



## Annual Report 2000/2001

**TO:** Economic Capacity Building Policy and Operations Committee

**From:** Michael Anderson, Chief of Party

**SUBJECT:** Annual Report 2000/2001

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To date, the SEGA/MESP project has undertaken 143 technical assistance and 21 economic think tank projects. It has also selected 50 MESP candidates for US Masters and PhD programs, has supported seven new economic Masters programs in South African universities with 200 bursaries and some enrichment programs, and continues to support the University of the Western Cape's center of excellence—FADTRU.

The Table below describes the financial situation of the Project. Details are available in a separate Excel spreadsheet. A. The table indicates that we have expended approximately 57 percent of available resources in the first three and a half years of the project. Our commitments as of end-June are \$8 million; leaving approximately \$3 million to be committed and allocated.

Table: Financial Status of the SEGA/MESP Project

|   |                   |                  |
|---|-------------------|------------------|
| <b>Contract Ceiling of 25.7 million</b>   | <b>25,700,000</b> |                  |
| <b>Expenditures as of 31/6/01</b>         | <b>14,648,266</b> |                  |
| <b>Estimate of Cash Flow FY 2002</b>      | <b>3,455,519</b>  |                  |
| <b>Estimate of Cash Flow 31/6/05</b>      | <b>8,002,560</b>  |                  |
| <b>of which</b>                           |                   |                  |
| <b>MESP US Program</b>                    |                   | <b>1,158,120</b> |
| <b>MESP Local Program</b>                 |                   | <b>1,472,000</b> |
| <b>University of Western Cape</b>         |                   | <b>900,000</b>   |
| <b>SETT Original Program +GCC funding</b> |                   | <b>868,000</b>   |
| <b>SETT HIV/AIDS Program</b>              |                   | <b>552,605</b>   |
| <b>DTI SMME Program</b>                   |                   | <b>310,000</b>   |
| <b>NDA Program</b>                        |                   | <b>285,000</b>   |
| <b>Balance</b>                            | <b>3,049,174</b>  |                  |

## **A. Mandela Economics Scholars Programme**

Seventy scholars (50 Nathan Associates and 20 IIE) have been sent to the United States for graduate economic studies. No new intakes are contemplated. Some changes in programs have taken place; in one case at the insistence of the scholar's department, the scholar, Alpheus Nelufule, was extended from a Masters to a PhD (fully funded by the university). Another two scheduled for a PhD was unfortunately terminated with a Masters degree. 33 scholars have returned to South Africa to date; all but seven of the scholars are expected to have returned to South Africa by June 2002. Three will return in 2003 and the remaining four in 2004.

### **Placement of returned scholars**

Five scholars have returned in the 2<sup>nd</sup> quarter. We have been able to place four of the five that returned recently; two in DTI and one in DPE and one with Sasol<sup>1</sup>.

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<sup>1</sup> This person would be willing to change to a more challenging job with government but cannot find anything with an equivalent salary.

| INTAKE YEAR | Return Year | MANA GING CONT RACT OR | NAME                  | SCHOOL/ DEGREE   | EMPLOYER  |
|-------------|-------------|------------------------|-----------------------|--|---|
| 1997        | 1999        | IIE                    | Bongani Gigaba        | MA Economics Vanderbilt University   | Private Sector  |
| 1997        | 1998        | IIE                    | Thokozile Fakude      | MA Regional Economics Williams College   | Corporate Investigator, Gauteng Gaming Board  |
| 1996        | 1998        | IIE                    | Liz Farquharson       | MA Industrial Economics SUNY - Buffalo   | Private Sector  |
| 1996        | 1998        | IIE                    | William Mothibedi     | MA Agricultural Economics University of Arkansas   | Deputy Director, National Treasury  |
| 1996        | 1997        | IIE                    | Rekwele Mathli        | MA Economics SUNY-Albany   | Consulting for DBSA/DTI   |
| 1996        | 1999        | IIE                    | Zolile Feketa         | MA Regional Economics Oklahoma State University  | Economist, Reserve Bank   |
| 1997/8      | 1999        | IIE                    | Jonas Mhlarihi        | MA Development Economics Vanderbilt University   | Commercial Specialist, SASOL  |
| 1997        | 1999        | IIE                    | Thabo Mokoena         | MA Financial Economics SUNY- Stony Brook   | Economist, Reserve Bank   |
| 1997        | 1999        | IIE                    | Mashadi Manong        | MA Urban Economics Howard University   | Private Sector—Economist, Standard Bank   |
| 1997        | 1999        | IIE                    | Shadrack Appanna      | MA Commercial Economics Howard University  | Economic Analyst, DBSA  |
| 1998        | 1999        | MESP                   | Baso Sangqu           | MA Development Economics Vanderbilt University   | Director, Social Planning Department of Foreign Affairs                               |
| 1998        | 1999        | MESP                   | Thabo Mbeleki         | MA Macroeconomics University of Massachusetts  | Economist, Reserve Bank   |
| 1998        | 1999        | MESP                   | Matsie Seritsane      | MA Health Economics Univ. of Connecticut   | Health Economics Research Analyst, South African Medical Council                      |
| 1998        | 1999        | MESP                   | Moeketsi Mosola       | MA General Economics Univ. of Houston  | Chief Director: Tourism Development Department of Environmental Affairs               |
| 1997/8      | 1999        | IIE                    | Lazarus Monyane       | MA Economics Western Illinois University   | Education Specialist, Gauteng Dept of Education                                       |
| 1998        | 1999        | MESP                   | Amiena Bayat          | MA Development Economics Williams College  | Economics Lecturer, Univ. Western Cape  |
| 1998        | 1999        | MESP                   | Irene Majaja          | MA Development Economics, Williams College   | Economics Lecturer, Eastern Cape Technikon  |
| 1998        | 1999        | MESP                   | Moses Rangata         | MA Public Finance, Williams College  | Director, National Institute for Economic Policy (NIEP)                               |
| 1998        | 2000        | MESP                   | Lillian Meyer         | MA Development Economics, Colorado State University  | Economist, National Agriculture Marketing Council                                     |
| 1998        | 2000        | MESP                   | Albert Junior Khumalo | MA International and Development Economics   | Economist, Reserve Bank   |
| 1999        | 2000        | IIE                    | Fisa Lembede          | MA Development Economics, Williams College   | Economics Lecturer, University of the North-West                                      |
| 1999        | 2000        | MESP                   | Kenneth Brown         | MA, Public Finance, University of Illinois   | National Treasury   |
| 1999        | 2000        | MESP                   | Mercy Mathibe         | MA, Monetary Economics Vanderbilt University   | Economist, Reserve Bank   |
| 1999        | 2000        | MESP                   | Veronica Mafoko       | MA Economics, Georgia State University   | Deputy Director, Modeling and Quantitative Analysis, Department of Public Enterprises |
| 1999        | 2000        | MESP                   | Gabriel Disenyana     | MA Economics, Georgia State University   | Deputy Director, Research Planning, Department of Trade and Industry                  |
| 1999        | 2000        | MESP                   | Mduduzi Langa         | Dual MA Development Economics, Williams College<br>MA environmental Economics, Fletcher School | Environmental Specialist, SASOL   |
| 1998        | 2000        | MESP                   | Thabo Gopane          | MA Financial Economics, Georgia State University   | Intern, Department of Trade and Industry  |
| 1998        | 2002        | MESP                   | Malcom Keswell        | Ph.D. Macroeconomics U. Massachusetts  | Economics Lecturer U. Cape Town   |
| 1999        | 2001        | IIE                    | Fazel Moosa           | MA Economic New York University  | Manager: Investment Fruit & Vegetable, Trade and Investment South Africa              |
| 1999        | 2001        | MESP                   | Nolundi Dikweni       | MA International Economics and Finance, Brandeis University                                    | To be placed  |
| 1999        | 2001        | MESP                   | Matse Keshupliwe      | MA Economics, Fletcher School, Tufts University  | To be placed  |
| 1999        | 2001        | MESP                   | Phumelele Mbiyo       | MA, Economics, University of Maryland, College Park  | To be placed  |
| 1999        | 2001        | MESP                   | Lesley Fisher         | MA, Public Finance, Georgia State  | To be placed (Parliament)   |

