

THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

**Department for International Development
December 1998**

SOUTH AFRICA: COUNTRY STRATEGY PAPER 1998

| CONTENTS | PAGE |
|--|-------------|
| A SUMMARY | 1 |
| B THE CHALLENGE | 2 |
| C PARTNERSHIPS | 6 |
| D CURRENT UK PORTFOLIO | 7 |
| E FUTURE UK DEVELOPMENT STRATEGY | 9 |
| F IMPLEMENTING THE NEW STRATEGY | 13 |
| G PROGRAMME RESOURCES | 13 |
| ANNEX 1 Summary of consultation process | 14 |
| ANNEX 2 Programme expenditure profile | 16 |

“The experience of all peoples is that their freedom remains fragile and their rights empty shells unless they bring real improvements to the lives of ordinary people.”

(President Nelson Mandela, Durban, 1 July 1998)

A. SUMMARY

A1. The new South African Government elected in 1994 inherited the political and economic structures of apartheid, designed to protect the interests of the minority and restrict access by the black majority to property, economic opportunity and public services. Its policies aim to reduce poverty through sound economic management, public and private investment to generate economic growth, better public services for all and redistribution to redress the legacy of inequality.

A2. Much has already been achieved. South Africa has a universally-admired Constitution which codifies and safeguards the rights of all citizens and representative and accountable government. Sound economic management has reversed a decade of economic decline and refocused public spending on services for the poor. A policy framework has been established to promote development and enhance opportunity and life prospects for the disadvantaged majority. But transformation is far from complete. Public services are under-skilled and over-staffed and much public spending is unproductive. There is little prospect of significant early impact on poverty without progress on government's growth and redistribution objectives, but the external economic environment and internal structural problems have combined to slow growth almost to a standstill.

A3. We have reviewed priorities with our partners in the light of the UK's new White Paper on International Development. South Africa is a middle-income country with exceptionally high levels of poverty and inequality. The

removal of poverty is its leading policy objective for social and economic transformation. South Africa wants international support to build capacity to use its national wealth effectively to eliminate poverty. Our future strategy will support South African efforts to:

- overcome the constraints to higher economic growth and promote pro-poor investment for sustainable wealth creation which allows more people to contribute to and benefit from economic growth
- improve the effectiveness of government and its agencies in delivering essential health, education, water and sanitation services to the poor
- develop sustainable rural livelihoods and initiatives with direct benefit to poor people.

A4. We will focus on achieving results in the places where the poor live and work. We will co-operate with other development partners from the international community, business and civil society. We will work for coherence of international policies impacting on development and help strengthen South Africa's ability to take advantage of the opportunities of international trade.

A5. South Africa's political example and economic strength are major influences throughout the region and its success will be an important force for development elsewhere in Africa. We will support cross-border co-operation between South Africa and its neighbours, based on shared interests, to bring about regional solutions to poverty.

B. THE CHALLENGE

Bi. Poverty and inequality. South Africa is statistically a middle-income country with an average income one of the highest on the continent. But more than 9 million South Africans are estimated to live below the international poverty line of \$1 a day. Income inequality is extreme, and the great variation in poverty rates and human development indices (HDIs) between provinces and racial groups remains the most visible legacy of apartheid. Both economic growth

