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COUNTRY DEVELOPMENT COOPERATION STRATEGY

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Executive Summary

As the largest economy on the African continent, a model for peaceful post-conflict transition, a stable democracy, and as the vanguard in addressing HIV and AIDS, South Africa serves as an example for many African countries. However, to ensure its continued success, the Government of South Africa (GoSA) recognizes that it must address its internal challenges. The nation seeks to solve the most persistent of development challenges such as income inequality, delivery systems struggling to cope with an increasing number of needs, and growing vulnerable populations. Furthermore, South Africa must do this while reconciling and reforming post-Apartheid government systems to make them more accountable and effective.[1] The rest of the African continent bears witness to South Africa's transformation and can learn from its proven successful practices.

Accordingly, South Africa's partnership with the United States is central to U.S. efforts in Africa. The "U.S. Strategy Toward Sub-Saharan Africa" released in June 2012 articulated the focus of United States Government (USG) efforts in Sub-Saharan Africa, stating:

Given the growing strategic importance of sub-Saharan Africa to the United States, over the next 5 years we will elevate our focus on and dedicate greater effort to strengthening democratic institutions and spurring economic growth, trade, and investment, while continuing to pursue other objectives on the continent.[2]

These areas of focus complement South Africa's National Development Plan (NDP) – Vision 2030. The NDP summarizes South Africa's challenges and opportunities, and provides a vision for the future. As it articulates:

South Africa has the potential and capacity to eliminate poverty and reduce inequality over the next two decades. This requires a new approach – one that moves from a passive citizenry receiving services from the state to one that systematically includes the socially and economically excluded, where people are active champions of their own development, and where government works effectively to develop people's capabilities to lead the lives they desire.[3]

USG development efforts must occur in partnership with the GoSA, and as such, USG assistance strives to further South Africa's development goals and, to the fullest extent possible, support South Africa's core development priorities and chosen development path.[4] Furthermore, USG assistance efforts support the GoSA's Presidential Outcomes, which are "… designed to ensure that government is focused on achieving the expected real improvements in the life of all South Africans."[5]

USG assistance must consider the role that Official Development Assistance (ODA) plays in South Africa. In comparison to the size of the South African economy, ODA is a very limited resource, amounting to less than 1 percent of the national budget. The GoSA's ODA principles state that the true

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[1] National Planning Commission. (2012). *National Development Plan 2030: Our Future – make it work*, pgs. 3-4.
[2] The White House, June 2012. *U.S. Strategy Toward Sub-Saharan Africa.* http://www.whitehouse.gov/sites/default/files/docs/africa_strategy_2.pdf
[3] National Planning Commission. (2012). *National Development Plan 2030: Our Future – make it work*, pgs. 1-2.
[4] National Treasury, Government of South Africa. *Policy Framework And Procedural Guidelines For The Management Of Official Development Assistance: 1st Edition*, October 2003.
[5] Office of the Presidency. 27 May 2010. *Guide to the Outcomes Approach*, p. 9. http://www.thepresidency.gov.za/dpme/docs/guideline.pdf

value of ODA in South Africa is realized when it is able to provide solutions and tools that enable the country to use its own resources more effectively. ODA is used to support new and more effective ways of implementing government policies and priorities for poverty reduction. Hence, USAID/South Africa's (USAID/SA) strategy focuses ODA to assist in developing South African capacity to address its critical needs, and its capability to spearhead new and more effective approaches for enhancing service delivery. Emphasis is placed on the quality of ODA rather than the mere quantity of ODA.

USAID's development priorities are best served by assisting the country to address its internal challenges and thereby reinforcing South Africa's leadership role. USAID's primary development goal of the Country Development Cooperation Strategy (CDCS) in South Africa over the next five years is **South Africa's continued transformation into an equitable, effective, and exemplary nation.** This can be achieved through the concentration of resources on the attainment of the following three development objectives:

1. Health outcomes for South Africans improved;
2. South African resource effectiveness advanced in targeted sectors; and
3. South African impact on African development enhanced.

Furthermore, given the importance of South Africa as the paramount driver of growth in the region, the bilateral CDCS reinforces the goal of the USAID/Southern Africa Regional Development Cooperation Strategy (RDCS) – "A more integrated region for an improved quality of life for Southern Africans".

Development Objective 1: Health outcomes for South Africans improved

DO 1 hypothesizes that if HIV and TB infections are reduced, sustainability and effectiveness of HIV and TB response systems increased, and care and treatment of vulnerable populations improved, then health outcomes of South Africans will improve.

South Africa has the largest HIV and AIDS epidemic in the world with approximately 5.7 million people living with HIV. According to WHO estimates, it also ranks third in the world in terms of its TB burden. The high rates of co-infection lead to further expansion of the epidemics and complicate treatment and care of patients. Furthermore, the socio-economic impact of HIV and AIDS in South Africa is significant. Educational outcomes are adversely affected by HIV and AIDS causing "… disruptions in schools because teachers are affected by HIV and AIDS and children living in households affected by HIV and AIDS may face obstacles or disadvantages in accessing education."[6] HIV and AIDS create instability in employment, and are thus a persistent drag on the economy and overall South African development goals in both the short- and mid-term.

The *Partnership Framework in Support of South Africa's National HIV and AIDS and TB Response (2012/13 – 2016/17) (PF)* was signed by the South African Minister of International Relations and Cooperation and the United States Secretary of State on December 10, 2010. The goal and objectives of the PF are to prevent new HIV and TB infections; increase life expectancy and improve the quality of life for people living with and affected by HIV and TB; and strengthen the effectiveness of the HIV and TB response system[7]. The PF commits the GoSA and USG to the following principles: South African leadership; alignment; sustainability; innovation and responsiveness to the epidemics; mutual accountability; multi-

[6] Lule, Elizabeth and Markus Haacker, "The Fiscal Dimension of HIV and AIDS in Botswana, South Africa, Swaziland, and Uganda", World Bank: Washington, D.C., 2012, p.122.
[7] GoSA-USG Design Team, "GoSA-USG Partnership Framework to support the implementation of the HIV & AIDS and TB response (2012-2017)", December 2010, p 9.

sectoral engagement and participation; gender sensitivity; financial commitments and transparency; and finally, fostering a collaborative and not contractual partnership. The PF Implementation Plan (PFIP) forms the roadmap for the implementation of these principles and is guided by the South Africa National Strategic Plan (NSP) for HIV, STIs and TB 2012 – 2016. USAID, through funding from the President's Emergency Plan for AIDS Relief (PEPFAR), supports the PFIP.

USAID/SA is aligned under the above mentioned guiding documents and USAID's Global Health Initiative strategy, as it seeks to reduce the number of HIV and TB infections, to increase the sustainability of effective HIV and TB response systems, and to improve the care and treatment of vulnerable populations. HIV and TB infections are expected to be reduced through targeted prevention activities (i.e., community based behavior change activities, bio-medical prevention such as Medical Male Circumcision (MMC), and including prevention of gender-based violence (GBV) activities). Additionally, the increased sustainability of effective HIV & TB response systems is expected to be achieved through support to activities that strengthen the public health system. The improvement in the care and treatment of vulnerable populations will serve both marginalized groups and those without access to or capacity to demand services.

Development Objective 2: South African resource effectiveness advanced in targeted sectors

DO 2 hypothesizes that if South Africa's democratic governance and accountability is strengthened, evidence-based policies and practices for sustainable growth are promoted, education innovations for improving literacy are piloted and tested, and South Africa's transition to a low-emissions economy is promoted, then South Africa's resource effectiveness in targeted sectors will be advanced.

USAID/SA's resources are modest compared to the size of South Africa's economy and the magnitude of both public and private sector resources being applied to address South Africa's highest priorities such as employment and education. Therefore, USAID/SA will partner with the GoSA in targeted sectors to encourage greater resource effectiveness through programming to address resource allocation and policy issues. By supporting efforts to address specific democratic, economic and environmental governance issues and public service delivery challenges through the lens of host-country leadership and by ensuring that private sector and civil society voices and resources are leveraged, USAID/SA can support South Africa's drive toward its development goals, resulting in significant social returns on investments.

USG efforts will look to advance GoSA reform efforts and achievement of development outcomes in the following areas:

<u>Democratic governance and accountability</u>
South Africa continues to strengthen its democratic foundations, including the system of checks and balances across and between branches of government. A strong South African democratic government can serve as a pillar of accountability and a service provider to all citizens. USAID/SA will contribute to the key issue of government effectiveness and accountability.[8] This will be done by working within the GoSA system, as well as through supporting reform-oriented leaders and organizations to make incremental improvements in government performance.

<u>Sustainable economic growth</u>
South Africa's severe unemployment, with approximately three of every five working age individuals unemployed[9], stem from the legacies of apartheid era economic policies, including dysfunctional labor

[8] Draft DRG assessment
[9] South Africa, "It's All About Jobs," Africa Confidential, March 4, 2011.

market policies; competition policies that sought to promote national champion firms; insular trade policies; and an over-valued real exchange rate from a dependence on natural resource extraction. The GoSA seeks to address these structural constraints aggressively, and in doing so, emphasis should be placed on ensuring that reforms will deliver the intended results in a cost-effective manner. USAID will contribute its expertise as a development institution, and utilize its global development alliances, development credit guarantees, and innovative social impact investment platforms to reinforce policy reforms and market transformation with capital and know-how.

Literacy and basic education

In consideration of the substantial educational challenge facing South Africa, the USG has made South Africa's education a top strategic priority since 2010, in support of the renewed emphasis the GoSA has placed on the issue. USG efforts will support improved quality of basic education as both foundational to the development of South Africa's citizens and critically linked to every area of social development. Educational investments in South Africa should be understood as dynamic and transformational levers of change, not just for the country nationally but also for the enhancement of South Africa regionally and globally.

Environment and low-emissions development

As a part of the President's Global Climate Change Initiative and USAID's Low-Emissions Development Strategy, USAID/SA will support South Africa's efforts to translate its ambitious greenhouse gas emission targets into implementation strategies that successfully address both its climate change mitigation and green growth objectives, including a need to analyze rigorously the employment and other macroeconomic impacts associated with particular emission reduction pathways. All measures are intended to align with and leverage efforts made by the South African Government and its partners, including the private sector and civil society.

Development Objective 3: South African impact on African development enhanced

DO 3 hypothesizes that if South Africa's international development engagement is strengthened and its agricultural leadership leveraged, South Africa's impact on African development will be enhanced.

South Africa exercises enormous influence in the region, and USAID will work to optimize the development outcomes of this influence. To achieve these outcomes, South Africa has focused significant attention on internal transformation to create a more inclusive and representative government and economy in response to its post-Apartheid legacy. At the same time, the strength of South Africa's public institutions and magnitude of its private sector position the country to serve as a strong partner to advance development in Africa and beyond. There are close to a trillion USD in financial and banking assets in South Africa, and the number of South African based firms working with innovative technologies for health, agriculture and environment is comparable to what is found in the technology hubs of the U.S. and Europe. South Africa is also the base for some of the world's largest local and international foundations, many of which are significantly involved in advancing a development agenda that aligns with USAID development objectives in Africa. Through the Feed the Future (FTF) Strategic Partnership, South Africa and the U.S. will partner to leverage South Africa's commercial agribusiness sector, agricultural research institutions and universities to catalyze food security and nutrition advances in FTF focus countries in Africa.

USAID/SA's CDCS will link with the regional efforts of the USAID/SA RDCS to utilize, promote, and share South African expertise, best practices, models, and systems to help developing countries in the region, on the continent and, as opportunities present themselves, around the globe. South Africa's developed democratic systems, regulatory practices, and innovative scientific research can assist developing countries through the trilateral assistance model whereby the USG and GoSA partner together to support development initiatives in third countries. Such programming can increase regional

integration, promote social benefits such as women's empowerment, and strengthen South Africa's capability to deliver beneficial assistance to others. Joint programming will focus on key USG foreign policy priorities in Africa including climate change, democracy, and food security. The latter will be accomplished through leveraging South Africa's agricultural capability and leadership as a Strategic Partner for food security in Africa.

Strengthening and leveraging South Africa's public and private sectors to advance development on a regional and continental scale will position South Africa to be a more effective development partner to address shared foreign policy priorities in Africa. USG assistance will support South Africa's vision to establish the new South African Development Partnership Agency (SADPA) and support the sharing of South African expertise, best practices, and systems in Africa.

Cross-cutting Themes

CDCS cross-cutting themes include increased leverage of public and/or private sector resources, improved capacity of South African partners, and increased gender equity including the reduction of gender-based violence. These cross-cutting themes will be integrated throughout the results framework and in the project and activity design process to ensure more effective programming.

Integration with the Regional Development Cooperation Strategy

As USAID/SA serves as both a bilateral Mission to South Africa and a regional Mission to Southern Africa, the CDCS is well integrated with the RDCS. Development progress in the region requires continued economic growth and stability in South Africa, and will be enhanced by enduring South African leadership in international affairs and development in Africa. As such, USAID/SA endeavors to leverage South Africa's strengths in order to benefit lower income countries in the region.

Aid Effectiveness and USAID Forward

The CDCS aligns with the principles of aid effectiveness which emphasize the need for country ownership of development priorities and alignment to the use of country systems.[10] Therefore, programming under this strategy will employ partner country systems and champion USAID Forward reform goals, including local capacity development.

[10] The NT's IDC Chief Directorate is USAID's principle interlocutor for development efforts in South Africa. To ensure this, USAID and the IDC hold regular meetings in order to enlist the GoSA's assistance.

Acronyms

APHIS	Animal and Plant Health Inspection Service
ARD	Africa Relations Directorate
ARF	Africa Renaissance Fund
ART	Anti-Retroviral Therapy
ARV	Anti-Retroviral
BRICS	Brazil, Russia, India, China and South Africa
CAADP	Comprehensive Africa Agriculture Development Program
CASU	Cooperative Administrative Support Unit
CDCS	Country Development Cooperation Strategy
CMA	Catchment Management Agency
COLA	Cost of Living Adjustment
DAFF	Department of Agriculture, Forestry and Fisheries
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa
DCA	Development Credit Authority
DLI	Development Leadership Initiative
DO	Development Objective
DRG	Democracy, Human Rights, and Governance
DSD	Department of Social Development
EDD	Economic Development Department
FFP	Food for Peace
FSN	Foreign Service National
FTC	Federal Trade Commission
FTF	Feed the Future
FTO	First Tour Officer
G2G	Government to Government
GBV	Gender-Based Violence
GCCI	Global Climate Change Initiative
GDA	Global Development Alliance
GDP	Gross Domestic Product
GHI	Global Health Initiative
GoSA	Government of South Africa
GP	General Practitioner
HCT	HIV Counseling and Testing
HRH	Human Resources for Health
ICASS	International Cooperative Administrative Support Services
IDC	Industrial Development Corporation
IR	Intermediate Result
LCD	Local Capacity Development
LEDS	Low-Emissions Development Strategy

LTMS	Long Term Mitigation Scenario
MDG	Millennium Development Goal
MDR-TB	Multidrug-Resistant Tuberculosis
M&E	Monitoring and Evaluation
MMC	Medical Male Circumcision
NAPOVC	National Action Plan for Orphans & Other Children Made Vulnerable by HIV and AIDS
NCD	Non-Communicable Disease
NDOH	National Department of Health
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
NGP	New Growth Plan
NPC	National Planning Commission
NSP	National Strategic Plan
NT	National Treasury
ODA	Official Development Assistance
OFDA	Office of Foreign Disaster Assistance
OGP	Open Government Partnership
OPIC	Overseas Private Investment Corporation
OVC	Orphans and Vulnerable Children
PAS	Public Affairs Section
PASA	Participating Agency Service Agreement
PEP	Post-Exposure Prophylaxis
PEPFAR	President's Emergency Plan for AIDS Relief
PF	Partnership Framework
PFIP	Partnership Framework Implementation Plan
PFM	Public Financial Management
PFMRAF	Public Financial Management Risk Assessment Framework
PFOC	Program Funded Operational Costs
PHC	Primary Health Care
PICC	Presidential Infrastructure Coordination Committee
PMP	Performance Management Plan
PMTCT	Prevention of Mother to Child Transmission
PPP	Public-Private Partnership
RDCS	Regional Development Cooperation Strategy
REXO	Regional Executive Office
RFMO	Regional Financial Management Office
RHAP	Regional HIV and AIDS Program
RLO	Regional Legal Office
ROAA	Regional Office of Acquisition and Assistance
RPPDO	Regional Program and Project Development Office
SA	South Africa
SADC	Southern Africa Development Community
SADPA	South African Development Partnership Agency

SANAC	South African National AIDS Council
SAPS	South African Police Service
SME	Small and Medium Enterprise
TAU	Technical Assistance Unit
TB	Tuberculosis
TCN	Third Country National
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USDH	U.S. Direct Hire
USG	United States Government
USPSC	United States Personal Service Contractor
VMMC	Voluntary Medical Male Circumcision
WHO	World Health Organization
XDR-TB	Extensively Drug-Resistant Tuberculosis

Development Context

South Africa Overview

South Africa's significant democratic gains and economic growth over the past 18-20 years are diminished by the remaining social and economic challenges from the Apartheid era and the existence of what is often called the "two South Africas." The country is an upper middle-income nation with a Gross Domestic Product per capita of $8,201.99[11], yet 31.3 percent of the population lives on less than $2 per day[12].[13] Life expectancy at birth is 53[14], and the prevalence of HIV and AIDS among adults aged 15-49 exceeds 17 percent[15]. The HIV and AIDS epidemic has devastating social and economic impacts on South Africa. Despite robust levels of public investment in education, the country does not see a net return due to its poor quality of primary education as evidenced by its the ranking at 127 out of 142 countries.[16] Despite an ever increasing number of international tourists (8.34 million in 2011)[17] as South Africa is becoming a more sought after destination, crime and other threats to personal security thwart social cohesion, with rates of gender-based violence being among the highest in the world – more than a third of all girls in South Africa having experienced sexual assault before the age of 18[18].

In the Government of South Africa's (GoSA) "National Development Plan - Vision 2030", the ultimate goal is the elimination of poverty and the reduction of inequality by 2030. As such, South Africa is committed to promote greater regionalization, create supportive institutions, and strengthen cooperation that will promote the growth, development, and employment in the region. South Africa's international relations are guided by the promotion of wellbeing, advancement, and development of its own citizens in order to better influence the Southern Africa region and the continent.[19] In fact, the National Development Plan (NDP) of South Africa states that closer cooperation between countries in the region contributes to higher rates of growth and development.

The importance South Africa places on promoting integration in Southern Africa and across the African continent, and the need to "deepen" cooperation with the BRICS countries – Brazil, Russia, India, and China – recognizes South Africa's desire to ensure the continued growth of its economy, influence and burgeoning continental leadership. It is well-placed to realize this aspiration. South Africa is a regional economic powerhouse, accounting for 30 percent of sub-Saharan Africa's GDP and leading the import and export markets of the member states of the Southern African Development Community (SADC). In addition, it leads the region in the areas of innovation, including in conducting science and technology research and in addressing issues of climate change. The quality and participatory nature of its mitigation modeling can serve as a model for other countries embarking on low-emissions planning.

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[11] International Monetary Fund website: http://www.imf.org/
[12] The World Bank, 2009. *World Development Indicators*. http://data.worldbank.org/products/data-books/WDI-2009.
[13] The Gini coefficient is 0.578. World Bank, 2010.
[14] UNDP, Human Development Indicators, 2011.
[15] WHO South Africa Health Profile. Updated: 4 April 2011
[16] World Economic Forum.
[17] United Nations World Tourism Organization (UNWTO), UNWTO Tourism Highlights 2012 Edition, p. 11. http://mkt.unwto.org/sites/all/files/docpdf/unwtohighlights12enlr_1.pdf
[18] South African Medical Research Council, Nov 2010.
[19] National Planning Commission. (2012). *National Development Plan 2030: Our Future – make it work,* pg. 217.

South Africa's role in the success of Southern Africa is acknowledged in the RDCS for USAID/Southern Africa (SA). The RDCS attempts to leverage South Africa's strengths in order to benefit lower income countries in the region. The pursuit of this theme is made difficult due to the economic disparity among SADC countries. Furthermore, as was highlighted in GoSA's NDP, the current government inherited a severe unevenness in state capacity from the previous regime, with the result that those most in need of the state and its protection overwhelmingly live in areas where the capacity of the state to deliver is weak. The NDP emphasizes that improving the capacity of the State is key to deliver services and results.

Given the RDCS' attention to South Africa as the paramount driver of growth in the region, the bilateral CDCS seeks to support the regional goal of "A more integrated region for an improved quality of life for Southern Africans". Analyses conducted over the past two years during the development of both the RDCS and CDCS indicate that development progress in the region requires continued economic growth and stability in South Africa, and will be enhanced by continued South African leadership in international affairs and development throughout the region and in Africa.

As the GoSA has assumed an increasingly more active role in the development of the continent, many of its domestic NGOs have simultaneously been strengthened and have become capable development partners. South African universities and think tanks have also served as high performing partners. Additionally, South Africa's private sector is emerging as a key implementing partner for donors around the globe and through its investment throughout the continent. The expansion of South African companies in the region through joint ventures, "greenfield" investment, and mergers and acquisitions demonstrates their increasing interest throughout Africa. Key to the success of these investments has also been the GoSA's promotional role thorough entities such as Industrial Development Corporation (IDC) and the Development Bank of Southern Africa (DBSA), which provide loan and equity funding.