## B. Short-term Training

In order to save our limited funds, until recently all training programs in the United States have been funded by the IIE. SEGA has concentrated on regional and national training programs. However, now IIE has also run out of funds so SEGA has begun funding these programs itself. But as we still are now trying to husband our funds, USAID has promoted a stricter cost-sharing rule that the requesting agency pays for airfare.

## **C. Support to Centers of Excellences**

FADTRU has concentrated mainly on the continuation of activities that have by now become fairly routine, especially the presentation of workshops. The following workshops were presented during the period:

- Economic literacy workshop for Tygerberg Hospital and the Western Cape Provincial Department of Health.
- Economic literacy workshop for the Eastern Cape Province.
- Economic and financial accounting management workshops for Free State Province and Eastern Cape Province.

FADTRU activities have now matured at a level of quality very substantially above that which prevailed when USAID's support to the institution first began. Teaching facilities have improved considerably, student enrolments have increased and community outreach has reached a level that is attracting significant interest and requests for more and more workshop activities. Considerable progress has thus been made towards the elusive goal of a Center of Excellence.

Serious concerns remain, however, about the sustainability of these improvements once USAID support is terminated. Growing student numbers are encouraged by USAID-funded bursaries, workshops are financially attractive to their participants because of USAID subsidies. Workshops are presented by only a handful of FADTRU and UWC staff, with little new teaching capacity being created.

With FADTRU's type and scale of future activities now having become fairly predictable, it would seem appropriate to review this question of sustainability in the near future. In particular, FADTRU in conjunction with USAID and Nathan Associates should analyze the historical cost and revenue streams associated with each activity and FADTRU's forecasts of how these may be expected to change in future.

## D. Grants to economic research through NGOs and Universities

### Quarterly Report on SEGA Grants/Contracts- June 2001

#### The African Institute for Policy Analysis (AIPA)

|                  |   |
|------------------|---|
| Main Objective   | <ul style="list-style-type: none"> <li>To undertake in-depth research on the pressing needs surrounding South Africa's economic transformation and democratization and offer advisory services to the Government and other policy-making stakeholders</li> </ul>  |
| Progress to date | <ul style="list-style-type: none"> <li>4 research papers have been completed on the following topics               <ul style="list-style-type: none"> <li>- Agriculture</li> <li>- Manufacturing</li> <li>- Skills Development</li> <li>- Labor</li> </ul> </li> <li>AIPA are planning on hosting a workshop on the manufacturing paper with members of the South African department of Trade and Industry and possibly some of their SADC counterparts.</li> <li>They are planning on presenting the Skills Development paper an upcoming workshop to be hosted by the Development Policy Research Unit (DPRU) during this quarter.</li> <li>23 students have been selected to received scholarships this year – all of the students will complete their courses by January 2002.</li> </ul> |
| 'Policy Impact'  | <ul style="list-style-type: none"> <li>AIPA signed a Memorandum of Understanding with the South African Department of Agriculture on 24 July 2001 to conduct research on land tenure.</li> </ul>  |

#### The Economic Policy Research Institute

|                  |  |
|------------------|--|
| Main Objective   | <ul style="list-style-type: none"> <li>To carry out high quality policy research supporting objectives of economic growth, job creation and redistribution</li> </ul>  |
| Progress to date | <p>EPRI completed three research papers in the last quarter:</p> <ol style="list-style-type: none"> <li>(1) The Socio- Economic Impact of South Africa's Social Security System</li> <li>(2) The Means Tests and Social Security Take-Up in South Africa</li> <li>(3) Social Security and School enrollment in South Africa</li> </ol> <ul style="list-style-type: none"> <li>Completed five policy seminars:           <ol style="list-style-type: none"> <li>(1) The role of public pensions in the SA economy –on 30/05 for parliamentarians</li> <li>(2) The role of private pensions in the SA economy- 06/06 for parliamentarians</li> <li>(3) Bonds and Financial Markets- 13/06 for parliamentarians</li> <li>(4) Competition Policy and SA Economic Strategy- 25/06 for parliamentarians</li> <li>(5) The Social, Economic and Fiscal Impact of a Basic Income Grant- 19/04 for the social Security Committee</li> </ol> </li> <li>Completed four policy Workshops: Three of these were conducted at the Development Planning Cycles Workshop Series:           <ol style="list-style-type: none"> <li>(1) Development &amp; Budget planning cycles in SA- 27/06</li> <li>(2) SA macro policy cycles- 28/06</li> <li>(3) Case studies on social policy planning in SA- 29/06</li> <li>(4) The Micro simulation of Social and Economic Impact of Social Security Reform- Social Security Micro-simulation sub-committee</li> </ol> </li> </ul> |

|               |   |
|---------------|---|
|               | workshop  |
| Policy-Impact | <ul style="list-style-type: none"> <li>• The Minister of Labor quoted one paragraph from EPRI's paper on minimum wages during his speech on the introduction of a minimum wage in July 2001</li> <li>• Parliaments Social Security committee are currently writing a report to parliament on the basic income grant, an area that EPRI has been extensively involved with. They have presented to the Social Security committee on economic, social and fiscal implications of the basic income grant.</li> </ul> |

