



USAID | SOUTH AFRICA

FROM THE AMERICAN PEOPLE

SUPPORT FOR ECONOMIC GROWTH AND ANALYSIS II (SEGA II)

Fiscal Year End Progress Report

October 1, 2005 – September 30, 2006

GBTI Task Order No. 844
PCB-F-00-98-00017

October 31 2006

This publication was produced for review by the
United States Agency for International Development

SUPPORT FOR ECONOMIC GROWTH AND ANALYSIS II (SEGA II)

Fiscal Year End Report October 1, 2005 – September 30, 2006

DISCLAIMER

The views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

CONTENTS

Introduction.....	1
Achievements and Challenges	1
Technical Areas	2
TA 1: Strengthening the Impact of Pro-poor Programs (SIPP)	2
TA 2: Parliamentary training	4
TA 3: Microfinance policy reform.....	5
TA 4: Agriculture and land reform	6
TA 5: HIV/AIDS.....	7
TA 6: Regulatory reform (and smme policy)	9
TA 7: Environmental economics policy	9
TA 8: Intellectual property rights	9
TA 9: Support for higher education.....	9
TA 10: Complementary activities.....	10
Benchmarks.....	12
Deliverables	13
Annex A: Summary of Activities	15
Annex B: Profile of Consultants and Activities.....	20
Racial composition of consultants	20
Gender composition of consultants.....	20
Annex C: SEGA II employees and consultants	21

INTRODUCTION

The Support for Economic Growth and Analysis and Mandela Economics Scholars Program II (SEGA II) began on August 27, 2004 and continues through August 26, 2007. SEGA II has been designed to support the Economics Capacity Strategic Objective of the USAID South Africa results framework. This fiscal year end report for 2006 documents progress made towards achieving USAID's objectives for this program as reflected in the Statement of Work:

- Working with public sector agencies and civil society organizations to perform analyses that will improve the policy and regulatory environment; and contribute towards a reduction in poverty and unemployment within a supportive macro-economic environment.
- Working with these same institutions, and employing both formal and informal training mechanisms, to develop economic research and policy capacity in South Africa.
- Collaborate with other donors, in particular the UK's Department for International Development (DFID), in achieving these results.

ACHIEVEMENTS AND CHALLENGES

The SEGA II Project continues to have a marked impact on economic research and policy-making in South Africa. Since inception, the project has implemented 45 activities, engaged more than 150 experts, and provided training, technical assistance and policy analysis to a wide range of government departments and agencies. The project's main achievements of the last year are summarized below:

- SEGA II's research activities focus on pro-poor growth and policies and the project has been involved in the evaluation of most social expenditure programs implemented in South Africa. In this last year, we commissioned a demographic model to enable the Treasury to project the likely trajectory of various welfare grants up to 2015; completed a study that aims to improve the targeting and monitoring of the national school feeding scheme; delivered final research papers on the design of poverty lines and the use and abuse of disability grants; and undertook substantial analysis of poverty and vulnerability among poor and rural South Africans.
- With co-funding from PEPFAR, SEGA II provides important research support to the Department of Social Development on Orphans and Vulnerable Children (OVC) and to the Provincial Governments of the Free State and Gauteng. Three OVC-related studies were initiated this year and together they will provide Government with an improved understanding of the systems in place, in South Africa and internationally, to care for and monitor vulnerable children. The two provincial studies focus on the impact of

HIV/AIDS on occupational stress, staff burnout and turnover rates among nurses in some of South Africa's public hospitals.

- The project initiated a range of new work in the area of trade, industrial and SMME policy this year. This included the first ever comprehensive study of trade and poverty in South Africa, which involved 16 sub-components and about 20 different researchers. The results of this research have been disseminated widely. SEGA II has also provided extensive advice to the National Treasury on the costs and benefits of different kinds of industrial policy instruments and a technical adviser has been located in the Treasury to develop internal capacity in this area.
- SEGA/MESP and SEGA II enjoyed a long-standing relationship with Micro Finance Regulatory Council (MFRC) and assisted the MFRC in preparing for the new National Credit Bill and Act. In December 2005 this Bill was approved by Parliament and the new Act and National Credit Regulator came into force on 1 June 2006. With PRIME funding, the project will continue to play a key role in supporting the development and activities of the new regulator.

The greatest challenge experienced in the implementation of SEGA II has been the delays experienced in the official approval of proposed consultants. This is largely the result of the high number of local consultant contracted to SEGA II and the fact that most of these consultants earn above the USAID FSN pay-scale. A resolution to this problem has been agreed with the Contract Officer and this should contribute to a faster turn-around time and higher burn-rate in year 3. That said, delays experienced to date in the design and implementation of new activities will make it extremely difficult for SEGA II to spend all obligated funding by 27 August 2007 and the project team is currently preparing a request and justification for a short, no-cost extension.

TECHNICAL AREAS

While the SEGA II statement of work is diverse, it is clearly unified by its focus on capacity development and a strong orientation towards poverty and unemployment. It identifies 10 technical areas covering a wide range of issues and clients. In each area, activities have been designed to enhance the capacity of government, its regulators, NGO's and universities to design and implement economic policy in South Africa. This is to be achieved through policy research, technical advice and a variety of short and longer term training modules. Progress, by each technical area and activity, is described below and summarized in Annex A.

TA 1: STRENGTHENING THE IMPACT OF PRO-POOR PROGRAMS (SIPP)

SIPP is co-funded by DFID and was established to assist the National Treasury (NT) to incorporate pro-poor concerns into its tax and spending programs. Specific projects are identified by the Treasury and submitted to NT's research committee (a panel of four Deputy Director Generals) for approval.

The following SIPP projects have been implemented to date:

- a desktop analysis of the importance of the child support grant within different households and for household members and its possible impact on poverty alleviation (completed);
- a discussion paper on the calculation of poverty lines and the implication of different estimates for the measurement of poverty in South Africa (completed);
- a discussion and policy paper on the eligibility of people with chronic illnesses for disability grants (completed);
- a modelling workshop to assist the Government in planning, budgeting, and evaluating the economic impact of the World Cup 2010 soccer tournament (completed);
- the development of a demographic model to assist the National Treasury in projecting the long-term size and distribution of the government's major social grants (completed);
- a baseline study of the reach, targeting and effectiveness of the primary school nutrition program (completed);
- An extensive and qualitative analysis of the patterns and determinants of poverty and vulnerability in rural South Africa (to be completed end-2006).