Such strengths and the opportunities that they portend for development make the bilateral relationship between the United States and South Africa unique and enhance the United States Government's (USG) ability to pursue diplomatic and development goals across the region. In particular, both countries share similar priorities of economic governance, promoting opportunities for youth, and lower emissions development. Specifically, USAID's continued involvement in sustainable growth efforts in South Africa is supported by the June 2012 "U.S. Strategy Toward Sub-Saharan Africa" in the following ways:

- In spite of being a middle-income country, a significant portion of the population remains disadvantaged and lives in poverty.
- The reduction in inequalities, including women and youth, can be addressed by solutions that create bridges between the two South African economies, placing a particular emphasis on previously disadvantaged populations.
- Transformation of the South African economy is crucial to preserve national stability and reinforce its positive impact on economic development in southern Africa and role as the 'gateway' to Africa.
- South Africa continues to follow a prudent and reasonable macroeconomic policy and remains committed to reform measures for an open and inclusive market economy.
- South Africa is the US's main economic partner in Sub-Saharan, which offers substantial potential for increasing bilateral trade and investment and strengthening economic and commercial relations between the two countries, with South Africa able to serve as the gateway to the rest of Africa.
- South Africa must react promptly to climate change, not only to reduce its emissions and adapt its energy policy but also to serve as model of effective climate change mitigation to the rest of the developing world.

- The successful mitigation of the HIV and AIDS epidemic eases social and economic burdens on individuals, families and the nation, and will improve the health and well-being of South and Southern Africans.
- Success of a regional strategy depends on South Africa's continued regional and continental integration.

Sectoral Challenges and Opportunities

Democracy, Human Rights and Governance

Sustainably addressing the challenges of widespread poverty and unemployment, high rates of crime, and inequality requires a long-term commitment to good governance. Not addressing these challenges threatens all of the gains that South Africa has made.[20] South Africa's governance challenges can be characterized as rooted in the area of government effectiveness and the ability of government to deliver quality services to all its citizens. Significant capacity gaps at the operational levels of the public service delivery organs of the state are compounded by poor financial management.[21] Recognizing this, the Government of South Africa seeks to uphold good, responsive governance and to promote rule of law. Four key areas in which it is working towards these goals are through fighting corruption, strengthening procurement, addressing public service accountability, and focusing on judicial governance and rule of law.

The anti-corruption system in South Africa is a multi-agency effort, which needs improved coordination and cooperation. Citizen participation, effective use of resources for anti-corruption efforts, and public education about corruption are all factors that could contribute to improved government performance. South Africa's procurement laws and regulations are complicated and not well understood or executed by front line service delivery officials, which contributes to ineffective government programs.[22] The GoSA National Planning Commission cited that uneven performance of the public service results from the "interplay between a complex set of factors, including tensions in the political-administrative interface, instability of administrative leadership, skills deficits, erosion of accountability and authority, poor organizational design, inappropriate staffing, and low staff morale".[23] The weaknesses in capacity and performance are most apparent in historically disadvantaged areas where services are needed the most in order to improve people's lives.

Numerous opportunities exist to support South Africa to institutionalize its democratic foundations and its commitment to good governance, including supporting the strengthening of: the system of checks and balances across and between branches of government, horizontal and vertical accountability mechanisms, and the effectiveness in responding to its citizens' needs and aspirations. For example, South Africa recognizes that independence of the judiciary is critical to its democracy. A Superior Courts Bill and a supporting amendment to the Constitution have been drafted to shift the management

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[20] Good governance herein defined as the authority of the government based on the will of the people, responsive to the citizenry, allowing their full participation in political affairs, and promoting human development.

[21] The 2009 Department of Cooperative Governance and Traditional Affairs (CoGTA) report on the state of local government referred to the challenges of huge service delivery backlogs, leadership and governance failures, corruption and fraud, poor financial management, and insufficient capacity. (Deloitte, *Local Government Municipal Turnaround and Clean Audit*, 2012).

[22] National Development Plan 2030: Our Future, Make It Work, Chapter 14 (p. 444-456); "20% of Procurement Budget Lost to Corruption", Smart Procurement, August 2010.

[23] National Planning Commission. *Diagnostic Overview*.

of the courts from the executive branch Ministry of Justice to the judicial branch Office of the Chief Justice in an effort to increase checks and balances across branches of government.

The effectiveness of the South African judiciary to serve as a pillar of accountability and integrity and a service provider to citizens is also critical to South Africa's good governance. South Africa recognizes and yet struggles with implementing an effective response to its critical crime rates, particularly rampant gender-based violence. Within the judiciary, there are core challenges in court administration, selection of judges, accountability of judges and judicial education. Court processes are not keeping up with the pace of litigation, and there are significant backlogs at all levels. With existing good relationships and proven successful technical assistance programs focused on the justice sector in South Africa, many opportunities exist to effectively support South Africa's own rule of law reform and improvement agenda.

Economic Growth – Agriculture, Trade, and Energy

Despite the impressive economic and social progress achieved since 1994—for example 91.2% of South African households had access to piped water in 2011 as compared with 56.8% of households in 2002; the percentage of households with no toilets decreased from 12.6% in 2002 to 5.2% in 2011; and the percentage of households connected to the main electricity supply increased from 76.8% in 2002 to 84.7% in 2011 (as indicated by source of energy for lighting),[24] South Africa suffers from high unemployment levels with only two out of five people of working age employed and 15 million of South Africa's 50 million people on welfare.[25] Most of the unemployed are black and have never held a formal sector job.[26] Joblessness is particularly acute among youth ages 18 to 30; it is estimated that 42 percent of the people in this age group are unemployed.[27] Furthermore, only 12.5 percent of South Africans below the age of 25 have a job. This percentage is well below the 40 percent employment rate reported for this group in other emerging countries.[28] With 52 percent of South Africa's total population under the age of 25, this large number of unemployed youth will continue to grow unless urgent measures are taken to create hundreds of thousands of jobs.[29]

This great disparity in income and opportunity, in part the legacy of apartheid, is apparent in South Africa's workforce, which generally has limited skills and capacity. While some South African institutions are on par with world-class standards, overall, the country suffers from a skills deficit in which the majority of South Africans do not have the skills required to support a modern market economy. Ironically, this extreme level of inequality presents numerous opportunities to increase local procurement by building bridges between South Africa's "first economy," a global competitive corporate sector, and its "second economy."

This large number of unemployed youth is a potentially destabilizing factor that may contribute to social unrest among South Africa's large numbers of disadvantaged citizens.[30] Additionally, the highly skewed distribution of income within South Africa's dual economy is concerning, as demonstrated by South

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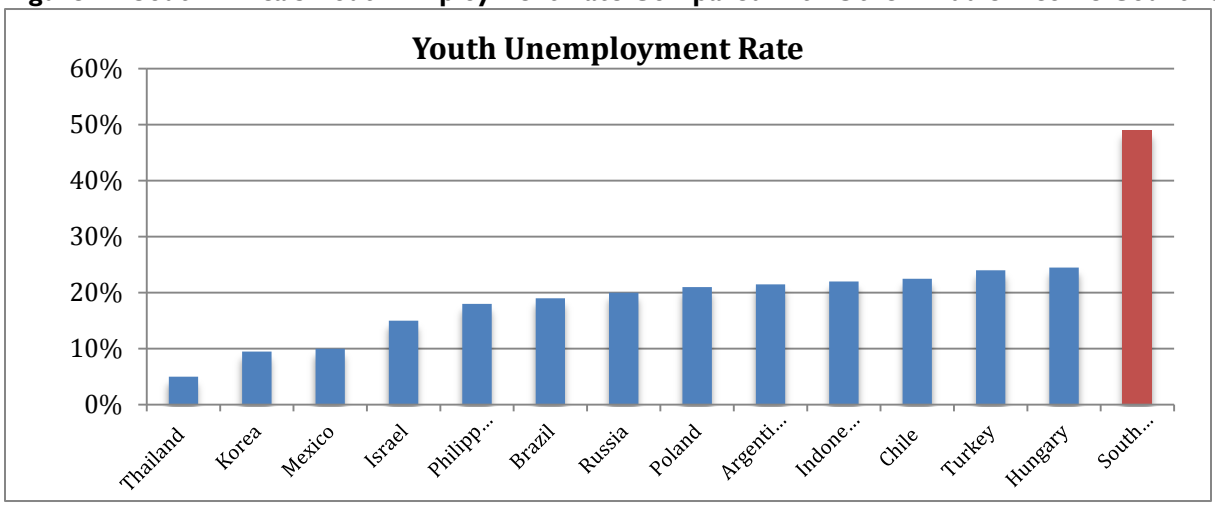
[24] Figures from 2011 obtained from Statistics South Africa, 2012. *Census 2011: Census in Brief*, pgs. 78, 86, 95. http://www.statssa.gov.za/Census2011/Products/Census_2011_Census_in_brief.pdf. Figures for 2002 obtained from: Statistics South Africa, 2011. *General Household Survey*, pg. 3 http://www.statssa.gov.za/PublicationsHTML/P0318April2012/html/P0318April2012.html
[25] South Africa, "It's All About Jobs," Africa Confidential, March 4, 2011.
[26] Zumanomics, Focus on Africa, BBC, pages 46 and 47, April – June 2011.
[27] 2011 Budget Speech, Minister of Finance, Pravin Gordham, February 23, 2011.
[28] "Jobs at a Premium – cost, that Is," by Kevin Davie, Mail and Guardian, February 25 to March 3, 2011.
[29] "Cracks are Already Showing," by Jay Naidoo, Sunday Times, March 6, 2011.
[30] "Jobs Become Focus of New World Bank Africa Plan," Reuters, March 3, 2011.

Africa's 2010 Gini coefficient of 0.578. This disparity is further evidenced by the consumer consumption figures which show 53 percent of the population consuming less than 10 percent of total consumption while the poorest 20 percent consume only 2.8 percent.[31] Without the creation of new jobs, this gap will continue to widen and social problems associated with idle people may grow.

Figure 1 - South Africa's Youth Employment Rate Compared with Other Middle Income Countries[32]



The South African economy needs to grow by 7 to 9 percent annually in order to generate a sufficient number of jobs (estimated at 700,000 jobs annually) to significantly reduce the high unemployment rate.[33] However, economic forecasts for South Africa for the coming years predict that the highest annual GDP growth will be no more than 4.8 percent and the average annual growth rate will be between 3 and 4 percent.[34] Furthermore, the recent global economic crisis has resulted in the loss of an estimated one million jobs.[35] The reality of this slower than desired economic growth has prompted the GoSA to take exceptional measures in their attempt to create more jobs.

GoSA plans to generate new jobs for youth by increasing funding to the National Youth Development Agency, the National Rural Youth Services Corps, and to public works programs. South Africa's President, Jacob Zuma, stated in his 2011 annual "State-of-the-Nation Address" before Parliament that job creation is an urgent, number one priority, and promised that his government would create five million jobs over the next decade.[36] He announced a number of initiatives for creating jobs, and re-emphasized that job creation remains the centerpiece of the GoSA's New Growth Path strategy that was launched in 2011. Furthermore, President Zuma is on record as saying that increased regional economic integration is needed to help create jobs and is a pre-condition for sustainable prosperity in South Africa.[37] There is no doubt that job creation is one of the most pressing and important

[31] Country Partnership Strategy for the Republic of South Africa, 2008-2012, World Bank, December 12, 2007.
[32] South Africa's youth unemployment (18-30) is close to 50%. Statistics South Africa, 2012. *Census 2011: Census in Brief.* http://www.statssa.gov.za/Census2011/Products/Census_2011_Census_in_brief.pdf
[33] "South Africa's Gordham: Current Growth will not Create Jobs," Reuters, November 3, 2010.
[34] Country Report, South Africa, Economist Intelligence Unit, February 2011.
[35] Mission Strategic and Resource Plan, FY 2012, U.S. Mission to South Africa, May 13, 2010.
[36] "Counting on Jobs," The Africa Report, pages 47 to 58, March 2011
[37] "The New Growth Path: The Framework," Jacob Zuma, June 2009. This framework estimates that increasing exports to other SADC countries can create over 200,000 new jobs.

development challenges facing South Africa, and that the GoSA is putting employment generation at the center of its public investment and poverty reduction programs.[38]

Additionally, South Africa is a hub for growth and regional integration in Southern Africa. It accounts for around 70 percent of regional GDP and is a key player in the African Union's New Partnership for Africa's Development (NEPAD) and in SADC. The majority of intra-SADC investment flows from South Africa to region. South African investments play a large role in neighboring countries, accounting for between 9-20 percent of GDP in Lesotho, Mauritius, Mozambique, Namibia and Swaziland.[39] A number of South African financial institutions are also expanding their reach across the region. This facilitates production and trade financing, allows for goods purchased in one country to be paid for in another, and provides a common and accessible financial service network.

According to the World Bank's 2012 Doing Business report, South Africa's trading across borders rank is amongst the lowest, at 144 out of 183 countries. As a region, SADC ranks among the lowest in trading across borders, with a weighted regional average of 149/183. South Africa's dynamic private sector is predicted to continue to steadily increase its expansion and investment into the rest of the African continent in the coming years. A recent analysis by Standard Bank on the role of South Africa in Africa indicates that South African companies are increasingly looking beyond South African borders:

> *Looking ahead, surveys measuring the African expansion plans of leading South African firms indicate that FDI is likely to continue to spread north of the border.*[40]

South Africa plays a leading role in intra-regional trade, with both exports to and imports from the SADC region. South Africa alone accounts for 44 percent of intra-regional exports and 40 percent of intra-regional imports, and is the largest importer and exporter of food within the region. South Africa is a key development actor in the Southern Africa region and sub-Saharan Africa and accordingly plays a potentially important role in the reduction of hunger on the continent.[41]

South Africa accounts for about 44 percent of the agricultural GDP of Southern Africa and 6 percent of the agricultural GDP for sub-Saharan Africa,[42] indicating that food security in the region would be difficult to achieve without continued economic and agricultural productivity growth in South Africa. GoSA's Department of Agriculture, Forestry and Fisheries (DAFF) recently established an Africa Relations Directorate to provide support to African countries in their agriculture sector development with a focus on food security and advancement of the Comprehensive Africa Agriculture Development Program (CAADP) process and programs. However, household food insecurity does exist among the South Africa's poorest populations, and since 1994 GoSA has prioritized public spending aimed at improving the food security of poor households.[43]

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[38] "What Africa Needs to Do to Spur Growth and Create More Well-Paid Jobs, World Bank, November 2006.
[39] IMF 2005. IMF working paper 05/58/2005 "The implication of South African economic growth for the rest of Africa
[40] "EM10 and Africa: South Africa in Africa- A steady, yet narrow, ascent." Standard Bank, June 2012.
[41] South African Agricultural Production and Productivity Patterns, Frikkie Liebenberg and Philip G. Parley, 2010.
[42] Ibid. This paper also clearly states: "It is difficult to conceive how the chronic hunger and serious bouts of food insecurity that befall many people throughout Africa can be ameliorated if agricultural productivity fails to pick up pace."
[43] The Framework for the Zero Hunger Programme: Actuating the Integrated Food Security Strategy for South Africa, South Africa Department of Agriculture, Forestry and Fisheries, 2012.

South Africa and the entire SADC region are challenged by a growing threat of an electrical energy crisis, which if not averted could constrain economic growth. In South Africa, the supply of electricity has struggled to keep up with the growing demand of 7.5 percent per year. The South Africa national electrical company, Eskom, is building coal-fired plants to produce relatively low-cost electricity, however demand still exceeds supply and these plants have contributed to making South Africa the 11th highest emitter of greenhouse gases in the world. Currently coal plants produce 88 percent of South Africa's electricity, but plans call for this to be reduced to 78 percent by 2015 as Eskom moves ahead with a huge investment program to bring on line six more nuclear power plants by 2023. It is expected that this electricity shortfall will become worse in the near term as South Africa struggles with generating more and cleaner electrical power.[44] Much of the region's economic future depends on how successful Eskom is in generating increased supplies of electricity and leading the integration of an electrical power network across the region, or how successful South Africa is in developing alternative, renewable energy sources. Without a doubt, a regional approach will be needed to address the growing deficit of electrical energy in the region, and any assistance provided in South Africa will complement the regional work.[45]

Until recently, South African power costs have been historically low, with inexpensive and subsidized domestic fossil energy resources allowing large mining, industrial and public sector customers to pay extremely low prices.[46] With such inexpensive power the development of the energy efficiency market has generally lagged behind other countries. However, energy efficiency project economics are improving rapidly due to the recent and planned increases in power tariffs. Currently, energy efficiency markets are economical and commercially viable to develop with simple payback periods on energy efficiency investments of between three and five years, such that projects can be self-financing from energy cost savings or energy sales revenue. While energy-related policy has become a priority for the GoSA, energy efficiency has not yet become a priority for the South African private sector. Key barriers include South Africa's low electricity prices, inadequate information about the energy savings potential and energy saving options, and lack of suitable financing arrangements.

Environment and Climate Change

The GoSA "regards climate change as one of the greatest threats to sustainable development and believes that climate change, if unmitigated, has the potential to undo or undermine many of the positive advances made in meeting South Africa's own development goals and the Millennium Development Goals (MDGs)."[47] Changes in the climate that have already been observed and that are projected to worsen over time, including an increase in the frequency and severity of heat waves, drought, and severe rainfall events, will disproportionately affect the poor and other vulnerable groups. In recognition of the scale of the climate change threat, South Africa, which is a leading voice in the developing world on climate change issues, is committed to do its part to stabilize global temperatures at two degrees Celsius above pre-industrial levels.

However, South Africa's emission intensity—the ratio of greenhouse gas emissions to GDP—is relatively high compared to most other developed and developing countries. As noted in South Africa's forward-looking Long Term Mitigation Scenarios (LTMS), there will be costs associated with emission reduction efforts, particularly within energy-intensive sectors such as electricity generation. Current

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[44] South Africa.info, South Africa's Energy Supply, October 2008.
[45] SADC Infrastructure, Development Status Report for Council and Summit, September 2009.
[46] Eskom, 2012. *Eskom Factor Report 2011*, Figure 25. http://www.eskomfactor.co.za/eskom-factor-enabler.php
[47] The Government of the Republic of South Africa. 2011. *National Climate Change Response White Paper.* 2011. http://www.info.gov.za/view/DownloadFileAction?id=152834.

energy and transportation patterns impose costs far beyond their contributions to global climate change alone, contributing to respiratory illness, economic losses from gridlock, harm to biodiversity, and the degradation of critical ecosystem services such as water provisioning and regulation.

Opportunities for addressing these challenges include developing a more robust monitoring, reporting and verification structure that can help unlock access to climate finance and developing detailed implementation plans for putting the broad targets articulated in the National Response Paper into effect. As highlighted in the National Climate Change Response White Paper, there is a strong rationale for pursuing policies that limit employment contraction to those areas of the economy where excessive carbon intensity is considered unsustainable, whilst promoting and expanding the green economy sectors.[48]

As one of the most biologically diverse countries in the world, South Africa's biodiversity supports a tourism industry that contributed 7.9 percent of South Africa's GDP in 2010.[49] Yet it faces a potent combination of threats, including habitat loss, pollution, poaching, climate change, and the inadequate enforcement of environmental laws.[50] Poaching of globally significant biodiversity, including rhinos, threatens to unravel the healthy functioning of ecosystems, while jeopardizing jobs and income from the critical tourism sector. According to South Africa's 2011 National Biodiversity Assessment, approximately 7.5 percent of the country's total land area is under some form of formal protection. However, forty percent of terrestrial ecosystems are considered threatened with the conversion of land to other uses. Offshore marine ecosystems face management challenges, with about 41% considered threatened,[51] despite their vital role in sustaining the fishing industry and coastal livelihoods. Climate change will compound many of the pressures facing these already stressed ecosystems.

Opportunities to mitigate threats to South Africa's biodiversity and support future growth include improving land use planning and governance of natural resources, expanding the biodiversity stewardship programs already underway, and developing South Africa's ability to adapt to the impacts of climate change.

Increasing demand and climate change could exacerbate water scarcity in South Africa; however, a number of cost-effective solutions for conserving scarce water resources are readily available.[52] As a country that already experiences water stress and is characterized by low rainfall, limited groundwater supplies, and a reliance on significant water transfers from neighbors, South Africa faces difficult water management decisions. According to an analysis by McKinsey[53], demand for water in South Africa will reach approximately 17.7 billion cubic meters by 2030, whereas current supply is only 15 billion cubic meters, 25 percent of which comes from Lesotho. The agricultural, industrial and urban sectors alone account for the majority of overall demand, consuming about 8.0, 3.3 and 6.0 billion cubic meters, respectively. Yet water demand for many uses, including power generation, mining and household consumption, is increasing. Climate change could significantly worsen existing water management challenges. Most climate models project declines in total precipitation throughout most of South Africa,

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[48] Ibid.
[49] South African Tourism Department Annual Report, 2009/2010.
[50] USAID South Africa Biodiversity and Tropical Forests Assessment, 2012.
[51] Driver A., Sink, K.J., Nel, J.N., Holness, S., Van Niekerk, L., Daniels, F., Jonas, Z., Majiedt, P.A., Harris, L. & Maze, K. 2012. *National Biodiversity Assessment 2011: An assessment of South Africa's biodiversity and ecosystems. Synthesis Report*. South African National Biodiversity Institute and Department of Environmental Affairs, Pretoria.
[52] McKinsey, 2010. Confronting South Africa's water challenge
[53] Confronting South Africa's Water Challenge. McKinsey, 2010.

with some models projecting declines in runoff of up to 40 percent in some catchments by the end of the century. Additionally, water quality, which has potentially significant health implications, is threatened by both climate change and pollution.