#### The Disabled People South Africa (DPSA)

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|------------------|---|
| Main objective   | <ul style="list-style-type: none"> <li>• To document successful economic development strategies through the Economic Empowerment Framework Program (EEEP) in order to assure the inclusion of disabled people in mainstream employment and economic development strategies</li> </ul>   |
| Progress to Date | <ul style="list-style-type: none"> <li>• DPSA have hired three full-time staff that included Kevin Neeson, project manager, who commenced work on 1 June 2001. They have subsequently submitted a revised workplan which proposes the following changes to each of the four studies: <ul style="list-style-type: none"> <li>(1) <b>The Livelihood Study</b>- Assesses the impact that strategic interventions have on disabled individuals <ul style="list-style-type: none"> <li>- The scope of the original study remains the same but there will only be two rounds of data collection as opposed to the original three.</li> <li>- The research instrument for this study is currently being developed.</li> </ul> </li> <li>(2) <b>The Disabled People's Budget</b>- Assesses disability expenditure of each dept (Education, Labor, Health, Welfare) <ul style="list-style-type: none"> <li>- Progress on this study has been augmented by a commitment from the Office on the Status of Disabled People (OSDP) to fund R404,000 towards this study.</li> <li>- The desktop study was completed on 30 March 2001 and an orientation workshop conducted on 28 March 2001</li> <li>- Further design will incorporate a second investigative phase in Eastern and Western Cape and a third case study of a rural and urban community in each province.</li> </ul> </li> <li>(3) <b>Microapplication Study</b>- Assesses the economic impact of equity ownership by the disability sector's investment arm, Disability Employment Concerns (DEC) <ul style="list-style-type: none"> <li>- Instruments are being finalized and data collection of three firms, ADCORP (Emmanuel's), People's Bank, and Utingo begin on 24 July 2001</li> <li>- The second case study will be identified in early 2002</li> </ul> </li> <li>(4) <b>Inter- Sectoral Budget Analysis</b>- Compares budgets of different depts. <ul style="list-style-type: none"> <li>- This scope of this study has been modified (in part, from discussions with Nathan Associates) to be more a position paper on the challenges of implementing inter-sectoral funding, with specific reference to disability services</li> </ul> </li> </ul> </li> </ul> |
| 'Policy' Impact  | <ul style="list-style-type: none"> <li>• National Code of Good Practice- DPSA made a submission to the Minister of Labor (Commission on Employment Equity) on this topic on 19 June 2001</li> <li>• Free State Job Summit- DPSA Secretary General made a presentation on Economic Empowerment last quarter</li> </ul>   |

### **The LIMA Rural Foundation (LIMA)**

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| Main Objective   | <ul style="list-style-type: none"> <li>To market the concept of land rental amongst local farmers and landholders (Bergville and Escourt areas in the KZN) by identifying and alleviating constraints to an active rental market for arable land in communal areas</li> </ul>   |
| Progress to Date | <ul style="list-style-type: none"> <li>The concept of land rentals was introduced to three new tribal areas in KZN</li> <li>Several meetings were held with different tribal authorities with regards to formalizing grazing rules and ensuring that computerized databases of potential lessors and lessees have been set up, are fully understood and are being updated.</li> <li>The land rental program was presented to USAID on 15 May 2001 and at the Human Sciences Research Council's conference on land reform and poverty on 4/5 June 2001.</li> </ul> |

### **The National Institute for Economic Policy (NIEP)**

|                |  |
|----------------|--|
| Main Objective | <ul style="list-style-type: none"> <li>To conduct policy research and analysis in a number of areas including, amongst others, Macro, Provincial &amp; Sectoral Modeling, Fiscal Policy, Labor Market Policy, Regional and Urban Development Policies</li> </ul> |
|----------------|--|

### **Development Policy Research Unit (DPRU) – University of Cape Town**

|                  |  |
|------------------|--|
| Main objective   | To present a holistic, policy relevant (yet also technically rigorous analysis) of the SA labor market   |
| Progress to date | <ul style="list-style-type: none"> <li>Four papers have been completed thus far: <ol style="list-style-type: none"> <li>Relationship between wages, employment and poverty</li> <li>Wage Premia and Wage Differentials in the Labor Market</li> <li>Racial Wage Discrimination in SA Before and After the First Democratic Elections in 1994</li> <li>Inflation and the role of wages in South Africa: a co-integration analysis (Stanley Du Plessis and Ben Smit)</li> </ol> </li> <li>Two papers are well into their second draft stage: <ol style="list-style-type: none"> <li>Trade, Technology and Income Inequality (Lawrence Edwards &amp; Tahir Abdi)</li> <li>Analysis of the labor demand trends between 1995 and 1999 (Ingird Woolard)</li> </ol> </li> <li>Four more papers will be completed by the end of the project; two public sector papers, one on labor productivity and a final macroeconomic and labor market paper.</li> <li>Capacity Building: two students have been contracted this year (Cecil Mlatsheni and Ghalieb Dawood). <ul style="list-style-type: none"> <li>Cecil has completed his Masters in Economics and is currently working on a papers entitled "The Role of Education and Fertility in the Participation and Employment of African Women in South Africa"</li> <li>Ghalieb is an Honors student- the title of his thesis is "A Cartography of Education, Rates of Return and Quality: A Contemporary Assessment."</li> </ul> </li> </ul> |

### Center for Development Support – University of the Orange Free State

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|------------------|---|
| Main objective   | <ul style="list-style-type: none"> <li>To study the economic consequences and policy implications of non-payment of municipal services in South Africa</li> </ul>   |
| Progress to Date | <ul style="list-style-type: none"> <li>The study was completed in April 2001 and a presentation was made to USAID on 12 June 2001. The US Embassy subsequently issued a press release on the results of the study on 27 June 2001. The South African Press Association picked this up and articles were published in prominent places in the Star, Daily Dispatch, Sowetan and the Pretoria News. The team leader was also interviewed on three radio stations; Cape Metro, Radio FM and Cosmo Digital.</li> <li>USAID has approved a no-cost extension of the current study through November 2001, to evaluate the efficiency and effectiveness of the implementation of indigent policies at the local government level.</li> </ul> |
| 'Policy Impact'  | <ul style="list-style-type: none"> <li>Dr. Adrian Botha (Director for Constitutional Implementation, Research and Advise) of the National Department of Provincial and Local Government contacted the project group on 18 June 2001 and requested them to make a presentation to the Minister, Sydney Mfumadi. Details will be finalized next week.</li> </ul> <p>One of the researchers, James Moses, presented the results of the project at the North West Local Govt. Summit on 27 June 2001. The final report was presented to the MEC for local government and Housing.</p>   |

### University of Venda

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| Main objective   | <ul style="list-style-type: none"> <li>To investigate the causes of non-payment for improved water services by residents (in Northern Province, North West and Mpumalanga) and make policy recommendations thereof</li> </ul>  |
| Progress to date | <ul style="list-style-type: none"> <li><b>Research activities for the last quarter involved the analysis of the data (1250 households surveyed in the three provinces) and drafting the methodology and analysis chapters.</b></li> <li><b>Khathu Sikitha, the MESP scholar, is currently in South Africa to assist with finalizing the project. The project will be completed by 30 September 2001</b></li> </ul> |

### RESEARCH ON THE ECONOMIC IMPACT OF HIV/AIDS

This report focuses on the progress of the four research studies commissioned by USAID and administered by the Joint Center for Political and Economic Studies through the Nathan Associates sub-contract. The four studies were selected by a steering Committee comprising of members from the foreign assistance agencies of Australia (AusAID), Sweden (SIDA), the United Kingdom (DFID), and the United States (USAID), as well as the South African National Departments of Welfare, Public Service & Administration, the Health Economics and HIV/AIDS Research Division (HEARD- of the University of Natal) and the Center for the Study of AIDS (CSA- of the University of Pretoria). Research commenced between February and April 2001.