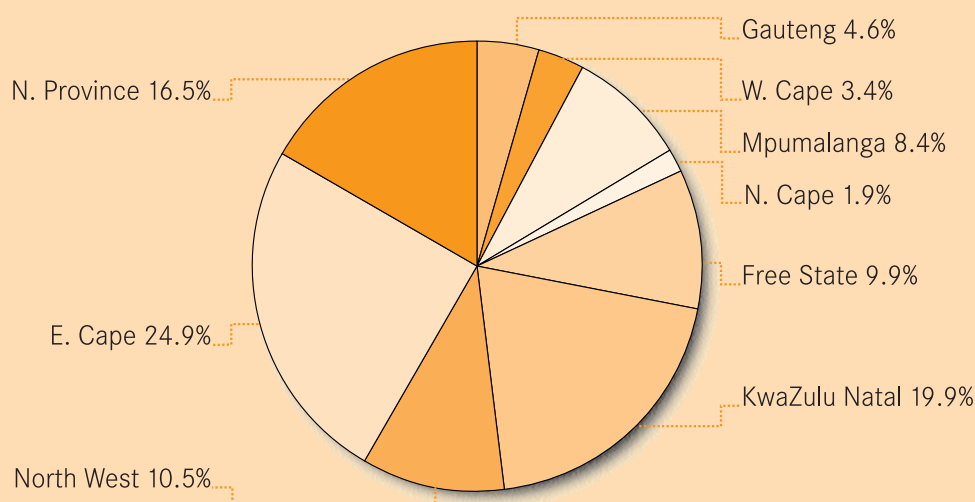
and redistribution are crucial for achievement of South Africa's poverty reduction targets: the World Bank estimates that real annual growth per head must average 1.4% (ie GDP growth of 3.5% per annum) to meet the international development target of halving poverty by 2015. Inequality is a major challenge: if South Africa's inequality were equal to that of another middle-income country such as Thailand the required real growth rate per head would be only 0.3%.

POVERTY AND INEQUALITY IN SOUTH AFRICA

A comprehensive Poverty and Inequality Report (PIR) has recently been completed with DFID funding for the Office of the Deputy President. The PIR analysis shows that:

- 50% of the population are defined as poor using a South African poverty line equivalent to about \$2.40 per person per day;
- poverty is mainly rural - 72% of the poor live in rural areas, 71% of the rural population are poor (cf 28% in urban areas);
- 61% of black people are estimated to be poor, compared to 38% coloured, 5% Indian and 1% white;
- 60% of female-headed households are poor ;
- South Africa's income inequality is among the highest in the world. The poorest 20% receive 3.3% of income, while the richest 10% receive 47.3%. Incomes per head in the richest province (Gauteng) are six times greater than those in the poorest (Northern Province);
- there are extreme variations in human development indices between races and provinces. HDIs for white South Africa in 1991 would have ranked 19 (out of 173) on the global scale, while South Africa overall ranked 86 and the black population 117, below Swaziland;
- poverty is severest in those provinces containing the former homelands, as illustrated by the pie-chart below, which shows the provincial distribution of the "poverty gap", a combined measure of the numbers in poverty and their depth below the poverty line.

PROVINCIAL SHARES OF THE POVERTY GAP



B. THE CHALLENGE

CONTINUED

INTERNATIONAL DEVELOPMENT TARGETS: SOUTH AFRICA

| KEY TARGETS | PROGRESS TO DATE AND PROSPECTS IN SOUTH AFRICA |
|---|---|
| <ul style="list-style-type: none"> reduction by one half in the proportion of people living in extreme poverty by 2015 | <p>23.7% of population live below \$1 a day (1993). Per capita economic growth of 1.4% per annum needed to reach target if inequality levels remain unchanged. An average of 0.8% per annum was achieved between 1994-97.</p> |
| <ul style="list-style-type: none"> universal primary education in all countries by 2015 | <p>net primary school enrolment rate was 96% in 1995.</p> |
| <ul style="list-style-type: none"> no gender disparity in primary and secondary education by 2005 | <p>female gross enrolment rates were 96% of male rates at primary level and 116% at secondary level in 1995.</p> |
| <ul style="list-style-type: none"> reduction by two-thirds in the mortality rates for infants and children under age 5 and a reduction by three-fourths in maternal mortality by 2015 | <p>infant mortality reduced from 69 to 50 per 1,000 live births (1989-96); child mortality reduced from 91 to 66 per 1,000 live births (1989-96). Further improvement (towards targets of 17 and 22 respectively) likely to be seriously constrained by HIV/AIDS. Maternal mortality estimates range from 6 per 100,000 live births (for white women) to 400 for black women. Government is committed to international targets in principle but no specific targets yet established due to poor current statistics.</p> |
| <ul style="list-style-type: none"> access through the primary health care system to reproductive health services for all individuals of appropriate ages no later than 2015 | <p>Government commitment to provide universal access to basic reproductive health care services for all South Africans likely to be largely achieved by 1999.</p> |
| <ul style="list-style-type: none"> implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed by 2015 | <p>considerable progress in policy development including Water Act for equitable and economic water use and draft Environmental Management Bill to establish integrated environmental management. Implementation a major challenge.</p> |
| <ul style="list-style-type: none"> democratic accountability, protection of human rights and the rule of law | <p>democratic system subject to the rule of law since 1994; new Constitution with comprehensive human rights provisions; fully independent judiciary; free press. But high crime rate a major challenge.</p> |