Despite the scale of South Africa's water challenge, analysis indicates economic solutions are achievable. These include improving the efficiency of water supply through measures such as reducing industrial and municipal leakage and improving the water efficiency of sanitation and power generation systems, demand-side pricing and awareness measures, and making irrigated agriculture more efficient. Water governance, including the establishment of catchment management agencies (CMAs) as envisaged by the National Water Act, is another key area of opportunity. Although the Act was passed in 1998, only two of the proposed nineteen CMAs have been established. Efficient and equitable transboundary watershed management is of particular importance in light of the fact that South Africa shares four of its major river systems with six neighboring countries. These four, shared catchments cover approximately 60 percent of South Africa's surface area and provide roughly 40 percent of its river flow.[54]

Education

The GoSA considers education to be one of its highest domestic priorities and the single greatest long-term challenge facing the country. Despite a constitutionally enshrined right to a sound education, nearly universal primary school enrollment with 98.8 percent of children aged 7 to 14 enrolled in school[55], and significant government funding – 21 percent of the country's total allocated expenditure for the 2012/13 financial year[56] – South Africa is struggling to provide a quality education in most of its 25,851 schools. In the Southern and East African Consortium for Monitoring Education Quality III, South Africa performed below most of the 15 participating African countries in reading, evidencing the third highest number of functionally illiterate learners.[57] Most students exiting the South African school system are not equipped with basic skills necessary to succeed in the workplace, much less in a highly competitive global market. In 2011, of the 496,090 learners who wrote the National Senior Certificate examinations, only 24.3 percent achieved passes with university endorsement for university enrollment.[58] As a result, the GoSA has identified improving the quality of education as a primary national priority, presenting a prime opportunity for a GoSA-USG partnership to improve education.

The Governments of South Africa and the United States have a longstanding relationship in educational matters. Both governments appreciate the significance of education to development in general. There can be no question that education is central to all sustainable democratic, social and economic advances and also a catalyst of advancing knowledge economies; hence the education sector is an apex priority of the current administration of the Government of South Africa.

The launch of the School Capacity and Innovation Programme (SCIP) in 2012 was yet another milestone in the education cooperation between the USG and GoSA. The SCIP is seen as the cornerstone for the development of South African education, as well as a model for other countries in the African Continent. The programme, which is aligned to the USAID Global Education Strategy that focuses on the improvement of global education, is designed to improve primary grade reading outcomes through teacher effectiveness and the strengthening of classroom and school management in all South African schools.

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[54] National Climate Change Response White Paper.
[55] (Education, 2010).
[56] (Minister of Basic Education, 2012)
[57] National Planning Commission Diagnostic Overview, 2011.
[58] (Education, Report on the National Senior Certificate Examination 2011, 2012)

Improving performance across the education system is a key objective of the education sector plan – Action Plan to 2014: Towards the Realisation of Schooling 2025. SCIP is therefore critical as it will be one of the integral vehicles to implement the Action Plan. Of utmost importance, the key outputs in the Action Plan are consistent with priorities of the National Development Plan. This Action Plan explains the 27 national goals that lie at the heart of the basic education system. Thirteen of these goals are output goals dealing with better school results and better enrolment of learners in schools. The remaining 14 goals deal with interventions that must happen for the output goals to be realized. This plan is very important as it captures the essence of government thinking on improving the quality of basic education.

South Africa's under-performing educational system[59] can lead to crime, poverty, and disenfranchisement among youth, which threaten national stability, development, and democracy. Employers consistently cite the inability to hire qualified workers as one of their greatest challenges. Ultimately, improving the education system is a necessary precondition for building a well-educated work force and reducing youth unemployment, as well as ensuring that South Africa is a stable, democratic leader on the continent.

Health

The South African public health care system is experiencing a major crisis due to growing demands on limited resources, primarily due to HIV and AIDS and tuberculosis (TB). HIV and AIDS is a leading cause of morbidity and mortality in South Africa with an adult HIV and AIDS prevalence of 17.9 percent and approximately 5.75 million people living with HIV[60]. According to World Health Organization (WHO) estimates, South Africa has the largest AIDS epidemic in the world and ranks third in the world in terms of TB burden. The high rates of co-infection (approximately 60 percent of TB patients are co-infected with HIV) lead to further expansion of the epidemics and complicate treatment and care of patients.

[59] National Planning Commission Diagnostic Overview, 2011.
[60] The 2010 National Antenatal Sentinel HIV and Syphilis Prevalence Survey in South Africa. 2011. National Department of Health (NDOH)

Table 1 - Summary of Key Health Indicators for South Africa

Adult mortality rate (per 1000 adults 15-59 years – both sexes	496
Under-five mortality rate (per 1000 live births) – both sexes[61]	59.8
Maternal mortality ratio (per 100000 live births)[62]	410
Life expectancy – Male (years)	54
Life expectancy – Female (years)	55
Stunting Prevalence – Children under 5 (percentage)[63]	18%
DTP3 immunization among 1-year olds (percentage)	62
Health workforce – Nurses & Midwives (per 10000)	40.8
Health workforce – Physicians (per 10000)	7.7
Tuberculosis prevalence (per 100000 population)	808
HIV prevalence (per 1000 adults 15-49)	17.8
# AIDS orphans[64]	1.9 million
New HIV infections among children (0-14)[65]	43,000

Sources: WHO South Africa Health Profile. Updated: 4 April 2011 except where noted.

HIV and its related opportunistic infections (TB, certain forms of cancer, diarrheal disease, etc.) contribute significantly to a high maternal mortality rate[66]. South Africa has four concurrent epidemics that heavily burden the health sector – HIV and AIDS and TB, poverty related illnesses (perinatal, neonatal, childhood, and maternal diseases), non-communicable diseases, and violence and injury. Although South Africa spends more on health than most other developing countries, its health outcomes are lower than those in many lower income countries. This is reflected in the challenge South Africa is experiencing in making progress to achieve MDGs 4 and 5, relating to child and maternal mortality. HIV and its related diseases, as distinct from related opportunistic infections, contribute significantly to maternal mortality (40.5 percent)[67] and a 35 percent mortality rate for children under five years of age[68]. Approximately 22 percent of the country's 18 million children are affected by HIV and AIDS.

While South Africa continues to be plagued with infectious disease (namely HIV and AIDS and TB), non-communicable diseases (NCDs) are on the rise, particularly among poorer people. While chronic disease is prominent in the urban poor population, it is increasingly emerging in rural areas as well. Many South Africans are affected not only by HIV and TB co-infection, but also have co-existing non-communicable diseases such as hypertension and diabetes. Rising death rates from diabetes, hypertensive and kidney disease, and prostate cancer demonstrate the need for increased measures to prevent and mitigate the impact of chronic disease and create comprehensive chronic care models at primary care and community levels.

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[61] NDOH 2011, First Triennial Report of the Committee on Morbidity and Mortality in Children under 5 years (COMMIC)
[62] Please note that institutional MMR is 176.22/100,000 live births per Saving Mothers 2008-2010: Fifth Report on the Confidential Enquiries into Maternal Deaths in SA. SADOH
[63] National Food Consumption Survey. SADOH. 2005
[64] South Africa's Children. A Review of Equity and Rights. Department of Women, Children and People with Disability. March 2011
[65] South Africa's Children. A Review of Equity and Rights. Department of Women, Children and People with Disability. March 2011. Page 36
[66] South Africa's National Strategic Plan for a Campaign on the Accelerated Reduction of Maternal and Child Mortality in Africa (CARMMA). NDOH.
[67] Saving Mothers 2008-2010: Fifth Report on the Confidential Enquiries into Maternal Deaths in SA. SADOH
[68] South Africa's Children. A Review of Equity and Rights. Department of Women, Children and People with Disability. March 2011. Page 32

Over the coming five years, HIV and AIDS will create unprecedented public health and social challenges in South Africa with ramifications for the entire Southern Africa region.[69] The five-year strategy to implement the President's Emergency Plan for AIDS Relief (PEPFAR) in South Africa outlines a robust response to these challenges, with the goal that all South Africans will have access to a full range of prevention, treatment and care services.

The GoSA has set ambitious national health goals to increase life expectancy, reduce maternal and child mortality, combat HIV and AIDS and decrease the burden of disease from TB, and strengthen the health system effectiveness by 2015.[70] These goals are consistent with the USG strategic goals of promoting global health and strong health systems, increasing country ownership through country-led and driven programs, and transitioning sustainable USG programs to the GoSA. The alignment of these goals presents an opportunity to partner with the GoSA over the next five years to strengthen systems and ensure sustainability of our efforts. By the end of the five-year Partnership Framework Agreement (April 2017), South Africa will take full responsibility for the care and treatment component of its national HIV and AIDS response, with the US moving primarily to an technical assistance and capacity building role; the focus of development efforts will remain on prevention of HIV and AIDS and caring for orphans and vulnerable children (OVC).

Social Inclusion

Despite low scores on gender and human development indices, South Africa has made great strides towards gender equality. It has designed a political and legal framework that upholds women's rights in education, health, and employment. The GoSA has provided the vehicle for legislative and judicial intervention to deal with the prevailing gender-based violence and has enabled women's groups to lobby around issues for the advancement of women's rights. However, there are major challenges with the GoSA's ability to implement, monitor, and evaluate these new policies, and women still constitute one of the most marginalized groups in the country.[71]

The South African Police Service (SAPS) statistics show 64,514 sexual offences reported in 2011/2012.[72] Studies indicate that an estimated 60% of women in South Africa experience some form of abuse in relationships and that one woman is raped every 35 seconds.[73] Similarly, a study undertaken by the South African Medical Research Council reported that:

- In a random based sample of men, 28% admitted to having perpetrated rape.
- 75% of men who rape do it for the first time before the age of 20.
- Men are also rape victims- one male in 30 (3.5%) has been raped by a man.
- 8.9% of men interviewed said that they had committed acts of rape with one or more other perpetrators when a woman did not consent to sex.[74]

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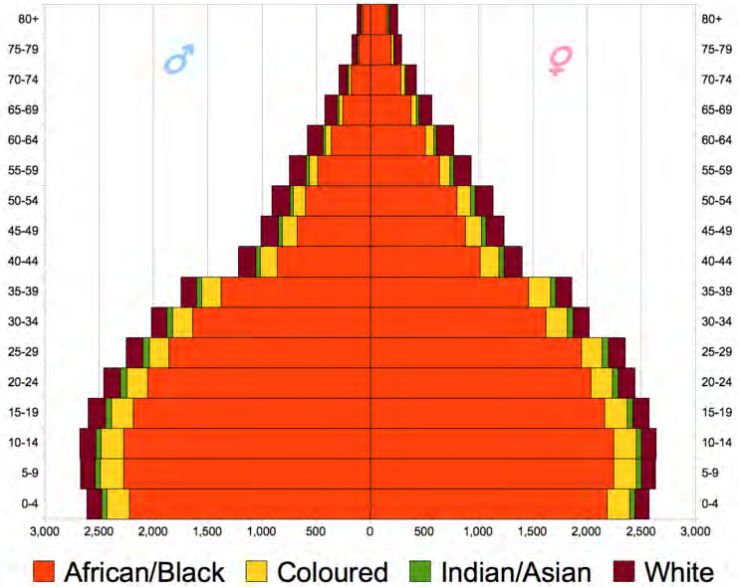
[69] Navarro P, Bekker LG, Darkoh E, Hecht R: Special report on the state of HIV and AIDS in South Africa. Global Health 2010, p. 2.
[70] Goals derived from the following documents: National Strategic Plan on HIV, STIs and TB. 2012-2016. SANAC 2011, Negotiated Service Delivery Agreement. SA Government 2012-2016., South Africa's National Strategic Plan for a Campaign on the Accelerated Reduction of Maternal and Child Mortality in Africa (CARMMA). SADOH, Strategic Plan for Maternal, Newborn, Child and Women's Health and Nutrition in South Africa. 2012-2016. NDOH
[71] Gender Links, 2011.
[72] South African Police Service. Crime Research and Statistics - Total Sexual Offences 2011/2012. http://www.saps.gov.za/statistics/reports/crimestats/2012/categories/total_sexual_offences.pdf
[73] Report to the CEDAW Committee on South Africa's implementation of the CEDAW, 1998-2008.P33.
[74] South African Medical Research Council, Nov 2010

The share of women in non-agricultural wage employment has remained fairly constant – from 44 percent in 2005 to 45 percent in 2010, though approximately 70 percent of informal businesses are owned and/or controlled by women. According to the 2012 African Economic Outlook for South Africa, while poverty has been halved for both genders, the proportion of women living below $1 a day remains high compared to that of males.

As the GoSA confronts issues of gender equity, it is forced to also attempt to address demographic trends in South Africa which indicate that the country has a growing 'youth bulge'. A disproportionately large youth population in a country with high levels of inequality, unemployment, and HIV rates can exacerbate social tensions and lead to unrest. South Africa's large youth population bears the brunt of the country's unemployment – among 15-24 year olds the unemployment rate is 75 percent, and even more worrisome, is the nearly 50 percent for 25-34 year olds.[75] South Africa's future stability will be affected by its ability to take advantage of this demographic dividend.

Figure 2 - South Africa's Youth Bulge



Source: South Africa Census 2011 mid-year estimates.[76]

Moreover, targeting of youth in health outreach may prove to be an additional prevention measure for HIV and AIDS. Evidence shows that young people are best positioned to adopt behavior change and to challenge unhealthy norms. In fact, condom use in South Africa has increased to 87.4 percent among males and 73.1 percent among females at last sex.[77] In 2008, HIV prevalence was over four times higher in young women aged 20-24 (21.1 percent HIV positive) compared to men aged 20-24 years (5.1 percent) [78], reflecting the increased vulnerability of young women to infection, often due to intergenerational partnerships with older men.

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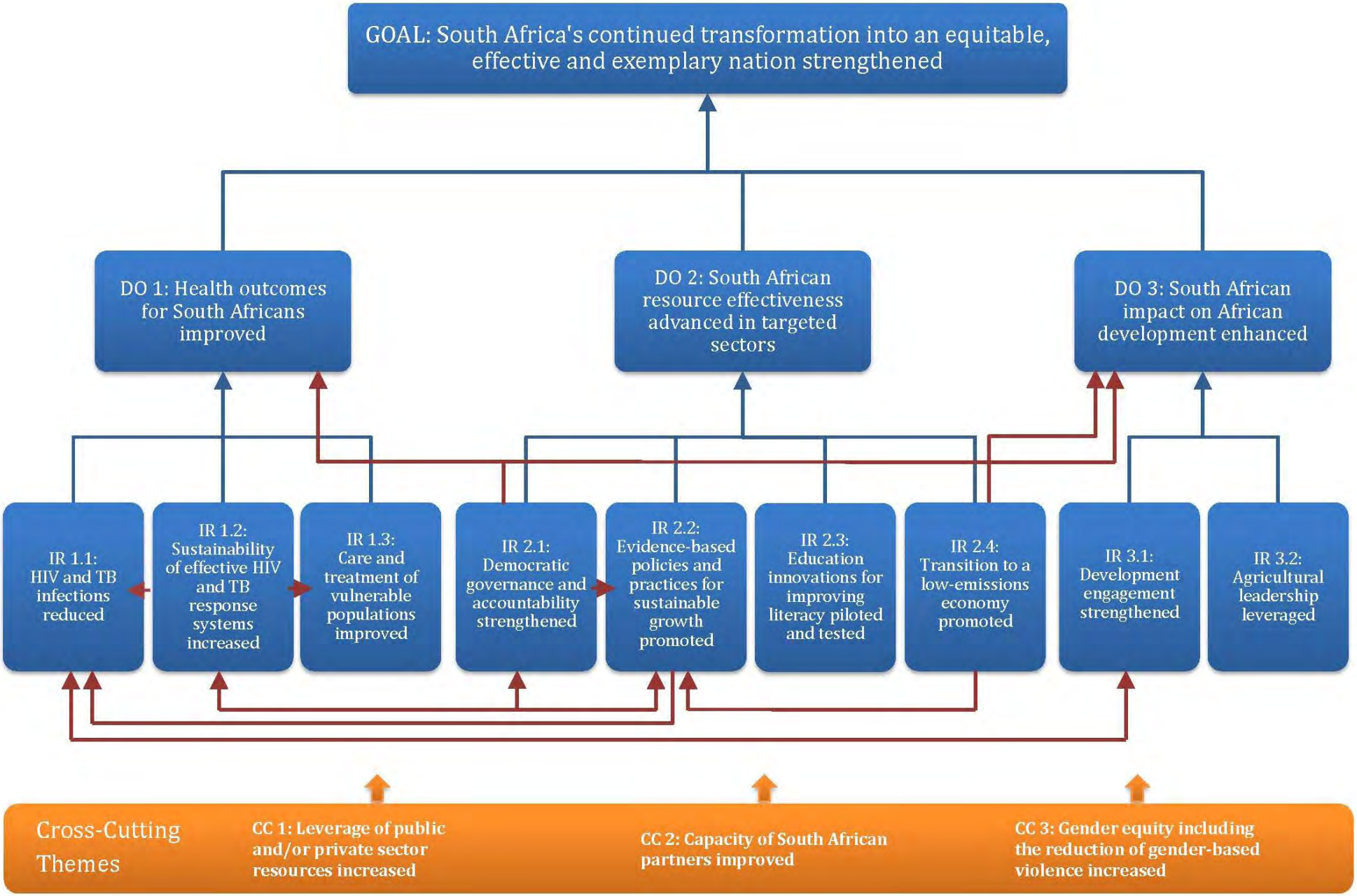
[75] Quarterly Labor Market Surveys (STATS SA).
[76] Statistics South Africa, 2012. *Census 2011: Census in Brief.* http://www.statssa.gov.za/timeseriesdata/pxweb2006/Database/South%20Africa/Mid-Year%20Estimates/M
[77] Republic Of South Africa. Country Progress Report On The Declaration Of Commitment On HIV and AIDS. 2010 Report, p. 52.
[78] Ibid., p. 22.

Goal and Development Objectives

Results Framework



Goal Statement

South Africa's continued transformation into an equitable, effective, and exemplary nation strengthened.

USAID's primary development goal in South Africa over the next five years is to support the continued transformation of South Africa into an equitable, effective, and exemplary nation. This goal is a reflection of the values and interest the USG has in the success of South Africa as a developing democracy, a regional economic driver, and a strategic partner. Engagement with South Africa on their role as a leading African nation recognizes their significance within the Southern African region and on the continent. Domestically, USAID seeks to strengthen South Africa by contributing toward its post-Apartheid transition of building a nation with effective systems that protect its most vulnerable citizens, promotes their well-being, and guarantees equal opportunity in education and employment. As a result of sharing its domestic successes, South Africa may serve as an exemplary leader on the African continent.

South Africa's strengthened continued transformation into an equitable, effective, and exemplary nation can be achieved over the next five years through the concentration of resources on the attainment of the following three development objectives: health outcomes for South Africans improved; South African resource effectiveness advanced in targeted sectors; and South African impact on African development enhanced. While these development objectives are necessary for the attainment of this goal, they alone are not sufficient. The successful attainment of the goal must occur in concert with the GoSA's priorities, codified in the GoSA's Presidential Outcomes, and in partnership with their development efforts, detailed in the National Development Plan. In practical terms, achievement of the CDCS goal will require the coordination of the USG interagency community in South Africa. The efforts of the broader USG, including the sustained diplomacy and the assistance programs of the USG community, will make important contributions to the attainment of this goal. Finally, programs financed by other donors will contribute to the attainment of the CDCS goal and will reinforce Development Objective (DO) and Intermediate Result (IR) level efforts.

USG assistance must also consider the role that Official Development Assistance (ODA) plays in South Africa. In comparison to the size of the South African economy, ODA is a very limited resource, amounting to less than 1 percent of the national budget. However, its possible contributions in terms of leveraging South Africa's resources more effectively and its implications on transfer of knowledge, best practices and embedding innovative approaches are quite significant. This fact combined with addressing the particular development challenges in South Africa intelligently has important implications for the implementation of the national strategic priorities of ODA. The GoSA's ODA principles state that the true value of ODA in South Africa is realized when it is able to provide solutions and tools that enable the country to use its own resources more effectively. ODA is used to support new and more effective ways of implementing government policies and priorities for poverty reduction. This may include: a) Innovation: developing new and more effective approaches; b) Piloting and testing: pioneering new approaches for replication purposes; c) Catalytic initiatives: unlocking domestic resources; and d) Skills transfer and addressing Capacity gaps: ensuring that South African institutional capacity is enhanced for sustained, long term implementation; and e) Risk Mitigation: Creating an enabling environment thereby attracting investment in SME initiatives (self-employment, which have risks attended to).[79] Hence, USAID/SA's strategic vision emphasizes the quality of ODA, its ability to assist in the development South

[79] National Treasury, Government of South Africa. *Policy Framework And Procedural Guidelines For The Management Of Official Development Assistance: 1st Edition*, October 2003.