As we enter the final year of SEGA II and SIPP, the Treasury has identified a number of new projects for possible implementation in 2006/07. This includes:

- a review of the costs and benefits of the different kinds of subsidies that can be used to support affordable housing and the experience of other countries;
- a survey of informal and formal small businesses to identify and quantify the main constraints to tax compliance (see Box 1);
- A range of research studies to evaluate different aspects of South Africa's current social safety net and recommend changes or improvements to it.

In addition, SEGA II has contributed a fixed amount of funding to a capacity building facility to enable National Treasury employees to participate in targeted economic training events in the USA and South Africa. Six employees have received financial assistance from this facility to undertake short-courses in the United States; nine received assistance to undertake short courses locally and the facility contributed towards the costs of the Treasury's representation at the CABRI (Collaborative Africa Budget Reform Initiative)¹ workshop in Mozambique.

¹ CABRI is a professional and autonomous network of senior government officials in ministries of finance *and* planning which aims to improve the efficacy of public finance management in Africa. The CABRI secretariat is located in the National Treasury of South Africa. For more detail see: <http://www.africa-sbo.org/cabri>

Box 1. A survey of tax compliance in South Africa

In 2005, the World Bank undertook a Sector Study of the Effective Tax Burden in South Africa. This study found that the effective tax burden on small business is high and one of the major contributing factors is the cost of tax compliance. In response, the National Treasury and SARS have asked SEGA II to fund a firm-level survey to further investigate the causes and cost of tax compliance among small businesses as well as propose legislative and administrative amendments.

The main objectives of this survey include:

- To improve the culture of compliance with business taxes in South Africa among small businesses.
- To identify the principle time and cost burdens on small businesses associated with registering for Income Tax, VAT and PAYE, the filing of returns for these taxes, access to SARS and penalties and interest.
- To establish a baseline against which future progress can be measured.

The survey will be divided into two components and will target two different samples. The first survey will focus on the formal sector i.e. businesses that are registered with SARS. These businesses are already experiencing the cost of compliance and the study aims to quantify the administrative cost of the three main taxes i.e. Income Tax, PAYE and VAT.

The second survey will focus on the informal sector i.e. businesses that are not incorporated and / or not registered with SARS. These businesses do not comply with tax administrative procedures but they do face other barriers to compliance, such as financial recordkeeping, perceptions about SARS and the expected implications of registering for tax. The extent to which these pose a barrier to entry to the formal economy will be tested in this survey.

TA 2: PARLIAMENTARY TRAINING

SEGA/MESP (implemented by Nathan Associates) provided extensive formal economic training to South African parliamentarians and this support was continued by SEGA II. In 2005, SEGA II provided financial assistance to 31 parliamentarians registered for Honours in Economics courses and to 15 parliamentarians undertaking a Diploma in Economic Policy. In 2006, SEGA II agreed to make a final financial contribution to enable the 13 parliamentarians that successfully concluded their 2005 exams to complete their Honours in Economics degree by December 2006.

TA 3: MICROFINANCE POLICY REFORM

SEGA II (with funding from PRIME) has a long-standing relationship with the Microfinance Regulatory Council (MFRC) of South Africa. Most recently, the project has assisted the MFRC in preparing for a new National Credit Bill and Act. In December 2005 this Bill was approved by Parliament and the new Act and National Credit Regulator (NCR) came into force on 1 June 2006 (See Box 2).

Current and future activities focus on the implementation of this legislation and the transformation of the responsible regulators. This includes:

- An evaluation of credit conditions and interest rates in different consumer credit markets.
- Identifying possible indicators that can be used by the NCR to evaluate and monitor levels of indebtedness in South Africa.
- Assistance with the establishment of the National Credit Register, from inception and design, through technical specification and testing to full operation.
- The design of appropriate policies and business procedures for various new divisions in the NCR.
- The implementation of a communications and stakeholder relations campaign for the NCR.
- The development of information booklets, explaining the objectives and implications of the new act for creditors, debt counsellors and consumers.
- The appointment of a specialist IT consultant to adapt and convert the MFRC's systems to comply with the new structure and needs of the NCR.

SEGA II has recently received requests from the NCR to assist in the training of magistrates to understand the terms and implications of the National Credit Act; and to help build capacity within the NCR through specialised training and visits to overseas regulators.

Box 2. The National Credit Regulator and the National Credit Act of 2006

The National Credit Act (The Act) came into effect on 1 June 2006. The purposes of The Act are to promote a fair, transparent, competitive, sustainable, responsible, efficient, effective and accessible credit market industry and to protect consumers by:

- promoting the development of a credit market especially for those who have historically been unable to access credit;
- ensuring consistent treatment of different credit products and credit providers;
- promoting responsibility and equity by balancing respective rights and responsibilities;
- addressing imbalances in negotiating power between consumers and credit providers.

In terms of The Act, The National Credit Regulator (NCR) has been established to carry out certain functions and to take responsibility for the monitoring of:

- credit availability, price and market conditions, conduct and trends;
- participation of historically disadvantaged persons in terms of availability, price ownership and control;
- market share and competition;
- trends for credit insurance, patterns of sale of credit insurance, costs of credit insurance, performance of credit insurers in meeting the obligations of consumers and loss ratios of insurers respect of credit insurance.

The NCR has also been tasked to conduct research into the nature and dynamics of the consumer credit market and review legislation and public regulation and make policy proposals.

TA 4: AGRICULTURE AND LAND REFORM

SEGA II has supported two large studies on land-related issues with funding from ESF.

