's economic analysis, the benefit/cost ratio for SO3 will be nearly 3.5 if the intermediate results are only 50 percent achieved. The benefit/cost ratio increases to nearly 7.0 if the intermediate results are fully achieved. This ratio of benefit to cost is quite high, and simply reinforces the impact SO3 will have.

6. Resource Requirements for SO3

a. USAID/South Africa High and Low Funding Scenarios

The designed funding level for the EQUITY Project was \$50 million, and has been carefully budgeted to ensure that all six intermediate results under SO3 will be achieved. Mission management has allocated \$50 million to SO3 in the high funding scenario, and has reduced SO3 funding under the low scenario to \$48 million. The following table shows the approximate distribution among the six intermediate results for both funding scenarios.

SO3 RESOURCE SUMMARY BY INTERMEDIATE RESULT AND FUNDING SCENARIO

INTERMEDIATE RESULT	HIGH SCENARIO (\$ MILLIONS)	LOW SCENARIO (\$ MILLIONS)
3.1: Access to integrated PHC services increased	\$10.6	\$10.6
3.2: Effective referral system operating	8.0	8.0
3.3: PHC managers using enhanced management skills	7.7	7.7
3.4: Efficiency & effectiveness of PHC services increased	7.5	7.5
3.5: PHC training institutionalized at provincial level	8.6	6.6
3.6: Information systems being used effectively	7.6	7.6
TOTAL	\$50.0	\$48.0

In addition to the USAID/South Africa funding shown above, SO3 has received an additional increment of \$3.24 million in USAID/Washington Global Bureau field support funds for the bridging activities described in subsection 2.d above. The GNU's commitment of more than R97 million (\$28.5 million) for direct support to the EQUITY Project is the other essential resource component. This combination of GNU and USAID resources will be required to meet the specific SO3 intermediate results described earlier, and the specific targets for each indicator have been established with these resources in mind.

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The following table indicates the annual obligations required to fund the EQUITY Project under both the high and low funding scenarios:

FISCAL YEAR	OBLIGATION	
	HIGH SCENARIO	LOW SCENARIO
FY95	\$8,000,000	\$8,000,000
FY96	13,750,000	13,750,000
FY97	10,200,000	10,200,000
FY98	10,200,000	10,200,000
FY99	7,850,000	5,850,000
TOTAL	\$50,000,000	\$48,000,000

b. Consequences of USAID's Low Funding Scenario on SO3

As this overall rationale for SO3 has shown, SO3 will be implemented through a single, comprehensive project in order to achieve the six interrelated intermediate results. Since SO3 focuses on systems development and all of the components of the PHC delivery system are closely linked, full funding is critical to the integrity of SO3 and the ability to achieve it. Fortunately, the low funding scenario reduces SO3 funding by only \$2 million.

In order not to destroy the synergistic interrelationships among the six intermediate results, the impact of the low-scenario funding will be concentrated on the intermediate result that is intended to institutionalize PHC training at the provincial level. Thus, the consequence of the \$2 million reduction is that PHC training will likely be institutionalized only in the Eastern Cape Province, and not in the other eight provinces. While this will make a difference in the degree of institutionalization achieved by SO3, it is hoped that other development partner resources can be found so that institutionalization of PHC training can take place in the other eight provinces within the overall time frame for SO3 achievement.

7. SO3 Implementation and Management Strategy

SO3's single-project concept has two principal advantages: (1) By designing the EQUITY Project to fully achieve SO3, the result is a carefully-focused, comprehensive effort; and (2) despite the project's complexity, its implementation becomes management-efficient.

a. Implementation through a Single Project

Since the project includes major emphasis at both the national and provincial levels, and because of the need for strong coordination between the two levels (especially in view of the focus province concept), implementation efforts will be complex. Implementation includes provision of technical assistance; considerable training activities and workshops; observational travel; operations research; and commodity procurement. These activities must be carefully coordinated, with special emphasis on the Eastern Cape Province to ensure maximum project efficiency, effectiveness, and overall success.

USAID/South Africa intends to have one "umbrella" institutional contractor (or consortium of organizations) that will have responsibility for overall project implementation throughout the seven-year project life. This arrangement

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will facilitate effective project oversight and management by both the DOH and USAID/South Africa. The institutional contractor will be procured through full and open competition, based on both a statement of work and selection criteria which have been collaboratively developed by representatives of the DOH, the Eastern Cape DOHW, and USAID.

b. SO3 Management

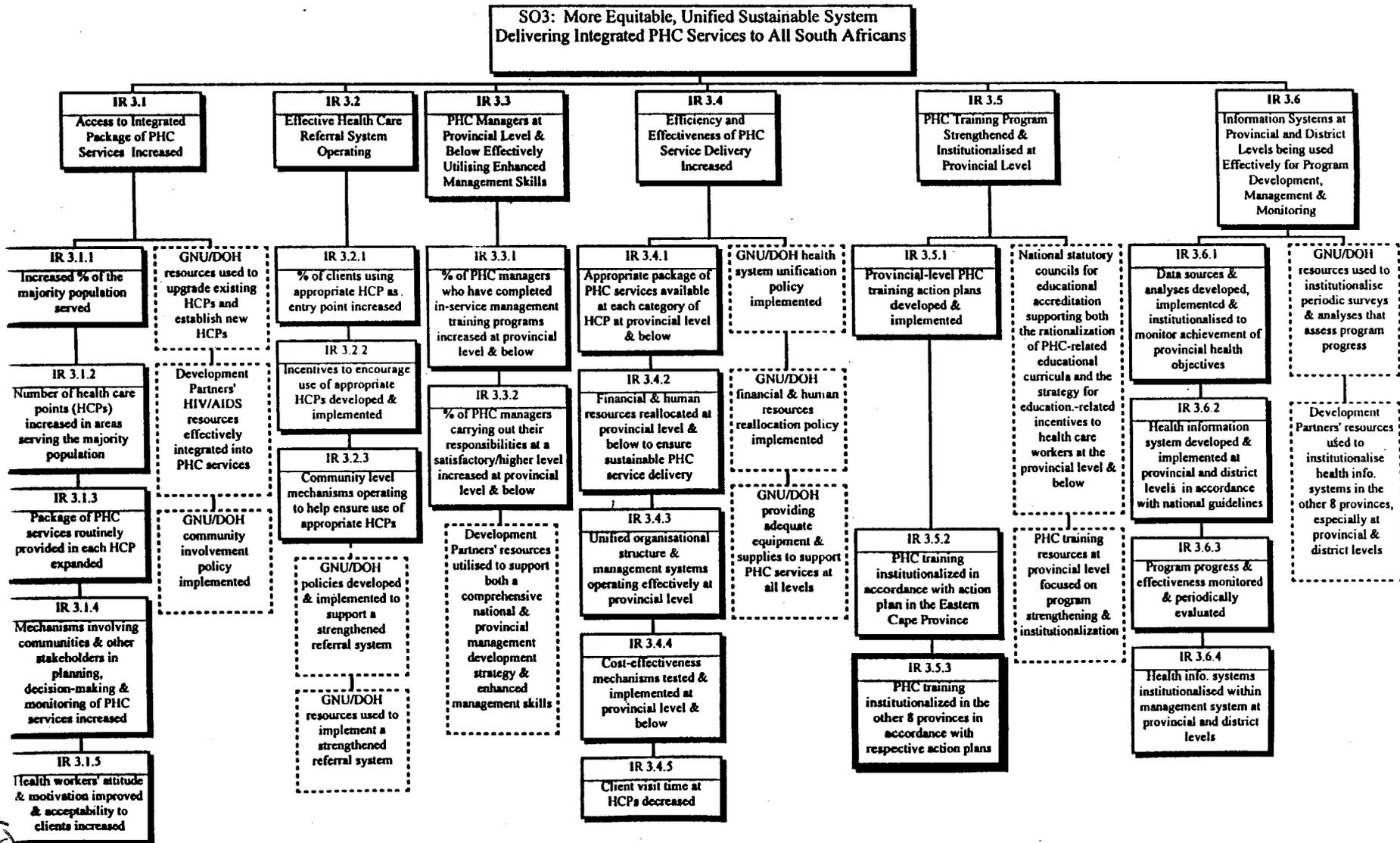
In accordance with USAID/South Africa's emerging, reengineered organizational and management structure, SO3 will be managed by Strategic Objective 3 Team (SOT3). Although the details of this emerging structure and the corresponding delegations of authority aren't yet finalized, the multidisciplinary SOT3 will have full responsibility for managing SO3 and ensuring that its intermediate results are achieved. The SOT3 core team, comprised of internal USAID/South Africa staff representing all relevant Mission management elements, will provide leadership to and oversight of the implementation of SO3. The expanded SOT3 team will include key GNU representatives from both the national DOH and the Eastern Cape Province, as well as representatives from other relevant organizations. Both the core and expanded teams will conform to Mission guidelines for both membership and responsibilities.

The Mission's health expertise will provide managerial and technical leadership and support for SOT3. This expertise currently includes one U.S. Direct Hire (USDH) health professional and two USDH officers from the Centers for Disease Control and Prevention (CDC). Due to the complexity of the project and the broad range of technical skills required to support it, three additional health staff members will be recruited: a South African Foreign Service National (FSN) professional to serve as EQUITY Project Manager; an FSN Project Assistant; and a Health and Child Survival Fellow (the latter as an advisor in project management and implementation). This professional group is the minimum required to provide efficient and effective project support, and at the same time to provide leadership and collaboration in the health, population and nutrition sector.

STRATEGIC OBJECTIVE 3 RESULTS FRAMEWORK

Notes:

1. The solid boxes represent intermediate results (IRs) that will be accomplished directly through the resources of the SO itself. The dotted boxes represent results that need to be achieved by other development partners in order for the SO to be achieved.
2. The heavily shaded box (in IR 3.5) represents an SO result that will not be achieved if the Mission's low-budget scenario is in effect.



Annex A.4

Strategic Objective 4: Improved Capacity of Key Government and Non-government Entities to Formulate, Evaluate and Implement Economic Policies to Promote Economic Growth and Equity

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Attachment 1: Chart Showing the Logical Flow of the Economic Empowerment Sub-Goal

Attachment 2: Other Donor Activities Relating to the Fourth Strategic Objective

Bibliography

Acronyms: Annex A.4

ACBF	African Capacity Building Fund
AERC	African Economic Research Consortium
AIPA	African Institute for Policy Analysis & Economic Integration
BNC	Bi-national Commission
CIDA	Canadian International Development Agency
CDE	Centre for Development and Enterprise
CSS	Central Statistical Service
CREFSA	Centre for Research on Economics and Finance on South Africa
CASE	Community Agency for Social Enquiry
ERU	Economic Research Unit
EAGER	Equity and Growth through Economic Research
ECU	European Currency Units
FFC	Financial and Fiscal Commission
GDP	Gross Domestic Product
ISER	Institute for Social and Economic Research
LAPC	Land and Agricultural Policy Centre
MERG	Macroeconomic Research Group
NBER	National Bureau of Economic Research
NEDLAC	National Economic Development and Labour Advisory Committee
NGOs	Non-governmental Organizations
NIEP	National Institute for Economic Policy

NUM	National Union of MineWorkers
ODA	Overseas Development Administration
RDP	Reconstruction and Development Plan
SACOB	South African Chamber of Business
SALDRU	South African Labour and Development Research Unit
SANER	South African Network of Economic Research
SEGA	Support for Economic Growth and Analysis
SIDA	Swedish Industrial Development Assistance
SOAS	School of Oriental and African Studies
TELP	Tertiary Education Linkages Project
UCT	University of Cape Town
WITS	University of the Witwatersrand

**Strategic Objective 4: Improved Capacity of Key Government and Non-government
Entities to Formulate, Evaluate and Implement Economic
Policies to Promote Economic Growth and Equity**

*"The political problem of mankind is to combine three things; economic
efficiency, social justice and individual liberty."*

John Maynard Keynes

I. Purpose

This is one of four documents which develop the major logical linkages between the USAID/South Africa sub-goal of "Political, Social and Economic Empowerment of the Historically Disadvantaged Community" to the appropriate Mission Strategic Objectives. Specifically, it describes the linkages to the "Economic Empowerment" portion of the sub-goal while also presenting the basic structure of the Mission's fourth strategic objective which deals with economics.

II. Sub-Goal

The sub-goal of the USAID/South Africa program is "Political, Social and Economic Empowerment of the Historically Disadvantaged Population." The definition of "economic empowerment" requires increased economic growth and equity.¹ Improved equity is a direct requirement of economic empowerment, while increased growth is a necessary condition for the political and economic sustainability of social programs, social gains, and improved equity. In addition, increased growth can directly facilitate improved equity by generating a continuous increase in productive employment which is the principal sustainable way to achieve improved economic equity, especially in a situation where approximately one-third of the economically active population is unemployed.

Besides improved equity in incomes, improved equity includes increased access to financing to facilitate access to economic assets, and improved access to public services such as education, health, and public infrastructure.

Many people believe that efforts made to improve growth will necessarily have negative effects on equity, while explicit efforts to improve equity will have negative effects on growth. Some approaches to addressing equity issues, do lead to adverse effects on growth; in these cases, the equity-promotion approaches represent situations where growth and equity are substitutes. Other approaches and policies exist, however, which serve to promote both growth and equity, i.e., policies where growth and equity are complementary results.

Policies which promote both growth and equity are the types of policies needed in South Africa since growth without equity or improved equity without growth can undermine the foundations for continued growth. There are two primary indicators of such policies — they result in increased productive employment, or increased investment in human capital. In fact, one of the best indicators that growth with equity is being achieved may well be a continuing, sustainable increase in productive employment.

III. Linkages to Strategic Objectives

A. Overview

The basic logical framework described in the rest of this document is summarized in Attachment 1, "Logical Flow of Economic Empowerment Sub-Goal." As this chart emphasizes, development is a non-linear process

¹ This section draws upon Colin McCarthy, "Growth with Equity," Discussion Paper, African Institute for Policy Analysis and Economic Integration (AIPA).

with significant feedback loops and dependencies. Thus, there is no pure, "straight-line" logic for delineating these relationships.

The achievement of "increased economic growth and equity" in South Africa requires a number of items including: (1) political stability and good governance, (2) a better educated and healthier workforce, (3) improved access to resources for the historically disadvantaged population, and (4) increased productive capacity for the economy.

The experience of developing countries in Asia and Latin America which have achieved rapid growth highlights the importance of political stability and leadership. Many of these same countries, however, have not been successful in generating broad-based, equitable growth without ensuring that the political stability involves an open and democratic governance system. The lack of a democratic governance system inevitably leads to the undermining of basic political stability and economic growth which had been achieved under the previous authoritarian regime.² USAID/South Africa's first strategic objective contributes to an open, stable and democratic political system.

One of the most consistent results in all of economic research is the existence of high returns to investment in human capital, i.e., in an educated and healthy population and workforce. The existence of a healthy, literate and numerate workforce has generally been a prerequisite for sustained, rapid economic growth. The continuation of skills development and training once an individual is within the workforce helps to generate upward economic mobility and improve equity through the growth process.³ The same research results highlight the importance and cost-effectiveness of focussing such investments in developing countries, at least initially, on basic education and primary health care. Investments in higher education and tertiary-level health care consistently generate much lower returns on investment, as well as requiring significantly greater levels of investment per beneficiary than is the case for basic education and primary health care. The reform and establishment of effective educational systems and primary health care systems are the focus of USAID/South Africa's strategic objectives two and three, respectively.

The third item, "improved access to resources for the historically disadvantaged," is a key requirement for improving equity in South Africa. After the denial of basic human and political rights, one of the most insidious of apartheid's effects was the denial of equal access to economic opportunity. To help redress the inequalities resulting from this system, it is necessary to improve the historically disadvantaged population's access to resources. If this population utilizes these resources more efficiently and effectively than other segments of the population, this improved access (even if only a transfer of resources between groups) would increase overall economic growth, as well as help to promote equity. The achievement of "improved access to resources" requires a number of items such as secure property rights (especially to land), fair and equal treatment, access to technical and business skills, etc. Of special importance, however, is access to financial resources—capital and credit. USAID/South Africa's fifth and sixth strategic objectives address aspects of this requirement. The Mission's fifth strategic objective focuses on access to financial resources for historically disadvantaged enterprises. The Mission's sixth strategic objective is designed to improve the access of the historically disadvantaged population to shelter and urban services.

The fourth item, "increased productive capacity," requires at least the following four items in the South African context: (a) improved investor confidence; (b) improved resource generation and use; (c) an improved relationship between labour productivity and real wages; and (d) an improved economic policy environment.

²Examples of countries achieving growth under authoritarian regimes which were eventually undermined include Brazil, Chile, South Korea, and Taiwan. Growth in these countries has generally resumed following the democratic transitions if the other requirements for growth are not violated in the transition process as happened with Brazil's democratic transition in the 1980s. Countries such as Hong Kong, Singapore and Malaysia provide clear examples where open, democratic systems have provided political stability and equitable, rapid economic growth.

³See for example the World Bank's World Development Report 1990 and World Development Report 1993 for in depth looks at such relationships.

The clear and close dependencies and interlinkages between USAID/South Africa's strategic objectives show up once again at this level. For example, the issues associated with improved investor confidence tie back to the issues of political stability and transparency in governance issues. In addition to the general issues of stability, another key aspect is the existence of a clear, transparent and fair legal, regulatory and judicial system. A clear linkage also exists from all these items to the Mission's first strategic objective.

Another such linkage also arises from the fact that "an improved policy environment" which is "investor friendly" is also required for improved investor confidence. The need for an "improved relationship between labour productivity and real wages" provides a second clear linkage to strategic objectives two and three, as well as the requirement for "an improved policy environment" which will help to provide proper incentives for appropriate factor usage. The third requirement, i.e., the need for "increased resource generation and use," leads to issues of increasing savings and investment rates and improving the utilization of labour resources. These items all tie back to the question of "an improved policy environment," as well as to other requirements.

The common thread throughout the identified items required for "increased productive capacity" is the requirement of "an improved economic policy environment." At least three things are required for the achievement of this key item. The first two deal with issues of political economy and political will, while the third is a question of capacity. First, the government must be willing and able to change growth-inhibiting elements of the economic policy framework, even in the face of entrenched interests which are benefiting from the existing policy framework. Second, and related to the first, other stakeholders must be willing to accept changes in policies, even if it may mean short-term "losses" which must be incurred to achieve longer-term benefits. Dealing with each of these items is problematic since the entrenched interests and affected stakeholders will generally differ for each set of policies being considered. Thus, the process of effective policy change requires a major effort in applying "variable geometry" to form different sets of coalitions to support such change. Finally, the capacity of critical governmental and non-governmental organizations to engage in economic policy formulation, evaluation and implementation must be strengthened. This element is required not only to directly support the efforts for policy change, but also to help influence different groups and to help identify and form winning coalitions for reform and change.

The first two of these three issues is first and foremost a question of political will and ensuring that change-facilitating processes, including information distribution and consensus building, are used. The utilization of South African fora such as the National Economic Development and Labour Advisory Committee (NEDLAC) and related groups for the discussion of policy issues provides appropriate change-facilitating processes. The existence and use of analytical capacity both within and outside the government should also help to persuade groups to modify their positions on issues if/when a clear case for policy change is made. Thus, the third of the above requirements also helps to address the first two requirements. The issue of strengthened governmental and non-governmental capacity is the subject of strategic objective four (see below).

B. Background Analysis for Increased Productive Capacity

This section summarizes some of the basic facts and problems related to the various requirements to achieve increased production and productive capacity outlined above.⁴ The problems and issues discussed below are generally recognized within the South African development community. There is not, however, a consensus on how these problems should be addressed and rectified. They are reviewed here to clarify and highlight the economic challenges faced by South Africa.

⁴For more detail on these topics and issues, see Annex H and the papers cited in it.

I. Equity: Distributional Disparities

South Africa possesses a large, modern economy which, with a 1994 Gross Domestic Product (GDP) of \$120 billion, is approximately 1.5 times as large as the combined economies of the rest of Southern Africa, and roughly equal to the size of the economy of either Massachusetts or Maryland in the United States. The structure of the economy displays significant diversity with the following economic structure:

- Agriculture and Mining 13 percent of GDP;
- Manufacturing 24 percent of GDP;
- Other Secondary Sector Activities 7 percent of GDP;
- Government 15 percent of GDP; and
- Other Tertiary Sector Activities 41 percent of GDP.

At the same time, there are severe distributional inequities throughout the economy. These inequities are based both on racial classification and geographic distribution. First, Africans are significantly poorer than the other racial groups. Overall, the median income for an African household is only 44 percent of that for the median coloured household, 23 percent of that for the median Indian household, and only 15 percent of the median income for a white household. In addition, the bulk of the poorest people come from the African population. Over 26 percent of the total African population is found within South Africa's poorest population quintile, and over 52 percent of the African population is in the two poorest quintiles (poorest 40 percent). In contrast, only 1.3 percent of the white population is within the poorest quintile and only 2.1 percent in the poorest 40 percent of the population.

Poverty in South Africa is predominantly, but not exclusively, a rural problem. Roughly forty percent of the total population resides in rural areas. Of this rural population, 32 percent have incomes which place them in the poorest 20 percent of the country's population. For the urban population, only 12.7 percent are found in the poorest quintile. Fully one-third of rural Africans are in the poorest 20 percent of the total population and over 62 percent are in the poorest 40 percent of the total population.

2. Past Performance of Growth and Productive Capacity

As noted above, one of the key items for increasing economic growth and equity in South Africa is an increase in productive capacity. This includes the expansion of both actual and "potential" output of the economy. For purposes of this analysis, gross domestic product (GDP) will be used as the appropriate measure of output. The definition of "potential output" is dealt with below.

South Africa's real per capita income increased from 1946 through 1974, rising from R4,360 to R8,209.⁵ From 1974 through 1977 real per capita income declined, then increased through 1981 to R8,544. Since 1981, there has been a decline in real per capita income to a level of R6,832 (US\$2,641) in 1994. The net result has been a return of real per capita income to mid-1960s levels.

The trend for per capita income is driven by the growth performance of real GDP. The long-term trends of South Africa's GDP growth highlights the fact that the underlying real GDP growth rate has been declining. From 1946 through 1960, real GDP grew first at just under 4.1 percent per annum and then just over 3.4 percent. From 1960 through 1965, the rate of growth accelerated to 6.26 percent, declining to an average rate of approximately five percent from 1965 through 1970. The 1970s saw a further slow down in growth to roughly 2.1 percent from 1974 through 1981. From 1981 through 1994, real GDP grew at a rate of 0.8 percent.

The identification of potential income or productive capacity is difficult in all cases, but especially so in the case of South Africa. In most developed countries, this estimation is based upon the concept of "full employment"

⁵ Data cited are for GDP per capita at market prices expressed in constant 1990 prices.

output; however, for South Africa it is not clear what "full employment" would mean since there is massive slack in labour markets. As a result, an alternative approach for estimating capacity is used which involves the estimation of the "envelope curve" of GDP.⁶ Using this approach, data clearly show a similar pattern of declining growth rates following the early 1960s. Since 1981, the growth rate of potential output has been just under one percent per annum.

Associated with the declining GDP growth rates has been an increase in the capital intensity of production as measured by the average capital-output ratio. This rise implies that greater and greater levels of investment have been required to support increases in productive capacity, output and incomes. The decline over time of actual and potential output growth rates and the rise of the capital intensity of production are statistically associated with each other.

A decomposition of growth into its contributing parts, i.e., factor usage and multifactor productivity growth, highlights the fact that expanded factor usage has been the primary source of South Africa's growth since 1946. For this period, multifactor productivity growth has been negative for between fifteen and twenty years. The expansion of factor usage has concentrated on capital. As a result, the labour-capital ratio has declined anywhere from forty to forty-five percent since 1960.

3. Increased Resource Generation and Use

Two primary categories of resources are considered in this section. First, is the generation and use of capital. The key concern in this area is the need to increase the savings and investment rates to the levels necessary to generate and sustain increased economic growth. The second category of resources is labour and employment. As noted at the beginning of this discussion, one of key indicators of growth with equity is increasing employment. The "flip side" of the "employment coin" is the state of unemployment which forms a significant economic and political problem for South Africa.

a. Increased Savings and Investment

The discussion above highlighted several facts which have accompanied the decline in South Africa's aggregate growth over time. First, growth has largely been driven by the expansion of factor usage rather than productivity growth. Second, the productivity of capital has decreased as indicated by the steady rise in the capital-output ratio. Third, the level of employment generation associated with capital creation has declined by forty to forty-five percent.

Taken together these factors imply a very stark reality. Whether the goal is to expand production and incomes or to create employment or both, a greater level of net investment is now required than was required in the early 1960s. For example, in the early 1990s a three percent increase in real GDP required a net investment of R26,677 million and generated 176,318 jobs.⁷ If the same factor utilization relationships continued as existed in the early 1960s, however, the net investment required would only have been R18,031 million (39 percent less) and it would have generated 186,190 jobs (5.4 percent higher).

These trends and changes imply that the generation and financing of investment will be an absolute necessity for the expansion of the economy. This section examines the trends in both investment and saving.

⁶ This measure of "potential or capacity output" is estimated by assuming that the "peaks" in the GDP trend represent full capacity utilization. By connecting these peaks an "envelope curve" results which represents the time path of potential or capacity output. From those values, the growth rate for each segment of the "envelope curve" can be calculated.

⁷ Based on real GDP (1990 prices) in 1992 and average capital-output and labour-capital ratios for 1961-1965 and 1991-1993.

(1) Investment

Beginning in 1982, net domestic investment fell to less than ten percent of GDP and fell to less than five percent of GDP from 1985 onwards. In 1992, net domestic investment was a mere 1.1 percent of GDP and only 7.1 percent of gross domestic investment, i.e., virtually all investment was replacing capital goods that were reaching the end of their productive life. In 1993, net domestic investment rose to 1.9 percent of GDP and 11.6 percent of gross domestic investment. For 1994, the same figures were 4.3 percent and twenty-four percent, respectively.

The downward trends in investment, unless significantly reversed, point to a severe constraint for increased growth and help to explain part of the decline in longer-term growth. These implications are discussed more fully below.

(2) Savings

Gross saving, which must equal and finance gross domestic investment, is composed of four basic parts: foreign saving, net saving by the government, net saving by the private sector, and depreciation or capital consumption allowances. Gross domestic saving is composed of the last three of these items and represents the overall level of saving in the economy. This basic level is supplemented or diminished by foreign saving. The resulting balance is then divided across capital consumption allowances (financing the replacement of depreciated capital stock) and net domestic saving (made up of contributions by the private and public sectors) which can finance an expansion of the country's capital stock.

Gross and net domestic saving, relative to GDP, rose rapidly in the latter half of the 1940s and through most of the 1950s. In the early part of this period, foreign saving provided a significant, but declining supplement to domestic saving. Beginning in 1959, net and gross domestic saving leveled off until the latter part of the 1970s. Foreign saving was negative (representing capital outflows which preceded, but then were aggravated by, the Sharpeville massacre) until 1964. From 1965 through 1977 and from 1981 through 1984, foreign saving supplemented domestic saving. Beginning in 1985 and extending through 1993, foreign saving has been negative, significantly so from 1985 through 1988 and less so since 1988. In 1994 foreign saving once again provided a supplement to domestic saving totaling 2.7 percent of gross domestic saving.⁸

Net and gross domestic saving spiked in 1979 and 1980, but quickly fell to previous levels in 1981, and began to establish new lows relative to GDP thereafter. This decline was much more severe for net domestic saving which fell from over twenty-one percent of GDP in 1980 to six percent of GDP in 1982. Despite some recovery following 1982, net domestic saving remained less than ten percent of GDP and has remained less than five percent of GDP since 1990.

Prior to 1983 the public sector made a positive contribution to net domestic saving of anywhere from twenty-five percent to forty percent of total net domestic saving. Following 1983, however, the public sector became a net consumer of domestic saving, thereby reducing the availability of savings for use by private investors. Since 1990 the public sector consumption of domestic saving has become very significant, but did decline in 1994 relative to the peak in 1993. It still remains, however, at historically high levels.

⁸The periods of negative foreign savings correspond to the sanctions period when South Africa was "excluded" from access to foreign loans and capital, even though it had to repay existing loans.

(3) Requirements

The general experience of countries in Asia and Latin America which have experienced high, sustained economic growth shows that saving and investment rates need to be between twenty-five percent and thirty percent of GDP. While the depreciation component of gross domestic investment is important for the restructuring of the capital stock and the incorporation of new technology which should increase productivity, it is also important to have higher levels of net domestic investment which contribute to the growth of the capital stock. Given these broad guidelines, somewhere in the range of an additional ten percent to fifteen percent of GDP needs to be invested on a continual basis each year compared to the recent investment performance of the economy.

Likewise, this additional investment must be financed through gross savings. This will require a significant increase in both net domestic and net foreign savings. In addition to achieving an increase in domestic saving rates of the private sector, a significant component increasing the domestic saving rate can be a continued reduction in the public sector's drain of savings. If, for example, the national deficit were eliminated, this alone could provide additional resources for private investment equal to five percent to six percent of GDP.

b. Improved Utilization of Labour Resources

The issues of employment, unemployment and underemployment are of critical importance in South Africa. Nevertheless, achieving a clear definition of the problem is difficult due to shortcomings in the data series on the economically active population and employment. The data do, however, clearly show that formal sector employment has declined significantly relative to the economically active population.

In 1970, formal sector employment accounted for just less than 67 percent of the economically active population. Just over thirty percent of that formal sector employment was in agriculture, i.e., 21 percent of the economically active population. Thus, approximately one-third of the economically active population was employed in the informal sector or were unemployed. In 1994, formal sector employment had declined to 44 percent of the economically active population, with agriculture accounting for less than 19 percent of this, i.e., roughly eight percent of the economically active population. Thus, almost 56 percent of the economically active population are employed in the informal sector or are unemployed, a 69 percent increase over this 24 year period.

The exclusion of employment in the informal sector results in an overstatement of unemployment; however, many people would argue that employment in the informal sector is a survival mechanism and represents "underemployment."

The Central Statistical Service's *1994 October Household Survey* provides a more comprehensive picture of the employment picture in 1994. Of South Africa's estimated population of 40.436 million in 1994, 41 percent were not of working age, while another 24 percent were not economically active. Thus, 65 percent of the total population was not economically active. Of the remaining 35 percent of the population, eleven percent were unemployed so that only 24 percent of the total population was working in either the formal or informal sectors. Roughly 8.5 percent of the population was employed in agriculture (2.9 percent formal and 5.6 percent informal), while another 12.6 percent were employed in formal, non-agricultural sectors and 3.1 percent in informal, non-agricultural activities. Relative to the economically active population, 31 percent are unemployed. Of the 69 percent that are employed, 36 percent are employed in the informal formal sector (64 percent of which are in agriculture), while the remaining 64 percent are employed in the formal sector (19 percent of which are in agriculture).

Simple projections for the future make it clear that substantial real output growth will be required to either absorb new entrants to the job market (maintain a constant level of unemployment) or meet the less strenuous

requirement of maintaining a constant unemployment rate.⁹ For example, to maintain a constant unemployment rate with a high labour force growth rate would require that real output grow by over 6.5 percent per annum through the year 2005. If the goal were to have the economy absorb the entirety of the new labour force entrants, that growth rate would be almost 8.8 percent per annum. If the labour force only grows at three percent per annum, these annual output growth requirements are reduced to just over five percent and just less than 6.9 percent, respectively. If structural changes in the economy and labour markets to improve labour absorption were to occur, similar projections indicate that the required real growth rates for these targets can be significantly reduced.

Current estimates are that South Africa's economy could grow at an annual rate of four to five percent in the near term. Even if these rates are maintained, they will represent a continuing increase in the level and rate of unemployment.

4. Improved Labour Productivity and Wage Relationship

A third major area of improvement required for South Africa to achieve increased economic growth is an improvement in the relationship between labour productivity and real wages. This relationship is critical to increasing growth since it is essential for South Africa's competitiveness in international markets.¹⁰ International competitiveness is a critical issue for South Africa's economy since it will be one essential element for attracting foreign investment. Further, if the economy is internationally competitive, it will not have to rely solely on the expansion of the domestic market for income and employment growth. Thus, international competitiveness can directly support improving equity by providing the basis for a sustained increase in productive employment.¹¹

The basic problem which has become significantly more crucial since the mid-1980s is clearly illustrated by the trend of unit labour costs relative to non-gold export prices. From 1970 through 1979, unit labour costs relative to non-gold export prices fell by approximately 11 percent or just over 1.2 percent per year which implied that South Africa's international competitiveness was generally improving. Since 1979, however, there has been a 44 percent increase (over 3.1 percent per annum) in this critical relative price which implies that South Africa's international competitiveness has been declining over this time period.¹²

Two ways exist to redress this basic problem. Average real wages can be reduced or labour productivity can be increased. Prospects are probably limited for an increase in productivity in the short-term, although there is room for improvement through reduced labour stoppages and other actions. Over the longer-term, however, productivity increases should be expected as the degree of literacy and numeracy of the workforce increase, the

⁹See Annex H or R. Harber, "South Africa: Employment and Unemployment — 'The Economic Problem'," for more detail on these projections.

¹⁰An alternative solution to the international competitiveness problem would be a real devaluation of the South African Rand relative to other major currencies. While there has been a substantial nominal devaluation of the Rand, it has remained relatively stable in real terms since the early 1970s.

¹¹A full analysis of this problem requires data on the actual level of wages and productivity in South Africa and competitor countries. Such a comprehensive data set is not available. The following data from the Africa Institute illustrates part of the extent of the problem. Estimates are that the average wages in other countries of Southern Africa are approximately one-third the average wage in South Africa. In the automobile sector, the estimated average wage for a South African is approximately \$500 per month. In Botswana, the average wage for a worker in this sector is \$350 per month, while in Zimbabwe the corresponding figure is \$275 per month. This figure for South Africa is comparable to the average wage rate for automobile workers in Mexico, but the assembly of an automobile in South Africa is reported to take approximately three times as long as in Mexico.

¹²While the average performance from 1979 through 1993 is problematical enough, when account is taken of the rise and fall of this relative price from 1979 through 1986, the relative decline in competitiveness since that point is even worse. From 1986 through 1993, unit labour costs relative to non-gold export prices rose at an annual rate of 5.25 percent. While probably not representing a significant increase, the rate of increase of this relative price was 5.32 percent per annum from 1990 through 1993.

capital stock is upgraded to newer, more modern technologies, and firm management structures are upgraded to current international practices.

5. Improved Investor Confidence

Along with the above factors, another key element to increasing the level and rate of investment is the level of confidence in the country and the economy. The key characteristic of today's global economy is that investment resources flow between countries based on a broad range of factors. Establishing an appropriate investment climate will be critical not only to attracting foreign investment into South Africa, but also in keeping domestic-sourced capital in-country once exchange controls (an issue in and of themselves) are eliminated for South Africans. This is especially true given that South Africa is competing for investment resources with both the developing and developed world.

One of the first of these requirements is political stability and the appearances of stability. Factors in the current environment which detract from South Africa's ratings in this category include the continuing disputes between the constituents of the GNU, continued lack of clarity on basic political issues such as the division of powers between national, provincial and local governments and the host of issues surrounding KwaZulu-Natal, high rates of crime and violence, continuing episodes of labour unrest (now shifted from the private sector to the public sector), and the appearance of the "Wild West" as illustrated by many people regularly walking around with firearms.

A second area of concern is the lack of a clear, coherent policy structure and strategy. As many observers have noted, the Reconstruction and Development Plan (RDP) is more a vision statement of problems than of a way to address the problems.¹³ The role of policy is to define a structure and approach for achieving that vision. At the current time such a policy structure is lacking. Similarly, the process of formulating policies and decisions, as in all areas of governance, need to exhibit a certain degree of transparency and openness. The recent debate over the budgetary process both illustrates the need for such transparency, as well as, the fact that the necessary degree of transparency does not exist throughout the system. These factors are important since productive investments extend into the future. A clear, coherent policy structure which operates in an open and transparent fashion helps to provide confidence that the basic rules affecting that future will not be changed without a chance to understand why the change is proposed and to argue against that change if necessary.

The final, but not least important, factor is the existence of good prospects for the future and future profits. The items discussed above contribute to the assessment of this topic, as does the past performance of the economy and the general policy environment. A further key item is the existence, relative to the other investment options open to an investor, of an appropriately skilled and priced labour force. One key aspect of the policy environment which is relevant for foreign investment is the structure and level of taxation. Under most bilateral tax treaties, specific types of taxes paid overseas by companies can be offset against earnings when computing its tax liability in its home country. Thus, a tax structure which includes taxes that are not covered by such a tax treaty, such as South Africa's Secondary Tax on Companies, acts as a disincentive to investment in a country. Likewise, if a country has a basic tax rate on corporate income which exceeds the rate in a company's home country, investment in that country will increase the overall tax burden of the company, which also acts as a disincentive to investing in the subject country.

South Africa's nominal tax rate on corporations in 1990 was higher than that in other countries. In addition, increases in South Africa's corporate tax structure are "bucking the trend" of a movement towards lower corporate tax rates.

¹³See for example the comments of Jeffrey Sachs as cited in "Harvard's free-trade evangelist knocks wishful RDP thinking," Pretoria Sunday Times, 17 September 1995, page 3.

IV. Linkages to the Agency's Strategic Framework

Strategic Objectives 4, 5 and 6 link directly to the Agency's first goal of achieving broad-based economic growth. Under this goal, USAID has identified three Strategic Objectives:

1. Strengthened markets;
2. Expanded access and opportunity for the poor; and
3. Increased human productive capacity through basic education.

As summarized in Table 1 USAID/South Africa's program links directly and indirectly to each of these agency strategic objectives through the Mission's Strategic Objectives Two, Four, Five and Six.

TABLE 1. LINKAGES BETWEEN AGENCY STRATEGIC OBJECTIVES AND USAID/SOUTH AFRICA STRATEGIC OBJECTIVES		
Agency Goal: Achieve Broad-Based Economic Growth		
Agency Strategic Objectives	USAID/SA Strategic Objectives	
	Direct Link	Indirect Link
1. Strengthened Markets	SO-4	SO-5
2. Expanded Access and Opportunity for the Poor	SO-5, SO-6	SO-4
3. Increased Human Productive Capacity through Basic Education	SO-2	

V. Strategic Objective 4

As noted in the background analysis, an improved economic policy environment is critical to achieving the economic empowerment of South Africa's historically disadvantaged population. Strategic objective four contributes to addressing, but does not directly address, that need. The Mission believes that this is the most ambitious objective in the economic sector that it can achieve with the limited resources available for this strategic objective.

A. Statement of the Strategic Objective

USAID/South Africa's fourth strategic objective focuses on the capacity of organizations within and outside government to effectively deal with economic policy issues. Specifically, Strategic Objective Four is as follows:

SO4: Improved capacity of key government and non-government entities to formulate, evaluate and implement economic policies to promote economic growth and equity.

B. Results Framework

1. Problem Analysis, Causal Relationships and Rationale for Selecting this Strategic Objective

As discussed above, the major challenge for South Africa is to generate increased broad-based sustainable economic growth, employment opportunities, and improved equity for the historically disadvantaged population who compose the vast majority of the roughly 35 percent of the labour force currently unemployed. For this to happen a wide range of factors and problems need to be addressed. One of the key elements (necessary, but not sufficient) is a growth-promoting economic policy environment. Such an environment will also have positive feedback effects on other factors required to increase economic growth.

The achievement of a growth promoting policy environment will require at least three items: (1) a government willing and able to change growth-inhibiting elements of the economic policy framework, even in the face of entrenched interests; (2) other stakeholders willing to accept changes in policies, even if it means short-term "losses" which must be incurred to achieve longer-term benefits; and (3) a strengthened capacity within the governmental and the non-governmental sectors to engage in economic policy formulation, evaluation and implementation. Of special concern is the ability to participate, both in the sense of opportunity and technical ability, by those previously excluded from such processes. If the issues of economic growth and equity are to be addressed adequately, it is necessary to respond to the constraints on the ability and opportunities of the majority population to participate in economic policy decisions. In this context, the role of strengthened non-governmental organizations will be crucial.

Dealing with the first two of these items is problematic since the entrenched interests and positively and negatively affected stakeholders will generally differ for each set of policies considered. Thus, the process of effective policy change will require a major effort in applying "variable geometry" to form different coalitions to support such change. Strengthened capacity of critical governmental and non-governmental organizations to engage in the economic policy process is required not only to directly support the efforts for policy change, but also to help influence different groups and to help identify and form winning coalitions for reform and change. These issues are first and foremost a question of political will and ensuring that change-facilitating processes are used. The utilization of fora such as the National Economic Development and Labour Advisory Committee (NEDLAC) and related groups for the discussion of policy issues provide appropriate change-facilitating processes. However, the participants in NEDLAC — representing government, business, labour and civil society — must all be "economically literate" and able to engage effectively in NEDLAC and similar fora. The existence and use of analytical capacity both within and outside the government should help to persuade groups to modify their positions on issues if/when a clear case for policy change is made.

The government has already made efforts to create and support the necessary discussion fora for the facilitation of policy change; however, the Mission doesn't know how this process will continue to be implemented. In addition, it is not clear that all participants in the process will be able to participate effectively in the fora so that the fora will indeed function as a change facilitation mechanism. There are also questions concerning the mutual commitment of the various stakeholders to the adoption of growth promoting policies. Taken together, these factors argue against adopting a higher level strategic objective. Thus, this strategic objective takes a more risk-averse approach and focuses on the strengthening of analytical and technical capacity in the governmental and non-governmental sectors.

2. Partners

a. Consultative Process

There is a clear, distinct and active group of partners working on this problem. First and foremost is the Government of National Unity which recognizes the need for sustainable growth and employment creation. Second, there is an active set of non-governmental organizations (NGOs), universities and other groups who are also interested in the promotion and support of economic growth and equity. Finally, other donors also share this vision. These different sets of partners will play active cooperative roles in achieving this strategic objective.

These partners have been involved in the development of this strategic objective. This process began with the preparation of a series of analytical papers on South Africa's economy, economic performance and economic problems.¹⁴ These papers continue to be widely distributed to interested and relevant individuals within South Africa's University, NGO, Donor and Government communities. They also served as the basis for discussions with these individuals and groups concerning the country's economic problems and issues, as well as, what might be needed to address these problems.

¹⁴These papers form the basis of Annex II of the CSP.

Based upon these discussions, the basic outline and content of what has become SO-4 was developed. These ideas were then discussed with the people and organizations who were instrumental in formulating it, plus a wider range of government officials and others. This process of wide ranging discussions has resulted in some modifications of what had initially been proposed and the validation of the basic structure and content of what is currently being proposed under strategic objective 4.

The design process for the "Support for Economic Growth and Analysis/Mandela Economics Scholars Program" activity, which will serve as the primary implementation mechanism for this strategic objective, is using the same broad consultative process. A planned Activity Steering Committee, composed of key government, non-governmental, and USAID/South Africa representatives, will serve as a continuing consultative body for this strategic objective. In addition, the Expanded Team for this strategic objective will also serve this role.

b. Government

The Reconstruction and Development Programme (RDP) is the central guiding policy document of the Government of National Unity. It recognizes the need to restructure the economy, increase economic growth, and increase employment growth. It also states that these objectives "will be achieved through the leading and enabling role of the state, a thriving private sector, and active involvement by all sectors of civil society."

The basic objectives of the RDP are "to create a strong, dynamic and balanced economy which will:

- " eliminate the poverty, low wages and extreme inequalities in wages and wealth generated by the apartheid system, meet basic needs, and thus ensure that every South African has a decent living standard and economic security;
- " address economic imbalances and structural problems in industry, trade, commerce, mining, agriculture, finance and labour markets;
- " create productive employment opportunities at a living wage for all South Africans; and
- " integrate into the world economy in a manner that sustains a viable and efficient domestic manufacturing capacity and increases our potential to export manufactured products.

"It is only by addressing the above that our economy will be capable of sustained growth."¹⁵

This strategic objective and the activities planned for its implementation have been formulated in close consultation and coordination with a steering committee of economists and administrators from key government departments and ministries. This same group will form the core elements of the government portion of the Economic Capacity Strategic Objective Team and will continue to provide guidance throughout the implementation of this strategic objective.

c. NGOs, Universities and Other Groups

There are several NGOs working on economic issues and economic capacity building. The primary ones with whom USAID/South Africa is already working include: the African Institute for Policy Analysis and Economic Integration (AIPA) and the National Institute for Economic Policy (NIEP). These two NGOs work on a wide range of issues and topics relevant to the strategic objective, including policy research and advocacy and training activities or other programs for economists from the historically disadvantaged population.

Other groups also work on these and related issues. For example, there are generally research units or groups at the wide variety of South African universities. Examples include: South African Labour and Development Research Unit (SALDRU) at the University of Cape Town (UCT); Development Policy Research Unit at UCT:

¹⁵Selected items from Sections 4.2.1 and 4.2.2 of the Reconstruction and Development Programme.

Economic Research Unit (ERU) at the University of Natal, Durban; the Institute for Social and Economic Research (ISER) at the University of Durban-Westville; and the economics departments at all the South African Universities and Technikons. There is currently an effort underway to form the South African Network of Economic Research (SANER) which will function much like the National Bureau of Economic Research (NBER) in the U.S., supporting, reviewing and promoting high quality, policy relevant economic research. Likewise, organizations such as the Institute for Democracy in South Africa/Public Information Centre (IDASA/PIC) monitors policy processes, distributes information, and conducts and distributes analytical work to broaden the understanding of a variety of issues.

Many of the major businesses and business groups, e.g., the South African Chamber of Business (SACOB), have their own economists and economics departments. These groups' capacity to function as effective policy advocacy groups are being supported under the Mission's fifth strategic objective. In addition, there are NGOs which support business with research and facilitating activities, e.g., the Centre for Development and Enterprise (CDE). A wide range of NGOs exist which work on sector-specific policy issues.

While the sustainability of these organizations differ, it is clear that each organization is committed to trying to advance issues related in one way or another with this strategic objective. All these groups have their own links to various elements of government and other stakeholders. As a result, they will be able to assist in the achievement of this strategic objective. A selection of these groups have been involved in the development and formulation of this strategic objective and will be involved in its implementation.

d. Other Donors

There are a number of donors which have worked or continue to work in the various areas related to this strategic objective.¹⁶ Table 2 summarizes the broad areas of their involvement. A key issue will be the continued coordination with the other involved donors to ensure that we avoid duplication and ensure the broadest coverage of our efforts. Such coordination will be promoted by the inclusion of relevant donors on the expanded team for this strategic objective.

3. Intermediate Results

Associated with this strategic objective are the following four intermediate results which, when taken together, will achieve the strategic objective, i.e., strengthen the capacity of South Africans to formulate, evaluate and implement growth-promoting economic policies:

- 4.1. Human resource development in economics and policy analysis for key government entities;
- 4.2. Strengthened government departments that deal with economic policy matters;
- 4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers; and
- 4.4. Strengthened centers of economics training (Centers of Excellence in Economics), especially within the historically disadvantaged institutions.

These intermediate results represent the key elements for establishing the basic capacity mentioned in the strategic objective statement. The first and second intermediate results focus on strengthening the capacity and the participation of the majority population within government on economic policy issues. The first intermediate result focuses on helping to create a new cadre of U.S. trained economists from the majority population to work on these issues, while the second intermediate result works with government departments to strengthen the "work units" where such individuals will apply their training. Taken together, along with an assumption of adequate funding for the new or revised "work units," these two intermediate results provide the necessary components for strengthening government capacity for the formulation, evaluation and implementation of growth and equity promoting economic policies.

¹⁶ Attachment 2 provides a more detailed discussion of the economics-related activities of the various donors.

The third intermediate result addresses the capacity question in the non-governmental sector which will provide an expanded access of the majority population to the broader policy process. Finally, the fourth intermediate result provides a sustainable mechanism for meeting the continuing human resource development requirements in the field of economics. Thus, this intermediate result links back to and sustains the first intermediate result over the long-term.

The first intermediate result will be accomplished primarily through the mechanism of the Mandela Economics Scholars which will finance post-graduate economics training, primarily for the historically disadvantaged population, to improve the capacity of individuals to productively serve in government. This activity is also part of the South Africa-United States Binational Commission (BNC). This activity also supports other strategic objectives, such as education and health, since the BNC agreed that this activity would train economists for all areas of government.

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TABLE 2. AREAS OF EXTERNAL PARTNERS' INVOLVEMENT IN RELATION TO STRATEGIC OBJECTIVE FOUR								
External Partner	USAID-Focus Areas (IRs)				Non-USAID-Focus Areas			
	Training	Govt. Capacity	Think Tanks Capacity	Training Centers	Policy Process	Re-search	NEDLAC-Like Processes	Labour Unions
African Capacity Building Fund (ACBF)			X					
African Economic Research Consortium (AERC)			X	X		X		
Australia			X		X		X	X
Canadian International Development Agency (CIDA)		X			X		X	
European Union								X
Netherlands								X
Overseas Development Administration (ODA)	X	X				X		
Sweden (SIDA)			?					
IMF								
World Bank	X	X				X	X	

Short-term training will also support intermediate result 4.1. The second and third intermediate results will be achieved through the coordinated provision of technical assistance, short-term training and research support. Finally, the fourth intermediate result under strategic objective four will be promoted through the activities under the Mission's Tertiary Education Linkages Project (TELP) which has as one of its objectives the establishment of a limited number of "Centers of Excellence" in selected disciplines within South Africa's system of historically disadvantaged tertiary education institutions.

4. Intermediate Results from Others

There are a number of sub-intermediate results (intermediate results of others) associated with the achievement of strategic objective four and its intermediate results. These include:

4.1. Human resource development in economics and policy analysis for key government entities;

The principal lower level results for this intermediate result of strategic objective 4 deal with sustainability. While these are stated as separate, either one would be sufficient to provide the necessary sustainability for this intermediate result.

- IR.4.1.1. Private sector and/or government funding for an endowment for a continuing Mandela Economics Scholars Program through a foundation or other structure. While not absolutely essential to the success of the Mandela Scholars in Economics and the strategic objective, the establishment of such an endowment structure would provide a sustainable basis for the continuation of the program and its impacts in South Africa. The pursuit of such funding, however, would be dependent on the desire of the Government of South Africa to continue the program.
- IR.4.1.2. Funding for the Center of Excellence in Economics (see below for further discussion). The establishment of such a "Center of Excellence" is an additional or an alternative way that this intermediate result can be sustained over the longer-term. The establishment of such a Center will allow the training being provided in the U.S. under this intermediate result to be transferred to South Africa.

4.2. Strengthened government departments that deal with economic policy matters;

The following items relate to complementary and supporting activities of some of our partners. The primary effect of non-achievement on the strategic objective four intermediate result would be a reduction of impact or the targets which would be achievable by the intermediate result.

- IR.4.2.1. Bilateral donor assistance to the government on specific sectoral policy issues. The fulfillment of this assumption will help ensure that the fullest range of necessary policy areas are addressed.
- IR.4.2.2. World Bank funded critical studies on the policy framework. The World Bank's studies play a crucial role in identifying areas of concern and issues to be addressed. They also provide additional support for research efforts to improve the understanding of South Africa's economy and economic problems. If this work does not continue, additional resources will need to be directed towards filling this need which will necessarily reduce the level of achievement in other areas.
- IR.4.2.3. GNU funding and support for the sustainability of the improved government centers of policy and strategic analysis. This support and funding will be required to

ensure that the investments made to strengthen such units or centers will be sustained.

4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers;

The following items again relate to complementary and supporting activities of some of our partners. The primary effect of non-achievement on the strategic objective four intermediate result would be a reduction of impact or the targets which would be achievable by the intermediate result.

- IR.4.3.1. Other donor assistance to "think tanks" in a coordinated fashion. The continuation and coordination of donor support to these institutions may be even more critical than in the case of support to government due to the issues of limited funding for these organizations and their sometimes limited management capacity.
- IR.4.3.2. World Bank funded critical studies on the policy framework. The World Bank's studies play a crucial role in identifying areas of concern and issues to be addressed. They also provide additional support for research efforts to improve the understanding of South Africa's economy and economic problems. If this work does not continue, additional resources will need to be directed towards filling this need which will necessarily reduce the level of achievement in other areas.
- IR.4.3.3. Sustainable funding or endowments to support the longer-term requirements of the "think tanks." A concerted effort in the area of establishing the sustainability of these organizations. While such "think tanks" can meet part of their requirements from specific contract work, some form of continued external funding or endowment mechanism will be required to ensure their financial sustainability.

4.4. Strengthened centers of economics training (Centers of Excellence in Economics), especially within the historically disadvantaged institutions.

In this case, the sub-intermediate results for this strategic objective four intermediate result involves not only external partners, but also the actions and support of another USAID/South Africa strategic objective. In this case, the absence of these sub-intermediate results would prohibit the achievement of this intermediate result.

- IR.4.4.1. Funding for the Center of Excellence in Economics. As indicated above, the planned funding for the establishment of the "Center(s) of Excellence in Economics" is coming from the Tertiary Education Linkages Project (TELP) (primarily so under the high-budget scenario and exclusively so from the low-budget scenario). Thus, if strategic objective two is unable to provide this funding, it would be impossible to achieve this intermediate result.
- IR.4.4.2. Government and the historically disadvantaged tertiary institutions support for the "Centers of Excellence" financially and in other ways. Just as the support of TELP will be critical to the establishment of such "Centers of Excellence," the continued support of the government and the historically disadvantaged tertiary institutions will be critical for the sustainability of these "Centers."

C. Illustrative Activities

The achievement of these intermediate results will be accomplished through the provision of short- and medium-term technical assistance, research support, and short- and long-term training. This assistance will be provided to support the strengthening of a variety of government departments and non-governmental organizations involved in the formulation, evaluation and implementation of economic policies. This assistance will be provided through three basic activities. The primary vehicle for supporting the first three intermediate results will be the Support for Economic Growth and Analysis (SEGA) Activity, the results package for which will be developed in FY96. This activity will include the Mandela Economics Scholars Program as a specific sub-component to address the first of the above intermediate results.

The Africa Bureau's Equity and Growth through Economic Research (EAGER) project, with its involvement in South Africa, will contribute to the third of the above intermediate results through its support of research efforts in collaboration with various "think tanks." It will also indirectly contribute to the second intermediate result by helping to demonstrate how effective policy analysis and research can be structured and used to influence the policy formulation process. Finally, it could also support the fourth intermediate result, if the center(s) is established soon enough, through collaborative research with the center(s) on policy issues.

Finally, the primary vehicle for achieving the fourth of the above intermediate results will be through collaboration with strategic objective two and the Tertiary Education Linkages Project (TELP).

D. Sustainability

The sustainability of the above results is a key concern and is addressed extensively above in the "intermediate results of others" section. The design and selection of activities to achieve these results will be done with a major focus on ensuring sustainability of the results. The actual structure of the intermediate results also help to contribute to their mutual sustainability, especially in the area of training. For example, if the effort to establish a "Center of Excellence in Economics" is successful, the need for the continuation of the Mandela Scholars in Economics will be reduced since there will be a sustainable, in-country source for such future training.

E. Monitoring

Strategic Objective Four's results will be judged by a set of quantitative and qualitative criteria. There is a single, comprehensive indicator at the level of the strategic objective. The intermediate result indicators include a number of items which when considered together are expected to provide a clear picture of success or failure for the intermediate results. These indicators focus both on immediate results and items and issues which will be critical to the sustainability of these results.

Tables 3 summarizes the monitoring framework for this strategic objective. While these indicators can be defined at this point, the identification of quantified targets will only be achieved as the strategic objective team moves further into the design and implementation of the activities under the results package for strategic objective four. The results package will include mechanisms and procedures for tracking progress. These items are discussed in more detail below, as is the monitoring of "intermediate results of others" and sustainability.

TABLE 3. MONITORING FRAMEWORK FOR STRATEGIC OBJECTIVE 4	
OBJECTIVE/RESULTS	PROPOSED INDICATORS
Strategic Objective 4: Improved capacity of key government and non-governmental entities to formulate, evaluate and implement economic policies to promote economic growth and equity.	<ul style="list-style-type: none"> • USAID-assisted individuals and institutions playing a major role in improving the economic environment to promote economic growth and equity
4.1. Human resource development in economics and policy analysis for key government entities.	<ul style="list-style-type: none"> • # of individuals trained at different levels (short-term, masters, doctoral) • Match between jobs identified and training provided • Length of continued service of trainees in appropriate jobs • Capacity of trainees once training is completed
4.2. Strengthened government departments that deal with economic policy matters.	<ul style="list-style-type: none"> • # of units within departments strengthened • # and quality of studies/policy work conducted following strengthening • Internal and external quality assessment of the strengthened units • Number of trained disadvantaged South Africans in middle and senior levels • Recurrent funding for the operation of the strengthened units
4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers.	<ul style="list-style-type: none"> • # of think tanks supported with a viable plan for sustainability • # of studies produced by the supported think tanks which are used by policy fora or other policy makers • Internal and external quality assessment of studies and institutions • Role of think tanks in advising on policy issues and topics • Increased input of disadvantaged South Africans in the analysis and policy discussions
4.4. Strengthened centers of economics training (Centers of Excellence in Economics), especially within the historically disadvantaged institutions.	<ul style="list-style-type: none"> • # of centers sustainably strengthened or established • Increased numbers of students and graduates in economics from the Center(s) • Output (# and quality) of research papers by the centers • Quality of the institutions, programs and research papers

1. Monitoring at the Strategic Objective Level

The indicator proposed for the strategic objective is:

USAID-assisted individuals and institutions playing a major role in improving the economic environment to promote economic growth and equity.

Taken together, the intermediate results improve the capacity of South African organizations to develop an economic environment to promote economic growth and equity. If the key institutions and newly trained people are actually able to formulate, evaluate and implement policies, the proof will be found in their ability to help develop an environment that strengthens and promotes growth with equity.

Implementation of this indicator will primarily be through the expanded strategic objective team. Each year a sub-set of the expanded team will prepare an assessment of the current economic environment and changes since the previous assessment. The detailed structure of the assessment will be developed in conjunction with the expanded team, but could include headings such as foreign trade, fiscal policy, monetary policy, etc. with appropriate sub-headings for each topic. Over the course of a year, government and others will be formulating and analyzing options and proposals; changes will occur. At the next review, an updated assessment is prepared and the role of USAID-assisted individuals and institutions in the process will be determined. The views of

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stakeholders will be solicited as an additional means of assessing the importance of the changes which are documented in these assessments.

2. Monitoring at the Intermediate Results Level

Table 4 indicates the information sources each indicator identified above by intermediate result. In addition to being responsible for a major portion of the indicator measurement at the strategic objective level, the expanded strategic objective team will also play a major role in assessing the quality aspects for a number of the intermediate results indicators.

3. Monitoring Intermediate Results of Others

Just as Table 4 provides information on the source of information for monitoring the intermediate results of strategic objective four, Table 5 provides the sources of information for the monitoring of the efforts of others which support strategic objective four. The core strategic objective team will have the primary responsibility for monitoring these items, but the expanded team will be involved when necessary and appropriate.

4. Monitoring Sustainability

Many of the indicators for strategic objective four and many of the "intermediate results of others" noted above are associated with ensuring the sustainability of the strategic objective four intermediate results. Thus, the monitoring of those items will also serve as monitoring sustainability.

Two other areas will receive on-going attention as issues of sustainability. First, the issue of leadership and succession for organizations such as think tanks will be monitored in order to ensure continuity and sustainability at that level. Second, monitoring of financial resources and the dependence of non-governmental institutions on a limited number of non-sustainable funding sources will be critical. If the degree of dependence measured by, for example concentration ratios of funding, is too high, sustainability of the organization could be "under-threat."

F. Implications of Budgetary Scenarios

The "high option" budget scenario for this strategic objective provides \$30 million over seven years, while the "low option" budget scenario provides \$25 million over five years. Table 6 summarizes the estimated allocation of these resources across the strategic objective's intermediate results.

In terms of prioritizing funding from this strategic objective for the intermediate results outlined above, the rank ordering of the intermediate results from highest priority to lowest priority is as follows:

1. IR 4.1. Human resource development in economics and policy analysis for key government entities;
2. IR 4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers;
3. IR 4.2. Strengthened government departments that deal with economic policy matters; and
4. IR 4.4. Strengthened centers of economics training (Centers of Excellence in Economics), especially within the historically disadvantaged institutions.

In addition, funds from the strategic objective will be used to support staffing, evaluation, monitoring and the participation of expanded team members representing both partners and customers in general meetings for the review of strategic objective four, its activities and progress.

TABLE 4. MONITORING STRATEGIC OBJECTIVE 4 INTERMEDIATE RESULTS	
INTERMEDIATE RESULT/INDICATOR	SOURCE OR METHOD
IR 4.1. Human resource development in economics and policy analysis for key government entities	
· Number of individuals trained at different levels	PTMS and Results Package Records
· Match between jobs identified and training provided	PTMS Records and Personnel Records of Customer/Partner Organizations
· Capacity/capabilities of trainees once training is completed	Assessment of the quality of analysis and reports by supervisors and external assessors
· Length of continued service of trainees in appropriate jobs	PTMS Records and Personnel Records of Customer/Partner Organizations
IR 4.2. Strengthened government departments that deal with economic policy matters	
· Number of units within departments strengthened	Results Package Records
· Number and quality of studies/policy work conducted following strengthening	Unit records and assessments of quality of work
· Quality of the Strengthened Units	Internal and external assessments of the units
· Number of trained disadvantaged South Africans in middle and senior levels	Personnel records of the strengthened units
· Recurrent funding for the operation of the strengthened units	Government budgetary records

TABLE 4. MONITORING STRATEGIC OBJECTIVE 4 INTERMEDIATE RESULTS (CONTINUED)	
INTERMEDIATE RESULT/INDICATOR	SOURCE OR METHOD
IR 4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers	
· Number of think tanks supported with a viable plan for sustainability	Results package records
· Number of studies produced by the supported think tanks which are used by policy fora or other policy makers	Results package records (reporting by think tanks) and internal and expanded team assessments
· Quality of studies and institutions supported	Internal and external assessments
· Role and effectiveness of think tanks in advising on policy issues and topics	Assessment by and through the expanded team
· Input of disadvantaged South Africans in the analysis and policy discussions	Assessment by and through the expanded team
IR 4.4. Strengthened centers of economics training (Centers of Excellence in Economics), especially within the historically disadvantaged institutions	
· Number of centers sustainably strengthened or established	Results package and Strategic Objective Two records
· Number of students and graduates in economics	Records from the Center(s) and host-HDI
· Number of policy-relevant research papers by the Center(s)	Records from the Center(s)
· Quality of the Center(s) and associated programs and research papers	Internal and external assessments

TABLE 5. MONITORING STRATEGIC OBJECTIVE 4 INTERMEDIATE RESULTS OF OTHERS	
INTERMEDIATE RESULT/INDICATOR	SOURCE OR METHOD
IR 4.1. Human resource development in economics and policy analysis for key government entities	
Private sector and/or government funding for an endowment can be found for a continuing Mandela Economics Scholars Program through a foundation or other structure	Records of an established foundation for continuing MESP
Strategic Objective 2 delivers on funding the Center of Excellence in Economics	Strategic Objective Two and associated results package records and documents
IR 4.2. Strengthened government departments that deal with economic policy matters	
Bilateral donors continue and follow through with their planned assistance to the government on specific sectoral policy issues	Discussions with donors and data on their support in these areas
World Bank continues to finance critical studies on the policy framework	World Bank data on financing such reports and expanded team assessment of their quality and importance
GNU provides funding and support for the sustainability of the improved government centers of policy and strategic analysis	Government budgetary records
IR 4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers	
Other donors continue their assistance to "think tanks" in a coordinated fashion	Discussions with donors and data on their support for think tanks
World Bank continues to finance critical studies on the policy framework	World Bank data on financing such reports and expanded team assessment of their quality and importance
Sustainable funding or endowments can be found to support the longer-term requirements of the "think tanks."	Monitoring of think tanks' financial situation and contributions from others to them

TABLE 5. MONITORING STRATEGIC OBJECTIVE 4 INTERMEDIATE RESULTS OF OTHERS (CONTINUED)	
INTERMEDIATE RESULT/INDICATOR	SOURCE OR METHOD
IR 4.4. Strengthened centers of economics training (Centers of Excellence in Economics), especially within the historically disadvantaged institutions	
Strategic Objective 2 delivers on funding the Center of Excellence in Economics	Strategic Objective Two and associated results package records and documents
The government and the historically disadvantaged tertiary institutions continue to support the "Centers of Excellence" financially and in other ways	Budgetary records of the Center(s) and host-HDI(s) and assessments of other support

The proposed funding reduction moving from the high to the low option does not "compromise" the basic integrity of the strategic objective, but does reduce the level of achievement of part of the intermediate results and increases the dependence of the strategic objective on resources under other strategic objectives. The specific implications of moving from the "high option" to the "low option" are as follows:

- A contribution from the high option funding for strategic objective four towards the "Center of Excellence" in Economics to complement the expected investment from strategic objective two;
- A roughly proportional reduction in funding for both governmental and non-governmental capacity strengthening; and

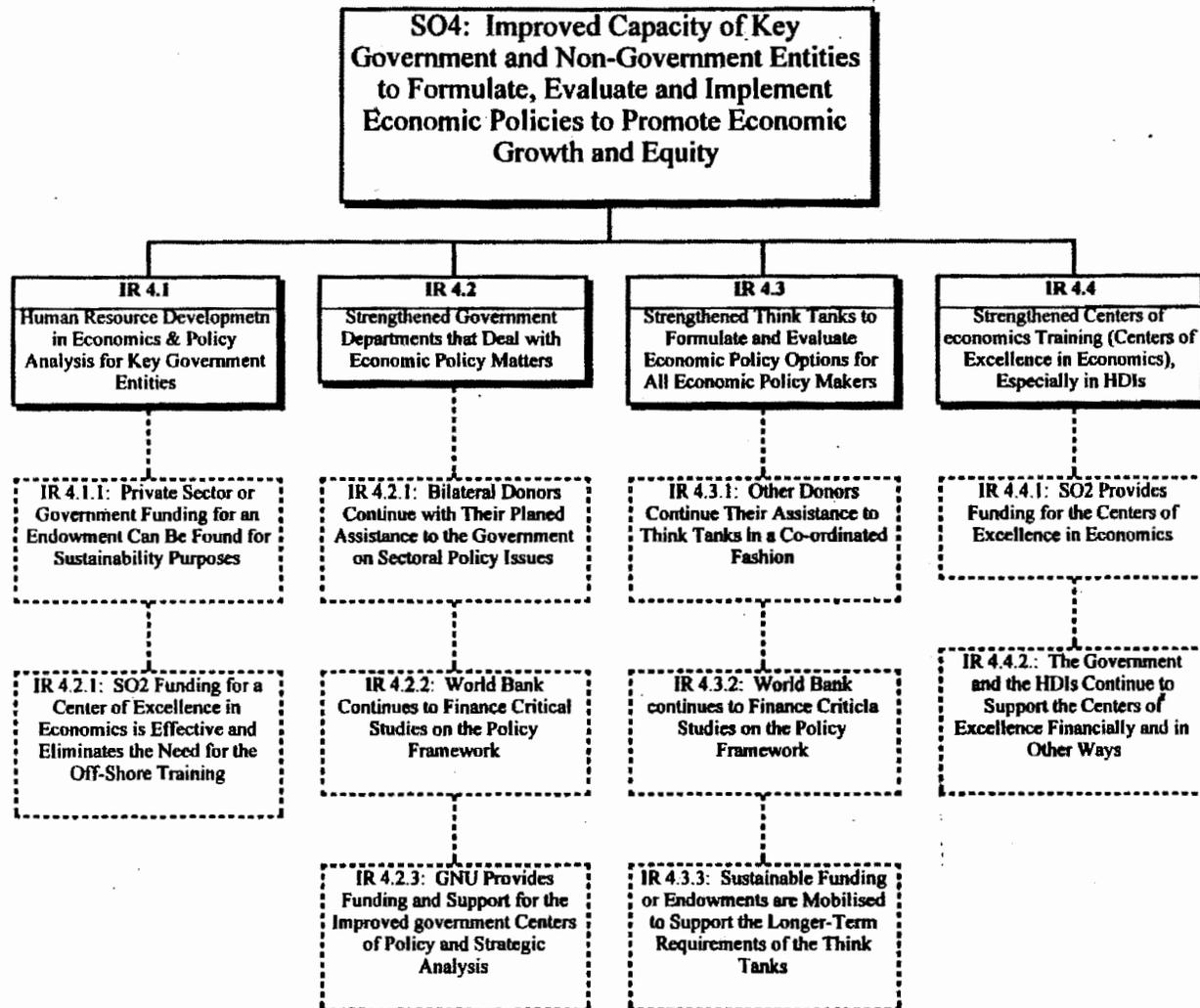
- Due to the reduction in the expected length of the program and its activities, program funding for Mission staffing, evaluation and monitoring requirements, including expanded team meetings, is slightly reduced.