African capacity to address its critical needs, and its capability to spearhead new and more effective approaches for enhancing service delivery in conjunction with the GoSA and South African organizations rather than focusing on the mere quantity of ODA.

Development Objectives

Development Objective 1: Health outcomes for South Africans improved

Development Rationale

Currently, South Africa has the largest HIV and AIDS epidemic in the world with approximately 5.7 million people living with HIV. Alarmingly, young women aged 15 to 24 years are four times more likely to have HIV than men of the same age[80]. South Africa also has the highest reported rapes and one of the highest HIV prevalence, a toxic combination that must be addressed if the goal toward an HIV free society is to be realized. It also ranks third in the world in terms of TB burden according to WHO estimates, with an incidence of 948 new infections per 100,000 persons in 2010, which is compounded by high levels of multidrug-resistant tuberculosis (MDR-TB) and extensively drug-resistant tuberculosis (XDR-TB). The estimated number of confirmed MDR-TB cases among new pulmonary TB cases in 2010 was 7,386[81]. The high rates of co-infection (approximately 60 percent of TB patients are co-infected with HIV) lead to further expansion of the epidemics and complicate treatment and care of patients.

The socio-economic impact of HIV and AIDS in South Africa is a chief concern. People with the lowest socio-economic status are associated with HIV infection, with the informal sector having the highest HIV prevalence rates[82]. Educational outcomes are adversely impacted due to HIV and AIDS causing "… disruptions in schools because teachers are affected by HIV and AIDS and children living in households affected by HIV and AIDS may face obstacles or disadvantages in accessing education."[83] HIV and AIDS create instability in employment and is thus a persistent drag on the economy and overall South African development goals in the short- and mid-term.

In 2010 the South African National AIDS Council (SANAC) conducted a "Know Your Epidemic" survey in all provinces. The report identified key biological, behavioral, social, and structural determinants of the HIV epidemic, as well as key populations and geographic areas where HIV prevalence is concentrated. It confirmed that the South African HIV epidemic is geographically heterogeneous and an effective response should be localized and sharply targeted.

The Partnership Framework in Support of South Africa's National HIV and AIDS and TB Response (2012/13 – 2016/17) (PF) between the GoSA and the USG was signed by the South African Minister of International Relations and Cooperation and the United States Secretary of State on December 10, 2010. The PF commits the GoSA and USG to the following principles: South African leadership; alignment; sustainability; innovation and responsiveness to the epidemics; mutual accountability; multi-sectoral engagement and participation; gender sensitivity; financial commitments and transparency; and finally, fostering a collaborative and not contractual partnership. The goal and objectives of the GoSA/USG PEPFAR PF are to prevent new HIV and TB infections; increase life expectancy and improve the quality

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[80] National Strategic Plan (NSP) on HIV, STIs and TB: 2012 - 2016 , p.25

[81] WHO Global TB Control Report, 2010.

[82] NSP, p.26

[83] Lule, Elizabeth and Markus Haacker, "The Fiscal Dimension of HIV/AIDS in Botswana, South Africa, Swaziland, and Uganda", World Bank: Washington, D.C., 2012, p.122.

of life for people living with and affected by HIV and TB; and strengthen the effectiveness of the HIV and TB response system[84] support that aim.

The PF Implementation Plan (PFIP) forms the roadmap for the implementation of these principles and is guided by the "South Africa National Strategic Plan (NSP) for HIV, STIs and TB 2012 – 2016", which was launched on December 1, 2011. The NSP extends over the same five-year period as the Partnership Framework. The NSP is a multi-sector national plan that lies at the heart of the development agenda of the GoSA. It calls on all government departments and civil society sectors to work together to achieve the national goals and targets for the HIV, STI, and TB epidemics. USAID, through funding from the PEPFAR program, supports the PFIP, which outlines how PEPFAR is to implement programs.

In order to support the ambitious goals of the NSP, the USG and GoSA have mutually decided that PEPFAR's investments in South Africa should gradually transition from support of direct clinical care and treatment services to support for system strengthening, prevention, and health services innovation. As the GoSA commits greater resources for the HIV and AIDS and TB response and PEPFAR funding declines, the transition is expected to be implemented in a phased manner that puts the wellbeing of patients, vulnerable and affected populations at the center of all interventions and promoting men taking equal responsibility with women for holistic health management. While the GoSA continues to increase the number of patients on treatment through the public health system, PEPFAR intends to keep long-term sustainability and health and social systems strengthening as priorities that lead to increased efficiency in implementation of the national response.

The South Africa Global Health Initiative (GHI) strategy reflects a multi-year roadmap (2011-2016) that is in line with South African strategies and illustrates how the application of GHI principles will increase efficiencies, accelerate health outcomes, and use resources more efficiently. GHI will strengthen GoSA technical and managerial capacity to assume responsibility for implementing a strong HIV and AIDS prevention, care, and treatment program and to improve other health outcomes through stronger health and social systems.

Development Hypothesis

To improve health outcomes of South Africans three IRs have been identified, which align under the above mentioned guiding documents and existing USG strategies. Improving health outcomes for women is important to address maternal and infant mortality, children's lives and family well-being. USAID/SA seeks to reduce the number of HIV and TB infections, to increase the sustainability of effective HIV and TB response systems, and to improve the care and treatment of vulnerable populations. It is expected that HIV and TB infections will be reduced through targeted prevention activities (i.e., community based behavior change activities, bio-medical prevention such as Medical Male Circumcision (MMC), response and prevention of gender-based violence (GBV) activities). Additionally, increased sustainability of effective HIV and TB response systems is expected to be achieved through support to activities that strengthen the public health system. The improvement in the care and treatment of vulnerable populations will serve both marginalized groups and those without access or capacity to demand services. This assistance relates directly to the Government of South Africa's Presidential Outcome 2— health. *DO 1 hypothesizes that if HIV and TB infections are reduced, sustainability and effectiveness of HIV and TB response systems increased, and care and treatment of vulnerable populations, including women, improved, the health outcomes of South Africans will improve.*

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[84] GoSA-USG Design Team, "GoSA-USG Partnership Framework to support the implementation of the HIV & AIDS and TB response (2012-2017)", December 2010, p 9.

Intermediate Result 1.1: HIV and TB infections reduced

The prevention of new HIV and TB infections is a priority of the South African national response across all governmental departments and all partners. USAID/SA through PEPFAR funding has been a critical ally and advocate of this multi-sectoral, multi-faceted approach since 2004, supporting a range of evidence-based biomedical, social, and structural interventions in various government departments driving the prevention agenda (Health, Basic Education, Defense, Public Service and Administration, Social Development, National Prosecuting Authority, and Women, Children and People with Disabilities) as well as with various NGOs. Continued USAID/SA engagement is required to support GoSA efforts in the strengthening of the national prevention response, to promote its integration into provincial plans, and to expand coverage of quality combination HIV prevention interventions, with particular attention to innovative and proven models targeting key populations. The USG's prevention strategic focus will be to:

1. Align its activities with the NSP and integrate them into provincial plans;
2. Support GoSA's combination prevention strategy focusing on particular key populations;
3. Identify capacity and service delivery gaps for prioritizing USG support under PEPFAR funding;
4. Consolidate the portfolio for greater epidemiologic, demographic, and geographic efficiency and impact; and
5. Participate in cross-sectoral, multi-partner prevention planning, coordination, and implementation efforts.

The USG's evidence-based prevention portfolio will provide technical support to key government and non-governmental actors providing direct service delivery to approximately 4 million people in 35 selected areas, as well as direct services to prevent new infections while host systems are strengthened. Critical programmatic activities in support of the NSP may include TB screening and HIV counseling and testing (HCT) especially for key populations; response and prevention of gender-based violence and addressing the drivers of GBV; integrated gender equity and HIV prevention in school-based curricula; prevention of mother to child transmission (PMTCT); voluntary medical male circumcision (VMMC); comprehensive prevention interventions for people living with HIV and those affected by it, family members and specifically orphans and vulnerable children; technical assistance to improve the systems and programs of Departments driving the prevention agenda; sexual prevention including male and female condom promotion and use of multi-media communication channels; strengthening data management and use for prevention; and community-based demand creation and social norm and behavior change interventions.

The behavioral, social, structural and biomedical factors driving HIV and TB infections, such as inequities of access to health and educational services, gender norms and cultural values, and economic disparities are major challenges for the national response. Thus, another key USG support area will be to strengthen community systems to address HIV prevention and social and gender norms. This may include both proven interventions and innovation in program implementation. GoSA and the USG will make decisions concerning support for innovative approaches jointly, especially when support for innovative projects is expected to have a significant financial implication for the GoSA further down the line (e.g., pilot projects for 'test and treat,' or 'treatment as prevention').

USG interventions in support of NSP prevention objectives may also include support to capacity building in supply chain management of key prevention commodities (i.e., condoms, test kits, MMC kits, TB drugs); support for GoSA efforts to integrate HIV prevention and family planning services; support for intensified TB/HIV case finding and infection control in priority TB districts; support to GoSA efforts for developing policies and tools such as point-of-care technology to improve prevention linkages to

care and treatment services; and support efforts toward the improvement of monitoring and evaluation of prevention interventions.

Intermediate Result 1.2: Sustainability of effective HIV and TB response systems increased

As the USAID/SA program transitions away from direct service provision, the focus will be on strengthening the health systems capacity at provincial and district level aligning with the WHO six building blocks for health systems. USAID/SA plans to focus on strengthening leadership and governance within government structures, improving human resources for health and social development, strengthening the supply chain (i.e., drug procurement, condom procurement, MMC kits), improved cost effectiveness of programs through budget planning and financial management at the district and provincial levels (including mobilization of local resources), an improved use of strategic information, and strengthening of community linkages and mobilization. Together, these efforts will lead to improved health outcomes. Support to the following GoSA efforts is included:

- Strengthening governance at district and sub-district level and in particular developing leadership skills to coordinate, manage, implement, and monitor, and at the same time scale up these programs is vital. USG district support partners and other implementing partners will assist in training and mentoring in this regard.

- Human resource development is needed to scale up HIV and TB prevention, treatment, care, and support services at the primary health care (PHC) and community level as outlined in the South African Human Resources for Health (HRH) Strategy document. This includes integrating internationally recognized leadership and management courses into local universities to address leadership and management gaps in the Department of Health. Additional support will be provided for multi-sectoral pre-service training activities, as well as in-service training, and mentoring support. At the request of GoSA and in coordination with regional training centers, in-service training support and mentoring may also be provided by USAID/SA. This support will not just be limited to clinical and programmatic staff, including social workers and other community workers, but will include district and provincial management staff of the relevant government departments. As a large work force will be required, such as community health care workers, who are mainly women, it is important that this cadre is skilled and compensated for the community care required.

- Supply chain management for pharmaceuticals and commodities needs to build capacity from the facility to the district and provincial levels. This will ensure continuous supply of medicines such as anti-retrovirals (ARVs), opportunistic infections medicines, TB prophylaxis and treatment, and commodities such as condoms and test kits. USAID/SA partners that work at facility, district, provincial, and national levels will support efforts such as improved drug forecasting, procurement management and quality control of stock.

- Health financing: In response to increasing GoSA expenditure to scale up HIV and TB services, there is a need to strengthen capacity at provincial and district levels for financial management to increase efficiency and effectiveness of resources, with particular focus on the management of the HIV conditional grants. USAID funded partners will continue to develop cost estimates and predictive models for current and novel service delivery models to inform policy on the most efficient and cost effective approaches. The PEPFAR expenditure analysis will identify USG financial inputs by program and geographic area to facilitate transparency of the USG assistance budget and joint planning of future activities.

- Improving the availability and use of strategic information is critical to generating quality information needed to inform policy development and program implementation. USAID/SA's implementing partners have extensive skills in the collection and validation of data and use of strategic information for decision-making. USAID will continue to improve the collection and use of data for program management at the provincial and district levels through targeted support. USAID/SA will also support the Department of Social Development's (DSD) information system that provides information about OVC service delivery and community-based care.

- Health service delivery innovation is needed to identify best practices and achieve new efficiencies in the HIV and TB response. USAID will support establishing a national research agenda to inform service delivery models and new prevention and treatment guidelines. USAID/SA support will be provided in areas of research, innovation, surveillance, and program evaluations to improve health outcomes including HIV and TB outcomes and prevent new infections.

- Community Systems Strengthening is crucial to addressing the spread of HIV and TB as the community level is where individuals decide to go for testing and counseling or seek health or social services. The community can create an enabling environment which strengthens its ownership of responses to HIV and TB, and promotes and helps people to get into treatment. USAID/SA will build capacity of community structures and leadership to coordinate with relevant GoSA departments. Community systems' strengthening must include addressing social, cultural, structural and gender norms that underpin the epidemic.

Intermediate Result 1.3: Care and treatment of vulnerable populations improved

Over the past five years GoSA has made unprecedented efforts in rapidly establishing an HIV care and treatment program which is larger than any other in the world, with an estimated 1.7 million people on anti-retroviral therapy (ART) in 2012[85]. USG funding has been critical in the scale-up of this program over the years; approximately 50 percent of PEPFAR funding has gone towards support for HIV and TB care and treatment services.

Currently, USG support in the public sector seeks to increase access to ART throughout South Africa. USAID/SA is supporting the GoSA implementation of PHC re-engineering to increase the number and capacity of public health workers. Since 2010, there has been an extensive effort to ensure that USG-support (through all models of care) was provided in a more strategic manner by working closely with province, district and sub-district management.

IR 1.3, "Care and treatment of vulnerable populations improved", supports strengthening the patient cascade from testing to treatment to care, improving the patient's experience, and ensuring immediate and continued follow up. At the same time, USAID/SA will provide care for people who test positive, GBV survivors, and OVCs. Both HIV infected and HIV affected people will receive psycho-social services and facilitated access to care and treatment services, thus contributing to improved health outcomes for South Africans.

[85] Includes the 1.3 million in the public health sector as reported through the South Africa District Information System (DHIS) and an estimate of .4 million South Africans treated by private practitioners.

A primary aim of this IR will be to shift the focus of USG support from providing clinical services to strengthening service delivery platforms, especially in the public sector. This support will assist the GoSA in scaling-up treatment to reach the target set in the NSP (initiate 80 percent of eligible people on ART) and focus USG investments on health system strengthening that should drive efficiencies in implementation of the national response. These include integration of HIV services, referral systems, training, mentorship, supervision, quality improvement, health planning/budgeting, human resource management, supply chain management, information management, and monitoring and evaluation.

The USAID/SA transition of service delivery for care and treatment will include: 1) patients transferring from general practitioners (GP) and non-public sector sites to public sector facilities, and 2) reduced support for direct services within public sector sites. Several guidelines have been jointly decided upon between USG and GoSA to ensure this successful transition. Those guidelines ensure equitable and careful planning and coordination for the transition, gradual reduction of staff support, joint planning and decision making for new awards, and timely and transparent information sharing as regards the process of transition.

The NSP includes key goals and objectives aimed at mitigating the effects of HIV and AIDS on orphans and vulnerable children, and youth. It recognizes OVC as a key population for whom specific interventions are to be implemented such as primary prevention for HIV, as well as mitigating impact and breaking the cycle of ongoing vulnerability. The DSD "National Action Plan for Orphans and Other Children Made Vulnerable by HIV and AIDS" (NAPOVC) defines the unique value-adding role of various stakeholders in addressing the social impact of HIV and AIDS. It creates and promotes a supportive environment in which orphans and other children made vulnerable by HIV and AIDS are adequately cared for, supported, and protected physically, psychologically, materially, socially, morally, spiritually, and legally to grow and develop to their full potential. The OVC population in South Africa is likely largely supported by female-headed or child-headed households. This must be factored into the design of programs for a comprehensive response.

USAID/SA has an extensive portfolio that supports OVC in South Africa. OVC-related interventions include child protection, clinical nutritional support, and general healthcare referral, health care support for access to antiretroviral treatment, HIV prevention education, psychological care, educational support, and household economic strengthening. The OVC portfolio will be implemented in close collaboration with the Departments of Social Development, Basic Education, and Health to improve service delivery systems for OVC as well as promote linkages, referrals, and coordination to mitigate the social impact of HIV on OVC in sub-districts and districts with high HIV prevalence, high maternal mortality, and high numbers of OVC.

Future activities will be aligned with the DSD's Policy Framework on OVC, the NSP, and other government responses related to meeting the needs of children affected by HIV and AIDS. For example, activities will be closely aligned with DSD's Strategic Plan and its objective of mitigating the impact of HIV and AIDS by facilitating the implementation of the NAPOVC. Proposed activities will also support GoSA's efforts to develop evidence-based policies, strategies, and programs on integrating services for OVC. Promising community-led behavioral change best practices will be identified and scaled up by providing communities with resources to help them manage their self-identified/designed HIV and TB responses, including those addressing sexual violence and unequal gender relations as well assistance to mobilize and strengthen community-based responses for the care, support, and protection of OVC and youth.

Future support to DSD is to focus on integration and coordination of activities to achieve the following three objectives: 1) access to reliable data and research on social effects of HIV and AIDS on OVC; 2)

strengthened coordination, management, and oversight of local structures; and 3) integration and coordination across structures to build a supportive multi-sector environment. Key components will include support to strengthen health and social welfare system coordination and integration; support of social and individual behavior change activities to prevent HIV infection for children under 18 years; and support to strengthen the management of the social welfare workforce.

Additionally, USG programming and responses to gender based violence are of particular importance. The USG has supported and will continue to support the GoSA and civil society groups in programs that focus on the prevention of GBV, through the design of programs that address the social and structural drivers of sexual violence, but also through awareness raising; improvement of law enforcement and prosecution of GBV; and providing a range of essential services to rape survivors including emergency medical care, post-exposure prophylaxis (PEP), counseling and testing for HIV, psychosocial counseling and court preparation, in an integrated and victim-friendly manner.[86]

The following are noteworthy linkages and support provided to other DOs by DO 1.

USAID programs funded through PEPFAR make up the majority of USAID's development assistance in South Africa. Because of the size of the program, and the impact that HIV and AIDS and TB have had on the country's potential for economic growth and educational achievement, it is important to note linkages where activities under DO 1 support other areas of USAID's development strategy. Activities under DO 1 have broad reaching effects on the population of South Africa, primarily because if the South African population is healthier, people will live longer and make larger contributions to the country's productivity. HIV and TB have devastating effects on family structures, and by mitigating their transmission and symptoms, family units will be maintained. As a result, there will be fewer orphans and child, youth and elderly headed households, creating the environment for more students to attend school because they are not forced to take responsibility for managing their households. Simultaneously, a healthier population will incur fewer health care costs, allowing family units more control over their financial situations. Each of these linkages relate directly to the "U.S. Strategy Toward Sub-Saharan Africa", which puts forth the objective to transform Africa's public health by strengthening cross-sectoral linkages between health and governance, education, and economic growth programs to improve the implementation of health policies and outcomes.

DO 1 → DO 3: South African impact on African development enhanced, by supporting IRs 3.1 and 3.2. USAID funded activities in systems strengthening focuses on strengthening local partners to improve their performance so that they can play a greater role in the region, both through development engagement and agricultural leadership.

DO 1 → IR 2.2: A healthier population is a more productive population, and a healthy, reliable workforce is part of developing sustainable growth (IR 2.2). Research conducted since the inception of PEPFAR shows that HIV-infected adults, who receive antiretroviral therapy, often begin or resume productive work.[87] Additionally, USAID focuses on career guidance and placement for vulnerable populations, and supports anti-discrimination employment policies for HIV positive people.

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[86] Recommendations provided in the *Gender analysis for USAID South Africa bilateral development cooperation strategy*, Sharon Phillipps, Gender Advisor (AFR/DP), 2012.

[87] Rosen S, Larson B, Rohr J, Sanne I, Mongwenyana C, Brennan A, Galarrage O. *Patient-level economic outcomes of antiretroviral therapy in South Africa: five year follow-up and attrition analysis.* Presented at the XIX International AIDS Conference, Washington, DC, July 22-27, 2012.

DO 1 → IR 2.3: With a healthier population, more teachers will be able to enter and remain in the workforce, thus improving the quality of basic education. Similarly, more children will be able to access and remain in school since they will not be sick. Research indicates that children living in households with infected adults who are on treatment are more likely to attend school than those in households with untreated adults. Additionally, USAID supports prevention activities in schools such as life skills development and prevention of gender-based violence. Assistance also supports the full participation of vulnerable populations in the educational system.

IR 1.1 ← IR 1.2 → IR 1.3: Increased sustainability of effective HIV and TB response systems (IR 1.2) is understood to causally support both reduced HIV and TB infections (IR 1.1) and improved care and treatment of vulnerable populations. Clearly, strengthened response systems have positive and supportive implications for prevention (IR 1.1) and care and treatment (IR 1.3).

IR 1.2 → IR 2.1: Increased sustainability of effective HIV and TB response systems is contingent upon the creation or improvement of response systems that are accountable to their service populations, and governed in a manner that ensures fiscal responsibility, observance of laws and regulations, and continued delivery of services. Thus, activities that achieve increased sustainability of effective HIV/TB response systems will reinforce the efforts under IR 2.1 – the strengthening of domestic democratic governance and accountability.