A researcher's workshop (first in a series of three) was held on 2 April 2001 in Centurion. This was attended by the projects manager's of the AUSAID and USAID funded projects (IDASA and the University of Venda are funded by AUSAID), representatives from the South African National Departments of Social Development, Treasury and other researcher's involved with the economic impacts of HIV/AIDS (agenda attached). The objectives of the workshop were:

1. To present an overview of the research to be undertaken by the six research groups.
2. To present and overview of complementary research in the field of economic impacts of HIV/AIDS
3. To identify possible linkages between projects
4. To, if appropriate, standardize a limited number of questions in the surveys which could help to produce a more generalized data set
5. To identify the 'gaps' in research on the economic impacts of HIV/AIDS

On point '4', a follow-up workshop (21 April 2001) was held between organizations conducting household surveys. The ultimate aim of standardizing certain questions in the surveys is to eventually exchange data sets between the groups and to possibly pool the data for purposes of joint analysis. Representatives of the CHSR&D, EPRI, Kayamandi, Univenda, National Departments of Treasury and Housing, HEARD, and the Joint Center attended this workshop. The group selected a number of questions (and modified some) from the October Household Survey (OHS), pertaining to employment income, savings, debt, remittances, asset ownership etc, to be included in their questionnaires.

One of the projects, Kayamandi Development Services, was expanded (on request from the National Department of Housing) from four provinces to include all nine provinces. The timeframe and cost for this project increased accordingly. The National Department of Housing also requested USAID to fund a study on the economic impacts of HIV/AIDS on the construction industry. In response to this, the Joint Center had meetings with the Department of Housing, USAID and Nathan Associates to determine the terms of reference for this informal competition. The Call for Papers was subsequently sent out to four organizations (CSIR Pretoria, Development Works, Richard Tomlinson, and Kayamandi Development Services) on 3 May 2001. All, except Richard Tomlinson, (Urban Econ responded on behalf of Kayamandi) submitted proposals to the Joint Center on 25 May 2001. These were evaluated by the Steering Committee (comprising of members from the National Department of Housing, USAID, Nathan Associates and the Joint Center) and it was recommended that Development Works (in association with the Center for the Study of AIDS, the Medical Research Council and the Center for Actuarial Research) receive funds to conduct their proposed study. The study will cost approximately R755,000 and will be completed 29 weeks after finalizing a contract with the Joint Center.

**Center for Health Systems Research and Development (CHSR&D)- University of Free State**

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|------------------|--|
| Time Frame       | 15 February 2001- 15 December 2001   |
| Aim of the Study | This research project will focus on the socio-economic impact of HIV/AIDS on households and communities in order to determine how the disease affects the economic decisions and positions of individuals and households over time. The impact of HIV/AIDS on individuals and households will be assessed by means of a longitudinal study of households affected by the disease compared with a control group of matched households unaffected by the disease. It will be conducted in depth in two local communities in the Free State Province, one urban (Thabong/Welkom) and one rural (QwaQwa) in which the HIV/AIDS epidemic is particularly rife.  |
| Progress to Date | <p><b>Literature Review and Sampling</b></p> <ul style="list-style-type: none"> <li>• The literature review (see attached) was submitted in May 2001. The questionnaire and training manual for fieldworkers were finalized (the questionnaire was translated from English to Sesotho and Afrikaans).</li> <li>• The CHSR&amp;D established a formal relationship with various stakeholders (including the Department of Health, NGOs and CBOs active in HIV/AIDS work) in the two study sites. Through this network, a number of HIV/AIDS affected households have been identified (participation of households is voluntary). It is hoped that 100 households affected households per site will be surveyed.</li> <li>• A control group of 100 households in each area not affected by HIV/AIDS will also be recruited to voluntarily partake in this study. The control group will be situated in close proximity to the HIV/AIDS affected household (i.e. neighboring household)</li> </ul> <p><b>Data Collection</b></p> <ul style="list-style-type: none"> <li>• Fieldworkers underwent a three-day training workshop in May 2001 consisting of classroom training, scenarios and practice interviews.</li> <li>• Approximately fifty interviews have been completed in each of the two study sites</li> <li>• Data collection will be completed by early July instead of late June as it is taking</li> </ul> |

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|                | <p>longer than anticipated in the QwaQwa area.</p> <ul style="list-style-type: none"> <li>• Six focus group discussions (3 in each area) with women were conducted to obtain additional information on coping and support from the general population in the two study sites. This information will feed into the results of two Master's students' dissertations.</li> </ul> <p><b>Data Analysis</b></p> <ul style="list-style-type: none"> <li>• Coding of the questionnaires and computerization of the data will be finalized by the end of July 2001.</li> <li>• Data analysis will commence in August 2001 and the research report will be available in early September</li> </ul>   |
| Key Challenges | <ul style="list-style-type: none"> <li>• <b>Difficulty in gaining access to HIV/AIDS infected people</b><br/>Although the team have sought to identify HIV/AIDS infected people through various stakeholders (Dept. of Health, NGOs and CBOs), they have not yet managed to identify the target of 100 households per site yet.</li> <li>• The team has found <b>the issue of disclosure</b> to be an important obstacle in the recruitment process. Many of the infected individuals who have volunteered have not disclosed their HIV/AIDS status to their families which means the study can not be introduced to respondents as an HIV/AIDS study. Similarly, households interviewed as 'controls' may also be discouraged to participate if the study is directly introduced as an HIV/AIDS impact study. The study is thus being introduced as 'a study of the impact of morbidity and mortality on households in the Free State province'. The team has suggested two possible ways to deal with this in future studies: <ol style="list-style-type: none"> <li>1. Interview the infected individual rather than the household as a unit of analysis</li> <li>2. Allow more time for recruitment to actually facilitate a process of disclosure and involve the entire household in the data collection process</li> </ol> </li> <li>• The team have found that the <b>fieldwork team</b> recruited in QwaQwa is not of the same standard as those recruited in Welkom. The research team thus spent more time during training on supervised practice interviews rather than on classroom or theoretical training.</li> </ul> |
| Way Forward    | <ul style="list-style-type: none"> <li>• The second wave of the study will commence in November 2001. The research team will disburse a participation fee (it hasn't been decided whether this will be cash, food or other in-kind contribution) to 'HIV/AIDS affected' and 'control' households at this time.</li> </ul>  |

### **Ebony Consulting International**

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| Time Frame       | 15 February 2001- 30 April 2002  |
| Aim of the Study | The general objective of the study is to investigate whether HIV/AIDS has become a constraint for the future development of high-growth SME's and to find out what is currently being done to mitigate the impact. 120 high-growth SME's will be surveyed focusing on concerns that SME owners/managers have about AIDS in the workplace, what impact HIV/AIDS has within the company, what steps have been taken to confront the impact, and establishing whether the SME's are conscious of the implications AIDS might have on their markets and profitability. |
| Progress to Date | <p><b>Sampling</b></p> <ul style="list-style-type: none"> <li>• ECI identified 120 SMEs from three main sources: <ul style="list-style-type: none"> <li>- A previous study which ECI conducted amongst 64 high-growth SME's,</li> <li>- Through linkages with the South African International</li> </ul> </li> </ul>   |