Social Surveys and Nkuzi Development Association concluded their survey and analysis of land evictions in South Africa this year. The results were presented at a conference in Johannesburg in November. According to the survey, 4,183,427 people were displaced from farms over the last 21 years. Approximately 40% of those displaced were evictees. Women and children comprise 77% of all evictees (women 28% and children 49%) and are identified as most vulnerable. This work will contribute to the Department of Land Affairs's policy on land evictions and help Government to identify and assist the most vulnerable communities.

The Human Sciences Research Council together with the Programme for Land and Agrarian Affairs has been contracted to evaluate the interactions between land reform and rural development in South Africa. The main objective of this study is to clarify the economic case for redistributive land reform in the context of a rapidly changing agricultural economy. The two case study reports and an executive summary were completed this quarter and presented to the Treasury in July (see Box 3). There is some possibility that the Treasury will request that SEGA II fund additional case studies in another 2 provinces.

Box 3. The economic impact of land reform

The objective of this research project is to clarify the economic case for redistributive land reform. This is motivated by the perception that, notwithstanding progress in respect of land reform delivery and certain aspects of policy development, land reform is making little economic impact at the level of communities or indeed the country. And yet, the need for land reform appears as great as ever, especially in light of declining agricultural employment, which is undermining one of the main traditional sources of rural livelihoods.

The original scope for this study was to undertake four municipality-based case studies, more or less simultaneously, and then draw inferences from their commonalities and differences. The number four was deemed a 'good round number' (albeit arbitrary), enough to at least begin to capture the enormous diversity of agro-ecological and socio-economic contexts in which land reform has relevance. Unfortunately, funding constraints were such that only two of the four case studies have been conducted to date, namely those for Maluti-a-Phofung Local Municipality in the eastern Free State, and Theewaterskloof Local Municipality in the Western Cape

The overarching observation from the case studies is that, from a rural development perspective, land reform is presently having very limited impact. Ostensibly the reason is that the scale of land reform – even in areas which have seen a relatively large amount of it – is too limited, in particular in that it involves relatively few people. A second reason is that land reform projects tend to involve a de-intensification of land use. Thus although labour use on land reform land may be steady, it is far from the significant increase that is implicit in the passage from the RDP document quoted above.

One possible response is therefore to redouble efforts to give land reform beneficiaries a better chance at competing on equal terms with commercial farmers. There may be some opportunity for doing this, but presently the gap between beneficiaries and established commercial farmers is so vast, that it is not at all clear that this is a strategic route to pursue. At any rate, what can be said with some certainty is that land reform does not appear to have workable models according to which it can make the economic contribution it is meant to. The economic case for land reform remains highly problematic.

HSRC (2006), Rural Municipality case studies: land reform, farm employment and livelihoods, Summary Report.

TA 5: HIV/AIDS

South Africa has one of the fastest growing HIV/AIDS epidemics in the world. By 2001, the adult prevalence rate reached 20.1 percent with more than 5.0 million people infected and 50,000 new infections per month. It is now broadly accepted that this pandemic will have an adverse impact on the economy, leading to rising poverty and inequality, but many of the channels through which this will occur remain largely unexplored.

SEGA II tackles two broad areas of work on the economics of HIV/AIDS. Firstly, the program supports analysis of the impact of HIV/AIDS on the macro-economy and different industry sectors. A comprehensive macroeconomic analysis of the impact of HIV/Aids under alternative intervention scenarios was completed this year (with co-funding from DFID). See Box 4 for a summary of the methodology and results.

Secondly, SEGA II assists government in costing and monitoring the impact of HIV/AIDS on health care workers and the delivery of basic care and treatment to HIV/AIDS patients,

orphans and vulnerable children (OVC). A study on stress and burnout among professional nurses in the Free State Province is ongoing and work has begun on three new PEPFAR-funded projects that will contribute towards the development of a data system for OVCs in South Africa. This includes assistance to 6 NGOs involved in OVC work to enable them to present their 'stories' at a national OVC conference; a review of lessons learnt from previous studies and policy interventions in the area of OVC in South Africa and internationally; and an evaluation of existing government and non-governmental databases and systems to record OVCs in South Africa and select developing countries.

Box 4. The macroeconomic impact of HIV/AIDS under alternative intervention scenarios

This study aimed at projecting the macroeconomic impact of HIV/AIDS in South Africa under three model-based scenarios:

- No-AIDS
- AIDS with prevention programmes, but no ART programme
- AIDS with prevention programmes and a large scale ART programme with a take-up rate of 50%

The economic impact channels of the epidemic modelled in this analysis include the implications of slower growth in the population and labour force on the production and expenditure sides of the economy; direct costs to companies that provide employee benefits such as medical aid and death benefits; indirect costs related to increased absenteeism, lost experience and skills, higher recruitment and training costs and lower labour productivity; the impact of HIV/AIDS on the demand for health care and welfare spending by government and the economic effects of an increase in the number of funerals.

Having adopted a specific set of assumptions for each HIV/AIDS impact channel for each of the two AIDS scenarios, the macroeconomic effects of the different impact channels were simulated and analysed independently, after which all the impact channels were combined in the model for the final simulations. The results are presented in the form of comparisons between “no-AIDS”, “AIDS-no ART” and “AIDS – 50% ART” projections of key economic variables for the period 2000 to 2020.

The analysis suggests that GDP growth could be 0.46 percentage points lower on average per annum over the period 2000-2020 compared to what could have been achieved in the absence of HIV/AIDS. However, the provision of ART with a 50% uptake could reduce this impact by 17% to only 0.38 percentage points. The results also show that, on a macroeconomic level, the benefits of providing ART (in terms of economic growth “saved”) far outweigh the costs.

Whilst the magnitude of the impact on overall economic growth does not appear to be alarming, the macroeconomic projections may conceal more negative impacts on certain sectors of the economy. The analysis shows that the general government, water & electricity, mining, metals & machinery and electrical machinery sectors are relatively seriously exposed to both the supply side risk (i.e. high HIV prevalence and relatively high skills intensity) and demand side risk (stemming from the impact of HIV/AIDS on intermediate and final demand and exports). In contrast, sectors with low overall risk include community, social & personal services, clothing & textiles, agriculture and construction.