Development Objective 2: South African resource effectiveness advanced in targeted sectors

Development Rationale

Legacy policies from the apartheid regime continue to constrain South Africa's economic and human potential. The GoSA is currently designing important national reforms to address these constraints. With relatively small budget resources and private sector leveraging, USAID/SA will generate substantial development value assisting the GoSA to put in place measures to strengthen democratic governance and accountability; promote evidence-based policies and practices that promote employment, increase trade, and engage the private sector for sustainable growth; pilot and test education innovations to improve literacy; and promote policies that lower greenhouse gas emission intensity in South Africa.

South Africa recognizes that it needs to deepen the institutionalization of its democratic governance by more effectively meeting its citizens' needs and aspirations. The 2012 draft Democracy, Human Rights, and Governance (DRG) assessment commissioned by USAID identified strengthening government effectiveness as a priority DRG subsector to address in future interventions, in line with the Government of South Africa's identification of improved government effectiveness as a priority. To ensure delivery of public goods and services such as justice, education and health care for all, South Africa continues to strengthen its democratic foundations, including the system of checks and balances across and between branches of government. Therefore, the effectiveness of the South African judiciary to serve as a pillar of accountability and a service provider to all citizens, equally, is critical to South Africa's domestic and international leadership. The result of a better performing government will be improved service delivery, including citizens' access to justice, especially to historically disadvantaged districts. If the GoSA does not perform better on these fundamental concerns, faith in and commitment to democracy itself could begin to be substantially eroded, enabling better reception for potentially anti-democratic movements[88]. This would discredit South Africa, as it would any nation, undermining its example for other countries.

[88] 2012 DRG Assessment

A USAID economic growth constraints analysis showed that South Africa's severe unemployment, with approximately three of every five working age individuals unemployed[89], stem from the legacies of apartheid era economic policies, including dysfunctional labor market policies; competition policies that sought to promote national champion firms; insular trade policies; and an over-valued real exchange rate from a dependence on natural resource extraction. The GoSA seeks to address these structural constraints aggressively, and in doing so, emphasis should be placed on ensuring that reforms will deliver the intended results in a cost-effective manner. The cost of hastily-designed structural reforms can be high. Conversely, the potential benefits of well-conceived reforms are great. For instance, the GoSA directly spends nearly USD 250 million (2 billion Rands) per year on employment promotion activities[90]. Even with limited funds, if USAID/SA can improve the efficiency of this spending by 10 percent, the impacts would be transformational. Another key opportunity resides in South Africa's private capital. With over $800 billion of combined balance sheet assets in South Africa from companies and multinationals, South Africa has the rare ability for a developing economy to finance its own development. Moreover, the private sector has the management talent and systems to deliver on South Africa's development goals. However, cooperation between the public and private sectors to address South Africa's development priorities has not reached its fullest potential. USAID will contribute its expertise as a development institution, and utilize its global development alliances, development credit guarantees, and innovative social impact investment platforms to reinforce policy reforms and market transformation with capital and know-how.

Significant gains in access to education have been achieved across South Africa and the gender gap has been closed; however, education quality lags. The results for South Africa's Annual National Assessments in 2011 showed the average literacy/language scores to be 35% for grade 3 and 28% for grade 6. Improved quality of basic education is both foundational to the development of South Africa's citizens and is critically linked to every area of social development. Research has demonstrated that education raises individual incomes and, in an enabling environment, can contribute significantly to economic growth. A 10 percent increase in the share of students reaching basic literacy translates into a 0.3 percentage point higher annual growth rate for that country.[91] Investment in education, particularly primary education, has significant positive effects on a country's economic outcomes, health indicators and civic participation.[92] Ultimately, increased economic growth, improved democratic governance, and better health outcomes all lead to increased access to education. Because of these important links to other powerful drivers of development, educational investments in South Africa should be understood as dynamic and transformational levers of change, not just for the country nationally but for the enhancement of South Africa regionally and globally. In this effort the USG will support strategic interventions that address the root causes of poor educational performance in South Africa through the piloting and testing of innovations, which may be brought to scale by the GoSA if proven successful.

The modern South Africa also inherited an energy-intensive economy largely powered through fossil fuels, which have been linked to climate change and other environmental degradation. South Africa recognizes that it must transition its economy to one that is more environmentally and socially sustainable. South Africa's high emissions intensity presents a number of opportunities. A GoSA

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[89] South Africa, "It's All About Jobs," Africa Confidential, March 4, 2011.

[90] http://www.treasury.gov.za/documents/national%20budget/2012/guides/People's%20Guide%202012%20-%20English.pdf

[91] Development, U. S. (2011, November 30). Education Indicators Objective 3: Investing in People. Washington, DC, U.S.A.

[92] Judson, R. (1998)

analysis, for instance, indicated that cost-effective mitigation options are readily available, including energy efficiency improvements in a number of sectors.[93] The USG will partner with GoSA and key private sector players to enhance technical capacities and stimulate innovation and investments that catalyze movement towards a more sustainable future. Emission reduction efforts can result in other significant development benefits, including employment creation, better resource management, improved air and water quality, and increased financial flows from international climate change and investment funding. The USG will also support complementary and targeted interventions to secure the water, biodiversity and other natural resources that drive South Africa, and the region's, economic development.

USAID/SA's resources are modest compared to the size of South Africa's economy and the magnitude of both public and private sector resources being applied to address South Africa's highest priorities -- such as employment and education. Hence, USAID/SA will partner with the GoSA in targeted sectors to encourage greater resource effectiveness through programming to address resource allocation and policy issues. By supporting efforts to address specific democratic and economic governance issues through the lens of host-country leadership and ensuring the private sector and civil society voices and resources are leveraged, USAID/SA can support South Africa's drive toward its development goals, resulting in significant social returns on investments.

Development Hypothesis

Particular emphasis will be placed on country-system strengthening through improved democratic governance, responsiveness to citizens' needs, and accountability in priority sectors; promoting catalytic, evidence-based policies for more effective spending to spur sustainable growth; and assisting the South African government to pilot education innovations, that if proven successful, may be adopted and scaled. USAID/SA will support South Africa's efforts to translate its ambitious greenhouse gas emission targets into implementation strategies that successfully address both its climate change mitigation and green growth objectives, including a need to analyze rigorously the employment and other macroeconomic impacts associated with particular emission reduction pathways. All measures are intended to align with and leverage upon efforts made by the South African Government and its partners, including the private sector and civil society. *DO 2 hypothesizes that if South Africa's democratic governance and accountability is strengthened, evidence-based policies and practices for sustainable growth are promoted, education innovations for improving literacy are piloted and tested, and South Africa's transition to a low-emissions economy is promoted, then South Africa's resource effectiveness in targeted sectors will be advanced.*

Intermediate Result 2.1: Democratic governance and accountability strengthened

Enhancing government effectiveness in South Africa is in line with the U.S.-South Africa strategic dialogue, an umbrella agreement that seeks to ensure cost efficiency and value in USG investments in South Africa.[94] South Africa is a stable, middle income country on a turbulent continent, and is a leading country within the SADC. It holds the potential to serve as a successful, free-market democracy transition model if it can successfully address its major domestic challenges. This intermediate result also aligns with the "U.S. Strategy Toward Sub-Saharan Africa", which includes strengthening democratic institutions as one of its four main pillars. As a part of this pillar the USG's objective is to promote accountable, transparent, and responsive governance, in South Africa specifically through its commitment to the Open Government Partnership (OGP), which seeks to improve public services,

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[93] Winkler, H., Ed. (2007). *Long Term Mitigation Scenarios: Technical Report*. Prepared by the Energy
[93]Research Centre for Department of Environment Affairs and Tourism. Cape Town.
[93]http://www.erc.uct.ac.za/Research/publications/07Scenario_team-LTMS_Scenarios.pdf
[94] http://www.america.gov/st/peacesec-english/2010/April/20100419124239WCyeroC0.6324579.html

public integrity, effective management of public resources, safer communities, and corporate accountability. Additionally, the USG, under the aforementioned strategy, seeks to promote and protect human rights, civil society, and independent media. In South Africa this is manifest through the implementation of new policies surrounding the protection of the rights of vulnerable populations, including women and LGBTI communities.

A number of institutions are responsible for leading the process of improving the efficiency, effectiveness, and development orientation of the public service as a whole. For example, the National Treasury's Technical Assistance Unit (TAU) demonstrated impressive work in institutional strengthening by building effective government systems through technical assistance to all national and provincial government departments and municipalities[95]. Similarly, the Office of the Accountant General set up a Capacity Development Unit within the National Treasury (NT) that works to improve public financial management (PFM). However, the various initiatives these departments and institutions have undertaken in the past have not always produced significant results. The GoSA attributes this to a lack of sufficient leadership and sustained support for the implementation of new legislative, regulatory, and policy frameworks.[96] The GoSA recognizes that capacity of existing government officials was not taken into consideration and not enough emphasis was placed on the change management process required to develop and institute new systems and institutions, at the provincial and district levels.

With a small amount of governance funding and governance-related interventions in other Development Objectives, USAID/SA will make a contribution to the key issue of government effectiveness and accountability.[97] This will be done by working within the GoSA system, as well as through supporting reform-oriented leaders and organizations to make incremental improvements in government performance. Judicial system strengthening will focus on improving access to justice through specialized sexual offences courts, particularly for victims of gender-based violence. Further, judicial strengthening will focus on improving court management. USAID already has committed partners and high-level political buy-in from GoSA judicial actors upon which to build. Additionally, a number of change management initiatives throughout the executive branch will be launched soon, and the GoSA has demonstrated its commitment to improving the public service through the Delivery Agreement for Outcome 12. IR 2.1 activities may include support for reform-oriented leaders and institutions that can drive the process of government improvement and capacity building initiatives that support the GoSA-led reform process. The main focus will be on improving transparency and good governance by strengthening vertical and horizontal accountability systems, strengthening PFM, and re-engineering existing processes to be more efficient and effective. Small and selective interventions will be complemented by diplomatic efforts to promote democratic governance.

South Africa's Constitution, widely regarded as one of the most progressive in the world, explicitly enshrines gender equality as a key principle, outlawing discrimination based on gender, sex, pregnancy, marital status, sexual orientation, and other gender-related factors. Women have gained considerable power in the political arena. In 2011, 45 percent of the Members of Parliament and 21 percent of Ministerial positions were encumbered by women. Women's representation in provincial parliaments also stood at 43 percent in 2009, and five of the nine provincial Premiers were women. Although the country has made great strides towards gender equity, women still constitute one of the most marginalized groups. Therefore, USG assistance support to South Africa's to continue strengthening its democratic governance and accountability may lead to greater progress protecting vulnerable

[95] Assessment of the USAID Development Support to South Africa 2005-2009
[96] National Planning Commission (NPC) diagnostic
[97] Draft DRG assessment

populations, including women, and ensuring that its constitutionally guaranteed freedoms are promoted through government policies.

Finally, improvements in accountability and transparency will have a multiplier effect on all of USAID's other DOs and IRs. Activities such as improving PFM, in particular, could play a significant role toward transitioning the PEPFAR program from the USG to the GoSA. Institutional arrangements, management practices, financial management, and budget execution to enable the efficient and effective delivery of public service goals could also be improved through targeted interventions. Strengthened capacity in this area will result in more effective South African systems for managing development resources. Due to the complexity of this task, technical assistance will be closely coordinated with GoSA institutions through the other DOs and efforts will be closely aligned with other donors, building on and scaling existing efforts whenever possible.

Intermediate Result 2.2: Evidence-based policies and practices for sustainable growth promoted

South Africa continues to experience high levels of unemployment compared to other countries at the same level of development.[98] This contributes to South Africa having one of the most inequitable distributions of income in the world. Given South Africa's demographic profile, it is not surprising that youth job creation dominates the economic and political landscape. The objective of the New Growth Plan (NGP), South Africa's principal economic plan, is to create 5 million jobs by 2020 through infrastructure development, manufacturing, and the green economy, and reduce inequality in South Africa. Fifty percent of the economically viable unemployed population in South Africa are women[99]. The Women Empowerment and Gender Equality draft bill states that women need to be economically empowered to participate fully in all sectors. Meeting all these objectives will require either higher economic growth rates or more labor-intensive growth, as measured by the elasticity of employment with regard to output (also called the Employment Intensity of Growth). This would require sustained economic growth of 6 to 7 percent a year, to obtain the 500,000 new jobs per year required, even at current levels of job intensity. However, with growth rates of about 2 to 4 percent, which are more likely over the next few years, structural and complex economic reforms will be necessary to achieve new job growth targets.[100]

South Africa now is challenged to generate increased inclusive, sustainable, and labor-intensive economic growth. The current macro-economic structure of the South African economy, which has a strong dependence on extractive industries and a declining manufacturing base, does not support the employment goals in the NDP and the NGP. In order to increase inclusive growth and labor absorption, the GoSA will need to make evidence-based and coordinated policy reforms across a broad range of complex issues identified in the NGP, including:

- Competition policy;
- Manufacturing regulations;
- Active labor market programs and labor policies;
- Trade policy and facilitation;
- Technological development;

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[98] World Bank, 2012. *World Development Indicators*. http://data.worldbank.org/sites/default/files/wdi-2012-ebook.pdf

[99] www.statssa.gov.za/publications/Report-02-11-02/Report-020110922911.pdf (2-6)

[100] Based on an internal calculation using figures from the New Economic Growth Path, p.7. http://www.info.gov.za/view/DownloadFileAction?id=135748.

- Broad-based black economic empowerment;
- Skills development;
- Small business development;
- Infrastructure;
- Emissions reduction and growth of the "Green Economy";
- Service delivery; and
- Social sector policies, such as education, healthcare and housing that profoundly affect employment, equity and investment, although often as an unintended consequence.

The establishment of a stable macroeconomic base and the elimination of apartheid era isolationist economic policies were notable accomplishments in the first decade of democracy. Government has reduced the deficit, reduced inflation, improved tax collection, improved targeting of spending, and thus, created the fiscal space to address the twin problems of extreme poverty and inequality. But, South Africa has found that a stable macroeconomic environment and a more open economy is not enough – government must implement more effective programs and take a more proactive and consistent policy stance across economic sectors, social issues, and environmental initiatives. To do this, emphasis needs to be placed on ensuring that policy reforms will deliver the intended results in a cost-effective manner. In particular, it is essential that policy-making processes across government increasingly generate and rely on empirical evidence about the impact of new and existing policies and regulations on equity, employment, growth, and society. In addition, it is important to know what programmatic initiatives have and have not worked in the past.

The GoSA has recently launched a number of large and expensive programmatic initiatives, such as the Jobs Fund, the Expanded Public Work Programme, and the Presidential Infrastructure Coordination Commission (PICC). Moreover, other major initiatives are in the pipeline, such as the Youth Employment Subsidy. Despite all these reforms and initiatives, there is no entity that services GoSA public sector investment assessment needs quickly, uniformly, and objectively. This means that Government Departments are often without the evidence needed to make difficult socio-economic reform and investment decisions across an incredibility broad range of difficult issues (e.g. e-Tolling, wage subsides, industrial policies, etc.). To address this evidence gap, USAID will work to inform economic governance issues that affect the quality and consistency of South Africa economic policymaking, and hence the country's ability to reform its economy, increase trade and investment and promote sustainable growth.

Through cooperation with the GoSA, USAID/SA will support the improvement of policy processes, so that the private sector and Government are enabled to drive more tangible results, promoting jobs, and increasing equity and economic growth, with specific attention to leveling the employment opportunities available to men and women. Potential activities under this IR include:

- Creation of an analysis network to supply GoSA socio-economic impact needs across technical sectors, including health and environment;
- Assistance to the GoSA to create non-discriminatory standards and guidelines for policy analysis;
- Collaboration with the GoSA to establish a process for piloting potential economic policies with randomized control trials;
- Targeted capacity building to key economic governance bodies in the government;
- assistance to the GoSA with public financial management reforms; and

- Evaluation facilitation of GoSA programs that will have a large impact on future spending decisions.

Particular attention will be given to sectors identified by the GoSA to have job creating potential, such as active labor market programs, trade, competition, skills development, small business development, infrastructure, and emissions reduction and growth of the "green economy". Specific sectors will be at the discretion of the Department of Performance Monitoring and Evaluation, Economic Development Department (EDD), NT, and other line departments, in consultation with USAID, as the development of projects and activities require. For instance, the GoSA through EDD and the Cabinet Office identified a focus on equity, employment, economic growth, and green economy sectors for the Mission's Socio-Economic Impact Assessment activity. USG programming will also support changes to the policy environment that take into account the added constraints that women face.[101]

Additionally under this IR, USAID will leverage private sector resources through global development alliances, development credit guarantees, and innovative new platforms for social impact investing in order to advance South African initiatives that create sustainable growth, demonstrate a relatively high rate of return, and are able to scale nationwide. USAID will support public-private partnerships (PPPs), harnessing the power of South Africa's private sector and capital markets to promote inclusive private sector growth, skills transfer and to improve competitiveness and spur the creation of sustainable jobs. A key approach will be the promotion of partnerships enabling small and medium enterprises (SMEs) and women owned businesses to participate in the mainstream economy, which may include partnerships in labor-intensive economic activities such as infrastructure development. Such an approach would help to reduce inequality in income distribution as well as the dependence of households, which are largely female-headed, on social grants. Skills development in crucial areas will be a priority. Partnerships and models could include harnessing private sector resources to improve delivery of workforce skills learning and increase access to workplace learning, or expanding and developing climate-friendly technologies through innovative finance. At the end of the strategy, South Africa's private sector assets will better align with shared development goal so as to advance sustainable growth solutions.

Intermediate Result 2.3: Education innovations for improving literacy piloted and tested

In consideration of the substantial educational challenge facing South Africa, the USG has made South Africa's education a top strategic priority since 2010, in support of the renewed emphasis the GoSA has placed on the issue. There is widespread agreement that improving learning outcomes on a national scale, particularly in reading, requires several interventions, among them: developing teaching capacity and more effective school management. The primary aim addresses the poorly trained corps of some 420,608 teachers and principals by helping the GoSA identify and scale up local innovations that have demonstrated a positive impact on learner performance through improving primary grade reading skills. Education activities will target building teacher effectiveness through activities that improve literacy pedagogy as well as activities that strengthen and improve education management. A focused program will seek to improve the quality of education, and USAID/SA will leverage limited resources through PPPs and close coordination with the GoSA to promote scalability of interventions. This assistance relates directly to the Government of South Africa's Presidential Outcome 1— basic education, in particular improving literacy.

From Grades 1- 3 most learners are learning to read. From Grade 4 onwards however, learners are reading to learn, using their skills to acquire information in all subjects as they progress through school.

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[101] Recommendations provided in the *Gender analysis for USAID South Africa bilateral development cooperation strategy*, Sharon Phillipps, Gender Advisor (AFR/DP), 2012.

For too many children in South Africa, the Grade 4 curriculum is incomprehensible because of their inability to read. In the Southern and East African Consortium for Monitoring Education Quality III (2007), South Africa performed below most of the fifteen participating African countries in reading, and it had the third highest number of functionally illiterate readers. Inordinately high school dropout rates have been attributed to, among other factors, student's inability to cope with the curriculum due to their low reading proficiency levels. Low achievement in reading has important long-term consequences for earning potential, global competitiveness, and general productivity. A recent report by the consulting firm McKinsey found that grade-level reading proficiency has been identified as the foundation for future learning and skill development. Learners who are unable to read proficiently are unlikely to obtain a degree or the skills needed for employment in the workforce, hindering South Africa's ability to transform its economy.

IR 2.3 focuses on taking innovative approaches to literacy and assisting the GoSA with piloting and testing interventions with the hope of finding effective methods of improving literacy outcomes which may be brought to scale. Literacy activities are two-pronged in their approach. The first prong looks to the development of improved methodology and pedagogy of primary grade teachers, both pre-service and in-service. Teachers are exposed to concepts, materials, coaching and resources to enhance their skills in reading pedagogy. The second prong includes trainings and capacity development that will positively impact the education management of schools leading to improved quality of basic education delivered in schools. Interventions in education management are a key component for improving learner performance and are critical for the overall transformation of schools into more effective organizations that foster powerful teaching and learning for all students. Activities will also promote awareness to learners and teachers of South African laws that ensure the protection of children, and structures that are available for children to report any form of violation. The promotion of dialogues with girls, who are especially vulnerable, will focus on informing them of their rights and the responsibilities of teachers. Teachers will also be provided with pertinent knowledge on adherence to codes of professional ethics as outlined in the South African Council for Educators and in alignment with national laws on teacher conduct. Integrating justice efforts will also reinforce the role of teachers in protecting children. Additionally, projects that focus on awareness raising and community strengthening will include pertinent information to hold educators and other community leaders accountable to legal structures.

Illustratively, interventions that support pre-service training for new teachers, the incorporation of technology innovations which enhance primary grade reading, engagement with local communities to encourage their support of teaching and learning, and increasing access to appropriate reading materials, are some of the interventions which will be considered. Moreover, because many gender issues correspond to poverty rates – where more girls than boys in the poorest quintiles do not advance past primary school – an emphasis on targeting girls' achievements in poorer schools will be taken into consideration. Materials and teacher training will emphasize gender equity as well.[102] Efforts will also be made to engage the GoSA in providing innovative teaching tools and approaches in order to help improve the quality of education in the classroom. Those efforts will ensure that male and female teachers have equal access to these innovative resources. Gender-specific needs will also be considered when carrying out training for teachers, recognizing that female teachers may have had less access to technology, and that they may have greater time constraints than male teachers.