B. THE CHALLENGE

CONTINUED

B2. Human development: South Africa is already close to achieving the international development targets of universal primary education and gender equality in primary and secondary education (with drop-out and literacy rates marginally worse for boys than girls). Access to reproductive health services is significantly better and infant, child and maternal mortality rates lower than those in the rest of Sub-Saharan Africa or developing countries generally. But South Africa's human development achievements are poor relative to its level of income, with a global HDI ranking 35 places below that for income per head. Health and educational achievements show extreme racial and provincial inequalities. Post-apartheid restructuring of education could worsen educational indicators in the short term if unmet expectations lead to alienation and disillusionment, while the rapid increase in HIV infection (3 million South Africans are already HIV-positive) will make further improvement in mortality rates very difficult and could reverse current achievements if not effectively tackled.

B3. Environmental sustainability: South Africa faces a range of severe environmental challenges including soil degradation, limited water and domestic and industrial pollution. Access to natural resources is inequitable. Many of the rural poor rely on fuel wood and kerosene for energy. Poverty and disempowerment limit the opportunities for many people either to improve or benefit from their immediate environment. Government is developing a coherent approach which links environmental and physical planning with an equitable redistribution of resources. But implementation capacity is limited and responsibilities for environmental protection are fragmented. South Africa has ratified the major international environmental agreements.

B4. Economic situation: South Africa generates 45% of Sub-Saharan Africa's GDP. In 1997, manufacturing accounted for around 25% of GDP, mining 8% (having halved over the last decade), agriculture 5% and services 62%. Relaxation of trade sanctions and protectionist trade barriers has led to a rise in total trade as a share of GDP from 45% in 1990 to almost 65% in 1997, but the trade regime remains complex and restrictive. Further liberalisation is

planned through a trade and co-operation agreement with the European Union and implementation of the SADC¹ Free Trade Protocol. Responsible economic management has reprioritised public spending, with education, health and welfare the biggest spenders at the expense of defence and some shift of resources to the poorer provinces. The fiscal deficit has been reduced from 10.2% in the last year of apartheid to 4.3% in 1997/98, inflation has been halved to 5% and capital inflows, investment rates and official reserves had all improved by early 1998. Government debt amounted to 55% of GDP in March 1998, but foreign debt accounts for only 4% of the total. 1998/99 debt servicing will cost 21% of budgeted government expenditure and 6.4% of GDP, manageable by international standards.

B5. Transformation through development is the central government objective. The Reconstruction and Development Programme (RDP) sets specific targets for service provision. Water, electricity and health care access are among the successes but progress on several fronts has not yet matched earlier hopes. The 1996 Growth, Employment and Redistribution Strategy (GEAR) sets out the Government's macro-economic strategy to promote investment and economic growth and establishes specific targets (recently revised) for the budget deficit, growth and job creation. Growth reached 3.3% in 1995 after a decade of stagnation but has since fallen back and may be barely positive this year. The official target of 6% growth is considered feasible provided South Africa takes determined action to tackle constraints including unproductive investment, insufficient savings, low productivity, excessively regulated and protected markets and the slow pace of privatisation and public sector reform. Recent turmoil in global markets threatens hard-won macro-economic achievements and there are fears of recession. Investors remain cautious. Despite high real interest rates the Rand remains vulnerable. Unemployment is estimated at 23% and rising. GEAR has generally won business endorsement for its macro-economic principles, but faces domestic challenge for its failure to generate growth or jobs.