If further reductions for funding of this strategic objective were to be necessary, the first \$5.0 million would be drawn from the planned funding for strengthening government capacity. Cuts beyond that point would require that intermediate result 4.2 be dropped. At this point, the strategic objective would need to be restructured since we would not be meeting the requirements for its achievement. Further cuts of up to an additional \$6.0 million could then be sustained before it would be necessary to drop intermediate result 4.3. At this point, it would be recommended that the remaining funding above that required for the Mandela Economics Scholars Program be removed.

TABLE 6. SUMMARY OF EXPECTED FUNDING ALLOCATIONS BY INTERMEDIATE RESULT FOR STRATEGIC OBJECTIVE 4		
Result	US\$ Millions	
	High	Low
Strategic Objective 4: Improved capacity of key government and non-governmental entities to formulate, evaluate and implement economic policies to promote economic growth and equity.		
4.1. Human resource development in economics and policy analysis for key government entities.	6.300	6.300
4.2. Strengthened government departments that deal with economic policy matters.	13.100	11.230
4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers.	8.000	7.000
4.4. Strengthened centers of economics training (Centers of Excellence in Economics), especially within the historically disadvantaged institutions.	2.000	0.000
Program Funded Staff, Evaluation, Monitoring and Team Meetings	0.600	0.470
TOTAL	30.000	25.000

as

STRATEGIC OBJECTIVE 4 RESULTS FRAMEWORK

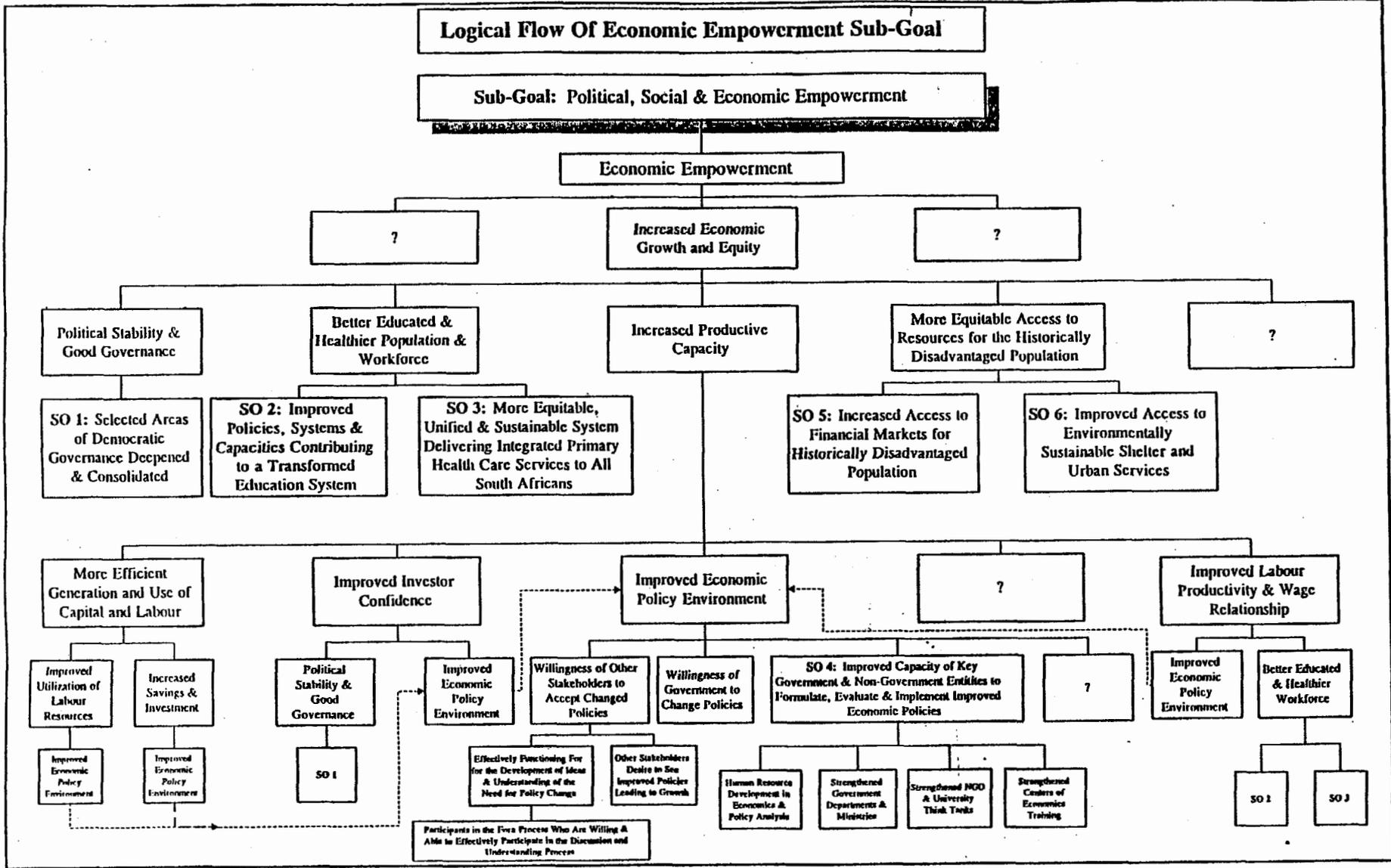


Attachment 1

Chart Showing the

Logical Flow of the Economic Empowerment Sub-Goal

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Attachment 2

Summary of Other Donor Activities Related to Strategic Objective 4

African Capacity Building Foundation (ACBF)

The ACBF, based in Harare, is providing critical institutional support to the African Institute for Policy Analysis and Economic Integration (AIPA). The ACBF grant funds core support costs of the Institute for a period of three years. This program is in its second year.

African Economic Research Consortium (AERC)

The AERC is a consortium of economists and Universities in Africa, Europe and the United States which works to strengthen the capacity of economic training and research throughout Africa. The AERC is currently exploring the possibilities for a program of cooperation in and with South Africa.

Australian Embassy

The basic thrust of Australian development assistance is to make available their extensive experience over the last 10-15 years of their own processes of transition in governance and the economy.

Prior to South Africa's democratic transition, economics was one of the focus areas of Australian assistance. This included support to the Macroeconomic Research Group (MERG). That support then moved into a two year program of core support for the National Institute for Economic Policy (NIEP). This support, in its first year, provides approximately R1.5 million for running costs and another R1.0 million for Australian consultancies on an annual basis. The purpose of this assistance was to give NIEP a chance to get up and running and establish itself on a sustainable basis.

Other areas of involvement, most of which are in different stages of development, include:

- **Financial and Fiscal Commission (FFC):** Cooperation and placements with the Australian Grants Commission which has been proposed as a possible model for the FFC.
- **Constitutional Development and the RDP Office** have both expressed interest in Australia's system of tripartite cooperation between government, business and labour. This will probably develop into some form of program.
- **COSATU** is interested in Australia's experience in
 - (1) labour/business discussions and cooperation;
 - (2) restructuring industry; and
 - (3) managing reform and liberalization of the economy.
- **NEDLAC:** Australia was a key supporter of the process to get the Labour Relations Act together and through NEDLAC. They are now working with NEDLAC to support the Council of Mediation & Reconciliation which arose out of the Labour Relations Act.

Australia is also working with the government to formulate a program which will be dealing with some of the issues of federal/state relations.

Canadian International Development Assistance (CIDA)

The guiding principal to CIDA's involvement in "economics" in South Africa is to help bring black South Africans into the main economy through participation in the policy formulation process; hence, their focus is on different aspects of the policy formulation process. Their view is that such activities are as much democracy/governance activities than economics activities.

Specific areas include:

- **Telecommunications Policy.** CIDA assisted in the development of the telecommunications white paper, the first draft of which was released in early November 1995. They worked primarily through the Center for Development of Information Technology Policy. This group is also involved in CIDA's proposed efforts to work on Information Technology policy (see below). CPITP is also working to transfer part of their operations to the University of Fort Hare.
- **SMME Policy.** CIDA, coordinated by IDRC, is providing the secretariat to the Department of Trade and Industry for the development of the SMME Policy White Paper.
- **Mining Policy.** This is an area where CIDA is in the negotiation/planning stages. Minister Pik Botha has established a working group to develop a mining policy working group over the next 18 months. In the original conception, the working group involved the Chamber of Mines (mining houses interest group), NUM (National Union of MineWorkers), and the government. The major issues to be addressed include: Ownership of Mineral Rights; Mine Health and Safety Regulations; Access to Alluvial Deposits (gold & diamonds) for Small Scale Mining; Technology Updating for both expertise and equipment (current South African mining technology is similar to Canadian or U.S. technologies of the 1960s and 1970s, especially on the management side). In the initial meetings, it became clear that there was a significant need to broaden the membership of the working group to include groups such as members of the stock exchange, small black mining groups, environmental groups, NAFCOG, etc. CIDA's focus in this process is to support the participation of the non-traditional groups such as the environmental groups, small black miners, and other small groups. This may end up taking the approach of developing or supporting "interest groups or forums" for these participants. The Mining and Energy Policy Group is the NGO which has been asked to serve as the Secretariat for the Working Group. MEPEG appears to be one of the broadest based NGOs around for a specific sector. Membership includes people from the ANC Mining Group, representatives of the mining houses, NUM representation, etc.
- **Information Technology Policy.** This is the least developed of the thrusts since it is just starting. CIDA has funded the initial meeting of a forum on the development of an Information Technology Strategy for Industrial Development, and hopes for/expects a request for further assistance as a result of this meeting. The basic thrust will be to create a working group from universities, government, industry and labour to develop an approach for the future development of the information technology industry in South Africa so that it can/will have an export focus, rather than just an import focus as is now the case.

Danish International Development Assistance (Danida)

Denmark's assistance to South Africa does not directly deal with economics or the areas of concern to SO-5. The Danida program focuses on democracy/governance, human rights, violence mitigation, education, black business support and development, and land reform (in conjunction with ODA and the European Union).

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Overseas Development Administration (ODA)

- In the past ODA provided assistance (about £60,000) to MERG which funded some UK academics to come to assist with some of the research groups at University of Durban-Westville and University of the Western Cape. They have not provided any follow-up funding to NIEP and don't plan to do so, even though NIEP has made some exploratory inquiries.
- **Centre for Research on Economics and Finance on South Africa (CREFSA) at the London School of Economics in London.** This centre was initially funded by the Australians, but they have stopped funding it. CREFSA funding has been picked up by ODA. Research focuses on exchange rate and international finance issues. Their primary partner in South Africa is the University of Cape Town.
- **Research Project on Rural Livelihoods in South Africa** is being executed by the University of Sussex in conjunction with the University of Cape Town and possibly others. Focus is on the Western Cape, KwaZulu-Natal, and Northern Province. The purpose of the research is to help develop strategies to increase the use of labour in rural areas.
- There is a direct linkage between the University of the Witwatersrand (Wits) and the School of Oriental and African Studies (SOAS). ODA primarily funds South African students in order to build up the number of black economists working at Wits. This effort has been less than successful due to the salary differentials between universities and government and the private sector for black economists. As a result of these differentials, students trained under this program quickly leave Wits and move on to work in other areas.
- **Parliamentarian Training in Economics.** This is a distance education program on financial economics in conjunction with SOAS. It primarily serves the Parliamentary Finance Committee.
- **Co-funding research on Poverty Policies** along with the RDP, World Bank and UNDP.
- **RDP Office, Provincial Support Project** providing Training and Technical Assistance for Provincial Governments in Planning.
- **Land and Agricultural Policy Centre (LAPC).** Grant and technical assistance (co-funded with the European Union) to work in conjunction with the Food Studies Group at Oxford University on agricultural and rural development strategies and policies. For example, LAPC was heavily involved in formulating the Agricultural White Paper.
- **Help implement the DTI SMME White Paper.**
- **ODA declined a request from the RDP Office to fund a planning unit, including economics, in the RDP Office.** This request was not funded since the RDP was unwilling to put forward funding for the staff of the unit. Also, the "scope" of the unit was much too large for the proposed size of the unit.

Embassy of the Netherlands

The Dutch assistance program prior to the democratic transition in South Africa was run through anti-apartheid NGOs using Dutch PVOs and other PVOs/NGOs, CBOs, COSATU, etc. as umbrella organizations. With the transition, their assistance program was essentially doubled, maintaining the programs through Dutch PVOs with one-half of their funds and running the other half through the RDP Fund. The general focus of the program is on capacity building. The broad areas outlined below will serve as a focus for both halves of the program. The pre-transition Dutch program included some support for economics through organizations like MERG, NIEP and CASE (Community Agency for Social Enquiry, focussed on small enterprise constraints in the Vaal triangle). These areas will most likely not continue into the future in their program. Dutch Government money is also run through the Dutch Trade Union movement, going to COSATU to help in various areas such as setting up a system of labour dispute resolution.

The focus of the Government Program is on the following topics:

- **Democracy/Governance** focussing on Institutional Building and Human Rights Capacity Building;
- **Education and Youth Programs**, focussed on Basic Education which is defined as Primary and Secondary Formal Education plus Vocational Training. Youth Programs are being run through the Department of Welfare focused on the "Marginalized Youth" of the boycott era with a focus on education, training, culture and job creation. *{NB: The Netherlands Embassy has a specialist in Youth and Development in residence working on this program.}*
- **Rural Development**, focussed on the Eastern Cape (selected by the GNU). Rural Development can cover virtually any area so long as it is not in an urban area.
- They have an agreement with the GNU to focus on a nationwide land reform effort working primarily through NGOs such as Rural Support Services in the Eastern Cape.

European Union

The European Union (EU) program last year totalled approximately 125 million European Currency Units (ECU) or approximately R600 million. This level of assistance (in ECU) is expected to continue through 1999. The program covers a wide range of activities, but generally falls under the following headings: Education and training; health; rural development and water provision; urban development; economic cooperation, trade and investment promotions, support for small, medium and micro-enterprises; and promotion of good governance and democratisation.

The expected focus of their future program will be on:

- Good governance;
- Vocational and Technical Training; and
- Urban Infrastructure and Housing.

At one level, the EU has no direct involvement in "economics," but they do have a number of activities which relate strongly to the area. These include the following:

- **Labour Union Capacity.** The EU is working with the various labour unions (COSATU, NACTU, etc.) to put together a broad capacity building program to strengthen the new union leadership, while making the unions and union organizations work together. A special topic area requested by the unions and planned for the programs is training in macroeconomic issues to strengthen the unions' capacity to deal in NEDLAC.

- On-going work in health includes TA to support the efforts to reprioritize the department's budget and to establish accounting, management, and financial management systems in the department.
- Planned work in education will follow lines similar to that outlined above for health.
- Land Reform efforts, focused on the Eastern Cape (10 million ECU).

Swedish International Development Assistance (SIDA)

SIDA's assistance program to South Africa totals approximately \$50-60 million per year. This assistance is focused on the areas of democracy/governance, human rights, adult basic education, public administration (focus on the Northern Cape), and a new program direction in urban development and housing.

There are two activities which are relevant to the Mission's fourth strategic objective. First and foremost is support to the Central Statistical Service (CSS) which supports the: restructuring of CSS, upcoming census, continuing October Household Survey, and technical assistance on the national accounts. The second item is a request, under consideration, to support NIEP.

World Bank

The World Bank program focusses on three broad areas: Human Capital Development (Education, Health and Training), Competitiveness of the Economy, and the Delivery of Services to the previously excluded communities.

The Competitiveness of the Economy is of special relevance to strategic objective four. The basic goal of assistance in this area is to help the economy grow, become labour absorbing, and to improve productivity growth. The key areas within this framework which form a focus for the Bank's assistance efforts include:

- Establishment of a Social Compact concerning wage rates in order to support/build the economy's competitiveness;
- Reduction of the capital intensity of the economy; and
- Foster a more open economy to enable expansion in the export market. This will not only provide an expanded market for South African firms, but will also encourage firm-level learning which should help to increase productivity.

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SOUTH AFRICA

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ANNEX A.5 - ANNEX D

Annex A.5
**Strategic Objective 5: Increased Access to Financial Markets
for the
Historically Disadvantaged Population**

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Acronyms: Annex A.5

BLUE	Business Linkages for Under-Utilized Enterprises
CDC	Commonwealth Development Corporation
DTI	Department of Trade and Industry
DBSA	Development Bank of Southern Africa
ECA	Enhanced Credit Authority
EASY	Equity Access Systems
EU	European Union
IFESH II	International Foundation for Education and Self-Help II
IDRC	International Development Resource Center
MSED	Micro and Small Enterprise Development
NEI	National Economic Initiative
NSBC	National Small Business Council
NEDLAC	National Economic Development and Labour Council
NPI	New Partnerships Initiative
NGO	Non-governmental Organization
NEPA	Ntsika Enterprise Promotion Agency
RAND	Rapid Assistance for National Development
RDP	Reconstruction and Development Program
SME	Small and Medium Enterprise
SBDC	Small Business Development Corporation
SAEDF	Southern Africa Enterprise Development Fund
SOTS	Strategic Objective Team 5
VAT	Value Added Tax
WTO	World Trade Organization

Strategic Objective 5: Increased Access to Financial Markets for the Historically Disadvantaged Population

I. Background Analysis for Increased Access to Financial Markets for the Historically Disadvantaged Population

A. Definition of Industry Structure

For conceptual purposes, the private sector in South Africa can be divided into three distinct categories: the large scale industrial sector; the formal, small and medium enterprise (SME) sector; and the informal, micro and survivalist sector. The first two categories operate within the rubric of the "first world economy," and comprise both outward and inward looking groups of firms. The last category fits within the informal "third world economy," and is focused principally on the domestic economy. Each of these groups is described briefly below.

1. The Formal "First World" Economy: The Large Scale Industrial Sector and the Formal SME Sector

The Large Scale Industrial Sector: South Africa's "first world" economy is dominated by a small number of white or government-owned or controlled corporate conglomerates which control most of the industrial and export-oriented sectors of the country, plus a large number of small and medium sized firms which are principally owned by whites, coloreds and Asians. Many large firms are exporters, particularly among those in the mining, energy (chemical products), and agribusiness sectors. Banking and insurance are also dominated by a few large players. Although the large private companies are often multinationals, they have received little or no foreign capital investment; since the divestiture and disinvestment of the 1980s, foreign investors have only a nominal stake in the South African economy today.

At the present time, most blacks still remain at the lower end of the spectrum with fewer than 100 black owned medium to large businesses. However, opportunities for broader participation by blacks in big business are expanding rapidly, either through more diversified shareholding, broader experience, a greater range of training programs, and/or financial and management support from outside investors.

The Formal SME Sector: Medium sized businesses, defined as employing from 50 to 200 employees with gross sales not exceeding R10 million, are still owner-operated or controlled in South Africa, although shareholding may be broader than just the owner and his family. Unlike the larger companies, but similar to small enterprises, many of these firms still face obstacles and constraints to expanding their business activities. In most cases, medium sized businesses are producing for the domestic market, although with adequate information and assistance, some could become exporters.

According to the Ministry of Trade and Industry, small businesses, employing from 5 to 50 workers, comprise the bulk of established businesses. These firms are generally owner-managed or directly controlled by the owners, and operate in an established business or industrial setting in compliance with formal registration requirements. It is difficult to classify these businesses by the size of their assets or annual gross revenues, given the wide disparity in the sector.

Whereas most of the large corporations are public companies, with multiple sources of capital, many of the small and medium sized enterprises in the formal sector depend upon loans from domestic financial institutions or on the shareholdings of partners and local corporate owners. There are no SMEs listed on the Johannesburg Stock Exchange, and there are no other markets, such as the NASDAQ, to intermediate public ownership of small firms.

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2. The Informal "Third World" Economy: The Survivalist and Micro enterprise Sector

The "third world" economy is comprised of "survivalists," micro enterprises, and a few small companies owned by the majority black population. Their business investment consists of the sweat labor of the individual owners, his/her family members and friends. Any additional working capital is usually obtained from a *stokvel* (*group loan scheme*) or a non-governmental organization (NGO) that has set up a special credit program for micro enterprises. Within the informal economy, barriers to entry are minor, access to inputs and markets is difficult, competition is rampant, and profits are low. Firms emerge, die and re-emerge.

Survivalist enterprises are defined as "activities by people unable to find a paid job or get into an economic sector of their choice. Income...usually falls far short of even a minimum income standard, with little capital invested...and only limited opportunities for upward growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises."¹ A tiny percentage of the survivalists will evolve into micro enterprises and perhaps grow even beyond that point as some of these unregistered and unregulated activities become the seeds for more significant firms.

In contrast, micro enterprises are very small businesses which usually operate "informally," that is without business licenses, value added tax (VAT) registration, etc. They are almost always owner-operated and rarely have more than two or three other employees. Earning levels vary widely, with many exceeding minimum income levels. Some expand into legitimate small businesses.

Size and Importance of the Small, Medium and Micro Enterprise Sector (SMME): A widely-quoted Small Business Development Corporation report, published in May 1994, provides an excellent overview of the size and relative importance of the overall SMME sector in South Africa's economy. In 1993, fully 84 percent of private sector jobs -- employing 42 percent of the economically active population -- were in the SMME sector; 72 percent were located in micro and small enterprises found in both the formal and informal sectors. Although exact measurements are difficult to provide, the 800,000 SMMEs, including those in the informal sector, were estimated to contribute between 37 percent and 46 percent of South Africa's GDP that year. Of this total, the informal portion of the SMME sector, which reportedly employs 1.9 million people (1.4 million of them non-whites), is estimated to contribute approximately 6-8 percent of GDP.

The importance of SMMEs goes beyond these indicators. The declining ability of the formal economy to absorb new entrants into the labor force (from 80 percent in the mid-1960s to 8 percent in the early 1990s) has led to a ballooning of the micro enterprise/informal sector. Most of these newly created enterprises are survivalists and opportunists, but their contribution to short-term employment and relative social cohesion is hard to dispute. They fill tiny niche markets for the provision of rudimentary transport, food and groceries, entertainment and basic repair services. Micro enterprises are also the economic entry point for many women, especially those in rural areas.

B. Equity: Resource and Policy Constraints Affecting Distribution of Wealth

References to a first and third world economy in South Africa are euphemisms for the degrees of inequity in social, political and economic arenas. While political participation has been greatly enhanced with the establishment of a majority government in South Africa, social and economic disparities along racial lines are still very evident. Measures of economic equality or economic participation, including employment, managerial employment, business ownership and other forms of asset ownership, are in large part, products of inequities in the social, political and economic arena.

¹ Department of Trade and Industry, National Strategy for the Development and Promotion of Small Business in South Africa, White Paper of the Department of Trade and Industry. (Pretoria, South Africa, Government Printer, February 1995), p. 9.

Quality of life indicators show huge discrepancies among racial groups in South Africa. Infant mortality rates are seven times higher for blacks (54.3) than for whites (7.3), the disposable income of whites (R27,847) is seven times that of blacks (R3,686)² and literacy (as measured by the percentage of people 14 years or older who have completed Standard 6) is twice that for whites (89.7 percent) as for blacks (45.6 percent). The Human Development Index, a composite measure of literacy and schooling, longevity and income, is 0.878 for whites and 0.462 for blacks. Not unexpectedly, nearly 100 percent of whites live in western dwelling compared to 46 percent for blacks, 90 percent for coloreds, and 93 percent for Asians, with 28 percent of blacks living in shacks or traditional dwellings³.

Measures of economic empowerment repeatedly confirm the degree of inequity among racial groups. Blacks dominate the ranks of the unemployed with 41 percent of economically active blacks unemployed, representing 87 percent of the total unemployed in South Africa.⁴ With more than 50 percent of the black population 20 years or younger, and prospects bleak for future black employment, unemployment also becomes a youth problem. Not unexpectedly, blacks dominate the informal sector, occupying 69 percent of the informal positions, both as survivalists and micro entrepreneurs. While this sector has been responsible for generating 13.4 percent of the jobs among the economically active population, or a quarter of the jobs generated by the formal sector, it contributes nominally to the economy as a whole, only 6.7 percent according to the October Household Survey. Therefore, in order to provide overall economic growth, entry of blacks into the formal sector is critical.

While the wage gap between blacks and whites of the same sex on similar jobs is closing -- from 40 percent in 1976 to 24 percent in 1985 and 11 percent in 1992, there remains a disparity in the quality of jobs occupied by blacks. The "glass ceiling" for black employment is currently at the office clerical level. With regard to top management, blacks occupy fewer than 4 percent of corporate directorships and only 3 percent of the managers surveyed by the Breakwater Monitor were blacks.⁵

With regard to ownership, blacks are concentrated in those sectors in which barriers to entry are lowest -- wholesale and retail trade (especially in the informal sector), catering and accommodation, community social and personal services (especially in the informal sector), construction, transport, storage and communications. They are vastly under-represented in finance, insurance and business services, among the fastest growing sectors of the economy. Approximately 288,000 blacks are self-employed in the formal sector representing 6.1 percent of the total number of blacks employed in the formal economy, and 1,010,000 blacks are self-employed in the informal sector, representing 89.5 percent of the total number of blacks employed in the informal economy. According to the Project for Statistics on Living Standards and Development Survey, of those household members from disadvantaged groups involved in SMMEs, it was found that 59.1 percent were involved in survivalist activities, 38.5 percent were involved in micro enterprises and only 2.3 percent were involved in small enterprises. Women dominated in the survivalist category, with incomes below the minimum income level.

With regard to other asset ownership and participation in the formal, financial economy, of the 22 million adult South Africans identified during the 1994 election, 10 percent had checking accounts, and 15 percent had credit cards. Twenty five percent of blacks in urban and metropolitan areas owned their own homes in 1994 (58 percent of blacks live in urban areas) while 74 percent of the blacks in rural areas own their own residences. According to

² Central Statistical Service, October Household Survey 1994, (Pretoria, South Africa, Central Statistical Service, October 1994).

³ Southern African Labour and Development Research Unit, Project for Statistics on Living Standards and Development Survey, (Cape Town, South Africa, University of Cape Town, 1994).

⁴ Central Statistical Service, op. cit.

⁵ Breakwater Monitor, (Cape Town, South Africa, Graduate School of Business, University of Cape Town, March, 1994).

the All Media and Products Survey, 1994, 26 percent of adult blacks have savings accounts, 0.8 percent own investments, 4.4 percent own whole life insurance policies, 1.7 percent are entitled to a retirement annuity or personal pension policy, and 11.4 percent of black households own motor vehicles.

II. Problem Analysis and Rationale for Selecting the Strategic Objective: Barriers to Entry of Historically Disadvantaged South Africans into the Mainstream Economy

These statistics confirm that the legacy of the apartheid system remains a serious barrier toward the inclusion of the majority population into the economic mainstream. While a sluggish economy can be blamed in part, the lack of investment in historically disadvantaged human capital is a key factor, as are the lack of access to capital, inadequate business premises and marketing problems. Given that blacks dominate the ranks of the unemployed (87 percent of the unemployed are black), and the high labor absorptive capacity of the small business sector and the relatively low average capital cost per job created in this sector, it is necessary to examine the specific constraints facing the small business sector.

The small business sector in South Africa has been neglected during much of the 20th century following the discovery of diamonds and gold, and the establishment of a modern capitalist economy with almost exclusive white control. Given South Africa's legacy of big business domination, constrained competition and inequitable distribution of income and wealth, the small business sector is seen as an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets both domestically and internationally, enhance productivity and technical change and, in the longer term, stimulate economic development. Micro and small enterprise has characteristically been the entry point for blacks, and notwithstanding the importance of creating opportunities to grow into medium and larger scale businesses, the SMME sector has been and can continue to be an important vehicle for black economic empowerment.

Constraints on SMMEs, compared with big business in South Africa or the small business sector in other developed and developing countries, have been particularly harsh. Previous disabling legislation included: the Black Land Act of 1913 and the Development Trust and Land Act of 1936 which prohibited blacks from acquiring land outside designated areas; the Blacks Consolidation Act of 1945 and the Blacks Act of 1952 which restricted freedom of movement; the Group Areas Act of 1966 which restricted ownership of land and premises; the Labor Relations Act which restricted job access; and "Bantu" education which institutionalized an inferior system of education for blacks. The legacy of apartheid effectively deprived the majority of South Africans of viable business opportunities because:

- "Bantu" education restricted opportunities for the acquisition of technical and professional skills by blacks and there was a total absence of entrepreneurial education or a culture of entrepreneurship for blacks;
- potential black entrepreneurs were prevented from participating in business apprenticeships outside of the homelands and partnerships with more established non-black owned enterprises;
- the Group Areas Act enforced racially-segregated residential areas, thereby uprooting millions from their places of residence and business, while segregation increased the distance between black residential and working areas, thereby increasing the cost of doing business;
- the curtailment of property ownership rights of blacks severely restricted blacks' ability to obtain financing based on collateral; it also excluded blacks from the long-run process of capital appreciation in property and share prices; and
- apartheid particularly restricted the business involvement of black women because marriage laws left women with no contractual capacity, and while marriage laws have changed, customary law and cultural and behavioral biases as well as restrictions in terms of access to land severely hinder women's capacity as businesspersons.

While many of the pillars of apartheid have been eliminated, constraints remain relating to the access to markets, finance and business premises (at affordable rentals), the acquisition of skills and managerial expertise, access to appropriate technology, the quality of business infrastructure in poverty areas, and the legal and regulatory environment confronting SMMEs. These constraints have been particularly harsh on entrepreneurs in rural areas and on women. While the micro and survivalist enterprise are least able to cope with the constraints linked to finance, market access and acquisition of skills, small and medium scale entrepreneurs are confronted with problems including international competition, technology transfer and skills training.

In order to elevate the technical and professional skills of blacks to be equivalent with that of the white population, there is the need for literacy training, basic education, managerial and business training and technical training, from the lowest levels of specialized vocational training to the highest levels of university education. In-firm training and education are also needed, and opportunities for black South Africans to study abroad and undertake internships in foreign and domestic firms are essential if the creative management structures found elsewhere are to be transferred to the South African working environment.

Not only do SMMEs offer an alternative to unemployment for many blacks, but they can become a vibrant, innovative part of the South African business community, open to introducing new technologies, new products, and potentially, new items for export markets. However, a major constraint which has affected the capacity of the black business community to grow, even when profitable opportunities are available, is the difficulty in gaining access to working capital from white-controlled banking institutions. In the case of smaller firms, establishing a banking relationship for the first time can be almost impossible; many capable blacks have not yet amassed the property needed as collateral in pledging their personal assets against their business loans. The recent development of loan funds strictly for the black SMME community, particularly when they are combined with technical assistance and on-the-job training in business planning and management skills, is the first step in redressing this need. Loan guaranties have also been used effectively to increase access to capital, especially to minimize the need for collateral. Benefits have accrued directly to the small business borrower but also to the SMME sector at large by motivating traditional sources of capital to lend into new and previously under-served markets.

Existing business support organizations, including the Small Business Development Corporation (SBDC), the National Economic Initiative (NEI) business opportunity centers, and others have shown the value of business hives and incubators, particularly when business development services are made available. As contemplated in the Department of Trade and Industry (DTI) White Paper on small business, nationwide access to this kind of support at the local level is needed to overcome business inexperience and deficiencies within the black community. These interventions can be instrumental in helping a firm identify, develop a market niche and develop strategies to reach the targeted market. These should be complemented by the involvement of purchasing agents from large corporations which are seeking to develop suppliers from the black community. These individuals can help transform small and medium black suppliers into quality producers with an "on time, at-your-service" mentality.

Another area where SMMEs need help in expanding their businesses is in the area of supplier and market information. Many SMMEs are locked into traditional suppliers, from which they buy small quantities of inputs at relatively high prices, and sell to traditional buyers, with which they have little room for price maneuvering. They need better information on access to quality suppliers, interested buyers, product specifications needed to satisfy those buyers, information about appropriate technologies and possible joint venture partners. With these inputs, the SMME operator can begin to act like a true entrepreneur, making choices about input sourcing, production methods and market targets.

The SMME business community does not have adequate physical and business-oriented infrastructure for traditional business activities. In the locations where many of these SMMEs are found, there is inadequate public investment in electrification, sanitation, roads, freight distribution systems, wholesale markets for fresh produce, public transportation for employees to get to and from work, security for workers and property, and public safety. On the business side, telephones break down, repair men are unavailable, postal workers and courier services will

not deliver in black neighborhoods, and affordable business premises are inadequately configured or supplied with electricity, telephones and plumbing. Traditionally, these services and facilities are the responsibility of either the private sector or local government authorities. The long history of neglect in the townships and other locales where SMMEs are emerging has brought these needs to the attention of the Reconstruction and Development Program (RDP). One role which the local service center, proposed by the DTI, could play is to act as a local ombudsman to seek outside assistance to obtain required services. Familiarity with the maze of parastatal and private organizations that supply infrastructure services and repairs could be of great assistance to an SMME.

Data Research Africa⁶ indicates that, while legal and regulatory issues, such as licensing, are not a major problem for SMMEs, they could avoid fines and arrest if information on business regulations, from registration and sanitary requirements to labor laws and tax requirements, were less confusing. Non-compliance is frequent, often unintentional, and the resulting fines can be painful to pay. Instruction booklets for SMMEs in simple language, particularly if they are complemented with assistance from local small business service centers, could ease the burden imposed by the regulatory maze within which many SMMEs must operate.

III. Results Framework

A. Causal Relationships

One significant strategic decision regarding USAID/South Africa's future program direction regards its focus on informal sector activity. Until now, more than half of the Mission's private sector development program resources were targeted to benefit the informal sector, with assistance channeled through NGOs delivering technical assistance, training and credit to this sector. As was noted earlier, while the informal sector has generated approximately 2 million jobs, many of these are survivalist operations with nominal contribution to the economy at large. At present, the informal sector accounts for less than 7 percent of GDP. Given the need to not only redistribute income and assets, but to lay the foundation for the overall growth of the South African economy, USAID/South Africa must augment its work in this area with formal sector activities in support of SMEs. We will continue to work through NGOs to reach the informal sector as part of the continuum of SMMEs.

One area on which the United States can bring its comparative advantage to bear is in the area of capital markets development. The problem in South Africa is not lack of capital, *per se*, but facilitating access throughout the economy. Not only does the United States have sophisticated capital markets, but has utilized financial engineering techniques, including securitization, to ensure that assets are available and broadly owned throughout the economy. In addition, techniques for increasing access to ownership opportunities and the chances for new business success have been effectively employed in the United States, including franchising and affirmative procurement. Other techniques to facilitate broader asset ownership, including employee stock ownership plans and profit sharing schemes, have been used to great effect to disperse ownership widely.

Reflecting on U.S. comparative advantage, and the limited duration of the USAID program in South Africa, Strategic Objective Team 5 (SOT5) has embraced one element of the Mission's sub-goal, economic empowerment, as a key contributor to the Mission's program goal of sustainable transformation in South Africa. This sub-goal reflects the dual objectives of improved equity and economic growth as ingredients for the sustainable transformation of the economy from its apartheid legacy of exclusion. The selection of particular interventions to be supported and facilitated by USAID/South Africa were screened using the Porter paradigm and John Page's recent report for the World Bank, "The East Asian Miracle".

In the Porter paradigm, four necessary ingredients are identified to attract investment and stimulate economic growth -- capital; infrastructure; policy/regulatory environment; and human/technical resources. We then looked

⁶ Data Research Africa, Micro-Enterprises in South Africa: Results of a Survey on Regulations. (Durban, DRA, 1992).

at each of these factors to identify which interventions would result in improved equity of access for historically disadvantaged South Africans.

Access to capital has repeatedly been cited as the number one binding constraint to ownership and private sector economic empowerment by the historically disadvantaged population. This is an area where USAID/South Africa has been involved since 1987 through its work with South African micro enterprise finance organizations, and one where USAID's worldwide comparative advantage in capital markets development can be brought to bear. Given the finite resources of USAID/South Africa, and capital resource availability in South Africa, our focus will be on increasing access to South African private sector capital resources, using innovative financial engineering techniques and leveraging USAID funds to the greatest extent possible, including use of guaranties, equity and quasi-equity instruments. Hence, the selection of our strategic objective "increased access to financial markets for the historically disadvantaged population". This is part of the achievement of a more equitable access to resources for the historically disadvantaged population, which along with increased productive capacity, a better educated and healthier workforce and political stability and good governance, can result in increased economic growth and equity. This in turn equates with economic empowerment, a key component of USAID/South Africa's sub-goal of political, social and economic empowerment.

The area of infrastructure was not designated as an area of focus for USAID/South Africa private sector initiatives for several reasons:

- (1) the physical infrastructure of South Africa on the whole is very sound. Substandard service delivery in the townships is being addressed as part of the RDP;
- (2) the costs and duration of infrastructure development are beyond the transitional scope of the USAID program; and
- (3) other facilities are available to finance infrastructure development, including through the Development Bank of Southern Africa (DBSA) and World Bank.

USAID, while not investing in infrastructure development itself, could facilitate the ownership and access to infrastructure through privatization, sub-contracting, unbundling and build-operate-maintain schemes.

The area of policy and regulatory reform is a key area for USAID intervention. Policy interventions can be short-term and high impact in nature. Many of the barriers to economic growth and equality of access in South Africa are policy-based. The key determinants of rapid growth among the High Performing Asian Economies during the 1965-1990 period were high levels of savings and investment (primarily private sector), high investment in education and human capital, productivity growth from high, internal competition, a positive enabling environment, and the sharing of benefits of growth. Levels of savings and private sector investment are largely policy-based, as is productivity growth from high, internal competition and openness to foreign technology. An enabling environment for private sector growth includes creating or stimulating transparency of rules, nurturing a consultative relationship between business, government and labor coalitions, and creating a focus on export-led growth. Government policies, be they fiscal, monetary or bureaucratic, can create a competitive environment conducive to foreign and domestic investment and economic growth. Accordingly, SOT5 will work with and support activities under SO4 designed to "improve capacity of key government and non-government entities to formulate, evaluate and implement economic policies" to promote economic growth and equity.⁷

⁷ This strategic objective will focus on the development and enhancement of the macroeconomic policy capacity within the South African community through strengthening government departments involved with macroeconomic policy issues, strengthening economic "think tanks", training individuals in economics and policy analysis and strengthening centers of economics training in South Africa. The majority of activities supporting this strategic objective will be undertaken by SOT4.

The area of human and technical resources is undoubtedly a critical area for attention in South Africa. The depth of the damage caused by the exclusionary policies of apartheid have created great disparities between the majority population and minority population. The challenge of equalizing basic and tertiary educational opportunities among the races is being pursued by Strategic Objective 2. The need for strengthening human and technical resources will focus on strengthening the capability of historically disadvantaged South Africans to lead policy work relating to economic growth and ownership. It will also be pursued as part of institutional strengthening that facilitates the extension of credit necessary for asset ownership by historically disadvantaged South Africans. Strengthening institutional capacity to facilitate expansion of business ownership among historically disadvantaged South Africans is an acknowledgment of the limited duration of our program and our desire to build on the already significant institutional structure in South Africa to ensure program sustainability beyond a period of intensive donor support.

B. Partners

1. Government Policies and Priorities

The Reconstruction and Development Program (RDP) acknowledges the structural problems in the economy and lays out a plan to address those problems and regenerate economic growth and a more equitable distribution of the benefits of such growth. Employment creation is the central priority with attention focused on reversing the low levels of investment and saving and the capital outflow to improve the environment for productive investment. In addition, the RDP charges the GNU with utilizing labor-intensive methods in the public sector through the National Public Works Program. Its economic policy strategy embraces industrial restructuring and trade and industry policies designed to foster a greater outward orientation so as to create and sustain high employment levels in the economy. The RDP acknowledges the need to modernize its human resources programs to meet the challenges of changing production processes and to reform labor market institutions to facilitate effective and equitable collective bargaining and the restructuring of employment patterns.

Overall, the RDP endeavors to promote more equitable patterns of growth, equitable distribution of assets, services and access to markets, and the maintenance of macro-economic stability. In order to attract investment, the RDP hopes to create transparent and consistent policies and national treatment for foreign investors with access to foreign exchange to enable them to remit after-tax profits, service debt, purchase inputs and repatriate proceeds on the sale of assets. Trade policy embraces the gradual trade liberalization in all sectors of the economy, with assistance in capacity-building, retraining of workers and better utilization of technology to assist firms as tariff protection is gradually removed. With regard to competition policy, the GNU plans to introduce anti-trust legislation to discourage over-concentration of economic power and interlocking directorships, and practices that effectively abuse market power and exploit consumers. With regard to SMMEs, key areas of support identified in the RDP are: access to advice; favorable amendments to legislative and regulatory conditions; access to marketing and procurement services; access to finance; access to infrastructure and premises; access to training; access to appropriate technology; and encouragement of inter-firm linkages.

a. Small, Medium and Micro enterprise Sector

The growth and development of small, medium, micro and survivalist enterprises has been accorded significant importance within the economic growth and development strategy of the Government of National Unity's Reconstruction and Development Program. According to the Ministry of Trade and Industry, "the importance of small enterprise development lies in its ability to instill an entrepreneurial culture, provide a viable alternative for youths looking in vain for blue or white collar jobs, generate new job opportunities, spread development to the regions, create an environment for innovation and spread industrial skills and know-how among a broad spectrum of the population"⁸. In order to implement its SMME strategy, an 18 person Chief Directorate in the Department of

⁸ Ministry of Trade and Industry, Strategies for the Development of an Integrated Policy and Support Programme for Small, Medium and Micro Enterprises in South Africa: A Discussion Paper. (Cape Town, South Africa, Ministry of Trade and Industry, 1994), p.5.

Trade and Industry has been created. While the Small Business Chief Directorate will be responsible for small business promotion, the Ntsika Enterprise Promotion Agency (NEPA) and the National Small Business Council (NSBC) will serve as the links between government and the SMME sector. The NEPA will function as a quasi-government SMME policy, coordination, facilitation and implementation agency for the Department of Trade and Industry. The NEPA will keep Government and the public informed of the contribution of SMMEs to national economic development and of the implications of policy and regulatory reform. It will provide an export support program for the sector, coordinate local service centers which will provide information and advice to SMMEs at the grassroots level, develop generic business development and training materials, develop affirmative procurement and marketing strategies for SMMEs and explore policy issues. The NSBC, by contrast, will serve as a voice for small business because of the primary participation by representatives of provincial small business desks (themselves small business entrepreneurs). A wholesale finance institution will improve SMMEs' access to capital and provide seed capital to NGOs for institutional development. A redesigned credit guaranty scheme will also be administered by the wholesale finance facility. Both the wholesale finance facility and SMME credit guaranty scheme will be initially funded by Government. The Government's strategy has targeted support to those entrepreneurial groups who have been disadvantaged or neglected in the past, including black owned/managed enterprises, women entrepreneurs, youth self-employment and rural enterprises.

b. Larger Scale Enterprise Sector

The GNU has identified as its priority the extending of public services and social infrastructure to those who had unequal access in the past. Concurrently, it is attempting to instill confidence in local and foreign investors that South Africa will become and remain an attractive environment for safe and profitable investment. One very critical development during the past year was South Africa's signing of the GATT agreement, with full consent of all parties for membership in the World Trade Organization (WTO). This will contribute to turning South Africa from a largely inward-looking to a more competitive, outward-looking economy. The economy, however, must grow rapidly enough to generate sufficient tax revenue to fund the government's social-economic agenda. The GNU has tried to engage the private sector in the policy debate through the creation of the National Economic Development and Labor Council (NEDLAC), a tripartite body of government, labor and business.

President Mandela, the development partner of SOT5, the Minister of Trade and Industry, Trevor Manuel, have adopted an approach which strongly supports the growth and development of a strong private sector and a gradual removal of government regulations and subsidies as the economy adjusts to a free market environment. One important policy measure implemented in February 1995 was the elimination of the dual exchange rate system. This was lauded by the business community as the first step in exchange control liberalization, which along with privatization, tariff and tax reform, are requisites to attracting foreign direct investment. Other important policy issues are being addressed including promoting affirmative hiring and contracting programs for blacks; tying productivity to wage increases; exploring privatization; and developing a comprehensive industrial policy. In order to reintegrate South Africa into the global economy, it must look to means to transform itself from a primary products exporter and capital goods importer to an exporter of value-added products. The protected existence of monopolistic parastatals and the oligopolistic industrial sector have stifled technological innovation and, in turn, competitiveness. The GNU is beginning to look at such critical issues as the abuse of market power through the current Competition Board and is considering anti-trust legislation.

Very significant changes are already being evidenced in the large scale industrial sector. In June 1995, the Minister of Trade and Industry unveiled final proposals for dramatic reform of the motor, textile and clothing industries designed to compel South African industry to become internationally competitive. The plans will ultimately result in significantly cheaper cars and clothing, with the proposed, phased tariff reductions in these sectors reduced to half their current levels⁹. These tariff reduction proposals are being implemented faster than the GATT schedule to

⁹ Import duty on built-up motor cars, commercial vehicles and minibuses would shrink from 115 percent currently to 65 percent in 1995 to 40 percent by 2002, or by roughly 4 percentage points per year, while import duty for components would decrease from 49 percent currently to 30

force industry to cut costs, increase productivity and become globally competitive. To facilitate these changes, the GNU is offering some relief with a 50 percent subsidy on management consultancy fees for five years and the continuation of the duty credit certificate scheme which gives exporters relief on import duties. Further, new conditions on training, productivity increases and human resources development will be announced and applied.

The private sector, for its part, is moving proactively to anticipate the changes implied under a new economic order. The textile and clothing federations have announced the creation of a dedicated, independent export council to be known as the South African Clothing and Textile Export Council. This council will be comprised of members of the two industries with a mandate to facilitate job creation through improved export performance, now at less than 10 percent of domestic production. This is but one example of the very positive catalytic role that the private sector can play in the creation of a more dynamic, more competitive, and more outward-looking industrial sector in South Africa.

2. Other Donors

USAID is the largest bilateral grant donor in the area of private sector development. Until 1995, due to the Comprehensive Anti-Apartheid Act of 1986, USAID's funds were channeled outside of government, largely through the NGO community. USAID's predominant focus was on black economic empowerment, largely targeting the micro and small enterprise end of the sector. This is the focus of most bilateral donors.

The World Bank and IMF have representative offices in South Africa but, to date, have not provided any loan facilities to the South African government. The UNDP recently opened a small office in Pretoria. Given its relative unfamiliarity with the South African environment, it has not yet assumed a prominent role in donor coordination often evidenced in other countries. In the private sector arena, USAID assumed a leadership role in initiating and leading a donor discussion group (previously a donor coordination group). The Chief Directorate in the DTI has now assumed leadership of private sector donor coordination. Most bilateral donors are in the formulative stage regarding designating appropriate modes of assistance to develop the private sector. An indicative list of priority activities for some of the bilateral donors is listed below:

Germany - Germany is South Africa's number one trading partner and largest investor; not surprisingly, it has negotiated a double taxation agreement and is in the process of negotiating an investment protection treaty. Its development program focuses on poverty alleviation, working with SMMEs through NGOs in training, especially credit training. It is also supporting joint ventures through the German Investment and Financing Corporation. German aid officials believe that the private sector can develop itself given a supportive enabling environment and will, therefore, provide support to the NEPA in its policy formulation function and its human resources development efforts, especially in vocational training.

Britain - Private sector support is one of five priority areas for British ODA. It is using NGOs as conduits for business skills training and counseling to SMMEs and is focusing on poverty alleviation among youth, women, rural areas and small growth businesses. ODA provided technical assistance to DTI in developing the concept of local service centers. In the future, it will consider supporting local service centers, supporting SMME entrepreneurship training, providing training for NEPA staff and focus activities on rural enterprise development.

The Commonwealth Development Corporation (CDC) - CDC, with Investec and Fedsure Mortgages, has capitalized the R100 million Enterprise Capital Fund to make equity and quasi-equity investments in medium-sized enterprises owned/managed by disadvantaged South Africans.

percent in eight years. Rate reductions for clothing would decline from 90 percent to 40 percent, for household textiles from 55 percent to 30 percent, and for fabrics from 45 percent to 22 percent, respectively over the same period.

European Union - The EU is focusing its assistance on access to capital through micro-lending activities. It is considering providing funds to the wholesale finance facility's proposed new loan guaranty scheme as well as funding for the wholesale finance facility's credit program. It is also pursuing matchmaking services to promote joint ventures, attempting to accelerate licensing and technology transfer of European Union practices in South Africa.

Denmark - Denmark's focus is on small business development with emphasis on developing business partnerships between Danish and South African firms. It is also involved in institutional building in South Africa including support for NGOs serving SMMEs. Its latest initiative is work with DTI in developing manufacturing technology centers for the NEPA to be located in numerous communities throughout South Africa. This concept of targeted technology transfer has worked successfully in Denmark and is being piloted in South Africa using Danish funding. It is also funding the interim costs of staff seconded from other organizations to the NEPA.

Japan - The Japanese often look to the host country for leadership in directing the placement of its assistance. To date, they have signed a two-step \$100 million loan with the Development Bank of Southern Africa (DBSA) for on-lending to regional development corporations for SMME promotion and have created a \$100 million equity fund to help fund joint ventures and provide intermittent participant training in Japan. Recently, the Japanese have funded the important Monitor study on South Africa's competitiveness.

Norway - Norway often ties its assistance to Norwegian firms. It is still examining potential areas of assistance including: assisting GNU in policy formulation; strengthening professional advisory services; strengthening education institutions' support for private sector development; institutional development for savings and credit institutions (possibly support for government's wholesale finance facility); and promoting joint ventures between South African and Norwegian firms.

France - The French Development Bank is providing a line of credit to the Rural Finance Facility to fund a program of small credits to small business enterprises and social development in rural and peri-urban areas.

Canada - Canada, through the International Development Resource Center (IDRC), provided technical assistance for the design of local service centers and is considering additional funding for the operational costs of the local service centers.

GNU representatives have noted that the government needs donors' access to the best technical assistance available more than donors' money purse. USAID and other donors are currently tailoring assistance to anticipate needs of the government and the private sector, while trying to capitalize on the comparative advantage and experience each respective country can bring to bear on developing South Africa's private sector.

C. Intermediate Results

USAID's selected interventions will focus on the use of the private sector to increase access to financial resources for the historically disadvantaged population to reverse the legacy of exclusion in South Africa. Summarizing the discussion above and the rationale cited throughout this strategy, the following strategic objectives and intermediate results have been identified for the private sector. Indicative interventions are listed below:

Strategic Objective 5: Increased Access to Financial Markets for the Historically Disadvantaged Population.

Intermediate Results Focused on Informal and Micro Enterprise

5.1 Improved policy environment for facilitating access to capital for historically disadvantaged informal and micro enterprises.

Interventions:

- Increase responsiveness of Government policies to address the needs of historically disadvantaged informal and micro entrepreneurs regarding access to capital (technical assistance, training).
- Strengthen the capacity of government to analyze, design and implement policies to stimulate the development of SMMEs in South Africa (technical assistance, training).
- Strengthen the capacity of industrial chambers and other business fora to increase businesses' access to financial markets through policy formulation relating to affirmative procurement and export promotion (technical assistance, training).
- Strengthen the ability of business organizations (South African and American) to represent their constituent interests, especially in identifying barriers to entry and developing policy interventions to address these constraints (technical assistance).
- Strengthen the ability of business organizations (national and regional) to lobby for more facilitative regulatory environment (technical assistance).

5.2 Improved capacity of the financial sector to service historically disadvantaged informal and micro enterprises.

Interventions:

- Increase capacity of NGOs to provide finance to informal and micro entrepreneurs through improved access to commercial credit (technical assistance, training).
- Increase access to capital by micro enterprises utilizing the USAID loan guaranty program and training of bankers in cash flow lending techniques (loan guaranty, training).
- Strengthen the capacity of banks to lend to the historically disadvantaged micro entrepreneur (technical assistance, training).

5.3 Improved capacity of historically disadvantaged informal and micro enterprises to respond to financial market requirements.

Interventions:

- Increase capacity of micro entrepreneurs to source credit (technical assistance, training).

Intermediate Results Focused on Small, Medium and Large Enterprises:

5.4 Improved policy environment for facilitating access to capital for historically disadvantaged small, medium and large enterprises.

Interventions:

- Strengthen the ability of business organizations (South African and American) to represent their constituent interests, especially in identifying barriers to entry and developing policy interventions to address these constraints (technical assistance).
- Strengthen the ability of business organizations (national and regional) to lobby for more facilitative regulatory environment (technical assistance).

- Strengthen the capacity of government to analyze, design and implement policies to stimulate the development of SMMEs in South Africa (technical assistance).
- Strengthen the capacity of industrial chambers and other business fora to increase businesses' access to financial markets through policy formulation relating to affirmative procurement, export promotion and promoting franchising opportunities (technical assistance, training).

5.5 Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises.

Interventions:

- Increase access to capital by small enterprises utilizing the USAID loan guaranty program and training of bankers in cash flow lending techniques (loan guaranty, training).
- Increase access to capital by small and medium-scale enterprises using risk sharing mechanism of the enhanced credit authority (if authorized), with particular application in franchising, unbundling, privatization and sub-contracting (loan guaranty).
- Increase opportunities for ownership of corporate assets through deal structuring to unbundle corporate assets to benefit the historically disadvantaged, permit employee and management buy-outs, encourage franchising and sub-contracting and privatize government assets with the intent to disperse ownership widely (technical assistance, training).
- Strengthen the capacity of banks to lend to the historically disadvantaged small business operator (technical assistance, training).
- Utilize the USAID loan portfolio guaranty program as a model for new government loan guaranty scheme (technical assistance) and to leverage private sector resources (loan guaranty).
- Utilize unbundling and privatization transactions consummated as models for other transactions (technical assistance).
- Leverage private sector and other donor resources in transactions financed by the Southern African Enterprise Development Fund (equity investment).

5.6 Improved capacity of historically disadvantaged small, medium and large enterprises to respond to financial market requirements.

- Increase access to equity and quasi-equity capital through provision of technical assistance to bring potential investors to the "bankable" stage and to ensure their profitability after receiving equity injections (technical assistance, equity investment).
- Strengthen the local consulting capacity to structure transactions to access equity capital, unbundle corporate assets and work in privatization, as appropriate (technical assistance, training).

D. Critical Assumptions

In developing an appropriate strategy for USAID/South Africa's private sector activities during the next five years in South Africa, the following realities must be acknowledged. First, if a political base for market-oriented economic policies is to be nurtured and maintained in South Africa, economic access and participation are

absolute requisites. Second, redistribution alone will not address the staggering problems associated with economic inequality in South Africa. A resumption of higher, sustainable growth is required to address the demands for employment and higher incomes among all South Africans. It is only through increased growth that it will be possible to provide the expanded resources necessary to redress the social and economic legacies of apartheid. Many South Africans appear to believe that the current growth rate of approximately 3 percent annually is not sustainable without significant structural reform, and is inadequate to address the unemployment crisis. The challenge is to build on South Africa's functioning private sector-led economy, excellent physical and financial infrastructure, while expanding access and opportunity to those previously excluded without damaging the forces that have created the strong economic foundation of South Africa today.

USAID/South Africa's program is responsive to Vice President Gore's New Partnerships Initiative (NPI), notably its focus on empowerment through citizen participation and ownership; the emphasis on the role of local NGOs, universities, foundations, small businesses and decentralized government in sustainable development; mobilizing U.S. non-governmental resources to support local capacity building; improving the enabling environment for NGOs and small business, with a goal of graduating from U.S. assistance.

This latter point is critical in shaping the program -- the recognition of the limited duration and declining funding levels available to achieve the economic empowerment goals. Donor assistance overall plays a minor role in the South African economy, representing less than 1 percent of South Africa's GDP. This highlights the need for U.S. support in putting policies, institutions and participatory mechanisms in place as foundations for future growth, even in the absence of donor assistance. The USAID assistance interventions in the private sector can best be designed as change agents to catalyze internal processes and delivery mechanisms to continue in the future, independent of USAID or other donor assistance. USAID's selected interventions will, therefore, focus on the use of the private sector to increase access to financial resources for the historically disadvantaged population to address the immediate need to reverse the legacy of exclusion in South Africa, but also to contribute to longer-term economic growth.

E. Sustainability

Recognizing the transformational nature of the assistance, USAID/South Africa's private sector programs will capitalize on U.S. comparative advantage, using techniques to maximize the impact of our assistance. These include:

- Funding for models to be broadly replicated and implemented as appropriate.
- Risk-sharing or the leveraging of USAID/South Africa resources with other local and international sources of funding to enhance sustainability.
- Increasing access to the best of U.S. and local expertise.
- Incorporating training where the lack of skills is the binding constraint to private sector development.
- Jointly identifying and disseminating lessons learned most importantly with our South African partners in development.

IV. Illustrative Activities and Judging Achievement

Below is a summary of the currently planned activities to be undertaken to increase access to financial markets for the historically disadvantaged population.

ACTIVITY	GENERAL DESCRIPTION	RESULTS
NGO Support Facility	Channel grants to NGOs serving SMME sector through intermediary organization Sector: micro and small	Improved capacity of financial sector to service historically disadvantaged informal and micro enterprises (NGOs serving SMMEs) Improved capacity of historically disadvantaged informal and micro entrepreneurs to respond to financial market requirements
DTI Technical Support Facility	Grant to DTI to develop and implement SMME program and address trade and investment policies Sector: all with particular emphasis on SMMEs	Improved policy environment for facilitating access to capital by historically disadvantaged population Strengthened government departments and ministries
Equity Access Systems (EASY)	Technical assistance to improve access to equity capital Sector: small, medium and large	Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises Improved capacity of historically disadvantaged small, medium and large enterprises to respond to financial market requirements
Rapid Assistance for National Development (RAND)	Structure transactions to unbundle corporate and state assets, promote management and employee buy-outs, build-operate-maintain schemes. Sector: medium and large	Improved policy environment for facilitating access to capital for historically disadvantaged small, medium and large enterprises Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises Improved capacity of historically disadvantaged small, medium and large enterprises to respond to financial market requirements
Business Linkages for Under-Utilized Enterprises (BLUE)	Strengthen capacity of business membership organizations to transfer technical knowledge to their memberships (affirmative procurement) and serve in a policy/advocacy role Sector: small and medium	Improved policy environment for facilitating access to capital for the historically disadvantaged population Strengthened capacity of industrial chambers to increase businesses' access to markets through policy formulation relating to affirmative procurement
International Foundation for Education and Self-Help II (IFESH II)	Increase opportunities for disadvantaged South Africans to enter the managerial ranks in banking through management and technical skills training Sector: small and medium	Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises
Southern Africa Enterprise Development Fund (SAEDF)	Provide source of equity capital for promising business ventures Sector: small, medium and large	Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises
Trade Support Activities	Promote U.S.-S.A. trade and investment through facilitating commercial linkages and promoting trade and investment missions Sector: medium and large	Strengthened government departments and ministries Strengthened capacity of organizations in South Africa to promote U.S. trade and investment
Other Tools: <ul style="list-style-type: none"> • Micro and Small Enterprise Development (MSED) Loan Guaranty Program • Enhanced Credit Authority (ECA)* • When legislated 	Risk sharing arrangement with private sector financial resources to increase commercial access to credit Sector: micro and small Small, medium and large	Improved capacity of the financial sector to service the historically disadvantaged population Improved capacity of the historically disadvantaged population to respond to financial market requirements

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V. Resource Requirements

Under the high option, a total of \$26.8 million will be provided between FY1996 and FY1998 to implement strategic objective 5. This is in addition to \$30.0 million provided between FY1997 and FY2000 for the Southern Africa Enterprise Development Fund. Under this scenario, \$12.0 million would be available to support transactions that could disperse ownership of restricted public and private assets. Another \$1 million will be available in FY1997 and FY1998 for funding of activities such as bankers' training under the IFESH activity.

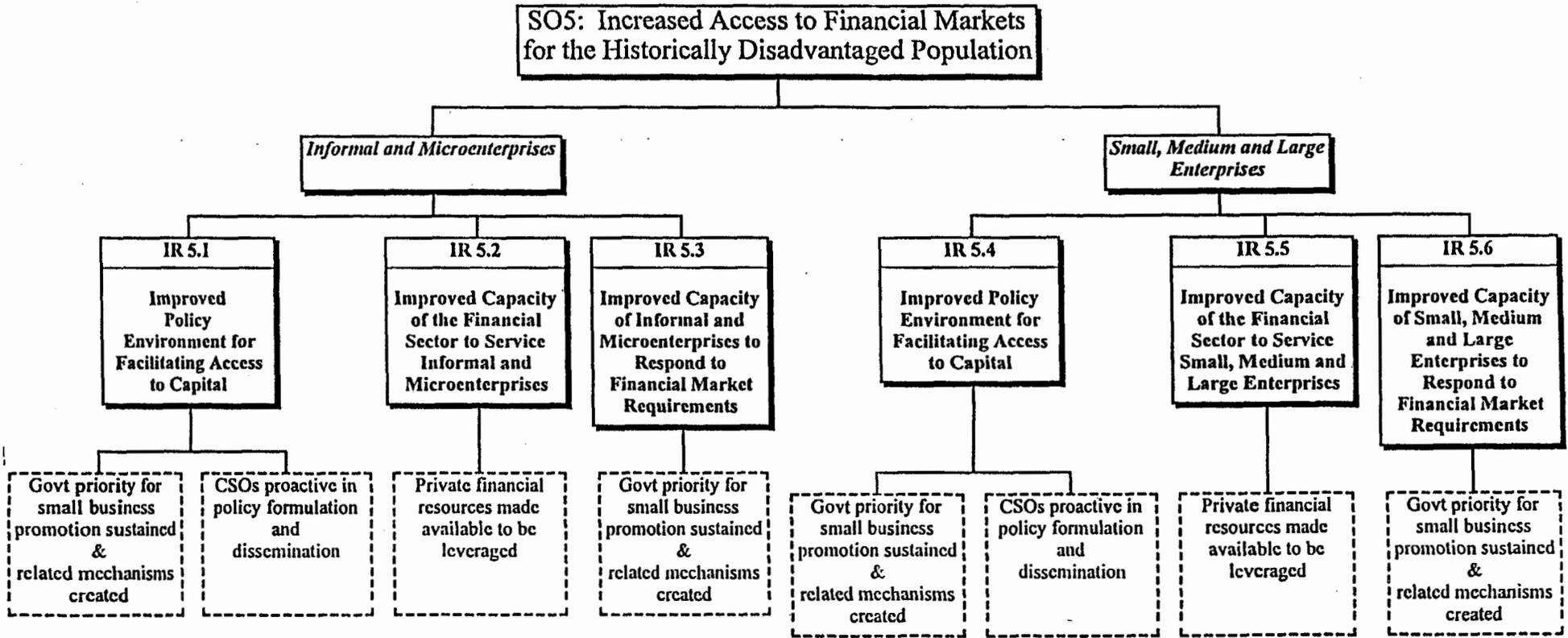
Under the low option, \$21.6 million will be available over the FY1996-FY1997 period. This is in addition to \$20.0 million provided between FY1997 and FY2000 for the Southern Africa Enterprise Development Fund. Under this scenario, Less than \$8.0 million would be available to support restructuring transactions. Less than 1 million will be available for other activities. Therefore, USAID's role in facilitating transactions to disperse ownership to the majority population will be limited and any additional micro enterprise activities after FY1996 will be precluded.

Should the low option prevail, a tremendous opportunity would be lost in accelerating the pace of private sector corporate "unbundlings" or spin-offs. Industrial concentration in South is a potential deterrent to both domestic and foreign investors. Approximately 75 percent of the equity traded on the Johannesburg Stock Exchange is controlled by the major South African economic houses through pyramid structures and interlocking corporate boards. Not only have these pyramids, along with state-owned corporations, resulted in a relatively high cost economy, but have restricted market entry, especially among potential black entrepreneurs. Carefully targeted USAID technical assistance could be utilized to accelerate the pace and financing of these transactions whereby black emergent entrepreneurs could be the principal beneficiaries.

VI. Geographic Focus

All of the elements of the planned programs are intended to be national in scope. SOT5 is cognizant of the need to increasingly target assistance outside of the Johannesburg/Pretoria - Durban - Capetown triangle. Accordingly, each of our interventions seeks to reach a broad geographic reach within South Africa. For example, with the loan portfolio guaranty program funded through the Global Bureau, USAID/South Africa's increasingly reaching out to regional offices of national banks and regional institutions as intermediaries for small business loan guaranties. Similarly, in the NGO Support Facility, sub-grants to non-governmental organizations are selected with geographic diversity in mind, and the Equity Access Project is structured to award three contracts for three geographically distinct and inclusive clusters. USAID/South Africa will continue to endeavor to broaden the reach of our interventions to customers throughout the country.