Bureau for Economic Research (2006)

TA 6: REGULATORY REFORM (AND SMME POLICY)

SEGA II has initiated discussions with the Presidency, the Department of Trade and Industry and the Provincial Government of Mpumalanga with a view to providing technical assistance and capacity building support in this area over the remainder of the contract. The focus of this assistance will be on the impact of crime, regulations and competition on small businesses. Already, a tender has been issued and awarded to identify policy and research gaps in this area in South Africa. Work on this activity has begun and will contribute to the development of a longer-term SMME research program with the Department of Trade and Industry.

TA 7: ENVIRONMENTAL ECONOMICS POLICY

There is unlikely to be any work in this TA over the duration of the project. SEGA II will continue to monitor developments in this area and will inform USAID if any prospective activities arise for future consideration.

TA 8: INTELLECTUAL PROPERTY RIGHTS

There is unlikely to be any work in this TA over the duration of the project. SEGA II will continue to monitor developments in this area and will inform USAID if any prospective activities arise for future consideration.

TA 9: SUPPORT FOR HIGHER EDUCATION

SEGA/MESP II provides foreign (MESP I) and local (MESP II) bursaries to South African economic students.

The four remaining MESP I students who are completing PhDs in Economics through the Universities of Rhode Island, Michigan State, Massachusetts and Colorado submitted their theses and returned to South Africa this year. One of these students successfully defended his thesis in September 2006 and the other three are planning to defend soon.

The last intake of MESP II students is located at the Universities of Stellenbosch, Kwa-Zulu Natal (UKZN) and Cape Town (UCT). Most of these students (23) completed their course work in 2005 and were awarded a supplementary bursary to write up their theses. Seven of these students have completed and passed their theses and the remaining 16 scholars are expected to submit their theses by the end of this quarter and graduate in December 2006. An additional two students are currently completing their course work at the University of Stellenbosch and are also expected to graduate in December 2006.

SEGA/MESP supported the University of the Western Cape as a 'Centre of Economic Excellence (CEE)'. Funding for this activity ended in the second quarter of this financial year.

TA 10: COMPLEMENTARY ACTIVITIES

The above technical areas cover most of the key aspects of poverty and unemployment in South Africa, but not all. Notable exceptions include private sector issues and the impact of globalization on trade, investment, employment and the poor.

SEGA II has worked with South Africa's largest trade union federation (COSATU) to assist them in developing a research proposal to understand the impact of trade reform on the poor. DFID and the DTI contributed significant funding to this project, which included 16 sub-components and about 20 different researchers. The research work is complete and the results have been presented to COSATU and DTI and disseminated widely (see Box 5).

To assist private sector development, SEGA II is providing ongoing advice to the National Treasury on the costs and benefits of different kinds of industrial policy instruments. This includes a review of sector specific interventions as well as proposals on a number of cross-cutting economic constraints. A final paper by Frank Flatters and Matthew Stern has been delivered to the Treasury. This activity was co-funded by USAID/RCSA in Botswana. An indicator of the value placed on this analysis is the fact that the South African National Treasury has retained Frank Flatter's services as a policy and capacity building advisor within the economic policy division of National Treasury for the remainder of the contract.

Finally, SEGA II continues to enhance economic capacity within and beyond Government through focused short-term assistance and training. In this year, SEGA II provided funding to the Southern African Tax Institute (SATI) to assist them in funding the 2006 SATI Winter Tax Program, a course designed to enhance the skills of senior public officials from national, regional or local treasuries and revenue agencies.

Box 5. Disseminating the results of the South African Trade and Poverty Research Project

The Trade and Poverty research project managed by the Southern African Labour and Development Research Unit (SALDRU) and SEGA II was completed this year. Funding for the project was provided by the Department for International Development (through the Trade and Industrial Policy Strategies and the Regional Trade Facilitation Programme, RTFP), USAID and the Department of Trade and Industry. The Congress of South African Trade Unions (COSATU) participated in the Project Reference Group.

The project includes a number of studies that explore various linkages through which trade reform affects prices, consumption, production, and employment. These studies fall under 5 broad sections:

1. Review of trade liberalisation and poverty in South Africa
2. Industry level analysis of trade, enterprise production and employment
3. Household level analysis of trade and poverty
4. Sector specific analysis and case studies
5. Policy simulations

A key part of the project has been the dissemination of the research. Papers have been presented at workshops and conferences and some of the results have appeared in newspaper articles. This includes:

- Trade and Poverty Reference Group meeting on 4th November 2005 in Midrand.
- "Trade-induced technological change and labour demand in South Africa: A dynamic panel analysis." Paper presented at the African Econometrics Society 10th Annual conference, Nairobi, July 2005
- Papers presented at the TIPS Annual Forum in Johannesburg (30 Nov - 1 Dec 2005)
 - o "The Benefit-Incidence of Tariff Liberalisation in South Africa", R. Daniels and L. Edwards
 - o "Trade and Poverty in South Africa: Trade sector employment and vulnerability" by Kalie Pauw, Murray Leibbrandt, Sten Diederik and Lawrence Edwards
- "Trade and Poverty: A Case Study of the SA Clothing Industry" by Christi van der Westhuizen
- Centre for Social Science Research (CSSR) seminar on 11-08-2005
- "Has South Africa Liberalised its Trade?" by Lawrence Edwards has been published in the South African Journal of Economics, 2005, vol 73, 4: 754-775.
- Open presentation of all project papers, DTI, 7 April 2006.
- 7 August 2006, Business Day: How trade reform has contributed to a more productive South Africa (see <http://www.dnafrika.com/geekonomics.html>)
- "Trade and Poverty Research Project in SA", SALDRU Seminar series, 11 Oct 2006.
- Papers presented at the TIPS Annual Forum in Johannesburg (October 2006)
 - o "Trade and Poverty Research Project in SA: Key lessons and policy recommendations", L. Edwards and M. Stern.
 - o James Thurlow

An overview of the projects and its main results will form a chapter in the forthcoming review of South African Trade Policy, to be published by TIPS. The papers will also be published in a special edition of the Journal of Studies in Economics and Econometrics in August 2007.