|                |  |
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|                | <p>Business Linkages (SAIBL), Tourism Enterprise Program (TEP) and the Agri-business Linkages project</p> <p>– From a recent publication entitled “Top 300 Black Empowerment Firms”.</p> <p><b>Data Collection</b></p> <ul style="list-style-type: none"> <li>• Fieldwork was completed in May 2001. 120 firms were interviewed <ul style="list-style-type: none"> <li>- 63 in Gauteng; Manufacturing firms were mostly represented (20 firms) followed closely by professional services (15)</li> <li>- 29 in KZN (Durban); including 2 in Pietermaritzburg and one in Port Shepstone. Mainly service sector firms were represented (9 firms) followed by manufacturing (8 firms)</li> <li>- 28 in Western Cape; Manufacturing firms (14 firms) followed by retail and professional services (4 firms each)</li> </ul> </li> </ul> <p><b>Data Analysis</b></p> <ul style="list-style-type: none"> <li>• Data capture and data cleaning were completed by mid- June 2001.</li> <li>• Quantitative data analysis began in mid-June and the interim report will be available by the end of July 2001.</li> </ul>   |
| Key Challenges | <ul style="list-style-type: none"> <li>• <b>Identifying AIDS-related indicators:</b> The ‘long-wave effect’ of HIV/AIDS ensures the impact is not readily detectable. As with the Free State group, ECI found the issue of disclosure to be an important obstacle- this posed a key challenge to the study’s identification of the actual impact. To overcome this; <ol style="list-style-type: none"> <li>1. the survey instrument was designed to include questions that target the susceptibility and vulnerability of employees and the SMEs to HIV/AIDS</li> <li>2. the study drew upon UNAIDS guidelines for the assessment of the institutional susceptibility and vulnerability of selected high growth SME’s to HIV/AIDS. The modality of the disease’s infection path suggests that some companies would be more susceptible to HIV/AIDS than others (i.e. transport enterprises or businesses that require their employees to travel). Thus, ECI sought to include such SMEs in their sample.</li> </ol> </li> <li>• <b>Setting up Interviews:</b> The research team found it difficult to reach the owners or managers in the SME’s, i.e. they were either not around or did not return calls. The team thus decided to set up interviews concurrently with the field surveys. However, only an insignificant number of cancellations were experienced.</li> <li>• <b>Importance given to the Study:</b> Although ECI maintains an extensive network of high growth SMEs, the subject matter of this survey did, in some cases, pose a problem to some. ECI’s link with SME’s in the past has been based on “SME development” in general and various forms of “business” assistance such as linkages and technical assistance. However, some SMEs questioned the relevance of this study- their initial skepticism was overcome by indicating that HIV/AIDS is not simply a health issue anymore but has micro and macro effects.</li> </ul> |
| Way Forward    | <ul style="list-style-type: none"> <li>• The re-survey of the SME’s will begin in February 2002</li> <li>• In the interim, ECI is planning a number of activities to disseminate a discuss the findings of Phase 1: <ul style="list-style-type: none"> <li>- An internal briefing of ECI’s business linkage staff. The briefing will equip them with information on the effects of HIV/AIDS on SMEs as well as recommendations made by sample firms on how they can be assisted to mitigate the impact.</li> <li>- An information packet (with the above-mentioned information) will be provided to the linkage staff to disseminate to their SME clients.</li> </ul> </li> </ul>  |

**Economic Policy Research Institute** (in association with the Primary Health Project of the University of Western Cape and the Department of Social Policy and Social Work at Oxford University)

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| Time Frame       | 1 April 2001- 31 March 2002  |
| Aim of the Study | The research intends to provide an empirical basis for costing and evaluating feasible public policy interventions particularly with respect to social security to support poor households associated with income failure due the HIV/AIDS. A key focus of the research will be an assessment of the economic and social status of income-dependent females (women and children) in the households who are made particularly vulnerable by HIV/AIDS. The survey will be conducted in Mount Frere in the Eastern Cape where the project team will work closely with the Public Health Program (PHP) who have been conducting routine health tests that will allow for the detection of life-threatening diseases including HIV/AIDS. The study will be completed by March 2002  |
| Progress to Date | <p><b>Literature Review and Sampling</b></p> <ul style="list-style-type: none"> <li>Literature available on the topic of social security support of poor households affected by HIV/AIDS essentially fell into two categories: <ol style="list-style-type: none"> <li>Micro-economic literature concerned with social impacts of adult mortality or poor households</li> <li>Public health literature on the impact of adult death on the nutritional status of children in poor households</li> </ol> </li> <li>In addition to the general contextual review, the research team have collated similar household surveys such as the KwaZulu Natal Income Dynamics Survey (KIDS).</li> <li>Households affected by HIV/AIDS will be identified through the Public Health Programs (PHP) current childhood nutrition study being undertaken in Mount Frere. The PHP team has been undertaking routine health tests that will allow for the detection of life-threatening diseases in children, including HIV/AIDS. A sample of around 30 households affected with HIV/AIDS and 20 households for the 'control' group will be identified.</li> </ul> <p><b>Data Collection</b></p> <ul style="list-style-type: none"> <li>The research team is currently in the process of finalizing the questionnaire. An interview schedule is also being developed.</li> <li>The team will also undertake in-depth, open-ended interviews with key administrative personnel responsible for the administration of social security grants (Dept of Welfare- responsible for grant administration and Dept of Home Affairs- responsible for verification documentation such as ID and birth certificates that are required for a potential claimant). The sites covered will be Mount Frere where the study is undertaken, Kokstad where grant information is part-processed and Bisho where the grant information is finally processed. The purpose of this is to make an assessment of the administrative capacity to deliver grants speedily and appropriately to those eligible.</li> <li>Data Collection will begin mid-August and will be completed by the end of September 2001.</li> </ul> <p><b>Data Analysis</b></p> <ul style="list-style-type: none"> <li>Data analysis will be completed by January 2001 and the final report submitted in February 2002.</li> </ul> |
| Key Challenges   | <ul style="list-style-type: none"> <li>During the process of drafting the questionnaire it became abundantly clear that <b>insufficient information</b> there was insufficient information regarding household structure and dynamics and thus the data gathering instrument would not be able to capture the nuances and complexities of poor households response to chronic illnesses. The team has therefore decided to pilot an innovative methodology, which seeks to combine the richness and depth of qualitative techniques with the quantitative precision traditionally associated with the survey method. The</li> </ul>  |

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|  | <p>interviewer will thus go into the field with an interview schedule and a traditional survey questionnaire. The interview schedule consists of prompts for discussing:</p> <ul style="list-style-type: none"> <li>- income and expenditure patterns and the impact on these of limiting long-term within the household,</li> <li>- the role of state income transfers in combating income failure due to illness,</li> <li>- the knowledge and experience of household members to claim over the range of social security grants.</li> </ul> |
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### Kayamandi Development Services