¹ Southern African Development Community

B. THE CHALLENGE

CONTINUED

B6. South Africa's macro-economic achievements leave it better-placed than most emerging markets to withstand and recover from the present global economic turmoil. But pro-poor growth is unlikely to be achieved without radical structural changes - privatisation to remove market distortions and protection enjoyed by privileged industrial and trade groups at the expense of consumers and the unemployed and to encourage investment; redistribution of access to and more efficient use of productive assets through, for example, land reform and rural development; and human development to enable the disadvantaged to take advantage of economic opportunities. There are political, economic and administrative capacity constraints to adoption and rapid implementation of a more radically redistributive agenda.

B7. Governance, justice and human rights: South Africa has made great political progress in a short time. The new Constitution incorporates comprehensive human rights provisions and has won global praise. There is an independent judiciary, a free press, an open culture of public criticism and debate and a vibrant civil society. For the first time in South Africa's history it has a national Parliament and government elected by universal suffrage. Plans are well-advanced for introduction of a new democratic system of local government and national and local elections are scheduled for 1999 (though much preparatory work is still to be completed) and will be strongly contested. Official policies for public service reform aim at making government accessible, accountable and responsive to the needs of the previously disadvantaged. But creation of a new public service from those of the four former provinces and ten homelands is a major challenge and capacity to turn agreed policy into practical programmes is limited.

B8. The opening of borders and greater accessibility to global traffic has contributed to increased crime and smuggling of drugs and firearms. Revenue administration at a national level, and financial management in some provinces and many local authorities is weak. Corruption is a matter of public concern.

B9. South Africa is an increasingly urbanised society, with an established trend of rural migration to urban settlements with inadequate infrastructure. Social problems - poor housing, street children, youth unemployment, drugs, child-abuse and prostitution - appear to be on the increase. The poor are the main victims of high crime rates. Gender equality is a constitutional right but many women do not possess equal rights in community decision-making, land allocation, access to finance, inheritance, marriage and divorce, and are subject to high levels of violence. South Africa has the highest level of reported rape in the world. The Government is developing a programme to combat continued use of child labour.

C. PARTNERSHIPS

C1. *Partnerships with government:* South Africa meets the partnership criteria set out in the UK Government's White Paper. The national government is committed to poverty elimination through growth and redistribution. Its policy objectives are consistent with achievement of the international development targets. The Constitution gives particular responsibility for basic service delivery and economic development to a new local government system. The prospects are good for effective co-operation to implement development programmes at national, provincial and local government level, aiming in particular for impact in the former homelands concentrated in the poorest provinces.

C2. *...with civil society:* South Africa has a strong and extensive civil society, developed during the anti-apartheid years, helping the poor to secure their rights and promoting debate of public interest issues. There is scope for effective partnerships with civil society which champion voice and choice for the poor and build the capacity of those representing their rights.

C3. *...with representatives of the public interest:* South Africa has established institutions at each level of government to ensure scrutiny and accountability but many legislators and local councillors are inexperienced. There is a demand for support to parliamentary committees, training of provincial legislators and local councillors and capacity-building for key commissions established under the Constitution.

C4. *...with business and the unions:* DFID has developed good links with the private sector in both South Africa and the UK, working with the Commonwealth Development Corporation and Departments of Trade and Industry in both countries, to promote joint-venture investment in small enterprise development in disadvantaged communities, to train and empower formerly disadvantaged groups and to foster the application of business methods for development. DFID is the main donor to partnerships between the National Union of Mineworkers and the mining industry to develop business skills of former mineworkers and to prevent the spread of AIDS among mineworkers.