All papers are available from the project web site: http://www.saldru.uct.ac.za/saldru_trade&poverty.html.

BENCHMARKS

The following table provides a summary of the key objectives and results for SEGA II. Existing targets, taken from the Performance Monitoring Plan for USAID/South Africa's Economics Capacity Building Strategic Objective, have been added to show the contribution of SEGA II and to facilitate USAID monitoring of the progress of the project.

	Objectives	2005 (Aug-27-2004 to Aug-26-2005)		2006: Quarter 4	
		<i>Anticipated results</i>	<i>Proposed Targets</i>	<i>Cumulative Performance</i>	<i>Comment</i>
Sustainable capacity-building	Strengthen human resources in economics and policy	Number of historically disadvantaged people completing long term advanced degrees and placed in jobs as economists	N/A	N/A	MESP ended
		Number of people selected for training	N/A	N/A	MESP ended
		Gender Equity – percent women trained	N/A	N/A	MESP ended
		Proportion of graduates working for government	N/A	N/A	MESP ended
	Strengthen centres of economic excellence in teaching and research at historically disadvantaged universities.	Full-time equivalent students	N/A	N/A	Program ended
		Outreach programs with govt, Parl., bus., NGOs	N/A	N/A	Program ended
Assessments and analyses	Strengthen government departments that deal with policy matters.	Number of directorates strengthened	5	20	
		Number of quality policy studies completed	30	32	
		People in economics training	200	59	
		Gender Equity – Women in Training	40%	31%	18 / 59
	Strengthen think tanks to formulate and deal with economic policy options.	Number of quality studies produced	10	31	
		Number of seminar, conferences, and workshops attended by think tanks.	8	12	
		Black professionals working on assisted activities	20	14	
		Gender equity – professional women working on assisted activities	12	14	

It is important to recognise that the indicators and targets applied above were developed to monitor the performance of the SEGA/MESP (Nathan Associates) contract and are not all reflective of type and scale of work done by SEGA II. In the absence of a more accurate and appropriate PMP, SEGA II will continue to report against these indicators.

DELIVERABLES

The following deliverables were prepared during the period October 1, 2005 – September 30, 2006.

Technical Area	Activity	Date	Document title, type
Quarter 1			
SIPP	Land based vulnerability, labour markets and social protection	November 2005	Treasury 2005 12 livelihoods and vulnerability.ppt Treasury 2005 12 approach.ppt
MFRC	Long term advisor on Microfinance Policy	December 2005	MFRC deliverables 01 2006.doc
Land reform	Evictions – national survey	October 2005	Summary of Key findings for Confl.doc
HIV/AIDS	Impact of HIV/AIDS on Health Care Workers	1 November 2005	Final report on impact of HIV AIDS on Healthcare Workers.doc
HIV/AIDS	HIV/Aids and Poverty Workshop		AIDS-Poverty Workshop Programme.doc
Higher education	MESP 1	December 2005	Report 2005 MESP 1 Reporting.doc
Higher education	MESP 2	November 2005	TIPS Conference Programme.doc List of MESP II Students.doc
Complementary	Industrial Policy and Incentives	2 November 2005	Final report on the Economics of the MIDP.doc TIPS/NEDLAC Presentation on the Economics of MIDP.ppt
Complementary	N / A (Treasury Training - Prinsloo)		Report on the Capital Markets Course.doc
Quarter 2			
SIPP	Social grants projections	May 2006	Socialgrants.doc
SIPP	Poverty line	February 2006	Povertyline.doc
SIPP	Disability grants	January 2006	NatrassFinal.doc (embargoed)
Land reform	Rural municipality case studies	January 2006	Scoping report on Maluti-a-Phofung.doc WC Scoping report Jan 2006.doc
HIV/AIDS	Home and Community Based Care (HCBC)	January 2006	Phase II HCBC Costs Drat Report.doc

HIV/AIDS	Impact of HIV/AIDS on Health Care Workers	February 2006	Final Prevalence Survey Public Sector Toolkit.doc
HIV/AIDS	Health Economics Roundtable	February 2006	Workshop
Higher education	MESP 1 and 2	March 2006	MESP Quarterly Report Jan-Mar 06.doc
Complementary	N / A (Direct cost - COP)	March 2006	SACU Final.doc
Complementary	Industrial Policy and Incentives	February 2006	Industrial Policy Draft.doc (embargoed)
Complementary	Trade and Poverty	March 2006	Trade and Poverty Mar 06.doc
Quarter 3			
SIPP	Social grants projections	May 2006	Socialgrants.doc
SIPP	Primary School Nutrition Program	June 2006	NSNP_Report1_Targeting.doc NSNP_Report2_Evaluation.doc NSNP_Report3_Sampling.doc
Complementary	Trade and poverty	May 2006	Wheat final May.doc
HIV/AIDS	Macroeconomic impact study	April 2006	BER Macro Impact of HIV AIDS.doc
Complementary	Southern African Tax Institute (SATI)	June 2006	SATI 2006 Brochure.doc
Quarter 4			
HIV/AIDS	OVC - Media Stories and Documentary		Report and five power point presentations
Land Reform	Rural municipality case studies	July 31 2006	Executive Summary Maluti-a-Pfofung Case Study Theewaterskloof Case Study Referee report
Complementary	Trade and poverty	Sep 2006	15 Final papers (See Trade and poverty project in South Africa – Contents.doc)