Results Framework for USAID/South Africa Strategic Objective 5



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**FUNDING SCENARIOS - High Option
(\$ Millions)**

Activities	FY95	FY96	FY97	FY98	FY99	FY00	Total
USSALEP	\$0.94	\$0.99					
Get Ahead Foundation		\$0.61					
NGO Support Facility/Microenterprise	\$2.70	\$2.80					\$5.50
DTI Technical Support Facility	\$2.50						\$2.50
Equity Access Systems (EASY)		\$7.50					\$7.50
Rapid Assistance for Nat'l Dev (RAND)		\$2.00	\$5.00	\$5.00			\$12.00
BLUE	\$2.50						\$2.50
Strategic Business Skills Training							\$0.00
Trade Support Activities							\$0.00
IFESH II		\$0.48	\$0.35	\$0.36			\$1.19
Other	\$6.36	\$0.32	\$0.76	\$0.64			\$8.08
Sub-Total (Planned BPED Program)	\$15.00	\$14.69	\$6.11	\$6.00	\$0.00	\$0.00	\$39.27
							\$0.00
Global Competitiveness/Trade Promotion							\$0.00
Total Bilateral	\$15.00	\$14.69	\$6.11	\$6.00	\$0.00	\$0.00	\$39.27
Southern Africa Enterprise Dev Fund	\$20.00	\$0.00	\$10.00	\$10.00	\$5.00	\$5.00	\$50.00

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**FUNDING SCENARIOS - Low Option
(\$ Millions)**

<u>Activities</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>Total</u>
USSALEP	\$0.94	\$0.99					
Get Ahead Foundation		\$0.61					
NGO Support Facility	\$2.70	\$2.80					\$5.50
DTI Technical Support Facility	\$2.50						\$2.50
Equity Access Systems (EASY)		\$7.50					\$7.50
Rapid Assistance for Nat'l Dev (RAND)		\$2.00	\$6.00				\$8.00
BLUE	\$2.50						\$2.50
Strategic Business Skills Training							\$0.00
Trade Support Activities							\$0.00
IFESH II		\$0.48	\$0.71				\$1.19
Other	\$6.36	\$0.32	\$0.19				\$6.87
Sub-Total (Planned BPED Program)	\$15.00	\$14.69	\$6.90	\$0.00	\$0.00	\$0.00	\$34.06
							\$0.00
Global Competitiveness/Trade Promotion							\$0.00
Total Bilateral	\$15.0	\$14.7	\$6.9	\$0.0	\$0.0	\$0.0	\$34.1
Southern Africa Enterprise Dev Fund	\$20.00	\$0.00	\$5.00	\$5.00	\$5.00	\$5.00	\$40.00

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Annex A.6

Strategic Objective 6: Improved Access to Shelter and Urban Services

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Acronyms: Annex A.6

BSE-HG	Basic Shelter and Environment Housing Guaranty Project
BLAs	Black local authorities
CDPA	Constitutional Development and Provincial Affairs
CFD	Caisse Franciase Developement
CSO	Civil Society Organizations
DOH	Department of Housing
GNU	Government of National Unity's
HDP	Historically Disadvantaged Population
HUDD	Housing and Urban Development Division
HG	Housing Guaranty
KFC	Kwa-Zulu Finance Corporation
MOH	Ministry of Housing
NHFC	National Housing Finance Corporation
NTRLs	Non-Traditional Lending Retail Institutions
ODA	Overseas Development Agency
PS-HG	Private Sector Housing Guaranty Project
RDP	Reconstruction and Development Programme
SUDS	Shelter and Urban Development Support
WLAs	White Local Authorities

SO6 IMPROVED ACCESS TO SHELTER AND URBAN SERVICES

I. Purpose

The purpose of this annex is to provide the analytical underpinnings for USAID/South Africa's intervention in the area of shelter and urban service provision. It will, therefore, furnish a comprehensive description of present conditions in the sector, with an emphasis on the plight of the historically disadvantaged majority population, and spell out a coherent rationale for USAID's urban sector strategy and associated programmatic activities.

II. Sub-Goal

Political disenfranchisement, buttressed by the social and economic disempowerment of the majority population, were the hallmarks of apartheid. In consequence, the empowerment (social, political and economic) of the historically disadvantaged majority is the tripartite sub-goal of USAID South/Africa's strategy today. With the carrying out of national and local-level elections in 1994 and 1995, respectively, South Africa has taken a giant step towards redressing the most glaring political inequities. Economic empowerment, on the other hand, is an area in which very little that can be readily observable has been accomplished to date. At the same time, economic empowerment, which assumes both economic growth and equity, while implying complementarity between growth and equity, is the foundation on which the success of the Government of National Unity's (GNU) entire program of reconstruction and development will be erected.

Key facets of economic empowerment for the historically disadvantaged population are addressed by three Mission Strategic Objectives (SOs): improved capacity of key government and non-government entities to formulate, evaluate and implement economic policies to promote growth and equity (SO4); increased access to finance and enterprise development for the majority disadvantaged population (SO5); and improved access to environmentally sustainable shelter and urban services (i.e., water, sanitation, electricity, roads, refuse collection etc.) (SO6). Shelter and urban service provision are particularly critical interventions since they are both (a) easily perceived by the person in the street and (b) intricately linked to the attainment of improvements in other areas such as health and employment.

III. Background Analysis for Improved Access to Shelter and Urban Services

This section provides an overview of shelter conditions in South Africa today. It begins with a description of the South African urban sector, as created by the apartheid system, provides data on housing and urban service provision for the different population groups, and assesses the current shelter deficit in terms of units required and associated costs.

A. The South African Urban Sector

South Africa is a highly urbanized country with the majority of the population, 65 percent, living in urban areas. With an urbanization rate of 2.83 percent per year, it is estimated that as much as 80 percent of the population will live in urban areas by the year 2010. Levels of urbanization for white, colored, Asian and black South Africans are currently estimated to be 90 percent, 80 percent, 90 percent, and 55 percent respectively. Black South Africans have historically been less urbanized, due in no small part to apartheid-linked restrictions on their migration to towns; however, it is now estimated that the black urban population will double by the year 2000.

Most of South Africa's urban population is concentrated in and around the metropolitan centers located in the provinces of Gauteng, Western Cape and KwaZulu-Natal and in a dozen of the largest secondary cities. At the

same time, the distribution of the different ethnic and racial groups among the metropolitan areas and provinces reflect historical trends and the settlement patterns that were imposed by apartheid. Thus, the Asian population is mostly located in Kwa Zulu Natal, coloreds in the Cape area, and whites in Gauteng. Blacks predominate in all areas except the Western and Northern Cape to which they were legally restricted from migrating.

The South African system of apartheid created a distinctive pattern of urbanization that has persisted despite the repeal of the apartheid legislation. The salient characteristics of the "apartheid city" include: (1) enforced residential segregation, resulting in spatially dispersed white towns and non-white "townships"; (2) the development of large, high-density, squatter populations located in areas adjacent to towns (where employment was available) or inserted within the very fabric of the townships (e.g., in backyard shacks); (3) separate white local authority (WLAs) and black local authority (BLA) systems of local government with BLAs viewed as "illegitimate" by their constituents; (4) stringent prohibitions on economic development in black townships, and the subsequent lack of an economic and fiscal base in these areas; (5) black local authorities characterized by inefficient management of their limited resources and lack of access to finance for infrastructure construction compared to white local authorities characterized by efficient resource management and access to credit, and (6) housing and urban infrastructure delivery systems that subsidized white, and to some extent Asian and colored areas, while penalizing black areas.

The distribution of household income in urban areas also reflects the impact of apartheid since it closely matches ethnic groupings and the divergent educational and economic opportunities that were made available under the apartheid system. Household income is also a highly-reliable indicator/determinant of access to finance and ultimately to adequate shelter. Currently, the proportion of urban and metropolitan households making less than the median income is composed as follows: approximately 49 percent African, 27 percent colored, 18 percent Asian, and 6 percent white. The distribution of income is quite different for each ethnic group. According to a 1994 study, 81 percent of urban African households have incomes which fall under the national median monthly income with 61 percent earning less than R1000 monthly and 40 percent less than R800. Just under half of the colored urban households (45 percent) make less than R1500 monthly and one-quarter of all colored urban households fall below R1000 per month. Currently, individuals earning below R800 do not have access to the formal financial sector.

B. Shelter Conditions in South Africa

The quality of housing inhabited by the different ethnic groups reflects the relative availability of resources and opportunities. Black South Africans primarily live in houses, sections of houses, shacks and, in metropolitan areas, outbuildings (i.e., tiny additions in backyards). Colored households live predominantly in houses, parts of houses, and, to a much lesser degree, in shacks. In metropolitan areas they also live in maisonettes and flats. It is estimated that 25 percent of all urban households, almost all of whom are black and colored, are housed in squatter settlements and backyard shacks. As a rule, all of these structures are produced by informal sector builders and are constructed of low-cost materials such as wood, zinc, cement and of recycled materials including plastic and cardboard. In stark contrast, an estimated 99 percent of the white population live in well constructed, fully-serviced, houses and flats that are built by formal sector enterprises.

In urban and metropolitan areas, the size of the units occupied by poor households is, as a rule, quite small. Black and colored dwellings in these areas average one room or less per capita and the average family size for urban houses and shacks is three to six people. Female-headed households in urban areas are also a more frequent occurrence among the black and colored population, with approximately 35 percent of all households headed by women, in contrast to the overall percentage for urban areas of 27 percent. The most recent available data indicates that the percentage of female-headed households rises to 50 percent in townships.

Approximately 25 percent of all black households and 50 percent of all colored households own their own houses. However, secure tenure (defined as ownership, leasehold or formal rental contracts) is an issue. It is estimated that the 18 percent to 25 percent of households living in informal settlements have no formal tenure rights over their

accommodations, and that security of tenure is also a disquieting factor for a significant proportion of those presently living in the formally settled areas.

The small, poorly-constructed, over-crowded housing of the urban poor are generally without access to utilities and basic urban environmental services (i.e., water, sanitation, sewerage, electricity and refuse removal). The most common type of water access for black households living in urban and metropolitan areas is a piped yard tap (42.8 percent -urban; 48.9 percent - metropolitan), followed by internal piped water (40 percent - metropolitan; 27.5 percent - urban) and free piped public tap water (26.1 percent - urban). For colored households, internal piped water is much more common in both urban (60.7 percent) and metropolitan areas (94.6 percent), followed by a piped yard tap for 33.7 percent of urban colored households.

Sanitation for low-income urban households is also minimal. An estimated 48 percent of all households do not have access to flush toilets or ventilated, improved pit latrines, and 16 percent have no access to any form of sanitation system. Rates of electricity provision are also low with only two out of five low-income households currently being serviced. For shack dwellers, the rate is one in six households, in informal planned settlements it is one household in eight, and no households in informal unplanned settlements have access to electricity. In the absence of electricity, high-particulate coal and wood burning stoves are utilized for heat and food preparation. Lastly, the vast majority of below-median income urban areas have unpaved, poorly maintained roads.

Low service provision rates have a significant negative impact on the health of the urban poor. Diarrhea, associated with lack of potable water and sanitation, is the number one killer of young children in South Africa. Polluted water and poor sanitation are also responsible for outbreaks of cholera, typhoid and other diarrhea-related diseases. Acute respiratory infection, associated with the burning of high particulate coal and other fuels in poorly ventilated, over-crowded, living quarters, is the second most important killer of children under the age of five in South Africa. Finally, malnutrition, which is prevalent in low-income urban areas, serves to exacerbate the contraction of the diseases that thrive in unserved areas.

C. The Shelter Deficit

Housing is ranked by historically disadvantaged South Africans as one of their three highest priorities and the reasons for this are not difficult to fathom. The Department of Housing (DOH) currently estimates a shortage of 1.46 million units in urban areas alone. This figure is calculated on the basis of relieving overcrowding in the townships, as well as providing a basic level of serviced shelter units for households in squatter areas. The DOH further estimates that, in order to provide acceptable standards of housing, to upgrade current squatter camps and other informal settlements, and to provide for new household formations, a minimum of 300,000 homes per year are required nation-wide over the next ten years. To place this production figure in proper perspective, one must realize that the formal housing construction industry built a total of 30,000 homes nation-wide in 1994 and that more than 90 percent of the homes built in most major urban areas were produced by the informal sector.

The infrastructure deficit is of equally daunting magnitude. Requirements for water, sanitation, roads, storm water drainage and electricity are presently being stated in terms of three potential levels of service delivery: basic, intermediate and full. For example, the basic service level for water is defined as access to a communal standpipe, the intermediate level is access to a yard tap, and the full service levels is an individual house connection. To date, the Reconstruction and Development Programme, the Ministry of Housing and the Development Bank of South Africa have completed comprehensive studies and produced cost estimates for the elimination of service backlogs and the provision of services at the three defined levels over a ten-year investment period. The cost of providing urban areas (both metropolitan areas and secondary cities and towns) with a basic service levels is estimated to be R44 billion. Intermediate and full service levels are estimated to cost R63 billion and R 89 billion, respectively. Note that these costs exclude: (a) the cost of economic (commercial and industrial) and social facilities and

amenities; (b) national bulk infrastructure such as water storage schemes (dams), electricity generating plants etc.; and (c) recurrent costs associated with the ongoing administration and maintenance of service commodities (e.g., water, electricity).

IV. Strategic Objective 6

A. Statement of the Strategic Objective

USAID/South Africa's sixth strategic objective is concerned with improving the shelter conditions of the historically disadvantaged population, the vast majority of whom currently live in substandard shelter conditions. It, therefore, aims at:

SO6: Improved access to environmentally-sustainable shelter and urban services for the historically disadvantaged population (HDP).

B. Results Framework

1. Problem Analysis, Causal Relationships and Rationale for Selecting this Strategic Objective

a. Problem Analysis

The GNU's desire and commitment to furnish the historically disadvantaged population with adequate shelter is subject to a number of serious policy, financial and institutional constraints which are discussed below.

i. Policy Constraints

Policy constraints to the delivery of housing and urban services are those associated with the need to (a) rapidly gain consensus, formulate and implement policies for low-income shelter provision and (b) retain support for these policies once they have been adopted. In December 1994, following almost two years of nation-wide consultations and involving all major public and private-sector stakeholders, the DOH published its national housing policy and strategy in the form of a White Paper. The document embraced the principle a joint partnership between the three tiers of government, the private commercial sector, and communities for the purpose of resolving the housing crisis. It also expressed adherence to the principles of economic empowerment, sustainability, fiscal affordability, gender equity and environmental sustainability. The White Paper also adopted two fairly controversial concepts: (a) incremental housing and subsidies and (b) the participatory social compact.

Incremental housing and subsidies: These closely-linked concepts aim at ensuring that the greatest possible number of households will benefit from the limited quantity of available funds. Under the system, the government provides families with a one-time, graduated grant (locally referred to as a subsidy), that is determined by household income levels. Households in the lowest income tranche receive the largest subsidy, and higher-income households receive proportionately less. Subsidies are intended to help the poorest of the poor (households with absolutely no possibility of access to credit), with a one-time shelter-grant. Women are significantly represented in this category. Grants are generally sufficient to provide a serviced home-site and a small one or two-room starter unit. Families are expected to add on to the basic unit as resources permit, hence the "incremental" aspect of the program. At issue is the fact that, despite the long period of consultation that preceded the development and promulgation of the policy, there remains a large constituency, including some fairly vocal senior politicians, who are not committed to the policy and who maintain that every family should be given sufficient funds to construct nothing less than a

complete four-room house. This conflict presents a major obstacle that must be surmounted to prevent the dissolution of the present consensus on how best to provide shelter for the majority.

Participation and the social compact: Participation implies full citizen involvement in all phases of the developmental process. It lies at the foundation of South Africa's development policies in general, and the national housing policy in particular. The concept has evolved, in large part, as a counterpoint to the apartheid system which dictated developmental objectives from the top down, usually to the detriment of low-income communities, and engendered within these groups a well-placed distrust of decisions made by external authorities. In housing, participatory development is embodied in the "social compact" (an official agreement between the developing agent or agency and the target community) and is the mandatory starting point for low-income housing construction projects. At the same time, it has been observed that the creation of a viable social compact is an exceedingly slow and cumbersome process. Additionally, occasional lack of representativeness within community structures and a paucity of leadership and transactional skills among many groups often retard the compact negotiation process.

There is now a growing realization that the time necessary to ensure meaningful community participation is not entirely consistent with the pressing housing delivery targets. This has resulted in the short-circuiting of the negotiation process, and currently, as many as 90 percent of all social compacts for housing are reportedly developer-driven (versus consumer-driven), and are forged in only a matter of months. On the other hand, the principle of community participation in South Africa is non-negotiable, and participation has been established as a widespread requirement for public and private-sector support for development projects. The GNU, in conjunction with target communities, will, therefore, have to develop a process for ensuring that community participation requirements will be adequately balanced by the need to quickly fulfill low-income housing needs.

ii. Financial Constraints (Housing)

A second major constraint to the provision of low-income housing is the lack of available financing for majority disadvantaged households seeking to construct or upgrade their housing. It is attributable to the abysmal poverty of most historically disadvantaged households and to the unwillingness of the formal banking sector to extend shelter-related credit to this high-risk group. The reluctance of the large, formal, banking institutions to service disadvantaged households is caused by a combination of factors including: the extreme poverty of this sector (80 percent of these households earn below R1,500 per month), the elevated administrative costs of processing a multitude of small loans, and the high risk of repayment delinquency. Female-headed households, who are clustered at the lower end of the low-income scale, are particularly affected by the lack of formal-sector credit (See Annex D. Section II.B.3.). The recent history of rent and mortgage bond boycotts that accompanied the struggle to end apartheid has also contributed to the financial sector's perception that the provision of credit to this income tranche would be unwise, if not foolhardy.

The GNU (spearheaded by the Department of Housing) has launched a number of major initiatives aimed at inducing the formal banking sector to provide financing to at least the upper tier of low-income households. These include a Mortgage Indemnity Scheme (to insure against the political risk of bond and rent boycotts) and the recent (and so far unsuccessful) "Masakhane" campaign aimed at ending the widespread boycott of mortgage bonds, rents and service charge payments in the townships and lower income settlements. Currently underway is the creation of the National Housing Finance Corporation (NHFC) which is intended to generate finance at the wholesale level on a large-scale, sustainable basis. Specifically, the NHFC will reduce the cost of capital to retail lenders, stimulate new retail lending capacity, encourage competition, and direct the use of housing funds provided by the government towards low-income households.

Two of the larger commercial banks (Nedcor and Standard Bank) have responded positively to the government's initiatives by setting-up special operational units (Peoples Bank and E Bank respectively) to deal with burgeoning housing finance demands of the upper portion of the low-income market. The new banks have specially trained

personnel who can deal with targeted customers and, in some instances, are opening branches in low-income neighborhoods. On the other hand, it is highly improbable that the loans provided by these institutions will reach the 40 percent of urban households that earn below R800 per month. On the contrary, most banks are restricting service to households earning slightly above the median income of R1,500.

A second group of financial institutions are the so-called non-traditional retail lending institutions (NTRLs). These institutions have the will and many of the special interpersonal skills necessary to service low-income households; unfortunately, they lack the lending and institutional capacity of the larger commercial banks. Limited availability of capital, poor access to wholesale finance, and, on occasion, bad business practices are among the barriers facing this group. Current estimates are that the combined value of all NTRL housing loans to the below R1,500/month income group at present is only R90 million. Typically, the Kwa-Zulu Finance Corporation (KFC), one of the most active of the NTRLs at present, currently administers less than 1,000 small housing loans to households with monthly incomes below the R1,500 threshold. It is conceivable that some form of state-led initiative, such as the above-described NHFC, could improve NTRL access to funding, furnish technical assistance, and assist in developing in NTRLs the capability to meet the demand for credit from low-income borrowers. However, it is clear that this would not occur at the pace and scope required to deal with the current housing deficit.

Given the inability of the formal banking system to service the poor majority, the government's grant/subsidy program and individual household resources, limited though they may be, will be *the* primary source of financing for the majority of poor urban families in the foreseeable future. This also implies that the provision of non-credit forms of assistance (subsidies and assistance through NGO and GNU out-reach programs) will be the key to providing shelter for the poor.

Lack of financing also affects developers of low-income housing projects, almost all of whom rely on the release of government provided housing subsidies for reimbursement of the cost of development. However, because subsidies are only released to the developer upon completion of some (or all) of the work, developers must seek intermediate or bridging finance to implement their projects. Unfortunately, financing institutions are often reluctant to finance developers operating in the high risk, low-income housing sector; and when loans are provided, interest rates are high and security deposits are often required. Smaller black contractors are particularly hard-hit by this situation. The issue of bridging finance is still being examined by concerned stakeholders, all of whom recognize that the failure to resolve this problem constitutes a major barrier to housing delivery.

ii. Financial Constraints (Infrastructure)

In South Africa, local governments are constitutionally mandated to ensure the provision of environmental infrastructure and urban services. This they can do by providing the services directly, or by having the service provided under municipal supervision by another entity (e.g., private corporations, parastatals-- such as the electricity corporation, ESKOM, or a water board, NGOs etc.). Under the apartheid system, white local authorities (WLAs) were covered by an implicit, central government guarantee and were consequently able to procure loans from the South African private financial sector. Moreover, WLAs were generally efficiently managed, and possessed a viable economic tax base which permitted them to service loans in a timely manner. Black local authorities (BLAs), in contrast, were administrative constructs of the apartheid system. They lacked an economic and fiscal base, were poorly, not to say corruptly, managed, and were financially dependent upon ad hoc central government subsidies and transfers. More importantly, the BLAs lacked the support of their constituents and were the targets of the above-mentioned rent and service payment boycotts. Almost all of the newly-created local authorities are an amalgamation of WLAs and neighboring BLAs, black homelands and squatter areas, and most now find themselves denied access to the capital markets.

Given the size and cost of the existing service backlog, the majority of the newly-created local authorities find themselves unable to finance services for disadvantaged areas out of their capital budgets. Particularly at risk are

the small, WLAs that were expanded to incorporate significantly larger, financially-crippled units (townships, squatter settlements and independent states) most of which had serious debt burdens, large, non-productive staffs, and non-existent economic and fiscal bases. In almost all instances, the resulting unit is not financially viable, above all, in the short to medium-run.

Financing the services from the capital markets, the obvious source of funds, is also not a feasible option for most new local authorities. Private sector financial institutions which would normally provide long-term credit, and which made funds available to WLAs for infrastructure construction in the past, are unwilling to make loans to most of the new municipalities. Reasons cited by them include: lack of loan repayment histories for the new entities; opaque municipal financial statements and records; and the pervasive fear of default on loans because of boycotts of service fees, the ultimate source of repayment for loans, in black areas. Of equal importance is the lack of clearly-stated government policy vis-à-vis such key issues as: (a) the types of infrastructure financing mechanisms that will be made available to different categories of municipalities; (b) the disposition of the debts of former black townships and independent states; and (c) the kinds of guaranties that will be furnished by the government to those financial institutions that make loans to municipalities.

Yet another financial constraint is the current absence of a municipal bond market in South Africa. Over a decade ago, South Africa had a relatively-dynamic municipal bond market servicing WLAs; however, owing to the economic and political uncertainties of the recent past, this disappeared. And although many of the preconditions for such a market still do exist, including a sophisticated financial sector, pension funds, and other major local investors with a pool of domestic savings suitable for long-term investments, some experience with rating and conducting credit profiles, etc., this option is not presently being utilized.

The municipal bond market concept is now being intensively scrutinized by South African, policy-setting entities and is considered one of the more palatable methods of financing the infrastructure deficit. The World Bank, in particular, is a strong advocate of developing such a market and has worked closely with the government to examine the concept. USAID/South Africa has also provided the government with technical assistance to research the issues. Assistance which aims at making the above option operational can, therefore, be viewed as a fruitful area of intervention.

iii. Institutional Constraints

Institutional constraints on housing and service provision in South Africa are most apparent in the confusion surrounding the respective roles that must be played by the different private and public sector entities involved in the housing and service delivery process.

The tasks to be performed by the public sector in the delivery of housing and urban services are many and include: the preparation of strategies and policies; the enforcement of legislation concerned with land provision, land development and environmental controls; the assembly and release of land; and the provision of technical assistance, training, administrative and logistics support to CBOs, NGOs and others involved in the delivery process. Current constraints on public sector performance, primarily at the level of the provincial and local governments, include: the newness or transitional nature of most government institutions, and the lack of clarity in terms of their relative roles and responsibilities in the development process; the inherent unwillingness of entrenched bureaucracies to deal with changing conditions that require focusing upon the needs of the low-income groups; and an overall lack of managerial capacity, above all, at the level of the newly-created, provincial and local governments. A striking case in point is the management of urban environmental issues where responsibility for policy development, legislation, and enforcement is divided among the different tiers of government, and the weakest tier, the province, assigned the largest role.

The role of the private sector, parastatals, and Civil Society Organizations (CSOs) in the provision of housing and services also needs to be more clearly defined and mutually understood. CSOs, in particular, have a vital role to play in mediating between communities and the public sector and in making the system more accessible to groups that have had limited (and primarily negative) experience in dealing with bureaucracies. They are also invaluable as purveyors of information to low-income communities about available shelter options and about ways of engaging with the public sector. And, despite the fact that there has been a recent move towards bringing the public sector, CSOs and communities together for the mutual benefit of all concerned, there is still a significant degree of disjuncture vis-à-vis the roles and responsibilities of the different players and their functions within the housing and service delivery process.

Nowhere has the problem of institutional arrangements and role definition been more apparent than in the delivery of subsidies to the lowest income groups and the construction of urban infrastructure through funds placed in special "Presidential Projects." For, despite the immediate availability of funds for shelter and urban service projects, the difficulties of coordinating between levels of governments, the shortfalls in capacity of second and third-tier implementing institutions, and the failure to inform customers adequately of available programs and options, has resulted in an inability to utilize available resources within the short-term. In effect, for the immediate future, institutional issues would appear to outweigh the more onerous financial issues.

iv. Land Tenure Constraints

Issues linked to land tenure pose a final constraint on housing and service delivery. At the close of the apartheid era, land tenure systems reflected the mosaic of administrative systems that covered the national territory. The resultant confusion concerning land tenure rights and the origin of these rights frequently presents a hurdle to entities requiring clear land title as a prelude to infrastructure and shelter investments. At the same time, despite the negative impact that the lack of clear title has on housing and shelter, this issue will not be a focus of USAID/South Africa intervention for this CSP period. The principal reason for this is that land tenure is primarily a rural issue, linked to the distribution of the nation's agricultural land between large-scale white farmers and dispossessed majority population farm workers, whereas SO6 is a strictly urban-based program. The GNU's Ministry of Land Reform is currently in the process of overhauling the entire system with a highly controversial Land Reform Act. Additionally, despite the problems associated with land tenure, housing and infrastructure investments can continue to take place in urban areas where title is not at issue. Local authorities can address some land tenure constraints within their particular boundaries, and most urban-sector CSOs work with communities on the problem of access to land. Thus, while acknowledging the importance of the issue, USAID/South Africa's strategy will not directly address land tenure constraints at this time.

b. Rationale for Selecting this Strategic Objective

Housing and urban service provision are areas in which USAID/South Africa should intervene because of the importance of the sector, from the GNU's perspective, for achieving social and economic empowerment, and because of the significant strategic advantage which USAID/South Africa possesses in this area. This advantage is founded upon USAID/South Africa's success, to date, in making an impact upon a number of sectoral constraints, as specified below. It is also based upon the insight and experience that USAID/South Africa has gained through intervening in the sector and upon the excellent working relationships which it has established with the full gamut of urban-sector stakeholders.

The magnitude of the shelter and urban infrastructure problem in South Africa dictates the form that USAID/South Africa's strategy will take. Given the size of the shelter deficit, little will be achieved by USAID/South Africa if its limited funds are invested exclusively, or even primarily, in the actual production of housing and urban services. The shelter and infrastructure production niche can more adequately be filled by donors, such as the Japanese and the World Bank, that can provide the huge amounts of cash required to make a significant dent in the existing

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shelter deficit. To make an appreciable impact with its resources, USAID/South Africa must focus upon *access* to shelter for the HDP as opposed to the actual *production* of shelter.

Access to shelter involves a concatenation of factors as described above. To recapitulate, the appropriate policy environment, the availability of shelter-related credit, and the structuring of effective institutional arrangements (surrounding such issues as subsidy distribution and the planning process), are critical prerequisites to widespread shelter access. This multiplicity of factors militates a multi-pronged approach featuring mutually-reinforcing interventions that USAID/South Africa is particularly well suited to undertake.

Policy is an area of intervention in which USAID/South Africa currently possesses a significant strategic advantage. Over the last two years, the Mission has provided technical assistance inputs, through grants and bilateral agreements, to the major public and private-sector stake holders involved in the policy development process. The Mission has made direct, identifiable contributions to the formulation of the new, shelter policy framework. Interventions aimed at the refinement and implementation of these policies are, in consequence, a logical undertaking for this CSP period.

Access to credit for shelter and urban services is also an area where USAID/South Africa has intervened and can continue to intervene successfully on several fronts. The dual nature of USAID/South Africa's urban sector resources, which are composed of both Housing Guaranty loan funds and Development Assistance grant funds, provides USAID/South Africa with the necessary strategic edge vis-à-vis enhancing HDP access to credit. Under the proposed strategy, loan funds, which are provided to the South African private financial sector, are used to demonstrate the feasibility and desirability of: (1) issuing mortgage bonds or small shelter loans to previously-unserved income tranches or (2) giving (or guaranteeing) loans to municipalities for the purpose of providing low-income communities with urban services. They also serve to leverage additional funds from the borrowing entities for the purpose of housing and urban service loans. Grant funds are utilized to reinforce and complement the credit program. They provide training and technical assistance to both the potential borrowers and the lenders. They also are used to help frame the policy environment in which the credit programs operate.

USAID/South Africa customers include urban households earning below median income. The vast majority of this group does not now, and will not in the near future, have access to credit. For our interventions to have an impact on the poorest of the poor, it must address non-credit issues of access to shelter. Consequently, institutional arrangements which deal with housing and service provision for this group (i.e., public-sector mechanisms for interacting with disadvantaged communities, CSO interventions within and on behalf of communities) need USAID/South Africa's support. The Mission's relationship with over three dozen of the major, urban sector CSOs provides it with the knowledge and perspective required to act effectively in this area. More importantly, USAID/South Africa's grantees and contractors have worked with dozens of community groups and possess an understanding of the special needs of the urban poor.

Finally, USAID/South Africa's strategy will address issues of sustainability in the urban sector. The GNU, having recognized the costs and consequences of unsustainable urban development, is incorporating sustainability criteria (i.e., environmental assessments, affordability, participation) in their major urban policies and programs. USAID/South Africa, which is committed to the concept of sustainable development, will support these initiatives within the context of increasing access to shelter and urban services for the HDP.

Given the above, USAID/South Africa's areas of intervention in the urban sector will be the following: (1) supporting the development and implementation of policies that facilitate the provision of housing and urban services to the Historically Disadvantaged Population, (2) increasing access to credit for shelter and urban services for previously ineligible borrowers, including historically disadvantaged households, developer/builders, and municipal service providers; and (3) strengthening non-credit mechanisms linked to the provision of shelter for the poorest of the poor.

USAID/South Africa possesses an array of tools that are particularly well- suited to the implementation of its chosen strategy. Available tools include:(1) grants and cooperative agreements with urban sector CSOs that work with the Historically Disadvantaged Population communities and share USAID/South Africa's vision and objectives; (2) technical assistance and training directed towards those institutions that are recipients, providers and facilitators of credit and non-credit assistance to the Historically Disadvantaged Population ; (3) bilateral agreements with national, provincial and local-level entities involved in the formulation of policy and in the provision of institutional support for Historically Disadvantaged Population shelter provision; and, last, but not least; (4) loans under the Housing Guaranty (HG) program for the purpose of developing finance mechanisms and leveraging resources for targeted households and communities.

c. Current USAID/South Africa/SA Urban Sector Projects

Activities undertaken under SO6 will be carried out under the aegis of the three existing USAID/South Africa/SA urban sector projects that are described below, where appropriate, or through new results packages specifically developed to facilitate implementation of the new portfolio.

Shelter and Urban Development Support Project (SUDS) - is a DFA- funded \$70 million project which was authorized in FY 1992. Its current PACD is May 1999. SUDS will fund grants, cooperative agreements, bilateral agreements and contracts negotiated under SO6. SUDS comprises three interdependent components: community capacity building, finance, and policy/institutional development. The project has permitted the Mission to gain an intimate knowledge of the shelter and urban development sector, forge links with key urban sector CSOs and professional organizations, and establish collaborative relationships with members of government, many of whom were formally associated with CSOs funded through SUDS. The project has also permitted USAID/South Africa to have a measurable impact on urban policy development in South Africa by providing technical assistance to government agencies responsible for the creation of policy. In consequence, future activity designs will conscientiously utilize knowledge, concepts and lessons learned through the SUDS experience and are expected to continue to contribute to furthering many of the goals and objectives first set under SUDS.

The Private Sector Housing Guaranty Project (PS-HG)- is a USD 75 million project that was authorized at the end of FY1994. It has a PACD of 2001. It is the first of its kind in South Africa and provides a U.S. government guarantee on loans by US private sector financial institutions to two major South African banks. The banks, in turn, will issue the rand equivalent of USD 150 million in mortgage bonds to majority population households (earning between R1,500 and R2,625 per month) that previously lacked access to mortgage finance. This project is a major source of shelter credit for the upper tier of Historically Disadvantaged Population households. It is also expected to result in the development of models for providing credit to Historically Disadvantaged Population developers and builders as remaining portions of the project are implemented.

Basic Shelter and Environment Housing Guaranty Project (BSE-HG) is a USD 58 million project that was authorized at the end of FY 1995 with a PACD of 1999. The BSE-HG addresses the lack of shelter finance mechanisms for households earning below-median income (less than R1,500 per month). It is intended to increase access to capital for ownership or upgrading of housing through strengthened financing mechanisms focusing on the role of the private sector. The project was designed with a great deal of flexibility and is expected to provide an opportunity to develop multiple credit mechanisms for financing below-median shelter and services. No borrowings have as yet taken place under this project.

2. Intermediate Results and Illustrative Activities

Strategic Objective 6: "improved access to shelter and urban services for the historically disadvantaged population" has three associated intermediate results. The three results are described below along with their related illustrative activities.

6.1 Improved environment for the development and implementation of a policy agenda for increasing access to housing and urban services for the Historically Disadvantaged Population.

Achievement of the first intermediate result is critical for the achievement of SO6. The creation of a policy framework that affirmatively makes provisions for Historically Disadvantaged Population access to housing and services by removing existing policy and legislative barriers is the foundation on which subsequent results will be erected. Admittedly, new policies, in and of themselves, will not bring about changes in the status quo, but they are the essential first step in the transformation process. Specific activities under Intermediate Result 6.1 include:

- **strengthening the capacity (managerial, networking, professional, etc.) of entities (forums, work groups, NGOs, GNU departments) involved in policy formulation with an emphasis on assisting those entities that embrace sustainability and represent the interests of the Historically Disadvantaged Population;**
- **increasing the body of information available to policy-making entities in order to enlarge the pool of available policy options or cite alternative successful policy arrangements vis-à-vis shelter and urban service provision issues. Note that issues of gender equity, participation, affordability and environmental soundness are considered an integral part of the shelter policy framework; and**
- **assisting with the setting-up of structures for implementing particular policy mechanisms.**

Policy development and implementation will be accomplished primarily through technical assistance interventions. These will be provided through grants or cooperative agreements with shelter sector NGOs (or other legally constituted entities) and through multi-year bilateral agreements with GNU national and provincial-level departments (specifically departments of housing and provincial affairs). Interventions under this intermediate result will also feature (a) services from expert consultants with international experience ensure a better informed policy formulation process and (b) support for research and studies to provide base-line information.

6.2- Previously-ineligible households, developers, builders, and municipal service providers obtain access to credit for HDP shelter and urban services.

The second intermediate result will focus upon reducing the numerous impediments to the procurement of credit for HDP housing and services from the private financial sector. It is intended to assist that portion of the HDP which has the potential to obtain credit yet is not currently being serviced. Concerned stakeholders are unanimous in their agreement that without private sector participation in HDP shelter programs, GNU sector goals (as well as those of USAID/South Africa) stand absolutely no chance of being attained. Activities under this intermediate result will aim at strengthening the capacities of both the borrowers and, on occasion, lenders of shelter credit. They will also provide incentives to lenders that will encourage them to develop new HDP lending products. To attain the desired results, USAID/South Africa will furnish grants, technical assistance and training to entities that require or utilize credit for the provision of shelter and urban services. Eligible entities include, developers/builders, firms, municipalities (or associations of these entities). Assistance will also be given to intermediary organization such as CSOs or public-sector out-reach units that can provide targeted organizations with assistance. Interventions will aim at:

- enhancing the capacity of these entities to understand and comply with the rules governing the provision of credit by the private sector via training and technical assistance; and
- improving the ability of these entities to create networks and to work in concert to augment their chances of obtaining credit.

Intermediate Result 6.2 will also utilize the Housing Guaranty Loan Program to make available funds for the provision of loans to the private sector. These funds are earmarked for use in financing the construction of housing and urban infrastructure destined for low-income communities. Note that specified proportions of HG funds are targeted to female headed households. Limited amounts of grant funds will also be employed to provide credit to the targeted groups through special programs that feature some unusual, but interesting credit provision mechanisms. Activities under 6.2 will also assist in:

- enlarging the pool of available credit to be utilized for shelter and urban services for the Historically Disadvantaged Population through leveraging. Specifically, HG loans to private and public-sector financial institutions will leverage rands at ratios of two or three rands per dollar; and
- financing the establishment and implementation of mechanisms/models for providing credit to the target groups.

6.3- Increased, non-credit forms of assistance made available by participating institutions to Historically Disadvantaged Populations for obtaining access to shelter and urban services.

The third intermediate result concerns the provision of non-credit forms of assistance to the Historically Disadvantaged Population. It addresses the special needs of the majority of the HDP who have no prospect of obtaining credit. Since credit is not an option, alternative forms of support, tailored to their specific circumstances, are the preferred mode of intervention. These interventions are simultaneously wider in scope and more varied in form as befits the greater complexity of the barriers facing the very poor. Again, the principal vehicle for furnishing this assistance will be grants and cooperative agreements along with technical assistance. The focus of the various interventions will be upon CSOs and firms that are active in the shelter sector as well as on public sector service providers, including municipalities. These interventions will serve to:

- strengthen the managerial and organizational capacity of shelter sector entities; and
- enhance the capacity of public and private sector, service providers to work in partnership with HDP entities on issues related to sustainability including: gender equity, environmental soundness, participation, affordability, etc..

3. Partners

USAID/South Africa's principal partners in the quest for improved shelter and urban environmental conditions are found in the public sector as well as among the CSO and donor community.

a. Public Sector

USAID/South Africa's primary partners are located in the public sector at the national, provincial and local level. Its most important, national-level partners include the Ministry of Housing (MOH), the Urban Programs Office of

the Ministry in the Office of the President of the Reconstruction and Development Programme (RDP), and the Ministry of Constitutional Development and Provincial Affairs (CDPA). All of these institutions have major urban development sector responsibilities and all are working to bring about the policy and institutional changes required to ensure housing and service delivery. At the provincial level, USAID/South Africa works with provincial Departments of Housing, Local Government and the RDP. At the local level, USAID/South Africa's partners are the specific municipalities in which project activities are located.

In general, national and provincial-level public sector counterparts (most of whom took office following the 1994 national-level election) are highly-committed to providing the HDP with shelter and services. This is attested to by the policies and accompanying legislation that have been promulgated over the last year. USAID/South Africa has been able to confirm this commitment at the national level through working in concert with central-level ministries (primarily through the mechanism of bilateral agreements and technical assistance contracts) to support the formulation of virtually every major policy initiative in the shelter area, including the National Housing Policy, the Mortgage Indemnity Scheme, the Builder Warranty Program and the Municipal Infrastructure Investment Framework (described above).

Commitment at local-level is still emerging given the newness of these local structures. The consolidated local authorities will be hard-pressed to obtain consensus on costs and levels of service provision for the poor majority, owing primarily to the anticipated conflict between entrenched civil services, developed during the apartheid era, and communities that have traditionally distrusted local authorities. On the other hand, USAID/South Africa will only work with those municipalities that have effectively demonstrated their intention of servicing their historically disadvantaged constituents in a collaborative and sustainable (i.e., affordable and without negative environmental impact) manner.

Capacity is also an issue among USAID/South Africa's public sector partners. This is particularly true at the provincial levels where, in five out of nine cases, entirely new administrations have had to be created and where there are severe shortages of trained personnel and resources. Municipalities also have serious capacity limitations. This is particularly true among newly-elected officials who lack prior experience with local government and are unfamiliar with local government processes and procedures.

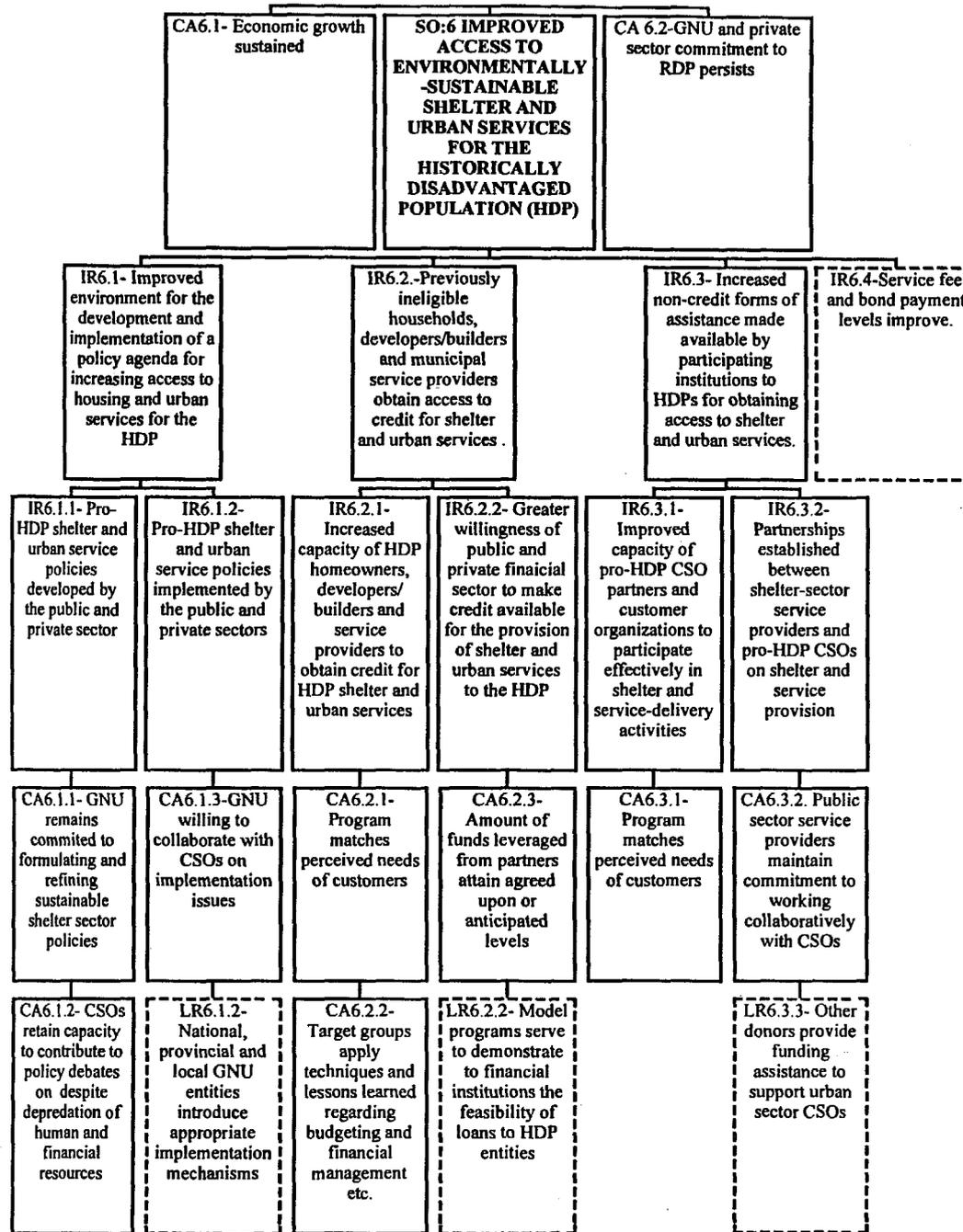
b. Non-Governmental Organizations

USAID/South Africa has also worked extensively with over forty grantees, almost all of which are CSOs. Although uniformly committed to assisting the historically disadvantaged communities, the CSOs possess differing degrees of management capacity. Over the last year, USAID/South Africa has made efforts to decrease the number of grantees and related management load by half without losing sight of its capacity-strengthening objectives. This has been done by: (1) focusing upon "umbrella" type organizations that group multiple grantees within the sector and (b) assisting grantees to function as independent entities that are less reliant on USAID/South Africa and other donor assistance. Reasons for this trend include the changing focus of USAID/South Africa's program, which is now also concerned with forging relationships with the public sector, and the high administrative/management costs associated with a large number of grantees.

c. Private Sector

USAID/South Africa's chief private sector partners in the urban sector are financial institutions and parastatal corporations. Their roles in the delivery of housing and services are the financing and the actual construction of service networks. In general, private sector partners are highly-sophisticated and well-endowed with both human and material resources. Technical and/or financial assistance is almost never required. The issue here is one of developing agreements on programs of joint interest and joint benefit, and setting criteria for implementation and evaluation.

SO 6: CRITICAL ASSUMPTIONS CHART



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d. Other Donors

USAID/South Africa currently does not have any fully operational, joint, urban sector activities with other donors. However, the Mission has close collaborative and consultative relationships with the donor community, as spelled out below in the section on the consultative process. USAID/South Africa is also working with the UNDP and the World Bank to provide coordinated support (e.g., under a jointly developed program) to a number of public sector partners such as the DOH.

4. Geographical Focus

SO6 has a somewhat varied geographical focus because, in most instances, the geographic location is a function of the type of activity being undertaken. Both intermediate results 6.1 (policy formulation and implementation) and 6.2 (credit for shelter and service delivery) are nation-wide in scope. Shelter policies, by definition, cover the entire nation, although actual implementation may have regional and local aspects. Credit, and above all, housing loans, are being issued by financial institutions with national coverage. And although loans being issued under the aegis of SO6 are reserved for Historically Disadvantaged Population target households and must attain specific gender targets, there is no restriction on their geographic location.

Intermediate results 6.2 (increased capacity of Historically Disadvantaged Population households, firms and service providers to obtain credit) and 6.3 (increased, non-credit assistance to the Historically Disadvantaged Population for obtaining access to shelter and services) have greater geographical focus. Activities undertaken with specific, low-income communities by CSO grantees or contractors are, for the most part, located in/and around metropolitan areas or towns where there are high concentrations of low-income settlements. Hence Johannesburg, Cape Town, Durban, Port Elizabeth, East London and Nelspruit are all sites of community-based work being undertaken by a number of private and public-sector grantees and contractors. At the same time, USAID/South Africa has been making an effort to focus a range of activities in specific provinces or towns whenever the possibility of taking advantage of vertical linkages between results exists. Potential synergies with other USAID/South Africa activities (i.e., funded in the areas of health and governance) will also be utilized as a determinant of the location of SO-6 activities. Hence, the Eastern Cape, the site of the SO3 health project, is also that of a number of actual and planned, shelter and environmental activities with HDP communities, provincial-level, urban planning assistance, and municipal-level training. In order of importance, focus provinces for USAID/South Africa shelter activities are: Eastern Cape, Mpumalanga, KwaZulu Natal, and Free State. Note finally that, owing to its importance in South Africa's urban fabric, Johannesburg will remain the cite of a number of geographically-isolated, yet highly-relevant, activities such as an inner-city upgrading program and an "Agenda 21" model communities program.

C. The Consultative Process

USAID/South Africa's consultative activities in the development of its urban sector strategy have been both comprehensive and long-term, and have utilized a variety of formats. For the most part, the frequency, form, and importance of consultations have been a function of the developmental phase of specific, programs and activities. Illustrative of the depth and quality of the urban sector consultative process is a listing of consultative activities undertaken during the course of FY 1995.

1. Ongoing Partner Meetings

Ongoing partner meetings are the most important aspect of USAID/South Africa's consultative activities and serve to crystallize inputs from the other consultative activities described below.

GNU Consultations: Since the creation of the GNU in April 1994, staff members from USAID/South Africa's Housing and Urban Development Division (HUDD) have met on a monthly (and, if warranted, more frequent) basis

with the Director General of Housing and senior staff members of the Department of Housing (the entity with primary responsibility for shelter policy and delivery in South Africa). The HUDD staff also meets on a regular basis with the head of the Urban Division of the GNU's Ministry in the Office of the President, Reconstruction and Development Programme and, more recently, with the Director of Local Government for the Ministry of Constitutional Affairs and Provincial Development (the entity in charge of local government operations).

CSO Consultations: Consultations with public sector partners are complemented by those with representatives of the eighteen or so major urban sector CSOs with which the Mission currently has active grants.

Private Sector Consultations: USAID/South Africa staff also meets on an ongoing basis with private-sector commercial and merchant bankers from South Africa's major private sector financial institutions regarding the implementation of ongoing shelter finance activities (primarily Housing Guaranty loans) as well as the design of future activities.

2. Small-Group Consultations

In FY 1995, USAID/South Africa organized a number of small-group consultations with selected private and public sector stakeholders focused upon the design and development of specific elements in its strategy or program initiatives. Illustrative of this process was the two-day consultative workshop in March 1995 surrounding the design of USAID/South Africa's Basic Shelter Housing Guarantee Project. Present were fifteen senior representatives of the public sector (Department of Housing), private sector (financial institutions), three major urban-sector NGOs, and expert consultants.

3. Conferences and Workshops

In FY 1995, USAID/South Africa financed, helped to organize, and participated in over half-a-dozen workshops and conferences with key stakeholders from the shelter sector on major issues related to the financing of housing and urban infrastructure. These include workshops and conferences on: (a) municipal finance; (b) local government elections and organization; (c) intergovernmental grants; (d) sustainable local development; and (d) the GNU's Habitat II policy development. All of these events made specific contributions towards the final version of the GNU's municipal finance strategy.

4. Urban Sector Donor Meetings

USAID/South Africa chairs the urban sector donor group which meets each quarter. Group meetings are devoted to: an examination of urban sector issues; discussion of relationships with the GNU and NGOs; presentation of the programs of different donors; and coordination of activities to ensure complementarity.

5. Customer-based Studies & Research

USAID/South Africa commissioned four comprehensive studies on specific housing and urban service topics in the FY 1995 period. These studies, involving teams of individuals from both the U.S. and South Africa, were intended to obtain inputs from customers (provincial and local-level officials, CSO representatives and individuals). Illustrative is the three-part study on housing delivery which has provided both USAID/South Africa and the GNU with detailed feedback on the reaction of provincial officials, developers and individual households to the concept of incremental housing and the GNU housing subsidy program.

D. Strategy Formulation Consultation

USAID/South Africa undertook a ten-week-long consultative process with its partners which culminated in the urban sector strategy presented here. The process began with the development of a draft document that was widely disseminated among the full range of partners listed above. The draft was accompanied by requests for review and comments on specific aspects of the strategy, as well as calls for more general, unstructured inputs. Almost all of the major stakeholder provided detailed, written responses or communicated their comments at one-to-one meetings or via phone calls. Over a six-week period, the document underwent a series of transformations that reflected these inputs, as well as those of the USAID/South Africa-based, SO6 team members. The final vetting took place at a partners meeting attended by thirty-four individuals, including twenty-six partners from CSOs, financial institutions, the public sector, and research institutions as well as eight USAID/South Africa participants. Based upon the outcome of the meeting, the strategy was ratified in its present form. Specific partner inputs that have had a major impact upon the strategy include the following:

- An increased focus upon non-credit forms of support for the Historically Disadvantaged Population, as opposed to a more exclusive focus on credit-related forms of assistance;
- The specific inclusion of participatory processes as an indicator to be tracked in the monitoring framework to reinforce the extensive discussion of participatory issues in the problem analysis;
- An explicit statement concerning the exclusion of land tenure issues as an area of intervention within the strategy; and
- Information concerning the role of research and reviews in updating the strategy, over time, in response to changes in critical assumptions.

V. Linkages and Other Donor Activities

A. Linkages to Agency Strategic Framework

SO6 - improved access to shelter and urban services for the historically disadvantaged population is directly linked to three of the Agency's five development goals. In descending order of importance, they include: encouraging broad-based economic growth, protecting the environment, and building democracy. The major linkage with Agency goals is SO-6's contribution to encouraging economic growth through the expansion of HDP access to housing and urban services which, along with jobs, can be considered the two most important key economic goods.

SO6 addresses environmental issues by its focus on the provision of "environmentally-sustainable housing and urban services." The concept of environmental sustainability specifically embraces the systematic utilization of environmental assessments in the planning and delivery of housing and urban services, as well as the on-going participation of targeted communities in the design and implementation process.

Finally, democracy is directly dealt with through SO-6's focus upon ensuring that the formulation of shelter and urban development policies and programs take place with HDP inputs and that the public sector entities that deliver services (specifically local governments and companies) plan and implement projects in a participatory, transparent manner.

B. Linkages to Mission Strategic Objectives

Because USAID/South Africa's overall strategy is predicated upon the presence of strong linkages across sectors and between strategic objectives, a number of other mission strategic objectives address issues that are inextricably linked to improving access to shelter and urban services finance for the historically disadvantaged. The most

important is SO4 which is intended to "improve the capacity of key government and non-government entities to formulate, evaluate and implement the economic policies that will ensure economic growth and equity." Both improved access to shelter and urban service finance (SO6) and "increased access to financial markets for the economically disempowered majority" (SO5), assume the existence of a vibrant expanding economic base in which (a) employment generation is taking place and (b) households have the earning capacity to improve their shelter conditions and to pay for the urban services that they consume. Conversely, both accelerated enterprise development, and the construction of houses and urban infrastructure, are major contributors to economic growth and equity through the creation of employment. Access to finance for majority enterprises also makes a direct and on-going contribution to shelter and urban service provision because it will permit majority-owned builders and developers to obtain the credit needed to produce housing and services for low-income families. The contribution of majority-owned builders and developers to the success of SO6 cannot be over-emphasized when one recalls that the vast majority of houses in South Africa (90 percent) are built by small, formal and informal-sector builders. Lastly, SO6 contributes to the achievement of SO5 by providing the urban services required to support the development and expansion of small and medium-scale enterprises.

SO1, which aims at "deepening and consolidating democratic governance both within the public and civil society organizations (CSO)" also makes a significant contribution to the success of SO6. For SO6 to succeed, provincial, and more importantly, local governments must have the capacity to manage the delivery of urban services as they are legally-mandated to do. Unfortunately, lack of managerial capacity among newly-created, amalgamated, local authorities is universally recognized as one of the Achilles' heels of the present service-delivery system. SO1's success in "helping service delivery through Government/NGO partnerships and community participation" directly contributes to enhancing local-government, service-delivery capacity. In like manner, SO1's efforts to improve local government capacity to "manage participatory development" will help to ensure that the type of participatory, decision-making process that is at the base of sustainable local-level development will take place.

SO2, which will improve and transform the education system, also possesses both direct and indirect linkages to enterprise development and shelter and service provision. By working to increase access to basic and technical education for the majority population, it will foster the development of an ever-expanding cadre of individuals with basic technical and managerial skills, all of whom are critical inputs to the enterprise development and housing and service delivery process.

Finally, SO6 makes a significant contribution to the attainment of a number of the other SOs. As stated above, it will support economic growth (SO4) by providing housing and infrastructure which are key components of economic development. It will also assist in improved health conditions (SO3) by upgrading the living environment of the disadvantaged majority via the provision of environmentally-sustainable urban services.

C. Other Donor Activities

Among donors, USAID/South Africa is a major player in the urban sector. USAID/South Africa's role is attributable to three factors: (1) its relatively long history of involvement in the sector- predating most other donors; (2) its role as a coordinator of donor activities (primarily through chairing the urban donor coordination committee), and (3) the comparative size of its program (see Section IX. Resource Requirements). With two or three exceptions, most donors are relative new-comers and are currently involved in establishing programs with both CSOs or with the GNU. USAID/South Africa, in contrast has had a structured urban sector program since 1992.

Among the major donors currently active in the sector are:

1. **The World Bank**- the Bank has underwritten several million dollars worth of studies and project preparation/assessment missions to South Africa over the last three years. It has also declared its readiness to provide hundreds of millions of dollars in loan assistance to the GNU. However, aside from a few, small, technical assistance activities, its program has not yet gotten underway. The reasons include the Bank's difficulty in reaching full agreement with the GNU on a number policy issues, (i.e., the Bank proposes addressing issues of affordability by utilizing the fiscal side of government expenditure versus the

financial side of the equation and favors exclusive reliance on market versus socio-political considerations for dictating the shape and content of GNU programs). A second reason for the limited nature of World Bank activities is the GNU's lack of inclination to borrow from the Bank (or from foreign donors in general) to meet its capital investment needs. The GNU is currently slated to borrow R28 billion on the local markets this fiscal year versus R2 billion from foreign borrowers.

2. The Japanese AID Agencies- The Japanese are one of the largest urban sector donors. They have made available to the GNU, through the Development Bank of South Africa, over R360 million in loans and grants for bulk infrastructure construction. Additional funds will be made available once the government has developed appropriate projects.
3. The European Union- The European Union currently has two major urban projects: the R166 million urban infrastructure finance and housing project in Cato Manor, Durban, and the R26.3 million project which provides support to the Urban Sector Network, an recently-created umbrella organization that incorporates nine of South Africa's largest urban sector CSOs. USAID/South Africa also plans to fund the Urban Sector Network which it views as a positive attempt to rationalize CSO interventions through greater collaboration.
4. The German Development Agencies- German development agencies are currently providing municipalities and low-income communities located in the Free State and the Eastern Cape with technical assistance aimed at preparing urban development projects that would be eligible for available government and donor funding. A second project will provide elected local officials in the Eastern Cape with training. The GTZ (the technical assistance arm of the German aid agencies) is the implementer of this activity. The KFW, the grants/loan aid agency, is in the early stages of examining the possibility of funding of infrastructure projects for the GNU.

The Overseas Development Agency (ODA) and the Caisse Française Développement (CFD) also have urban sector programs that are rapidly expanding. Finally, a number of the Scandinavian countries have fairly limited technical assistance programs in urban environment, municipal management training, small-scale upgrading activities, or support for specific RDP Presidential Projects. The attached chart entitled "Summary of Urban Sector Donor Programs" provides additional information on donor programs in the urban sector.

VI. Sustainability

Sustainability of the above results is predicated upon the commitment of USAID/South Africa/SA's public and private sector partners. In South Africa, USAID/South Africa is in the enviable position of working with a highly-sophisticated and well-motivated group of partners. The motivation to succeed, above all, at the national-level public sector, is propelled by the fact that the GNU came to power as the champion of the historically disadvantaged majority and is publicly committed to ameliorating existing shelter conditions. It is, therefore, highly probable that the majority of the changes desired by USAID/South Africa are programmed to take place with or without the intervention of the donor community. Already, the GNU has allocated ever-increasing percentages of the national budget to providing housing and infrastructure for the HDP. This trend is expected to continue over the next decade.

If the above is true, what then is the added value of USAID/South Africa's intervention in the South African shelter sector? The answer is facilitation to increase the probability of GNU success. As described above, a significant number of constraints are located at the systems/implementation level (i.e., mechanisms for obtaining access to credit, non-credit mechanisms for obtaining shelter grant/subsidies and services) and USAID/South Africa's role is to "lubricate the machinery" thereby enabling it to work more efficiently. At stake is the loss of confidence, public support, and possibly political will, if the process of delivery takes too long to begin functioning successfully. On the other hand, should the system, with USAID/South Africa assistance, begin to function as envisioned, then sustainability will be, for the most part, ensured. In sum, USAID/South Africa is working primarily as a facilitator in the South African shelter sector context and believes that, to increase the probability of the success of the GNU's

shelter and service delivery program, USAID/South Africa should provide its partners with assistance as needed and as requested.

SUMMARY OF URBAN SECTOR DONOR PROGRAMS	
DONOR	PROGRAMS
AUSTRALIAN HIGH COMMISSION	-Limited capacity building at national level(water supply, health etc.)
AUSTRIAN EMBASSY	-No significant programs
CAISSE FRANCIASE DE DEVELOPPEMENT	- R100 mill: Kliptown Urban Upgrading (water/electricity/sanitation/roads etc.) - R100 mill: 11 townships/ DBSA loan - Water/sanitation/Lyonaise des Eaux
COMMONWEALTH DEVELOPMENT CORPORATION	-No significant programs
EUROPEAN UNION	- R26.3 mill: Urban Sector Network- community based development support - R166 mill: Cato Manor, Durban/ infrastructure finance and housing
FEDERAL REPUBLIC OF GERMANY	-R82 mill: Urban Upgrading E. Cape & Free State -Housing in multiple provinces (being developed)
IDRC	-National policy formulation in environment; governance
JAPANESE AGENCIES	R360 million
NORWEGIAN AGENCY FOR DEVELOPMENT COOP.	R25 mill: Cooperative for low cost housing construction (COHO)
(ODA) BRITISH DEVELOPMENT DIVISION SOUTH AFRICA	R14.09: Total R3 mill: Markets (nation wide) R1.1 mill: Poverty Assess. R1.1 R .69 mill: Training in Building Skills R8 mill: Policy (E.TVaal) R1.3 mill: Municipal Finance
ROYAL NETHERLANDS EMBASSY	Housing Associations Duncan Village
UNDP	R4.3 mill: Housing policy support and community development assistance
USAID/South Africa	R252 mill: Urban Development Grants (community development, housing and infrastructure finance, policy formulation, environment) R272 mill: Loan Guarantees to private sector banks for housing/ 2 projects
WORLD BANK	- No Major Projects - Unlimited Technical Assistance to GNU upon request

VII. Performance Monitoring

Strategic Objective 6's intermediate and objective-level results will be monitored by a combination of qualitative and quantitative criteria. At the same time, it is anticipated that, owing to the nature of the program, quantitative indicators will predominate. It is envisioned that the indicators provided below will be liberally supplemented by sets of lower-level indicators linked to individual results packages as they are developed. Finally, USAID/South Africa/South Africa is in the process of creating a comprehensive monitoring and evaluation program for the entire mission program. SO-6 will participate in and benefit from the program in the areas of: indicator identification/selection, data collection and analysis, results reporting, and program reassessment and revision.

Table 2. below provides the results at the strategic and intermediate results level along with the associated indicators.

VIII. Critical Assumptions

The attainment of SO-6 (improved access to shelter and urban services for the historically disadvantaged population) is predicated upon a number of goal-level, macro assumptions that are beyond the manageable control of USAID/South Africa but which are nevertheless pre-requisites to the full achievement of the objective.

The first macro-level assumption is that of sustained economic growth and competent economic management over the next five-year period. Existing needs in shelter and urban service provision on the scale indicated above cannot be met in a stagnant or shrinking economy. Without positive economic growth many of the GNU's objectives will remain unfulfilled. And although some aspects of the strategy (i.e., policy and institutional changes) can take place without economic growth, the ability of USAID/South Africa to achieve a number of SO-6's proposed intermediate results (i.e., those linked to the availability of credit) will be seriously impaired.

Another important, macro-level assumption is that key public and private stakeholders will remain committed to providing for, or facilitating the provision of housing and services. If government (which will fashion the policy and regulatory environment in which shelter and service provision will take place) and the private financial sector (which controls the lion's share of the necessary financial resources) fail to retain their commitment over the long haul, the process will be brought to a halt with possibly catastrophic economic and political results.

An important outcome that is a necessary prerequisite to the achievement of SO6 is the following: the success of efforts to effectuate a change in the mind-set of consumers regarding payment for the goods and services they receive. The basic premise underlying the provision of long-term credit for housing and infrastructure is that consumers will agree to pay for the services they utilize and that holders of mortgage and other debt instruments will repay their debts. If this change does not take place (and programs aimed at increasing levels of payment have, to date, not been very successful), then the provision of credit to low-income households, and to municipalities and firms that provide them with the infrastructure and services they need, will simply not take place at the hoped for pace. Other lower-level critical assumptions and non-USAID/South Africa necessary results are furnished in the attached chart.

Because of the multiplicity of critical assumptions at all levels, and because of the high degree of volatility within the South African socio-economic and political environment, monitoring takes on added significance vis-à-vis the continuing validity of the strategy. The SO-6 team, in response to expressed partner concerns, will make explicit arrangements for obtaining, processing, and disseminating information among team members and partners on an ongoing basis. It will also make provisions for examining and reconsidering critical assumptions, and anticipated planned results, in response to the changing environment on a specified, periodic basis.

IV. Resource Requirements

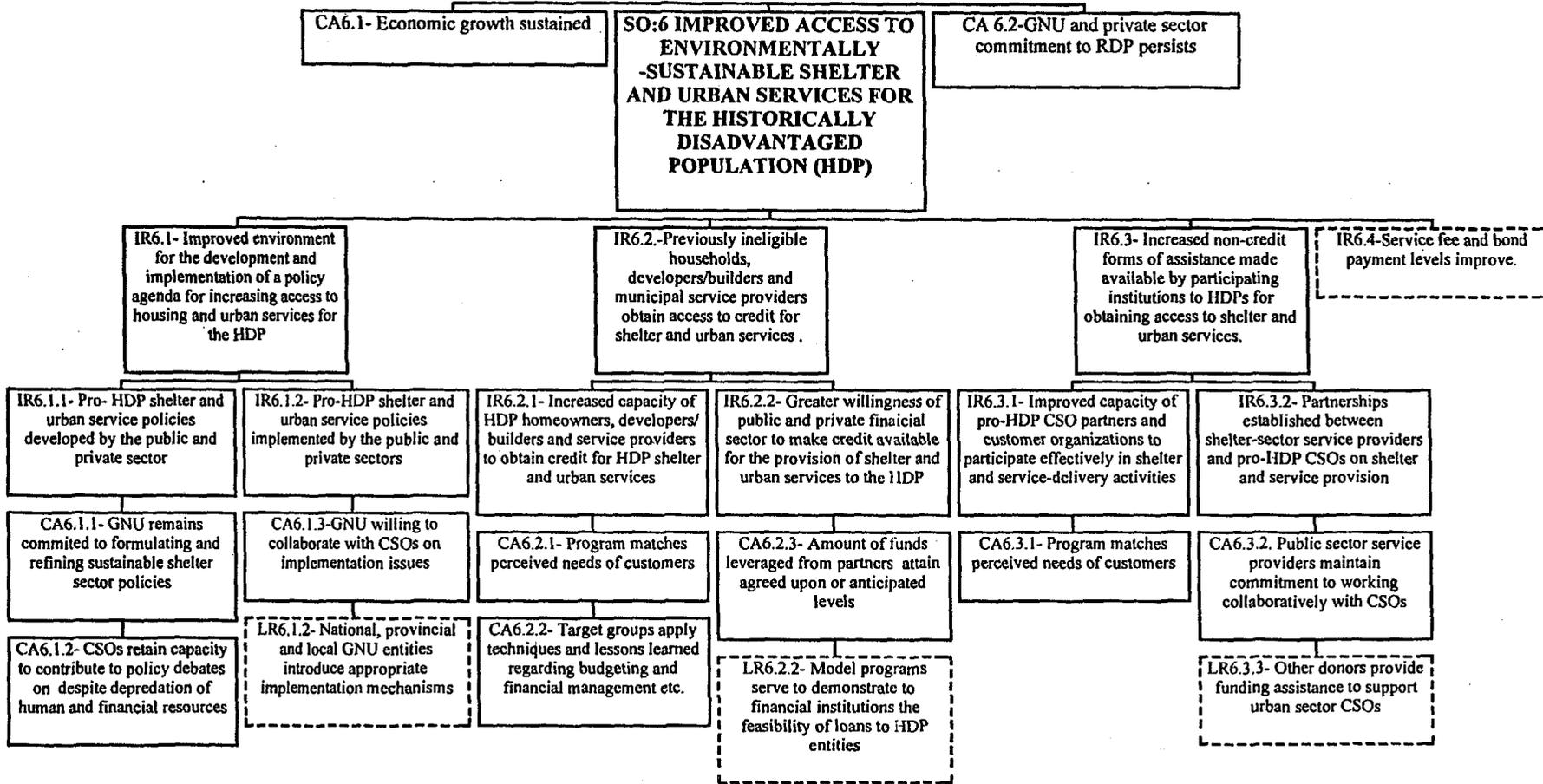
There are two proposed budget scenarios for SO6. The high option provides a total of \$33.1 million over a period of 4 years, while the low option provides \$27 million over a 3 year period. The high option represents the ideal funding scenario and permits USAID/South Africa to intervene at a funding level and over a time period that will ensure maximum impact. The low option (which involves an 18 percent cut) permits the carrying out of the majority of the anticipated activities and the consequent achievement of the associated results; but it significantly limits the scale and duration of USAID/South Africa's intervention.