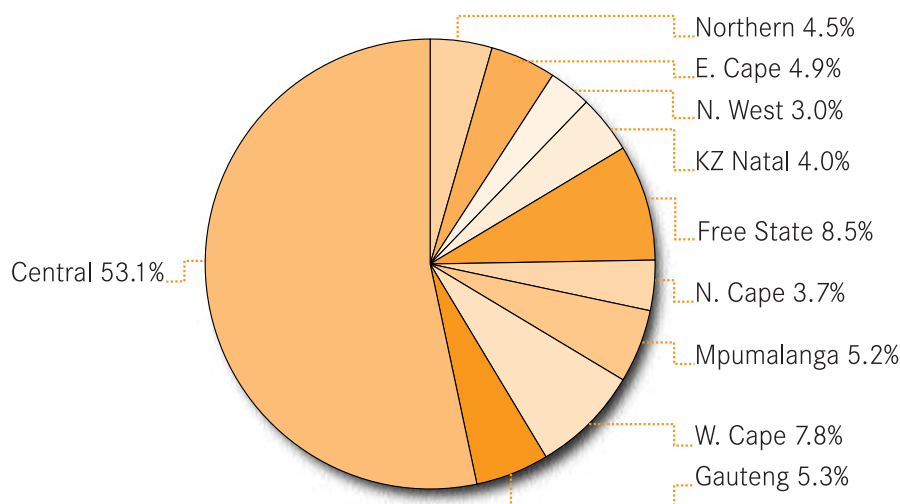
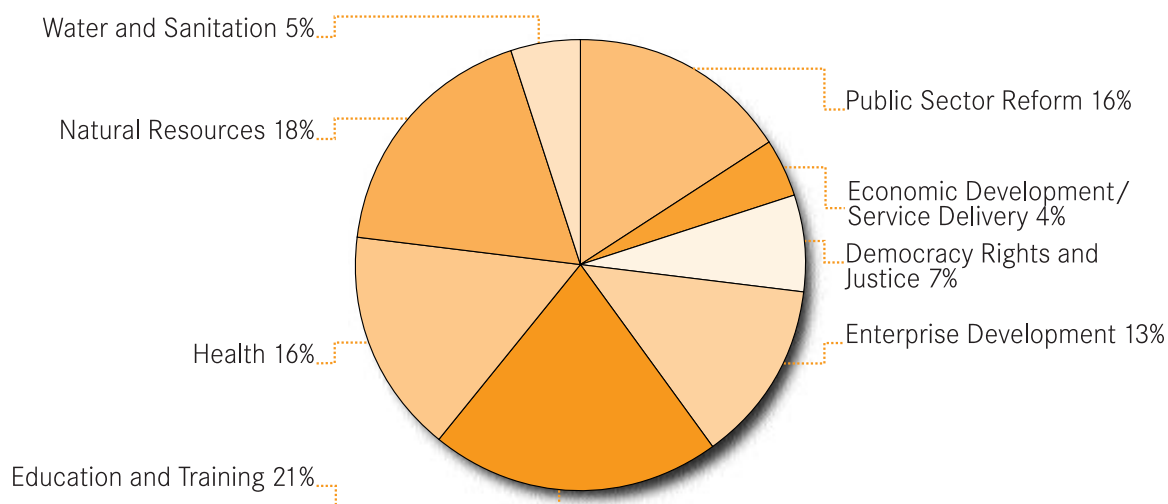
C5. *...with the international community:* Government acknowledges that it will bear the burden of development investment with the private sector. Official development assistance equals less than 2% of the government budget. All the main donors are supporting South Africa's transition and there are complementary donor programmes in all sectors in which DFID operates. Development assistance is mainly provided as know-how. The European Community is the major donor, with a programme of around £100 million annually of which the UK contributes around £15 million. All European Union member states except Luxembourg are represented in Pretoria. The World Bank provides technical advice to policy development across priority sectors but a major lending programme is not yet in prospect.