ANNEX A: SUMMARY OF ACTIVITIES

Project	Description	Objective	Indicative Budget \$	Status
<i>TA1: Strengthening the Impact of Pro-poor Programs (SIPP)</i>				
Intra-household dynamics in resource allocation	Analysis of the flows of social grants to different types of households and the impact of these grants on household members	To evaluate the allocation and effectiveness of social grants	30 000	Completed
Poverty line	Review of methodologies for calculation of poverty lines and the implications of different estimations for the measurement of poverty in South Africa	To assist Government in the determination of an appropriate measure	15 000	Completed
CGE Micro-simulation	Technical assistance to National Treasury modelling unit	To assist NT in the development of a CGE Micro-simulation model	75 000	Initial TA completed
Land-based vulnerability, labour markets and social protection	Analysis of the patterns and determinants of vulnerability and food security in rural South Africa; and a review of government policies in these areas	To recommend new and better policies	295 000	Approved and work has begun Interim report received
Primary School Nutrition Program	Baseline study and evaluation of the reach and effectiveness of the government's school feeding scheme	To provide baseline data for future M&E	175 000	Completed
Social grants projections	Examination of population dynamics and the likely evolution of the economic position of welfare beneficiaries	To estimate the cost and improve targeting of social grants	80 000	Completed
Rural municipality case studies	Analysis of the economic impact of land reform projects in four pilot sites.	To clarify the economic case for land reform	200 000	Interim reports received
Economic Analysis	Work with NT officials to develop analytical spreadsheets, develop a set of tools to evaluate policies	Capacity Building economic analytical skills with NT officials	240 000	In progress
FIFA Workshop	Workshop to assist NT to evaluate the potential economic impact and plan an econometric modelling the 2010 World Cup.	To engage world experts to present and advise the NT modelling unit.	10 000	Completed
Disability Grants	An informative policy issue paper which addresses problems between chronic illnesses and disability grants	To develop an options discussion paper	11 000	Completed
Housing Tax Incentives	A desk top study and workshop with international experts on incentives to boost housing supply, with a particular focus on the experience and appropriateness of different kinds of housing subsidies and support in other middle-income countries	To document and evaluate housing finance support programmes.	41 000	Pending approval

Project	Description	Objective	Indicative Budget \$	Status
BEE Review	Documentation and evaluation of main BEE expenditure programmes initiated by national government documents that form part of the economic cluster.	To understand similarities, synergies, and areas of cooperation and duplication.	41 000	In Progress
SMME Tax Compliance	This survey will assist the Tax Policy Unit, as well as SARS in the comprehensive review of fiscal and tax compliance costs impacting small businesses operating in both the formal and informal sectors.	To assist the Tax Policy Unit to develop strategic input to policy formulation.	300 000	Pending Approval
Poverty Reduction and Social Security	Analyses of various models for social security benefit schemes: UIF, Retirement, Workman's Compensation, death, disability and survivor benefits.	To assist NT and DSD to develop strategic input to policy formulation	500 000	Pending Approval
Reference Panel	A technical and policy review of completed SIPP projects.	To critique research completed for NT.	75 000	In Progress
<i>TA2: Parliamentary training</i>				
Parliamentary training	Formal economic training and support to Parliamentarians, especially the Budget Committee.	To improve economic knowledge and capacity in Parliament	150 000	Final instalment to be paid for second semester 2006
<i>TA3: Microfinance policy reform</i>				
Consumer Credit Act	Evaluation of credit conditions and interest rates in different consumer credit markets	To recommend methodology for determination of interest rate ceilings	60 000	Approved and work has begun
Long-term adviser on Microfinance Policy	Design and implementation of National Credit Regulator (NCR) and development of framework for credit providers	To assist in the design of a regulatory regime for the NCR	100 000	Completed
Consumer Education and Awareness	A marketing and research organization will develop easily comprehensible booklets to education debt counsellors and creditors on the new Act.	To develop appropriate marketing materials.	70 000	In Progress
Feasibility and Design of the National Credit Register	This economist will design the Register in compliance with governance obligations, design the framework, manage the initial stages while training NCR staff to implement	To guide NCR staff through the establishment of the Register.	135 000	In Progress
Communications Advisor	Communications expert is initiating stakeholder relations and developing a campaign for the NCR	To implement a corporate communications strategy.	82 000	In Progress

Project	Description	Objective	Indicative Budget \$	Status
Policies and Procedures	After analyzing current procedures, new policies and business procedures will be instituted to reflect the new organization needed to regulate the credit market.	To establish new and more appropriate policies and business procedures.	191 000	In Progress
IT Technical Assistance	Check and Assist specifications for system, arrange feedback between users, evaluate and test system	To support the IT Infrastructure as the MFRC transforms in NCR	70 000	In Progress
<i>TA4: Agriculture and land reform</i>				
Evictions - national survey	National survey of incidence and socio-economic impact of farm evictions	To inform policy on land evictions and highlight vulnerable communities	150 000	Completed
<i>TA5: HIV/AIDS</i>				
Home and Community Based Care (HCBC)	Assessment of characteristics, cost and efficiency of different HCBC models	To recommend appropriate models for scaling up HCBC programs	190 000	Completed
Impact of HIV/AIDS on health care workers	Analysis of the prevalence of HIV/AIDS amongst professional nurses its impact on attrition and productivity	To assist in human resource development and planning	85 000	Completed
Macroeconomic impact study	Evaluation of the economic impact of HIV/AIDS, by sector	To demonstrate the economic cost of HIV/AIDS	20 000	Completed
SA Journal of Economics	Publication of special edition focusing on the economics of HIV/AIDS	To publicize research in this area	20 000	Completed
HIV/AIDS and Poverty Workshop	Conference on the relationship between HIV/AIDS and poverty	To improve data and research on HIV/AIDS	20 000	Completed
Health Economics Roundtable	Forum for health economists to present research and identify research priorities.	To improve research coordination and collaboration	10 000	Completed
Roll-out of ARV treatment in the Free State Province	Monitoring and evaluation of the roll-out of ARV treatment at specific pilot sites	To highlight progress and obstacles to ARV roll-out	150 000	In Progress
OVC –Media Stories and Documentary	Help NGOs caring for OVCs to reflect on their own experiences and document lessons learned; prepare a short documentary film of one selected site	To assist OVC organizations to prepare presentations for conference	35 000	Completed
OVC – Lessons	Review of research done, policies in	To assist DSD in	35 000	In Progress