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| Time Frame       | 15 February 2001- 30 April 2002  |
| Aim of the Study | The study will focus on the impact of HIV/AIDS on the demand for low-cost housing and to formulate recommendations for a future housing policy. The study would aim to determine how the change in the demographic size and composition of households affected by HIV/AIDS in turn affects the housing need for low-cost housing consumers. It will seek to identify the effects that changing household structures have on the demand for different forms of residential accommodation, specifically the increasing number of AIDS orphans, and what amendments to the present housing policies will be necessitated by the effect of the HIV/AIDS phenomenon.  |
| Progress to Date | <p><b>Literature Review (Housing Policy and Program) and Sampling</b></p> <ul style="list-style-type: none"> <li>• An initial scan was undertaken with respect to how the housing policies and programs, relating specifically to HIV/AIDS sufferers, are being addressed (see attached document on data collection and assessment)</li> <li>• Kayamandi are utilizing the DBSA's newly completed study on population figures, broken down into smaller geographical areas.</li> <li>• The study sought to identify HIV/AIDS infected persons through existing clinics and NGOs. Contact was made with Provincial health authorities and major NGO's/consortiums to identify a comprehensive list of clinics/NGOs.</li> <li>• The project team decided on a sample size of 4500 surveys, with the number of surveys per province determined by the population size, HIV/AIDS infection rates and housing demand. The sample will focus on people infected by HIV/AIDS who earn a monthly household income of less than R5000.</li> </ul> <p><b>Data Collection</b></p> <ul style="list-style-type: none"> <li>• The initial questionnaire was piloted in Soweto, West Rand and Kempton Park. It was revised a piloted in Soweto, Hillbrow and the NorthWest Province and subsequently finalized.</li> <li>• Fieldworkers were recruited from a number of sources including those employed in previous studies, Technikon students, AIDS infected person from organizations visited and people locally resident.</li> <li>• Kayamandi will conduct surveys in five provinces and the other four will be sub-contracted (through a tender process) to organizations (pre-dominantly PDI owned firms) in the respective areas.</li> <li>• Fieldwork is currently underway in Gauteng, Mpumalanga, NorthWest and the Free State follows shortly.</li> </ul> <p><b>Data Analysis</b></p> <p>Data analysis will be undertaken as survey results from each province are received.</p> |
| Key Challenges   | <ul style="list-style-type: none"> <li>• <b>Surveys are taking longer than anticipated due to:</b> <ol style="list-style-type: none"> <li>1. The difficulty in gaining access to HIV/AIDS infected people: <ul style="list-style-type: none"> <li>- The SA Medical Ethics Committee (of the Medical Association) took six weeks to grant approval for the study. However, it seems that many of the provinces are insisting that Kayamandi request their own provincial ethics committee approval which is further delaying the fieldwork</li> <li>- Some organizations, clinics and hospitals are simply refusing to cooperate and provide relevant information to the fieldworkers.</li> </ul> </li> <li>2. Lack of Participation</li> </ol> </li> </ul>   |

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|             | <ul style="list-style-type: none"> <li>- Dates and times are set with organizations for interviews but on arrival there is nobody there</li> <li>- The number of people available for interviews is lower than figures provided telephonically when confirming visits</li> <li>- In some areas volunteers don't want to be interviewed as they either want to be paid or they say they have been interviewed before and 'nothing comes out of it'.</li> </ul> <p>• <b>Composition of Respondents</b><br/>It appears from the surveys completed thus far that the respondents are relatively homogenous (i.e. over 40 years, mostly come to terms with HIV/AIDS status, live with husband/wife/partner or children, unemployed, very low income). Note, that Kayamandi have only completed a few surveys and the situation may look different as they receive more surveys.</p> |
| Way Forward | <p>In order to tackle the above challenges, Kayamandi will be amending their proposal as follows:</p> <ul style="list-style-type: none"> <li>• They will train existing HIV/AIDS counselors to undertake surveys in order to gain access to a wider variety of HIV/AIDS infected persons.</li> <li>• Undertake a minimum of 5 focus group discussions per province with HIV/AIDS infected and affected persons as this method has proved extremely effective in previous surveys when difficulties have been encountered in obtaining certain information</li> <li>• Undertake a minimum of 5 surveys per province with institutions/NGOs that are focused o specific target groups: aids orphans, teenagers, young adults, and people too sick to leave home etc.</li> <li>• Reduce the total number of household surveys from 4500 to 2500</li> </ul>                        |

## RESEARCH ON THE ECONOMIC IMPACT OF GLOBAL CLIMATE CHANGE

### CSIR- Pretoria

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| Time Frame       | 1 April 2001- 31 January 2002   |
| Aim of the Study | To determine the viability of the EIA process as a framework for assessing CDM projects and investigate CDM as alternative mitigation options in traditional EIZ project proposals.   |
| Progress to Date | <ul style="list-style-type: none"> <li>• Literature Search <ul style="list-style-type: none"> <li>- Confirmed that there is practically no information on direct links between the CDM and EIA processes</li> <li>- Information is being sought from the CDM offices in Colombia, Guatemala, Costa Rica, Netherlands</li> </ul> </li> <li>• Identify Stakeholders <ul style="list-style-type: none"> <li>- Stakeholders from the following organizations were identified; MEPC, IIEc, Energy Transformations, SASOL, Eskom, EDRC, Cerulean Environmental Consultants, KPMG, DEAT</li> <li>- Stakeholders were interviewed during May/June 2001</li> <li>- The aim of the interviews is to elicit the general perceptions in terms of the possible linkages between the CDM and EIA processes</li> <li>- It appears from the feedback that there is a gap that can be filled through this study.</li> </ul> </li> </ul> <p>Case Study Selection</p> <ul style="list-style-type: none"> <li>- Pieter du Toit was contacted for the latest information on the Sasol Natural Gas Conversion Project.</li> </ul> |

### Energy & Development Research Center

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| Time Frame       | 23 April 2001- 23 December 2001   |
| Aim of the Study | <p>The study aims to answer the following key research questions?</p> <ul style="list-style-type: none"> <li>• What are the estimated damage costs of climate change in SA based on current scientific understanding of direct impacts</li> <li>• What are the major opportunities for climate change mitigation through industrial energy efficiency?</li> <li>• What are the key issues around CDM that need to be communicated in training in a range of disciplines?</li> </ul>   |
| Progress to Date | <p><b>Valuation of Climate Change Impacts</b></p> <ul style="list-style-type: none"> <li>• The Vulnerability &amp; Adaptation study was reviewed focusing on major quantifiable biophysical impacts</li> <li>• A framework to clarify the market and non-market impacts that would be investigated was then drawn up.</li> <li>• The methodological guidelines for the evaluation of each type of impact is currently being developed</li> </ul> <p><b>Industrial Mitigation</b></p> <ul style="list-style-type: none"> <li>• A preliminary literature review of each sector is underway.</li> <li>• The team will use a disaggregated model if data is available. If data is not available, the aggregated method will be used but the development of a more disaggregated model will continue in parallel.</li> <li>• An interim report will be available by the end of August</li> </ul> <p><b>CDM Synthesis and Training</b></p> <ul style="list-style-type: none"> <li>• The team prepared a series of seven lectures on the following topics; Basic CDM; externalities and climate change; climate change mitigation costing; economic instruments for environmental regulation; flexible mechanisms and the CDM; overview of sectoral mitigation options; sustainable development, climate change and the CDM.</li> <li>• In addition, the team created 3 'practicals' that teach quantitative analysis skills relevant to the CDM</li> <li>• The CDM training of the EDRC Masters course is complete- attended by 12 students (more than half from SADC countries)</li> <li>• Four seminars will be given to M Phil students in the Environmental and Geographical Science department at UCT during July/August 2001</li> </ul> |