From a quantitative point of view, the cut in funding translates into a loss for two of the three anticipated intermediate results: 6.1 (policy) and 6.3 (non-credit assistance). Intermediate Result 6.2 (credit-related assistance), which is closely linked to the HG loan program, remains unaffected. The reason for this is that Intermediate Result

6.2 is primarily funded out of the Housing Guaranty loan program which will provide \$133-\$150 million in funding for loans to Historically Disadvantaged Population households, builder/developers (and possibly municipalities), by private-sector, South African banks. It should be noted that, although the loan agreements were signed at the end of FY1994 and FY1995 respectively, only \$30 million has been borrowed to date, with the remaining borrowing expected to take place in \$15 to \$30 million tranches over the next four years. Hence, HG resources are essentially sufficient for the CSP period and threatened cuts in HG resources should not have an unduly-adverse effect on the program and planned results. Conversely, should additional HG funds be forthcoming, they would be utilized to expand and reinforce the loan programs, with special emphasis on providing credit to ever-lower income groups.

For Intermediate Result 6.1, the low option represents a \$2 million decrease which is manifested in the elimination of funding for two policy implementation activities: (a) environmental training programs and (b) the expansion of the sustainable cities/model cities program from the three metropolitan areas, where they are being established, to other secondary cities. For Intermediate Result 6.3 (non-credit assistance), the low option results in a \$4.1 million cut in funding and an associated 30 percent decrease in the funding of CSOs working with the lowest income groups and the homeless. The real program costs of decreased funding translates into less assurance that some of the more costly, labor-intensive, long-term outreach policies which deal with community-based CSOs and service providers will be fully implemented. Table 3. below provides specific information on the differences between the two options.

STRATEGIC OBJECTIVE 6 RESULTS FRAMEWORK



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Table 2. MONITORING FRAMEWORK FOR STRATEGIC OBJECTIVE 6	
STRATEGIC OBJECTIVES	INDICATORS
SO-6: Improved access to environmentally-sustainable shelter and urban services for the historically disadvantaged population (HDP).	6.a- Rand value of funds (including amounts leveraged) made available for environmentally-sustainable shelter and urban services intended for HDP households and communities by participating institutions.
	6.b- # of full or partial shelter units and urban environmental services made available for HDP communities by participating institutions.
6.1. Improved environment for the development and implementation of a policy agenda for increasing access to housing and urban services for the HDP.	6.1.a. Improvement in shelter policy environment (as measured by the USAID policy environment index).
6.1.1- Pro-HDP shelter and urban service policies developed by the public and private sector.	6.1.1.a- # and types of sustainable shelter policies , or policy development mechanisms, formulated and/or refined by GNU (in conjunction with CSOs) with special reference to issues of: - gender equity - affordability - environmental soundness - participatory processes
6.1.2 - Pro-HDP shelter and urban service policies implemented by the public and private sector.	6.1.2.a- Expanded application/implementation of shelter and urban service policies in support of above issues including: -housing loan & grant/subsidy programs -National Housing Finance Corporation, -Mortgage Indemnity Scheme -Builder Warranty Program -HDP outreach centers and assistance programs -environmental education programs & impact assessment training -sustainable cities & model cities
6.2- Previously-ineligible households, developers, builders, and municipal service providers obtain access to credit for shelter and urban services.	6.2.a- Rand increase in credit (including leveraged funds) made available for previously-ineligible HDP shelter and urban service projects by participating institutions.
6.2.1- Increased capacity of HDP households, developer/builders, and urban service providers (e.g., municipalities) to obtain credit for shelter and urban services destined for HDPs.	6.2.1.a- Mechanisms for strengthening households, developer/ builders and service providers credit worthiness utilized by targeted entities including: - budgeting methods - financial management & reporting - financial assessment mechanisms - bond/loan preparation
6.2.2- Greater willingness of public and private financial sector to make credit available for the provision of shelter and urban services to the HDP	6.2.2.a- new credit assistance mechanisms developed by participating institutions: - new loan products and programs - outreach & service mechanisms - cooperative programs gender focused programs and products
6.3 Increased non-credit forms of assistance made available by participating institutions to HDPs for obtaining access to shelter and urban services.	6.3.a- # of HDP households provided with non-credit forms of assistance (by USAID partners) linked to the acquisition of shelter and services such as: - kick-start grants/subsidies - water, sanitation, electricity etc.
6.3.1-Improved capacity of pro-HDP CSO partner and customer organizations to participate effectively in shelter and service delivery activities.	6.3.1.a- Shelter sector CSOs with improved capacity (as measured by the USAID organizational capacity index) with reference to factors such as: - visioning - planning - financial management - monitoring - networking
6.3.2- Partnerships established between shelter-sector service providers and pro-HDP CSOs on shelter and service provision.	6.3.2.a- # effective partnerships on shelter and service provision between public and private sector service providers (i.e., municipalities, service boards , corporations etc.) and CSOs representing HDP interests as evidenced by: - creation/use of consulting mechanisms - jointly promulgated programs/projects - gender provisions in programs

Table 2. MONITORING FRAMEWORK FOR STRATEGIC OBJECTIVE 6	
STRATEGIC OBJECTIVES	INDICATORS
SO-6: Improved access to environmentally-sustainable shelter and urban services for the historically disadvantaged population (HDP).	6.a- Rand value of funds (including amounts leveraged) made available for environmentally-sustainable shelter and urban services intended for HDP households and communities by participating institutions.
	6.b- # of full or partial shelter units and urban environmental services made available for HDP communities by participating institutions.
6.1. Improved environment for the development and implementation of a policy agenda for increasing access to housing and urban services for the HDP.	6.1.a. Improvement in shelter policy environment (as measured by the USAID policy environment index).
6.1.1- Pro-HDP shelter and urban service policies developed by the public and private sector.	6.1.1.a- # and types of sustainable shelter policies , or policy development mechanisms, formulated and/or refined by GNU (in conjunction with CSOs) with special reference to issues of: - gender equity - affordability - environmental soundness - participatory processes
6.1.2 - Pro-HDP shelter and urban service policies implemented by the public and private sector.	6.1.2.a- Expanded application/implementation of shelter and urban service policies in support of above issues including: -housing loan & grant/subsidy programs -National Housing Finance Corporation, -Mortgage Indemnity Scheme -Builder Warranty Program -HDP outreach centers and assistance programs -environmental education programs & impact assessment training -sustainable cities & model cities
6.2- Previously-ineligible households, developers, builders, and municipal service providers obtain access to credit for shelter and urban services.	6.2.a- Rand increase in credit (including leveraged funds) made available for previously-ineligible HDP shelter and urban service projects by participating institutions.
6.2.1- Increased capacity of HDP households, developer/builders, and urban service providers (e.g., municipalities) to obtain credit for shelter and urban services destined for HDPs.	6.2.1.a- Mechanisms for strengthening households, developer/ builders and service providers credit worthiness utilized by targeted entities including: - budgeting methods - financial management & reporting - financial assessment mechanisms - bond/loan preparation
6.2.2- Greater willingness of public and private financial sector to make credit available for the provision of shelter and urban services to the HDP	6.2.2.a- new credit assistance mechanisms developed by participating institutions: - new loan products and programs - outreach & service mechanisms - cooperative programs gender focused programs and products
6.3 Increased non-credit forms of assistance made available by participating institutions to HDPs for obtaining access to shelter and urban services.	6.3.a- # of HDP households provided with non-credit forms of assistance (by USAID partners) linked to the acquisition of shelter and services such as: - kick-start grants/subsidies - water, sanitation, electricity etc.
6.3.1-Improved capacity of pro-HDP CSO partner and customer organizations to participate effectively in shelter and service delivery activities.	6.3.1.a- Shelter sector CSOs with improved capacity (as measured by the USAID organizational capacity index) with reference to factors such as: - visioning - planning - financial management - monitoring - networking
6.3.2- Partnerships established between shelter-sector service providers and pro-HDP CSOs on shelter and service provision.	6.3.2.a- # effective partnerships on shelter and service provision between public and private sector service providers (i.e., municipalities, service boards , corporations etc.) and CSOs representing HDP interests as evidenced by: - creation/use of consulting mechanisms - jointly promulgated programs/projects - gender provisions in programs

Table 3. SUMMARY OF EXPECTED FUNDING ALLOCATIONS BY INTERMEDIATE RESULTS AND BY OPTIONS FOR STRATEGIC OBJECTIVE 6

SO-6: Improved access to environmentally- sustainable shelter and urban services for the historically disadvantaged population (HDP)

Intermediate Results	\$ millions	
	High Option	Low Option
6.1 Improved policy environment for facilitating access to housing and urban services for the HDP.	12.1	10.1
6.1.1- Pro-HDP shelter and urban service policies developed by the public and private sector.	4.1	4.1
6.1.2 - Pro-HDP shelter and urban service policies implemented by the public and private sector.	8.0	6.0
6.2- Previously-ineligible households, developers, builders, and municipal service providers obtain access to credit for shelter and urban services.	6.6 (HG=\$150.0)	6.6 (HG=\$133.0)
6.2.1- Increased capacity of HDP developer/builders, and urban service providers (e.g., municipalities) to obtain credit for shelter and urban services destined for HDPs.	4.3	4.3
6.2.2- Greater willingness of public and private financial sector to make credit available for the provision of shelter and urban services to the HDP.	2.3	2.3
6.3 Increased non-credit forms of assistance to the HDP for obtaining access to shelter and urban services.	14.4	10.3
6.3.1-Improved capacity of pro-HDP CSO partner and customer organizations to participate effectively in shelter and service delivery activities.	10.3	8.2
6.3.2- Partnerships established between shelter-sector service providers and pro-HDP CSOs on shelter and service provision.	4.1	2.1
TOTAL DFA	33.1	27.0

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Annex B: RDP Priorities and USAID South Africa Results Framework

**USAID/South Africa
Goal: Sustainable Transformation**

Sub-goal: Political, Social, Economic Empowerment¹
 Increased political participation
 Improved educational status
 Improved health status
 Improved economic growth and equity

**USAID/SA
Strategic Objective 1**
 Democracy, governance, and capacity for participatory development strengthened

3. Democratizing the state and society (RDP)

The new constitution & the Constituent Assembly
 National and provincial government

**USAID/SA
Strategic Objective 2**
 Transformed education system based on equity, access, and quality

2. Developing our human resources (RDP)

Education and training (SO2)⁷
 Literacy
 Further education and skills (SO2)

**USAID/SA
Strategic Objective 3**
 More equitable, unified, and sustainable systems delivering integrated primary health care

1. Meeting basic needs (RDP)

Jobs
 Land (SO1)⁸
 Housing (SO6)
 Water
 Electricity

**USAID/SA
Strategic Objective 4**
 Improved capacity of key government and NCO entities to formulate, evaluate, and implement economic policies and promote economic growth and equity

4. Building the economy (RDP)

Industry, trade and commerce (SO4/SO5)¹⁰
 Mining and minerals
 Agriculture, fisheries

**USAID/SA
Strategic Objective 5**
 Improved access to financial markets for the historically disadvantaged population

4. Building the economy (RDP)

Industry, trade and commerce (SO4/SO5)
 Mining and minerals
 Agriculture, fisheries and forestry

**USAID/SA
Strategic Objective 6**
 Improved access to environmentally sustainable shelter and urban services

1. Meeting basic needs (RDP)

Jobs
 Land (SO1)
 Housing (SO6)¹⁴
 Water
 Electricity

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(SO1/SO2/SO3/SO4/
SO5/SO6)²
Security forces
Administration of
justice (SO1)³
Public sector
Local government
(SO1/SO6)⁴
Civil society (SO1)⁵
Democratic
information
programme (SO6)⁶

(RDP priorities)

Arts and culture
Sport and recreation
Youth development
(SO2)

(RDP priorities)

Telephones
Transport
Environment (SO6)
Food
Health Care (SO3)⁹
Social Security and
Welfare

(RDP priorities)

and forestry
Tourism
Upgrading
infrastructure
Reform of the
financial sector
(SO5/SO6)¹⁰
Labor and worker
rights (SO1)¹¹
Southern African
regional policy
(SO4/SO5/SO6)¹²

(RDP priorities)

Tourism
Upgrading
infrastructure
Reform of the
financial sector
(SO5/SO6)¹³
Labor and worker
rights (SO1)
Southern African
regional policy
(SO4/SO5/SO6)

(RDP priorities)

Telephones
Transport
Environment (SO6)¹⁵
Food
Health Care (SO3)¹⁶
Social Security and
Welfare

(RDP priorities)

5. Implementing the RDP (Financing the RDP)

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DNOTES: (RDP Priorities and USAID/South Africa Results Framework)

- 1 **USAID/South Africa's six strategic objectives (SO) are consistent with the six key areas of the Reconstruction and Development Programme (RDP). However, the elements under each RDP area are not (a) all addressed by USAID or (b) addressed under that particular SO. The elements shown in bold are consistent with USAID/South Africa's strategy.**
2. **The level of USAID involvement across different levels of government varies by sector and by focus province.**
3. **Bilateral agreement with the Ministry of Justice involving partnerships with non-governmental organizations.**
4. **In most cases, USAID/South Africa's entry point is at the provincial level. Work on democracy/governance will have spill-over effects at the local government level. Work on financing mechanisms for housing and urban infrastructure is targeted at the municipal level.**
5. **Strengthening partnerships between civil society and government is a USAID/South Africa cross-cutting theme.**
6. **While information related to democracy is a focus area under SO, the "democratic" dissemination of information and "democratic" input necessary for policy-making is another cross-cutting theme.**
7. **Includes strengthening of higher education institutions (universities and technicians) and centers of excellence, such as Economic Policy, Schools of Government, Health Administration, Educational Administration, and possibly Environment (Environmental Impact Assessments).**
8. **Work is limited to land policy.**
9. **Integrated primary health care, particularly in focus province.**
10. **Policy advocacy, financing mechanisms, and capacity-building for Micro-small-medium enterprises are focus areas.**
11. **Activities initiated with labor Nos.**
12. **In conjunction with the Initiative for Southern Africa and the Southern Africa Enterprise Development Fund.**
13. **Financing mechanisms for providing credit for business and provision of shelter and environmentally sound services.**
14. **Housing guaranty programs and urban infrastructure development.**
15. **Focus on environmental impact assessment and the urban environment.**
16. **Integrated primary health care, particularly in focus province.**

Annex C
“Special Emphasis Area”
U.S.-South Africa Binational Commission
(BNC)

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Acronyms

Binational Commission	BNC
Department of Mineral and Energy Affairs	DMEA
Environmental Protection Agency	EPA
Exchange Support Fund	ESF
Global Bureau’s Environmental Directorate	G/ENV
Global Bureau's Office of Energy, Environment and Technology	G/ENV/EET
Human Resources Development and Education	HRD/E
Keep South Africa Beautiful Association	KSAB
Non-governmental organizations	NGOs
Private Voluntary Organizations	PVOs
Reconstruction and Development Program	RDP
Renewable Energy for South Africa	REFSA
Renewable Energy for African Development	REFAD
Southern Africa Environment Project	SAEP
Sustainable Development Resource Center	SDRC
Terms of Reference	TOR
Transition Support Fund	TSF
World Wildlife fund	WWF

**“Special Emphasis Area”
U.S.-South Africa Binational Commission
(BNC)**

I. Background

In March 1995, President Clinton's initiatives to establish a Binational Commission (BNC) between the U.S. and South Africa, bore fruit. The Commission would be modeled along the lines of similar commissions established with Russia and Egypt. The broad objective would be to use public sector-led programs to catalyze and foster sustainable relationships between our countries -- relationships which would extend well beyond public sector boundaries, to include all elements of U.S. and South African civil societies, non-governmental organizations (NGOs), private voluntary organizations (PVOs), private sectors, university communities, etc. Initial areas of focus for South Africa, to be guided by sector committees, would be:

- Human Resources Development and Education
- Science and Technology
- Environment and Conservation
- Agriculture
- Energy
- Business Development

II. USAID/South Africa and the BNC

Given USAID/South Africa's historic and continuing substantial involvement in the human resources development and education sector, the Mission expected to be substantively engaged in the committee established to guide this aspect of the BNC. This expectation was underscored with the appointment of Administrator Atwood as the Co-Chair of the Human Resources Development and Education (HRD/E) Committee.

Terms of Reference (TOR) for this committee were signed in December 1995. They are somewhat broad and include:

- Cooperation in specific areas of Human Resources Development and the Education and Training sectors, including direct government-to-government cooperation, public/private partnerships, and cooperation between non-governmental organizations and private sector firms and associations in South Africa and the U.S.;
- Policy, regulatory and other barriers to smooth implementation of cooperation programs and solutions to such barriers;
- Exchange of information on current South Africa-U.S. Human Resources Development and Education and Training activities, especially those supported by the government of South Africa or the U.S.;
- Review, agree upon program priorities, provide policy support and visibility to currently-planned or ongoing initiatives.

The breadth of these TOR, to some extent, reflects the broad make-up of the initial (12) ministries and other agencies represented on the South African side of this committee. The Mission anticipates that, as the work of the committee is refined more, the committee may narrow its effective focus somewhat.

Beyond the HRD/E Committee, USAID/South Africa continues to demonstrate an interest in broadly comprehending policy objectives and program initiatives of other committees. With this insight, the Mission's policy towards the BNC has been and will continue to be alert to (a) identifying possible intersections and perceived opportunities for integration of and/or collaboration between USAID/South Africa's programs and the initiatives of other BNC committees, and (b) ensuring that our declining resource base remains tightly focused on the Mission's own strategic objectives, and not be unduly eroded in support of BNC objectives which are not congruent with our program. With this in mind, the Mission's programmatic involvement in the HRD/E and other committees of the BNC is duly presented in Part II of the CSP as integral, relevant contributions to our strategic objectives. Details of this involvement are specified in the more extensive strategic objective presentations in Annex 1.

Notwithstanding the above policy, USAID/South Africa has faced considerable pressure to expand and deepen its involvement in and support of the BNC. As an important yet declining element of the USG program in South Africa, the Mission recognizes that its program must be clearly committed to ensuring that our program is broadly supportive of the objectives of the BNC. Indeed, sustainable development and catalyzing lasting relationships between our society and those in which USAID programs operate, is a hallmark of the Agency's *modus operandi*, and, thus, is not new to USAID/South Africa. However, we need to ensure that the Mission's support of the BNC objectives is consistent with our own strategic objectives, and does not detract from these objectives. In this manner, nearly all of the activities and programs supported should be (and are) integral to our program, and are not simply an appendage to that program.

In response to the considerable pressure to expand the Mission's programmatic involvement in the BNC, often at the expense of our own strategic objectives, it is helpful to be reminded of the view of White House staffers responsible for coordinating the BNC, that the USG never intended the BNC to result in a "run on USAID's limited resources." The original concept behind the BNC was and remains *to examine how available public sector resources can be utilized within existing legislative and statutory authorities to facilitate linkages between U.S. and South African institutions, (public and non-public alike)* -- linkages that would out-last the program which catalyzed initial contacts. This concept was underscored by both U.S. Vice President Gore and South Africa Deputy President Mbeki during the first, full meeting of the BNC in December 1995. They both called for *all* committees of the BNC to submit by April 1, 1996, proposed strategies and approaches to ensure the substantive, continuing involvement of the non-public sector(s) in the programs of work of these committees.

III. USAID (Agency) and the BNC

Beyond USAID/South Africa's program support to the BNC which are integral to our country program and strategic objectives, the Mission and the Agency, more broadly, is supporting the BNC as well. Following is a summary of this involvement.

A. Overarching Support to BNC

In August 1995, USAID/South Africa transferred \$1 million out of the Transition Support Fund (TSF) Project to USIA/South Africa under an Inter-Agency Agreement (Agreement) to sponsor programs to

support the BNC. The funds, now called the Exchange Support Fund (ESF), are used to support exchanges and visits to strengthen the involvement of South Africans' in the design and development of the first activities under the six BNC committees. This program supports the Administration's broader policy towards South Africa, and the expansion of U.S. Government agency coordination. It is not linked to any of the USAID/South Africa strategic objectives. USIS/South Africa is fully responsible for the administration and implementation of the ESF and liaising with representatives of the six BNC committees. While USAID/South Africa monitors each ESF program activity to ensure that it falls within the scope of the Agreement, USAID has ceded overall program management responsibility to USIS/South Africa.

B. Energy and Environmental Committees

Following is information on Agency centrally-funded environmental activities involving South Africa. The focused is only on activities which are underway or for which some planning has taken place. We anticipate that the Energy and Environment Committees of the Binational Commission will continue to identify environment and energy activities in the out-years and submit them to the Agency for funding. We further anticipate that the collaboration between Global Bureau's Environmental Directorate (G/ENV) and the Mission will increase over time. Therefore, this list is not comprehensive, particularly given the extended 8 - 10 year time frame of the Mission's Country Strategic Plan. A key element of the Agency's involvement in these committees, however, is and should continue to be full management by the Global Bureau and other elements of the Agency of their program initiatives. Mounting staffing and other constraints facing USAID/South Africa render it impossible for us to take on added management burdens for activities not supportive of our program strategy.

Approved Binational Commission Projects

1. Interior Department Programs

There are two Interior Department activities which include USAID funding. Both have been approved Environment and Conservation Committee of the Binational Commission. The Interior Department is also implementing other activities in South Africa using its own funding.

a. Support for Richtersveld National Park

USAID has provided \$50,000 in FY 95 funds to fund technical assistance from U.S. Department of Interior to the National Parks Board of South Africa in developing park management techniques and infrastructure at Richtersveld National Park. This assistance is being provided through the Partnership for Biodiversity (which involves Participating Agency Service Agreements, PASAs, between USAID and the Department of the Interior and the Peace Corps). The initial focus is on recreational trail design and maintenance and monitoring and management of livestock with the objective of preserving nomadic pastoralism by Nama herdsmen. This is a two year (FY96-97) effort.

This activity will result in: (1) the transfer to South Africans of technical skills in the design and maintenance of park trails for ecotourism; and (2) development of a pastoral grazing management plan.

Management responsibility will rest with the National Parks Board of South Africa, which will be assisted by the U.S. Bureau of Land Management, Department of the Interior.

b. Proposal to Develop a Southern Africa Environment Page on the World Wide Web

The Southern Africa Environment Project (SAEP) has submitted a proposal to the USAID-funded Partnership for Biodiversity for funds to launch a Southern Africa Environment Page on the Internet's World Wide Web. The purpose will be to provide a vehicle for timely reporting on new developments and analysis and opinions in environmental law and policy. This effort will support and reinforce the activities of the grantees (which include SAEP) under USAID/Pretoria's grant (Cooperative Agreement No. 674-0312-A-00-5052-00) to develop an Urban Environmental Education Program for South Africa, which involves education and capacity-building at the provincial and community level in a wide variety of urban environmental issues.

Coverage of the Page may expand and change according to the needs and interests of the target audiences and the funds and other resources, including human resources, available for the project. SAEP is requesting \$15,000 to launch this activity over a 12 month period. Additional funding will be sought to implement and expand the project. USAID is only providing the seed money.

The proposed project will be undertaken in partnership among SAEP, the Department of Interior, and Rhodes University and will appear as part of the University's Law Department Home Page. Rhodes University will supply the service provider space and connections for the Page, thereby covering a major cost of the project. Rhodes will also provide, free of charge or at low cost, technical assistance in designing and maintaining the Page. Contributions to the content of the Page will be made by members of the law faculty and other departments at the University.

SAEP will use its extensive contacts to concentrate in the first instance on the Eastern Cape Province, where Rhodes University is located and where SAEP is working with a local environmental community-based organization, the Ubuntu Environmental Trust (Port Elizabeth), and the Wildlife Society of Southern Africa, the country's largest environmental membership organization, on a project to develop an urban environmental education program funded by the United States Agency for International Development.

The Department of Interior will provide on-going information and expertise on international environmental agreements and issues and provide advice on electronic communications. The Department of the Interior will manage the project.

2. Renewable Energy for South Africa (REFSA) Initiative

G/ENV/EET is providing a \$1.1 million contribution for a financing mechanism through which the South African Government's Reconstruction and Development Program (RDP) will provide electricity via renewable energy technologies over fifteen years. The beneficiaries will be roughly 2.5 million rural households that are unlikely to be reached by the electric grid. This activity has been approved by the Energy Committee of the Binational Commission.

USAID's contribution will be channeled through one of G/ENV/EET's existing cooperators - Renewable Energy for African Development (REFAD). REFAD will hire a South African to be the program director in charge identifying needs and promoting renewable energy. G/ENV/EET will be responsible for managing REFAD.

The organization that will implement the financing mechanism is Renewable Energy for South Africa (REFSA). REFSA will begin operations in the first quarter of 1996 by launching a number of pilot

projects designed to identify possible off-grid electrification delivery models. It is anticipated that, in its project management capacity, REFAD will sit on the REFSA Board of Directors.

In addition to the \$1.1 million being contributed by G/ENV/EET, the South African Department of Mineral and Energy Affairs (DMEA) will provide initial funding to REFSA. Additional money may come from the RDP fund. No other USAID funds are going into the REFSA Initiative.

The REFAD staff director was in South Africa in early December 1995 and met with Mission staff to discuss REFSA and management issues. Mission staff made it clear that while they are enthusiastic about the program, they can only offer limited support

As this activity falls outside the USAID/Pretoria strategic plan, the Mission will not provide financial or management support. REFAD will keep USAID/Pretoria staff apprised of developments (as well as TDYs) through reports, updates, and briefings where schedules permit.

Proposed Binational Commission Projects

3. Environmental Protection Agency (EPA) Programs

There EPA submitted four proposals to G/ENV for funding consideration. These proposals involved:

- a. **Solid Waste Disposal through the Keep South Africa Beautiful Association. This is a \$100,000 request to assist the solid waste management and training efforts of the Keep South Africa Beautiful Association (KSAB).**
- b. **Expansion of the Soweto Air Monitoring Station in Unelectrified Areas. The EPA requested \$50,000 from USAID for the expansion of the Soweto Air Monitoring Station, including the establishment of seven additional locations. The station monitors air quality in Soweto, one of South Africa's largest majority communities, and serves as a training and environmental education outreach center.**
- c. **EPA Interactive Workshops in South Africa. The EPA requested \$59,600 from USAID for a series of interactive workshops in South Africa, including a training course entitled: "Principles of Environmental Compliance and Enforcement".**
- d. **Neediwe Community Development Organization. The EPA requested \$50,000 to support the efforts of the Neediwe Community Development Organization to develop environmental education and training programs in the areas of water quality and pesticide management.**

Given current budgetary constraints, G/ENV does not have the funds required to finance these requests. However, G/ENV does have, within its existing staff and portfolio, the capacity to provide technical assistance and related support for projects such as those proposed. Therefore, upon receipt of Mission concurrence, G/ENV will explore with the EPA alternative approaches for implementing these or related activities under G/ENV auspices using existing G/ENV staff and resources.

4. South African Sustainable Development Resource Center

During Secretary O'Leary's August 1995 visit to South Africa, a Memorandum of Understanding was signed between USAID, Earthkind, the U.S. Department of Energy, and the World Wildlife fund (WWF)

of South Africa in which the parties agreed to cooperate in the creation of a Sustainable Development Resource Center (SDRC). The Center is intended to provide South Africans with access to global and local resources for sustainable development in the public and private sector, with an initial focus on energy efficiency. Once this initiative is fully underway, the focus will expand to encompass renewable energy, pollution prevention, and other alternative energy and environmental technologies.

Approximately \$30,000 in funding has been provided by the Global Bureau's Energy Efficiency Project through its contractor, Hagler Bailly, for definitional work. In addition, \$300,000 in financial support for the Center was pledged by AA/M Larry Byrne during his August 1995 trip to South Africa. In addition to as yet unspecified "in-kind" contributions from the U.S. Department of Energy, Earthkind has received verbal pledges of funding from the World Bank and the Dutch Government.

Management responsibility for this activity will rest with the Global Bureau's Office of Energy, Environment and Technology (G/ENV/EET), in consultation with USAID/South Africa.

C. Science and Technology Committee

No Agency funds are currently or anticipated to be allocated in support of the objectives of this committee. Several activities have been proposed for funding consideration by USAID/South Africa. However, as such do not support the Mission's strategic objectives, the Mission does not foresee supporting BNC activities of this committee, nor is the Mission aware of any consideration of such funding by USAID/W entities.

D. Business Development Committee

No Agency funds are currently or anticipated to be allocated in support of the objectives of this committee. Several activities have been proposed for funding consideration by USAID/South Africa. However, as such do not support the Mission's strategic objectives and given sharp declines in available funding for private sector activities over the strategy period, the Mission does not foresee supporting BNC activities of this committee, nor is the Mission aware of any consideration of such funding by USAID/W entities.

E. Agriculture Committee

No Agency funds are currently or anticipated to be allocated in support of the objectives of this committee. Initially, agriculture was a focus of the HRD/E Committee, until the recent agreement that agriculture would constitute a separate committee.

ANNEX D
Gender Analysis

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ANNEX D: GENDER ANALYSIS¹

1. INTRODUCTION

Freedom cannot be achieved unless women have been emancipated from all forms of oppression. To this end, we have acknowledged that the objectives of our Reconstruction and Development Program (RDP) will not be realized unless we see, in visible and practical terms, that the condition of the women of our country has radically changed for the better, and that women at every level have been empowered to intervene in all aspects of life as equals with any other member of society.

President Mandela: State of the Nation Address (1995)

The women of South Africa have lived, in varying degrees, under three forms of oppression: race, class and gender. African working class women have borne the brunt of the country's history of racial oppression.

The adoption in 1993 of the Interim Constitution of the Republic of South Africa and a Charter of Fundamental Rights has created a new context for the struggle for gender equality. Equality for women is enshrined in the Preamble and in Chapter 3 (Fundamental Rights) and in the Constitutional Principles which bind the Constitutional Assembly tasked with drafting the final Constitution. The Constitution also specifically prohibits discrimination on grounds such as race, gender, sexual orientation, ethnicity or social origin.

In April 1994, with the first all-race national elections, South Africans took a massive leap forward and changed the country's course from apartheid rule to a non-racial and non-sexist democracy. A Government of National Unity (GNU) under President Nelson Mandela, inaugurated in May 1994, marked the shift in power. The GNU's Reconstruction and Development Program (RDP) raises the position and interests of women on virtually every page. The GNU has also recognized the history of the struggle of South African women for equality by making 9 August, National Women's Day, a public holiday.

Several key historical events representing women's struggles laid the basis for what exists today. Women initiated the early anti-pass campaign in 1913. The first women's charter in South Africa was developed by women from the Congress of Democrats (COD), the Indian Congress, the Colored People's Congress and the African National Congress (ANC) Women's League in 1954. Clauses of this charter were sent for inclusion in the Freedom Charter. These same women organized the historic march of 20,000 to the Union Buildings in August 1956, saying: "Strijdom, you have struck the women, you have struck a rock."

Strong regional women's organizations, such as the United Women's Congress (UWC), Natal Organization of Women (NOW), Port Elizabeth Women's Organization (PEWO) and the Federation of Transvaal Women (Fedraw), as well as women's formations in the trade unions, developed in the eighties. These women's groups represented the non-governmental organizations (NGOs) of South Africa at the Women's Conference in Nairobi in 1985.

Today, South African women are at last faced with the prospect of fair treatment. Many of these possibilities must be translated into action. Women are aware that the rights enshrined in the Constitution will remain paper guarantees unless all South Africans -- women and men -- take concerted action to turn these rights into policy and laws, along with the attendant enforcement and implementation mechanisms.

¹This report is based largely on the Beijing Conference Report: 1994 Country Report on the Status of South African Women which was prepared by the Government of National Unity, in collaboration with non-governmental organizations.

II. THE GENDER SITUATION

A. Sustainable Transformation Challenges

Gender differences in South Africa can best be understood in the context of race, class, and location. Apartheid South Africa worked on and emphasized racial divisions -- with "Black" used to refer to African, colored and Indian descent and "White" used to refer to European descent. Although difficult to quantify and classify, class is an important variable because of South Africa's high Gini-coefficient of 0.65, one of the highest in the world. To the extent that class often coincides with race, the race breakdowns generally serve as a proxy for class. Significant regional differences within South Africa exist as well.

Apartheid and the previous form of economic development have left some of the nine provinces of the new South Africa in a much poorer position than others. Migrant labor, restrictions on the movement of African people, especially African women and differing economic opportunities, have changed the male/female demographic characteristics in different parts of the country.

1. Policy Environment

The Reconstruction and Development Program (RDP) provides the policy framework for the transformation of South African institutions necessary to improve the standard of living and quality of life for all. The RDP contains five interrelated programs: meeting basic needs, developing human resources, democratizing the state and society, building the economy, and implementing the RDP.

2. Constitutional Framework

The Convention for a Democratic South Africa (CODESA) negotiators adopted a set of principles called the "Declaration of Intent" which characterizes South Africa as a "united, non-racial and non-sexist state." The Constitutional Principles state that:

The Constitution shall prohibit racial, gender and all other forms of discrimination, and shall promote gender equality and national unity (Constitutional Principle III)

Equality before the law includes laws, programs or activities that have as their object the amelioration of the conditions of the disadvantaged, including those disadvantaged on the grounds of gender (Constitutional Principle V).

The 1993 Constitution includes a Charter of Fundamental Rights. Much political and legal debate, largely centered on the constitutional entrenchment of social and economic rights as directives of state policy or as substantive rights, preceded the drawing up of this charter. Some social rights, namely, children's rights, the right to education and the right to a healthy environment, are present in the Charter's current version.

One of the debate issues was the extent to which the Charter could be used to challenge inequality in the private sphere, and in common and customary law. Although the wording of the Charter is not unequivocal, some argue that the fundamental rights enshrined in the Charter do apply in the interpretation of common and customary law. However, it is unlikely that the Charter provides an independent course of action against institutions of private power, such as customary law. Women will have to advocate and work for the enactment of legislation on discrimination and inequality.

3. Legislative Framework

There is currently no major legislation that provides comprehensive protection against inequality or discrimination. Legislation on discrimination and affirmative action is being drafted. The Women's National Coalition launched its Charter for Effective Equality on National Women's Day, 9 August 1994. This charter has no legal status, it will

form the basis of political, legal and legislative strategies for equality, as well as be a source in the writing of the final Constitution.

Below is a summary of amendments to the law which highlight improvements in women's legal status. Continuing problems are also briefly noted.

1992: Law was amended to allow women to have a domicile of her own.

1993: The obstacles to citizenship of, and through, women have been removed with amendments to the law.

1992: The Age of Majority Act (Act 57 of 1972) confers majority status on all persons reaching the age of 21 years. Common law provides that marriage also confers majority on all persons. However, section 11(3)(b) of the Black Administration Act, 1927 (Act 38 of 1927), states that women married according to customary law and living with their husbands are minors subject to their husbands' guardianship. Women living in KwaZulu-Natal, who are subject to the Natal Code, are excluded.

1961: Marriage Act (Act 25 of 1961) states that "All marriages that are considered to be potentially polygamous do not enjoy full recognition by, and protection of the law." This includes both Muslim and African customary marriages, and is particularly onerous in respect of spousal maintenance and succession.

Some reforms have been brought about within African customary marriages so that customary wives have been recognized for the purposes of obtaining pensions (also women married under Muslim customary rites), claiming workman's compensation, inheritances and maintenance.

1984; 1988, and 1993: Amendments to the marriage laws removed the marital power from all marriages. However, this excludes women married according to customary law and those living in KwaZulu-Natal who are subject to the Natal Code, and, remain subject to marital power.

1984, 1988 and 1993: Amendments mean that unless an alternative contract has been drawn up, all women are automatically married in community of property and, together with their husbands, are joint administrators of the matrimonial estate. Verbal or written spousal consent is required for dealing in all joint property. However, problems remain, especially for women whose husbands have left them. Women may enter into an ante-nuptial contract to exclude community of property and may also apply the accrual system which refers to the equal sharing of the profits of the marriage between the two spouses. Ante-nuptial contracts (ANCs) generally exclude the accrual system, unless otherwise specified. During divorce hearings, courts tend to follow a practice of granting the woman only one-third of the estate.

1985 and 1987: Limited recognition was given to the problems of women's status in customary law by presuming full legal capacity for the purpose of acquiring, protecting and disposing of leasehold and freehold rights to land in certain urban areas.

1987: The position of surviving wives in a situation of intestate succession was improved. Two critical areas of concern for women remain. Firstly, women have no rights to inherit directly from the estate of their husbands in African customary law. Secondly, African women who are married by civil rites and out of community of property (the common practice prior to amendments in 1988) are rendered subject to the customary law of inheritance by the Black Administration, 1928 (Act 38 of 1928). Further, women experience many administrative and procedural impediments in seeking to claim their inheritance rights.

1988: The law was amended to give precedence to prior customary marriages (prior to 1988 the civil marriage took precedence over the former customary marriage. The customary wife then had no rights, save for inheritance rights.) In practice, these rights are extremely difficult for rural women to implement and require strong regulatory measures.

1993: Law amended the common law position which made the married father the sole guardian of the children. Under the new law, parents share guardianship. Unmarried mothers, however, continue to be the sole guardian of their children. Child support continues to be a problem despite recent amendments to the law. According to the law, both parents are responsible for the support of their children in proportion to their means. Legally, this applies irrespective of whether or not the couple was ever married. In practice, women, who usually retain custody, carry the burden of support. Nonsupport is a criminal offense, but sanctions are seldom imposed. While many of the problems lie in the inability of people to pay, others lie in the administration of the Maintenance Courts.

Women continue to be discriminated against in the workplace. Women experience an enormous amount of direct and indirect discrimination in the workplace, including unequal pay and benefits discrimination in tax; no guaranteed maternity benefits or job security, and disparities in medical, pension and housing subsidies, among other things. Women are also subject to a high degree of racial and sexual harassment.

The labor law framework tends not to recognize the position of women workers, and in particular the double burden of work in the workplace and in the home. The labor law framework has been based on the concept of "an unfair labor practice." This has meant that the degree of legal protection has been complaints driven and determined by judicial interpretation. In the last few years, the Industrial Court has heard few cases concerning gender inequality. Exceptions to this include several cases on pregnancy which have given limited protection against dismissal on the basis of pregnancy, and a couple of cases on sexual harassment which have found that it is the duty of the employer to maintain an environment free from sexual harassment.

1966: The Labor Relations Act and the Unemployment Insurance Act (Act 30 of 1966), which cater for both unemployment and maternity benefits, do not cover domestic workers, public service workers, casual workers and the self-employed. Women thus form a substantial proportion of those who are excluded from the provisions of these Act.

1983: Basic Conditions of Employment Act (Act 30 of 1983) is extended to domestic workers and farm workers. However, there is little protection for women in the so called informal sector and no general anti-discrimination law exists. Nor is there any body of statutory law dealing adequately with such issues as sexual harassment, equal pay and parental rights.

1990: The separate taxation of husbands and wives was achieved. Anomalies and inequalities remain as a result of the categorization of women as "married persons" (usually divorced or widowed women with depend ants) or "married women". The latter pay more tax than the former at lower income levels, but less at higher levels.

4. Institutional Arrangements

Machinery at National Level

Prior to 1994 there was little national machinery for the advancement of women. During the past three years, there has been a vibrant debate among women as to the nature and scope of the national machinery under a new democratic government. There was a degree of consensus that:

women should seek to achieve a "package" of mechanisms and institutions at various levels of government; and

a coordinated set of women's desks under a key department, was preferable to a separate Women's Ministry.

The task of developing and reconstructing South Africa is being coordinated under the auspices of the RDP. This is headed by the Minister without Portfolio who is expected to liaise with the relevant government departments. The question of national machinery falls under the auspices of the RDP and is currently being discussed by the Cabinet. The establishment and/or nature of coordinating mechanisms in and between specific ministries will depend on the national machinery which has still to be decided, as well as upon the extent to which the technical ministries place women in high positions within their departments.

A Commission for Gender Equality has been established in terms of the 1993 Constitution to "promote gender equality and to advise and make recommendations to Parliament or any other Legislature with regard to any laws or proposed legislation which affects gender equality and the status of women" [section 119(3) of the Constitution]. The legislation to determine the terms of reference, and powers and functions of this Commission had yet to be enacted.

Non-governmental Organizations for the Advancement of Women

The issue of women has only seriously been on the agenda for the last six or seven years, through conferences, workshops, and draft documents, largely organized by NGOs, and centered round constitutional debates.

1988: The ANC issued the first draft of its constitutional guidelines. Although gender was mentioned in these guidelines, it did not enjoy the same status as race and was somewhat cursorily dealt with.

1989 (April): The Institute for a Democratic Alternative for South Africa (IDASA) hosted a women's conference in Harare.

1989 (August): IDASA hosted a further conference on "Women and the Constitution" in Cape Town.

1989 (December): The legal/constitutional committee and women's section of the ANC, at that time still banned, held an in-house seminar in Lusaka. This meeting reviewed the previous guidelines and the inadequacies in respect of gender.

1990 (January): The Women's Section of the ANC and the Dutch Anti-Apartheid Movement hosted the Malibongwe Conference on "Women United for a Unitary Non-Racial Democratic South Africa" in Amsterdam. The conference was attended by approximately 170 South Africans, 100 of whom came from South Africa.

1990 (October): The South African Council of Churches (SACC) hosted a conference on "Women and the Constitution" in Durban.

1990 (November): Lawyers for Human Rights organized a conference "Putting Women on the Agenda." Soon after that conference, the ANC's constitutional committee held a conference in Cape Town entitled "Gender Today and Tomorrow."

1990: The DP Women's Forum held a conference on gender.

1991 (February): The Gender Research Group at the University of Natal hosted a "Women and Gender in Southern Africa" conference.

1991 (April): The ANC Women's League was re-established inside the country. Many of the existing anti-apartheid women's organizations disbanded and became part of the League.

1991 (July): For the first time, the ANC was able to hold an open national conference inside the country. One of the most hotly contested issues then was the "quota" debate.

The Women's National Coalition was launched, with the aim of drawing up a Women's Charter and ensuring that women's rights were entrenched in the new Constitution through a process that empowered women. By mid-1994, there were 79 organizations affiliated to this national body, and about 13 regional coalitions. The regional coalitions, in turn, united several local organizations each. Membership of the Coalition is open both to women's organizations and to mixed-sex or more general organizations with women members. The affiliated organizations cover a wide range. They include those concerned with advocacy, human rights and promotion of non racialism, political parties and groups, occupational and professional organizations, religious groups, community organizations and associations, and service and special interest groups. Further activities followed the establishment of the Women's National Coalition. The Coalition itself held many internal conferences, meetings, and workshops. The Coalition also formed the NGO Secretariat for Beijing. The Secretariat has compiled Women's Organizations in South Africa: A Directory which includes information on both South African women's organizations and organizations providing services to South African women.

The concerted organization of gender issues within the trade union movement also gained momentum in the late eighties. The unions have fought for benefits and workplace policies which take into account women worker's needs. The South African Commercial, Catering and Allied Workers Union (SACCAWU), one of the leaders in this area, signed its first parental rights agreement with a large supermarket in 1987.

Most unions have formal policies on gender issues and all but four (the South African Railways & Harbors Workers Union, the Post Office & Telecommunications Workers Association, the South African Domestic Workers Union, and the Construction and Allied Workers Union) of the affiliates of the Congress of South African Trade Unions (COSATU) have a gender forum or some other form of national coordination on gender. Two of the unions - the Chemical Workers Industrial Union (CWIU) and the National Union of Metalworkers (NUM) - employ full-time gender officers. COSATU itself also employs a full time gender coordinator.

A 1993 survey of 12 of the 14 COSATU affiliates, one National Council of Trade Unions (NACTU) affiliate and one Federation of South African Labor Union (FEDSAL) affiliate suggests that there is still room for improvement. These unions between them claimed a total membership of 1,267 million workers, of whom an estimated 333,470 - just over a quarter - were women. Only three of the 14 unions had NECs with representation of women proportionate to their membership. Only two unions had adequate numbers of women on their negotiating committees. The NGO Secretariat for Beijing has compiled Women's Organizations in South Africa: A Directory which includes information on both South African women's organizations and organizations providing services to South African women.

B. Empowerment Challenges

To empower is to give official authority or legal power to. The mechanisms for women's empowerment – the process through which people or communities increase their power and control over their own lives – are being codified, in many ways, defining the challenges facing South Africans before 2000. In January 1993, the South African Government signed the CEDAW which, was took effect in January 1996. As a result of signing CEDAW, along with the Conventions on Consent to Marriages, Minimum Age for Marriage and Registration of Marriage (1962), and on Political Rights for Women (1952), some changes have been made to the country's laws. Moreover, the interim Constitution, and the Constitutional Principles which will guide the writing of the Final Constitution, treats gender equality with the same concern as racial equality.

1. Political Empowerment

The press for gender equality was subordinate to the struggle against apartheid until the mid to late eighties. The unbanning of the liberation movements in 1990 and the revocation of race as a constitutional and legal measure created a space for the gender debate in South Africa. The anticipation of a new order based on human rights

principles -- with women's rights embedded in human rights -- created a new context for women's empowerment in the political sphere, that is, relating to the making of government policy or the conduct of government.

A. Participation in the Political Transition

During the period of constitutional negotiations, ANC women broached the idea of the Women's Charter. Women from across the political spectrum formed the Women's National Coalition to entrench equality for women in the new Constitution. In 1994 the Coalition drew up a Women's Charter for Effective Equality, after widespread consultation and research. Women succeeded in influencing the process of writing the Constitution and were able to obtain a positive constitutional framework which supports gender equality.

The formal negotiation process began with CODESA I in December 1991, followed by CODESA II in March and June 1992. In addition to 17 women out of 400 delegates and advisers on the Working Committees, women in political parties were granted advisory status through the appointment of the Gender Advisory Committee (GAC) as a sub-committee of the Management Committee of CODESA II. The GAC reviewed the terms of reference, minutes and decisions of each Working Committee and those of the Management Committee, to advise on the gender implications of political decisions. The Multi-party Negotiation Process (MPNP) met in 1993 to conclude the 1993 interim Constitution of the Republic of South Africa. Women in the Inkatha Freedom Party (IFP) called together a women's caucus to protest the initial exclusion of women from almost all political delegations. The ANC put forward a resolution that each political delegation should include one woman delegate. The MPNP established the Transitional Executive Council (TEC) to prepare for, and facilitate, the transition to a new democratic order. The TEC's aim was to level the playing-field and to promote an environment conducive to participation in the political process and in free and fair elections. The TEC formed seven sub-councils, including one on the Status of Women.

B. Participation in the Constitutional Court

The Constitutional Court, with ten judges and a President of the Court, has the sole jurisdiction to adjudicate on the unconstitutionality of any law. The Constitution requires that the appointment of judges to this court be representative of the population in respect of race and gender. Five members had been appointed (the President and four sitting judges), none of whom is a woman.

C. Participation in Parliamentary Assemblies

In 1985, only 2.8 percent of parliamentarians were women. This changed after the April 1994 elections. Largely owing to a decision by the ANC to include a 33.3 percent quota of women on the ANC's party list, currently 101 of the 400 members of the National Assembly are women (see Table 1). The Speaker of Parliament is also a woman. South Africa is in the top seven countries as concerns female representation in Parliament.

Table 1: Participation in Parliamentary Assemblies

Party	Number
National Party (NP)	10 out of 82
Democratic Party (DP)	1 out of 7
African Christian Democratic Party (ACDP)	0 out of 2
Freedom Front (FF)	0 out of 9
African National Congress (ANC)	84 out of 252
Inkatha Freedom Party (IFP)	10 out of 43
Pan Africanist Congress (PAC)	1 out of 5

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D. Participation in National Government

The 1993 Constitution establishes a GNU allowing any Party with 5 percent of the vote to a seat in the Cabinet, and a party with 20 percent of the vote to an executive deputy President. Of the 27 cabinet posts, six are held by the NP, three by the IFP, and the rest by the ANC. Currently, there are three women Cabinet Ministers (Housing, Health and Public Enterprises) and three women Deputy Ministers (Arts, Culture, Science and Technology; Welfare, and Agriculture) all from the ANC (see Table 2). Prior to the 1994 elections, there was one woman cabinet Minister (Health, from 1990-1994) and one Deputy Minister (Justice, 1993-1994).

Table 2: Gender composition of the National Government

National Government	Women	Men
Ministers	3	24
Deputy Ministers	3	9
National Assembly	100	300
Senate	16	74

Source: Beijing Conference Report: 1994 Country Report on the Status of South African Women

Each government department is headed by a director-general. At present, there are no women directors-general. In the Public Service, the most senior level at which women serve are commission chair and director. Table 3 shows the gender and race breakdown in some of the top occupational categories within governmental employment in 1991. A definite race bias exists in addition to the obvious gender bias shown in the table. One hundred and fifty five of the 168 people at Director-general level, most of the 16 ambassadors, 43 of the 69 commission or committee chairs and 4,952 of the 5 071 directors were White men.

Table 3: Gender and Race Breakdown of Top Government Occupations

Occupation	Total	African Women	Indian Women	Colored Women	White Women	Percent Women
Director-General/ Deputy	168	0	0	0	0	0.0
Ambassador	16	0	0	0	0	0.0
Commission Chair	54	0	0	0	3	5.6
Director/Deputy	5071	8	5	0	173	3.7

Source: Manpower Survey (1991)

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E. Participation in Regional and Local Representatives Bodies

In seven of the nine provinces there is an equitable representation of women. The figures for the nine regional Parliaments for Member Executive Council (MEC) and Member of Provincial Legislature (MPL) are shown in Table 4 below.

Table 4: Gender Composition of Provincial Legislatures

Province	MEC		MPL		Other Prominent Positions held by Women in Provincial Governments
	F	M	F	M	
Gauteng	2	8	21	54	
Northern Transvaal	2	8	7	23	Deputy Speaker/ Commissioner
Eastern Transvaal	1	9	5	14	Deputy Speaker
North-West	1	9	5	15	
Western Cape	1	9	10	22	
Eastern Cape	3	7	11	36	Deputy Speaker
Northern Cape	2	8	6	14	
Free State	2	8	4	16	Speaker/Whip Secretary to both Cabinet as well as Legislature
KwaZulu-Natal	0	10	14	57	

In 1991 only 48 (5.8%) of the 822 town clerks or equivalent were women, and all but one of these women were white. There were 776 (94.4%) white men serving in these positions.

F. Women in the Judicial System

The total number of posts in the Department of Justice in 1994 was 8,990, of which 4,338 were filled by women. This represents 48.25 percent of the department's personnel corps.

One of the 20 Appeal Court judges and one of the 138 judges at provincial Supreme Court level are women. In 1989, of the total number of practicing attorneys, 450 (6%) were women. Four hundred and fifty-four (22.5%) of the candidate attorneys were women. According to the 1991 census, 2,977 (17%) of the 17,289 people in legal occupations were women. Table 6 shows the total number of women, as well as the number of African women, at each of the different levels of the judicial system.

In 1990, 37 percent of all those graduating with a law degree from university were women. However, in the same year, the 65 practicing women advocates accounted for only 6.4 percent of the total number of all advocates then in practice. The recent announcement that attorneys will be able to appear in the Supreme Court, and that judges may

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be appointed from among the ranks of attorneys and academics opens the way for advancement of both blacks and women.

2. Social Empowerment

The constitution guarantees that every person shall have the right to basic education and to equal access to educational institutions and primary health care services.

A. Education

Illiteracy

Of the total 1993 population of 41.5 million people in South Africa, including the former homelands, 12.5 million (30%) were estimated to be illiterate. This figure was based on a definition of literacy which included all those who had not reached Standard 8 level in formal schooling. Overall there was little difference in the levels of literacy of men and women. The proportion of illiterates was greater in the older than in the younger age groups. Because of population growth the absolute number of illiterates is probably still on the increase. The World Bank uses a different definition of literacy – those aged 14 years plus who had not completed Standard 6. Table 5 shows literacy levels by location. The disproportionate numbers of women in the more rural areas has implications for locational differences in literacy of women and men.

Table 5: Illiteracy - Urban, Rural and Metropolitan Areas (1993)

Area	African	Colored	Indian	White	Total
Rural	61%	68%	-	8%	50%
Urban	47%	45%	16%	14%	38%
Metropolitan	39%	26%	22%	9%	27%

School Enrolment Ratios

Within education generally, the race disparities far outweigh the gender ones. Until April 1994, education was compulsory up to the age of 16 years only for white and Indian children. As a result of unequal provision, racial inequalities exist at every level. In 1990, only about 100,000 (2%) of the estimated 5.2 million African children under the age of six years were in registered pre-schools, as compared to 500,000 (33%) of the white children of this age. Overall, 14% of children in the three-to-six-year age group were in some sort of educare and 2% of those under three years. Welfare subsidies are provided only for children attending registered full-day centers. In 1990, over six out of every ten children in educare were in centers which received no state support. In 1990, the subsidy for African children was less than one-sixth of that for white children. At the school level, 27 out of every 1 000 Africans attend school, compared to 88 out of every 1 000 for non-Africans. This inequality becomes more marked if the weighting of the African population towards the younger, school-age, groups is taken into account (see Table 6).

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Table 6: School Enrollment by Gender (1993)

Level	Boys	Girls	Total
Pre-School	8,996	9,242	18,238
Primary	198,547	179,418	377,965
Secondary	102,390	114,246	216,636

The drop-out rate is also much higher amongst boys than girls - 53% for boys and 44% for girls at the primary level, and 51% and 46% respectively at the secondary level.

Schooling Completed

Although the number of women in school and in matric is slightly greater than men, the pass rate for women is lower. In 1990, for example, 29 percent of African women passed, compared to 33 percent of African men. (By race: 96 percent of White, 93 percent of Indian, 78 percent of Colored, and 32 percent of African pupils who wrote the 1990 matric passed.) Greater parental and financial support for the men, more domestic responsibilities for women, sexual harassment, abuse and pregnancy are among the factors cited as causing women's poorer performance.

Graduation at Tertiary Level

In 1994 there were 466,000 students at post-secondary institutions. Of these, 66 percent were at universities, 22 percent at technikons, and 12 percent at teacher-training colleges. A total of 51 out of every 1 000 of the white population were enrolled at these institutions, compared to 35 per 1 000 Indian people, 13 colored and nine African.

At post-secondary level, gender differences are added to racial ones, particularly between African women and men. In 1990, women accounted for 47.8 percent of the total university enrolment. Of these women, 49 percent were White, 38% African, 7 percent Colored and 6 percent Indian. The women were not evenly distributed between the universities. At Vista University which caters predominantly for African teacher upgrading, 67 percent of the students were female. Conversely, only 37 percent of the students at the black Medical University of South Africa (Medunsa) campus were female. The largest single grouping of African women university students studied through the University of South Africa (UNISA), a correspondence university. In 1990, the 37,463 African female UNISA students accounted for three times the number of African female students at all the other universities.

The concentration and confinement of women to certain sectors is illustrated by the profile of disciplines for which they are enrolled at universities. Of all students enrolled for Home Economics at universities, 99 percent are women. In Engineering, however, women account for under 7 percent of enrollments. Agriculture (17%), Architecture (28%), Commerce (31%), Computer Science (30%), Industrial Arts (0%), Mathematical Sciences (31%) and Law (37%) are all fields of study where women are poorly represented.

At more advanced levels, men (both black and white) start to outnumber women markedly. A total of 32 percent of students at post-graduate level are white. At Honors level 46 percent of all students are women, at Master's level 32 percent and at Doctoral level 24 percent. The number of women qualifying for post-graduate diplomas or certificates slightly outnumbers the number of men. Women constitute 55 percent at this level. However, this figure reflects the concentration of women in the teaching profession. Within these statistics there are further differences between the different racial groupings. Overall at the post-graduate level only 38 percent of Colored and 43 percent of African students are women.

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Technical Graduation

Technikons are tertiary institutions which are more technically or vocational oriented than universities. The gap in enrolment between technikons and universities has narrowed significantly over the last few years, and is expected to narrow further as the country focuses on improving its technical, scientific and productive skills base. Again, gender imbalances are added to the racial ones. The gender imbalance is more acute in the technikons than in the universities. By 1987, the overall gender breakdown for technikons was 71 percent male and 29 percent females. Within the technikons there are significant differences between fields of study. In 1991, 97 percent of White engineering students, 95 percent of Colored, 97 percent of Indian and 94 percent of Africans were male. Enrollments in the schools of Architecture and Building Science, Agriculture, and Computer Science were also two-thirds or more male. Conversely, secretarial students were overwhelmingly female - 85 percent for Africans and over 99 percent for other groups.

The technical colleges cater for students from Standard 8 to post-matric level. These institutions are even more vocational oriented than universities and technikons. The gender and racial imbalances are starker at these colleges than at any other level of the educational system. Men far outnumber women in Engineering, Science, Mathematics and Industrial Arts, while women far outnumber men in Business (the secretaries) and Home Economics. In 1988, 86 percent of African male students at technical colleges were studying industrial subjects, 95 percent Business and 4 percent Engineering. In the same period, 5 percent of African female students were studying industrial subjects, 89 percent Business and in Engineering.

Vocational Training

The economy of South Africa was built on the basis of cheap black labor. The vocational training system in South Africa is weak and even weaker for women than for men. Figures for employer-provided training are hard to come by and rarely, if ever, provide a gender breakdown. There are some figures for the formal system. Thus, in 1988 only 30 companies throughout the whole country employed women apprentices. Only in hairdressing, with fewer than 5 percent of all apprenticeships, were there more women than men. In 1990, of a total of 27,192 apprentices in the building, electricity-generation, electrical contracting, furniture, local authorities, motor, railways, sugar, mining and metal industries, only 61 were women.

B. Health

Life Expectancy at Birth

In the nineties, the overall life expectancy of South Africans was reported to be between 63 and 64 years. Life expectancy for whites is nine years more than that of Blacks. Table 7 gives the official life expectancies at birth for men and women of the different race groups prior to 1990. There were no statistics available for Africans.

Table 7: Life Expectancy

Group	1979-1981	1984-1986
Colored women	62.55	65.52
Colored men	54.34	57.92
Indian women	70.74	62.26
Indian men	68.39	64.12
White women	74.24	75.81
White men	66.59	68.37

Causes of death for men and women differ. In 1991 the largest single category of deaths among women was from "ill-defined" causes. This statistic alone suggests the inaccessibility of the formal health system to many women.

The percentages for causes of death are calculated on the basis of reported deaths. The profile would change significantly if unreported deaths were included. The proportion of deaths due to infectious diseases would almost certainly rise. Many poorer women who do not enjoy easy access to formal medical facilities, and whose illnesses are thus not reported, die from infectious diseases.

Cervical cancer, which can be prevented by early detection and treatment, is very common among black South African women. With no routine screening, the majority of black women patients seek medical help in the non-curable stage.

Table 8 gives the racial breakdown for maternal mortality. The figures for Coloreds, Indians and Whites are the official figures. Those for Africans are estimates, since not all African births are registered. Again, the estimates vary widely. The World Bank estimated the MMR for South Africa to be 0.83 in 1992, while the former Department of National Health put the figure at 0.52 for the same year.

Table 8: Maternal Mortality Rates (MMR)

Group	1979-1981	1985	1990
Colored	0.4	0.3	0.3
Indian	0.1	0.2	0.1
White	0.04	0.01	0.03
African	N/A	N/A	2.6

Maternal Mortality per 100,000 Births

High rates of maternal mortality rates (MMR) are associated with poor access to medical facilities, inadequate nutrition, a lack of trained health personnel, delays in diagnosis and treatment of conditions such as anemia, hypertension, hemorrhaging and sepsis, as well as poor services regarding health and education promotion, and cervical screening. Again, the estimates vary widely. The World Bank estimated the MMR for South Africa to be 0.83 in 1992, while the former Department of National Health put the figure at 0.52 for the same year.

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Adult Mortality Rates

Overall mortality rates are skewed by the infant and child mortality rates. The measure of adult mortality rates (45Q 15) corrects for this bias by looking at the percentage chance that a person has at the age of 15 years of reaching the age of 60 years. The rate for African women was 29.4 percent, for Colored women 25.3 percent, for Indian women 17.5 percent, and for white women 11.5 percent. Adult mortality rates are significantly higher for men than for women within each group, with overall percentages of 25.4 percent for women and 38.4 percent for men.

Infant mortality rate

National statistics reflect a percent reduction in the absolute number of infant deaths between 1978 and 1992. Registration of births and deaths is compulsory, but often does not take place, especially for Africans.

The national statistics put the Infant Mortality rate (IMR) -- the number of deaths of infants under one year of age per 1 000 live births -- for 1991 at 49 per 1,000. Other sources put the figure at 53 per 1,000 for the same year. Bradshaw et al (1992) calculate the 1992 IMR as approximately 70 per 1,000 for African children. The official figure for Africans for 1994 is 52 per 1,000. Table 9 shows the changes over the years and includes the racial and gender breakdown over the years for groups other than Africans.

Table 9: Infant Mortality Rates (IMR)

Group	1979-1981	1985	1991
Colored females	56.1	39.5	40.7
Colored males	63.5	43.9	44.9
Indian females	21.3	13.5	9.2
Indian males	27.1	17.1	12.7
White females	12.1	6.9	7.4
White males	14.0	11.4	9.9
African females	data not available	data not available	data not available
African males	data not available	data not available	data not available

Child Mortality per 1,000

The child mortality per 1,000 (U5MR) gives an indication of the overall living environment of the mother and child. It reflects the nutritional health of mothers, the income, food, sanitation and clean water available to child-caregivers (usually women) and their families, and the health knowledge of child-caregivers. In 1991, the total number of registered deaths of children under five years amounted to 28 deaths per 1,000. Diarrhea was responsible for 17 percent, respiratory diseases for 9 percent and perinatal conditions for 33 percent.

Most deaths among children are the result of communicable diseases and are preventable with vaccination. The causes are related to socio-economic circumstances, poor environment, and the life-styles of both individuals and

communities. Gastro-enteritis and pneumonia are the two main causes of post-neonatal death. As with the other infections and parasitic diseases, poor nutrition is a major factor.

Total Fertility Rate

Total fertility rates (TFR) or the average number of live-born children to which a woman will give birth for African, colored, Indian and white women were 4.3, 2.3, 2.2 and 1.6 respectively in 1994. Ten years earlier, the rates were 4.7, 3.1, 2.8 and 2.1 respectively. Rates also differ within the different race groups. So, for instance, the rate for African women in 1993 was 5.7 children per woman in rural areas, 4.2% in semi-rural and 2.8 in urban (Patel 1993:32).

The reported rate of teenage pregnancy, excluding the TBVC areas, is 330 per 1,000 women under the age of 19 years. Teenage clinic attendance in 1992/3 totalled 1,474,219, up 24% on the previous year's figure of 1,142,492. The percentage of all live-births to women younger than 20 years was 14.6% for the country as a whole in 1991. Provincial rates ranged from 16.4% in the Northern Transvaal to 11.8% in the Western Cape. Many of these teenage mothers are forced to leave school, often never to return. Many are single mothers with inadequate means to support their children.

Of the 69 912 teenage pregnancies in 1991, 2 500 (4%) were to girls under the age of 15 years. Births to teenage mothers, and particularly to mothers under 15 years, constitute both a social and a medical risk to the mothers themselves and their children. In the absence of obstetric care, women who give birth before the age of 18 years are three times more likely to die in childbirth than those between the ages of 20 and 29 years.

Percentage of Women Using Contraceptives

In South Africa, the question of contraception and family planning, more generally, has always been a contentious and political one. In particular, calls by the previous Government for family planning and population control among black people were seen as arising from their fear of blacks. There are also socio-economic and gender factors which militate against the use of contraceptives.

The official 1994 figures for use of "modern" methods of contraception by fertile women in their reproductive years are 66 percent for African women, 74 percent for Colored women, 77 percent for Indian and 80 percent for White. Ten years previously, the figures were 44 percent, 66 percent, 69 percent and 80 percent. Women are more concerned, and take far more responsibility for contraception than men. In a national study of 2,000 young people between the ages of 16 and 30 years, 60 percent of the African women, 36 percent of Colored women and 54 percent of White women said they used contraception of one sort or another. Conversely, 27 percent of African men, 34 percent of Colored men and 52 percent of White men said they used contraception in order to plan their partners' pregnancies.

In some cases, women are also forced to use contraception against their will, or without their knowledge. There is open abuse of injectable contraceptives. Some women prefer injectable contraceptives because they are able to keep it hidden from their partners. In other cases, sometimes even regarding sterilization, women are not asked for their consent. In many cases, and especially in rural areas, women are not given any choice besides the use of Depo Provera. Sometimes nurses are taught to administer routinely a contraception injection when a woman has given birth. This procedure is referred to as the "fourth stage of labor." Women workers have been compelled to have regular contraceptive injections, in order not to become pregnant and so disturb production.

Other women are denied easy access to contraception. Some women have been asked to bring a letter of consent from their husbands or their husband's identity document before receiving contraception.

Legal abortion is available to a very limited number of women in South Africa. The Abortion and Sterilization Act of 1975 stipulates that abortion is only permissible where (a) continued pregnancy could endanger the life or constitute a serious threat to the physical or mental health of the woman, (b) there is a serious risk that the child will suffer from a serious physical or mental handicap (c) the pregnancy has resulted from rape or incest or (d) the pregnancy occurs in a woman who is mentally handicapped or unable to understand the full implications of parental responsibility.