[102] Recommendations provided in the *Gender analysis for USAID South Africa bilateral development cooperation strategy*, Sharon Phillipps, Gender Advisor (AFR/DP), 2012.

At a school level, the role of the principal in leading success is indispensable[103]. The quality of their leadership impacts significantly on the quality of instructional leadership provided by the heads of departments; the quality of teaching and learning in classrooms; the morale and commitment of teachers; the psycho-social well-being of learners; the dignity of the physical environment of the school; the effective management and utilization of resources within the school; the relationships with the community; and the effectiveness of the school governing body. The school principal together with the school management team occupies a pivotal position bridging the relationships between the provincial education department, the district offices and circuit offices, the teachers, and the community of parents and learners. Teachers cannot work effectively when the principal is unable to manage this interface between the policy directives of the department and the complex social and pedagogical relationships of classroom and community. The ability of the principal to fulfill this complex role will depend on both the quality of leadership provided by the district and circuit personnel and the committed support of the broad school community.

In South Africa, demands for more effective schools have placed growing attention on the critical role of school managers. Evidence suggests that, second only to the influences of classroom instruction, school leadership and management strongly affects student learning.[104] Reviews of research suggest that successful school leaders and managers impact student achievement through their influence on people in their organizations, and through their influence on school processes.[105] Activities will also take into account gender issues that may impact improvement of education management. For example, teachers and school administrators should be engaged in creative ways to foster gender-sensitive improvement of the teaching curriculum, classroom performance, and teacher involvement with students while ensuring a balance of male and female teachers. This could be bolstered by encouraging the Ministry of Education's attention to gender equity among leadership positions and administrative positions. In doing so, USAID will consider the creative engagement of teachers and school administrators in ways to foster the improvement of the teaching curriculum, the classroom performance, and their involvement with students.[106]

Intermediate Result 2.4: Transition to a low-emissions economy promoted

South Africa is one of the most significant economic centers on the African continent. It is also one of the most significant emitters of greenhouse gases due to its energy-intensive economy founded on mining and minerals processing combined with a coal-intensive energy system. In order to achieve significant emissions reductions, mitigation efforts must come from reduced emissions in energy generation and use, with significant opportunities in the areas of energy efficiency and demand side management, and increased investment in renewable energy. Additional areas ripe for achieving emissions reductions include transportation and waste management with smaller opportunities in the area of agriculture and managing land-use change. Given South Africa's influence in the region, a vibrant private sector, and robust scientific and research capacities, the country has a unique potential to demonstrate leadership and serve as a model for more climate-friendly African development. As such, South Africa has been included as a key partner under the USG's Low-Emission Development Strategy (LEDS) as a component of the President's Global Climate Change Initiative (GCCI).

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[103] Stanford Educational Leadership Institute. (2005). School Leadership Study - Developing Successful Principals. Stanford: Stanford University.

[104] Ibid.

[105] Ibid.

[106] Recommendations provided in the *Gender analysis for USAID South Africa bilateral development cooperation strategy*, Sharon Phillipps, Gender Advisor (AFR/DP), 2012.

In the 2011 National Climate Change Response White Paper, South Africa declared its intention to strengthen the climate resilience of the country, its economy and its people as it moves towards a climate-resilient, equitable and internationally competitive lower-carbon economy. South Africa aims to effectively manage climate change impacts while making a fair contribution to the global effort to stabilize greenhouse gas concentrations as it moves along a sustainable development pathway. South Africa's climate commitments directly contribute to its New Growth Path, which aims to shift the population toward sustainable consumption and production patterns that decouple growth and development from negative impacts on the environment and society.

To achieve such a significant vision for development, South Africa has identified a set of priority climate initiatives that blend policy and regulatory alignment, technology research and innovation, and market-driven approaches. An initial focus will define carbon budgets for significant sectors, draw up sector-wide mitigation plans, and improve the national system of data collection.
While South Africa's political leadership has expressed strong commitment to address climate change, as reflected in an emerging set of robust policies, significant capacity gaps do exist at all levels of South African society. Furthermore, coordination across sectors and among institutions involved in climate change is somewhat limited.

From 2006 to 2008 South Africa developed transparent, scientifically-based long term mitigation scenarios and recommended actions that will collectively result in greenhouse gas emissions reductions of 34 percent and 42 percent relative to a 'Business As Usual' growth trajectory by 2020 and 2025, respectively.
USAID aims to build upon this foundation to strengthen the capacities of public and private stakeholders to develop and implement ambitious policies and actions to achieve stated emissions goals.

- Overall USG assistance will increase South African capacities for targeted stakeholders to advance emissions reductions.
- Additionally, USG efforts will help to encourage the participation of women for developing just, effective and efficient measures of climate protection; climate protection needs women's expertise, their perspectives, their political support and their engagement as key agents of change[107].[108]
- The GoSA also will apply improved climate mitigation science, methods and tools. In order to address significant employment concerns, USAID will emphasize the promotion and expansion of green economy sectors, where relevant and in alignment with the Department of Economic Development's Green Economy Accord and the National Development Plan.

With South African leadership, USAID will coordinate closely with other supporters of low emissions work, including multilateral and bilateral donors, and a variety of private sector partners. This will support the "U.S. Strategy Toward Sub-Saharan Africa", in which the USG seeks to promote low-emissions growth and sustainable development. USAID intends to identify opportunities where the South African public and private sector are aligned to leverage resources and maximize the impact of development priorities of the South African government. In addition, to capitalize on a diverse set of experience and skills in other priority countries focused on low emissions work, and a diversity of U.S. governmental and private institutions, USAID will leverage relevant expertise, skills and financing of U.S.

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[107] UNCSW, *Gender Perspective on Climate Change*, New York: United Nations, 2008.
[108] Recommendations provided in the *Gender analysis for USAID South Africa bilateral development cooperation strategy*, Sharon Phillipps, Gender Advisor (AFR/DP), 2012.

public and private entities to help support South Africa's transformation to a more climate resilient, economic development pathway.

The following are noteworthy linkages under DO 2 and its IRs.

IR 2.1 ↔ DO 1 & DO 3: Democratic governance and accountability are at the heart of maximizing a country's potential and laying a strong foundation for equitable and progressive economic growth. It is also critical for service delivery in line ministries that provide important outputs in the daily lives of South Africans. Thus, IR 2.1 impacts all sectors; the two other DOs goals of improved health outcomes and enhanced impact on African development cannot be achieved without advancement of fundamentals of governance and accountability. In particular, when applied to DO 1 public sector service delivery, government entities must function well to succeed. In regards to DO 3, food security and nutrition depend to a large extent on community and government resource allocation and governance is critical to this. For example, the procurement, audit and financial management functions in line ministries must be robust to ensure that taxpayer dollars reach beneficiaries in need. Specifically, IR 2.1 supports the establishment of effective and sustainable systems noted in IR 1.2.

IR 2.4 → DO 3: Increased low emission development interventions (IR 2.4) will have an important and strategic impact on South Africa's ability to serve as a model and advance lower emissions technologies and practices throughout the region. For this, achievement of IR 2.4 will contribute to "South Africa impact on African development enhanced" (DO 3).

IR 2.1 ↔ IR 2.2: Interventions to improve democratic governance and accountability and the policy environment for sustainable growth are mutually beneficial. They will seek to create a policy environment within the GoSA that encourages the creation and implementation of policies which can be seen as best practices. As such, design will focus on the delivery of policies that reinforce the efforts under IR 2.1 – the strengthening of domestic democratic governance and accountability – through improved transparency, accountability and economic governance.

IR 2.2 → IR 1.1: There is substantial evidence that economic insecurity is a critical factor in shaping high-risk behaviors (e.g., transactional sex, drug/alcohol abuse) – especially among youth. Thus, a contributing relationship is also understood between "Evidence-based policies and practices for sustainable growth promoted" (IR 2.2) and "HIV and TB infections reduced" (IR 1.1).

IR 2.4 → IR 2.2: At the IR level of the DO stream, IR 2.4 is seen to causally support IR 2.2. The causality starts with IR 2.4, whose emphasis toward sustainable (green) economic growth is seen to feed horizontally into IR 2.2. That is to say, achievement of IR 2.4 will manifest lessons, innovations or practices that can be translated into policy (IR 2.2). Likewise, improved policies will promote opportunities for employment and sustainable growth.

Development Objective 3: South African impact on African development enhanced

Development Rationale

Post-apartheid South Africa has focused significant attention on internal transformation to create a more inclusive and representative government and economy. At the same time, the strength of South Africa's public institutions and magnitude of its private sector positions the country to serve as a strong partner to advance development in Africa and beyond. Large corporations in South Africa spend over USD 750 million (6 billion Rand) a year in corporate social responsibility programs for health, education, renewable energy, and job creation. There are close to a trillion USD in financial and banking assets in South Africa, and the number of South African based firms working with innovative technologies for

health, agriculture and environment is comparable to what is found in the technology hubs of the U.S. and Europe. South Africa is also the base for some of the world's largest local and international foundations, many of which are significantly involved in advancing a development agenda that aligns with USAID development objectives in Africa. As well, its democratic foundation, such as the Constitution, has led to the establishment of opportunities for citizens to access education, health care, and social services.

As stated, South Africa "seeks to assert itself on the global stage in a manner that advances the African agenda".[109] South Africa's Mid-Term Strategic Framework, which defines the priorities, strategic objectives, and targets for the Government of South Africa, articulates the anticipated outcomes to both "Create a better South Africa and contribute to a better and safer Africa, and World," Outcome 11. South Africa has enormous potential to help lift the rest of Africa from poverty using its expertise, innovation, human and financial capacity. As a result, USAID/SA will support and encourage the GoSA as it pursues these objectives, and capitalize on USAID's capacity to convene, accelerate, and broker development innovations to advance multi-stakeholder partnerships and alliances.

USAID/SA's CDCS will link with the regional efforts of the USAID/SA RDCS to utilize, promote, and share South African expertise, best practices, models, and systems to help developing countries in the region, on the continent and, as opportunities present themselves, around the globe. South Africa's developed democratic systems, regulatory practices, innovative scientific research can assist developing countries through the trilateral assistance model whereby the USG and GoSA partner together to support development initiatives in third countries. Such programming can increase regional integration, promote social benefits such as women's empowerment, and strengthen South Africa's capability to deliver beneficial assistance to others. Joint programming will focus on key USG foreign policy priorities in Africa including food security, climate change, and the rule of law.

Development Hypothesis

South African institutions, both from the private and public sector, play a crucial and growing role in the support of economic development, the prevention of conflict, and the stabilization of post-conflict environments. Strengthening and leveraging South Africa's public and private sector to advance development on a regional and continental scale will position South Africa to be a more effective development partner to address shared foreign policy priorities in Africa such as food security, climate change, good governance and elections support, and post-conflict reconstruction and development. Therefore, USG assistance will support South Africa's vision to establish the new South African Development Partnership Agency (SADPA); support the sharing of South African expertise, best practices, and systems to advance development; and leverage South Africa's agricultural capability and leadership as a Strategic Partner for Food Security in Africa. *DO 3 hypothesizes that if South Africa's international development engagement is strengthened and its agricultural leadership leveraged, South Africa's impact on African development will be enhanced.*

Intermediate Result 3.1: Development engagement strengthened

As one of the most influential countries on the African continent, South Africa seeks to assert itself in a global leadership role which advances the African agenda. This agenda seeks to promote economic growth and development; improve economic integration at regional levels; increase trade and investment; and ensure democratization and good governance. In many cases, South African expertise, best practices, models, and systems are already in place, but the underlying structures need to be

[109] The Presidency, the Republic of South Africa. *Delivery Agreement For Outcome 11 : Creating A Better South Africa And Contributing To A Better And Safer Africa In A Better World,* March 10, 2011, pg. 6.

strengthened and new platforms need to be created in order for them to assist countries in the region and on the continent. IR 3.1 seeks to improve the GoSA's performance as an emerging development assistance provider and donor as USAID transitions its role with South Africa from a donor-recipient to a donor-to-donor relationship. This IR plans to accomplish this through activities that bolster positive African models, and through those activities that promote regional integration.

IR 3.1 builds upon USAID/SA's experience with current trilateral assistance programming, and seeks new opportunities for synergies with other development partners. As African countries search for African approaches to development challenges, they stand to benefit from South Africa's expertise. Continued capacity development of GoSA departments will leverage USAID's development impact through trilateral partnerships. Past and current activities of the "Trilateral Assistance Program" have been rooted in a demand-driven approach and implemented by six different departments across the GoSA. For example, announced during Secretary Clinton's visit to South Africa in August 2012, USAID is partnering with US Federal Trade Commission (FTC) and SA's Competition Commission to jointly provide technical assistance and training to newer competition agencies in the Southern Africa region, principally Botswana, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, and Zambia. This will support South Africa and its leadership role as a co-founder with Kenya of the continent-wide African Competition Forum. The activity also supports joint USG-South Africa foreign policy goals of lowering barriers to investment, and promoting economic growth and development.

Furthermore, future trilateral assistance activities will create awareness and support for access to justice for women, and will assist in identifying and bringing together stakeholders on gender justice. It will build on existing platforms created by South Africa to provide opportunities for countries to share best practices with regard to gender justice and management of GBV, both within government and in civil society[110], and seek to observe and support the principles of gender equality and women's empowerment as promoted by international treaties. South Africa has made gains in responding effectively to GBV through a government-led and sustained multi-sectoral rape management model that received initial funding from USAID/SA. Such models should be shared with countries in the region.

USAID envisions supporting development assistance through the GoSA's nascent aid delivery systems. South Africa has supported development partnership through the African Renaissance Fund (ARF) since 2001. Through the ARF, GoSA has supported democracy and governance, conflict resolution, socio-economic development, humanitarian assistance, and human resource development. Currently, its programming supports election observer missions, improvement of veterinary laboratory capacities, diplomatic training, and humanitarian assistance to Somalia. The current practice of facilitating development programs through the NT's International Development Cooperation Unit will continue until the country's own partnership agency, the SADPA, is established. USAID plans to support the capacity of SADPA in its early years by sharing best practices in project management, oversight, and cost-benefit analysis through activities such as study tours and knowledge transfer through staff exchanges. Once established, SADPA will be the leading government agency responsible for coordinating development partnerships, transferring positive models, and support to fellow African states. This should enable South Africa to become a more active and effective participant in and leader of South-South cooperation through important development initiatives in the region and on the African continent.

Intermediate Result 3.2: Agricultural leadership leveraged

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[110] Recommendations provided in the *Gender analysis for USAID South Africa bilateral development cooperation strategy*, Sharon Phillipps, Gender Advisor (AFR/DP), 2012.

Hunger, nutrition and poverty problems persist at alarming levels. In contrast with overall economic progress in Southern Africa, there is the sobering fact that the number of people living in poverty has been growing over the past two decades with hunger and nutritional indices remaining a great concern. Southern Africa is home to countries with a significant proportion of their populations living under the poverty line: the Democratic Republic of Congo 70%; Madagascar 68%; Swaziland 63%; Mozambique 54%; Zambia 53%; Lesotho 43%; Malawi 40%; Tanzania 35%; Zimbabwe 36%; and Namibia 36%.[111] Hunger and nutritional indices across the region rank 11 countries as "alarming" and "serious."[112] Only South Africa is given a "moderate" hunger index score and no country in SADC has a "low" index rating.[113] Reports on underweight and stunted children also place several Southern African countries among the lowest ranked with Angola, Lesotho, Malawi, Mozambique, and Zambia having child stunting rates of over 40%.[114] It is also noteworthy that the average regional adult literacy rate is about 22%.[115]

Within the region and Sub Saharan Africa, South Africa represents the region's economic potential. South Africa's economy is driven by a strong private sector, which is investing heavily beyond its borders. South African agriculture is important to the SADC region and all of Sub Saharan Africa. South Africa accounts for about 44% of the agricultural GDP of Southern Africa and 6% of the agricultural GDP for Sub Saharan Africa.[116] In its position to demonstrate the region's potential and to offer agricultural investment, South Africa may serve as a development pole of not only the Southern Africa region but for all of Africa, and, accordingly, its potential role for reducing hunger on the continent is very high.[117] Improvements in food security in the region would be difficult to achieve without continued economic and agricultural production growth in South Africa. Given South Africa's strengths and the needs of the region, accelerating and further catalyzing South Africa's leadership role should have significant development impacts throughout the region.

A key development theme is to leverage the strengths of South Africa's economy to benefit other developing countries in the region. South Africa itself has established a process and structure for responding to agricultural technical assistance needs for countries across Africa, with nineteen African countries having requested GoSA assistance to improve the performance of their agricultural sectors. In 2011, the DAFF established the Africa Relations Directorate (ARD) with the mandate to respond to agricultural assistance requests from African countries, consistent with CAADP principles. DAFF/ARD representing the Government of South Africa has access to South Africa's agricultural research institutions, policy makers, and private sector, and ministerial level agricultural leaders in Africa. However, demand for South African assistance is significant and DAFF is just now building its institutional and technical capacity to design, deliver and monitor effective technical assistance programs under a national strategic assistance framework.

Through the Feed the Future (FTF) Strategic Partnership, South Africa and the U.S. will partner to leverage South Africa's commercial agribusiness sector, agricultural research institutions and universities to catalyze food security and nutrition advances in FTF focus countries in Africa. USAID will draw upon

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[111] WFP/UNICEF 2010

[112] IFPRI 2012 Global Hunger Index

[113] *2010 Global Hunger Index,* IFPRI.

[114] *The State of the World's Children,* UNICEF, November 20, 2009.

[115] World Bank Data Base, 2010.

[116] *South African Agricultural Production and Productivity Patterns,* Frikkie Liebenberg and Philip G. Parley, 2010. This paper also clearly states: "It is difficult to conceive how the chronic hunger and serious bouts of food insecurity that befall many people throughout Africa can be ameliorated if agricultural productivity fails to pick up pace."

[117] *World Development Indicators Database*, World Bank, December 15, 2010.

broader USG expertise, such as the U.S. Department of Agriculture (USDA) and the Animal and Plant Health Inspection Service (APHIS), to identify, scale up, and share proven agricultural development practices, technologies, and innovations from South Africa to countries in Africa. The Strategic Partnership will not only include sharing technologies, but will also encompass support for harmonization of standards and policies through South African leadership, training and exchange programs to develop professions and practices that will contribute to food security and nutrition. USAID/SA will emphasize coordination of the transfer of proven technologies, practices and capacity building with the DAFF to foster sustainability and host-country ownership, and will target partnership activities to directly benefit FTF focus countries in Africa – starting with Malawi, Mozambique, Zambia and Kenya.

For example, USAID/SA currently partners with South Africa's private sector to promote innovative solutions to constraints in key FTF value chains – cereals, legumes (soy and edible beans) and groundnuts. To reduce post-harvest loss in Zambia, the Strategic Partnership is advancing application of South African technology, investment to expand warehouse facilities, and management training to facilitate entry of maize into international trade channels, thereby helping to mitigate challenges of seasonality, surplus and deficit. Similarly, USAID-supported South African and local private sector partnerships are expanding seed multiplication for hybrid maize and building local input/service provider capacity in Malawi to increase access to and expansion of adoption of new seed technology by smallholder farmers. Upgrading of groundnut procurement and processing that mitigates aflotoxin levels in FTF focus countries is contributing to improved nutrition and market access for small holder-produced groundnuts.

Additional concepts are under review and in the pipeline to significantly scale up trilateral food security and nutrition innovation and knowledge transfer activities in Africa. The Mission will explore continued use of partnerships working with educational institutions like the current partnership between the Mission and the University of Cape Town to train public officials on trade policy to encourage policy harmonization and integration, and the USG interagency partnerships with the USDA and their bilateral activities with South Africa's Agricultural Research Center on pest control, improved plant genetics, and better farm resource management. These linkages could also be applied to third countries to improve sustainable agriculture. Going forward, USAID will foster South African Government involvement in FTF Strategic Partnership activities to strengthen host-country ownership and capacity to deliver high-quality, well-coordinated food security and nutrition assistance. This effort is expected to establish sustainable improvement in food security, agricultural policy and stability.

The following are noteworthy linkages under DO3 and its IRs.

IR 3.2 ↔ IR 1.1: It is well documented that the AIDS and TB illness reduces agricultural productivity. Thus, the reduction of HIV/TB infections (IR 1.1) is seen to causally contribute to increased food production in Southern Africa (IR 3.2). Likewise, greater food security and nutrition improve the quality of lives of Southern Africans, thus reducing the need for migration and therefore mitigating the spread of HIV and AIDS and TB through migration. Greater food security also responds to a structural issue believed to contribute to female HIV vulnerability: the need to supply household food which leads many poor women to engage in transactional sex. Women are known to have a greater sense of community responsibility and ensuring food security to women will extend to a positive impact on the ability to mitigate hunger and poverty within communities.