### IIEC- Africa

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| Time Frame       | 15 March 2001- 31 August 2001  |
| Aim of the Study | To assess the barriers to, and potential opportunities from, structuring of carbon offset investments in planned rural electrification activities in South Africa, and attempts to quantify the magnitude of potential benefits to both project developers and rural communities of such linkages  |
| Progress to Date | <ul style="list-style-type: none"> <li>• IIEC has compiled a wide range of secondary research sources on rural electrification and climate change as well as a detailed summary of most of the renewable energy rural electrification projects underway in the region.</li> <li>• Two case studies of rural electrification projects are currently underway: the RAPS/NUONS Concession and the Darling Wind Farm.</li> <li>• Results will be available in late August 2001.</li> </ul> |

**MEPC**

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| Time Frame         | 1 May 2001- 30 September 2001  |
| Aim of the Project | To build the knowledge base and technical capacity of at least fifty strategic government decision-makers through an intensive professional training program on " <i>The Economics of Climate Change Project Implementation</i> ".   |
| Progress to Date   | <ul style="list-style-type: none"> <li>• The training seminar was held in Pretoria between 26 and 29 June 2001. Thirty-eight government officials (including provincial dept officials) representing the Departments of Minerals &amp; Energy, Trade &amp; Industry, Environmental Affairs &amp; Tourism, Health, Housing, Agriculture, Water Affairs &amp; Forestry attended the workshop.</li> <li>• Twelve modules were designed and developed specifically for the training which included, amongst others; 'Basics of GCC, Kyoto protocol, flexible mechanisms', 'Macroeconomic Impacts of Climate Change Project Implementation in SA' and 'Institutional Requirements for hosting climate Change projects'.</li> <li>• MEPC are currently assessing the impact (if any) of the training workshop on individuals who attended the workshop as well as the various government departments whose policies are central to climate change activities in South Africa.</li> </ul> |

**University of Pretoria**

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| Time Frame       | 1 April 2001- 31 March 2002  |
| Aim of the Study | To assist experts in South Africa to apply different analytical (econometric) concepts to measure the expected economic impacts on agriculture at regional and national level and to identify what adaptation measures are likely to be sustainable and cost-effective countermeasures for South Africa.   |
| Progress to Date | <ul style="list-style-type: none"> <li>• A desk review of climate/water/agro-ecological projects and database has been initiated.</li> <li>• District level data for rainfalls, temperature, latitude, longitude and shortest distance from the ocean is being compiled. This is the initial data collection stage. Measurements of local climates, soil, water availability (modeling), agricultural-related data, and other socio-economic variables are being collected. The rainfall and temperature data covers the period 1961-2000. Data on agricultural production are being compiled. As a result, production fluctuation is identified.</li> </ul> |

**TJ De Wet**

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| Time Frame       | 1 June 2001- 30 June 2001  |
| Aim of the Study | To develop a model in which the effects of taxation on the use of energy in the South African economy are analyzed.  |
| Progress to Date | <ul style="list-style-type: none"> <li>• As the research only began in June, the first progress report will only be available at the end of September 2001.</li> </ul> |

## **E. Support to Government**

Ongoing projects include the following:

Department of Labor Employment Equity Implementation Phase: Most of the work of setting up the Department's help desk, and report processing unit have been completed. IRG, consultants to the Department completed an analysis of large and small firm submissions by beginning of second quarter, 2001. IRG is now completing a final report and training on monitoring and compliance.

Parliament: A final three week workshop was completed in July 2001 for 59 parliamentarians including 12 from the SADC region.

National Treasury HIV/AIDS Macroeconomic Model: This work has been completed

National Treasury Kwa-ZuluNatal Incomes Study: This work has been completed

National Treasury SADAC Common Monetary Area: This work was completed with a final presentation by the consultants in Durban during July, 2001

National Treasury Sectoral Competitiveness Study: This is a follow up study of a national competitiveness study done last year and will attempt to measure competitiveness sectorally.

DTI/SMME: A full time consultant was hired to support DTI's involvement of public private partnerships among SMMEs in the establishment of its new building complex (with DEAT). A MESP intern has been placed in the department as well.

DTI International Competitiveness Study: This project is long overdue for completion. The principal consultant has not been available to complete write-up. Final report should be presented by end of July however.

National Department of Agriculture: Through a bilateral agreement between USAID and the NDA, we are helping the NDA prepare their monitoring and evaluation requirements. This project will take place over several phases and will eventually encompass the entire department.

### Environmental Projects

As resource/environmental economics projects have become a significant proportion of our portfolio (there are six in execution currently), Roland Mirrilees provides an overview of those projects and the links between them.

Environment-related work has taken place this past quarter through six separate projects, although there are significant linkages between some of them that will be discussed later in this report. Three of the projects were financed under ATRIP. These three ATRIP sub-projects were largely completed during the past quarter and reports on all of them have been submitted to USAID/South Africa, Nathan Associates/Washington and the client, the Department of Environmental Affairs and Tourism (DEAT). More specifically, the status of each of the sub-projects is as described in the paragraphs that follow.

The first sub-project has been fully completed and no further work will be done on it. The project investigated the potential demand for, and supply of, environmentally friendly electricity sources as alternatives to coal-based Eskom power. The project has been welcomed by the National Electricity Regulator (NER), and has achieved a notable success by gaining Eskom's promised participation in any future phases that it may enter. Its results have been discussed with both these organizations. The final report has been submitted to DEAT for further action, as well as to USAID/South Africa. DEAT has had some preliminary discussions with Eskom aimed at taking this matter further.

The second ATRIP sub-project examined the trade opportunities for South Africa that might result from the evolving international concern with global climate change. Soon after the project commenced, it became evident that the work being done was of a strategic and long-term nature, and so should dovetail closely with other work on climate change being carried out by DEAT. This called for the project to be repositioned within DEAT's institutional structure. This occurred during March 2001 and the consultants that worked on this project have now effectively become long-term consultants to DEAT. The ATRIP phase of this project is thus fully complete, although work will continue with USAID climate change funding. A report and slide presentation have been submitted to USAID/South Africa.

The third sub-project investigated the trade opportunities that could result from South Africa's products of biodiversity. The project team found that significant such opportunities do exist but are not being fully exploited. In response to this finding, the team prepared two documents, one suggesting a national policy on biodiversity and the other providing a manual for prospective entrepreneurs in this area of trade. These documents have been submitted to DEAT and to USAID/South Africa. On receiving the second document, the manual, DEAT proposed testing it in the context of two case studies. This is now being done, and a no-cost extension of the project end-date to September 2001 has been requested for this purpose. DEAT is also discussing the whole issue of small-scale agriculture based on biodiversity, 'agrobiodiversity' with a number of interested parties, including DBSA, DTI and IUCN, with a view to initiating implementation of projects.