Only 40 percent of applications for abortion were successful in 1991. Around 70 percent of all legal abortions are performed on white women (Klugman & Weiner 1992:33). Women who have no access to legal abortion frequently resort to illegal means. An estimated 200,000 to 300,000 illegal abortions occur each year in South Africa. Illegal abortions increase the national mortality rates and the incidence of pelvic inflammatory disease, infertility and psychological trauma.

Malnutrition in Children under Five Years of Age

Malnutrition can be measured by anthropometric criteria where any child who is under 80% of the expected weight for its age is regarded as being malnourished. Using this measure, an estimated 2.3 million South Africans suffer from malnutrition. An estimated 40 percent of this number are between six months and five years of age. An estimated 8 percent are pregnant and lactating women.

The World Bank study gives a racial breakdown of malnourished children between the ages of seven months and five years. Height for age is a measure of chronic malnutrition. A total of 28.3 percent of African children, 19.1 percent of Colored children, 6.1 percent of Indian children and 4.9 percent of white children had a height for age z-score less than -2. Overall, 25.4 percent of all South African children had a score this low.

National malnutrition rates are probably underestimated in that the data usually suffers from an urban bias. In one study, 31 percent of pre-school children were reported to be underweight.

Sex differentials in Immunization Rates

In 1991, the then Department of National Health and Population Development estimated that the immunization coverage for measles was 85 percent, for DPT 81 percent, polio 82 percent and BCG 63 percent. These estimates excluded the former TBVC areas. Large areas still fall substantially short of the 90 percent immunization target. No gender breakdown is available. However, the male/female mortality ratio for infectious diseases is very similar – 8 percent of the total female deaths and 9 percent of the total male deaths are attributed to infectious diseases. However, pregnant women are more susceptible to certain infectious diseases. Other infections, for example, tuberculosis (TB), are aggravated by pregnancy.

HIV-Positive Women

By the end of 1993, the estimated level of HIV infection among Indians was 0.10, among Whites 0.52, and among Coloreds 0.74. These rates had remained fairly constant from the 1991 level. Among Africans the rate had increased significantly from the 1991 level of 1.84 to the 1993 level of 5.55.

In the first years of the epidemic, women were less affected by acquired immune deficiency syndrome (AIDS) than men. The proportional pattern has, however, changed over the years. Of the total number of reported adult cases for 1993, 585 were men and 523 were women. Of the total reported in the first four months of 1994, 40 were men and 47 were women. Pediatric AIDS cases (mother to child transmission) increased from 126 in September 1991 to 494 in May 1994.

Service Availability

There is one doctor for about every 700 people in the metropolitan areas, and one for every 1,900 in the non-metropolitan areas. In the former homeland areas there are between 10,000 and 30,000 people per doctor. In South Africa as a whole, there were 4.4 beds per 1,000 population. Homelands had 2.7 beds per 1,000 people, non-metropolitan areas 4.0 beds and metropolitan areas 7.1 beds. There are 2,218 public health-care clinics in the country, with an average of 16,190 people per clinic. Using the World Health Organization (WHO) recommended ratio and population projections for the year 2000, the shortfall of clinics in that year will be 2,541.

3. Economic Empowerment

Economic participation refers to the ability of a person or group of persons to contribute to the production of goods and services and to benefit from that activity by receiving salaries, owning capital, improving their economic position and deriving monetary reward, social status and psychological satisfaction from that activity. Measures of economic participation can be expressed in terms of:

- income level
- type of employment
- business ownership
- home and land ownership and access to basic services
- financing opportunities

By these measures, it becomes evident that women in South Africa have clearly been economically disadvantaged.

Annex D: Economic Participation

Income

For all urban households, approximately 50 percent fall below the R1,500 per month level. The median monthly income of urban households is estimated to be a low of about R1,500 to a high of R1,900 (R3.6/\$1.00 USD).

Income distribution is related to ethnicity and location (Table 10). The proportion of urban and metropolitan households making less than R1,500 is composed as follows: just under 50 percent are African, 27 percent are Colored, 18 percent are Asian and 6 percent are white.

The poorest households are African and Colored. The majority of urban African households (8 %) have incomes which fall under the national median monthly income with 61 percent of the urban African households earning less than R1,000 monthly.

Table 10. Distribution of Urban Households by Income and Ethnicity (1993) (%)

Ethnic Group	R0-499	R500-999	R1000-1499	R1500-2499	R2500-3499	R3500+
African	31.9	28.7	20.4	11.0	3.3	4.6
Asian	3.3	10.9	14.9	21.2	13.0	36.7
Colored	8.8	17.4	18.6	22.6	12.2	20.4
White	1.2	4.3	4.9	10.0	11.6	68.1

Approximately one- to two-thirds of these households may be woman-headed households. Male-headed households with dependents but no spouse appear to be relatively rare. In general, as household income decreases,

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the percentage of woman-headed households increases (Table 11). The difference in household income per capita between urban couple and woman-headed households is more pronounced among Africans than other groups. African woman-headed households in urban and metropolitan areas average 24 (urban) to 21 (metropolitan) percent less than African households headed by resident married couples (coded "male-headed households" in South African surveys).

Table 11: Average Monthly Income for Urban & Metropolitan South African Households, by Household Type & Ethnic Group (Rand)

Ethnic Group	Urban Couple/Male-Headed Households	Urban Woman-headed Households	Metropolitan Couple/Male-Headed Households	Metropolitan Woman-headed Households
African	1175	875	1450	1144
Colored	1418	1263	2640	1929
Asian	3967	2065	4000	2502
White	5125	2295	6457	3576

Employment

Overall, according to the October 1994 Household Survey of the Central Statistical Service, 73.8% of economically active men were employed compared with 59.4% of economically active women. (The economically active population or labor force consists of employed and self-employed persons in both the formal and informal sectors, as well as unemployed persons. Hence, it includes those people willing and capable of participating in the workforce.) The pattern of sexual discrimination in the labor force also cuts along racial lines. The unemployment rate among white females is 9.2% compared with 4.5% for white males. Similarly, 33.6% of black males are unemployed and an alarming 50.2% of black females are unemployed.

While employment is a measure of the quantity of participation in the job market, other measures capture the "quality" of employment of women. With regard to discrimination in remuneration levels, there is a significant wage gap between White men and White women performing the same job; however, this gap is closing rapidly among disadvantaged groups.

There appears to be a glass ceiling for women reaching the higher managerial ranks. In 1989, among the chief executives, general managers and company directors enumerated by the Government, only 6 percent were women. Similarly, a survey of the top 100 companies in South African in 1990/91 found that while women comprise 35.6 percent of the total workforce, only 13.1 percent were in middle management. In the public sector, women comprise only 2 percent of the most senior positions, 30 percent of the middle layer and 61 percent of the lowest layer. According to the 1991 census, only 2 percent of economically active women earned over R10,000 per year. Similarly, a 1992 survey of young people between the ages of 16 and 30 indicated that 37 percent of working women earned between R100 and R500 per month and only 25 percent earned above 25 percent per month.

Business Ownership

Income earned through self-employment varies by race and gender but is generally not reported as, or considered to be, regular employment. Women predominate when it comes to self-employment in the informal sector. These activities, often of a survivalist nature, are chosen as a last resort for women needing employment. (Survivalist enterprises are those characterized by income levels far below the minimum income standard, where little capital is invested, which have limited opportunities for growth, and finally, where poverty and the attempt to survive characterize the motivation behind the enterprise.) According to the October Household Survey 1994, of the

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approximately 1.3 million economically active self-employed individuals in the informal sector, 70.6 percent of them are owned by women, 77 percent of whom are employed in "community, social and personal services."

Nation-wide, both African men and women working in non-agricultural self-employment very often derive their income from selling goods on the street. For women, the next most common sources of self-employed income are from sewing and selling clothes and operating shebeen bars. For men, the next most common sources of self-employed income are building/repairing houses and artisanry.

Home-based businesses are more common for women than for men. In addition, renting out part of their homes is another source of income for many woman-headed households. It is important to keep in mind that individuals working in the informal sector (self-employment, non-agricultural and agricultural) tend to derive their income from multiple sources and not just one source.

While there is no reliable data available, illegal activities also account for either a part or total of some households' income. Men appear to be more in the drug trade; women are more often shebeen (unlicensed bar) operators and shoplifters. Both men and women traffic in stolen goods.

Rural Land Ownership

Until the abolition of the Group Areas and Land Acts, 87% of the land area of the country was reserved for ownership by whites. During the apartheid years, approximately 4 million people were removed and displaced from the land they were occupying. A small percentage of African people gained access to land through freehold title prior to the introduction of the land laws in 1913 and 1936. Many of these people have since been dispossessed. Where title still exists, women are still disadvantaged. Most women in these areas are married under African customary law which regards them as minors and does not allow women to inherit. Unless there is a will which says otherwise, the freehold land passes from father to son on the husband's death.

While the land laws have now been repealed there is much concern among rural people as to what restitution there will be for the land they lost. Reliance on the market alone will not achieve equality in redressing the imbalances because of the very unequal starting points and bargaining powers of the different groups.

Women, and in particular African women, face specific problems regarding access to land. A large proportion of South Africans currently live under customary law. Under this law, families claim land from the community and the land is granted to the male head of household. Because of the absence of many men in the towns, women do most of the work and make the daily decisions about the land. They do not, however, except in exceptional cases, have ownership rights except through their husband, son or another male. Unmarried women have no access to land at all.

Because of the absence of many men from the rural areas, the traditional system has been replaced in some areas by an informal land market. In Natal-KwaZulu women were formally accorded the right some years ago to own land in their own name. The experience of women in these areas has not, however, matched up to their new legal rights. Many women have found that, even where they do inherit land, the only way they can benefit is to sell the land as soon as possible. If they do not do so and if they have no close male relatives to defend their right, the land is often confiscated by the tribal authorities. In the small cane-growers project in Natal-KwaZulu-Natal, the signatory to the contract with the milling company must have legal rights to the land. Although 65 percent of the producers are women, because they are not the registered growers, they sometimes lose the income from their labor.

Tenure is not always secure for many South African households. According to the Department of Housing White Paper (1995), approximately 58 percent of all South African households have "secure" tenure (ownership, leasehold or formal rental contracts) over their accommodation. It is estimated that 18 percent of all households are forced to find housing in squatter settlements, backyard shacks and in over-crowded formal housing in urban areas. This last group has no formal tenure rights over their accommodation.

The populations of many of the informal housing areas are dominated by women. The accommodation and facilities in these areas are worse than those in the formal housing areas. Women thus suffer disproportionately.

In the past, the majority of African people living in formal housing in urban areas rented their accommodation from the various local authorities. Because of many factors including married women's inferior legal status and the dependency on a relationship with a man for their legal right to be in the town, most of these leases were in the names of men. Over the last few years the various authorities have begun to sell off the housing stock to the previous tenants. Where there is a dispute between the woman and man, the historical legacy results in most women having an inferior claim. In Soweto, near Johannesburg, a special sub-committee of the Joint Metropolitan Forum is currently considering a form of family lease which would overcome some of the disadvantages of gender. Other town councils have introduced a policy that divorced women with custody enjoy preference over their former husbands. This policy has not been adopted by all town councils and even where it is official policy, it is not always enforced.

Provision of upgraded housing and access to the new housing of the RDP will in all probability be based on the claims of current informal dwellers. Research suggests that the regulation and allocation of housing within the informal settlements often mirror that within the formal sector, with couples getting preference over woman-headed households.

Most employers - both government and private - do not give women employees the same access to housing benefits as men. Many married and working women, including teachers employed by the State and women public servants, only qualify for a housing subsidy if their husband is totally financially dependent on them. Loss of subsidy results, in effect, in significant loss of earnings with no difference in job description.

Rural House Ownership

Rural house "ownership" is more common for African households at nearly 74 percent (total for all races is 72.4 %). Rural houses, however, are of poorer quality, with no access to sewage and potable water and are generally far from schools and health care points.

Housing and Real Estate Tenure in Urban Areas

Approximately 25 percent of all African households in urban and metropolitan areas own their houses. For Colored households in urban and metropolitan area, about 50 percent own their houses.

Access to Basic Services

South Africa produces 60 percent of the electricity in Africa, yet two-thirds of the population do not have access to it for their household needs. ESKOM, the national energy provider, estimates of access to basic services in rural and urban areas of the country in 1993 are shown in Table 12. Most below-median income households in urban and metropolitan areas live in areas which have a low level of services. For example, rates for electricity service are estimated to be as follows: only two out of five low-income households; only one in six households living in shacks; only one in eight households living in informal planned settlements and no households in informal unplanned settlements. Sanitation is minimal - an estimated 48 % of all households do not have access to flush toilets or ventilated improved pit latrines and 16 % have no access to any form of sanitation system. One indicator of poor sanitation is the rate of typhoid fever (number of cases per 100,000 people). In addition, a majority of the urbanized areas for below-median income residents have unpaved roads.

Table 12: Access to Basic Services 1993

Service	Rural	Urban
Water in house	13%	74%
Waterborne sewerage	8%	64%
Electricity in house	13%	51%
Communal water taps	55%	32%
Street lighting	7%	59%

The ESKOM data graphically illustrates the rural-urban divide. Because more women than men live in these under-resourced areas, they are more seriously affected. An estimated 3 million households - mostly rural - collect firewood on a daily basis. In the absence of electricity, women in rural areas spend up to 4.5 hours a day collecting wood (Posel, Todes & Friedman, 1993:68). The absence of street lighting in many areas of the country has additional implications for women's personal safety and their ability to move about freely.

E. Financing Opportunities

Savings

Savings are generally quite limited in South Africa (2.2 % of the average commodity household budget) (SALDRU 1994). The percentage for all African households (rural and urban) is 2 percent for all Colored households, the percentage is 1.6 percent. Urban and metropolitan households save more of their commodity household budget at 2.7 and 2.9 %, respectively. Besides low incomes and high overall cost of living, another possible explanation for the low savings rate for married households may be the institution of *lobolo* (bridewealth payments) which may begin before marriage and continue through the first ten to twenty years of marriage (Cross 1995). (See also Section II.F.).

Savings accounts with formal financial institutions appears to be the exception rather than the norm among South Africa's below-median income households, other informal institutions such as *stokvels* (which include burial societies and building material clubs) fill this gap. A Markinor study (1989) estimates that there were about 24,000 *stokvels* in major metropolitan areas which involve approximately a quarter of the black adult metropolitan population. About 41 percent are savings clubs and 29 percent are burial societies. Burial societies tend to be much larger at 80 people while other types of *stokvels* average 16 members.

These groups often serve both social and economic functions and often ensure future access to a personal line of credit (Cross in Thomas 1991). *Stokvels* are South African rotating savings clubs and in some areas, up to 20 % of the African and Colored households are involved (Markinor study cited by Zukhele 1990). About 60 % of the metropolitan *stokvel* members were female and most earn over R1000 per month. In 1989, the average monthly amount saved by a member was R39 for burial societies and R106 for other types of *stokvels*. Membership is based on social networks and mutual trust and is not necessarily based on spatial criteria (e.g. members of the same community). Groups often cross tribal, class, age, occupation, employer and residential differences. Each member, in turn, is expected to borrow from the group fund and repay at a high interest rate (often more than 20 %). Group "profits" are then divided at the end of the year or term period. Group funds are deposited in a formal financial institution but this relationship does not generally lead to a financial relationship between individual women and the banks (Sigodi 1995).

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Credit

While it is not common for the below median income groups to have experience with loans from formal financial institutions (commercial banks), nearly half of all South African households are in debt to institutions, shops or individuals. Percentages range from a low of nearly 42 percent for African households and a high of almost 70 percent for Colored households. The amount of debt payment per month is about R59 for African households and R104 for Colored households. For both African and Colored households, the source of the debt most commonly comes from either shopkeeper credit and lease purchase. For African households, relatives or friends are another important source of credit. For both racial groups, only about five to six percent of their debt comes from banks/building societies, non-governmental organizations, money lenders or rotating savings clubs (stokvels)/credit unions. In contrast, 30 percent of white household debt is from banks alone.

At present, most financial institutions are not prepared to service loans below R30 000. They also will not provide loans to those with incomes below R2,000. For example, of the 40,000 businesses which have received loans from the State-funded Small Business Development Corporation, only 25 percent were women, predominantly White.

Banks often act in a discriminatory way towards women who approach them for loans. For example, they often require the husband's signature and surety, but will not require the wife's signature and surety when a man applies.

Employment status, employment type and age are important borrower variables. African men are more likely than women to be employed and they more often have regular employment with the private or public sector. African women are much more frequently employed in private homes and often live at their employers home or earn income through self-employment. Older heads of household (age 50+) are more likely to be pensioners. They often have more secure tenure and are living in established townships or have returned to rural areas.

Households can be characterized in several ways: head of household, size and composition. The overall national percentage is about 34 percent for woman-headed households (including *de facto* absent male head of household and *de jure* situations)² and 66 percent of the households are defined as male-headed households (SALDRU 1994).

In urban and metropolitan areas, the percentages of woman-headed households are about 29 and 26 percent, respectively.

B. Gender and Household Dynamics: Summary

For African households, the percentage of woman-headed households is approximately 35 percent for both urban and metropolitan areas. For Colored households in these same areas, the percentage is 37 percent for urban areas and 21 percent for metropolitan areas. Some experts interviewed contend that the actual percentage of woman-headed households may be closer to two-thirds of all households. The situation can be further complicated legally by the presence of a non-married male partner in many of these households. While some of these cohabiting households have quite stable partnerships (e.g. length of relationship, partners who are above thirty years of age, those who migrated together to urban areas, those who have had children together), others do not represent stable arrangements.

Urban and metropolitan households for Africans and Coloreds average four to five people³ (SALDRU 1994). For woman-headed households, African and Colored households in urban and metropolitan areas generally have four or

² *De jure* woman-headed households are those in which the female has never been or is no longer married. She may or may not have a male partner resident. *De facto* woman-headed households are those in which the woman is still married but the husband is no longer considered a resident of the household.

fewer people. About 15 percent of African woman-headed households in urban areas and approximately 22 percent in metropolitan areas are one-person households. For both male- and woman-headed households, the head of household is generally less than 65 years of age. Although figures were unavailable, a percentage of the African and Muslim population have polygamous marriages and keep multiple households (e.g. rural and urban or urban homes in different locations).

Households may also be members of different groups. Due to crowded housing conditions related to apartheid, multiple households who are related or unrelated, may live together as an extended family. Some groups such as civic organizations, known as "civics" (community-based informal local government) are spatially based. Their strength depends primarily on the age of the settlement and the degree of internal cohesion. From a fifth to a quarter of African and Colored women are involved in community groups or self-help initiatives (Women's National Coalition 1994). Women are often members of these groups but are not often leaders, except in the case of new informal settlements. Other groups, such as savings clubs, burial societies and building material clubs, are usually based on social networks which may or may not coincide with spatially defined communities.

Within all race groups, woman-headed households are significantly poorer than the average household. The mean total household income for woman-headed households was R1,141 per month compared to R2,089 for all households in 1993. The mean per capita income for woman-headed households was R243 per month compared to R468 for all households. African woman-headed households are generally poorer than the average for all African households (Table 13). The difference arises from the concentration of female labor force in low-paid, poorly organized (non-unionized) sectors of the economy. For example, they are excluded from the relatively well-paid mining sector and many branches of manufacturing and concentrated in the poorly paid clerical, sales and service sectors, which notably includes domestic services and the informal sector. Thus, for regular employment, about twice as many men as women are employed; for non-agricultural self-employment, the opposite is true.

Table 13: Profile of Woman-headed Households, African and Colored

	African Woman-headed Households	All African Households	Colored Woman-headed Households	All Colored Households
Avg. Monthly Hh. Income, Urban	R895	R1175	R1263	R1418
Regular Employers (Top three sources, %)	Females: Private sector (45.3), Private households (28.1), Central govt. (11.6)	Males: Private sector (73.3), Central govt. (8.8), Public corp. (7.3)	Females: Private sector (45.3), Prov. Admin. (11.0), Central Govt. (7.4)	Males: Private sector (75.2), Central govt. (10.8), Prov. Admin. (7.4)
Non-Agric. Self Employment (Top three sources, %)	Females: Selling goods on street (34.6), Sewing & selling clothes (17.0), Shebeen operator (15.9)	Males: Selling goods on street (17.3), Building/repairing houses (16.0), Self-employed artisan (14.0)	Females: Sewing & selling clothes (24.5), Selling goods on street (21.4), Shebeen operator (15.0)	Males: Self-employed artisan (31.2), Selling goods on street (17.2), Building/repairing houses (8.8)
No Educ. (%) (DBSA 1994)	Females: 28.9	Males: 28.7	Females: 18.9	Males: 19.2
Avg. Monthly Expend., Urban	R997	R1205	R1359	R1332
Difference in Proportion in house/part of house	marginal for ethnic group	marginal for ethnic group	marginal for ethnic group	marginal for ethnic group

Source: SALDRU 1994

C. Violence Against Women and Conflict Mitigation Measures

That there is violence in South Africa is underscored by 16 percent of all deaths occurring from non-natural causes.

1. Abuse Against Women

The absence of comprehensive statistics makes a definitive statement on the prevalence of violence against women in South Africa difficult. That violence against women occurs across all socio-economic and racial groups is both widespread and on the increase in South Africa is generally accepted. Available statistics are not accurate because rape and partner abuse are often not reported.

Police statistics reported 4,349 cases of rape in 1992 and 28,318 in 1993. Sexual crimes against girls under the age of consent and female imbeciles were reported to be 669 in 1992 and 702 in 1993. The police estimate that only 2.8% of rapes are reported. Based on this figure, the total number of rapes in 1993 would be approximately 966 000. Between 1983 and 1992 the number of reported rapes increased by 64%. African women reported 95% of this number (Information from Institute of Criminology, University of Cape Town). Despite the extent of this problem, rape and sexual abuse are not included in the South African Police Services (SAPS) definition of "serious crime."

Department of Justice statistics, in terms of relatively new legislation, indicate that from 1 December 1993 to 31 March 1994, 1 926 interdicts (restraining orders) were issued in respect of domestic violence.

According to research in progress, violence against the woman is cited in over a third of divorces as one of the causes of the breakdown of the relationship. It is cited in half of all divorce actions brought by women. These figures are almost certainly an underestimate of the true extent of wife battery. Divorce lawyers attest to the fact

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that some of their women clients admit to having been battered, but do not want to include this in their papers. Since South Africa has a no-fault divorce system, there is little to be gained in including allegations of battery in the papers.

2. Women Affected by Internal Conflicts

Between 1986 and 1993, 12 000 South Africans are estimated to have died and thousands have fled their homes due to internal conflict. Family and community life has been severely affected by these displacements.

A particular form of violence is that flowing from political conflict in South Africa, where women are seen as easy and defenseless targets belonging to "the enemy," or because the originally targeted males are not at home.

SAPS statistics indicate that during 1992, 311 women died as a result of unrest situations, 386 were seriously injured, and 251 suffered minor injuries. In 1993, 482 deaths were recorded, 301 women were seriously injured, and 283 suffered minor injuries. During the period 1 January 1994 to 31 July 1994, 186 deaths were recorded, 105 were seriously injured and 150 suffered minor injuries.

3. Women Affected by International Conflict

Prior to September 1993, applications for asylum or refugee status were handled on an ad hoc basis, mostly by NGOs and the Central government was not directly involved. On 15 October 1993, the Governments of the Republic of South Africa and Mozambique, and the UNHCR signed a Tripartite Agreement for the repatriation of Mozambican refugees.

The number of refugees or "border crossers" from Mozambique who have been dealt with by the South African National Defense Force (SANDF) and handed to the police was 2 730 in 1989, 1 905 for 1991, 343 for 1992 and 455 for 1994 to date. Since September 1993, the UNHCR refugees have been dealt with in an internationally recognized manner.

4. Conflict Mitigation Measures

Legal

Following an investigation by the South African Law Commission in 1985 into women and sexual offenses in South Africa, a series of amendments to the law of evidence and criminal procedure were effected.

1987: The law of evidence and the Criminal Procedure Amendment Act prohibits the presence in the court of persons other than persons whose presence is required by a complainant during certain criminal proceedings, and prohibits the publication of any information that may reveal the identity of a complainant either during the court proceedings or from the date on which the crime was committed.

1988: The Immorality Amendment Act amends the Sexual Offenses Act, 1957, by adjusting and expanding the provisions relating to sexual offenses committed by males with juveniles so that they also apply to females; by extending the prohibition on sexual acts with female idiots or imbeciles to include male idiots or imbeciles; and by making it an offense for a person to commit incest, or an immoral act with another person for reward.

1989: The Criminal law and the Criminal Procedure Amendment Act, 1989 provides that the questioning of a woman against, or in connection with whom an offense of a sexual nature was committed about her previous sexual experience with persons other than the accused is prohibited, unless reasons for its admissibility are provided in an application in camera before the presiding officer.

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1993: The Prevention of Family Violence Act seeks to provide for a simpler, cheaper and more effective procedure. In terms of South African common law, it was not possible for a husband to be convicted of the rape of his wife. The Act also deals with this issue and now provides that such a conviction is possible.

Training of Public Officials

The SAPS, the Department of Correctional Services and the Department of Justice, although of fairly recent origin, all have special training programs for officials dealing with offenses involving women and violence. The police and the Department of Justice (as part of a legal literacy program) distribute literature more particularly on informing the general public of the Prevention of Family Violence Act, 1993.

A shortage of personnel, a rising crime rate, and lobbying by institutions such as the National Council of Women, the National Council for Social Welfare Organizations and the National Council for Child Welfare, resulted in the employment of the first women police officers in January 1972. Until 1981 all women police officers were White. Colored, Indian and African women were introduced in 1981, 1982, and 1983 respectively.

One of the main criteria for advancement in the police service is experience in a variety of assignments. The police service acknowledges that very often the female officers are placed in administrative posts which places them on inferior career paths. The service also acknowledges that women officers are discriminated against in respect of housing, housing subsidies, pension, medical aid fund, transfer benefits, the "breadwinner" concept and tax reductions.

The numbers of women in the police force have increased over the last years. However, women have yet to be appointed in the ranks of general, lieutenant-general and major general.

Women in the Military

The integration of the 19,000 member of Umkhonto weSizwe (MK), the armed wing of the ANC, the 6,000 Azanian People's Liberation Army (APLA), the armed wing of the PAC, members and the 1,000 from TBVC armies into the new South African National Defense Force (SANDF) is in process. In the past women have played very different roles in the different forces, with those in MK and APLA being involved across a far wider range of functions. It is still unclear what role women will play in the combined force.

Within the SANDF there are a total of 6,436 women uniformed personnel and 10,034 in the civilian force. Of the uniformed personnel, 6 436, 93 percent, were white. The remaining 7 percent is made up of 263 colored women, 153 African and 31 Indian. Of the women in the civilian force, 5 635 (56%) are white, 2 936 (29%) African, 1 441 (14%) colored and only 22 Indian. There are, in comparison, 32,683 men uniformed personnel and 18,099 male volunteers within the SANDF.

Protective Measures Taken to Assist Abused Women

There are six shelters catering for abused women in Johannesburg, one in Port Elizabeth, one in Cape Town, one in Kimberley and two in Durban. The shelter in Cape Town caters for 16 women. A children's home in Johannesburg provides accommodation for only a few women. Most of the other shelters occupy ordinary homes, and cater for between six and nine women and their children.

There are no state-funded shelters for abused women in South Africa. The State provides no funding for shelters run by private organizations and individuals. Various NGOs, with little or no government support, render further assistance, including therapeutic services to those affected by violence.

III. SOUTH AFRICAN STRATEGIES

The current transitional period in South Africa has provided new opportunities and challenges vis-à-vis the goal of women's empowerment and emancipation. The 1993 Constitution, the installation of the first democratically elected government, the creation of the RDP, and the development of an integrated socio-economic policy framework are all indicative of South Africa's commitment to building equality and ensuring the empowerment of women. Translation of this new vision into reality is dependent on a number of factors including: the formulation of realistic strategies; the development of effective mechanisms; the allocation of sufficient resources; and a commitment to evaluating and measuring, within real timeframes, what changes are in fact being made to the lives of the most oppressed and exploited South Africans: black, working-class women. Government departments at national, provincial and local-level in areas as diverse as finance, land, housing, health, education, justice, police and security, trade and industry, water and forestry, and public service must take steps to reorient their staffs, programs, and resources towards empowering the poorest of the poor and ensuring that South Africa makes a decisive break with the past.

A. Sustainable Transformation

For sustainable transformation of gender relationships to take place in South Africa, multiple actions must be undertaken on a variety of fronts. The principal areas and types of activities discussed for nation-wide implementation by South Africans are listed below. To the extent possible, USAID/South Africa will align its strategic objectives to these strategies.

Policy and Legislation

- Implement the CEDAW commitments to give meaning to the country's re-entry into the international community.
- Develop an overall policy on gender to guide all departments and to ensure consistency and coordination.
- Incorporate gender analysis in policy formulation and planning within, and across line ministries and departments while locating the broad goal of women's empowerment within the RDP so as not to ghettoize the issues.
- Ensure that women committed to women's emancipation, are involved at all stages of planning, especially at the level of policy formulation.
- Identify and remove discriminatory legislation and pass legislation that will protect and advance women's rights.

Resource Allocation

- Establish structures and allocate sufficient financial and human resources to ensure policy implementation. For example, structures such as gender desks within departments could play the role of assessing programs against women's needs, as well as performing ongoing evaluation of the impact of the RDP and other programs.
- Ensure that the National Budget is reoriented in line with the goals of reconstruction and development, with a specific focus on gender.

Program Implementation

- Develop mechanisms for the implementation of legislation that protects women's rights.

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-Develop an affirmative action strategy and program and strategy incorporating a fundamentally different perspective, consistent with the people-centeredness of the RDP.

-Ensure the active involvement (at all levels of decision-making) and growing empowerment of women in RDP and line ministries.

-Develop a national empowerment program for women (including training) which will ensure women's empowerment and guarantee women's full participation and, where necessary.

-Assist in consolidating and strengthening national, provincial, and local-level women's movements.

-Do a national audit on gender programs/projects.

Research and Data Management

-Broaden South Africa's statistical and information base to include gender and race variables.

-Disaggregate statistics according to gender, race and class so that the present invisibility of women is not further perpetuated, and a solid base is developed for formulating policy and monitoring change.

-Conduct research to look at the impact of all legislation on women and make recommendations for revising legislation and rendering it more gender sensitive.

-Monitor changes to ensure that policy-making (economic, social and political) and consultative structures and processes at national, regional and local level, do not inherit the race, class and gender hierarchies that are the legacy of apartheid.

Conceptual and Educational Changes

-Develop a conceptual framework of gender that considers power relations between men and women.

-Acknowledge women's different experiences and needs.

-Allow women the space to articulate their different needs and their independence.

-Take into account the reality of women's lives and the specific nature of the valuable experience being brought into existing power structures (that themselves will need transformation to enable the structures effectively to benefit from the rich and varied experience and approach).

B. Empowerment Challenges

1. Political

Policy and Legislation

-Build a strong lobby inside and outside Parliament.

-Strengthen the embryonic Women's Caucus so that it can exert pressure for change on individual political parties and the GNU

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-Develop and implement a clear strategy for ensuring the effective participation of women at local government level where government service delivery occurs.

-Establish the Commission on Gender Equality (as called for in the Constitution) whose main tasks will be to conduct research on women, advise the Government on gender policies and programs, and act as a gender watchdog and pressure group on governmental agencies and NGOs

Program Implementation

-Spearhead an education program (that involves NGOs) aimed at creating awareness about women's constitutional and legal rights.

-Ensure that women have access to the Constitutional Court so that they can challenge acts of discrimination.

-Develop creative and effective mechanisms to ensure that the voices and interests of the poorest and least politically powerful are heard and addressed.

-Build and support women's organizations and women in general in organizations such as the Civics, trade unions and the Church.

-Strengthen the linkages that exist between women inside and outside Parliament while allowing women the space to articulate their different needs and their independence.

2. Social

Program Implementation

-Develop concrete goals and upgrade existing measures for factors such as child mortality, reduction in epidemics, rates of adult literacy, provision of low-income housing, employment equity in both public and private sectors, incidents of family violence, provision of child-care services and the provision of infrastructure.

-Develop women's potential and skills, and recognize their existing skills so that they can effectively take positions of leadership

-Ensure that people are trained and given access to existing or developing decision-making structures and resources

3. Economic

Policy and Legislation

-Ensure representation of women in the composition of economic policy-makers; in the NEDLC; in constituent organizations such as business, Civics and labor, in RDP structures at national, provincial or local level, and government departments at all levels and in terms of the programs they develop and the needs they meet.

-Ensure that the transformed Labor Relations Act recognizes the role of women in production and incorporates measures for accelerating the integration of women into the formal economy by stepping up professional and job skills training for women in all spheres of production.

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Program Implementation

-Play a crucial role in strengthening and building mass-based women's organization, since the organization of women is the key to ensuring the implementation of the RDP amongst the poorest.

-Recognize the role of women in production and accelerate their integration into the macroeconomic sphere.

-Recognize and make more visible women's contribution to the informal sector of employment (micro enterprises).

-Restructure the educational system and the work force to allow the participation of women.

-Recognize and explore the potential of organizations such as the stokvels (rotational credit system) in which women predominate in their thousands, for purposes of training, consultation and action around programs aimed at change.

-Identify and address gender-based aspects of the practices and economic management of government and other institutions and, in particular, increase training opportunities; establish parental rights; improve credit subsidies and innovative credit schemes; ensure the public provision of child care, and improve competition policy to benefit women.

Research and Data Management

-Apply performance assessment to the Government and its institutions at all levels to ensure efficiency, effectiveness and development of women as an RDP priority.

-Include objectives that identify and address gender-based aspects of the practices and economic management of government and other institutions. Particular objectives are to: increase training opportunities; establish parental rights; improve credit subsidies and innovative credit schemes; ensure the public provision of child care, and improve competition policy to benefit women.

-Examine the impact on women of economic policy through research.

The women's movement in this country has a massive challenge before it:

-To reorient society through the nature of the education that is developed in schools, technikons, universities, colleges or the adult education arena;

-To inform and lobby the Government around women's needs and demands;

-To utilize the media more effectively as a means of creating greater awareness; through conducting national campaigns to create awareness and begin to transform a society in which women are empowered.

The challenge does not start nor does it end with women but with South Africa, its Constitution, its Government, its institutions and all its people. USAID/South Africa can and must contribute to this effort.

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SOUTH AFRICA

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ANNEX E - ANNEX M

Annex F
Economic Situation of South Africa

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Acronyms: Annex F

African Capacity Building Fund	ACBF
African Economic Research Consortium	AERC
African Institute for Policy Analysis & Economic Integration	AIPA
Bi-national Commission	BNC
Canadian International Development Agency	CIDA
Centre for Development and Enterprise	CDE
Central Statistical Service	CSS
Centre for Research on Economics and Finance on South Africa	CREFSA
Community Agency for Social Enquiry	CASE
Economic Research Unit	ERU
Equity and Growth through Economic Research	EAGER
European Currency Units	ECU
Financial and Fiscal Commission	FFC
Gross Domestic Product	GDP
Institute for Social and Economic Research	ISER
Land and Agricultural Policy Centre	LAPC
Macroeconomic Research Group	MERG
National Bureau of Economic Research	NBER
National Economic Development and Labour Advisory Committee	NEDLAC
Non-governmental Organizations	NGOs
National Institute for Economic Policy	NIEP

National Union of MineWorkers	NUM
Overseas Development Administration	ODA
Reconstruction and Development Plan	RDP
South African Chamber of Business	SACOB
South African Labour and Development Research Unit	SALDRU
South African Network of Economic Research	SANER
Support for Economic Growth and Analysis	SEGA
Swedish Industrial Development Assistance	SIDA
School of Oriental and African Studies	SOAS
Tertiary Education Linkages Project	TELP
University of Cape Town	UCT
University of the Witwatersrand	WITS

Annex F

Economic Situation of South Africa

I. Introduction

This annex examines some of the basic economic trends and issues facing South Africa. The basic organization of the annex follows the logical structure laid out above in Annex A in the discussion of the requirements for achieving the Mission's sub-goal of economic empowerment. The following sections highlight a number of difficulties and problems which are generally recognized within the South African developmental community.¹

The first section below examines South Africa's distributional disparities and problems, ranging from the general income distribution to differences across population groups to regional inequalities. The second section below examines the trends in growth, its sources, and the relative utilization of labour and capital in the production process. The third section following examines the needs for increased resource generation and improved resource utilization. The two final sections highlight the need for measures of improved competitiveness and investor confidence.

II. Equity: Distributional Disparities

South Africa possesses a large, modern economy which, with a 1994 Gross Domestic Product (GDP) of \$120 billion, is approximately 1.5 times as large as the combined economies of the rest of Southern Africa, or the equivalent of the state of Maryland or Massachusetts.² The structure of the economy displays significant diversity with the following economic structure:

● Agriculture and Mining	13 percent of GDP;
● Manufacturing	24 percent of GDP;
● Other Secondary Sector Activities	7 percent of GDP;
● Government	15 percent of GDP; and
● Other Tertiary Sector Activities	41 percent of GDP.

At the same time, there are severe distributional inequities throughout the economy. These inequities are based both on racial classification and geographic location. Table 1 provides a few basic indicators of the income distribution by racial group and location. Several key points are clear from these data. First, Africans are significantly poorer than the other racial groups. Overall, the median income for an African household is only 44 percent of that for the median coloured household, 23 percent of that for the median Indian household, and only 15 percent of the median income for a white household. These data, along with those of Table 2, highlight the fact that the bulk of the poorest people come from the African population. Over 26 percent of the total African population is found within South Africa's poorest population quintile, and over 52 percent of the African population is in the two poorest quintiles (poorest 40 percent). In contrast, only 1.3 percent of the white population is within the poorest quintile and only 2.1 percent in the poorest 40 percent of the population.

¹ The material presented in this annex is drawn from a number of papers prepared within USAID/South Africa. These papers include the following:

- 1) Richard Harber, "South Africa's Economy Today," 5 December 1994;
- 2) Richard Harber, "South Africa's Public Debt," 15 February 1995;
- 3) Richard Harber, "South Africa's Public Finances," 18 April 1995;
- 4) Richard Harber, "South Africa's Growth Dilemmas," 19 May 1995;
- 5) Richard Harber, "South Africa: Employment and Unemployment—The Economic Problem," 16 February 1996; and
- 6) Richard Harber, "South Africa's Monetary and Balance of Payments Policies and Practices," in process.

Unless noted otherwise, all data come from official Government of South Africa sources.

² For more details on distributional issues in South Africa, see Richard Harber, "South Africa's Economy Today."

The data in Table 1 also highlight the important fact that poverty in South Africa is predominantly, but not exclusively, a rural problem. Roughly forty percent of the total population resides in rural areas. Of this rural population, 32 percent have incomes which place them in the poorest 20 percent of the country's population. For the urban population, only 12.7 percent are found in the poorest quintile. For Africans, fully one-third of the rural inhabitants is in the poorest 20 percent of the population and over 62 percent is in the poorest 40 percent of the total population.

Table 2 presents data on the racial composition of the two bottom income quintiles. If the distribution of "poverty" was equal, then the population group shares in the various quintiles would match the population shares of each group. The data in Table 2 show South Africa's poverty is not evenly distributed. Virtually the entirety (99 percent) of the poorest 20 percent of the population and the poorest 40 percent of the population is comprised of Africans and Coloureds, with the vast majority (95-96 percent) coming from the African population.

Table 3 examines some of the same issues on a provincial basis. It is clear that three provinces are strongly over represented in the lower end of the income distribution, i.e., the Northern Transvaal, the Eastern Cape, and to a lesser degree, KwaZulu-Natal. The high poverty participation in the Northern Transvaal and the Eastern Cape are most likely due to the fact that they are the two poorest provinces in the country.

Table 4 presents household income distribution data by population decile. These data are summarized in the Lorenz Curve shown in Figure 1. These data present yet another view of the mal-distribution of income in South Africa. The poorest population decile receives only 0.5 percent of total income, while the poorest population quintile receives only two percent of total income. In contrast, the richest population quintile receives 65.9 percent of total income, and the richest population decile receives 47.6 percent of total income.

The Gini coefficient implied by these data is 0.795, where a value of one represents absolute inequality and a value of zero represents absolute equality.³

Table 5 presents similar data for other countries in Africa and other parts of the world. Based on these data, it is clear that while South Africa's income distribution is highly unequal and is skewed, especially against the poorest, the income shares at the top of the distribution are not too far out of line with those of some other countries.

³Referring to the Lorenz Curve, if the area between the diagonal line of equality and the actual distribution is "B" and the area below the actual distribution is "A," then the Gini Coefficient (G) is defined as: $G = 2B = 1 - 2A$.

**TABLE 1. SOUTH AFRICA: INDICATORS OF INCOME DISTRIBUTION
BY RACIAL GROUP AND LOCATION**

Group/Location	Median Household Income	Percent of Population Group in National:	
		Poorest 20%	Poorest 40%
African	R 8,534	26.5%	52.1%
Rural	R 6,743	33.3%	62.4%
Coloured	R19,485	6.5%	21.5%
Rural	R12,155	4.6%	32.0%
Indian	R37,402	1.6%	6.5%
Rural	R14,647	n.a.	n.a.
White	R57,546	1.3%	2.1%
Rural	R49,800	3.5%	5.4%
All	R12,604	20.0%	40.0%
Rural	n.a.	32.2%	60.5%
Urban	n.a.	12.7%	29.2%

Source: Southern Africa Labour and Development Research Unit (SALDRU), "South Africans Rich and Poor: Baseline Household Statistics."

TABLE 2. SOUTH AFRICA: RACIAL COMPOSITION OF THE POOREST QUINTILES

Population Group	Share of the Total Population	Share of the Poorest 20%	Share of the Poorest 40%
African	75.3%	96.2%	94.4%
Coloured	8.7%	2.7%	4.5%
Indian	2.6%	0.2%	0.4%
White	13.4%	0.8%	0.7%
Total	100.0%	100.0%	100.0%

Source: See Table 1.

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TABLE 3. SOUTH AFRICA: INDICATORS OF PROVINCIAL INCOME DISTRIBUTION			
Province	Median Household Income	Percent of Provincial Population in National:	
		Poorest 20%	Poorest 40%
Western Cape	R27,522	4.8%	14.6%
Gauteng	R25,180	6.4%	13.6%
Northern Cape	R12,316	17.6%	32.6%
KwaZulu-Natal	R12,314	24.3%	51.9%
Mpumalanga	R11,193	17.0%	41.1%
Free State	R11,127	18.1%	40.2%
Northwest	R 8,933	15.1%	36.1%
Eastern Cape	R 6,578	38.4%	62.5%
Northern Transvaal	R 6,023	39.6%	67.3%

Source: See Table 1.

TABLE 4. SOUTH AFRICA: ESTIMATED HOUSEHOLD INCOME DISTRIBUTION		
Population Decile	Decile Income Share	Cumulative Income Share
1	0.5%	0.5%
2	1.5%	2.0%
3	2.1%	4.1%
4	2.9%	7.0%
5	3.9%	10.9%
6	5.3%	16.2%
7	7.2%	23.4%
8	10.7%	34.1%
9	18.3%	52.4%
10	47.6%	100.0%

Source: See Table 1.

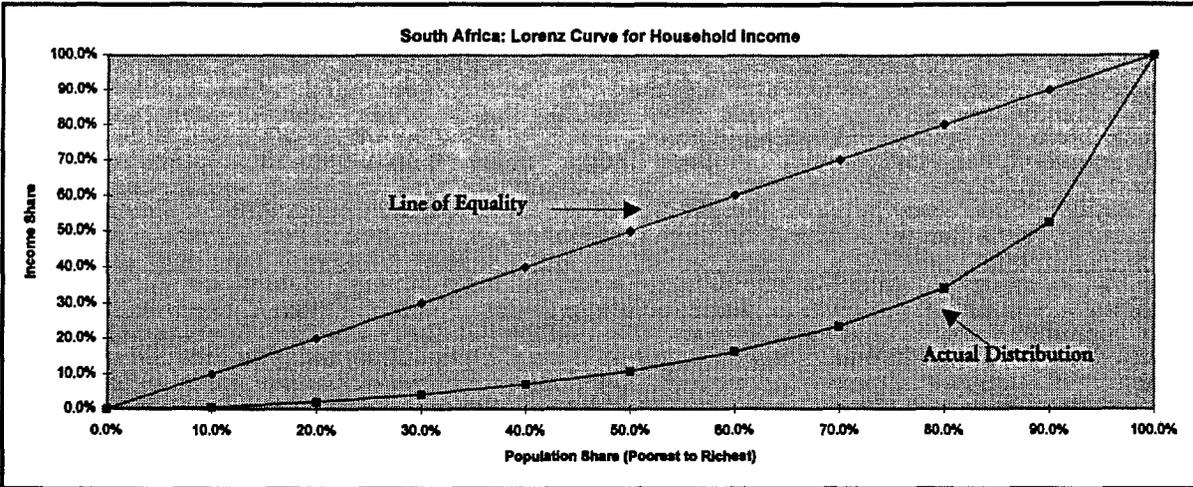


Figure 1. South Africa: Lorenz Curve for Household Income

TABLE 5. COMPARATIVE STATISTICS ON INCOME DISTRIBUTION			
Country	<i>Income Shares of the:</i>		
	Poorest Quintile	Richest Quintile	Richest Decile
South Africa	2.0%	65.9%	47.6%
Brazil	2.1%	67.5%	51.3%
Tanzania	2.4%	62.7%	46.5%
Kenya	3.4%	61.8%	47.9%
Botswana	3.6%	58.9%	42.9%
Chile	3.7%	62.9%	48.9%
Zimbabwe	4.0%	62.3%	46.9%
Mexico	4.1%	55.9%	39.5%
Malaysia	4.6%	53.7%	37.9%
United Kingdom	4.6%	44.3%	27.8%
United States	4.7%	41.9%	25.0%
Tunisia	5.9%	46.3%	30.7%
Thailand	6.1%	50.7%	35.3%
South Korea	7.4%	42.2%	27.6%
Ethiopia	8.6%	41.3%	27.5%

Source: Table 4 and World Bank, "World Development Report 1994," pp. 220-221.

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III. Past Performance of Growth and Productive Capacity

One of the key items for increasing economic growth and equity in South Africa is an increase in productive capacity. This includes the expansion of both actual and "potential" output of the economy. For purposes of this analysis, gross domestic product (GDP) will be used as the appropriate measure of output. The definition of "potential output" is dealt with below.⁴

A. Growth of Gross Domestic Product and Productive Capacity

Figure 2 shows that South Africa's real per capita income increased from 1946 through 1974, rising from R4,360 to R8,209.⁵ From 1974 through 1977 real per capita income declined, then increased through 1981 to R8,544. Since 1981, there has been a decline in real per capita income to a level of R6,832 (US\$2,641) in 1994. The net result has been a return of real per capita income to mid-1960s levels.

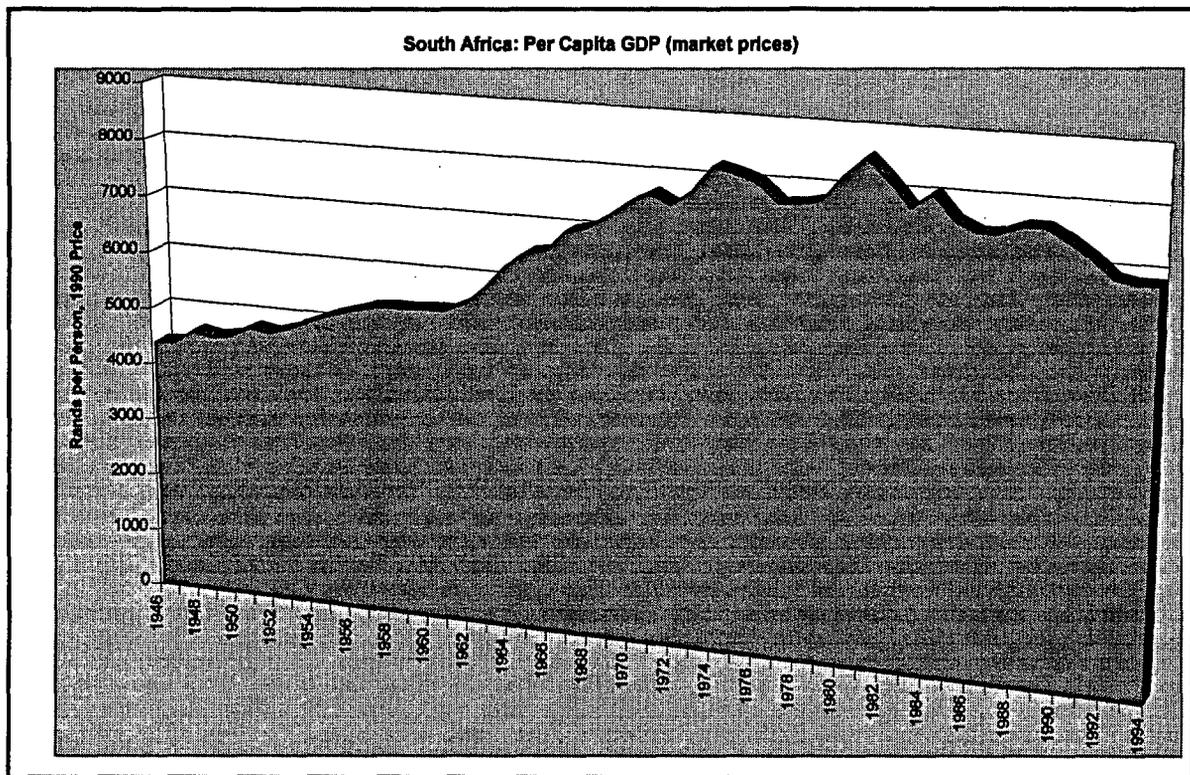


Figure 2. South Africa: Long-Term Trends in Real Per Capita Income, Rands in 1990 Prices

The trend for per capita income is driven by the growth performance of real GDP as displayed in Figure 3 and Table 6. An examination of the long-term trends of South Africa's GDP growth highlights the fact that the underlying real GDP growth rate has been declining. This is clearly illustrated in Table 6 by the difference between the trend growth rates resulting from a simple trend analysis for the full 1946-1994 period and a spline trend analysis which differentiates across time periods.⁶

⁴For more details on the issues covered in this section, see Richard Harber, "South Africa's Growth Dilemmas."

⁵Data cited are for GDP per capita at market prices expressed in constant 1990 prices.

⁶The spline trend analysis is based on a regression analysis which uses separate trends beginning in different time periods when it appears that changes in the trend behaviour have occurred. The summation of the relevant estimated coefficients results in the estimated spline trend values. Intercept dummy variables for each of the spline periods were also included in the estimation process. See Annex B

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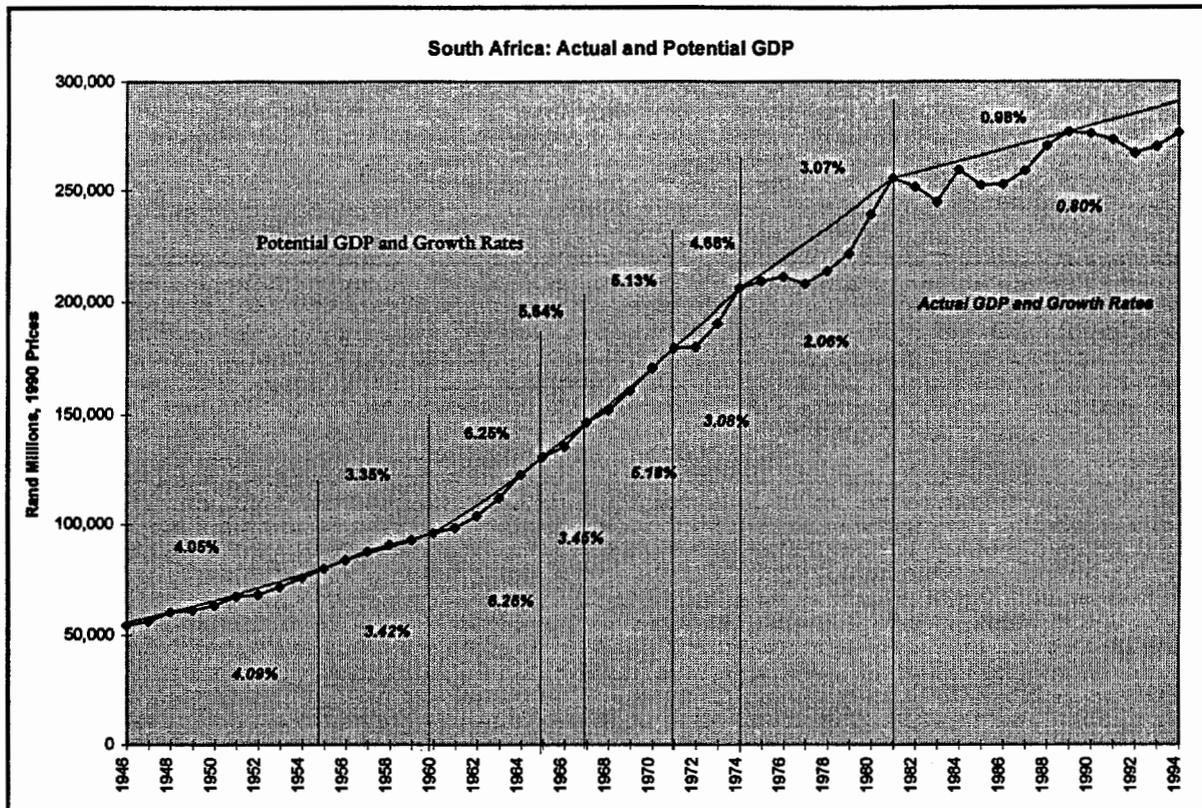


Figure 3. South Africa: Long-Term Trends in Actual and “Potential” Real Gross Domestic Product

From 1946 through 1960, real GDP grew first at just under 4.1 percent per annum and then just over 3.4 percent. From 1960 through 1965, the rate of growth accelerated to 6.26 percent, declining to an average rate of approximately five percent from 1965 through 1970. The 1970s saw a further slow down in growth to roughly 2.1 percent from 1974 through 1981. From 1981 through 1994, real GDP grew at a rate of 0.8 percent.

The identification of potential income or productive capacity is difficult in all cases, but especially so in the case of South Africa. In most developed countries, this estimation is based upon the concept of “full employment” output; however, for South Africa it is not clear what “full employment” would mean since there is massive slack in labour markets. As a result, an alternative approach for estimating capacity is used which involves the estimation of the “envelope curve” of GDP.⁷ The results of estimating potential output and its growth rate are shown in Figure 3 and Table 6. These data clearly show a similar pattern of declining growth rates following the early 1960s. Since 1981, the growth rate of potential output has been just under one percent per annum.

of “South Africa’s Growth Dilemmas” for a more detailed discussion of these and other statistical results.

⁷ This measure of “potential or capacity output” is estimated by assuming that the “peaks” in the GDP trend represent full capacity utilization. By connecting these peaks an “envelope curve” results which represents the time path of potential or capacity output. From those values, the growth rate for each segment of the “envelope curve” can be calculated.

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TABLE 6. SOUTH AFRICA: GROWTH TRENDS FOR GROSS DOMESTIC PRODUCT (PERCENT PER ANNUM)			
Period	Simple Trend Growth	Spline Trend Growth	Potential GDP Growth
1946—1993	3.74	n.a.	n.a.
1946—1955	n.a.	4.09	4.05
1955—1960	n.a.	3.42	3.35
1960—1965	n.a.	6.26	6.25
1965—1967	n.a.	3.45	5.64
1967—1971	n.a.	5.18	5.13
1971—1974	n.a.	3.08	4.68
1974—1981	n.a.	2.06	3.07
1981—1993	n.a.	0.80	0.98

Source: *Estimations by the author.*

B. Increasing Capital Intensity of Production

Associated with South Africa's declining GDP growth rates has been an increase in the capital intensity of production as measured by the average capital-output ratio.⁸ This rise implies that greater and greater levels of investment have been required to support increases in productive capacity, output and incomes. Figure 4 shows the levels of the capital-output ratios for total GDP and by broad productive sector from 1946 through 1994. The upward trend in the capital-output ratios, especially since the early 1960s, are clearly illustrated. This figure also highlights the long history of capital intensity in South Africa's tertiary sector.

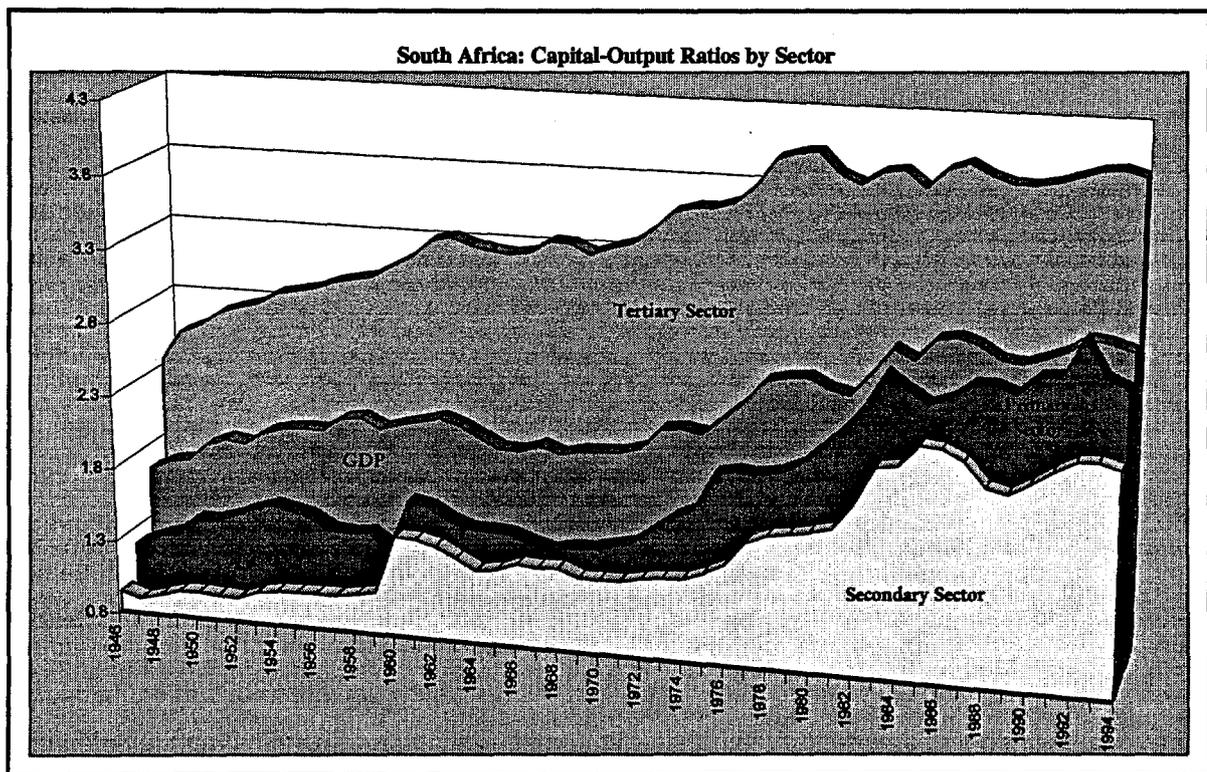


Figure 4. South Africa: Long-Term Trends in Average Capital-Output Ratios

⁸The average capital-output ratio is measured as the ratio of the fixed capital stock in constant prices to GDP in constant prices.

Table 7 summarizes the trend in actual and potential growth rates and capital-output ratios. As the correlation coefficients between the growth rates and the average capital-output ratio show, the decline over time of actual and potential output growth rates and the rise of the capital intensity of production are statistically significantly associated with each other.

C. Trends in Multifactor Productivity Growth

Another aspect of the longer-term development of South Africa's GDP is the trend in total factor usage and multifactor productivity which taken together are the sources of income growth for any country.⁹

TABLE 7. SOUTH AFRICA: GDP GROWTH RATES AND OVERALL AVERAGE CAPITAL-OUTPUT RATIOS			
Period	Growth Rates (percent)		Average Capital-output Ratios
	Full Spline Trend	Potential GDP	
1946—1955	4.091	4.052	1.8484
1955—1960	3.416	3.352	2.0613
1960—1965	6.263	6.254	2.0411
1965—1967	3.454	5.639	1.9635
1967—1971	5.183	5.134	1.9870
1971—1974	3.081	4.681	2.1383
1974—1981	2.059	3.069	2.4470
1981—1994	0.804	0.982	2.8175
Correlation Coefficient with Capital-Output Ratio	-0.783	-0.806	1.000

Source: Estimations by the author.

1. Based on Gross Domestic Product

Tables 8 and 9 summarize the results from the direct decomposition of GDP growth into its component factors for the period ranging from 1960 through 1993.¹⁰ These results highlight the fact that productivity growth has been low and has made minimal contributions to GDP growth. In fact, for fifteen of the thirty-three years being examined, productivity growth has been negative.

Rather, the economy's growth has been driven by the expanded use of productive factors, primarily capital. Examining the relative growth rates of employment (labour) and the capital stock highlights another aspect of South Africa's recent growth performance—the declining labour-capital ratio which highlights the increasing dependence on capital for the generation of growth in the economy. If the labour-capital ratio is normalized at 100 in 1960, then the above growth rates imply the labor-capital ratios shown in Table 10. Thus, there has been a cumulative decline in the labour-capital ratio of almost 40 percent since 1960. This implies that the

⁹Total GDP and non-agricultural GDP are considered separately since the general employment series does not include employment in agriculture. Two approaches to the analysis are taken, but both result in an estimate of multifactor productivity growth. The first approach used is a direct, annual decomposition using a basic Cobb-Douglas Production Function relationship. The second approach is a regression analysis which directly estimates the Cobb-Douglas relationship. See "South Africa's Growth Dilemmas" for a full discussion of the methodology and results of this analysis.

¹⁰ For each of the given periods, the various items are defined as follows: the wage share is the average value of the ratio of remuneration of employees to GDP; the GDP, Employment and Capital Stock growth rates are those growth rates calculated on an exponential basis; and the growth rate for multifactor productivity is calculated as the residual from the relationship presented in the introduction to this note.

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employment generated by a given rate of output growth is roughly forty percent less than it would have been if this relationship had not shifted.

TABLE 8. SOUTH AFRICA: DECOMPOSITION OF GDP GROWTH (PERCENT)					
Period	Wage Share	Annual Growth Rates			
		GDP	Employment	Capital Stock	MultiFactor Productivity
1960-1965	55.63	6.01	4.22	4.73	1.56
1965-1970	57.29	5.33	7.28	5.77	-1.31
1970-1975	57.72	3.94	3.82	6.74	-1.11
1975-1980	56.38	3.02	1.47	4.76	0.11
1980-1985	57.02	1.37	1.20	3.84	-0.97
1985-1990	58.31	1.46	0.65	1.23	0.57
1990-1993	60.74	-0.72	-2.28	0.66	0.40

Source: Estimations by the author.

TABLE 9. SOUTH AFRICA: RELATIVE CONTRIBUTION TO GDP GROWTH OF EXPANDING FACTOR USAGE AND PRODUCTIVITY GROWTH (PERCENT)				
Period	Factor Usage Share	of which:		Productivity Share
		Employment (Labour)	Capital Stock	
1960-1965	74.0	52.8	47.2	26.0
1965-1970	124.5	62.9	37.1	-24.5
1970-1975	128.3	43.6	56.4	-28.3
1975-1980	96.2	28.5	71.5	3.8
1980-1985	170.4	29.3	70.7	-70.4
1985-1990	61.1	42.5	57.5	38.9
1990-1993	-156.4	-123.0	23.0	56.4

Source: Estimations by the author.

TABLE 10. SOUTH AFRICA: LABOUR-CAPITAL RATIOS (TOTAL CAPITAL STOCK)			
Period	Ratio (1960 = 100)	Percentage Change	
		One Period	Cumulative
1960-1965	97.5	-2.5	-2.5
1965-1970	105.1	7.8	5.1
1970-1975	90.8	-13.6	-9.2
1975-1980	77.1	-15.2	-22.9
1980-1985	67.5	-12.4	-32.5
1985-1990	65.6	-2.9	-34.4
1990-1993	60.1	-8.4	-39.9

Source: Estimations by the author.

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Period	Estimated Rate	Implied		Direct Estimates
		Period	Rate	
1960-1965	2.14	1960-1965	2.14	1.56
1965-1967	-1.80	1965-1970	-1.11	-1.31
1967-1971	-0.64	1970-1975	-1.18	-1.11
1971-1974	-1.65	1975-1980	-1.29	0.11
1974-1981	-1.28	1980-1985	-0.51	-0.97
1981-1993	-0.31	1985-1990	-0.31	0.57
		1990-1993	-0.31	0.40

Source: *Estimations by the author.*

Period	Wage Share	Growth Rates			
		GDP	Employment	Capital Stock	MultiFactor Productivity
1960-1965	55.63	6.39	4.22	5.07	1.79
1965-1970	57.29	5.45	7.28	6.08	-1.31
1970-1975	57.72	3.94	3.82	7.04	-1.25
1975-1980	56.38	2.97	1.47	4.98	-0.03
1980-1985	57.02	1.44	1.20	4.08	-1.00
1985-1990	58.31	1.34	0.65	1.42	0.37
1990-1993	60.74	-0.62	-2.28	0.79	0.45

Source: *Estimations by the author.*

Period	Factor Usage Share	of which:		Productivity Share
		Employment (Labor)	Capital Stock	
1960-1965	71.9	51.1	48.9	28.1
1965-1970	124.3	61.6	38.4	-24.3
1970-1975	131.5	42.6	57.4	-31.5
1975-1980	101.0	27.6	72.4	-1.0
1980-1985	169.3	28.1	71.9	-69.3
1985-1990	72.5	39.0	61.0	27.5
1990-1993	-173.3	-128.9	28.9	73.3

Source: *Estimations by the author.*

The productivity growth derived from a spline regression analysis is summarized in Table 11. Generally, these estimates present a slightly bleaker picture vis-a-vis productivity growth than arises from the direct decomposition of the growth components. In either case, however, it is clear that multifactor productivity growth has not been a major driving force in promoting South Africa's economic growth.

2. Based on Non-Agricultural GDP

The analysis presented above based on total GDP was also conducted using non-agricultural GDP since the general employment series used does not include agricultural employment. The estimates presented in Tables

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12-15 are probably more appropriate than those of the previous section, unless agricultural employment moves more or less proportionately to non-agricultural employment.