Cross-Cutting Themes

The following three themes are integral to the proposed CDCS approach. These cross-cutting themes each have an impact that resonates throughout the results framework and their integration in the project and activity design process will ensure more effective programming.

Increased leverage of public and/or private sector resources

All USG efforts, including USAID Forward, focus on delivering sustainable programmatic results and USAID/SA plans to ensure that sustainability is a key tenant of all assistance in the continued transformation of South Africa. As a result, USAID/SA must plan for the long-term sustainability of activities and interventions. However, as noted in the discussions on the development context and the DOs, a lack of funding and capacity jeopardizes any effort. To mitigate the funding and capacity gap in programming, USAID/SA will seek to leverage public and private sector resources. USAID/SA already partners with the private sector through Public-Private Partnerships, and expects to continue pursuit of public and private sector organizations to magnify the impact of USAID programming. Throughout the activities implemented under all three DOs, the Mission will continue to develop new Public-Private Partnerships, and will seek to identify entities with shared objectives and additional technical and financial resources to jointly pursue projects which are too large for a single party to pursue. In particular, USAID will seek to leverage the combined technical and financial resources of the USG interagency community and private firms to achieve consolidated and lasting development results for South Africa. Partnerships and models supported are intended to create positive systemic change for a more economically gender inclusive and robust country and prove a new model for public-private cooperation in South Africa, and potentially the region. When possible, USAID will combine efforts and resources with other USG agencies, including the United States Trade and Development Agency, US Department of Commerce, US Department of State, US Department Agriculture, Export-Import Bank, and the Overseas Private Investment Corporation (OPIC), that promote private-sector led growth and investment in South Africa to maximize development impact.

Improved capacity of South Africa partners

A basic tenet of good development is placing significance on sustainable development efforts. With many of the challenges in South Africa too complex or intractable for a five-year program to resolve, it is of paramount importance that design integrates the development of South African partner capacity. Building local capacity through South Africa partners at all levels – community-based organizations, district or provincial partners or within the national government – will sustain projects beyond shifts in political or funding priorities. The Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, and the Busan Partnership for Effective Development Cooperation all emphasize host country ownership and oversight of development, but also acknowledge the important step of building local capacity as a fundamental stage toward sustainable development. Moreover, capitalizing on the talent, knowledge and desire of local partners continues the transition of development to South Africans themselves by placing the management of their development in their own hands. Activities under each DO and IR will seek to create opportunities for the development of South African partner capacity, and thereby, plan for transition of sustainable efforts to local partners.

Increased gender equity including the reduction of gender-based violence

As gender equity and gender-based violence are of particular concern in South Africa, all DOs and IRs will incorporate methods that seek to improve gender equity and mitigate gender-based violence. DO 1 and specifically IR 1.2 will reinforce the GoSA's work to improve its internal practices and policies that may lead to gender inequities. DO 2 will strive to improve gender equity while proposing activities that support South Africa's transition to low-emissions economy, its development of an improved policy environment and the creation of opportunities for sustainable job growth. Furthermore, all interventions designed in response to IRs 2.2 ("Evidence-based policies and practices for sustainable

growth promoted") will assist the GoSA as they move towards a more equitable economy and workforce. As well, IR 2.3 ("Education innovations for improving literacy piloted and tested") will pursue the equitable treatment of pupils in the design and implementation of literacy pedagogies and work to ensure that education management practices reinforce such treatment. DO 3 will continue to work toward reducing the inequities in health care access and stigma for vulnerable populations, including women and children, and seek to mitigate and prevent gender-based violence, which exacerbates transmission of HIV.

USAID Forward

USAID/SA and its programs provide a rich landscape for achieving the Agency's USAID Forward goals in South Africa. In the new strategy period, USAID will work to integrate key initiatives and their indicators within projects to accelerate success and allow for more effective monitoring. The mission envisions an oversight working group to track top line indicators and promote best practices and successful models among technical teams.

Implementation and Procurement Reform

In the area of procurement reform, USAID/SA has pursued opportunities to strengthen local organizations and prepare them for becoming full USAID partners in the future. Through capacity building teams that train local partners in the procedures, regulations and formal requirements necessary to do business with USAID, as well as technical staff who advise them on financial management, environmental and gender related issues, USAID/SA has and will continue to support this initiative. The mission is on track to program over 65 percent of its annual funding through local organizations and systems by the end of the FY 2015.

In addition to the private sector, USAID/SA has been working closely with the Government of South Africa to strengthen their capacity internally to accommodate increased funding through their host country systems and advance aid effectiveness goals. In that regard, USAID/SA completed a Public Financial Management Risk Assessment Framework (PFMRAF) Stage 1: Rapid Appraisal in FY 2011 which paved the way for more cooperation towards more detailed assessments in specific Ministries and sectors. Multiple efforts are now underway to provide capacity building technical assistance directly to the GoSA through direct funding agreements, such as Fixed Obligation Grants or Fixed Amount Reimbursement Agreements. Over the strategy period, USAID/SA anticipates more Government to Government (G2G) activities to be introduced in South Africa as needs are identified.

Strengthening Monitoring and Evaluation

In the area of monitoring and evaluation, USAID/SA has revised its planning process to include both impact and performance evaluations along with Agency guidance. A working group has also been formed to share information and best practices while ensuring consistent application of evaluation policy. In order to meet the number of evaluations planned during the strategy period, USAID/SA recently awarded an IQC contract with local South African organizations to provide evaluation services required under USAID's new evaluation policy. This award was limited to only local firms and resulted in five firms that will compete for task orders up to a $5 million ceiling over the next three years.

Rebuilding Policy Capacity

During the strategy period, the mission will have multiple new project designs to undertake and will incorporate the new ADS guidance on project planning and design throughout the process. A new mission order on project planning and design along with specific training on application of the new design methodology will enable mission staff to build in the gender, environment and sustainability

required assessments. USAID will also have updated or new guidance available in alignment with evaluation policy, government to government cooperation and local capacity development.

Talent Management

As a regional training hub for DLI staff, USAID/SA has provided rotational opportunities. These are expected to continue during the strategy period allowing for a diverse program experience. USAID/SA has also been developing a more formalized mentoring program for both FSOs, including DLIs, and FSN staff. This program will further USAID goals of providing valuable guidance to enhance future leadership potential. In pursuit of increased local engagement, USAID/SA staff will continue to include performance measures in their annual assessments that gauge their direct interaction with local organizations or the host country government. Over 30 percent of USDH and FSN work objectives now include direct engagement with local entities. This will continue to promote closer work relationships with GoSA counterparts and permit sharing of best practices among both USAID and South Africa in the pursuit of development success.

Innovation

In the area of partnerships, USAID seeks to leverage both Government of South Africa and private sector partner contributions in order to create more innovative and sustainable partnerships. Recent partnerships have included Johnson and Johnson, Chevron, Anglo-American, Nike and the MAC AIDS Fund. Currently, the mission leverages over 6 percent of its annual program allocation via PPPs and Global Development Alliances (GDAs) with that figure expected to reach 10 percent by 2015. In this strategy period, USAID/SA plans to utilize the Development Credit Authority (DCA) so that the percent of program funds dedicated to leveraging commercial private capital will be reduced from .25 percent to .05 percent by 2015. As the number and total of value DCAs grow, more commercial capital will be leveraged in relation to USAID programming dollars used; therefore, the percent of program funds dedicated to leveraging commercial private capital will fall over time.

Science and Technology

USAID/SA encourages the use of science and technology to meet program results and objectives. In the health sector, applied research has led to promising medical advances in the fight against HIV and AIDS. Mobile phone technology has also played a role in allowing critical information to be transmitted to new and expectant mothers. USAID/SA envisions other opportunities to employ tactical science and technology tools in the accomplishment of our objectives and will encourage design activities to allow for this possibility.

Monitoring, Evaluation and Learning

USAID/SA will develop a rigorous monitoring and evaluation (M&E) system through which to measure progress toward the results outlined in our Results Framework, and to facilitate ongoing learning and accountability which will enable the most effective and relevant implementation of the CDCS. M&E efforts will focus on:

- Designing and Implementing project models that can be replicated by GoSA and local institutions
- Producing accurate data to inform decisions on future programming
- Learning through evaluations
- Documenting USAID program impacts
- Building local capacity to monitor and evaluate programming
- Capturing data disaggregated by sex at the individual level to better understand the impact and effectiveness of programming on gender equality and female empowerment

Monitoring and Evaluation Process and Roles

Monitoring and Evaluation will be the hallmark of program management throughout the life cycle of the development objectives. A robust Performance Management Plan (PMP) will to lay a framework for measuring progress toward the achievement of our IRs, DOs and Goal for South Africa. The PMP will incorporate the Performance Indicators identified in this, and will outline roles and responsibilities among DO teams in a way that holds USAID accountable for the achievement of results.

Given the inter-related and multiple concurrent projects outlined in the CDCS, the PMP will propose a cross-functional organization structure to enable the mission to realize desired results. As the Mission negotiates this cross-functional organization structure, consideration will be given to strategy and how this affects USAID's operational efficiency and long-term effectiveness. Functional teams will be involved in reviewing the results of periodic monitoring, reporting and progress toward the goal. A cycle of continuous project design and assessment will be built using inclusive methods.

Evaluation

Performance and impact evaluations will be conducted at the DO, IR, and program levels to complement routine performance monitoring efforts with more rigorous, in-depth analysis. Where appropriate, evaluations that bring together other USG agencies, GoSA and other stakeholders will be considered, and USAID/SA has prioritized the building of evaluation capacity within South Africa and the region through the establishment of a local evaluations services IQC consisting of South African firms to conduct evaluations and assessment both for USAID/SA and non-presence countries. This new mechanism is in keeping with USAID Forward reforms and USAID/SA's cross-cutting theme of utilizing and supporting the already strong local organizations in South Africa. Inclusion of GoSA departments and other key stakeholders in evaluations will be vital to the sustainability of our work in South Africa. In line with the evaluation policy and project design best practices, continuing streams of M&E data and feedback will add value at every stage of implementation, from design through close-out.

USAID/SA will conduct baseline studies for DO-and-IR-level indicators (where such information is not already available) to measure the initial conditions being addressed. These baselines and appropriate targets will be reflected in the Mission and DO-level PMPs developed after approval of this strategy. Baseline studies, indicators and targets will be sex-disaggregated, where possible, and efforts will be made to include measuring gender-specific changes in line with the new agency Gender Strategy.

USAID/SA has developed an evaluation plan that will directly impact the manner in which this strategy will be measured, in line with the USAID Evaluation Policy.

Performance Monitoring

Performance Monitoring tracks changes in performance indicators that are selected before project implementation to demonstrate if desired results are occurring and in implementation is occurring as planned. The following table provides an illustrative list of indicators selected to measure performance at different levels and the key evaluation questions at the Goal, DO and IR levels.

Goal: South Africa's continued transformation into an equitable, effective and exemplary nation strengthened.					
Evaluation Subject	Timing	Key Research Questions	Performance Indicator	Baseline	Target
National Poverty	At the end of CDCS	Impact on poverty reduction	% Change in poverty rate in South Africa or Poverty gap ratio	Increase in poverty rate over last 10 years	Limit increase
Women in wage employment	At the end of CDCS	To what extent did USAID's Economic Growth interventions impact women's participation in the non-agriculture sector? What circumstances positively or negatively affected the degree to which women benefitted?	Share of women in wage employment in the non-agriculture sector	Low participation of women in the non-agriculture sector	Increase women's participation
National prevalence of HIV and AIDS	At the end of CDCS	Impact on HIV and AIDS prevalence	% Change in HIV and AIDS prevalence in South Africa	Increase of PLWHA from previous decade	Limit increase

DO 1: Health outcomes for South Africans improved					
Evaluation Subject	Timing	Key Research Questions	Performance Indicator	Baseline	Target
Health outcomes for South Africans improved	Throughout the CDCS	Impact of HIV and AIDS in South Africa	Increased life expectancy at birth (years) (WHO Country Profile) Reduced Under five mortality rate (WHO Country Profile)		
IR 1.1: HIV & TB infections reduced					
Spread and impact of HIV and AIDS and TB in South Africa	National coverage with data for target provinces in South Africa	Impact of HIV and TB prevention in South Africa; Dimensions of prevention strategies	Number of adults and children with advanced HIV infection who are currently receiving ART in accordance with the nationally approved treatment protocol (PEPFAR NGI T1.2.N) Percent of adults and children known to be alive and on treatment 12 months after initiation of antiretroviral therapy (PEPFAR T1.3.D)		

IR 1.2: Sustainability of effective HIV and TB response systems increased					
Evaluation Subject	Timing	Key Research Questions	Performance Indicator	Baseline	Target
Sustainability of effective HIV and TB response systems increased	Targeted communities midpoint of the CDCS	TA provided and utility	Number of community health and para-social workers who successfully completed a pre-service training program (PEPFAR NGI H2.2.D) Proportion of PEPFAR indicators and reporting systems aligned with those of the GoSA and rely on GoSA data systems as the primary source for reported data (PFIP Workstream 4: Strengthen Health and Community Systems)		

IR 1.3: Care and treatment of vulnerable populations improved					
Evaluation Subject	Timing	Key Research Questions	Performance Indicator	Baseline	Target
Care and treatment of vulnerable populations improved	Targeted communities midpoint of the CDCS	Technical Assistance provided and utility	Number of eligible adults and children provided with a minimum of one care service (PEPFAR NGI C1.1.D) Number of HIV-positive pregnant women who received antiretrovirals to reduce risk of mother-to-child transmission (PEPFAR NGI P1.2.D) Number of people reached by a USG funded intervention providing GBV services (e.g., health, legal, psycho-social counseling, shelters, hotlines, other)		

DO2: South African resource effectiveness advanced in targeted sectors					
Evaluation Subject	Timing	Key Research Questions	Performance Indicator	Baseline	Target
South African resource effectiveness advanced in targeted sectors	Throughout the CDCS	Review of current programs and South African policies advancing resource effectiveness	Mo Ibrahim Index of African Governance Ranking in the "Burden of Government Regulation" Category in the World Economic Forum ranking Public Opinion on Delivery of Basic Services (GoSA collected) Greenhouse gas emission for six gases under Kyoto Protocol		
IR 2.1: Democratic governance and accountability strengthened					
Democratic governance and accountability strengthened	Targeted communities midpoint of the CDCS	Impact of interventions on reforms and independence of the judiciary	Rule of Law indicator from World Bank Worldwide Governance Indicators Independence of Judiciary in Cingranelli and Richards Human Rights Dataset Index		

IR 2.2: Evidence-based policies and practices for sustainable growth promoted					
Evaluation Subject	Timing	Key Research Questions	Performance Indicator	Baseline	Target
Evidence-based policies and practices for sustainable growth promoted	USG targets every year.	Technical Assistance provided and utility	Number of employment related policies and regulations affected by USG assistance "Policy Instability" cited less frequently in the WEF global competitiveness Report		
IR 2.3: Education innovations for improving literacy piloted and tested					
Education innovations for improving literacy piloted and tested	Targeted communities midpoint of the CDCS	Testing development hypothesis and best approaches	Number of education innovations piloted with USG assistance $ of USG assistance leveraged with GoSA monies to pilot education interventions		
IR 2.4: Transition to a low-emissions economy supported					
Transition to a low-emissions economy supported	USG targets every year.	Technical Assistance provided and utility?	Quantity of greenhouse gas emissions, measured in metric tons of CO2 equivalent, reduced or sequestered as a result of USG assistance Number of institutions with improved capacity to address climate change issues as a result of USG assistance		

DO3: South African impact on African development enhanced					
Evaluation Subject	Timing	Key Research Questions	Performance Indicator	Baseline	Target
South African impact on African Development	Throughout the CDCS	To what extent has South Africa developed and upgraded capabilities to enable sustainable and inclusive development?	The number of South African best practices adopted by other African countries Percent change in ODA ($)		
IR 3.1: Development engagement strengthened					
Development engagement strengthened	National coverage with data for target regions. Midpoint of CDCS National survey every other year	Evidence of best practices, models and systems emerging from South Africa to assist countries in the region and the continent. Technical Assistance provided and utility?	Number of projects and/or partnerships between GoSA agencies or departments and a third country in Africa Number of activities focusing on regional dissemination of best practices and lessons learned Number of new technologies or management practices made available for transfer as a result of USG assistance		

IR 3.2: Agricultural leadership leveraged					
Evaluation Subject	Timing	Key Research Questions	Performance Indicator	Baseline	Target
Agricultural leadership leveraged	USG targets every year.	Impact of South African agricultural interventions and activities in the region	Number of public-private partnerships formed as a result of FTF assistance (S) (4.5.2-12) Percent change in value of intra-regional trade in targeted agricultural commodities (4.5.2-35) Number of new technologies or management practices in one of the following phases of development: (4.5.2-39) …in Phase I: under research as a result of USG assistance …in Phase II: under field testing as a result of USG assistance …in Phase III: made available for transfer as a result of USG assistance		

Annexes

Annex 1: Summary of Priorities of GoSA and USG Chief of Mission

GoSA Priorities

National Development Plan 2030 – Summary

November 2011

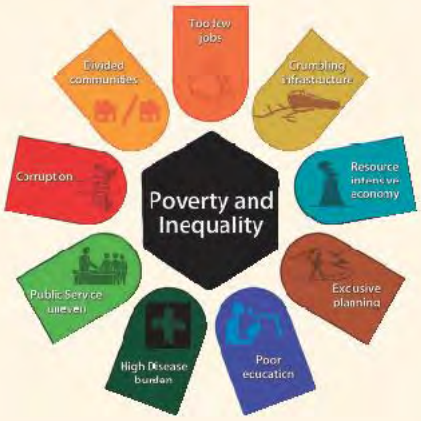
National Development Plan 2030

South Africa can eliminate poverty and reduce inequality by 2030. It will require change, hard work, leadership and unity. Our goal is to improve the life chances of all South Africans, but particularly those young people who presently live in poverty.

The plan asks for a major change in how we go about our lives. In the past, we expected government to do things for us. What South Africa needs is for all of us to be active citizens and to work together – government, business, communities – so that people have what they need to live the lives they would like.

A government that works well doesn't just deliver more houses. It does more than that. It makes it possible for people to build or buy their own houses. This can be through earnings from work, savings, borrowing from the bank, family networks or government subsidies. Government can build schools, but it can't make children go to school and study hard. It needs parents and teachers to do that. Getting this right is much more difficult than building houses or schools. This means we have to look at things differently, and behave differently.

THE DIAGNOSTIC



THE PLAN

National Development Plan

The plan helps us to chart a new course. It focuses on putting in place the things that people need to grasp opportunities such as education and public transport and to broaden the opportunities through economic growth and the availability of jobs. Everything in the plan is aimed at reducing poverty and inequality.

Our view is that government should shift the balance of spending towards programmes that help people improve their own lives and those of their children and the communities they live in.

South Africa can become the country we want it to become. It is possible to get rid of poverty and reduce inequality in 20 years. We have the people, the goodwill, the skills, the resources – and now, a plan.