The fourth environmental project is funded through SEGA and focuses on the "Working for Water" campaign of the national Department of Water Affairs and Forestry. This campaign employs some eighteen thousand people, many of them in very poor deep rural areas, and so clearly can have a very significant economic impact. However, to date no evaluation of this impact has been undertaken. Consequently the selection and prioritization of individual Working for Water activities is rather ad hoc, and some of the activities may be much less cost-effective than others. The SEGA project is developing a model for the assessment of the economic impacts of individual proposed Working for Water activities. The project is at present roughly ninety percent complete and the final report will be completed during July 2001.

The remaining two environmental projects are supported by global climate change funding. The first is looking at the possibility and economic viability of establishing carbon sinks in South Africa. A cost-benefit analysis was performed to serve as a basis for the selection of case study areas. Its results led the project team to undertake a number of site visits that led to the identification of the whole Transkei area of South Africa as a very promising carbon sink. A report documenting this finding has been finalized and will be distributed widely for discussion during July 2001, inter alia to USAID/South Africa. It represents completion of the first phase of the project. The project's second phase, currently being completed through

the compilation of a report, investigated in detail the financial and economic viability of carbon sinks in various regions of the Transkei. A third phase, aimed at drawing up illustrative 'business plans' for the implementation of carbon sink development, will be undertaken during August 2001.

Reference was made above to a Working for Water (WfW) project. Two aspects of the WfW program to clear alien invasive plant species from water catchments are of interest to the carbon sinks project. The first is that WfW has developed a system for managing teams of workers in the field that could be modified for purposes of implementing carbon sink development. The second aspect is that the money that flows into rural communities through WfW is very sporadic, as dictated by the cycle of activities needed to clear alien plants. Often the resultant impacts on the communities are as much disruptive as they are developmental. It could be very beneficial to these communities if their WfW work could be extended into the development of carbon sinks, using the same local people for both activities.

As a result of this potential synergy, the WfW program is also the client for the carbon sinks project within government, and a close working relationship has developed between the carbon sinks project team and the research manager of the WfW program. Out of this has come a new project proposal by WfW that the carbon sinks project be extended. To date two types of vegetation have been considered in this project, namely forests and grasslands. The new proposal is that Eastern Cape thicket also be considered as an area for carbon sink development. This extension can be accommodated within the existing carbon sinks budget, and would probably also involve collaboration with the US Bureau of Reclamation.

The final project provides financial support to the Forum on Economics and Environment, which allows the Forum to create awareness of climate change issues and build the capacity for South Africa to respond to them. Currently South Africa is seriously neglecting the economic threats and opportunities that are arising out of the evolving international environmental debate. This activity fills the vacuum of knowledge that currently exists around these issues. The activity has the further benefit of strengthening the Forum itself as an institution, thus providing an impartial body, with widespread participation outside government, to give attention to environmental concerns. One symposium on climate change was presented during 2000 by the Forum in terms of this project, and the feedback provided by participants was very positive. One outcome of that symposium was the launch, in January 2001, of a program of research on economics and climate change. In terms of this program, grants were awarded for researchers to investigate the following issues:

- How to include a consideration of the possibility of obtaining financial assistance under the Clean Development Mechanism for projects when Environmental Impact Assessments are undertaken.
- The economic impact of climate change in South Africa – this project extends the work that has been referred to above.
- Rural electrification: an assessment of opportunities and barriers.
- An analysis of energy taxation.
- The impact of climate change on agriculture.
- Creating an understanding of climate change issues across a range of government departments.

Another Forum symposium was held in April 2001, and led inter alia to the consultants that were involved in the climate change project referred to above being requested to provide a briefing to DEAT at the Deputy Director-General level. This experience seems to indicate that the Forum does have the ability to influence government's environmental policy formulation.

With the above as background, and with a view to the World Summit on Sustainable Development that will take place in November 2002, it is appropriate to begin to pull together the threads of all the work that has been described above and to ask where environmental/economic work should go in future.

Firstly, it can be noted that the Forum is proving to be effective in mobilizing research and, albeit slowly, eventually bringing it to government's attention. USAID's continued support for the Forum therefore seems thoroughly justified. There is a need, however, for the Forum to develop a central theme around which to organize its future activities, in order to avoid these becoming too fragmented to be useful. Nowhere has the risk of such fragmentation been more apparent than in recent discussions within the Forum aimed at selecting topics for a Forum annual conference that is being planned for early next year. Some ten topics were proposed, examples of which included:

- Water pricing reform;
- Valuation of communal land;
- Air quality;
- Solid waste management; and
- Health problems.

It seems apparent that to initiate work in so many areas, without defining the Forum's interest in them more specifically, could very easily dissipate the environmental economic research capacity in this country and make the Forum itself ineffective. Accordingly it seems desirable to structure the work undertaken by the Forum around some unifying themes. The following three interrelated themes suggest themselves; unfortunately they can be couched only in very rough terms at this time, as they are new introductions to the concept of the Forum and have still to be tested even with the Forum's management, let alone its broader membership.

1. The Forum views environmental/resource/ecological economics not as merely one more specialized sub-discipline within mainstream economics, but as a parallel paradigm. It is integrative across a number of intellectual disciplines, of which economics is but one. It seeks to bring the perspectives and analytical methods of economics to fields of investigation that are not usually the concern of economists. At the same time, however, its fundamental objectives and assumptions are not necessarily those of mainstream economics.
2. The conventional path of economic growth dictated by mainstream economic theory, as currently applied in South African economic policy setting, can lead to serious economic weaknesses/threats simply because conventional wisdom is oblivious to them. For example:
  - However well monetary and fiscal policy may be applied, the resultant steady economic growth will fail to affect the lives of many people who are excluded from the formal economy. The long-term economic growth of which this country appears capable will not be enough to produce either trickle-down effects or a tax base adequate to address the needs of these excluded people, who consequently face a future of continued poverty.
  - Both market signals and government interventions are failing to, or perhaps refuse to, take into account longer term environmental constraints and opportunities. Symptoms of this are the dependence of South Africa's major export industries for their competitiveness on large inputs of electricity with a high carbon content; the government's insistence until very recently on taking a 'developing country' stance in the global climate change, despite the fact

that the country's carbon footprint is that of a developed country; and South Africa's self-evident loss of past international comparative advantage coupled with a disturbing lack of any government policy to invest in the creation of new ones.

3. By exploring the interface between the environment and the economy, it may be possible to identify new supplemental areas of economic strengths/opportunities. For example:
  - Project funding opportunities may be available through explicitly environmentally-oriented international institutions such as the Clean Development Mechanism or the Global Environmental Facility.
  - South Africa may, as Costa Rica reportedly has done, be able to derive significant benefits from deliberate and strenuous efforts to develop an image as a 'green' country.
  - International comparative advantages appear to exist in small-scale agriculture and the products of South Africa's biodiversity.

Evidence that such opportunities do exist is provided by a number of the ATRIP and SEGA projects discussed above.

If themes of the kind that are suggested above are overlaid with the topics suggested for the Forum's annual conference that were listed earlier, to form a sort of matrix, it can be seen that they very quickly begin to filter those suggestions. Some of the suggested topics, while interesting and important in their own right, do not seem to be within the Forum's sphere of interest. For the other topics, the themes above suggest a particular way in which they should be addressed.

Introducing themes does, therefore, seem to hold promise as a means of focusing the Forum's activities, and this issue will be pursued further over the next few months.