TABLE 14. SOUTH AFRICA: LABOUR-CAPITAL RATIOS (NON-AGRICULTURAL CAPITAL STOCK)			
Period	Ratio (1960 = 100)	Percentage Change	
		One Period	Cumulative
1960-1965	95.8	-4.2	-4.2
1965-1970	101.8	6.2	1.8
1970-1975	86.6	-14.9	-13.4
1975-1980	72.7	-16.1	-27.3
1980-1985	62.9	-13.4	-37.1
1985-1990	60.6	-3.8	-39.4
1990-1993	55.2	-8.8	-44.8

Source: *Estimations by the author.*

TABLE 15. SOUTH AFRICA: PRODUCTIVITY GROWTH RATES FOR NON-AGRICULTURAL GDP DERIVED FROM REGRESSION ESTIMATES (PERCENT)				
Period	Estimated Rate	Implied		Direct Estimates
		Period	Rate	
1960-1965	2.32	1960-1965	2.32	1.79
1965-1967	-1.91	1965-1970	-1.11	-1.31
1967-1971	-0.56	1970-1975	-1.71	-1.25
1971-1974	-2.10	1975-1980	-1.60	-0.03
1974-1981	-1.59	1980-1985	-0.78	-1.00
1981-1993	-0.57	1985-1990	-0.57	0.37
		1990-1993	-0.57	0.45

Source: *Estimations by the author.*

With the exception of the 1960—1965 period and the 1990—1993 period, the growth rates for multifactor productivity in non-agricultural GDP are even lower than those for total GDP. Figure 5 presents an index of multifactor productivity based on the direct decomposition of GDP and non-agricultural GDP growth which shows that the decline in productivity growth when agriculture is excluded is even greater than when total GDP is considered. These conclusions imply that the sector(s) responsible for the productivity decline largely lie outside of agriculture.

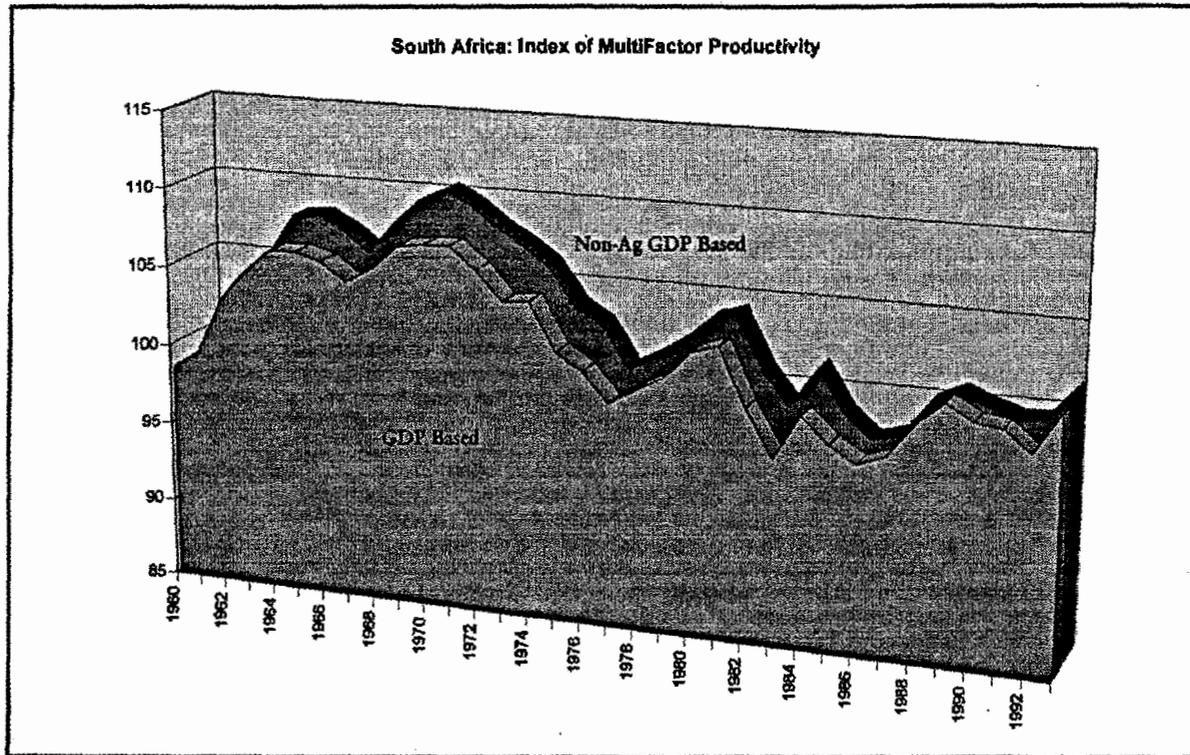


Figure 5. South Africa: Long-Term Trends in Multifactor Productivity Growth

Finally, the decline in the relative importance of labour, as measured by the labour-capital ratio, was more severe when the agricultural capital stock is excluded, implying that employment is approximately 45 percent lower than it would have been if the labour-capital ratio had not precipitously declined. Figure 6 shows the trends of the labour-capital ratio for both GDP and non-agricultural GDP.

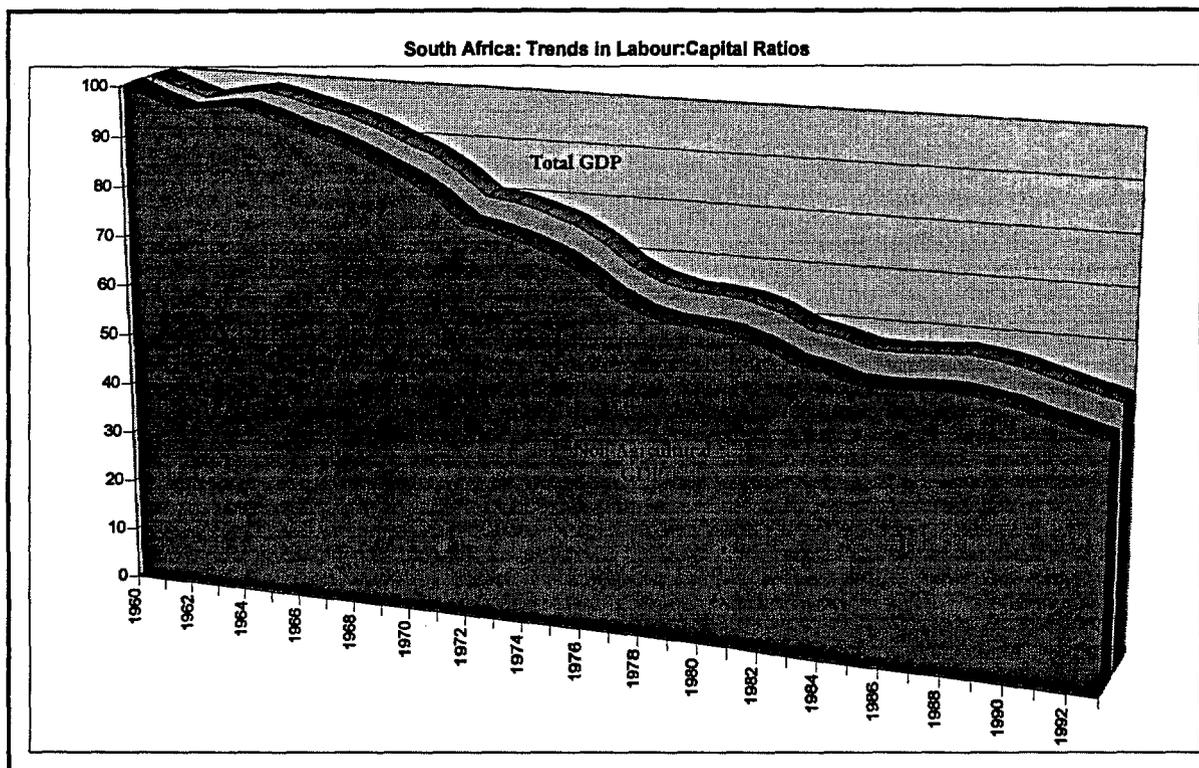


Figure 6. South Africa: Long-Term Trends in Labour:Capital Ratios

IV. Increased Resource Generation and Use

Two primary categories of resources are considered in this section. First, is the generation and use of capital. The key concern in this area is the need to increase South Africa's savings and investment rates to the levels necessary to generate and sustain increased economic growth. The second category of resources is labour and employment. One of key indicators of growth with equity is increasing employment. The "flip side" of the "employment coin" is the state of unemployment which forms a significant economic and political problem for South Africa.

A. Increased Savings and Investment

The discussion above highlighted several facts which have accompanied the decline in South Africa's aggregate growth over time.¹¹ First, growth has largely been driven by the expansion of factor usage rather than productivity growth. Second, the productivity of capital has decreased as indicated by the steady rise in the capital-output ratio. Third, the level of employment generation associated with capital creation has declined by forty to forty-five percent.

Taken together these factors imply a very stark reality. Whether the goal is to expand production and incomes or to create employment or both, a greater level of net investment is now required than was required in the early 1960s.

These trends and changes imply that the generation and financing of investment will be an absolute necessity for the expansion of the economy. This section examines the trends in both investment and saving.

¹¹This section is based on Richard Harber, "South Africa's Growth Dilemmas."

1. Investment

The basic trends in investment since World War II are shown in Figures 7 and 8. As seen in Figure 7, gross and net domestic investment follow the same general trends over the entire post-war period.¹²

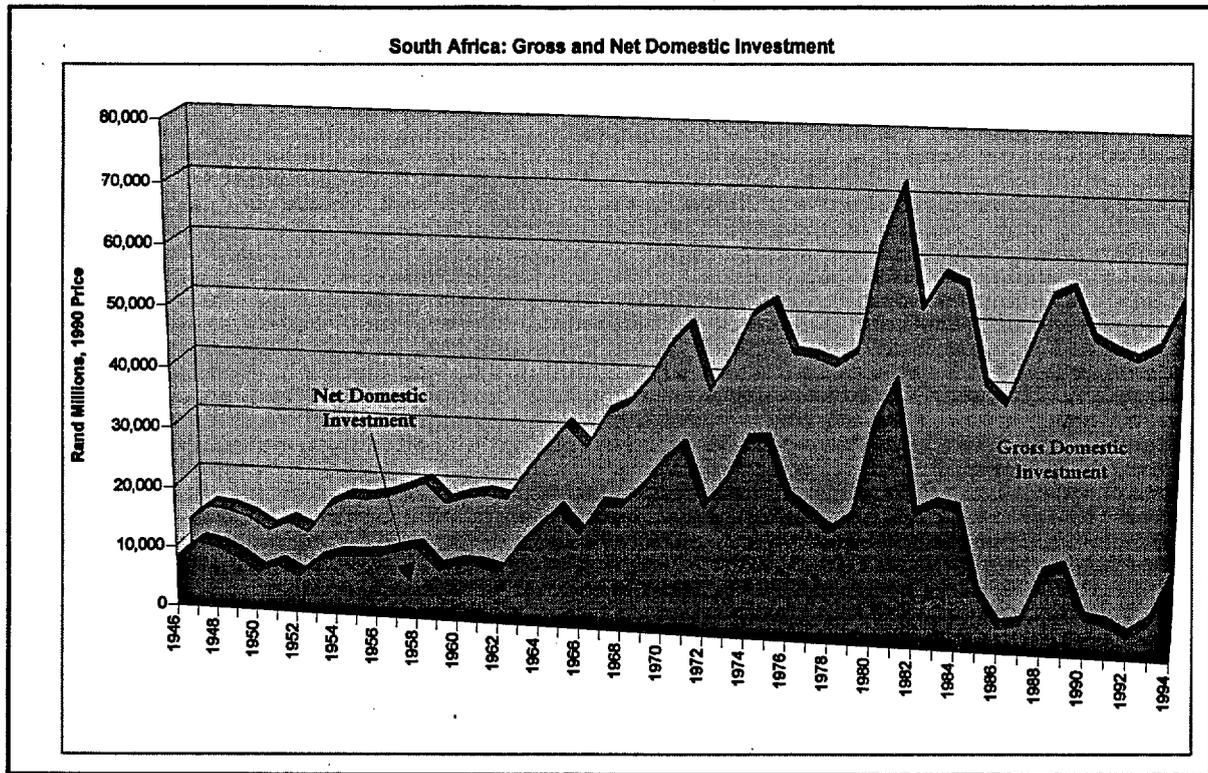


Figure 7. South Africa: Long-Term Trends in Gross and Net Domestic Investment, Rand Millions, 1990 Prices

Beginning in the early 1980s, however, the gap between net and gross investment widened significantly indicating that a greater share of total investment was required to maintain the existing capital stock and was not available to expand the capital stock and productive capacity.¹³ By 1986, the absolute level of real net domestic investment had fallen to levels less than those of the mid to late 1950s and has essentially remained at those levels since that time. The investment figures for 1994 show an increase in real investment, but the bulk of that increase is accounted for by three to four long-planned, major investments in the mining sector. From 1984 through 1994, South Africa's net domestic investment has exceeded the real level of 1958, when the economy was only one-third its current size, in only three years. In addition, gross domestic investment has been less than twenty percent of GDP for most of this period.

¹² Net domestic investment refers to the change in the nation's capital stock over time. Gross domestic investment is total investment and equals net domestic investment plus investment to replace depreciated capital items, i.e., depreciation or capital consumption allowances. It should be noted that these figures include investment financed from overseas funds.

¹³ The replacement of the capital stock, as opposed to the expansion of the capital stock, can help to stimulate growth if the replacement process incorporates new, productivity increasing technology.

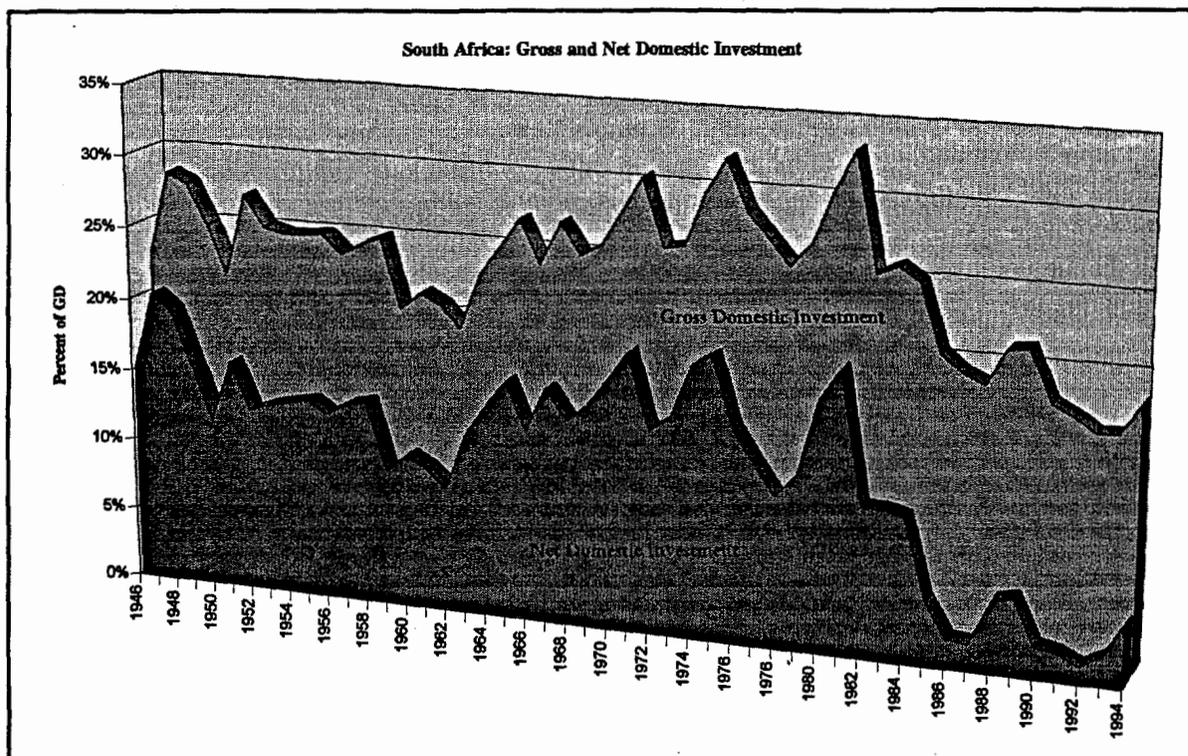


Figure 8. South Africa: Long-Term Trends in Gross and Net Domestic Investment Relative to Gross Domestic Product

Relative to GDP (Figure 8), the decline in net investment is even greater. Following 1984, the level of net investment represented the lowest levels since 1946. Beginning in 1982, net domestic investment fell to less than ten percent of GDP and fell to less than five percent of GDP from 1985 onwards. In 1992, net domestic investment was a mere 1.1 percent of GDP and only 7.1 percent of gross domestic investment. In 1993, net domestic investment rose to 1.9 percent of GDP and only 11.6 percent of gross domestic investment. For 1994, the same figures were 4.3 percent and 24 percent, respectively.

Together, the above trends in investment, unless significantly reversed, point to a severe constraint for increased growth and help to explain part of the decline in longer-term growth.

2. Savings

Figures 9 and 10 highlight the trends in South Africa's saving behavior. Gross saving, which must equal and finance gross domestic investment, is composed of four basic parts: foreign saving, net saving by the government, net saving by the private sector, and depreciation or capital consumption allowances. Gross domestic saving is composed of the last three of these items and represents the overall level of saving in the economy. This basic level is supplemented or diminished by foreign saving. The resulting balance is then divided across capital consumption allowances (financing the replacement of depreciated capital stock) and net domestic saving (made up of contributions by the private and public sectors) which can finance an expansion of the country's capital stock.

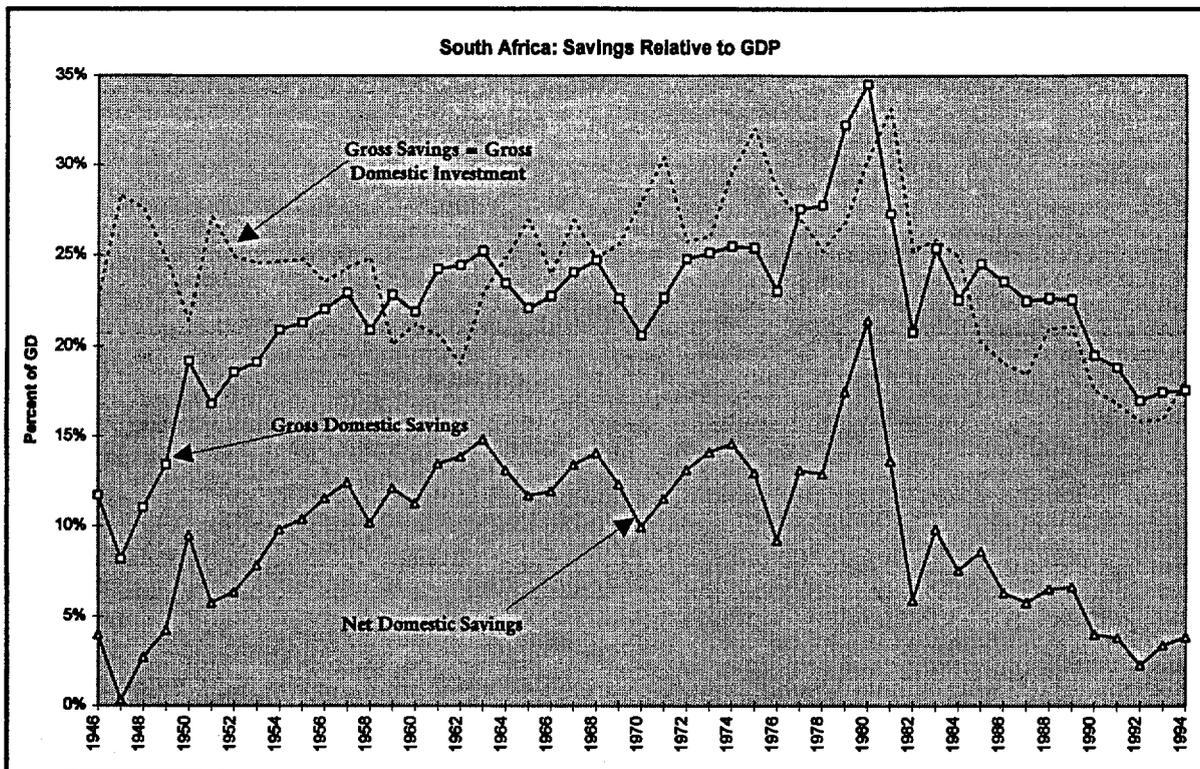


Figure 9. South Africa: Long-Term Trends in Savings Relative to Gross Domestic Product

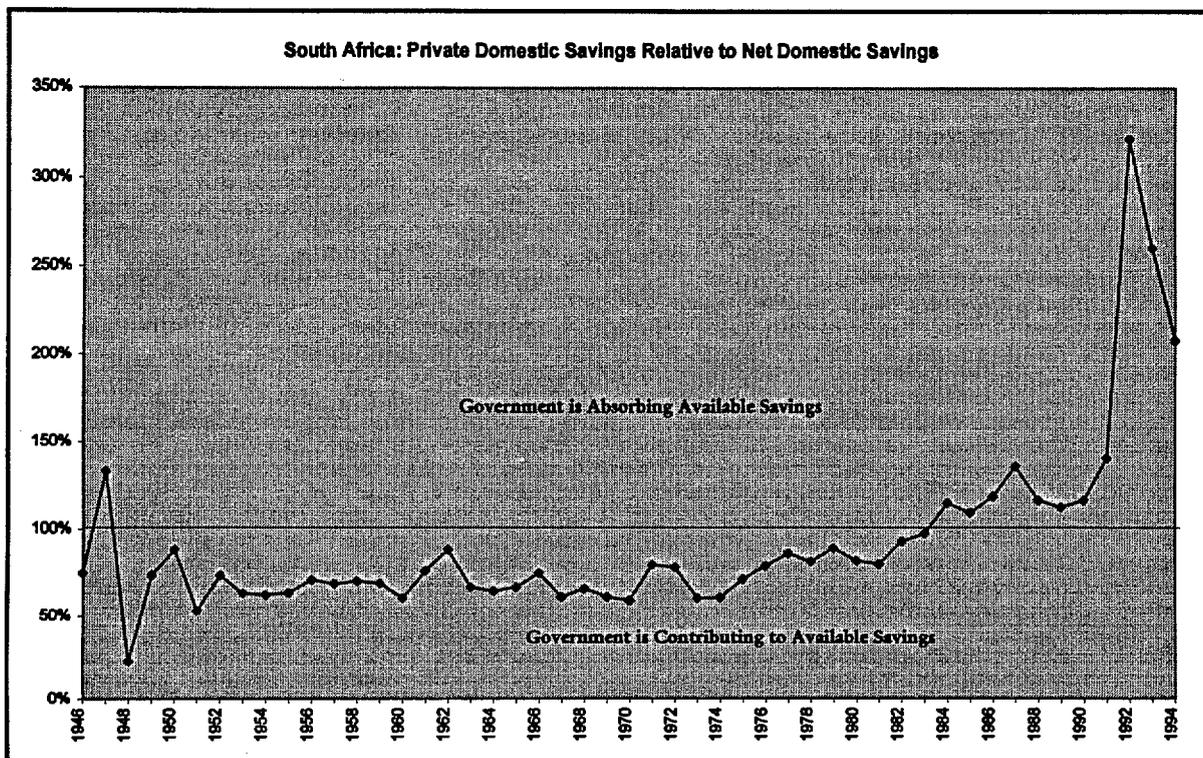


Figure 10. South Africa: Long-Term Trends in Government's Contribution to Domestic Savings Relative to GDP

Gross and net domestic saving, relative to GDP, rose rapidly in the latter half of the 1940s and through most of the 1950s. In the early part of this period, foreign saving provided a significant, but declining supplement to

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domestic saving. Beginning in 1959, net and gross domestic saving leveled off until the latter part of the 1970s. Foreign saving was negative (representing capital outflows which preceded, but then were aggravated by, the Sharpeville massacre) until 1964. From 1965 through 1977 and from 1981 through 1984, foreign saving supplemented domestic saving. Beginning in 1985 and extending through 1993, foreign saving has been negative, significantly so from 1985 through 1988 and less so since 1988. In 1994 foreign saving once again provided a supplement to domestic saving totaling 2.7 percent of gross domestic saving.¹⁴

Net and gross domestic saving spiked in 1979 and 1980, but quickly fell to previous levels in 1981, and began to establish new lows relative to GDP thereafter. This decline was much more severe for net domestic saving which fell from over twenty-one percent of GDP in 1980 to six percent of GDP in 1982. Despite some recovery following 1982, net domestic saving remained less than ten percent of GDP and has remained less than five percent of GDP since 1990.

Figure 10 explains part of the decline in net domestic saving for the post-1983 period. Prior to 1983 the public sector made a positive contribution to net domestic saving of anywhere from 25 percent to 40 percent of total net domestic saving. Following 1983, however, the public sector became a net consumer of domestic savings. Since 1990 the public sector consumption of domestic savings has become very significant, but did decline in 1994 relative to the peak in 1993. It still remains, however, at historically high levels.

3. Requirements

The general experience of countries in Asia and Latin America which have experienced high, sustained economic growth shows that savings and investment rates need to be between 25 percent and 30 percent of GDP. While the depreciation component of gross domestic investment is important for the restructuring of the capital stock and the incorporation of new technology which should increase productivity, it is also important to have higher levels of net domestic investment which contribute to the growth of the capital stock. Given these broad guidelines, somewhere in the range of an additional 10 percent to 15 percent of GDP needs to be invested on a continual basis each year compared to the recent investment performance of the economy.

Likewise, this additional investment must be financed through gross savings. This will require a significant increase in both net domestic and net foreign savings. In addition to achieving an increase in domestic savings rates of the private sector, a significant component increasing the domestic savings rate can be a continued reduction in the public sector's drain of savings. If, for example, the national deficit were eliminated, this alone could provide additional savings of five percent to six percent of GDP.

B. Improved Utilization of Labour Resources

1. Historical Trends and Performance

The issues of employment, unemployment and underemployment are of critical importance in South Africa. Nevertheless, achieving a clear definition of the problem is difficult due to shortcomings in the data series on the economically active population and employment. The basic figures from the Central Statistical Service are presented in Table 16. Figure 11 shows the basic trends in population, the economically active population, and employment status from 1967 through 1994. These data are often estimates and should not be taken as completely reliable. In addition, the data for employment refer to estimated "formal sector" employment and do not include informal sector employment. Nevertheless, these data highlight several key trends.

First, and most critical is the fact that since 1967 formal sector employment has declined significantly relative to the economically active population despite a slight decline in the participation rate, i.e., the proportion of the total population which is economically active.

¹⁴The periods of negative foreign savings correspond to the sanctions period when South Africa was "excluded" from access to foreign loans and capital, even though it had to repay existing loans.

TABLE 16. SOUTH AFRICA: POPULATION, ECONOMICALLY ACTIVE POPULATION AND FORMAL SECTOR EMPLOYMENT (THOUSANDS)						
Year	Population	Economically Active		Formal Sector Employment		
		Number	Rate (%)	Non-Agricultural	Agricultural	Rate (%)
1970	22,783	8,114	35.6	3,792	1,639	66.9
1975	25,796	8,860	34.3	4,591	1,424	67.9
1980	29,208	9,674	33.1	4,940	1,238	63.9
1985	33,198	10,604	31.9	5,245	1,211	60.9
1990	37,164	12,291	33.1	5,470	1,185	54.1
1995	40,436	14,226	35.2	5,105	1,164	44.1

Source: Central Statistical Service, "South African Labour Statistics."

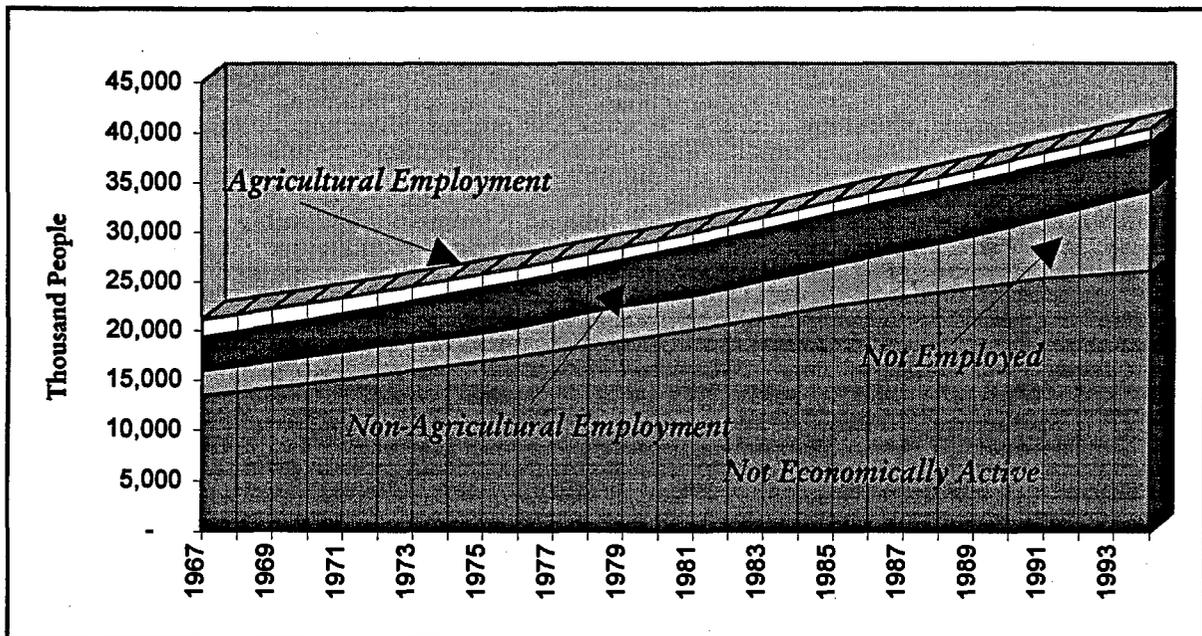


Figure 11. South Africa: Estimated Population and Economic Status

In 1970, formal sector employment accounted for just less than 67 percent of the economically active population. Just over thirty percent of that formal sector employment was in agriculture, i.e., 21 percent of the economically active population. Thus, approximately one-third of the economically active population was employed in the informal sector or were unemployed. In 1994, formal sector employment had declined to 44 percent of the economically active population, with agriculture accounting for less than 19 percent of this, i.e., roughly eight percent of the economically active population. Thus, almost 56 percent of the economically active population are employed in the informal sector or are unemployed, a 69 percent increase over this 24 year period.

Formal sector employment has generally declined since 1989, with the decline largely due to the contraction of private sector employment. Private sector employment grew at approximately 2.85 percent from 1967 through 1981, as compared to an annual increase of 0.45 percent from 1981 through 1989, and an annual *decrease* of 2.4 percent from 1989 through 1994.

While still accounting for less than one-third of total employment, the public sector's relative role in providing jobs has increased. In 1970, public sector employment accounted for 24.5 percent of total employment. This rose to 26.9 percent in 1980 and 29 percent in 1990. By 1994, the public sector provided 31.9 percent of total

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formal sector employment. Within the public sector, however, the source of this growing employment has changed. From 1967 through 1982, public sector employment grew at a rate of 3.3 percent per annum. Both parastatal business enterprises and general government contributed to this growth rate with annual growth rates of 1.86 percent and 3.85 percent, respectively. From 1982 through 1994, the overall public sector employment growth rate has declined to one-third its previous level, but remains positive at 1.1 percent per annum. Parastatal business enterprise employment has declined at an annual rate of 4.64 percent over this period, while general government employment has grown at an annual rate of 2.36 percent.

Table 17 summarizes the basic growth rates of the population, economically active population, and formal sector employment. These data are used to calculate the labour absorption rate which is a key indicator for the prospects of the growth of unemployment.¹⁵ If the labour absorption rate is equal to 100 percent, then the employment and unemployment rates will be constant. If the absorption rate is greater than 100 percent, then the employment rate is increasing and the unemployment rate is falling. For this entire period, the labour absorption rate has been less than 100 percent and declining. The absorption rate was just over 73 percent from 1970-1980, then declined to just under 48 percent for the first half of the 1980s. The second half of the 1980s witnessed a further decline in the labour absorption rate to just over eight percent, while the absorption rate has been negative for the first half of the 1990s. Without a significant reversal in this trend for the labour absorption rate, South Africa's unemployment problem will only grow.

TABLE 17. SOUTH AFRICA: POPULATION AND EMPLOYMENT RELATED RATES BY PERIOD, 1970-1994				
Period	Population Growth	Economically Active Population Growth	Employment Growth	Labour Absorption Rate
	(1)	(2)	(3)	(4 = 3/2)
1970-80	2.5%	1.76%	1.29%	73.30%
1980-85	2.6%	1.84%	0.88%	47.83%
1985-91	2.3%	2.95%	0.25%	8.47%
1991-94	2.1%	3.89%	-1.47%	-37.79%

Source: Calculated from data in Table 16.

As noted in the previous sections, South Africa's economy experienced a major increase in its capital intensity of production. These trends have significantly retarded the growth of employment. Table 18 presents the results of estimating these losses for the period 1970 through 1993. The basic approach is to use the capital—output and labour—capital ratios of 1970 to project alternative levels of employment in 1993. Two scenarios are used. The first scenario (A1) is the more conservative of the two and assumes that aggregate output remains the same, while the second scenario (A2) assumes that the levels of investment remain the same. As seen from Table 18, the employment effects of the increased capital intensity was a loss of almost 31,500 jobs per year under the conservative estimate, or over 159,300 jobs per year under the second scenario.

2. The Situation in 1994 and Prospects for the Future

Based on data in the CSS *October Household Survey* and other CSS data, an economic profile of South Africa's 1994 population can be constructed. This profile is summarized in Table 19 and Figure 12. Of South Africa's

¹⁵The labour absorption rate is as the ratio of the percentage change in formal sector employment divided by the percentage change in the economically active population.

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estimated population of 40.436 million in 1994, 41 percent were not of working age, while another 24 percent were not economically active. Thus, 65 percent of the total population was not economically active. Of the remaining 35 percent of the population, eleven percent were unemployed so that only 24 percent of the total population was working in either the formal or informal sectors. Roughly 8.5 percent of the population was employed in agriculture (2.9 percent formal and 5.6 percent informal), while another 12.6 percent were employed in formal, non-agricultural sectors and 3.1 percent in informal, non-agricultural activities.

TABLE 18. SOUTH AFRICA: ESTIMATING THE EMPLOYMENT LOSSES FROM INCREASING CAPITAL INTENSITY					
Year	Real Output (Index)	Employment (Index)	Ratios (Indices)		Actual Employment
			Capital-Output	Labour-Capital	
1970	100.0	100.0	100.0	100.0	5.431 m
1993	129.5	116.2	141.8	63.7	6.309 m
A1	129.5	129.5	100.0	100.0	7.033 m
A2	183.6	183.6	100.0	100.0	9.974 m
Implied Employment Losses Under the Scenarios					
	Aggregate (million jobs)		Average Annual Job Loss(jobs)		
A1	0.624		31,457		
A2	3.665		159,331		

Source: Calculations by the author.

Relative to the economically active population, 31 percent are unemployed. Of the 69 percent that are employed, 36 percent are employed in the informal formal sector (64 percent of which are in agriculture), while the remaining 64 percent are employed in the formal sector (19 percent of which are in agriculture).

Starting from the position for 1994 as outlined above, a simple model relating output growth to employment growth in both the formal and informal sectors can be used to generate projections of future employment. When combined with an expected growth rate of the labour force, unemployment and the unemployment rate can also be projected.

The key parameters for this simple model are the elasticity of employment (informal sector and formal sector) with respect to growth of the economy.¹⁶ There are no formal estimates of these parameters. Statements by various sources in South Africa, such as the Ministry of Labour, and estimates from various models, such as the University of Pretoria and University of Stellenbosch models, however, imply an elasticity of formal sector employment with respect to output growth of roughly one-half (0.5). Thus, to get a one percent increase in employment growth, a two percent increase in output growth is required. Since the informal sector would be

¹⁶ The basic model is as follows. Let L_t represent the labour force, E_t represent employment, E_t^f represent formal sector employment, E_t^i represent informal sector employment, U_t represent the level of unemployment, and μ_t represent the unemployment rate, all in year t . Also let ϕ and γ be the elasticity with respect to income of formal and informal sector employment, respectively. Finally, let λ represent the growth rate of the labour force and ν represent the growth rate of output. The model is then defined by the following equations:

$$\begin{aligned}
 L_t &= L_{t-1} e^\lambda & E_t &= E_t^f + E_t^i \\
 E_t^f &= E_{t-1}^f e^{\phi\lambda} & E_t^i &= E_{t-1}^i e^{\gamma\lambda} \\
 U_t &= L_t - E_t & \mu_t &= U_t/L_t
 \end{aligned}$$

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expected to be more labour intensive, it is assumed that the employment elasticity in this sector is fifty percent higher than in the formal sector. These values represent the "conventional wisdom" concerning the requirements for South Africa's economy to create employment. As such, they are taken as the base values for the projections presented in the next sub-section.

TABLE 19. SOUTH AFRICA: EMPLOYMENT, 1994 (THOUSAND AND PERCENTAGE RATES)		
Item	Data (Thousands)	Rates
Total Population	40,436	100.0%
Working Aged Population	23,816	58.9%
Not Economically Active	9,590	23.7%
Economically Active	14,226	35.2%
<i>of which:</i>		
Employed	9,777	68.8%
<i>Informal Sector</i>	<i>3,508</i>	<i>24.7%</i>
Agriculture	2,248	23.0%
Non-Agriculture	1,260	12.9%
<i>Formal Sector</i>	<i>6,269</i>	<i>44.1%</i>
Agriculture	1,164	11.9%
Non-Agriculture	5,105	52.2%
Unemployed	4,449	31.3%

Source: Derived from Central Statistical Services, "October 1994 Household Survey."

The growth rate of the labour force is the final key parameter for the model. Based on the various census estimates, the growth rate of the labour force had been projected to be approximately 2.8 percent per annum, although revisions had shown that the growth rate from 1985 through 1991 had been 2.95 percent. Recent revisions of the labour force by the Central Statistical Service, however, implies that at least for the first half of the 1990s, this rate has been almost 3.9 percent per annum, as shown above in Table 17.

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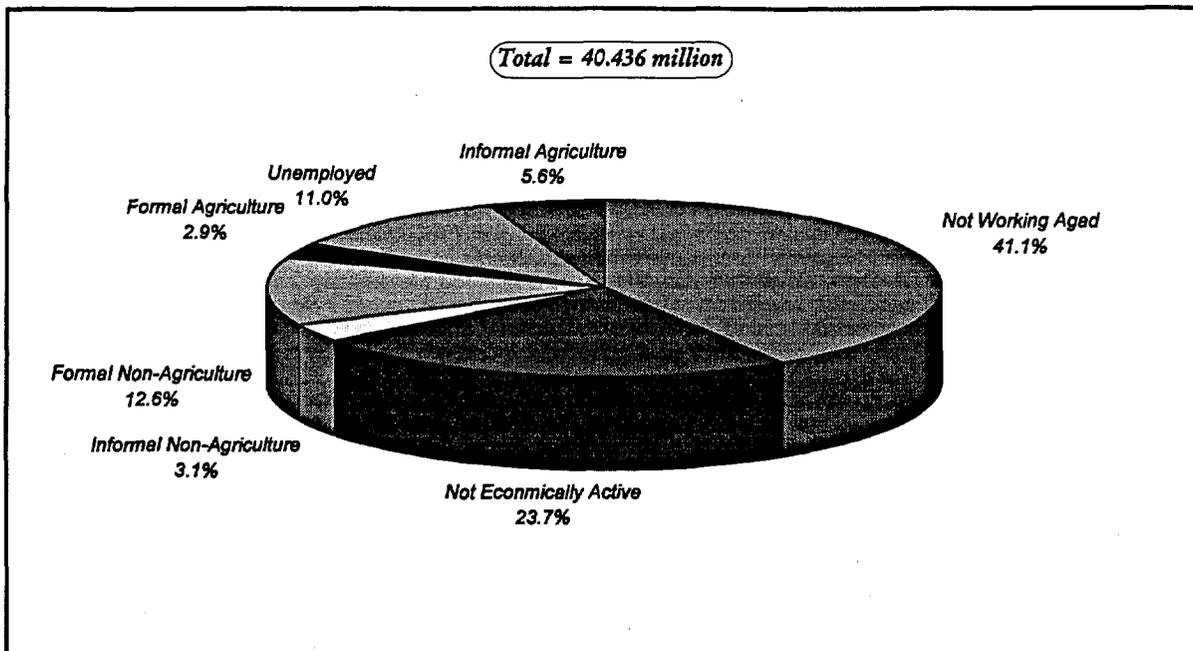


Figure 12. South Africa: Composition of the 1994 Population by Economic Status

Using the approach just outlined, hypothetical projections of employment and unemployment were made through the year 2005. Table 20 presents the basic results of these projections focussing on the level of real output growth required to either maintain a constant level of unemployment or a constant unemployment rate. As these data make clear, substantial real output growth will be required to absorb new entrants to the job market (maintain a constant level of unemployment) or to meet the less strenuous requirement of maintaining a constant unemployment rate. For example, to maintain a constant unemployment rate with the high labour force growth rate would require that real output grow by over 6.5 percent per annum through the year 2005. If the goal were to have the economy absorb the entirety of the new labour force entrants, that growth rate would be almost 8.8% per annum. If the labour force only grows at three percent per annum, these annual output growth requirements are reduced to just over five percent and just less than 6.9 percent, respectively. Current estimates are that South Africa's economy could grow at an annual rate of four to five percent in the near term. Even if these rates are maintained, they would represent a continuing increase in the level and rate of unemployment.

TABLE 20. SOUTH AFRICA: AVERAGE OUTPUT GROWTH RATES REQUIRED TO MEET PARTICULAR GOALS OVER THE PERIOD UNTIL 2005		
Goal	Labour Force Growth Rate	
	3.00%	3.89%
<i>Base Values for Employment Elasticities</i>		
Constant Level of Unemployment	6.88%	8.76%
Constant Unemployment Rate	5.05%	6.54%
<i>Employment Elasticities 25% Higher than in the Base Case</i>		
Constant Level of Unemployment	5.50%	7.01%
Constant Unemployment Rate	4.04%	5.23%

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These projections assume that there is no change in the structure of South Africa's labour markets that might increase its absorptive capacity for labour. As shown in the bottom half of Table 18, however, such changes — characterized here by an increase in the employment elasticities — significantly reduce the real output growth required to meet the different unemployment targets.

The above projections, simple as they are, highlight a key problem and need for South Africa's future — labour market reform and restructuring to provide for greater employment generation.

V. Improved Labour Productivity and Wage Relationship

A third major area of improvement required for South Africa to achieve increased economic growth and equity is an improvement in the relationship between labour productivity and real wages. This relationship is critical to increasing growth since it is essential for South Africa's competitiveness in international markets.¹⁷

International competitiveness is a critical issue for South Africa's economy since it will be one essential element for attracting foreign investment. Further, if the economy is internationally competitive, it will not have to rely solely on the expansion of the domestic market for income and employment growth. Thus, international competitiveness will directly support improving equity by providing the basis for a sustained increase in productive employment.¹⁸

Figure 13 illustrates the basic problem which has become significantly more severe since the mid-1980s. This figure shows unit labour costs relative to non-gold export prices. The use of unit labour costs, rather than average wages, is preferred since it effectively incorporates both wage rates and productivity in one measure. From 1970 through 1979, unit labour costs relative to non-gold export prices fell by approximately 11 percent or just over 1.2 percent per year which implied that South Africa's international competitiveness was generally improving. Since 1979, however, there has been a 44 percent increase (over 3.1 percent per annum) in this critical relative price which implies that South Africa's international competitiveness has been declining over this time period.¹⁹

¹⁷An alternative solution to the international competitiveness problem would be a real devaluation of the South African Rand relative to other major currencies. While there has been a substantial nominal devaluation of the Rand, it has remained relatively stable in real terms since the early 1970s.

¹⁸A full analysis of this problem requires data on the actual level of wages and productivity in South Africa and competitor countries. Such a comprehensive data set is not available. The following data from the Africa Institute illustrates part of the extent of the problem. Estimates are that the average wages in other countries of Southern Africa are approximately one-third the average wage in South Africa. In the automobile sector, the estimated average wage for a South African is approximately \$500 per month. In Botswana, the average wage for a worker in this sector is \$350 per month, while in Zimbabwe the corresponding figure is \$275 per month. This figure for South Africa is comparable to the average wage rate for automobile workers in Mexico, but the assembly of an automobile in South Africa is reported to take approximately three times as long as in Mexico.

¹⁹While the average performance from 1979 through 1993 is problematical enough, when account is taken of the rise and fall of this relative price from 1979 through 1986, the relative decline in competitiveness since that point is even worse. From 1986 through 1993, unit labour costs relative to non-gold export prices rose at an annual rate of 5.25 percent. While probably not representing a significant increase, the rate of increase of this relative price was 5.32 percent per annum from 1990 through 1993.

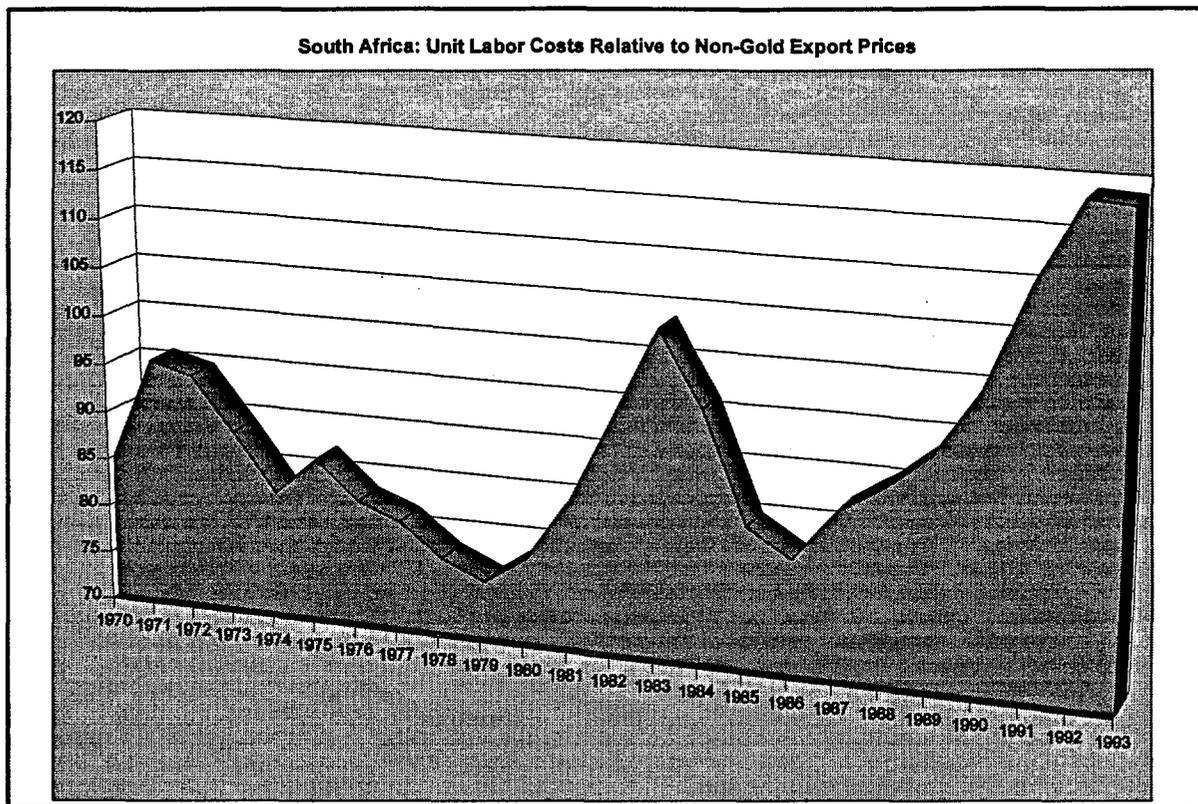


Figure 13. South Africa: Unit Labour Costs Relative to Export Prices

Two ways exist to redress this basic problem. Average real wages can be reduced or labour productivity can be increased. Prospects are probably limited for an increase in productivity in the short-term, although there is room for improvement through reduced labour stoppages and other actions. Over the longer-term, however, productivity increases should be expected as the degree of literacy and numeracy of the workforce increase, the capital stock is upgraded to newer, more modern technologies, and firm management structures are upgraded to current international practices.

VI. Improved Investor Confidence

Along with the above factors, another key element to increasing the level and rate of investment is the level of confidence in the country and the economy. The key characteristic of today's global economy is that investment resources flow between countries based on a broad range of factors.²⁰ Establishing an appropriate investment climate will be critical not only to attracting foreign investment into South Africa, but also in keeping domestic-sourced capital in-country once exchange controls (an issue in and of themselves) are eliminated for South Africans. This is especially true given that South Africa is competing for investment resources with both the developing and developed world.

One of the first of these requirements is political stability and the appearances of stability. Factors in the current environment which detract from South Africa's ratings in this category include the continuing disputes between

²⁰ A clear example of this are the events of mid-February 1996. On the evening of Thursday 15 February, a rumour began that President Mandela had had a heart attack. In response to this and the concerns over the political future of a post-Mandela South Africa, foreign portfolio investment moved out of the Johannesburg Stock Exchange, creating a significant devaluation of the South African Rand, from approximately R3.65/US\$ to roughly R4.00/US\$.

the constituents of the GNU, continued lack of clarity on basic political issues such as the division of powers between national, provincial and local governments and the host of issues surrounding KwaZulu-Natal, high rates of crime and violence, continuing episodes of labour unrest (now shifted from the private sector to the public sector), and the appearance of the "Wild West" as illustrated by people walking around with guns on their hips.

A second area of concern is the lack of a clear, coherent policy structure and strategy. As many observers have noted, the Reconstruction and Development Plan (RDP) is more a vision statement of problems than of a way to address the problems.²¹ The role of policy is to define a structure and approach for achieving that vision. At the current time such a policy structure is lacking. Similarly, the process of formulating policies and decisions, as in all areas of governance, need to exhibit a certain degree of transparency and openness, which does not currently exist throughout the system. These factors are important since productive investments extend into the future. A clear, coherent policy structure which operates in an open and transparent fashion helps to provide confidence that the basic rules affecting that future will not be changed without a chance to understand why the change is proposed and to argue against that change if necessary.

The final, but not least important, factor is the existence of good prospects for the future and future profits. The items discussed above contribute to the assessment of this topic, as does the past performance of the economy and the general policy environment. A further key item is the existence, relative to the other investment options open to an investor, of an appropriately skilled and priced labour force. One key aspect of the policy environment which is relevant for foreign investment is the structure and level of taxation. Under most bilateral tax treaties, specific types of taxes paid overseas by companies can be offset against earnings when computing its tax liability in its home country. Thus, a tax structure which includes taxes that are not covered by such a tax treaty, such as South Africa's Secondary Tax on Companies, acts as a disincentive to investment in a country. Likewise, if a country has a basic tax rate on corporate income which exceeds the rate in a company's home country, investment in that country will increase the overall tax burden of the company, which also acts as a disincentive to investing in the subject country.

As seen in Table 21, South Africa's nominal tax rate on corporations in 1990 was higher than that in other countries. In addition, South Africa's corporate tax structure is "bucking the trend" of a movement towards lower corporate tax rates. In terms of the effective yield of those taxes, South Africa is again near the top of the countries used in the table.

²¹ See for example the comments of Jeffrey Sachs as cited in "Harvard's free-trade evangelist knocks wishful RDP thinking," Pretoria Sunday Times, 17 September 1995, page 3.

**TABLE 21. COMPARISON OF CORPORATE TAX RATES: SOUTH AFRICA
AND MAJOR TRADING PARTNERS**

Country	Nominal Tax Rates (%)		Effective Tax Yield (% of GDP)	
	1980	1990	1980	1990
South Africa	42.0	50.0	8.6	4.3
Belgium	48.0	43.0	2.5	2.9
France	50.0	42.2	2.1	2.3
Germany	46.9	46.9	2.1	1.8
Japan	47.9	45.8	5.5	6.7
Netherlands	48.0	35.0	3.0	3.4
Switzerland	30.0	30.0	1.8	2.1
United Kingdom	52.0	35.0	2.9	4.0
United States	51.4	40.6	3.0	2.2

Source: USAID-NAFCOC, "Improving the South African Investment Climate," December 1995.

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ANNEX G
 Concept Paper Review Cable and Response

AID/W ISSUE	USAID/RESPONSE
What funding levels and program duration should the Mission use in the final development of its CSP?	Although original guidance was to use \$300 million and \$500 million, USAID's presentation is made at \$321 million and \$435 million. Section IV Resource Requirements
Why have various strategic choices, among sectors and within sectors, been made?	See Part II, I.C. Strategic Choices
What is the relationship between the U.S.-South Africa Binational Commission (BNC) and the Mission's program and allocation of funds?	See Annex C, U.S.- South Africa Binational Commission
Should the Mission be doing more in the field of environment?	See Part II, I.C. Strategic Choices and Annex E, Environmental Considerations
The four strategic objectives (SOs) and the 29 program outcomes (POs) ranged thereunder are stated in broad "process" terms, e.g. "support the development of..," "capacity for... Institutionalized," etc., Without clear indications of baseline data or benchmark. Further the SOs and POs are not expressed in terms of result, including some people-level results.	See Part III Strategic Objective Presentations and Annex I, Monitoring and Evaluation Plan
In the lower resources scenario, the rationale for "cutting" versus "keeping" is lacking. It is hard to find the correlation between the funding table and cuts program outcomes.	See Part III Strategic Objective Presentations and Part IV Resource Requirements
While program budgets decrease over time in all scenarios, the support overhead of the Mission is still growing, and the Mission states that it "cannot responsibly be compressed," without major structural changes in its program or ways of delivering assistance. The costs to fund and support USAID staff are said to be increasing significantly in 1996 and 1997. Why is this so?	See Part IV Resource Requirements
What will be the likely implications on the success and impact of the program by the elimination of housing guaranties, as currently proposed in congressional appropriation scenarios for USAID funding?	See Annex A.6 Strategic Objective 6.

CUSTOMER SERVICE: USAID/SOUTH AFRICA

MISSION GOAL: SUSTAINABLE TRANSFORMATION

**SUB-GOAL: POLITICAL, SOCIAL, AND ECONOMIC
EMPOWERMENT OF THE HISTORICALLY
DISADVANTAGED POPULATION**

STRATEGIC OBJECTIVES (SO)

STRATEGIC OBJECTIVE: The most ambitious result (intended measurable change) that USAID, along with its partners, can materially affect and for which it is willing to be held responsible.

SO1: Democracy/Governance

Democracy, governance, and capacity for participatory development strengthened

SO2: Education

Transformed education system based on equity, access and quality

SO3: Health

More equitable, unified, and sustainable system delivering integrated public health care services to all South Africans

SO4: Economic Policy Capacity

Improved capacity of key government and NGO entities to formulate, evaluate, and implement economic policies to promote economic growth and equity

SO5: Private Sector Development

Increased access to financial markets for the historically disadvantaged population

SO6: Shelter and Urban Services

Improved policy environment for facilitating access to housing and urban services for the historically disadvantaged population

(ADD VISION STATEMENT HERE - PENDING)

WHO ARE OUR CUSTOMERS AND PARTNERS?

USAID/South Africa's ultimate customers are very clearly defined by our original mandate -- the historically disadvantaged majority population of the country, variously referred to as Blacks or Africans, Coloreds, Asians of Indian descent, who have suffered from decades of repressive racist policies, and who now seek to exert their fundamental rights as citizens, economically active producers and consumers, and the builders of the country's future. We address our programs, in partnership with various partners and intermediate customers to reach our ultimate customers from the historically disadvantaged population:

CUSTOMER: An individual or organization who receives USAID services or products, benefits from USAID programs or who is affected by USAID actions.

PARTNER: An organization or customer representative with which/whom USAID works cooperatively to achieve mutually agreed upon objectives and results, and to secure customer participation.

SO1 -- civil society

SO2 -- students

SO3 -- primary health care users

SO4 -- economic policy-makers

SO5 -- micro-small-medium entrepreneurs, and

SO6 -- households that need shelter and urban services

Each SO team approaches its customers and partners through a variety of assistance mechanisms -- grants, cooperative agreements, or contracts.

Each SO Team, along with its partners, provides:

training,

technical services,

information,

networking assistance,

financial assistance, and,

results packages management services.

OUR COMMITMENT TO OUR CUSTOMERS AND PARTNERS

Exercise greater cultural sensitivity

Practice mutual respect

Improve quality in USAID procedures

Each SO team will:

Involve customers and partners in planning and implementing USAID's development work.

Involve our customers and partners in determining if services are being delivered in a satisfactory manner.

Assure that USAID's programs provide high quality, technical services tailored to our customers needs.

Reduce time needed for response by USAID

Each SO team will:

Improve the turnaround time for effective and efficient service to our customers.

Endeavor to disburse funds to allow for timely implementation of activities.

Make information to USAID/South Africa procedures accessible and transparent

Each SO team will:

Distribute customer information guides to activities, processes, and procedures.

Schedule more site visits.

Convene at least one annual meeting with customers and partners to share information and facilitate an open dialogue regarding USAID programs.

For more information, please visit our homepage at www.usaid.gov or call us at (27-12) 323-8869

SO Team Leaders and Customer Service Coordinators:

SO: (See note below)

SO:

SO:

SO:

SO:

SO:

(Please note USAID/South Africa is in the process of being reengineered. Identification of a new set of Team Leaders and SO Customer Service Coordinators is in process. Customer Service Plans for each SO are available through the South Africa Desk in the AFRICA Bureau in Washington for those who wish more specific information. The above information will be shared with our partners and customers through flyers, information packets, etc.)

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Annex I - PERFORMANCE MONITORING AND EVALUATION PLAN
SO1: DEMOCRACY, GOVERNANCE, AND PARTICIPATORY DEVELOPMENT STRENGTHENED

SO1: DEMOCRACY AND GOVERNANCE RESULTS		INDICATORS	Baseline		EXPECTED AND ACTUAL RESULTS							
LEVEL	RESULTS		YEAR	VALUE	FY 1996		FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	F 2
					EXPD	ACTUAL	EXPD	EXPD	EXPD	EXPD	EXPD	E
GOAL SUSTAINABLE TRANSFORMATION	Improved Human Development Index (literacy, life expectancy, years of schooling, purchasing power)	Improved Human Development Index (HDI) of the historically disadvantaged population	1992	0.5	HDI is a composite of 3 measures -- life expectancy, combination of adult literacy + mean years of schooling and purchasing power parity (based on real GDP per capita adjusted for the local cost of living). HDI average = .677 (Blacks=.500, Whites=.901). Source(s): UNDP Human Development Report and CSS Human Dev Index for RSA							
SUB-GOAL POLITICAL, ECONOMIC, AND SOCIAL EMPOWERMENT	Increased political participation at all levels Improved educational status Improved health status Improved economic growth and equity Increased ownership of assets Increased ownership of serviced houses by historically disadvantaged population	Civil society participation in development	1996		Part of the Performance Management Plan of the RDP in the Office of the President is monitoring empowerment and participation of the poor -- majority of whom are from the historically disadvantaged. Plans include measuring community participation, affirmative action, and training through project-based research and community survey. Source: RDP in the Office of the President							
STRATEGIC OBJECTIVE 1	SO1: DEMOCRACY AND GOVERNANCE Democracy, governance, and participatory development strengthened	South Africa Democracy Index	1992		As suggested by our partners, because of the closeness of South Africans to the baseline or founding moment of democracy and because of the well-documented transitional process, it is possible to create a more detailed, indigenous index. This index would take the following account: modified Freedom House Index, the comparative record on democratic consolidation (historic and contemporary); the South African transition (its germination, the negotiation period, the founding moment); South Africans' self-perception of democracy (the constituent citizen perceptions and expectations) Source: Democracy/Governance partners							

Please note only indicators at the SO level and above are shown in the Annex. Expected and actual results at the intermediate result level are available at the South Africa Desk. In addition to work with sectoral court and the RDP in the Office of the President, USAID/South Africa will have a TA contract to assist the Mission and partners with performance monitoring and evaluation.

Annex I - PERFORMANCE MONITORING AND EVALUATION PLAN
SO2: TRANSFORMED EDUCATION SYSTEM BASED ON EQUITY, ACCESS, AND QUALITY

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SO2: EDUCATION RESULTS		INDICATORS	Baseline		EXPECTED AND ACTUAL RESULTS						
LEVEL	RESULTS		YEAR	VALUE	FY 1996		FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
					EXP D	ACT UAL	EXP D				
GOAL SUSTAINABLE TRANSFORMATION	Improved Human Development Index (literacy, life expectancy, years of schooling, purchasing power)	Improved Human Development Index (HDI) of the historically disadvantaged population	1992	0.5	HDI is a composite of 3 measures -- life expectancy, combination of adult literacy + mean years of schooling and purchasing power parity (based on real GDP per capita adjusted for the local cost of living). HDI average = .677 (Blacks=.500, Whites=.901). Source(s): UNDP Human Development Report and CSS Human Dev Index for RSA						
SUB-GOAL POLITICAL, ECONOMIC, AND SOCIAL EMPOWERMENT	Increased political participation at all levels Improved educational status Improved health status Improved economic growth and equity Increased ownership of assets Increased ownership of serviced houses by historically disadvantaged population	Improved race and gender equity Increased efficiency Increased quality									
STRATEGIC OBJECTIVE 2	SO2: EDUCATION TRANSFORMED EDUCATION SYSTEM BASED ON EQUITY, ACCESS, AND QUALITY	Level of funding for schools with majority population concentration Increased student enrolment -shortage of places for Africans (primary and secondary)/surplus for Whites -- % of school-age children not in school	1993	funding not equitable	funding more equitable						
			1993	-250,632 +286,784							
			1993	6.4% - 13.7% (by province)							

Please note only indicators at the SO level and above are shown in the Annex. Expected and actual results at the intermediate result level are available at the South Africa Desk. In addition to work with sectoral cou and the RDP in the Office of the President, USAID/South Africa will have a TA contract to assist the Mission and partners with performance monitoring and evaluation.

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Annex I - PERFORMANCE MONITORING AND EVALUATION PLAN
SO3: MORE EQUITABLE, UNIFIED, AND SUSTAINABLE SYSTEM DELIVERING INTEGRATED PRIMARY HEALTH CARE SERVICES TO ALL SOUTH AFRICANS

SO3: HEALTH Expected and actual results will be consistent with Dept of Health: Year 2000: Health Goals, Objectives, Strategies and Indicators for South Africa			BASELINE		EXPECTED AND ACTUAL RESULTS							
LEVEL	RESULTS	INDICATORS	YEAR	VALUE	FY1996		FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	F 2002
					EXPD	ACTUAL	EXPD	EXPD	EXPD	EXPD	EXPD	F
GOAL SUSTAINABLE TRANSFORMATION	<i>Improved Human Development Index (literacy, life expectancy, years of schooling, purchasing power)</i>	Human Development Index -increased life expectancy at birth	1992	.50	HDI is a composite of 3 measures -- life expectancy, combination of adult literacy + mean years of schooling and purchasing power parity (based on real GDP per capita adjusted for the local cost of living). HDI average = .677 (Blacks=.500, Whites=.901). Source(s): UNDP Human Development Report and CSS Human Dev Index for RSA							
SUB-GOAL POLITICAL, ECONOMIC, AND SOCIAL EMPOWERMENT	Improved political rights and civil liberties Improved human resource base Improved economic growth and equity Improved health status	-reduced infant mortality rate -reduced under 5 mortality rate -reduced disparities in mortality among pop groups and between males and females -reduced maternal mortality rate -reduced fertility rate -reduced % of increase in doubling time for HIV/AIDS	1997 1997 1997 1997 1997 1997	DHS data which is currently being collected will be available for analysis in 1997.	NA NA NA NA NA NA	NA NA NA NA NA NA	----- ----- ----- ----- ----- -----	----- ----- ----- ----- ----- -----	----- ----- ----- ----- ----- -----	30% 30% ?? 50% 10% 10%	----- ----- ----- ----- ----- -----	- - - - - -
STRATEGIC OBJECTIVE 3	MORE EQUITABLE, UNIFIED, AND SUSTAINABLE SYSTEM DELIVERING INTEGRATED PHC SERVICES TO ALL SOUTH AFRICANS	Increased percentage of the majority population served -PHC nurses (proxy measure)	1996	10,000						20,000		

Please note only indicators at the SO level and above are shown in the Annex. Expected and actual results at the intermediate result level are available at the South Africa Desk. In addition to work with sectoral cou and the RDP in the Office of the President, USAID/South Africa will have a TA contract to assist the Mission and partners with performance monitoring and evaluation.

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Annex I - PERFORMANCE MONITORING AND EVALUATION PLAN

SO4: IMPROVED CAPACITY OF KEY GOVERNMENT AND NON-GOVERNMENTAL ENTITIES TO FORMULATE, EVALUATE AND IMPLEMENT ECONOMIC POLICIES TO PROMOTE ECONOMIC GROWTH AND EQ

SO4: ECONOMIC POLICY CAPACITY RESULTS		INDICATORS	Baseline		EXPECTED AND ACTUAL RESULTS						
LEVEL	RESULTS		YEAR	VALUE	FY 1996		FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
					EXP D	ACT UAL	EXP D				
GOAL SUSTAINABLE TRANSFORMATION	Improved Human Development Index (literacy, life expectancy, years of schooling, purchasing power)	Improved Human Development Index (HDI) of the historically disadvantaged population	1992	0.5	HDI is a composite of 3 measures -- life expectancy, combination of adult literacy + mean years of schooling and purchasing power parity (based on real GDP per capita adjusted for the local cost of living). HDI average = .677 (Blacks = .500, Whites = .901). Source(s): UNDP Human Development Report and CSS Human Dev Index for RSA						
SUB-GOAL POLITICAL, ECONOMIC, AND SOCIAL EMPOWERMENT	Increased political participation at all levels Improved educational status Improved health status Improved economic growth and equity Increased ownership of assets Increased ownership of serviced houses by historically disadvantaged population	3 year average real GDP growth ratio of median household incomes of the historically disadvantaged in relation to those of whites	1991-1994	.4%							
STRATEGIC OBJECTIVE 4	SO2: ECONOMIC POLICY CAPACITY Improved capacity of key government and non-governmental entities to formulate, evaluate and implement economic policies to promote economic growth and equity.	USAID-assisted individuals and institutions playing a major role in improving the economic environment to promote economic growth and equity	1996	0	Mandela Economics Scholars Program established with an initial target of 60 individuals						

Please note only indicators at the SO level and above are shown in the Annex. Expected and actual results at the intermediate result level are available at the South Africa Desk. In addition to work with sectoral coun and the RDP in the Office of the President, USAID/South Africa will have a TA contract to assist the Mission and partners with performance monitoring and evaluation.