THIS IS WHAT IT SAYS:

CREATE JOBS

- Create 11 million more jobs by 2030:
  - Expand the public works programme
  - Lower the cost of doing business and costs for households
  - Help match unemployed workers to jobs
  - Provide tax subsidy to businesses to reduce cost of hiring young people
  - Help employers and unions agree on starting salaries
  - Make it possible for very skilled immigrants to work in South Africa
  - Make sure that probationary periods are managed properly
  - Simplify dismissal procedures for performance or misconduct
  - Take managers earning above R300 000 out of the CCMA process
  - Reward the setting up of new businesses, including partnering with companies
  - Increase value for money for tourists by selling regional packages that meet all pocket sizes. Consider a single visa for SADC visitors
  - Deal with confusion over policies to do with transport, water, energy, labour and communications

EXPAND INFRASTRUCTURE

- Invest in a new heavy-haul rail corridor to the Waterberg coal field and upgrade the central basin coal network
- Enable exploratory drilling to see whether there are viable coal seam and shale gas reserves, while investigations continue to make sure that operations do not damage the environment
- Move Eskom's system operator, planning, power procurement, power purchasing and power contracting functions to the independent system and market operator
- Closely regulate the electricity maintenance plans of large cities
- Set up an investment programme for water resource development, bulk water supply and wastewater management this year, with reviews every five years
- Fix and build transport links, in these key areas:
  - Upgrade the Durban-Gauteng freight corridor and build a new port at the old Durban airport site
  - Expand the coal, iron ore and manganese lines. Build the N2 road through the Eastern Cape
  - Upgrade the Sishen to Saldanha iron ore line and expand capacity on the manganese line (including port capacity)
- Improve and cut the cost of internet broadband by changing the regulatory framework

TRANSITION TO A LOW-CARBON ECONOMY

- Speed up and expand renewable energy and waste recycling, and ensure buildings meet energy-efficient standards
- Set a target of 5 million solar water heaters by 2030
- Introduce a carbon tax
- Scale up investments and R&D for new technologies

TRANSFORM URBAN AND RURAL SPACES

- Stop building houses on poorly located land and shift more resources to upgrading informal settlements, provided that they are in areas close to jobs
- Improve public transport
- Give businesses incentives to move jobs to townships
- Fix the gap in the housing market by combining what banks have to offer with subsidies as well as employer housing schemes
- Give communal farmers, especially women, security of tenure
- Put money into irrigation in Makatini Flats and Umzimvubu River Basin

2030

EDUCATION AND TRAINING

- Develop a nutrition programme for pregnant women and young children, to be piloted by the Department of Health for two years
- Make sure all children have two years of pre-school
- Get rid of union and political interference in appointments and appoint only qualified people
- Increase teacher training output by expanding "Funza Lushaka" to attract learners into teaching, especially those with good passes in maths, science and languages
- Regularly test teachers in the subjects they teach to determine level of knowledge and competence. Link teacher pay to learner performance improvements
- Good schools should not be burdened with the paperwork that poor performing schools have to do to improve. Schools performing very poorly should receive the closest attention
- Change the process of appointment of principals and set minimum qualifications
- Gradually give principals more powers to run schools, including financial management, procurement of textbooks and other educational material, as well as hiring and firing educators
- Increase the number of university graduates and the number of people doing their doctorates
- Build two new universities in Mpumalanga and the Northern Cape
- Build a new medical school in Limpopo and a number of new academic hospitals
- Consider extending the length of first degrees to four years on a voluntary basis
- Provide full funding assistance covering tuition, books, accommodation and living allowance (in the form of loans and bursaries) to deserving students
- Grant seven-year work permits to all foreigners who graduate from a registered South African university

PROVIDE QUALITY HEALTH CARE

- Broaden coverage of antiretroviral treatment to all HIV-positive people
- Speed up training of community specialists in medicine, surgery including anaesthetics, obstetrics, paediatrics and psychiatry
- Recruit, train and deploy between 700 000 and 1.3 million community health workers to implement community-based health care
- Set minimum qualifications for hospital managers and ensure that all managers have the necessary qualifications
- Implement national health insurance in a phased manner
- Promote active lifestyles and balanced diets, control alcohol abuse and health awareness to reduce non-communicable diseases

BUILD A CAPABLE STATE

- Fix the relationship between political parties and government officials
- Make the public service a career of choice
- Improve relations between national, provincial and local government
- Boost state-owned enterprises to help build the country
- Professionalise the police and criminal justice system

FIGHT CORRUPTION

- Centralise the awarding of large tenders or tenders that go for a long time
- Take political and legal steps to stop political interference in agencies fighting corruption
- Set up dedicated prosecution teams, specialist courts and judges
- Make it illegal for civil servants to run or benefit directly from certain types of business activity

TRANSFORMATION AND UNITY

- The Bill of Responsibility, developed by the Department of Basic Education and others, should be popularised and used as a pledge by all South Africans to live the values of the Constitution
- Encourage all South Africans to learn at least one African language
- Employment equity and other redress measures should continue and be made more effective

> "A government that works well doesn't just deliver more houses. It does more than that. It makes it possible for people to build or buy their own houses."

National Development Plan

What will the National Planning Commission do next year and beyond?

This is a draft plan. We also want people to tell us their views. Everyone must participate. It must belong to all of us. After we have had everyone's feedback, the President, on behalf of the country, can adopt it.

The commission was appointed by the President for five years, from May 2010 to May 2015. In the next three months we will consult as many people as possible to improve the plan. The time we have left after that we will use to make sure that the plan is turned into a reality.

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USG Chief of Mission Priorities

Foreign assistance goals in South Africa

South Africa is a middle income country, but has many of the problems of a less developed state, including a huge disease burden due to HIV and AIDS and tuberculosis, high unemployment, failing schools, and rampant violent crime, including violence against women. Unlike many countries in Africa, South Africa spends a lot of money addressing these problems. The government's spending on health, education and social welfare as a percentage of the national budget is higher than peer nations.

However, South Africa isn't getting the return it should on this investment. Lack of capacity throughout the system makes service delivery inefficient, while cronyism and some corruption further erodes the impact of government spending. If we can find ways to partner with the South African government to increase the impact of their current spending, we have a unique opportunity to help make South Africa a model democracy for the continent, and a platform for our regional and continent-wide programs.

We don't need a lot of money to make a big difference. But we do need to make sure that all of our programs pass the following three litmus tests:

- Our aid programs must be **high leverage,** whether that means leveraging public-private partnerships or preexisting South African government programs. Government, business, and NGOs already spend a great deal on solving South Africa's problems. We have to use our limited resources in ways that augment and magnify those efforts and make the money they are spending go further.
- Our aid programs must have a capable **partner**, and especially high-level political buy-in. Just as well-designed initiatives can be undone by feckless, corrupt, or lackadaisical politicians, a committed government partner can magnify the impact of our efforts. We need full buy-in to every program, not just at the working level, but at the very top.
- Our aid programs must be **visible,** especially to key political decision-makers. There are two reasons for this. First, if our programs aren't widely known among those who make policy and set spending, they will never have the kind of impact we seek (i.e. transforming the way service is delivered). Second, our top MSRP goal is to cultivate South Africa as a reliable international and regional partner. Given the country's importance in international organizations, including the UNSC, the UNHRC, the IAEA, the G-20 and many others, our aid programs must win goodwill and political support. That won't happen unless South Africans know what we're doing.
- If new programs can't meet this threshold, we shouldn't pursue funding for them. If existing programs don't meet it, we will discontinue them and use that funding elsewhere.
- Under the rubric of the Mission Strategic Plan goals, there are three archetypes for the kind of programs we should be pursuing, whether they are in public health, education or economic development.
- Programs that build South Africa's **capacity.** The overarching goal of our foreign assistance program is to render itself redundant by building up South Africa's ability to solve its own problems and project itself as a model of democracy and stability in the region. The Nurse Education Partnership Initiative, which aims to increase the number of nurses trained to treat HIV and AIDS, is an example of a visible program that builds capacity by magnifying South African government and private sector initiatives.
- Programs that introduce **innovative models** that can be scaled up nationally. Our aid programs should take advantage of U.S. technical expertise by sharing experience and best practices. They should also look for possible "game-changers," or interventions that can have

dramatic impact. Our education programs and exchange trips to the U.S. to share innovations in reform are examples of this.

- Programs that **reengineer** an existing process to be more efficient. The best example of this is the $120 million ARV procurement that also helped South Africa cut the costs of drugs by half in its next national tender. Given that 5.5 million South Africans are eventually going to need ARV therapy, the net impact of that savings will be many multiples of our $120 million investment. We should look for similar opportunities to make South African service delivery more efficient and cost-effective.

The U.S. has both strategic and ideological interest in seeing South Africa successfully address its many challenges. As Africa's most successful and stable democracy, South Africa plays an indispensable role in regional and African structures, both as an engine of economic growth and trade, and as a guarantor of political stability in surrounding states. As the only major regional power, South Africa also plays an outsized role in international institutions like the United Nations and the G-20, often acting as the voice of Africa. By augmenting South Africa's existing efforts with smart, targeted foreign assistance, we not only serve our strategic political interests in the global arena, but send a strong signal of our support for secular, nonracial democracy, free economies and open societies.

Annex 2: Other Actors and Aid Effectiveness

Other Actors/Donors

DO1: Health outcomes for South Africans improved

The USAID Bilateral Health Office collaborates with multiple other USG agencies in the implementation of PEPFAR. These include the Center for Disease Control, Peace Corps, the Department of Defense, and the Department of State. Each agency works in areas best suited to their technical capabilities, recognizing that the scale of the HIV and TB epidemics in South Africa require considerable resources and communication. Interagency efforts are coordinated by the PEPFAR Secretariat, housed and the US Embassy, and regular meetings of the PEPFAR Oversight Committee.

USAID participates in multiple venues for donor collaboration outside of the USG both as a participating member and a provider of technical assistance to improve donor efficiency. For example, the Global Fund is the second largest donor organization in South Africa after the USG. USAID provides support to the governing body of the GF, the Country Coordinating Mechanism (CCM), to building the capacity of the CCM to enhance the oversight of GF monies, with specific efforts focused on improving financial management capacity.

These efforts are crucial to ensure efficiency and impact of GF monies as funding is reduced to South Africa. General donor coordination takes place through ODA for Health meetings, which are attended by DFID, GiZ, CIDA, JICA, and BTC, as well as the WHO and UN bodies. These meetings serve to reduce duplication of limited resources and improve donor coordination.

DO2: South African resource effectiveness advanced in targeted sectors

As a democratic leader on the continent, South Africa can also advance aid effectiveness through improved governance and accountability for its own public services and build credibility among its neighbors. USAID will work with the justice sector to strengthen rule of law systems to enhance capacity of judicial officials and improve the case management process. Support for enhanced management and effectiveness will be provided through targeted capacity building efforts in the Departments of Health, Basic Education, Social Development, Environmental Affairs, Agriculture Forestry and Fisheries, Economic Development and NT. Programs will focus on better accountability, use of evaluation and monitoring tools, improved budget analysis and more transparent supply chain management systems.

In the area of democracy and governance, the aid landscape is comprised of multiple donors who work with the GoSA to strengthen South Africa's institutions. These donors range from UN agencies to many of the European countries, and their assistance has a broad focus. These range from work in the areas of access to justice and strengthening of the justice system, to financial management. Additionally, many donors are targeting violence, women's rights, hate crimes, and sexual violence. UNICEF leads a GBV donor group meeting every 2 months, in which USAID participates. In its democracy work, USAID coordinates with several other countries in order to maximize impact. In particular, USAID communicates with Germany (GIZ), which focuses on strengthening local governance and promotion of the Administrative Justice Act, and with Canada, which targets anti-corruption activities and gender mainstreaming.

In combination with the National Development Plan, the New Growth Path and Medium Term Expenditure Framework will continue to provide the main framework for development partners in South Africa in the medium term. Furthermore, it is important to note that ODA makes up a relatively

low percentage of GDP in South Africa. To date, this has essentially been delivered in the form of project assistance. Development partners are conscious of the marginal importance of ODA volumes. However, the 'economic cluster', made up of the key economic departments of the GoSA responsible for the implementation of Outcome 4, is interested in working with USAID or any donor who can show a specific comparative advantage. And finally, an evaluation of ODA to South Africa was commissioned by IDC in 2009[118] and a number of conclusions and recommendations were formulated in order to improve aid effectiveness and ODA management. Donors should focus their aid on areas where they can make a difference: ODA should be used for pilot programs, innovation, risk taking, skills and knowledge development, capacity building and systems development

To this end, donors working on sustainable growth issues created a group seeking to exchange information on issues of employment, development and capacities in the private sector. This group includes the Swedish International Development Agency (Sida), Swiss State Secretariat for Economic Affairs (SECO); United Kingdom Department for International Development (DFID); and the German International Cooperation (GIZ). USAID is currently co-funding an activity with DFID and exploring opportunities with SECO. Donors with significant work related to a lower emissions economy include DFID and GIZ.

Multilateral institutions are present in South Africa. The World Bank runs program covering the following areas: urban development, agricultural reform, infrastructure, the environment, energy, the private sector and regional business integration. The International Finance Corporation holds significant portfolio investments in South Africa. The African Development Bank focuses on infrastructure, financial intermediation, the promotion of capital markets and cross-border investment. The United Nation Development Program (UNDP) is supporting South Africa's low emissions economy work. USAID/SA will continue to work closely with other USG agencies, including the United States Trade and Development Agency, Foreign Commercial Service, US Department of State, Export-Import Bank, and the Overseas Private Investment Corporation (OPIC).

With a relatively small amount of investment in this sector, USAID/SA's focus on primary school literacy and numeracy achievement through improved capacity of teachers and principals integrates well with other donor efforts and the GoSA's own emphasis on improving student performance. USAID/SA plans to leverage partnerships with key NGOs to introduce innovative teaching methods, assessment models and management tools to improve the quality of the teaching experience in the primary grade classrooms. Capacity of the teachers and principals themselves will also be enhanced through a professional development program on literacy pedagogy, classroom management and school management. These models and techniques will be developed with the goal of transitioning them to the Department of Basic Education (DBE) over the strategy period to ensure sustainability.

Equally important to USAID/SA's program is the complementary projects associated with other USG agencies, such as the State Department Public Affairs Section (PAS) that provides teacher scholarships, study tours and English language strengthening activities. Peace Corps volunteers and the PEPFAR program are also integral members of the greater education sector since their outreach is broad-based and community driven allowing for key health and education messaging to reach many poor South Africans. In addition to donor forums, USAID, State and other NGO partners share key information on

[118] A. Fölscher, M. Smith and T. Davies, Development Cooperation Review III Final report, 13 July 2010.

education sector needs and developments to leverage resources for increased impacts. As a result, USG programs now reach students in all nine South African provinces.

In the education sector, the GoSA's DBE coordinates extensively with JICA (Japan), GIZ, (Germany), the European Union, DFID (United Kingdom), and SIDA (Sweden). To date, there are no specific education field donor coordination meetings, but USAID has been working very closely with the DBE in the establishment of its education programming, and seeks to ensure that its programming works in tandem with all donors in the field.

Lastly in the environment sector, various agencies of the USG are focused on promoting renewable energy in South Africa, including US Trade and Development Authority, OPIC and EXIM Bank. The US Department of Energy has expressed an interest on working on renewable energy, and the Environmental Protection Agency is supporting some work related to air quality and emissions. USAID will work to leverage this work and work of other agencies to maximize support for low emissions development.

DO3: South African impact on African development enhanced

Through the Trilateral Assistance program with the NT/IDC Unit, USAID/SA provides a capacity building mechanism for the GoSA while making full use of the host country's systems to implement the program through GoSA Departments. It is demand driven and provides technical assistance to third country governments in the region by leveraging South Africa's capabilities. Going forward, this capacity building mechanism will advance a South-South cooperation model that is an important driver of future development assistance in Africa. As South Africa's own development agency, SADPA, begins operations, USAID/SA will work to support their pivotal role in the region.

In addition to the GoSA's partnership with USAID on the trilateral assistance program, the GoSA works in partnership with Canada, Germany, Switzerland, and Norway on similar types of programs. While each of these trilateral assistance programs operates somewhat differently, they all seek to strengthen the GoSA's outreach to other developing countries, both in Africa and internationally. While no formal trilateral assistance donors group exists, all of the major actors are in regular informal contact with each other. USDA is a key partner in this initiative.

In the area of food security and nutrition, USAID's partnership with the Department of Agriculture, Forestry and Fisheries will enhance their outreach to select countries in the SADC region to provide technical assistance in reducing poverty and enhancing proper nutrition. This mechanism is envisioned to be part of the G2G agreement that will provide key funding for specific high impact programs in the agriculture sector in focus countries.

One of the outcomes of the SADC "Windhoek Declaration" of 2006 was the formulation of a new framework for SADC's collaboration with donors (referred to as International Cooperating Partners - ICPs). There is also a core group composed of key regional ICPs that have a presence in Gaborone, Botswana and Pretoria, South Africa, which meets, as appropriate and needed, with the SADC Secretariat. Participating ICPs have been organized along thematic lines including: Agriculture and Food Security, HIV and AIDS, Institutional Strengthening and Capacity Development, Natural Resources and Environment, Peace and Security, Trade, Industry, Finance and Investment, Transport, and Water.

USAID/SA participates in the SADC-ICP core group and all those thematic groups that relate directly to USAID/SA's program portfolio. USAID/SA will follow closely these SADC-ICP mechanisms as it implements its regional FTF strategy, particularly as relates to agriculture and food security and trade along major transport corridors.

USAID/SA also collaborates with other donors working in the agriculture and energy sectors, including ADF, AGRA, AfDB, the Bill and Melinda Gates Foundation, CIDA, DFID, EU, GTZ, IFAD and JICA. On trade issues, USAID/SA collaborates primarily with DFID and GTZ. Also important to this regional FTF strategy is the World Bank's new Southern Africa Trade and Transport Facilitation Project. USAID also coordinates with other regional economic-related USG agencies, including Foreign Commercial Service, USDA, and USTDA.

Aid Effectiveness

USAID/SA's strategy will enable it to further the USG's commitment to aid effectiveness through the OECD. Our programs will adhere to the key principles espoused in Paris, Accra and Busan conferences: Harmonization, Alignment, Mutual Accountability, Managing for Results, and Ownership. The objectives and results in this strategy will also meet USAID Forward initiative goals such as greater capacity building of South African organizations in the private sector and government institutions as well through use of partner country systems.

Ownership

USAID/SA seeks to align its development priorities with those of the GoSA in order to promote South Africa's ownership of their country's development. As such, USAID works closely with the Government of South Africa to encourage the increased use of their country systems. Further, whenever possible, USAID supports the GoSA though its use of official development assistance throughout the public sector.

Alignment

USAID/SA is fully aligned with the GoSA on our programs and objectives with many of them replicating key South African development themes. As noted by the National Development Plan for 2030, National Diagnostic Report and Medium Term Strategic Framework outcomes, USAID/SA's strategy builds on these key objectives in the areas of education, employment, environment, governance and health care. In the use of partner country systems, USAID/SA has completed key initial steps to closer cooperation with the GoSA including a Public Financial Management Risk Assessment Framework (PFMRAF) in 2011. Based on the results of that assessment, USAID/SA has developed technical assistance plans in the health, agriculture and economic development sectors to expand our aid effectiveness footprint and make greater use of GoSA's partner country systems.

Following completion of Phase II PFMRAF assessments, USAID/SA will be working closely with GoSA counterparts to identify projects where use of host country systems can be increased along with capacity goals being met. We anticipate several projects and specific SOWs during the strategy period in including basic education, health, social welfare, agriculture and environment.

Harmonization

With a large footprint in South Africa, USAID/SA will continue to participate in donor working groups sponsored by the GoSA NT and other Departments to better coordinate, align and harmonize programs to avoid duplication and identify division of labor choices. In the health sector, the PEPFAR working group represents many USG agencies including DHHS, CDC, DoD, Peace Corps and USAID in the implementation of the HIV and AIDS program along with the National Department of Health and South African National AIDS Council. The education sector has a working group as well that includes Netherlands, UK/DFID, GIZ and USAID in addition to the Department of Basic Education and Department of Higher Education. Other sectors reflect similar coordination bodies to achieve maximum impact in the sectors.

Private sector groups such as the American Chamber of Commerce, NGOs such as the Poverty Institute for Information, and think tanks and universities, such as University of Pretoria, UCT and UNISA, form another stakeholder that USAID coordinates its interventions to prioritize and ensure sustainability of future activities. Public-private partnerships offer another venue to collaborate with private sector and civil society partners to join efforts to address specific challenges. USAID/SA has several partnerships in the health sector and is increasing its impact in the education and economic development areas as well.

Managing for Results

The GoSA has been focusing on improved monitoring and evaluation by developing government wide procedures and regulations that all public sector organizations will follow. The Department of Monitoring and Evaluation has begun using standardized evaluation metrics and shared their vision going forward with USAID/SA. The mission has conducted some joint USAID-GoSA evaluations in the health sector and plans to align project indicators more closely in the future. USAID/SA has also revised our evaluation policies and introduced more rigor and structure in line with the USAID Forward reforms.

Mutual Accountability

USAID/SA has built on successful use of local partners to implement their programs in South Africa over the previous performance period. Going forward, training and capacity building efforts in particular with new partners for USAID will strive to better prepare organizations for expected results and reduce issues of performance lapses. Again, through close coordination with the GoSA, USAID/SA will seek to empower government entities to better track, evaluate and improve their individual services to clients. Regular forums through the NT/IDC Unit should help to crystalize the importance of reliable performance and transparency to keep strong partnerships going.

South Africa's Official Development Assistance

South Africa's ODA Policy Guidelines articulate the purposes for ODA and the principle of value add:

- Innovation: developing new and more effective approaches to development and delivery;
- Piloting and testing: pioneering new approaches for replication purposes;
- Risk Mitigation: Creating an enabling environment thereby attracting investment in SME initiatives (self-employment, which have risks attended to);
- Catalytic initiatives/best practices: unlocking domestic resources; and activate potentials promote skills-transfer; and
- Address Capacity Gaps: ensuring that South African institutional capacity is enhanced for sustained, long term implementation.

Annex 3: Analyses and Supporting Documents

Required Analyses:

- *Gender analysis for USAID South Africa bilateral development cooperation strategy*, Sharon Phillipps, Gender Advisor (AFR/DP), 2012.
- *Republic of South Africa Biodiversity and Tropical Forests Assessment*, Bryan L. Donner, United States Forest Service and Willie Boonzaaier, Contour Project Managers, 2012.

Additional Analyses:

- *Assessment of the USAID Development Support to South Africa: 2005-2009*, Stephen Wingert and Daniel Chiwandamira, November 2011.
- *Economic Constraints Analysis for the CDCS*, Daniel Swift, Program Economist, USAID/SA, 2012.
- *South Africa Democracy & Governance Assessment First Draft*, Gerald Hyman, Susan Booysen, and Subethri Naidoo (Management Systems International) and Paula Van Dyk (USAID), March 2012.
- *South Africa - Democracy, Rule of Law, and the Future*, Karl Beck, Southern Africa Projects Director (Freedom House), 2012.
- *Southern Africa Disaster Risk Reduction Plan: 2012-2014*, Office of Foreign Disaster Assistance, 2011.

Additional Strategies:

- *Feed the Future – Multi-Year Strategy: 2011-2016*, USAID/SA, 2011.
- *Global Health Initiative Strategy: 2011-2016 – South Africa*, USAID/SA, July 2011.

Attachments:

- Spreadsheet, "Summary of Operational Costs" (Related to Management Requirements section)

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