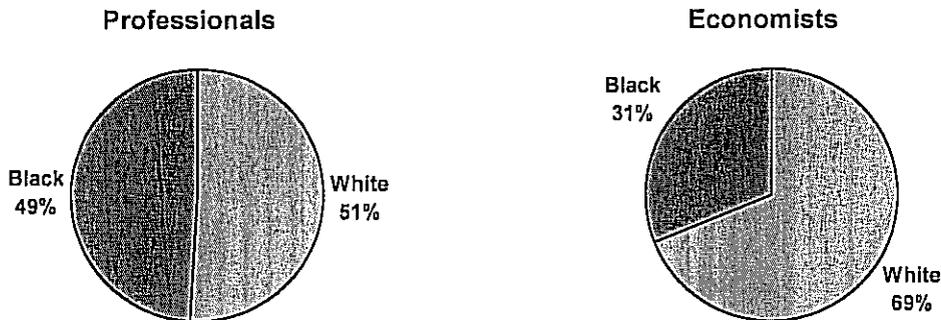
Project	Description	Objective	Indicative Budget \$	Status
learnt	place and interventions implemented on OVCs in Southern Africa	development of an OVC data system		
OVC – Data systems	Review information on OVC data systems established in South Africa and internationally	To assist DSD in development of an OVC data system	90 000	In Progress
Effective Intervention for OVC	This research will involve all PEPFAR OVC partners to identify the program models, cost them accordingly, and evaluate the outcomes.	To determine best practices for providing services to OVC	300 000	Pending selection and approval
<i>TA9: Support for higher education</i>				
MESP 1	Provision of bursaries and support to South African students to undertake post-graduate studies in the USA	To facilitate post-graduate education in economics amongst historically disadvantaged students	100 000	To end late-06
MESP 2	Provision of bursaries and support to select academic departments and courses	To facilitate post-graduate education in economics amongst historically disadvantaged students	130 000	To end mid-06
UWC / Centre of Economic Excellence (CEE)	Financial support and assistance to the economics department at UWC	To develop and sustain a CEE at UWC	35 000	To end Mid-06
Placements and internships	Assistance to MESP graduates in finding employment in Government departments or agencies	To help graduates find permanent and appropriate employment	10 000	Ended Dec 05
<i>TA10: Complementary activities</i>				
Development through trade	Provision of support to South African Institute of International Affairs' (SAIIA) trade research and advocacy program	To inform policy makers and business leaders on trade policy developments	35 000	Completed
Trade training for union leadership	Facilitation of two workshops on trade theory and policy for union leadership	To inform union members and leaders on trade policy developments	50 000	Completed
Southern Africa Tax Institute (SATI)	Support to SATI training courses	To enhance tax knowledge amongst policy makers	10 000	Completed
Industrial policy and incentives	Analysis of the relative impact of investment incentives and other	To inform policy makers on	60 000	Completed

Project	Description	Objective	Indicative Budget \$	Status
	industrial policy initiatives	industrial policy		
Trade and poverty	Various household and case study analyses of the relationship between trade and poverty	To understand the way in which trade impacts upon poverty in SA.	50 000	Completed
SMME Literature and Policy Review	Perform a desktop scan of available literature of studies on small business in S.A. and identify gaps.	To assist DTI to develop strategic input to policy formulation.	70 000	In progress
National Income Dynamics Survey (NIDS)	Experts to provide technical assistance and guidance to the project team for the first year of the NIDS survey.	To provide oversight of the NIDS project.	100 000	Pending approval
NIDS Qualitative Study	Qualitative study to provide a deeper understanding of the data collected for the NIDS Survey	To augment the NIDS survey and build credibility to support the data.	100 000	Pending

ANNEX B: PROFILE OF CONSULTANTS AND ACTIVITIES

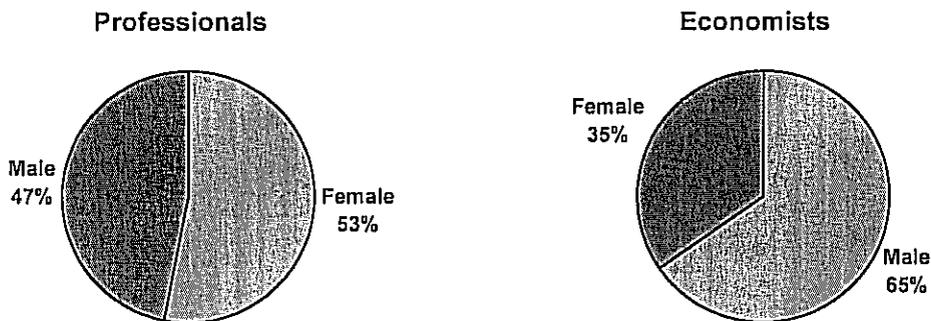
RACIAL COMPOSITION OF CONSULTANTS

There has been an increase in the participation of historically disadvantaged individuals on assisted activities. The figures below provide a racial breakdown of the professional consultants (i.e. this does not include support staff) employed by SEGA II. In total, there are 67 black professionals contracted to SEGA II, of which 14 are economists. For more details on all consultants contracted by SEGA II please see Appendix C.



GENDER COMPOSITION OF CONSULTANTS

The figures below show the gender breakdown of all professional consultants contracted to SEGA II. Although a fair proportion of professional consultants are female, the majority of economists on the project are male.