Annex I - PERFORMANCE AND MONITORING PLAN
SOS: PRIVATE SECTOR DEVELOPMENT

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SO6: PRIVATE SECTOR DEVELOPMENT RESULTS		INDICATORS	Baseline		EXPECTED AND ACTUAL RESULTS							
LEVEL	RESULTS		YEAR	VALUE	FY96 EXPD	FY96 ACTUAL	FY97 EXPD	FY98 EXPD	FY99 EXPD	FY00 EXPD	FY01 EXPD	FY02 EXPD
GOAL SUSTAINABLE TRANSFORMATION	Improved Human Development Index (literacy, life expectancy, years of schooling, purchasing power)	Human Development Index	1992	.50	HDI is a composite of 3 measures - life expectancy, combination of adult literacy + mean years of schooling and purchasing power parity (based on real GDP per capita adjusted for the local cost of living). HDI average = .677 (Blacks=.500, Whites=.901). Source(s): UNDP Human Development Report and CSS Human Dev Index for RSA							0.7
SUB-GOAL POLITICAL, ECONOMIC, AND SOCIAL EMPOWERMENT	Increased political participation at all levels Improved educational status Improved health status Improved economic growth and equity Increased ownership of assets Increased ownership of serviced houses by historically disadvantaged population	Ownership of assets by historically disadvantaged (some indicators) savings accounts investments owned whole life policies	1994	26% 0.8% 4.4%	20 % annual increases							
STRATEGIC OBJECTIVE 5	SOS: PRIVATE SECTOR DEVELOPMENT INCREASED ACCESS TO FINANCIAL MARKETS FOR THE HISTORICALLY DISADVANTAGED POPULATION	5.a Total Rand value of funds (including amounts leveraged) made available for Informal and Microenterprises and Small, Medium and Large Enterprises of the historically disadvantaged population. 5.b Total number of SMME formal loans made to historically disadvantaged population	1985 1985	0 0	R450 M 35,000	20% annual increase 20% annual increase						

Please note only indicators at the SO level and above are shown in the Annex. Expected and actual results at the intermediate result level are available at the South Africa Desk. In addition to work with sectoral cou and the RDP in the Office of the President, USAID/South Africa will have a TA contract to assist the Mission and partners with performance monitoring and evaluation.

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SO6: SHELTER AND URBAN SERVICES			Baseline		EXPECTED AND ACTUAL RESULTS					
LEVEL	RESULTS	INDICATORS	YEAR	VALUE	FY 1996		FY 1997	FY 1998	FY 1999	FY 2002
					EXPD	ACTUAL	EXPD	EXPD	EXPD	EXPD
GOAL SUSTAINABLE TRANSFORMATION	Improved Human Development Index (literacy, life expectancy, years of schooling, purchasing power)	Improved Human Development Index (HDI) of the historically disadvantaged population	1992	.50	HDI is a composite of 3 measures - life expectancy, combination of adult literacy + mean years of schooling and purchasing power parity (based on real GDP per capita adjusted for the local cost of living). HDI average = .677 (Blacks = .500, Whites = .901). Source(s): UNDP Human Development Report and CSS Human Dev Index for RSA					.70
SUB-GOAL POLITICAL, ECONOMIC, AND SOCIAL EMPOWERMENT	Increased political participation at all levels Improved educational status Improved health status Improved economic growth and equity Increased ownership of assets Increased ownership of serviced houses by historically disadvantaged population	Number of historically disadvantaged households who gained ownership of serviced houses during target period								
STRATEGIC OBJECTIVE 6	SO6: SHELTER AND URBAN SERVICES Improved access to environmentally-sustainable shelter and urban services for the historically disadvantaged population	6.a- Total \$ value of funds (including amounts leveraged) made available for environmentally-sustainable shelter and urban services intended for historically disadvantaged households and communities by participating institutions 6.b- Total # of full or partial shelter units and urban environmental services made available for HDP communities by participating institutions.	1992	\$0				\$300 M		
			1992	0 unit				150,000 units		

Please note only indicators at the SO level and above are shown in the Annex. Expected and actual results at the intermediate result level are available at the South Africa Desk. In addition to work with sectoral court and the RDP in the Office of the President, USAID/South Africa will have a TA contract to assist the Mission and partners with performance monitoring and evaluation.

Annex J

Other Agency Programs Active in South Africa

The strategy presentation includes several, broader Agency initiatives which are integral to and supportive of USAID/South Africa's program. Following is a summary of other current or planned USAID programs in South Africa which are not related to the Mission's program and strategic objectives. These initiatives are noted here to provide a perspective of the totality of Agency resources active in South Africa. Please note that this listing may not be complete.

I. Africa Bureau

A. Regional Center for Southern Africa, Initiative for Southern Africa

As a member of the Southern African Development Community (SADC), South Africa is a potential participant and beneficiary of the programs of the Initiative for Southern Africa.

The Initiative for Southern Africa (ISA) is managed by the Regional Center for Southern Africa (RCSA), located in Gaborone, Botswana. ISA is intended to assist the 12 SADC member nations to address developmental problems of a regional rather than a bilateral nature which will promote environmentally-sound economic growth and democracy. The ISA programs will encourage greater regional cooperation through the building of linkages between organizations and will help to expand the participation of private business and non-governmental organizations in economic decision-making and in the democratic process. The Regional Center receives an annual operating year budget to support ISA programs. Estimated funding for ISA from FY 1995 until 2000 is \$300 million.

Currently, ISA is operating under a Start-up Strategic Framework which guides the implementation of the program from FY 1995 through FY 1996. During FY 1996, the Regional Center will begin developing a long-term strategic plan to cover the period from 1997 through 2002.

Under the Start-up Framework, ISA encompasses four strategic objectives (SOs):

- 1) Enhanced skills, knowledge base and capacity of individuals and organizations working to strengthen democratic processes and values in southern Africa;
- 2) Increased indigenous business development and ownership;
- 3) Key regional conditions for sustainable increases in productivity of agriculture and natural resources by smallholders established; and
- 4) Increased efficiency, reliability and competitiveness of regional transport and telecommunications infrastructure.

South Africa will benefit from activities in under all four strategic objectives.

Under SO 1 (democracy), South African organizations (governmental and non-governmental) are eligible to apply for grants from the Southern Africa Regional Democracy Fund (SARDF). SARDF will provide small grants to organizations which are working to strengthen the democratic governance process. In particular, the SARDF aims to increase the capacity of legislators, civil society groups providing civic education, and to increase women's political participation.

Under SO 2 (indigenous business development), South African small and medium-sized indigenous and disadvantaged businesses and entrepreneurs are eligible for financing from the \$100 million Southern Africa Enterprise Development Fund. USAID/South Africa will provide \$50 million over five years through an operating year budget transfer to the Regional Center for Southern Africa to capitalize the Enterprise Fund. Consequently, fifty percent of the Fund's resources will be invested in South African firms. The Regional Center is developing a technical assistance project to assist financial intermediaries who help entrepreneurs develop bankable projects and improve technical and managerial skills. Since USAID/South Africa is planning to develop a similar bilateral results package (under its SO 5, private sector), South African entrepreneurs likely will not need to access the ISA technical assistance project.

Under SO 3 (agricultural and natural resources productivity), the RCSA is implementing several programs which potentially involve South Africa. These include non-governmental and governmental networking activities related to community natural resources management, environmental policy, agricultural research and technology dissemination, and agricultural trade. South Africans have been invited to regional workshops, are recipients of information generated by RCSA projects, and are potential collaborators in such research programs such as the one aiming to develop a vaccine against the livestock disease, "heartwater." South Africa's National Botanical Institute (NBI) is one of the first sub-grantees under a RCSA cooperative agreement with the regional conservation group, International Union for the Conservation of Nature (IUCN). NBI will coordinate a regional training program to improve the conservation of plant biodiversity in southern Africa.

Under SO 4 (transport and telecommunications), South Africa will participate in both transportation and telecommunications activities. The Regional Telecommunications Restructuring Program will offer a series of regional workshops on issues pertaining to telecommunications reform. South Africans will be invited to participate fully in these workshops. The program also will provide training opportunities in the United States and short-term technical assistance consultancies for which South Africa is eligible. As a SADC member, South Africa will benefit from ISA support for regional protocol development to harmonize policies among SADC nations in transportation, telecommunications, and other sectors. South Africa will be the regional hub for seven SADC railways for the proposed, new, regional Rolling Stock Information System (RSIS), financed under the ISA, which modifies the existing railway wagon tracking system (SPRINT) developed by the South Africa Port and Railway Network (SPOORNET). SPOORNET/South Africa will serve as the centralized on-line RSIS to which all railways report international traffic activities, while a centralized off-line RSIS, based in Harare, will provide daily statistics downloaded for domestic and international traffic from SPRINT, and from domestic RSISs at other railways. The off-line RSIS will also provide accounting information on wagon hire charge settlements. For the domestic RSIS, Botswana and Swaziland chose the SPOORNET SPRINT system, while the other five railways (NRZ - Zimbabwe, MR - Malawi, CFM - Mozambique, ZRL - Zambia, and TRZ - TAZA Railway Authority) chose the Advanced Cargo Information System (ACIS) being developed by United Nations Conference on Trade and Development (UNCTAD).

The activities described above only outline possible South African participation under the ISA's Start-up Strategic Framework which operates until FY 1997, and, therefore, only partially cover USAID/South Africa's strategic plan period. Once the Regional Center develops its long-term strategic plan for FY 1997 through 2002, it will be possible to outline the impact of ISA on the South Africa bilateral program during the entire country program strategic plan period.

B. AFR/Sustainable Development Office

There are no programs active in South Africa funded by this office.

II. Global Bureau

Following are Global Bureau activities that are not part of the U.S. - South Africa Binational Commission (BNC). Global Bureau activities which are part of the BNC are noted in Annex C.

A. ENV Center

1. Sustainable Cities Initiative

HUDD/SA submitted a proposal for funding under the Sustainable Cities Initiative to identify three U.S. municipalities from the U.S. Resource Cities program that could enter into "twinning" relationships with three South African cities (Johannesburg, Cape Town, and Durban). This partnership would serve support the implementation of the Model Cities Program. Technical twinning relationships with the U.S. cities will be structured in each community to support the following activities: (1) the organization of fora to encourage popular participation in environmental management in Cape Town, (2) broad-based participation in the development of a State of the Environment Report in Durban, and (3) development of a city-wide waste-management scheme targeted to low-income communities in Johannesburg. This proposal is currently being reviewed by G/ENV staff. The funding requirements have not yet been determined.

2. Environmental Management Capacity Building in Africa

Under the Initiative for Environmental Management Capacity Building in Africa, AFR/SD is interested in exploring opportunities to bring U.S. Environmental Protection Agency (USEPA) expertise to bear on the environmental assessment, enforcement and other environmental management capacity building needs in the Republic of South Africa. This activity is being undertaken in conjunction with REDSO/ESA. AFR/SD/PSGE transferred \$50,000 in FY 94 from the PARTS Project to G/ENV's EP3 Project for an initial phase, to including TDYs to interested missions, including the Republic of South Africa.

As a partial result of contacts made under this activity, UNDP has agreed to support the delivery of EPA's Principles of Environmental Enforcement training course in South Africa. AFR/SD has been seeking to follow through on USAID/South Africa's tentatively expressed interest in supporting delivery of their Principles of Environmental Assessment international training course. It is to be organized in conjunction with local university and NGO resource persons, and directed at the urgent capacity building needs of professional cadre at the provincial government level. Also, there is the possibility of linking this to the requirements of the housing and environment programming thrust in the Mission, as laid out in the IEE for the Basic Shelter and Environment Project.

Management coordination of this activity rests with AFR/SD/PSGE and USEPA/OIA. This has not been an activity identified under the BNC, although the concept of Environmental Capacity Building was raised as a high priority by the South African delegation to the BNC.

B. BHR/PVC

1. Upper Thukela/Bergville Child Survival Project

The Upper Thukela/Bergville Child Survival Project is located in South Africa's KwaZulu-Natal Province. The purpose is to reduce maternal, infant and child morbidity and mortality by strengthening community health services to women and childbearing age and children under six in collaboration with the MOH of the Republic of South Africa. The timeframe for this activity is September 1995 to August 1999. Estimated cost is \$1.1 million.

2. MCDI Child Survival Project

BHR/PVC is supporting MCDI in an activity whose purpose is to train health care personnel and strengthen community health care services to women of childbearing age and children ages five. This project is being implemented in collaboration with the South African Ministry of Health. The timeframe for this activity is September 1995 to August 1997. Estimated cost is \$400,000.

3. EDC Matching Grant Project

BHR/PVC is providing a matching grant to EDC to help children and women gain access to sustainable, cost-effective educational programs that directly encourage enrollment in and completion of primary school; and to strengthen the capacity of selected LDC institutions, who will offer services to children that measurably contribute to more equitable rates of enrollment in and completion of basic education. The timeframe for this activity is September 1994 to September 1997. Estimated cost is \$236,453.

4. Opportunity International, Inc. Matching Grant

BHR/PVC is providing a matching grant to Opportunity International, Inc. to launch the confederation of Opportunity International partners into a new phase of accelerated growth, in which four new partners and three existing partners will create micro-enterprise development programs of national impact in their respective countries. The timeframe for this activity is August 1993 to June 1998. The amount of the matching grant is \$75,000.

C. Other Global Bureau Centers

(Information pending)

ANNEX K
Reengineering of USAID/South Africa

This CSP reflects a Mission newly energized by reengineering. In just the last seven months, the Mission has made significant progress in re-examining all of its operations and structures in order to operationalize the four core values of reengineering: empowerment; teamwork; customer focus; and results orientation. In undertaking this re-examination, the Mission has sought and achieved active participation by a broad cross section of employees. This has brought not just new blood, but new ideas into the Mission's reengineering efforts.

Of equal importance, as part of the Mission's significant rethinking of its portfolio through the strategic planning process, the Mission has begun its most extensive and structured consultations with partners and customers ever. These consultations have served to ground-truth the strategy by ensuring its relevance to the South African context, and helped to confirm the validity of its development hypotheses. Below is a more detailed accounting of the efforts the Mission has undertaken to facilitate more aggressive reengineering since July 1996.

Training: A reengineering training program has been initiated which covers topics suggested by USAID/W, including core values, teams and team building, customer service plans and a New Management Systems (NMS) overview. In addition, a series of practical sessions is being implemented with a focus on applying reengineering principles to day-to-day, USAID/South Africa operations. To date these sessions have encompassed over 130 hours of reengineering training, and have reached the vast majority of the staff. While training based on USAID/W materials proved to be an important introduction to reengineering, the practical sessions, tailored to the development of Mission-specific policies and procedures, have been most effective in bringing reengineering to life. For instance, a Mission-wide, participatory process was used to develop and refine key reengineering guidance such as delegations of authority to empower SO Teams within the Mission, new reengineering operating procedures, and strategies to align the existing program portfolio with the CSP and Results Framework.

The participatory training process accomplished several major objectives. It made reengineering real to the staff which was anxiously waiting for something concrete to happen. Staff across the Mission saw what reengineering would do to assist everybody in getting their jobs done. The consultative process also gave all Mission personnel the opportunity to help shape the way USAID/South Africa will do business in the future. Broad-based Mission inputs to the development of operating procedures corrected potential mistakes and misconceptions, and therefore, provided more realistic procedures for operating as teams under the reengineered organizational structure.

Organizational Restructuring: To facilitate teamwork, the Mission will, subject to USAID/W concurrence, formally restructure soon to abolish the old technical office/division structure and operate under Strategic Objective Teams (SOTs). Under the new management structure, the Executive Office, Controller's Office, RCO, RLA, and Program and Project Development Office will continue to provide support across the Mission. An Overarching Strategic Team (OST) has been established to work closely with the Mission Director in reviewing and approving cross-cutting issues such as the CSP, R4 and USAID/South Africa Customer Service Plan. The OST will ensure broad participation and input with respect to important matters, programmatic or administrative, that have Mission-wide implications. The OST includes personnel from each of the Strategic Objective Teams as well as front office and other senior staff, with a focus on Mission-wide participation. Finally, the Mission has established a Management Appraisal Committee (MAC) to guide the U.S. direct-hire personnel management process.

Reengineering Task Force: An important catalyst in driving reengineering was the formulation of the Mission's Reengineering Task Force (RTF), which is chaired by the Deputy Director, and made up of fourteen Mission employees (FSNs, PSCs, USDH) drawn from every primary management group. This committee has become one of the most dynamic forces in the Mission. The employees who serve on the RTF are committed to reengineering and have made great strides forward in promoting the new organizational thinking of empowerment, teamwork, results orientation and customer focus. SOTs have been revitalized and are being expanded to include representation of our partners, stakeholders and customers; and real communication in a variety of directions is going on perhaps for the first time. In fact, different SOTs are conducting joint meetings to examine and develop linkages across strategic objectives in order to achieve synergies and maximize development impact. Active participation in the SOTs has increased ten-fold in the last two months. People are beginning to function as teams and not as individuals. The RTF has been

successful because it has managed to garner broad support across the Mission, including the full backing of the Mission Director.

Program Alignment with CSP/Results Framework: The Mission is utilizing reengineering principles to align the large project portfolio to fully support the proposed CSP and Results Framework. In light of the \$478 million in funds obligated by USAID/SA during FY 1993-1995 (mostly in the form of grants to South African NGOs), and the fact that a large portion of these funds have not yet been disbursed, the Mission recognizes the need to align its existing portfolio in order to have the greatest impact on achieving each of the strategic objectives. All of the Mission's Strategic Objective Teams have already begun to examine their portfolios to determine whether activities are consistent with the proposed strategy. This alignment comprises a comprehensive review of the complete program portfolio at the project and activity level, with all activities that do not support the Results Framework either being amended to fit or phased out as soon as possible. CSP consultations have assisted in this alignment process by developing an understanding, shared by partners and customers, that future funding depends upon the existence of a linkage between proposed activities and the achievement of expected results articulated in the CSP. Utilizing the benefits of consultations with grantees, the Mission has also addressed the need to refocus existing activities on achieving Strategic Objectives (SOs) and Intermediate Results (IRs).

The process of aligning the existing portfolio will be time consuming and may not be completed this fiscal year. This is due to the large size of the program portfolio, the complexity of the alignment process, and the need for discussion/negotiations with recipients of assistance on a case-by-case basis. In anticipation of the task ahead, the Mission has already formulated draft guidelines (in the form of a Mission Order) to require that realignment issues and the extent to which existing activities are focused on achieving an SO, or related IR, be adequately addressed in an Action Memorandum prior to approval of any amendment.

Of course, the major part of the alignment equation relates to new activities. To facilitate funding of only those activities that contribute directly to achieving expected results, the Mission will compete more grant awards through an organized solicitation process and plans to award umbrella grants and/or cooperative agreements. This approach has two significant programmatic benefits. First, it will allow for a more rigorous analysis of activities in order to ensure that groups of activities and interventions are selected which contribute in a measurable way to achieving a particular SO and/or IR. This broader type of analysis of groups of activities was not possible under the Mission's former, piecemeal approach of awarding grants in response to unsolicited proposals. Second, by allowing for the use of more umbrella mechanisms, it will enhance the Mission's ability to manage the large portfolio of activities effectively with limited staff resources.

Consultations with Partners: In November 1995, the Mission started the process of extensively examining relationships with our partners and customers. In consultation with these key players, the Mission examined each of the four proposed Strategic Objectives to challenge their theoretical and practical foundations, and revalidate their substance. A major emphasis of this exercise was to develop an understanding, shared by customers, partners and USAID, of the concepts and values which are the core of reengineering. A major result of this dialogue was a split of one SO into three, thereby increasing the total number of SOs from four to six. At the suggestion of a USAID/W TDY team, the Mission requested and received an extension of the CSP submission date until the end of February, in order to engage our customers and partners in more extensive discussions.

Operational Guidance: The Mission, through the RTF, has finalized two Mission orders: one on delegations of authority which empowers the SO teams by delegating all programmatic authorities to SO team leaders -- a truly radical change; the second establishes a comprehensive set of reengineering operations procedures based on teams and the principles of teamwork. In order to ensure that programmatic authorities are delegated to the lowest responsible programmatic level within the chain of command, the delegation of authority sets the parameters for redelegations from the SO Team leaders to Results Package Team leaders and other SO Team members. To enable a full transition to a reengineered Mission, the second Mission order sets forth the ADS requirements (tailored to USAID/South Africa) for: (1) the composition of the core and expanded SO teams; (2) the design, implementation and performance monitoring of results packages and activities; and (3) the realignment of the Mission's existing portfolio to achieve the results articulated in the CSP.

Customer Service Plans: The Mission has completed customer service plans in all SOTs as well as in the support offices. The Executive Office completed what we believe to be the first Executive Office Customer Service Plan in the

Agency. SOT Customer Service Plan worksheets link results to partners and intermediate customers to USAID-provided services (commodities, training, T.A., information) which in turn are linked to the services provided by partners and intermediate customers to the ultimate customers. Using the SOT and support offices Customer Service Plans as "building blocks", the Mission pulled together several information packages for general Mission and specific SOT use. The SOTs and support offices are aware that the process is "iterative" and that the Customer Service Plans are woven into the day to day implementation of the Results Framework.

Results Review: The Mission's FY95 Results Review (R2) reflects re-engineering principles of teamwork and intermediate customer feedback. A USAID core team and a team of South Africans worked on the Results Review. The South African team suggested that the Results Review be used as a report back not just to Washington but to the South African partners and intermediate customers as well. The Results Review focused on a review of the political, social, and economic trends during FY95 looking at a few key country indicators. Viewed against this backdrop, USAID results were reviewed using quantitative and qualitative indicators, including highlighting success stories and lessons learned. As indicated in last year's API, an organizational capacity index to look at an organization's strategic capacity, administrative/management capacity, financial management, and other capacity domains, was developed and pilot-tested. A participatory process was used to come up with a "tool" that can be used as a "self-diagnostic tool" or as a "needs assessment tool" or a "before and after intervention tool".

Lessons Learned: There are two important lessons that we have learned. First, it is critical to engage key FSN and American employees at the beginning in a participatory process in order to engender common ownership and to operationalize teamwork. We accomplished this by having some of the strong skeptics participate on the RTF. Second, we also found that talking about reengineering, particularly in theoretical terms, is not helpful; in fact it mostly either confuses people or turns them off. This is evidenced by the difficulties we ran into with our early training efforts. In USAID/South Africa, the excitement came from ownership, which resulted from employees actually engaging in the process. In other words, we found that you have to get in there and "JUST DO IT", make some mistakes, and move on.

Annex M

Crisis Prevention and Disaster Preparedness

Recent USAID/W guidance calls for CSPs to address the root causes of crises in assisted countries, including the capability of governments to take requisite measures to prevent crises. Crises are defined as including both those which are man-made (resulting from political violence, social conflict, student/labor unrest, refugee situations, accidents, and the like) and natural (resulting from changes in weather patterns/storms/droughts, earthquakes, and the like).

It is generally recognized that, in South Africa, the root causes of many man-made crises are the very issues which the Mission's program is seeking to address: political violence, conflict, labor/student issues, poverty, inequitable distribution of the benefits of growth, high rates of unemployment, inequitable access to social services, etc. In essence, the very nature of the USAID program is effectively targeted at "crisis prevention." The Government is working cooperatively with the international donor community, through the Reconstruction and Development Program (RDP) and the soon-to-be-released Growth and Development Strategy, to lay comprehensive foundations for mitigating crises that occurred in the past and that will likely continue to occur if these fundamental problems are left unattended.

Beyond these factors, there is a key aspect of "crises" which South Africa has only just begun to address systematically -- disaster management. Compared to other African countries, South Africa has demonstrated an impressive capability, in terms of human resource management skills and financial resources, to manage both natural and man-made disasters. To improve upon this capability, the Government of National Unity (GNU) is currently developing a national policy framework for disaster management. By 2000, South Africa expects to have in place: (a) comprehensive, national assessments of risks from natural hazards and man-made threats with these assessments taken into account in development plans; (b) mitigation plans at national and/or local levels, involving long-term prevention and preparedness and community awareness; and (c) ready access to global, regional, national, and local warning systems and broad dissemination of warnings.

The draft GNU National Disaster Management Policy (dated October 1995) outlines a framework for disaster management to counter the disaster threat and offers a total management strategy--addressing the total disaster management continuum. Disasters are defined as (a) natural hazards, specifically climatic extremes which are seen as increasing in South Africa -- droughts, floods, windstorms, fires, locust outbreaks and cold spells, severe thunderstorms, hail wind squalls and tornadoes; and (b) man-made disasters related to political violence, epidemics, pollution, releases of hazardous materials into the air and water courses, hi-tech terrorism, failure of man-made structures, and train, aircraft, bus, and shipping accidents. Of these, droughts and floods are the main natural hazards with severe consequences. The effects of lightning in South Africa are often underestimated and earthquakes are rare occurrences and there is no volcanic activity.

The policy recognizes that the root causes of vulnerability to disaster in South Africa are poverty and inequitable development. Rapid population growth and urbanization, inequitable patterns of land ownership, lack of education and subsistence agriculture on marginal lands lead to vulnerable conditions such as the unsafe establishment of settlements, unsafe homes, deforestation and environmental degradation, malnutrition and unemployment.

Policy/principles governing disaster management include: focus on important human needs by focusing on real causes of disasters and not just the symptoms; involve all tiers of government; be transparent and inclusive; ensure community involvement; accommodate local conditions; have legitimacy; be flexible and adaptable; be efficient and effective; be affordable and sustainable; be needs-oriented and prioritized; involve NGOs; be multi-disciplinary and integrated in approach; and focus on key issues.

Structures and Responsibility

The Department of Constitutional Development is responsible for the overall disaster management function. The Cabinet has approved that formal structures for the management of disasters be established comprising:

--a National Disaster Management Committee at the national level comprising relevant national line function departments, provincial representatives, NGOs and other key role-players, as required; and

--similar structures on the provincial and local government levels

Disaster and Development

The calls for assessing development programs in the context of disasters, i.e., ensure that development planners address all aspects of disasters, examining the effect of disaster on development programs as well as examining whether development programs increase either the likelihood of disaster or increase the effect of a disaster. This means building vulnerability reduction and mitigation into development programs and encouraging collaboration amongst the different sectors.

The plan is to encourage disaster mitigation planning at different levels, based on risk assessment and analysis of vulnerability. Training is to form a core part of the strategy with emphasis on support for training institutions for national planners. Community involvement is recognized as the best development initiative for disaster mitigation

The advantages to this approach are:

--funds would not be relocated to address the consequences of a disaster;

--foreign investors will have more confidence in investing in a country that can prevent or deal effectively and efficiently with disasters; and

--delays in national development will be limited and general stimulation of the economy and growth should materialize.

International Liaison

The Department of Foreign Affairs is the national focal point for humanitarian emergency and disaster relief assistance to disaster-affected countries. It is also expected to promote South Africa's participation in the international coordination of humanitarian emergency and relief assistance to disaster-affected countries.

Due to limited resources, South Africa regards the Southern Africa Development Community (SADC) region as the primary area of focus for South African disaster assistance. All requests, however, would be considered depending on the magnitude of the disaster. NGOs, businesses, and religious groups are encouraged to become involved in both internal and external disaster relief assistance in order to reduce the financial burden on the State of humanitarian assistance in the wake of disasters.

Annex E
South Africa Environmental Sector

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Annex E: Acronyms

ANC	African National Congress
AIM	Atmospheric Impacts Management
BSE-HG	Basic Shelter and Environment Housing Guaranty
COSATU	Congress of South African Trade Unions
CSIR	Council for Scientific and Industrial Research
DANCED	Danish Cooperation for Environment and Development
DEA&T	Department of Environmental Affairs & Tourism
ELA	Earthlife Africa
ENPAT	Environmental Potential Atlas
ELA	Environmental Law Association
EJNF	Environmental Justice Networking Forum
EEASA	Environmental Education Association of Southern Africa
EMG	Environmental Monitoring Group
FRD	Foundation for Research Development
FACE	Fynbos and Conservation Education
GIS	Geographic information system
GNU	Government of National Unity
HDI	Human Development Index
HSRC	Human Sciences Research Council
HNRE	Human Needs, Resources, and the Environment
IEF	Industrial Environmental Forum
ISA	Initiative for Southern Africa
IFP	Inkatha Freedom Party
IGCP	International Geosphere-Biosphere Program
IDRC	International Development Research Centre
IGBP	International Geosphere-Biosphere Program
IUCN	International Union for Conservation of Nature
ICSU	International Council of Scientific Unions
MP	Member of Parliament
MED-HG	Municipal and Environmental Development Housing Guaranty
NEC	National Energy Council
NGOs	Non-Governmental Organizations
NORAD	Norwegian Agency for Development Cooperation
RDP	Reconstruction and Development Program
SANHP	South African National Heritage Program
SANCOR	South African Network for Coastal and Oceanic Research
SANCO	South African National Civic Organizations
SACP	South African Communist Party
SANHP	South African National Heritage Program
SANF	Southern African Nature Foundation
SCOPE	Scientific Committee on Problems of the Environment
SUDS	Shelter for Urban Development Services
TDC	Technology for Developing Communities
UNCED	United Nations Council on Environment and Development
WHO	World Health Organization
WWW	World Wide Web

SOUTH AFRICA ENVIRONMENTAL SECTOR

Executive Summary

This environmental sector analysis is based on a document review of the general environmental situation in South Africa. The term, "environmental" is used in its broad sense, encompassing biophysical and socio-economic components. The review (1) provides a short introduction; (2) summarizes the general South African environmental situation, identifies the key environmental factors, indicators, and implications of environmental degradation, and examines government policy and South African institutions in the environmental area; (3) identifies other international donor involvement; (4) looks at areas of convergence between South African environmental priorities and USAID/SA strategic objectives and current involvement in environmental issues; and, (5) concludes by articulating the USAID-suggested steps for setting priorities for USAID-programs in the environment. The review is focused on areas related to USAID's strategic objectives, as articulated in USAID's Strategies for Sustainable Development (1994), on protecting the environment: reducing long-term threats to the global environment, particularly loss of biodiversity and climate change; and, promoting sustainable economic growth locally, nationally, and regionally by addressing environmental, economic, and development practices which impede development and are unsustainable.

South African policy-makers and political leaders subscribe to the principles of sustainable development. To ensure that the environmental consequences of development proposals are understood and considered in the planning process, *Integrated Environmental Management* underlies general environmental policy. South African environmental policy is well-articulated in the base document for the Government of National Unity's (GNU) Reconstruction and Development Program (RDP) and the General Environmental Policy which is in accordance with the Environmental Conservation Act of 1989. However, environmental policy is fragmented. The Department of Environmental Affairs and Tourism has weak legislative authority. Responsibility for implementation of the environmental policy has been devolved across various and recently established provincial departments. Several ministries at the national level and provincial levels have functional responsibilities that result in a number of conflicts of interest. This fragmentation, coupled with lack of an adequate complement of staff at the national and provincial levels and lack of public participation, has made it difficult to implement, monitor, and enforce environmental policy in South Africa.

Systemic changes to eradicate the vestiges of apartheid are being instituted across various levels of the GNU. These changes have implications for the environment. South African champions for environmental policy are ensuring that environmental policy is placed on the agenda across various levels of government and that mechanisms for environmental coordination and decision-making include community participation and partnerships. The Department of Environmental Affairs and Tourism sponsored a participatory consultative conference to discuss the environmental agenda in August 1995.

South Africa's science and technology infrastructure consists of higher education institutions (21 universities, 15 technikons, and 5 agricultural colleges), scientific councils, non-governmental organizations, private business, government departments and research institutions, including park boards and provincial administrations. Funding on environmental research is available and amounted to R550 million in 1991.

South Africans are undertaking national and local level initiatives. These efforts include: "Twenty-twenty: An Environmentally Sustainable Vision for South Africa" program by the Institute of Natural Resources (University of Natal); the Human Needs, Resources and the Environment Program of the Department of Environmental Affairs & Tourism (DEA&T) and administered by the Human Sciences Research Council; the South African Network for Coastal and Oceanic Research (SANCOR) of the Foundation for Research Development (FRD) and the DEA&T; the Green Fund of the World Wildlife Fund-South Africa, formerly known as the Southern African Nature Foundation (SANF); the South African National Heritage Program (SANHP); and the Local Agenda 21 Model Communities Program, involving Johannesburg, Cape Town, and Durban. In the late 1980s and 1990s, one new section of civil society has emerged -- black-run environmental groups or groups which have placed disadvantaged

communities at the center of their focus. Women are often quite active in these organizations and play critical roles in their activities. Television and radio programs on environmental issues are scheduled on a regular basis and environmental information, including government policy, is available on the Internet.

Other donors are also involved in environmental activities. The Danish Cooperation for Environment and Development (DANCED) and NORAD include environment within their priority sectors. UNDP's program includes plans for environment and natural resource management. While agreement on working in South Africa has not yet been finalized between the South African Government of National Unity and the World Bank, funding has been provided to rewrite the white paper on the environment. Under the U.S. - South Africa Binational (Gore-Mbeki) Commission, the U.S. Department of the Interior plans to provide assistance in wildlife management, fisheries management, and water conservation.

Assessing the Relative Severity of South Africa's Environmental Problems Using Standardized Indicators of Environmental Degradation

USAID/South Africa is concerned with the human health, ecosystem damage and monetary losses of environmental problems. The Guidelines suggest several measures: human health risks by annual mean concentrations of suspended particulate matter and sulfur dioxide in urban areas, annual mean concentration of fecal coliforms in highly used water bodies, etc.; ecosystem damage by the rate of degradation, conversion or loss per year of key ecosystems such as forests, wetlands, coral reefs and savannah; and economic losses by quantifiable losses in GDP which result from natural resource depletion and/or pollution. Below are the best available estimates for South Africa. It is important to note that because of apartheid policies, the quality of the statistics on poor people (primarily Africans) is considered highly unreliable. Given the joint effects of poverty and the lack of services for rural Africans and urban households in townships and informal settlements, it seems highly likely that deleterious health, environmental and economic impacts will be greater upon these types of households. Some claim that inhabitants of townships live in the most severely polluted environments in South Africa.

1. Rate of Degradation

--**Urbanization.** Of the nearly 51 percent of the South African population residing in urban areas, at least one-third live in informal housing and squatter areas. In coastal urban areas, the population is expected to increase from 4.3 million in 1980 to 8.3 million in the year 2000. In the ten years between 1978-1988, an additional 35 hectares per day were urbanized. Given the increased demand for housing and the expected rate of economic growth in the near term, urban growth, particularly in metropolitan areas, is likely to increase. (State of the Environment 1995).

--**Ecosystem Degradation.** Indigenous natural forests make up only 0.25 percent or about 336,000 hectares of South Africa's land base; approximately 1.5 million hectares of land is in plantation forests (1992/93). Loss of forests during the 1980s is estimated to be 46 percent. Loss of savannah grasslands during the same time period was about 62 percent. While figures for estuary losses are unavailable, there is evidence that 74 to 80 percent of the Cape and Natal Province estuaries are in good to fair condition. Of the 690 wetlands which have been mapped (and many more have not been mapped), 228 have no legal protection and only 41 are wholly protected within a national park, nature reserve, wildlife sanctuary, etc. Threats include fishing, recreation or overgrazing. At least 58 wetlands are likely to be lost or irrevocably changed unless remedial action is taken (State of the Environment 1995).

2. Quantifiable Losses in GDP

--**GDP Losses.** While definitive work is yet to be done on environmental accounting, the best available figures on the quantifiable losses to GDP for South Africa are from the Development Bank of Southern Africa. Craig McKenzie (22 May 1995) estimated the percent of GDP losses to approximately three to four percent are attributable to emissions and waste and another three percent derive from a combination of

degradation of arable and rangeland from water and wind erosion, soil crusting and compaction, increased soil acidity, increased salinization and water logging, dam sedimentation and increased costs of water purification; and adjustments related to the mining sector (using the El Serafy User Cost Approach).

3. Health Risks

--**Outdoor air pollution.** The main sources of outdoor air pollution in South Africa are coal burning by power stations and township residences, industrial processes (chemical, metallurgical and coal burning) and automobiles. Total emissions of sulphur dioxide in 1992 were approximately 2.8 million tons annually; about 0.84 tons of nitrogen oxides annually and about one million tons of particulates per year. The main single source of sulphur dioxide pollution is electric power generation by coal (UNCED report 1992).

--**Indoor air pollution.** The main sources of indoor pollution are indoor fires for space heating and cooking, cigarette smoking and radon. In the coal- and wood-using households of the Gauteng (including Johannesburg and Pretoria), indoor sulphur dioxide levels averaged 3.28 (coal-using) and 5.08 (wood-using) parts per million - far surpassing the national safety standard of 0.40 parts per million (Terblanche *et al.* 1993 in State of the Environment 1995).

The World Health Organization (WHO) estimates that exposure to 180 micro gr^3 total suspended particles has adverse health effects. In certain locations in Gauteng (the greater metropolitan area which includes both Johannesburg and Pretoria) levels of 662 micro gm^3 to 1,333 micro gm^3 total suspended particles have been measured. Variations in concentrations result from a combination of geographic elevation, socio-economic status, and coal use. On average, there is more pollution in homes that are at a low elevation, homes which use coal only, and homes in poor areas. Particulate concentrations were higher in homes than in the ambient air quality. In Soweto, for example, there is a wide variation in concentrations from day-to-day and house-to-house, with highs during winter and early spring and lower in summer (Mphati and others 1994).

Using the suggested format for assessing the severity of environmental problems, South Africa appears to have a quite high level of economic and health losses related to environmental problems. There are only marginal levels of ecosystem damage. Most of the economic and health losses appear to be attributable to urban industrial and domestic sources (e.g., three to four percent of GDP out of six percent loss from emissions and waste and much higher rates of pollution in urban areas). As noted above, it is the urban poor in general, and urban poor women in particular, who are likely to suffer the most from the health consequences of urban environmental problems.

Potential Effectiveness and Sustainability of Current Strategies to Address the Most Severe Problems

1. Rural

While the rural agricultural and mining activities contribute to approximately half of the estimated GDP losses, South Africa has an excellent infrastructure in place to address these problems. For the most part, the critical issue is service extension to low-income populations. With the RDP's focus on service equity for rural areas and participatory development, most of these issues are or will be addressed by highly competent government, NGO and community-based staff and institutions. For example, indigenous natural forests are largely protected and plantation forestry continues to expand. In coordination with international conventions, South Africa is now mapping wetland sites and protecting them, as needed. From 1985 to 1994, the number of natural heritage sites in South Africa increased from less than 25 in 1985 to approximately 225 in 1994 (State of the Environment: 1995).

2. Urban

Urban government and NGO institutions in South Africa need to re-orient their efforts to include environmental issues relevant to low-income settlements populated largely by African and Colored households. In particular, women and the estimated one-third to two-thirds of urban African households which are poor and female-headed, require special attention with regard to urban environmental services. Beyond high levels of outdoor and indoor pollution, these households often lack basic sanitation services and their settlements are often near poorly managed waste sites which may contain hazardous waste. Municipal expertise in environmental issues, institutional capacity and adequate municipal finance and shelter-improvement loans have been, and continue to be lacking.

The primary environmental focus for USAID support in South Africa will be on the urban environment. These urban activities have been developed after extensive consultation with the GNU and a variety of stakeholders. They also make sense in a country which is currently more than 50 percent urban and is urbanizing at an overall rate of three to five percent per year. USAID's urban environmental activities are coordinated with the GNU's emphasis on shelter provision in urban areas and complement the GNU's support for rural areas under the Reconstruction and Development Plan.

An area of opportunity for the Mission is building on its extensive and successful experience on work with civil society and the South African's own inclination for broad participatory processes. The Mission can facilitate the active participation of a broad array of stakeholders concerned with urban environmental issues within South Africa. Broad-based participation in environmental decision-making is something quite new in South Africa. The GNU has both the political commitment and grassroots institutions to achieve broad-based participation. However, there is quite limited capacity within the environmental and housing ministries to address the social dimensions of environmental problems, in general, and the issues related to the needs and priorities of below-median income households, specifically. To facilitate broad-based participation, USAID should continue and expand their assistance to environmental NGOs (including women's groups) working on urban issues. To strengthen the capacity of environmental and housing ministry staff to address low-income urban environmental issues, short-term technical training and higher education opportunities should be offered, particularly to staff members from the majority population and women.

USAID environmental support for South Africa, on the part of the AFR and Global Bureau, should focus on support for regional and international cooperation and technical exchange, given South Africa's very high level of expertise in many environmental issues. The Initiative for Southern Africa (ISA) would be an excellent starting point for regional partnerships that will enable South Africa to learn from the rest of the region and the rest of the region to learn from South Africa's extensive technical expertise on environmental issues.

SOUTH AFRICA ENVIRONMENTAL SECTOR

*Every person shall have the right to an environment
which is not detrimental to his or her health or well being.*
Constitution of South Africa, Section 29

I. INTRODUCTION

This environmental sector analysis is based on a document review of the general environmental situation in South Africa. The term, "environmental" is used in its broad sense, encompassing biophysical and socio-economic components. The review (1) provides a short introduction; (2) summarizes the general South African environmental situation, identifies the key environmental factors, indicators, and implications of environmental degradation, and examines government policy and South African institutions in the environmental area; (3) identifies other international donor involvement; (4) looks at areas of convergence between South African environmental priorities and USAID/SA strategic objectives and current involvement in environmental issues; and, (5) concludes by articulating the USAID-suggested steps for setting priorities for USAID-programs in the environment. The review is focused on areas related to USAID's strategic objectives, as articulated in USAID's Strategies for Sustainable Development (1994), on protecting the environment: reducing long-term threats to the global environment, particularly loss of biodiversity and climate change; and, promoting sustainable economic growth locally, nationally, and regionally by addressing environmental, economic, and development practices which impede development and are unsustainable.

This paper should be read within the context of the various political, economic, and social changes in post-apartheid South Africa. A new interim constitution provides a broad framework for a new politico-economic system and reflects the priorities of the new majority-led government and the first black head of government, President Nelson Mandela. Unravelling the political, economic, and social legacy of apartheid, however, will require an integrated and concerted effort to coordinate different reconstruction and development priorities and their positive and negative environmental implications.

II. SITUATION ANALYSIS

A. Towards Sustainable Development

South African policy makers and political leaders subscribe to the principles of sustainable development. This concept considers the basic present and future needs of all people and is based on equitable access to resources and global consumption standards bound by ecological possibilities. To ensure that the environmental consequences of development proposals are understood and adequately considered in the planning process, integrated environmental management¹ underlies South African environmental policy (Department of Environmental Affairs 1992. *The Integrated Environmental Management Procedure*). As early as 1991, both the Inkatha Freedom Party (IFP) and the African National Congress (ANC) had published policies which support sustainable development. A Republic of South Africa report, *Building the Foundation for Sustainable Development in South Africa* (1992), indicates that a resolution passed at the 1991 National Conference of the ANC states as an overall goal of its economic policy "to ensure that growth takes place in ways which harness the environment in a constructive, sustainable and responsible manner." Similarly, the IFP document, *A Policy to Preserve Our Heritage: Where the IFP Stands on the Environment* (1991), states that (1) "mankind is an integral part of nature and is utterly dependent upon the Earth for his well-being as Nature is the source of life"; (2) opportunities for all people to improve their quality of life must be

¹ Integrated Environmental Management (IEM) is designed to ensure that the environmental consequences of development proposals are adequately considered in the planning process to resolve or mitigate any negative impacts and to enhance positive aspects of development proposals.

achieved in harmony with, and, not at the expense of the environment; and (3) we [the present generation] hold the world in trust for our children. Other reports which have attempted to engender an approach to sustainable development include: *South African Environments into the 21st Century* (Huntley, Siegfried and Sunter 1989) which presents a user-friendly approach as to how to integrate politics, economics, development, and the environment; *Exploring the Earth Summit* (Wynberg 1993) which discusses the implications of the Earth Summit treaties for sustainable development in South Africa; and *Caring for the Earth - South Africa: A Strategy for Sustainable Living* (South African Nature Foundation 1993) which presents a strategy for sustainable living in South Africa.

The interim Constitution of South Africa provides a starting point to environmental policy. The term, "environmental" is used in its broad sense, encompassing biophysical and socio-economic components. The new Government of National Unity (GNU) environmental policy is articulated in the *Reconstruction Development Program* (RDP) base document. The RDP White Paper, itself, only broadly addresses environmental concerns. The environmental policies articulated in the RDP (1994) are consistent with the *Environment Conservation Act, 1989* (Act 73 of 1989). The *General Environmental Policy* (Department of Environment Affairs 1994) summarizes section 2 of the Environment Conservation Act 1989. The *Department of Environmental Affairs and Tourism and Reconstruction and Development in the New South Africa* (Department of Environmental Affairs and Tourism 1994) is a first but not complete attempt to demonstrate linkages between Department functions and the RDP. The Department of Environmental Affairs and Tourism has now initiated a fully participatory process to develop a new environmental policy.

While there may be some general level of consensus related to sustainable development, there is a range of opinions in South Africa as to what the environment is and what can be considered to be an environmental issues. Definitions of the environment by South Africans often vary by income and education levels. In the study *Public Perceptions of Environmental Issues* (Craffert and Willers: 1994), half of the sample considered the term "environment" to refer to bio-physical elements only (animals, plants, water, air, and soil), while only 10% regarded the "built" part of the environment as element of the "environment."

B. Environmental Situation

1. General

The Department of Environmental Affairs and Tourism has produced a summary report on the state of the environment which will be accessible via the Internet. A selected number of environmental indicators are used to portray important aspects of the environment. The preliminary version is now being tested and has been unveiled at the World Environment Week in June 1995. The preliminary set of indicators include global warming, changes in the ozone layer, acid rain, landscape change, waste and waste management, environmental hazards, women and the environment, natural environment, population statistics and demographics, health effects, and environmental infrastructure. There is some fine-tuning which needs to be done, including adding information on environmental resource economics, of which environmental accounting forms a sub-set. In addition, the Department of Environmental Affairs and Tourism, in collaboration with the University of Pretoria and Geographic Information Systems Laboratory, is pilot testing an *Environmental Potential Atlas (ENPAT)*, a geographic information system (GIS)-based data set aimed at those involved with macro-level scenario-planning. ENPAT provides a visual overview of SA's environmental resources and their geographic distribution and quantitative data (air - rainfall, air pollution; land - geology, landscapes, soils; water - catchment boundaries, rivers, wetlands; vegetation; land use and infrastructure). ENPAT already has a population data overlay and the plan is to add a socio-economic overlay. The database can be queried for scenarios, such as: the potential of an area to produce food for the population's own needs and whether or not the area has enough water for a particular industry, based on the population weighed against the area's resource base. Also, Comprehensive Environmental Potential Atlases have already been developed for the Gauteng Province (including Johannesburg and Pretoria) and the Durban Metropolitan area.

Statistical Profile. Table 1 provides a basic statistical profile which looks at population and environment for South Africa and the southern African region². The data is based on the UNDP Human Development Report 1993. South Africa's income inequality is among the highest in the world. Compared to a maximum value of 1.0, the overall human development index (HDI) for South Africa in 1994 is 0.650. For whites, the index value is 0.878, while for blacks, it is 0.462. If white South Africa were a separate country, it would rank 24 out of 173 in the world. Black South Africa would rank 123 out of 173 in the world³. The report to the United Nations Environment and Development (UNCED) Earth Summit held in June 1992, *Building the Foundation for Sustainable Development in South Africa* (1992), provides an excellent introductory description and summary of the South Africa's resource base. The resource base includes human, cultural, mineral and energy, rainfall and water, terrestrial, coastal and marine, and biodiversity.

² It is important to keep in mind that data collected under apartheid is considered quite unreliable for some segments of the population, primarily African and Colored households and also urban households in townships and informal settlements.

³ Further information can be found in *South Africa's Economy* (1994) prepared by Ric Harber, USAID/South Africa's Mission Economist and in *South Africa's Nine Provinces: A Human Development Profile* (Development Bank of South Africa 1994).

Population

	Estimated population					COUNTRY							
	(millions)			Annual Population	Ratio of popula-	Popula-	Total fertility 1991	Ratio of	Contra-	Popula-	density (per 1,000 hectares) 1991		
	1960	1991	2000	1960-1991	1991-2000	1955-60	1991	growth rate 1985-1990	doubling date (at current rate)	rate fertility rate to 1960		prevalance rate(%) 1985-90	
Angola	4.8	9.5	13.1	2.2	3.5	173		2010		7.2	113	n.a.	76
Botswana	1.3	1.7	3.1	2.9	141		2015		5.2	76	33	22	
Lesotho	0.9	1.8	2.2	2.3	2.5	139		2019		4.8	82	n.a.	590
Madagascar	5.3	12.4	16.6	2.7	3.2	135		2012		6.6	100	n.a.	213
Malawi	3.5	10.0	12.6	3.4	2.6	248		2012		7.6	110	7	1,061
Mozambique	7.5	14.5	19.4	2.1	3.3	47		2015		6.5	103	n.a.	185
Namibia	0.6	1.5	2.0	2.8	3.1	137		2013		6.0	100	26	18
South Africa	17.4	38.9	47.9	2.6	2.3	99		2020		4.2	64	48	318
Swaziland	0.3	0.8	1.0	2.8	2.7	115		2017		5.0	77	20	448
Zambia	3.1	8.4	10.7	3.2	2.7	129		2015		6.5	98	15	113
Zimbabwe	3.8	10.3	13.2	3.2	2.8	110		2014		5.5	73	43	265
Developing countries	2,070	4,160	4,930	2.3	1.9	98		2025		3.8	60	49	541
Sub-Saharan Africa	210	520	680	2.9	2.8	n.a.		n.a.		2.0	65	59	225
Industrial countries	940	1,220	1,290	0.8	0.6	n.a.		n.a.		2.0	65	59	225
World	3,010	5,380	6,220	1.9	1.6	n.a.		n.a.		3.4	61	52	409

Environment

COUNTRY	Land (million hectares)	Arable land (as % of area) 1989-90	Irrigated land (as % of arable area) 1989-90	Forest (as % of land) 1989-90	Internal renewable resource per capita	Annual rate of deforestation 1988-1985	Annual change in production of fuelw As %	Annual fresh water withdrawals 1980-87	Per capita of water resources
Angola	124.7	24	n.a.	42.5	15.8	0.2	3.1	n.a.	43
Botswana	56.7	2.4	n.a.	19.3	0.8	0.1	4.2	1	98
Lesotho	3.0	10.5	n.a.	65.9	2.3	n.a.	3.2	1	31
Madagascar	58.2	4.4	29	27.0	3.3	1.2	3.6	41	1,675
Malawi	9.4	25.6	1	39.8	1.1	3.5	3.7	2	22
Mozambique	78.4	3.7	4	18.3	3.7	0.8	3.3	1	53
Namibia	82.3	0.8	1	22.0	n.a.	0.2	n.a.	2	77
South Africa	122.1	10.1	9	3.7	1.4	n.a.	n.a.	18	404
Swaziland	1.7	9.3	38	6.3	8.8	n.a.	1.0	4	414
Zambia	74.3	7.1	1	38.9	11.4	0.2	4.4	n.a.	86
Zimbabwe	38.7	7.0	8	49.7	2.4	0.4	3.1	5	129
Developing countries	7,550	16	20	28.7	6.8	1.1	2.3	16	523
Sub-Saharan Africa	2,040	6	6	29.5	7.4	0.5	3.6	5	120
Industrial countries	5,360	13	7	30.1	7.6	n.a.	6.5	21	1,204
World	12,910	11	16	29.1	7.0	n.a.	3.0	17	645

Barnard, David

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Biodiversity. South Africa is extremely rich in biodiversity and is estimated to be the third highest in the world. Current estimates place the total number of plant and animal species somewhere between 250,000 and 1,000,000 (Wynberg 1995:33). South Africa has six biomes. These are broad ecological units that represent a major life zone extending over a large area with relatively uniform plant and animal life forms closely connected to environmental conditions, especially climate. One biome - the fynbos - represents one of the six accepted floral kingdoms of the world. The fynbos covers only .04 percent of the world's surface and is the only floral kingdom found entirely within the boundaries of one country. The fynbos is situated in the Cape Floristic Region which is considered one of the 18 "hot spots" of global conservation concern and the highest ranking in terms of numbers of endemic species (Wynberg 1995:36). Wynberg (1995) provides a good summary of some of the benefits derived from biodiversity. These benefits include:

- Fuelwood, fencing and building materials account for the highest volume of plant material used, with fuelwood equating 51 percent of the domestic energy use in South Africa.
- Over 100 wild plant foods are utilized to supplement the mainly starchy diet of local people.
- Some 700 plant species are used in traditional medical preparations, with an estimated 80 percent of black rural South Africans relying on traditional medicine.
- Several indigenous animal species are harvested for food, traditional medicinal preparations, and income. Snakes and other reptiles are important remedies for some ailments. Fish and intertidal species form an important diet and income supplement for poor coastal communities.
- Natural materials are used in biotechnology to develop perfumes and medicine.
- Genetic diversity can be used to develop high-yielding crop lines which are adapted to marginal extreme environments.
- Trade has generated both domestic and foreign income; for example: local horticulture - R390 million per year; aloe bitters pharmaceutical trade - R2.5 million in 1992; fuelwood from exotic species - R27 million a year; fishing industry - R367 million; essential oils from aromatic plants, medicinal plants, honeybush tea, and marula fruits for processing into liqueurs and other products.
- Recreation and tourism has generated R7 billion in revenues per year.

Climatic Variation. South Africa can be divided into twelve climatic regions: winter rainfall region, year-round rainfall, karoo, southern and northern desert to semi-desert regions, southern semi-desert regions, northern semi-desert regions, southeastern coastal region, warm to hot humid subtropical region, drakensberg, transvaal lowveld, highveld, and northern transvaal region. Climatic variation is evident in an 18-year rainfall cycle, a nine-year dry spell followed by a nine-year wet spell. South Africa participated in the International Geosphere-Biosphere Program in 1986. This meeting was followed-up by a conference in Cape Town in 1989 to review available knowledge on global and regional change phenomena within southern African marine, terrestrial, atmospheric, and hydrospheric systems. The 1989 conference revealed that a great number of diverse but fragmented studies were underway. Climate change appear to have no catastrophic implications for food production in South Africa. With a postulated increase in temperature of up to three degrees Celsius, considering rainfall, soil moisture, and higher carbon dioxide in the air, the model predictions presented at the conference suggested some gains and some losses. For example, the maize crop would be phased out in all marginal areas but might become a more prominent irrigation crop; wheat production might have to shift from the winter rainfall to the summer rainfall areas; a shift to grapes and subtropical fruits would be possible; a temperature rise could favor crops such as tea, coffee, avocados, ginger, and paprika; the sugar cane cycle might shorten; and higher temperatures could expand the region where cotton is grown.

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TABLE 2. TERRESTRIAL RESOURCES**Characteristics of Southern African Biomes**

Biome	% of total	Rainfall (mm yr ¹)	Rainfall (season)	Structural features	Major driving forces
Fynbos	5,72	210-3 000	Winter, all-year, summer	Evergreen sclerophyllous shrubland	Fire, summer aridity
Savanna	33,49	235-900	Summer	Wooded C ₄ grassland	Fire, grazing
Grassland	25,71	400-2 000	Summer	Grassland, woody plants or rare	Fire, grazing
Nama-karoo	28,35	100-520	Summer, all-year	Dwarf and low open shrublands	Rainfall, (fire)
Succulent karoo	6,71	20-290	Winter, all-year	Dwarf and low open succulent shrublands	Rainfall
Desert		10-70	Summer	Open, ephemeral herbland	Rainfall
Forest	0,02	525-2 000	winter, all-year, summer	Closed ever-green and semi deciduous forest	Physical disturbances (tree falls, etc.)

South Africa, Republic. *Building the Foundation for Sustainable Development in South Africa* (1992:37)

TABLE 3. BIODIVERSITY**Species Richness in South African Biomes (Number of Species)**

	Plants	Amphibians	Reptiles	Birds	Mammals
Fynbos	7 316 (10,47)	25 (0,04)	85 (0,12)	262 (0,37)	74 (0,10)
Forest	no data	13 (0,42)	21 (0,68)	313 (0,13)	37 (1,20)
Nama-Karoo	2 147 (0,62)	12 (0,12)	78 (0,02)	252 (0,07)	29 (0,02)
Succulent Karoo	2 125 (2,59)	11 (0,01)	91 (0,11)	222 (0,27)	65 (0,08)
Grassland	3 378 (3,00)	57 (0,04)	167 (0,03)	540 (0,43)	153 (0,12)
Moist Savanna	3 805 (3,00)	57 (0,04)	169 (0,13)	540 (0,43)	153 (0,12)
Arid Savanna	3 380 (0,02)	52 (0,02)	177 (0,04)	519 (0,18)	171 (0,06)

South Africa, Republic. *Building the Foundation for Sustainable Development in South Africa* (1992:49)

2. Key Factors in the South African Environment

Several socio-economic factors and agricultural, industrial, and hazardous waste practices have contributed to environmental degradation. These factors include:

--Legacies of Apartheid Policies: Apartheid policies produced many problems with environmental implications. There was forced and voluntary settlement of groups of people in areas which were unable to sustain them and rapid unstructured urbanization. Ethnic and political conflict, particularly in KwaZulu-Natal, and also the war in Mozambique and Angola led to the migration of people, both within and into South Africa. Inappropriate land-use practices, especially in both large- and small-scale agriculture resulted from migration, resettlement, insecure tenure, poverty and drought. Under apartheid, African women were supposed to remain in the rural areas to manage farms with their children and elderly relatives or work as domestic servants in urbanized areas. Their husbands were supposed to migrate to cities, mines and other rural areas for employment. Also, for the majority population, the educational system failed to instill sound environmental values and to teach solutions for environmental problems.

--Urban Issues: While apartheid legislation has been repealed, numerous consequences remain in what is known as the "apartheid city." The apartheid city had five features: residential segregation; economic segregation; an urban management system predicated on residential segregation which gave rise to the ill-conceived and ineffective local authority system; a housing delivery system that subsidized the whites and to a lesser degree, "Coloreds" and Asians; and, scarcity of services in (formerly) African areas. The last feature meant that provision of land, infrastructure services, transport and community facilities severely disadvantaged Africans, particularly women and female-headed households. Restrictions on movement into urban areas did not prevent urbanization so much as displacing it. The lack of an economic base now means that townships have little access to capital to pay for services and black local authorities suffered from management constraints and were limited in their ability to maintain services. This general lack of services for a majority of the population remains and corrective measures are a GNU priority.

--Water: In 1991, 70-75 percent of the total water consumption in South Africa was used to irrigate only 0.7 percent of the country's surface. The Department of Water Affairs has introduced a new policy approach to limit the water used for irrigation and to increase the provision of treated water to disadvantaged communities. Since the first half of the century, water demand from urban and industrial sectors has greatly increased. Mines also have a major impact on water supply in certain areas. Urbanization and especially informal settlements have major impacts on water runoff and the quality of stormwater. An estimated 12 million people do not have access to clean drinking water. Most poorer households do not have piped water in their homes and the burden of collecting water largely falls to women and their daughters.

--Energy and Environmental Technologies: Although South Africa has only four percent of the land area and seven percent of the population of the African continent, it consumed about 53 percent of the total African energy used in 1988. Most of the energy is used for energy-intensive industrialization and domestic energy for the richer households; about two-thirds of the South African population have no access or cannot afford electricity and use coal, wood or paraffin. South Africa can supply most of its own energy needs and is a major exporter of energy in the form of coal and electricity.

Industrialization and associated coal and wood-based energy generation discharge pollutants both into the air and water supply. For example, coal stoves in Soweto contribute more than 80 percent to the rate of 26ppb SO² air pollution. Another industrial pollution issue is the water requirements and inadequate effluent disposal facilities of the timber industry (which is mostly owned by white South Africans). Current practices for handling hazardous waste is considered inadequate. Radioactive waste is disposed of at a sophisticated containment facility in the northwestern Cape, but ultimate disposal remains an issue. It is estimated that about one percent of all waste is hazardous (defined as materials with dangerous, explosive, flammable, reactive and toxic characteristics such as acute toxicity, carcinogenesis, and ecotoxicity).

--**Biodiversity and Land Use Practices:** An increasing percentage of land in rural areas is being used for grazing and cultivation and agricultural run-off is increasing. Land use conversion for urban and industrial purposes has also increased over time. During 1989, 77 percent of the land in South Africa was domesticated, with 1.32 million hectares of cropland and 8.14 million hectares under permanent pasture, 0.45 million hectares of forest and woodland. Urban areas occupy 6 percent of the land surface. Besides land use conversion, other threats to biological diversity result from afforestation, demand for firewood and traditional medicines, and subsistence uses of natural resources by poor rural people (e.g. building poles, food, fodder) (*State of the Environment* 1995).

--**Global Climate Change and Forestry:** State forest land covers a total area of 1.6 million hectares. Only 9 percent is indigenous forests consisting of high forests, scrub forests, and woodlands. About 18 percent is considered commercial plantations; 72 percent is considered mountain catchment areas. Forestry has had a severe impact on the availability of water in some areas, such as the Eastern Transvaal Escarpment. In heavily forested catchments, the water runoff has been reduced by 40-60 percent. (see also Section II.B. above)

--**Population Growth:** The population has grown at an annual rate of approximately 2.4 percent since 1985. The current population (1995) is estimated to be approximately 43.4 million, comprised of about 13 percent white and about 87 percent blacks (approximately 75 percent African, 9 percent Colored, and 3 percent Asian/Indian). Most of the black population has been disadvantaged by apartheid policies. Forty eight percent of the population resides in urban areas. This percent does not include those who live in informal settlements. The actual urbanization level, including informal settlements, is estimated to be closer to 65 percent. Total population is estimated to grow from 28 million in 1980 to 57.5 million by 2010, with a major growth in the metropolitan population from 12 million in 1980 to 24 million by 2000. These high population growth rates will create increased demand for housing, education, and health services. The rate of urbanization, low literacy levels (62.7 percent) and high unemployment rates all burden plans for future sustainable development. By 2030, population could be close to 80 million which is generally regarded as the carrying capacity for South Africa's water and other natural resources.

3. Measures of Environmental Degradation

These socio-economic factors and practices, combined with climatic and other natural phenomena, act on their own or in concert to produce mostly localized, and some more widespread, environmental challenges. The *South Africa 1993 Yearbook*, World Resources Institute *Environmental Almanac* (1993) and *Building the Foundation for Sustainable Development* (1992) provide a good starting point for understanding the indicators of environmental degradation in South Africa.

a. **Land ownership and sustainability:** While land and access to land, is a key political and economic issue, sustainability of the land resource base is a key environmental challenge. Cultivation of hilly areas on fragile soil combined with too many people, particularly in the homelands, and high numbers of livestock cause tons of soil to be washed into the ocean every year. Overgrazing and erosion diminish the carrying capacity of the veld, and combined with increased incidence of drought, also lead to desertification. In addition, certain natural phenomena, such as the eastward movement of the dry ranges of the Karoo desert for at least 100 years, which contribute to desertification but are not fully understood.

--The World Bank (1994) estimates that large-scale, mostly white farmers own 86 percent of the total agricultural land, supporting about 29 percent of South Africa's rural population (mostly farm workers and their dependents) while 71 percent of the rural population reside in the remaining 14 percent of agricultural land.

--The World Resources Institute estimates that South Africa loses about 300-400 million tons of topsoil through erosion by water and wind annually.

b. Air pollution: Both urban and rural areas suffer from outdoor and indoor air pollution.

--Sulphur dioxide can be measured and used as an environmental indicator. Eighty-three percent of electricity is generated by coal combustion. This coal contains about 1.2 percent sulphur and 40 percent fly ash. Fly ash and sulphur dioxide from power plants, refineries and sulphur ore smelting industries and iron oxides from iron and steel works pollute the air. These pollutants are usually emitted at considerable heights through tall stacks and are greatly diluted before reaching ground level. However, sulphur dioxide can be carried over long distances and eventually cause acid rain. Total emissions of sulphur dioxide in 1992 were approximately 2.8 million tons annually. Moreover, low-level atmospheric pollution from smaller installations, such as coal stoves in residential areas without electricity and coal-heated boilers in factories and hospitals together emit an additional 50,000 tons of sulphur dioxide into the atmosphere annually. The air pollution problem is most severe in the sparsely populated Eastern Transvaal Highveld region where deposition of acid precipitation and sulfur is similar to conditions in the northeastern U.S.A. yet three to four times greater than in Germany and Great Britain.

--A problem unique to South Africa is dust blown from the sand dumps and sludge dams formed by waste from mines. The dust presents a serious problem to nearby residential areas. Waste coal dumps also cause pollution and safety problems when the waste coal ignites spontaneously.

c. Water quality and quantity: Water quality affects the health of both urban and rural residents.

--One in every two people in South Africa do not have access to adequate sanitation. Fecal material contaminates water with pathogens (viruses, bacteria, and parasites).

--In addition, serious forms of surface water pollution result from mineralization through dissolved solids and eutrophication due to nutrient enrichment of water sources, acid mine drainage, silt, and toxic substances (such as heavy metals, agricultural agents such as pesticide residues, and carcinogens).

--Polluted water from mining activities is the worst groundwater pollution problem in South Africa. In some areas, there is also serious nitrate pollution of groundwater associated with uncontrolled urbanization and agricultural practices.

d. Marine pollution:

--Marine pollution results both from land-based sources, including pipelines and stormwater run-off (194,600 tons of pollutants per year). Moreover, there is an increase in highly polluted, stormwater run-off from informal settlements.

--There are also marine-based sources of pollution, including shipping, accidental, deliberate and operational discharge; and activities, such as, offshore drilling oil operations. While newer pipelines are discharged into deepwater offshore areas, older pipelines are discharged into the surf zone and some into bays or semi-enclosed bodies of water where the water exchange is low.

e. Biodiversity: The amount of land under conservation status, plant extinction and utilization provide indicators of biodiversity.

--About 13.6 percent of the land is categorized as conservation areas, with 5.43 percent of the land is protected under the National Register of Protected Areas in South Africa.

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--Illegal trade on wildlife, such as the endangered louries and a supposedly extinct orchid, is becoming a problem.

--In addition, commercial utilization of endemic biomes and species, like the fynbos, may be reaching unsustainable levels. The Africa Environment and Wildlife (Vol2, No6, Nov/Dec 1994) reports that fynbos farming has become a sizable industry. The report also indicates that the Department of Agriculture has announced that the commercial utilization of fynbos on privately-owned land will be recognized as a farming enterprise, emphasizing that the commercial utilization of the fynbos as a natural resource be done on a sustainable basis. The report adds that the Cape conservation community (Cape Nature Conservation, the Flora Conservation Committee of the Botanical Society, the National Botanical Institute and the Institute for Plant Conservation) are alarmed that increased utilization of natural fynbos may lead to over-harvesting of some areas with long-term effects on the survival of some species.

4. Social and Economic Implications of Environmental Degradation

Consequences of environmental degradation are most apparent in people-level impacts such as health risks for women and men and macro-level quantifiable indicators such as decline in GDP. In addition, public perceptions of priority environmental issues need to be taken into account and monitored.

a. **People-level impacts**

--Health:

Exposure to 180 micro gr³ total suspended particles has adverse health effects according to the World Health Organization (WHO). High estimates in certain locations in Gauteng (the greater metropolitan area which includes both Johannesburg and Pretoria) range from levels of 662 micro gm³ to 1,333 micro gm³ total suspended particles. Variations in concentrations result from a combination of elevation, socio-economic status, and coal use. On average, there is more pollution in homes that are at a low elevation, homes which use coal only, and homes in poor areas. Particulate concentrations were higher in homes than in the ambient air quality. In Soweto, for example, there is a wide variation in concentrations from day-to-day and house-to-house, with highs during winter and early spring and lower in summer (Mphati and others 1994). The risk of developing pneumonia is five times higher for wood-users than for electricity-users. Tuberculosis rates are another measure of pollution exposure. Also, women are more likely than men to have greater exposure to indoor domestic pollution. Infant mortality rates also measure environmental health conditions. Typhoid rates are also a measure of the level and quality of sanitation, particularly in urban areas, and can be gender-disaggregated.

b. **Quantifiable losses in GDP**

--While definitive work is yet to be done on environmental accounting, the best available figures on the quantifiable losses to GDP for South Africa are from the Development Bank of Southern Africa. Craig McKenzie (May 1995) estimates that approximately three to four percent are attributable to emissions and waste and another three percent derive from degradation of arable and rangeland from water and wind erosion, soil crusting and compaction, increased soil acidity, increased salinization and water logging, dam sedimentation and increased costs of water purification; and adjustments related to the mining sector.

c. **Environmental Priority Issues**

--In the study entitled *Public Perception of Environmental Issues* (1994), overpopulation, air pollution, and water pollution were ranked as the top three priority issues and were perceived as the highest personal threat-related issues by South Africans. Considered least important was deforestation, followed by soil erosion and animal extinction.

C. **Government Policy**

1. **RDP Policies and Priorities**

The Reconstruction and Development Plan (RDP) is described as an "integrated, coherent socio-economic policy framework." The RDP was first articulated by the ANC prior to the elections in April 1994. It has been adopted by the new government to mobilize all South Africans and the country's resources toward the eradication of the effects of apartheid and the building of a democratic, non-racial and non-sexist future.

Six basic principles underlie the RDP. The RDP is an integrated and sustainable program. It is a people-driven process. It must provide peace and security for all. Its key goal is nation-building. It links reconstruction and development. It must contribute to the democratization of South Africa.

The five key policy programs of the RDP are meeting basic needs, developing human resources, building the economy, democratizing the state and society, and implementing the RDP. The RDP objectives related to basic needs include: to eliminate hunger, provide land and housing to all our people, provide access to safe water and sanitation for all, ensure the availability of affordable and sustainable energy sources, eliminate illiteracy, raise the quality of education and training for children and adults, protect the environment, and improve health services and make them accessible to all. The RDP is committed to providing women with equal access to services related to basic needs.

The base document that preceded the RDP White Paper states that "all South African citizens, present and future, have the right to a decent quality of life through sustainable use of resources." To achieve this, the government is working towards equitable access to natural resources, safe and healthy living and working environments, a participatory decision-making process around environmental issues and empowering communities to manage their natural environment (1994:39). Moreover, the RDP base document indicates the need to build environmental considerations into every decision and incorporate environmental consequences in the course of planning development strategies. The RDP base document asserts that measures such as land reform, provision of basic infrastructure, housing and targeted rural assistance (including extension services) and the maintenance of food security, should ultimately reduce pressure on the natural environment. The RDP base document argues for the need to revise current environmental legislation and administration to establish an effective system of environment management, to use environment auditing, with provision for public disclosure, and to monitor industrial activities which impact on the environment.

Strategies recommended by the RDP base document include: a system of waste management with emphasis on pollution prevention and waste reduction through direct controls and citizens' actions; community participation in management and decision-making in wildlife conservation and related tourism benefits; environmental education programs "to rekindle people's love for the land"; coordination of environmental education with education policy at all levels; empowerment of communities to act on environmental issues; establishment of procedures, rights, and duties to allow workers to monitor the effects of pollution; and management and control marine resources for the benefit of all South Africans.

The RDP base document recognizes that South Africa has wide-ranging environmental legislation and that responsibility for implementation is scattered over a number of departments (Agriculture, Water Affairs and Forestry, Health, and Mineral Resources) from national to local authority levels, with the Department of Environmental Affairs and Tourism administering only a few of the relevant Acts. As viewed by the RDP base document, this array of functions and responsibilities has resulted in "discrepancies, anomalies, and ineffectiveness."

The RDP base document recommends rationalizing environmental legislation into a cohesive and workable form. This legislation should include: the right of access to information on environmentally harmful practices; compulsory environmental impact assessments for large-scale projects; establishment of an environment ombudsperson; and making environmental offenses a crime, punishable by law. The RDP also suggests the need to review and conform with international conventions and agreements on environmental issues. Furthermore, the RDP suggests the need to transform environmental management to promote the active participation of civil society, establish strong provincial departments of environment affairs, and task the national Department of Environmental Affairs and Tourism to ensure overall standards and financing of environmental protection. The RDP suggests the establishment of a Commission on the Environment as an independent body to ensure transparency and accountability on the part of agencies dealing with the environment; facilitate the gathering, collation, and publication of data on the environment; and provide an interface between civil society and public agencies responsible for the environment and natural resources.

2. 1994 General Environment Policy

Section 2 of the Environment Conservation Act, 1989 (Act 73 of 1989) provides the framework for the *1994 General Environmental Policy*. The general environment policy is based on the following premises and principles:

- the right of every inhabitant to live, work and relax in a safe environment and personal responsibility to respect the right of his fellowman;
- the obligation of every generation to act as a trustee of its natural environment;
- the responsibility to regulate the size of family to ensure that population growth is compatible with available resources;
- the responsibility of the state and every person to consider activities that may influence the environment and to protect, maintain the natural and human living environment;
- the maintenance of natural systems and ecological process;
- proper planning and management of renewable and non-renewable resources;
- sustainable development is accepted as the guiding principle for environmental management with its attendant notions of development and educational programs which promote economic growth, social welfare and environmental awareness, improve standards of living, and curtail the growth in human population; and
- establishment of partnerships between the state and the community as a whole (private sector, developers, commerce and industry, agriculture, local community organizations, non-governmental organizations [NGOs], and the international community) in order to pursue environment goals collectively.

The General Environment Policy states that functional responsibility of South Africa's environmental management system rests with the Department of Environmental Affairs and Tourism and every minister, administrator, local authority and governmental institution given the power as stated in the Environment Conservation Act. The Policy suggests that although environmental matters are primarily the responsibility of the central government, executive responsibility should be devolved to regional and provincial governments and local authorities according to national norms, standards and guidelines established by the central government.

The General Environment Policy articulates policy on environmental education, land use, nature conservation, cultural heritage, urban development and management, pollution control, conservation of natural resources (including water, renewable and non-renewables), economic measures, environmental research, and international cooperation.

3. Allocation of Functions

The Council for the Environment (1994), established in the Environment Conservation Act, 1989 (Act 73 of 1989) delineates the role of the provinces within the national environmental management system (1994). The Council indicates that the framework for the national environmental strategy is set by or deduced from Section 126 and Schedule 6 of the Interim Constitution. The national level will retain functions related to national parks and the national botanical gardens, national monuments, water quality (including water pollution and waste disposal sites which was vested in the Department of Water Affairs and Forestry), and air pollution control (which was vested in the then Department of National Health and Population) (Council for the Environment 1994). Moreover, the following functions are retained at the national level:

- National environmental policies, guidelines and strategies and coordination, monitoring and auditing regarding environmental matters of national importance;
- Norms, standards and protection measures for environmental components of national importance such as water, air, climate, soil, coast and pollution control;
- International environmental matters including international conventions, treaties, and protocols;
- National environmental legislation;
- Guidelines for environmental management systems such as Integrated Environmental Management, Environmental Impact Assessments, and environmental resource economics;
- Marine resources;
- Environmental education, training and research; and
- Provision of meteorological services.

The legislative competencies of provinces and allocation of environmentally-related functions to provinces include: agriculture, environment, housing, nature conservation (excluding national parks, national botanical gardens and marine resources), regional planning and development, soil conservation and urban and rural development, and tourism (Council for the Environment 1994). Allocation of functions, as well as review of the general environmental policy, is under review during the present round of consultations on the white paper on the environment.

4. Implications of the RDP on the Environment

The *Environment, Reconstruction and Development in the New South Africa*, a report by the International Development Research Centre (IDRC)/African National Congress (ANC)/Congress of South African Trade Unions (COSATU)/South African Communist Party (SACP)/South African National Civic Organizations (SANCO) Mission on Environmental Policy (1994:15-17), indicates that major demands on the environment, both in terms of the supply of natural resources and the ability of ecosystems to remove or absorb waste, are implicit in the RDP. The implications on the environment summarized by this report are shown in Box 1 below.

To summarize, South African environmental policy is well-articulated but implementation is fragmented. The Department of Environmental Affairs and Tourism has weak legislative authority. Provincial departments are new and environment is sometimes several ministries at the national level and provincial levels have functional responsibilities that, in many ways, result in conflicts of interest. This fragmentation, coupled with lack of adequate complement of staff at the national and provincial levels and lack of public participation, has made it difficult to implement, monitor, and enforce environmental policy in South Africa. Several White Papers have been criticized for failure to address environmental concerns and to recognize the interdependence between the environment and economic, social, and political life. As South African leaders plan and implement systemic changes needed to eradicate the vestiges of apartheid, South African advocates [for environmental policy] are

ensuring through various fora and information dissemination, including the Internet, that environmental policy is placed on the agenda across various levels of the new GNU.

BOX 1: GOALS IN THE RDP DEPENDENT ON IMPROVED ENVIRONMENTAL MANAGEMENT FOR SUCCESSFUL IMPLEMENTATION

MEETING BASIC NEEDS

Housing: finding appropriate land for houses for all

Water: providing every South African with accessible water and sanitation

Energy: an accelerated electrification program

Transport: improved and affordable public transport

Natural resources: equitable access

Environment: safe and healthy living and working environments

Nutrition: security from hunger within three years for every South African

BUILDING THE ECONOMY

Economic growth: establish a dynamic, integrated economy able to provide higher incomes, reduce excessive dependence on imports and compete on foreign markets

Wealth generation: develop industries and services that use local resources and/or meet local needs

Rural development: transfer land from large farm sector to small scale sustainable agriculture

Urban sector: redress imbalances in infrastructure, transportation, housing, and basic services, and provide opportunities for employment near where people live

Industrial expansion: raise capacity utilization of existing plants and expand to periurban and rural areas

Mining and chemical industry: expand their competitive advantage internationally, encourage small-scale mining

Small and micro-enterprises: supportive measures to expand the sector, including lifting restrictions on zoning and licensing regulations

Trade: policies to promote exports, reduce tariffs on imports and to restructure trade patterns with Southern African region

Agriculture: restructure the sector to increase the ownership base, encourage small scale farming oriented to meet basic food needs, while further developing the commercial sector and increasing agricultural employment

Fisheries: improve access to marine resources for impoverished coastal communities and enhance the potential for inland fisheries through fish farming

Forestry: improve efficiency of state-owned commercial forests and add value to timber exports

Tourism: expand tourism and integrate into local development programs

Source: IDRC/ANC/COSATU/SACP/SANCO Mission *Environment, Reconstruction, and Development in the New South Africa (1994)*

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D. South African Institutions

South Africa has good instruments of environmental intervention. South Africa has a solid science and technology infrastructure. For example, in 1990 South Africa provided an estimated 50 percent of the science and engineering manpower of Sub-Saharan Africa (UNESCO 1990). This infrastructure consists of higher education institutions (21 universities, 15 technikons, and 5 agricultural colleges), scientific councils, non-governmental organizations (NGOs), private businesses, and government departments and research institutions, including park boards and provincial administrations (see Table 4 for a list of highlighted institutions; a sampling of institutional activities are described in Appendix 1). This infrastructure has provided the basis for environmental activities in the country. A strong core of expertise exists that provides leadership in environmental research and management and can produce new generations of experts.

South Africans are undertaking national and local level initiatives. These efforts include: "Twenty-twenty: An Environmentally Sustainable Vision for South Africa" program by the Institute of Natural Resources (University of Natal); the Human Needs, Resources and the Environment Program of the Department of Environmental Affairs & Tourism (DEA&T) and administered by the Human Sciences Research Council; the South African Network for Coastal and Oceanic Research (SANCOR) of the Foundation for Research Development (FRD) and the DEA&T; the Green Fund of the World Wildlife Fund-South Africa, formerly known as the Southern African Nature Foundation (SANF); and, the South African National Heritage Program (SANHP).

As indicated earlier, South Africa has set a precedent for an integrated environmental management policy. At the metropolitan level, sustainable development policies are being adopted and implemented consistent with Agenda 21, Chapter 28 on "Local Authorities' Initiatives in Support of Agenda 21." Johannesburg, Cape Town, and Durban are part of a **Local Agenda 21 Model Communities Program** to ensure participatory processes in the improvement and extension of urban services while ensuring that these services are socially, environmentally, and economically sustainable. At least in Johannesburg, funding for priority projects set by the community is available. Funding for environmental research is also available (e.g. the amount spent for environmental research amounted to R550 million in 1991 according to Walmsley and Walmsley, 1993). South African institutions are active participants in international programs, such as, the Ramsar Convention, International Union for Conservation of Nature (IUCN), International Council of Scientific Unions (ICSU), International Geosphere-Biosphere Program (IGBP), and Scientific Committee on Problems of the Environment (SCOPE). For example, the South African IGBP secretariat is housed within the Foundation for Research Development (FRD) and hosted another IGBP conference in April 1995 in South Africa. In addition to more than 80 environmental non-governmental organizations engaged in nature conservation concerns, black-run environmental groups or groups which have placed disadvantaged communities at the center of their focus have emerged during the late 1980s and 1990s. Conservation authorities are looking beyond the fences of their national or provincial nature reserves and are beginning to work in partnership with the communities along the boundaries of the reserve.

Because of the systemic changes being instituted in South Africa, functions across levels of government, at the Ministerial and Departmental level and at the national and provincial level are all under review. Efforts are underway to improve the environmental coordination and decision-making across levels of government, between public and private sector, government and civil society.

Television and radio programs on environmental issues are scheduled on a regular basis (see Annex 6 for a list of sample programs) and environmental information, including government policy, is available on the Internet. In addition to UNINET, the information network for universities, technikons, colleges and other research institutes, Worldwide Web (WWW) servers in South Africa include commercial servers, such as ECOSERVE, South African Weather Bureau, Pretoria - Weather Server, and the Weekly Mail and Guardian. See Appendix 5 for a complete listing of WWW servers in South Africa.

The institutional weaknesses identified by South Africans include the inadequate number of black researchers in the environmental sciences, poor involvement of social and economic researchers in environmental matters, lack of research cooperation, and poor input from technikons into the development of research expertise (Walmsley and Walmsley 1993).

TABLE 4. HIGHLIGHTED SOUTH AFRICAN ENVIRONMENTAL INSTITUTIONS IN APPENDIX 1

<p>1. GNU Institutions</p>	<p>Dept. of Environmental Affairs & Tourism (Council for the Environment) Dept. of Water Affairs & Forestry (Water Research Commission) Dept. of Health Dept. of Mineral & Energy Affairs Dept. of Public Works Dept. of Agriculture Dept. of Transport</p>
<p>2. Universities and Research Institutions</p>	<p>South African Network for Coastal and Oceanic Research (SANCOR) Center for Scientific and Industrial Research (CSIR) Foundation for Research Development (FRD) Human Sciences Research Council (HSRC) University of Stellenbosch (Unit of Environmental Ethics) Rhodes University University of Natal (Institute of Natural Resources, BESG) University of Witwatersrand</p>
<p>3. NGOs</p>	<p>Wildlife Society WWF-South Africa Endangered Wildlife Trust Earthlife Africa Environment and Development Agency Trust Environmental Justice Networking Forum Environmental Monitoring Group (also belongs in Category 4, below) Environmental Education Association of Southern Africa Environmental Law Association National Committee to Coordinate Recycling SHARE-NET</p>
<p>4. Civil Society Organizations Working on Environment Issues</p>	<p>Group for Environmental Monitoring (Johannesburg) Nature Conservation Club (Lebowa) Africa Tree Centre (Edendale) Merewent Residents' Association South Africa National Civic Organization (So. Natal) African Environmental Movement Tirelo Sechaba Youth Project</p>
<p>5. Private Sector</p>	<p>The Conservation Corporation (ConsCorp) Mazda Wildlife Fund Nedbank Industrial Environmental Forum</p>

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III. OTHER USG AGENCIES AND DONOR INVOLVEMENT

Under the U.S. - Binational (Gore-Mbeki) Commission, the Department of Interior plans to provide assistance in wildlife management, fisheries management, and water conservation (see Annex J for more information). Work by the Norwegian Agency for Development Cooperation (NORAD) is primarily focused on environmental impact assessments. UNDP's program includes environment and natural resource management. No country agreement has yet been reached between the South African GNU and the World Bank so the World Bank's involvement in environmental issues has not yet been defined although the World Bank has provided \$10 million dollars to develop an environmental white paper along more participatory processes.

The Danish Cooperation for Environment and Development (DANCED) was established as a follow-up to the UN Conference on Environment and Development in Rio in 1992. DANCED is administered by the Danish Ministry for Environment and Energy in coordination with the Danish Ministry of Foreign Affairs. The Government of Denmark has decided to initiate activities for developing countries in two regions--South East Asia (Thailand and Malaysia) and Southern Africa (South Africa, Botswana, and Namibia). The DANCED priority areas include:

- Urban areas, including industries (water supply, sewage treatment, waste management, including management of hazardous waste and recycling, reduction of industrial pollution, cleaner technology, energy-saving measures, development and use of renewable energy);
- Sustainable forest management (sustainable use of forest resources, including actions to combat deforestation, ecological degradation, desertification, soil erosion, in close cooperation with the local population);
- Biological diversity (sustainable use and protection of biological diversity in close cooperation with the local population); and

Integrated coastal zone management (cross-cutting development planning based on multisectoral approach, process of dialogue between decision-makers and all involved stakeholders in the coastal zone leading to environmental, economic, and social sustainable development).

The Overseas Development Administration (ODA) areas of emphasis include: development of coastal zone management policy, development of policies and strategies for Free State, and development of an environmental management system for the Independent Development Trust. ODA is also involved in community management of resources, particularly wildlife.

The European Union (EU) has funds Agenda 21 priority areas, such as water, rural environment, urban development, and human development. The EU has funded the following organizations:

- Environment and Development Agency to establish a land use unit
- Land and Agricultural Policy Center to do research on land redistribution, agricultural restructuring, and rural development and poverty
- Group for Environmental Monitoring to support youth programs in Katlehong, Thokoza, and Vosloorus and to develop a database on waste disposal, disseminate information, and do research with affected communities
- Ecolink for a rural resource center
- Wilderness Leadership Training School for key political leaders to better understand wilderness issues
- Built Environment Support Group to develop and implement local housing projects.

IV. USAID/SOUTH AFRICA STRATEGIC OBJECTIVES

USAID/South Africa has recently finalized a Concept Paper which outlines the parameters for our Country Strategic Plan (CSP). The overall goal of the program is sustainable transformation of South African institutions and policy in four key strategic objectives (SOs). The sub-goal is the political, economic and social empowerment of the majority population, historically disadvantaged and underserved in South Africa.

The major environmentally-related activities fall under SO 6. USAID/South Africa has focused mainly on activities related to the urban environment where apartheid policies have created severe social problems. As a result of apartheid planning, there have been distorted land-use patterns in the urban and rural areas. Poverty, land dispossession, over-crowded conditions on allocated land, low agricultural productivity and drought have forced many rural people into the cities and left many rural women to fend for themselves, their children and their elderly relatives. These people end up living in informal settlements in a situation of severe deprivation with little or no services. The urban poor have over-crowded settlement patterns in inner city flats and township areas. There is often no green space. Besides a severe housing shortage, there is often no basic water and sanitation services in most poor Black and Colored communities. Residents are often exposed, either directly or indirectly, to industrial pollution and hazardous materials which are illegally dumped in either the settlements or nearby ill-managed waste dumps. Much of the burden and costs associated with under-serviced and polluted settlements falls onto urban women. This focus on urban environmental health concerns is consistent with the GNU's objectives of ensuring that the majority of the population which has been disadvantaged by apartheid has access to an adequate and safe domestic water supply; effective domestic latrine facilities; basic sanitation; refuse removal system; effective domestic effluent system; housing with no stagnant water in compounds; housing which provides health protection; and housing with adequate, uncrowded sleeping space.

USAID/SA is two Housing Guaranty Projects which will address urban environmental issues. The Basic Shelter and Environment Housing Guaranty (BSE-HG) Project intends to facilitate relatively small shelter-improvement loans to below-median income disadvantaged households. These shelter-improvements will include improvements to sanitation, home electrification hook-ups, and energy-saving appliances. All improvements will need to be done in a manner which is environmentally sustainable. The Municipal and Environmental Development Housing Guaranty (MED-HG) Project will assist new local governments and communities to arrange financing and set priorities in a participatory manner for urban infrastructure. Again, the infrastructure will conserve and improve local urban environmental conditions and help to generate local economic and environmental health benefits for residents. The Shelter Urban Development Services (SUDS) Project has been working for the last three years on organizing urban communities, educating community members about housing options, and supporting policy formation related to shelter and urban environment.

V. CONCLUSION

USAID/South Africa has looked at all the environmental issues using the Agency's "Guidelines for Strategic Plans" and its "Technical Annex B: Environment" (February 1995). Step 1 requires the mission to "assess the relative severity of environmental problems according to USAID'S three country-level environmental objectives." Step 2 involves the evaluation of "the potential effectiveness and sustainability of strategies available to address the most severe problems," and Step 3 consists of identifying "USAID's best opportunities for sustainable impact." Based on these steps, the Mission concludes that there are no significant issues that have a "global" impact.

A. Assessing the Relative Severity of South Africa's Environmental Problems Using Standardized Indicators of Environmental Degradation

USAID/South Africa is concerned with the human health, ecosystem damage and monetary losses of environmental problems. The Guidelines suggest several measures: human health risks by annual mean concentrations of suspended particulate matter and sulfur dioxide in urban areas, annual mean concentration of fecal coliforms in highly used waterbodies, etc.; ecosystem damage by the rate of degradation, conversion or loss per year of key ecosystems such as forests, wetlands, coral reefs and savannah; and economic losses by quantifiable losses in GDP which result from natural resource depletion and/or pollution. Below are the best

available estimates for South Africa. It is important to note that because of apartheid policies, the quality of the statistics on poor people (primarily Africans and Coloreds) is considered highly unreliable. Given the joint effects of poverty and the lack of services for rural Africans and urban households in townships and informal settlements, it seems highly likely that deleterious health, environmental and economic impacts will be greater upon these types of households. Some claim that inhabitants of townships live in the most severely polluted environments in South Africa.

1. Rate of Degradation

--**Urbanization.** Of the nearly 51 percent of the South African population residing in urban areas, at least one-third live in informal housing and squatter areas. In coastal urban areas, the population is expected to increase from 4.3 million in 1980 to 8.3 million in the year 2000. In the ten years between 1978-1988, an additional 35 hectares per day were urbanized. Given the increased demand for housing and the expected rate of economic growth in the near term, urban growth, particularly in metropolitan areas, is likely to increase. (State of the Environment 1995).

--**Ecosystem Degradation.** Indigenous natural forests make up only 0.25 percent or about 336,000 hectares of South Africa's land base; approximately 1.5 million hectares of land is in plantation forests (1992/93). Loss of forests during the 1980s is estimated to be 46 percent. Loss of savannah grasslands during the same time period was about 62 percent. While figures for estuary losses are unavailable, there is evidence that 74 to 80 percent of the Cape and Natal Province estuaries are in good to fair condition. Of the 690 wetlands which have been mapped (and many more have not been mapped), 228 have no legal protection and only 41 are wholly protected within a national park, nature reserve, wildlife sanctuary, etc. Threats include fishing, recreation or overgrazing. At least 58 wetlands are likely to be lost or irrevocably changed unless remedial action is taken (State of the Environment 1995).

2. Quantifiable Losses in GDP

--**GDP Losses.** While definitive work is yet to be done on environmental accounting, the best available figures on the quantifiable losses to GDP for South Africa are from the Development Bank of Southern Africa. Craig McKenzie (22 May 1995) estimated the percent of GDP losses to about six percent. Approximately three to four percent are attributable to emissions and waste and another three percent derive from a combination of degradation of arable and rangeland from water and wind erosion, soil crusting and compaction, increased soil acidity, increased salinization and water logging, dam sedimentation and increased costs of water purification; and adjustments related to the mining sector (using the El Serafy User Cost Approach).

3. Health Risks

--**Outdoor air pollution.** The main sources of outdoor air pollution in South Africa are coal burning by power stations, industries, and township residences, industrial processes (chemical and metallurgical) and automobiles. Total emissions of sulphur dioxide in 1992 were approximately 2.8 million tons annually; about 0.84 tons of nitrogen oxides annually and about one million tons of particulates per year. The main single source of sulphur dioxide pollution is electric power generation by coal (UNCED report 1992).

--**Indoor air pollution.** The main sources of indoor pollution are indoor fires for space heating and cooking, cigarette smoking and radon. In the coal- and wood-using households of the Gauteng (including Johannesburg and Pretoria), indoor sulphur dioxide levels averaged 3.28 (coal-using) and 5.08 (wood-using) parts per million - far surpassing the national safety standard of 0.40 parts per million (Terblanche et al. 1993 in State of the Environment 1995).

The World Health Organization (WHO) estimates that exposure to 180 micro gr³ total suspended particles has adverse health effects. In certain locations in Gauteng (the greater metropolitan area which includes both Johannesburg and Pretoria) levels of 662 micro gm³ to 1,333 micro gm³ total

suspended particles have been measured. Variations in concentrations result from a combination of geographic elevation, socio-economic status, and coal use. On average, there is more pollution in homes that are at a low elevation, homes which use coal only, and homes in poor areas. Particulate concentrations were higher in homes than in the ambient air quality. In Soweto, for example, there is a wide variation in concentrations from day-to-day and house-to-house, with highs during winter and early spring and lower in summer (Mphati and others 1994).

Using the suggested format for assessing the severity of environmental problems (Technical Annex B: p. 6), South Africa appears to have a quite high level of economic and health losses related to environmental problems. There are only marginal levels of ecosystem damage. Most of the economic and health losses appear to be attributable to urban industrial and domestic sources (e.g., three to four percent of GDP out of six percent loss from emissions and waste and much higher rates of pollution in urban areas). As noted above, it is the urban poor in general, and urban poor women in particular, who are likely to suffer the most from the health consequences of urban environmental problems.

B. Potential Effectiveness and Sustainability of Current Strategies to Address the Most Severe Problems

1. Rural

While the rural agricultural and mining activities contribute to approximately half of the estimated GDP losses, South Africa has an excellent infrastructure in place to address these problems (see discussion above and Appendices 1-5). For the most part, the critical issue is service delivery extension to low-income populations. With the RDP's focus on service equity for rural areas and participatory development, most of these issues are or will be addressed by highly competent government, NGO and community-based staff and institutions. For example, indigenous natural forests are largely protected and plantation forestry continues to expand. In coordination with international conventions, South Africa is now mapping wetland sites and protecting them, as needed. From 1985 to 1994, the number of natural heritage sites in South Africa increased from less than 25 in 1985 to approximately 225 in 1994 (State of the Environment: 1995).

2. Urban

Urban government and NGO institutions in South Africa need to re-orient their efforts to include environmental issues relevant to low-income settlements populated largely by the historically disadvantaged African and Colored households. In particular, women and the estimated one-third to two-thirds of urban African households which are poor and female-headed, require special attention with regard to urban environmental services. Beyond high levels of indoor pollution, these households often lack basic sanitation services and their settlements are often near poorly managed waste sites which may contain hazardous waste. Municipal expertise in environmental issues, institutional capacity and adequate municipal finance and shelter-improvement loans have been, and continue to be lacking.

C. USAID's (Global, Regional and Mission) Best Opportunities for Sustainable Transformation of the Environment in South Africa

As an agency, USAID is now focusing on two global issues: global climate change and biodiversity. Given South Africa's already-extensive government, university and research infrastructure (see Appendices 1-4), instead of technical assistance to South Africa, USAID technical cooperation in the areas of global climate change and biodiversity is more appropriate. A number of South African institutions (e.g., Interdepartmental Committee on Global Change, universities and CSIR) have already been engaged in activities related to global climate change. These institutions participated in the 1986 International Geosphere-Biosphere Program and hosted their own conferences in 1989 and 1995 to review existing research on marine, terrestrial, atmospheric and hydrospheric systems change in South Africa and the southern Africa region. At Cape Point, there is ongoing monitoring for CFCs and other environmentally important trace gases. An excellent research and conservation infrastructure, as well as a large body of knowledge related to national biodiversity, already exists within South Africa. Beyond government and university activities, there have also been successful public-

private sector initiatives such the South African National Heritage Program. The existing knowledge of biodiversity is being expanded to include indigenous traditional knowledge of biodiversity.

The primary environmental focus for USAID support in South Africa will be on the urban environment. These urban activities are based on priorities articulated by South Africans. For example, in a 1993 nationwide survey, South African respondents (50 percent of which were African respondents) ranked overpopulation, air pollution, and water pollution as the top three priority issues. These issues were perceived as being high personal threats. Deforestation was considered least important, followed by soil erosion and animal extinction.

USAID/South Africa's urban environmental activities have been developed after extensive consultation with the GNU and a variety of stakeholders. They also make sense in a country which is currently more than 50 percent urban and is urbanizing at an overall rate of three to five percent per year. USAID's urban environmental activities are consistent with the GNU's emphasis on shelter provision in urban areas and complement the GNU's support for rural areas under the RDP.

An area of opportunity for the Mission is building on its extensive and successful experience on work with civil society and the South Africans' own inclination for broad participatory processes. The GNU has both the political commitment and grassroots institutions to achieve broad-based participation. However, broad-based participation in environmental decision-making is something quite new in South Africa. The Mission can facilitate the active participation of a broad array of stakeholders concerned with urban environmental issues within South Africa as part of SO6.

Environmental support for South Africa, on the part of the AFR and Global Bureau, should focus more on support for regional and international cooperation and technical exchange, given South Africa's very high level of expertise in many environmental issues.

The Initiative for Southern Africa (ISA), a regional-level activity comprising eleven countries (including South Africa), would be an excellent starting point for regional partnerships that will enable South Africa to learn from the rest of the region and vice-versa. The purpose of the ISA is to encourage the region to continue with growth-oriented reforms, to assist efforts already underway in the region to expand economic and political cooperation among the nations there, and to support the reintegration of South Africa's industrial, financial, technical and natural resources into the regional economy in a manner which stimulates mutually beneficial development. Under this initiative USAID will provide \$300 million over five years to support regional programs designed to assist the countries of the region to cooperate in their efforts to open their markets, attract increased investment, increase the participation of disadvantaged groups in all segments of the region's economy, expand food production, and better utilize the natural resources in an environmentally sensitive manner. The region has rich wildlife, water resources, and agro-ecosystems. These sectors offer solid opportunities for promoting investment and generating substantial cost savings from coordinated management and shared use. Under the regional initiative, USAID's regional center will provide support to expand community-based natural resource management projects.

Appendix 1. Highlighted South African Environmental Institutions

1. Government of National Unity Institutions⁴

Because of the systemic changes being instituted in South Africa, functions across levels of government, at the Ministerial and Departmental level and at the national and provincial level are all under review. Efforts are underway to improve the environmental coordination and decision-making across levels of government, between public and private sector, government and civil society. See Appendix 1 for a listing of key government national and provincial ministers who have responsibility for environmental management.

Department of Environmental Affairs and Tourism. The Department of Environmental Affairs and Tourism's mission is to ensure effective protection and sustainable utilization of the environment for the benefit of everyone in South Africa. A number of boards and advisory bodies support the Minister and the Department in the execution of their duties: the Council for the Environment advises the Minister on environmental matters; the National Parks Board manages national parks in South Africa; the Quota Board determines the quotas awarded for utilization of marine resources; the Sea Fisheries Advisory Committee advises the Minister on sea fishery policy; and the National Botanical Institute manages botanical gardens and conducts botanical research.

Department of Water Affairs and Forestry. The Department of Water Affairs and Forestry is responsible for the administration of the Water Act, No. 54 of 1956.

The Water Research Commission was created in 1971 to coordinate and fund research aimed at augmenting South Africa's resources, improving use of water, the reclamation of wastewater, and related topics. It is financed by a levy on water users and is the most important source of finance for water research in South Africa.

The Department has drafted a new Forestry Policy that will be in harmony with the national RDP and other relevant policies for South Africa; address basic needs and development of the economy in an integrated fashion; and provide a framework to enable the environmentally sustainable, socially equitable development of the forestry sector, while maximizing its contribution to economic growth. The new forestry policy acknowledges that past forest policy has contributed significantly to the conservation of indigenous forests though not necessarily to the benefit of local communities.

Department of Health. The Department is responsible for the administration of the following acts in relation to the promotion of a safe and healthy environment:

- Health Act (Act 63 of 1971)
- Hazardous Substances Act (Act 15 of 1965)
- Foodstuffs, Cosmetics and Disinfectants Act (Act 54 of 1972)
- Medicines Control Act (Act 101 of 1965)
- Occupational Diseases and Mines and Works Act (Act 78 of 1973)
- Act on National Health Policy (Act 116 of 1990)

Department of Mineral and Energy Affairs. This Department is responsible for the administration of a number of energy acts, including:

- Petroleum Products Act 120 of 1977
- Coal Resources Act 60 of 1985)

⁴ Information from this section is based largely on the 1992 report entitled *Building the Foundation for Sustainable Development in South Africa*, and when available, the most current White Paper related to a specific technical sector. A "National Department" refers to the technical arm of a "National Ministry," headed by a Minister, who is generally an elected Member of Parliament and is appointed by the President to act in a ministerial capacity. A "Provincial Department" refers to the technical arm of a "Provincial Ministry", headed by a provincial Minister who is a Presidential appointee. The functions noted below refer to the "National Departments."

Liquid Fuel and Oil Act 49 of 1947
Coal Act (No. 32 of 1983)
Energy Act (No. 42 of 1947).

The Energy Act created the National Energy Council (NEC) with the following aims: to ensure that the energy resources of the Republic as well as those resources that may become available to the Republic from time to time are exploited, developed, and utilized in the best interest of the country, including research into such exploitation, development, and utilization; to promote the sound development of energy undertakings in the Republic; and to advise the Minister on methods whereby these objectives may best be achieved.

Department of Public Works. This Department used to be the Department of Public Works and Land Affairs. This Department retains responsibility for: Limiting air pollution at sewage purification works, steam, and incinerator installations controlled by the Department; Optimizing air conditioning capacities and their efficient functioning in government buildings; and Phasing out the use of refrigerants CFC11 and CFC12 in refrigeration and air conditioning systems that are State-owned.

Department of Agriculture. This Department is responsible for the:

Agricultural Produce Export Act 51 of 1971
Conservation of Agricultural Resources Act 43 of 1983
Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act 36 of 1947

Department of Transport. This Department administers four Acts relating to marine pollution:

Merchant Shipping Act 57 of 1951
International Convention for Prevention of Pollution from Ships Act (No. 2 of 1986)
International Convention Related to Intervention on the High Seas in Cases of Oil Pollution Act 64 of 1987
Marine Traffic Act (No. 2 of 1981)

The Department is also responsible for the prevention of oil spills and taking preventative action while oil is on board a vessel and the possibility of an oil leak exists. The Department's responsibilities include supervision of oil transshipment; initiation of prosecutions resulting from deliberate discharges of oil at sea; handling of legal aspects of a shipping casualty or oil spill; and processing of claims relating to oil spills. Pollution control in harbors is the responsibility of the Department, through Portnet, the national port authority.

2. Universities and Research Institutions

South Africa has 21 universities, 15 technikons, and 5 agricultural colleges, several of which are involved in environmental studies and research. Expertise in environmental areas resides mainly in the universities and research institutions that were not disadvantaged by apartheid policies and is lacking in historically black universities and technikons. Expertise or lack of expertise is related to a university's ability to generate funding for environmental research. For example, the University of Cape Town received the most funding from the Foundation for Research Development for environmental research in 1992 (Walmsley and Walmsley 1993). The same source indicates that the University of Transkei, University of Durban-Westville, University of the Western Cape, University of the North, Medunsa, University of Fort Hare, and the University of Zululand received little or no funding. See Appendix 2 for a more complete listing of institutions involved in environmental science in South Africa and research centers/institutes attached to them.

South African Network for Coastal and Oceanic Research (SANCOR). SANCOR, which includes the Foundation for Research Development (FRD) and the Department of Environmental Affairs & Tourism (DEA&T); has been developing a coastal and marine research program. The program aims to promote wise use

of marine and coastal resources through appropriate marine science, engineering and technology. The program plans to invite proposals from the research community to implement various aspects of the program.⁵

Council for Scientific and Industrial Research (CSIR). CSIR has recently launched the Atmospheric Impacts Management (AIM) Program, a special environmental awareness campaign targeted at policy and decision makers, urban and rural community fora and young people. AIM Plans to run the campaign through the hosting of seminars, workshops, and information-sharing sessions, supplemented by visits to fora and schools in different regions. AIM will provide information on environmental issues and receive information from communities on their needs, enabling its team of experts to identify technological solutions for specific problems.

CSIR also manages a Technology for Developing Communities (TDC) Program. The TDC Program coordinates and expands projects and services related to the built environment, for instance, housing, water supply, sewerage, transport, information systems, and decision-support systems. CSIR's TDC program has involved 13 different countries in Africa.

Foundation for Research Development (FRD). The FRD is responsible for the affordable and balanced provision of human resources and expertise in science, engineering and technology, through the support of research and education. In this way, FRD contributes to the economic growth and social advancement of all South Africans. FRD funds environmental programs that aim to contribute appropriate, market-related human resources and expertise in areas of priority environmental concerns covering the atmospheric, terrestrial, aquatic, and marine sciences. The International Geosphere-Biosphere Program (IGCP) Secretariat and the South African Network for Coastal and Oceanic Research (SANCOR) are housed within FRD. FRD publishes *Ecofocus* in order to communicate with the wider community involved in environmental research; to disseminate news on FRD sponsored activities; to provide a forum for views on research and educational-related topics; to give notice of forthcoming events; and to provide feedback on ongoing decisions and actions relevant to environmental and research training.

Human Sciences Research Council (HSRC). The HSRC coordinates the Human Needs, Resources, and the Environment (HNRE) Program on behalf of the DEA&T. The program aims to provide guidelines and recommendations for research to ensure the formation of ecologically balanced plans and policies which use and distribute resources appropriately, and which promote and sustain well-being. The five major themes are: basic needs studies; quality of life research; environment and social impact evaluation; environmental education and awareness; and planning, resource management, and environmental policy. Participation in the program has taken three forms: basic, applied, and proactive research; seminars and workshops; and co-sponsorship of some HNRE research projects.

Unit for Environmental Ethics, University of Stellenbosch. The Unit of Environmental Ethics of the University of Stellenbosch is an interdisciplinary research and advisory body that concerns itself with the problems that arise from the application of ethical norms to environmental issues. The Unit is dedicated to providing a non-partisan forum for the exchange of ideas on environmental problems facing a developing South Africa. The Unit promotes efforts to foster a sensitivity regarding the importance of guiding ethical principles for decision-making practices in the field of environmental management, and to establish greater cooperation on ethical issues among academic, corporate, government, labor and public interest groups. The Unit of Environmental Ethics is part of the Centre for Applied Ethics, administratively situated in the Philosophy Department of the University of Stellenbosch. Other research centers attached to the University of Stellenbosch include: Bureau for Economic Research, Centre for Education Development, Division of Agricultural Extension, Institute for Biotechnology, Institute for Futures Research, Institute for Geographic Analysis, and Research Unit for Sociology of Development.

⁵ Those who have been involved with the development of the program (Mr. van der Westhuysen, Mr. R. Krohn of FRD; Prof Tom Hecht - Rhodes University; Prof George Branch - Univ of Cape Town, and Mr. Rudy van der Elst from the Oceanographic Institute of Durban would like to welcome technical cooperation and partnerships and suggestions for funding sources.

Rhodes University. The Murray and Roberts Chair of Environmental Education was established at Rhodes University in 1991, through the initiative of World Wildlife Fund-South Africa and the sponsorship of Murray and Robert Holdings. This is South Africa's first chair in Environmental Education (EE) and is aimed at the development of environmental education through postgraduate teaching and research. Research activities include database development of environmental and development education research on southern Africa, establishment of a research forum, supervision of Masters degree research in EE, and the development of a guiding framework for research priorities. Other research units include: Centre for Social Development, Institute for Behavioral Sciences, Institute for Water Research, J.L.B. Smith Institute for Ichthyology and Institute of Social and Economic Research.

Institute of Natural Resources, University of Natal. The purpose of the Institute of Natural Resources is to contribute to the management of natural resources and the socio-economic advancement of people in southern Africa through the integration of conservation and development initiatives. This aim is achieved through: assessment of development and resource management needs; environmental and social impact analysis of development initiatives; design and testing of innovative development and resource management systems on a pilot scale; design and testing of appropriate education and training programs to support the implementation of these systems; and formulation of policy and procedural guidelines for adoption and implementation of these systems by development agencies and organizations. INR is advocating capacity building in environmental economics to apply environmental economics to the decision-making process.

The University of Natal and British Petroleum Southern Africa have established a Chair of Environmental Policy and Management at the Institute of Natural Resources. The Chair was established to influence the formulation and implementation of policies which address the management of the environment for sustainable development and is oriented to practical initiatives, not to research and teaching. Current activities include capacity building in environmental economics and "Twenty-Twenty: A Sustainable Vision for South Africa."

Other research units attached to the University of Natal include: Built Environment Support Group, Centre for Social and Development Studies, Community Organization Research and Development, Computer Centre for Water Research, Institute for Commercial Forestry Research, Institute for Maritime Law, Oceanographic Research Institute, Research Institute for Diseases in a Tropical Environment, and School of Rural Community Development.

University of the Witwatersrand. The School of Biology offers a one-year M.S. degree by coursework and research report in Quantitative Conservation Biology. The aim is to provide training in the application of scientific theory and computer modeling techniques to the conservation and sustainable use of biological resources. Special emphasis is given to African environments rich in biological diversity, but characterized by high spatial and temporal variability, and by a dependence of rural people on animal and plant resources.

The Department of Geography and Environmental Studies offers courses at postgraduate level, as well as Honours degrees. There are research facilities for students working towards Masters and Doctoral degrees. Other research institutes attached to the University of Witwatersrand include: Bernard Price Institute of Geophysical Research, Centre for African Ecology, Economic Geology Research Unit, Education Policy Unit, Schonland Research Centre for Nuclear Sciences, and Wits Rural Facility.

University of Cape Town. The University of Cape Town has an Environmental Evaluation Unit.

3. Non-Governmental Organizations

The 1991 President's Council report on *A National Environmental Management System*, mentions that 89 private associations, clubs, and societies have goals relating to nature and environmental conservation or the promotion of environmental awareness. A sample of these organizations are described below.

Wildlife Society. The Wildlife Society aims to protect the environment by means of environmental education, conserving biodiversity, pollution prevention, promoting sustainable use, recognizing the place of people in the environment, and promoting nature's cultural and spiritual values. The Wildlife Society, with a total membership of 300,000 individuals, is the largest environmental conservation organization in South Africa.

World Wildlife Fund (WWF)-South Africa. World Wildlife Fund-South Africa, formerly known as the Southern African Nature Foundation (SANF), promotes the conservation and sound management of both terrestrial and marine environments, their natural resources, and their life support systems. It aims to identify and implement exemplary projects in the field of biodiversity conservation, sustainable development, and environmental education. WWF-South Africa has a proposal to establish an African Wildlife College to be located in Hans Hoheisen Wildlife Research Centre close to Kruger National Park.

Endangered Wildlife Trust. The aim of the trust is to conserve the diversity of species in southern Africa by funding university research; spreading awareness through its own magazine, publications and general media; and funding conservation action to protect endangered species.

Earthlife Africa (ELA). ELA is a broad-based and progressive environmental activist group which aims at promoting the careful and sustainable interaction of humans and the environment. ELA has 11 branches although it has no national organization. [ADD INFO]

Environmental and Development Agency (EDA). The EDA Trust is committed to redress the imbalances of poverty and inequality and work to improve the quality of life in rural areas. EDA works in partnership with resource-poor community organizations by providing advice and training, and by facilitating and accessing support and services in order to:

- increase community organizations' capacity to manage their own development;
- gain access to services and resources, particularly land and natural resources, and fostering their use in an efficient, productive and environmentally sustainable way to the benefit of all;
- bring about positive policy changes through advocacy, networking and lobbying towards a more sustainable, just and equitable use and distribution of society's resources.

EDA publishes *New Ground*, an environmental periodical focused on South Africa and other African countries.

Environmental Justice Networking Forum (EJNF). Formed in 1992 at a conference hosted by Earthlife Africa, the objective of EJNF is to strengthen widespread grassroots environmental action aimed at achieving sustainable development in South Africa.

Environmental Monitoring Group (EMG). EMG consists of a Trust with a Board of Trustees and a Voluntary Association based in Western Cape. EMG aims are: to undertake research on environmental problems and sustainable development in South Africa, in general, and in the Western Cape, in particular; to publish research in an accessible format so that citizen's groups, trade unions, and other NGOs can act on environmental issues; to promote environmental awareness through educational programs, seminars, and conferences; to formulate appropriate policy options around issues of environment and development and to actively lobby for their implementation; and to build the capacity of community-based organizations to manage their own environmental resources. EMG's major publications include: *Towards Sustainable Development in South Africa*; *Clean Production*; *The Nuclear Debate: Proceedings of the Conference on Nuclear Policy for a Democratic South Africa*. Research in progress includes: *Industry and the Environment*, *Sustainable Land Use in South Africa*, *Sustainable Cape Town*, and *Sustainable Utilization of South Africa's Marine Resources*.

Environmental Education Association of Southern Africa (EEASA). EEASA, established in 1982, has over 450 members, including teachers, conservation officials, and community workers. EEASA offers an annual workshop; the publication of journals, bulletins, and monographs; and opportunities to participate in workshops, conferences, and displays.

Environmental Law Association (ELA). The ELA is a non-profit company established in 1991 to promote the enhancement and conservation of the environment and in particular to advance the education of its members and the public in all matters relating to the development, teaching, application, and practice of law relating to the environment. ELA membership consists of judges, advocates, student advocates, attorneys, and candidate

attorneys in the legal profession and professional teachers of law and members of the Association of Legal Advisers of South Africa. ELA provides participation in fora for the discussion of environmental law at the local, national, and international level; increased awareness and knowledge of environmental law; and an opportunity to be part of a large body, able to speak with a powerful voice on the laws relating to the environment.

National Committee to Coordinate Recycling. The objective of NCCR is to promote consultation, cooperation, and coordinated action among its member organizations and the State, and any other bodies and the public in matters pertaining to recycling of solid waste.

SHARE-NET. Share-Net is an informal network of individuals and organizations collaborating to produce environmental education resource materials. All Share-Net resources are copyright free for educational purposes and are available on computer disc. Re-development for local use is encouraged. In collaboration with Project Water, Share-Net has developed low-cost water quality monitoring and problem-solving materials for schools and public use.

4. Civil Society and the Environment.

Carole Cooper, in a special report, *People, the Environment and Change* (1994), examines one section of civil society--black-run environmental groups or groups which have placed disadvantaged communities at the center of their focus (see Appendix 3 of this paper for a listing of these groups). Such groups represent a fairly new sector within the environmental field, most having emerged in the late 1980s and 1990s. Their specific focus on people distinguishes them from the more traditional wildlife bodies whose focus is on the conservation of nature and animals. All except one of the 30 organizations in Cooper's study represent the "new" group, with the exception of the Wildlife Society of Southern Africa, which is a traditional body but was included because of its attempts to broaden its focus to include the disadvantaged. Twelve of the non-governmental service organizations have no membership base, and 18 are community membership-based organizations. The groups in the study either implicitly or explicitly subscribe to the concept of "sustainable development." Cooper (1994) summarizes characteristics of these groups as follows:

- Disadvantaged people have become disconnected from the land, and that it is the task of these groups, through various means, to rectify this situation.
- Most civil society institutions are able to operate free from government and party-political interference. A minority of groups report that either government or political parties have attempted to hamper or have succeeded in hampering the groups' efforts in pursuit of their members' specific interests.
- Over half the organizations are sympathetic to the "liberation movements," although the groups stress that a formal alliance will be inappropriate as it will alienate the groups membership base.
- A minority, such as the Environmental Monitoring Group (Cape Town) and the Group for Environmental Monitoring (Johannesburg), see themselves as feeding directly into government policy on the environment. Both groups have undertaken policy work for the African National Congress (ANC) on the environment.
- Other groups, such as the Nature Conservation Club (Lebowa) and the Africa Tree Centre (Edendale), eschew all links with government and political parties.
- Organizations such as the Merewent Residents' Association and the South African National Civic Organization (Southern Natal) indicated that active support for the ANC in the April 1994 general election was a tactical move, and that plans are to sever links with the ANC, in order not to alienate the communities represented by the groups.

- None of the groups reports that other groups in the environmental field have tried to dominate them.
- All groups regard accountable leadership and participatory decision-making as important and most of the organizations hold regular elections for office bearers, and report-back meetings.
- A minority of the organizations, such as the African Environmental Movement and Tirelo Sechaba Youth Project, are critical of white-dominated environmental groups, believing that these groups obstruct the full participation by blacks in decision-making and that whites and blacks have different perceptions of what the environment is about. This critical minority also believes that donors favor white-dominated organizations over black organizations in the granting of funds.
- Most of the organizations report that they are hampered by a shortage of funds, many of them operating without offices, office equipment or permanent full-time staff.
- Many of the organizations suffer from a lack of skills, while a minority, mainly the service organizations, see one of their roles as transferring skills from whites to blacks.
- Most of the environmental groups in this study are fragile organizations at an embryonic stage in their development. They will need a great deal of financial and other assistance if they are to become strong and vibrant civil society organizations which are capable of making their presence felt.

5. Private Sector

The Conservation Corporation (ConsCorp). The Conservation Corporation is one of Africa's most exciting private enterprise initiatives. Its operating ethic ensures the development of Africa's wilderness areas and their continuing prosperity and sustainability as well as the participation of local communities in the economic benefits of ecotourism. The ConsCorp operates the Londolozi, Singita, Ngala, and Phinda resource reserves in South Africa.

Mazda Wildlife Fund. Mazda invests about R1 million per year on conservation and environmental projects in the southern Africa region. Activities have included support to: the Delta Environmental Education Project to provide environmental education to some 100,000 school children from township areas; E.K.K.O. to provide environmental training courses to 10,000 disadvantaged children; University of Cape Town, Fynbos and Conservation Education (FACE) Program to do 250 surveys in alien vegetation; 10 University of Pretoria projects examining insect conservation, with emphasis on insects as indicators of environmental quality; and the Government of Namibia to train 349 tribesmen as auxiliary game wardens who now patrol the northern region of Namibia.

Nedbank. Nedbank has played a major role in the establishment of "The Green Trust" administered by WWF-South Africa. In October 1990, Nedbank committed a donation of R1 million per year for five years to the Trust. Nedbank also launched a range of green affinity products ranging from check books to credit cards which generate additional income for the Trust. Nedbank has become an active partner and made its diverse expertise available to the Trust.

Industrial Environmental Forum (IEF). IEF, established in 1990, aims to get industry involved in environmental issues and their management. IEF is an autonomous body comprising senior executives which strive for a leadership and catalytic role on promoting cost-effective and Africa-relevant environmental standards. IEF has linkages with the International Chamber of Commerce and the International Network for Environmental Management. In 1992, IEF assisted in setting up the Environmental Scientific Association who consider it essential that environmental issues are managed to maintain a balance between the natural environment and the social and industrial environment of southern Africa.

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The South African Natural Heritage Program (SANHP). The SANHP is a cooperative venture between the government sector (DEA&T, provincial nature conservation agencies), World Wildlife Fund-South Africa and the private sector (Schneider South Africa). The most important participant in this program is the private land owner who dedicates a tract of his land to nature conservation. It is a voluntary program aimed at encouraging the protection of important natural sites in private ownership. In return for registering and protecting a site, the land owner receives a certificate signed by the President of South Africa, Nelson Mandela, who is the patron of the program, and a bronze plaque which indicates the site is considered of national importance.

**Appendix 2. List of Institutions Involved in Environmental Science in South Africa
and Research Centers/Institutes Attached to Them**

UNIVERSITIES

Medical University of South Africa

Institute for Human Nutrition/Goldfields Nutrition Centre
Medunsa Institute for Community Service

Potchefstroom University for CHE -

Bureau of Economic Research
Institute for Communication Research
Institute for Future Studies
Institute for Leisure Studies
Institute for Planning and Development
Institute for Zoological Research
Institute of Pedology
Institute of Physiological Science
Johannes van der Walt Institute for Biokinetics
NTC Research Institute for Reclamation Ecology
Research Institute for Environmental Utilization

Rand Afrikaans University -

Institute for Energy Studies
Research Unit for Transport Economics and Physical Distribution Studies

Rhodes University -

Centre for Social Development
Institute for Behavioral Sciences
Institute for Water Research
Institute of Social and Economic Research
LIRI Technologies
The Herman Ohlthaver Institute for Agronomy
J.L.B. Smith Institute for Ichthyology

University of Bophuthatswana -

Institute of African Studies
Institute of Development Research
Institute of Education

University of Cape Town -

Bolus Herbarium
Centre for African Studies
Chamber of Mines Precambrian Research Unit
Coastal Research Unit
CSIRO Biological Control Unit
Development Policy research Unit
Energy for Development Research Institute
Energy Research Institute
Environmental Evaluation Unit
Fishing Industry Research Institute
FRD/UCT Microbial Genetics Research Unit
Institute for Plant Conservation
Marine Biology Research Institute
Marine Geoscience Unit
NBI Stress Ecology Research Unit
Percy Fitzpatrick Institute of African Ornithology
Seaweed Research Institute
South African Bird Ringing Unit
Southern Africa Labour and Development Research Unit
Southern African Bird Atlas

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Weed Biological Control Unit
 Urban Problems Research Unit
 University of Durban-Westville -
 Biomedical Resource Centre
 Institute for Social and Economic Research
 Macro-education Policy Unit
 University of Fort-Hare
 Agricultural and Rural Development Research Institute
 University of Natal -
 Built Environment Support Group
 Centre for Social and Development Studies
 Community Organisation Research and Development
 Computer Centre for Water Research
 Institute for Commercial Forestry Research
 Institute for Natural Resources
 Institute of Maritime Law
 Oceanographic Research Institute
 Research Institute for Diseases in a Tropical Environment
 School of Rural Community Development
 University of Port Elizabeth -
 Institute for Coastal Research
 Institute for Planning Research
 Unit for Community Development
 Unit for the Study of Economic Processes
 University of Pretoria -
 AEC Institute of Life Sciences
 Bureau for Economic Policy and Analysis
 Centre for Water in the Environment
 Institute for Agricultural Extension
 Institute for Geological Research on the Bushveld complex
 Institute for Sport Recreation
 Institute for Strategic Studies
 Magaretha Mes Institute for Seed Research
 Mammal Research Institute
 Centre for Ecotourism
 University of South Africa
 Institute for Behavioral Sciences
 Verlaren van Themaat Centre for Public Law Studies
 University of Stellenbosch -
 Bureau for Economic Research
 Centre for Education Development
 Division of Agricultural Extension
 Institute for Biotechnology
 Institute for Futures Research
 Institute for Geographical Analysis
 Institute for Sport and Movement Studies
 Research Unit for Sociology of Development
 Unit for Environmental Ethics
 University of the North -
 University of the Orange Free State -
 Institute for Social and Economic Research
 Institute for Groundwater Studies
 University of the Transkei -
 University of the Western Cape -
 Gold Fields Science and Mathematics Resource Centre
 Institute for Historical Research

Institute for Social Development
University of Venda -
University of the Witwatersrand -
Bernard Price Institute for Palaeontological Research
Bernard Price Institute of Geophysical Research
Centre for African Ecology
Economic Geology Research Unit
Education Policy Unit
National Centre for Occupational Health
Palaeo-Anthropology Research Unit
Schonland Research Centre for Nuclear Sciences
Wits Rural Facility
University of Zululand -
Bureau for Development and Public Relations
Bureau for Sport and Recreation
Centre for Low Input Agricultural Research and Development
Hydrological Research Institute
Institute of Education and Human Development
University of Zululand Centre for Social Research and Documentation
Vista University-

TECHNIKONS

Cape Technikon
Ciskei Technikon
ML Sultan Technikon
Natal Technikon
Peninsula Technikon
Port Elizabeth Technikon
Technikon Mangosuthu
Technikon Northern Transvaal
Technikon OFS
Technikon Pretoria
Technikon RSA
Technikon Setlogelo
Technikon Witwatersrand
Transkei Technikon
Vaal Triangle Technikon

AGRICULTURAL COLLEGES

Cedara Agricultural Development Institute
Eisenburg Agricultural Development Institute
Glen Agricultural Development Institute
Grootfontein Agricultural Development Institute
Potchefstroom Agricultural Development Institute

MUSEUMS AND INSTITUTIONS

FOR CULTURAL RESEARCH & MANAGEMENT

Albany Museum
Durban Natural History Museum
East London Museum
McGregor Museum
Natal Museum
National Monuments Council
National Museum
Port Elizabeth Museum
Simon van der Stel Foundation

South African Museum
Transvaal Museum

GOVERNMENT INSTITUTES AND DEPARTMENTS

Department of Agriculture
Department of Environmental Affairs & Tourism
 Sea Fisheries Research Institute
 National Botanical Institute
 Weather Bureau
 Council for the Environment
 National Parks Board
Department of Land Affairs
Department of Mineral and Energy Affairs -
 Geological Survey
 Department of Welfare
Department of Health
Department of Transport
Department of Water Affairs and Forestry -
 Hydrological Research Institute
Water Research Commission

SCIENTIFIC COUNCILS

Agricultural Research Council -
 Vegetable and Ornamental Plant Institute
 Institute for Tropical and Sub-Tropical Crops
 Nietvoorbij Institute for Viticulture and Oenology
 Plant Protection Research Institute
 Stellenbosch Institute for Fruit Technology
 Institute for Soil Climate and Water
 Grain Crops Institute
 Tobacco and Cotton Research Institute
 Roodeplaat Grassland Institute
 Institute for Plant Biotechnology
 Onderstepoort Veterinary Institute
 Irene Animal Production Institute
 Agrimetrics Institute
CSIR -
 Ematek
 Watertek
 Forestek
 CSIR Environmental Services
Foundation for Research Development
Human Sciences Research Council
Medical Research Council
MINTEK
 Analytical Science Division
South African Bureau of Standards

BUSINESS SECTOR

Abecol
AECI
Aerosud
Agrihold
Amcoal
Anglo American Corporation

Anglo-American Research Laboratory
Atlas Aircraft Corporation
Atomic Energy Corporation
Banana Board
Basil Read Mining
Bruinette, Kruger & Stoffberg Inc.
Cementation
Chemical Services
Ciba-Geigy Animal Health
Ciba-Geigy Plant Protection
Cloudquest
Colman Foods
COMRO
Concor Holdings
Control Chemicals
Createk Stelsels
De Beers Diamond Research Laboratory
Delanco
Delfos & Atlas Corporation
Development Bank of Southern Africa
Donaldson Filtration Systems
Engineering Management Services
Enterprise & Franke
Epol
Eskom
Frank Netterberg & Associates
Gencor Impala
Genmin Process Research
Grapnel
Hans Merensky Foundation
Highveld Biological
Hill Kaplan Scott
HL&H Forest Products
HL&L Mining Timber
Hyson Cells
Institute for Maritime Technology
ISCO R
Iso-ster
IST
JCI Mineral Processing Laboratories
Jordaan & Joubert
Kanhym Varsvleis
Kaytech
Keeve Steyn Inc.
KWV of South Africa
Kynoch Feeds & Fertilizer
Langeberg Foods
LIRI Technologies
Lowveld Tobacco Workers Union
Mackintosh, Bergh & Sturgess
Milkrite
Mining and Industrial Rubber Co.
Mixtec
Murray, Biesenbach & Badenhorst
Nampak
Naschem

National Brands
National Productivity Institute
NCP
Ninham Shand
Nola Industries
Noord-Wes Koop
Oceana Fishing Group
Olrac
OTK
Outspan Citrus Centre
Pannar
Paradigm Systems Technology
Phi Hi-Bred
Plate Glass & Shatterprufe Industries
Portland cement Institute
Pretoria metal Pressings
Rand Water Board
Reef Chemical Corporation
Rennies Group
Roodeplaat Research Laboratories
Rumevite-Agricura Animal Care
SA Breweries
SA Sugar Association Experimental Station
Saffola Seeds
Sagex
Sanachem
SAPPI
Sasol/Sastech
Sea Harvest
Sensako
Sentra Oes
Shell SA
Simba Group
Soekor
Spoornet
Stanway Edwards
Stellenbosch Farmers Winery
Stock Owners' Co-operative
Table Top Foods
Taurus Chemical Manufacturing
Tongaat Hulett Sugar
Tongaat Poultry
Umgeni Water Board
Van Wyk & Louw
Viaed
Voermol Feeds
Watermeyer, Presdtedge, Retief
Zebedelia Citrus
OTHER NON-PROFIT ORGANISATIONS
Botanical Society of South Africa
Earthlife Africa
Kwazulu Bureau of Natural Resources
Oceanographic Research Institute
SAIMR AIDS Centre
WWF-South Africa
Wildlife Society of South Africa

Appendix 3. Civil Society and the Environment

Border Environmental Network, Eastern Cape
Community Environmental Network, Eastern Cape
Abalimi Bezekhaya, Western Cape
African Environmental Movement, Western Cape
Earthlife Africa, Western Cape
Eco-program, Western Cape
Environmental Monitoring Group, Western Cape
Green Coalition, Western Cape
Kayalitsha Environmental Action Group, Western Cape
Africa Tree Center, Kwazulu Natal
Association for Rural Advancement, Kwazulu Natal
Earthlife Africa, Durban Branch, Kwazulu Natal
Environmental Justice Networking Forum, Kwazulu Natal
KwaDapha Development Project, Kwazulu Natal
Maputaland Development Organization, Kwazulu Natal
Mboza Village Project, Kwazulu Natal
Merewent Residents' Association, Kwazulu Natal
Natal Rural Forum, Kwazulu Natal
Pongola Floodplain Combined Water Committees Program, Kwazulu Natal
South African National Civic Organizations, Southern Natal, Kwazulu Natal
Wildlife Society of Southern Africa (Natal branch), Kwazulu Natal
Alex Enviro-Protection Group, Transvaal
Bakgatla Community Development Organization, Transvaal
Ecolink, Transvaal
Group for Environmental Monitoring, Transvaal
National Environmental Awareness Campaign, Transvaal
Nature Conservation Club, Transvaal
Kome Conservation Club, Transvaal
Tirelo Sechaba Youth Project, Transvaal
Winterveld Environmental Awareness Program, Transvaal

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Appendix 4. List of WWW Servers in South Africa

WWW servers available in South Africa (Illustrative)

Uninet

The university network also includes technikons, colleges and other research institutes.

Agricultural Research Council, Pretoria
Cape Town Weather Service (from UCT)
Computing Centre for Water Research (CCWR), Pietermaritzburg
Foundation for Research and Development (FRD), Pretoria
Grootfontein Agricultural Development Institute
Institute for Commercial Forestry Research (ICFR), Pietermaritzburg
Onderstepoort Veterinary Institute, Pretoria
Randse Afrikaanse Universiteit (RAU), Johannesburg
Rhodes University, Grahamstown
 -Computer Science Department
 -Computer Users Society
Technikon Pretoria
University of Cape Town (UCT)
 - Matisse
 - Computer Science
 - Oceanography
 - Environmental & Geographical Science
 - Digital Image Processing
University of Natal
 - Pollution Research Group
 - Natural Products Research Group
 - Pietermaritzburg Campus
University of Port Elizabeth (UPE)
University of Pretoria (UP)
 - Faculty of Engineering
 - Department of Biochemistry
University of South Africa (Unisa), Pretoria
 - Department of Computer Sciences and Information Systems
University of Stellenbosch
 - J. S. Gericke Library
University of the Witwatersrand, Johannesburg
 - SA Constitutional Repository at Wits Law School

Commercial and Other Networks

Active Access
Africa.COM
Aztec Information Management
Compustat (Pty) Ltd.
Connectica
CSIR - Council for Scientific and Industrial Research
Dimension Data
ECOSERV (Pty) Ltd.
EMILY (Electronic Membrane Information Library)\
ExiNet - South African trade information
Internet Africa
JH Isaacs
Johannesburg Biennale 1995

Liberty Life
Linux User Group of South Africa (SLUG)
Martin & Co.
Mosaic Software
Pam Golding Properties
PCB Technologies
Proxima Research & Development
PiX (Proxima information X-change)
Realtime
Rhebokskloof Estate, Paarl
Sangonet
SDD - Siltek Distribution Dynamics
SOS Children's Villages of South Africa
South African Broadcasting Corporation
South African Reserve Bank
South African Weather Bureau Pretoria - Weather Server
The Internet Solution
Vironix Corporation
Weekly Mail & Guardian
Windows User Group: KwaZulu-Natal

Appendix 5. Other Sources of Environmental Information

South African Television

Ecovision: a program geared for teenagers covering a broad spectrum of subjects, especially concerning human involvement in environmental issues. On Wednesdays at 18:00 on CCV, and on Fridays at 15:00 on NNTV.

Grassroots: a locally-produced series which encourages people to tell the experts about their experiences and needs. On Thursdays at 19:30 on NNTV.

On Track: a local environmental series which focuses on contentious, unusual topics. On Fridays at 20:00 on NNTV.

50/50: a wildlife and environmental television program on TV1. On Sundays at 19:00.

Radio South Africa

Earth Wise: a program about the environment, earth sciences, conservation and green issues. On Sundays at 10:30, and Tuesdays at 14:15.

Talking of Nature: a program in which the presenter discusses topical environmental concerns or interesting nature facts, conducts interviews, and reviews books. On Sundays at 14:00.

Africa - Environment and Wildlife: a program which strives to offer a balance and comprehensive coverage of the environmental and conservation challenges facing Africa. Its function is to entertain, inform, and generally to foster an awareness of important issues, consistently advocating the wisest use of natural resources which involves and benefits the people of Africa. Address subscription inquiries to: Africa - Environment and Wildlife, P.O. Box 44223, Claremont 7735, South Africa.

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