ANNEX C: SEGA II EMPLOYEES AND CONSULTANTS

Activity	Names	Gender and (Race)	Profession
SEGAII	Faith Mamba Tamarie Magaisa Rebecca Rishty Matthew Stern Louis Van Der Merwe Judy Ward David King	F (B) F (B) F (W) M (W) F (W) F (W) M (W)	Economist Other Other Economist Other Other Economist
A/O # 3 CGE	Channing Arndt	M (W)	Economist
A/O # 4 JEAPP-Wits Home Community Based Care	Krishnaveni Naidoo Katherine Naidu Sydney Rosen Robyn Mayer Veni Naidu Nick Moodley Illona Budiscak	F (B) F (B) F (W) F (W) F (B) M (B) F (W)	Economist Other Other Other Economist Other Other
A/O # 6 Investment Policy and incentives	Frank Flatters	M (W)	Economist
A/O # 7 Microfinance policy- Consumer credit	Ian Manning Victoria Chick Alice De Jonge	M (W) F (W) F (W)	Economist Economist Economist
A/O # 9 Social Survey/ Nkuzi Land Eviction	Paul Nesara Pridence Ditlopo Vuyokazi Ngamangxa Collet Ngwane Hangwani Tshikale Bev Russel Irma Grungdling Nompumelelo Motha Eric Enea Mauwane Tshegofatso Patience Mkhale Barbara	M (B) F (B) F (B) F (B) F (B) F (W) F (W) F (B) M(B) M (B) F (B)	Other Other Other Other Other Other Other Other Other Other Other
A/O # 10 Vulnerability, labour markets and social protection	Munyaradzi Saruchera Thokozani Bici Xakathile Dubela Andries Du Toit David Neves Lulekwa Gqiba Andrew Fisher Sibongile Mtimi Zulko Ndamane	M (B) F (B) F (B) M (W) M (W) M (B) M (W) F (B) F (B)	Other Other Other Economist Other Other Other Other Other
A/O # 11 FADTRU	Felicia De Jager Warren Manuel	F (B) M (B)	Other Other
A/O # 12 Social Grants	Charles Simkins Ingrid Woolard	M (W) F (W)	Economist Economist
A/O # 13 MFRC- Technical Advisor	Nicola Jentszsch	F (W)	Economist

A/O # 14 Economic Growth-Fiscal	James Nkoane Sumatee Gajjar Duncan Pieterse	M (B) F (B) M (B)	Economist Economist Economist
A/O # 14 Economic Growth-Macro	Eric Schaling	M (W)	Economist
A/O # 14 Economic Growth-Agriculture	Hilton Zunckel	M (W)	Economist
A/O # 14 Economic Growth-Trade	Peter Draper Philip Alves	M (W) M (W)	Economist Economist
A/O# 15 Wits Health Research Unit-impact of HIV/AIDS on Health care workers	Josephine Tsotetsi Daniela Connelly Mary Bachman Susan Roberts Anne Jordan	F (B) F (W) F (W) F (W) F (B)	Other Other Other Other Other
A/O # 17 DPRU- School Nutrition Program	Prunishka Naidoo Murray Leibrandt Matthew Welch Haroon Bhorat Martin Wittenberg Summya Goga Charles Simkins Laura Poswell Demetre Labadarios	M (B) M (W) M (W) M (B) M (W) F (B) M (W) F (W) M (W)	Economist Economist Economist Economist Economist Economist Economist Economist Economist
A/O # 18 HSRC-Rural Land Studies	Percy Moleke Karin Kleinbooi Anne Eveleth Michael Aliber Edward Lahiff Stephen Greenberg	F (B) F (B) F (W) M (W) M (B) M (W)	Economist Other Other Economist Economist Other
A/O # 19 EPRI-Parliamentary training	Syed Huda Nayeemul Peter Jacobs Ingrid Van Niekerk Michael Samson Kenneth MacQueen	M (B) M (B) F (W) M (W) M (B)	Economist Economist Economist Economist Economist
A/O # 20 BER-Sector Impact of HIV/AIDS	Benjamin Smit Peter Laubscher Linnette Ellis	M (W) M (W) F (W)	Economist Economist Economist
A/O # 21 Trade and Poverty	Stephen Hobson Reza Daniels Niki Cantaneo Nnzeni Netshitomboni Taz Chaponda	M (W) M (B) F (W) M (B) M (B)	Economist Other Other Other Economist
A/O # 22 Solidarity Conference	Neha Misra Juliette Lenoir Margaret Johnson	F (W) F (W) F (W)	Other Other Other
A/O # 26 ARV – UFS	Michelle Engelbrecht Ega van Rensburg Shirley du Plooy Nandi Jacobs Isabel Hlengiwe Hlope Joy Summerton Chantel de Reuck	F (W) F (W) F (W) F (B) F (B) F (B) F (B) M (W)	Other Other Other Other Other Other Other Other

	Hendrik Janse Van Rensburg Henrietta van den Berg Conrad Bester Eddie Rasoeu Anja Pienaar	F (W) M (W) M (B) F (W)	Other Other Other Other
A/O # 29 Chronic Illness	Nicoli Natrass	F (W)	Economist
A/O# 30 Poverty Line	Ingrid Woolard	F (W)	Economist
A/O # 32 MFRC IT - MILRAS	Zaaimon Stander	M (W)	Other
A/O # 34 OVC Media Stories	Vuyiswa Mathambo Linda Richter Gerard Boyce	F (B) F (W) M (B)	Other Other Other
A/O# 35 OVC Data Systems	Phillip Joseph Sharmila Rama	M (W) F (B)	Other Other
A/O # 36 OVC Lessons Learnt	Gill Schierhout Nhlanhla Nxumalo Billie Jean Niewenhuys Marcela Ospina Salcedo	F (W) M (B) F (W) F (W)	Other Other Other Other
A/O # 38 MFRC – RUDO	Thabo Khanye Portia Sekati	M (B) F (B)	Other Other
A/O # 39 NCR Technical Advisor	Tracy van den Heijden	F (W)	Economist
A/O # 40 Reference Panel	Gary Ender David Deal Kadaba Srinath Johnny Blair Linda Piccinino	M (W) M (W) M (B) M (B) F (W)	Economist Other Other Other Other
A/O # 41 SMME – DTI	Christopher Rogerson	M (W)	Economist
A/O # 42 Yarona	Willy Huma Hector Makhubele Thando Qamarana Magauta Seemela Letta Kgomongwe Cyprian Ntanda Thepa Segofatso Tshenelo Masoleng Adrian Carstens Stanley Maake Patrick Molepo Modirapula Mampe	M (B) M (B) F (B) F (B) F (B) M (B) M (B) M (B) M (W) M (B) M (B) F (B)	Other Other Other Other Other Other Other Other Other Other Other Other
A/O # 43 Communication – Bertha	Bertha Dlamini	F (B)	Other
A/O # 44 BEE Review	Khehla Shubane Colin Reddy	M (B) M (B)	Other Other