C6. Co-ordination arrangements have developed piecemeal through the hectic early years of the transition to democracy; improvement is a priority for the Deputy President's Office and the Ministry of Finance. Better co-ordination of EU programmes with those of other donors was a leading objective of the recent British Presidency and DFID has taken the lead in health and offered a similar role in public service reform. There is scope for more effective dialogue and improved sector co-ordination between partners in government, the EU, the World Bank and other major donors. DFID will also need to work with other British government departments to secure outcomes in the best interests of Southern Africa's development from international negotiations including the proposed trade and co-operation agreement between South Africa and the EU, negotiation of a successor to Lomé and other trade-related issues including intellectual property rights and manufacture of essential drugs.

D. CURRENT UK PORTFOLIO

D1. The current programme has responded to South African requests for help in policy formulation and to start building a public service to deliver development in governance, health, education, water and sanitation,

enterprise development and rural development. Expenditure in the last financial year was £23.2 million. Approximate allocation of expenditure by sector and by province is shown below.



D2. Impact of the current partnership. All DFID projects have measurable targets, progress is jointly monitored and reported on with project partners and most projects are on track to achieve their objectives. DFID's relatively young programme with the new South Africa has yet to generate evidence of impact from DFID's project completion reports;

but South African partners consulted in the current strategy process have confirmed the importance of DFID inputs to South African achievements. British development co-operation is valued and well used. Examples are given below, grouped under DFID's three global objectives.

SOUTH AFRICAN ACHIEVEMENTS WITH DFID HELP

POLICIES AND ACTIONS WHICH PROMOTE SUSTAINABLE LIVELIHOODS

DFID has provided advice, drawing on the UK and international experience to reform the public service through:

- New policies and legislation to remove the inheritance of apartheid - on public service delivery and standards, training, affirmative action, the White Paper on a new local government system;
- A more efficient, effective and accountable public service, through increased revenue collection, measures to tackle fraud and corruption and transparent and planned budgeting through establishment of a medium term expenditure framework;
- Building capacity in Free State, Mpumalanga, Northern Cape and North West provinces to design and implement development strategies. In North West DFID supported the establishment and utilisation of the rural development fund managed and implemented by communities, local councillors and traditional leaders.
- Establishment throughout the Western Cape and Free State of Community Policing Forums to build police responsiveness to community needs, with a similar programme under way in the Eastern Cape.
- Business and management skills developed for 50,000 people from disadvantaged backgrounds in townships and rural areas, more than half of whom are women.
- UK investment in small and medium enterprise development, through the British Investment in South Africa Promotion Scheme, worth £12 million, with an estimated turnover of £20 million, transferring new technology, management systems and quality standards and generating new jobs.

BETTER EDUCATION AND HEALTH

DFID has provided know-how, drawing on UK experience, for:

- provision of free primary health care and more than 500 new clinics serving five million people;
- reallocation of health budgets from richer provinces to poorer and from tertiary health care - down to 28% from 40% since the new government took office - to district health centres serving the poor - up from 30% to 42% over the same period;
- support for reproductive health care and establishment of a national campaign against AIDS.

In education, DFID has:

- established programmes to raise the quality of school teaching and learning in former homeland area schools in Mpumalanga, Northern Province and the Eastern Cape;
- widened access for the disadvantaged, through helping South Africa's leading distance learning institutions develop literacy programmes for more than 350,000 adults with little or no formal education and higher education bursaries in priority subjects for more than 3500 students from poor families;
- advised on national policy and curriculum development and reprioritization of the national education budget.

Access to clean water for more than one million households. DFID has provided advice on development of new legislation to ensure equitable access for all to water, development of local delivery services to disadvantaged communities in Mpumalanga and Northern Province and implementation of the national sanitation programme.

BETTER MANAGEMENT OF THE ENVIRONMENT

Implementation of a national land reform programme under which title to land has been approved for 35,000 households, drawing on DFID-funded advice in development of agricultural policy, and new legislation on land tenure and co-funding (with the EU and Denmark) of a land reform pilot programme; transformation of agricultural support services to small farmers in the Free State; the re-establishment of 1,000 people, at Riemvesmaak in the Northern Cape, on land from which they were forcibly evicted 25 years ago.

Preparation of a national policy on management of South Africa's 3,000 mile coastline, involving for the first time local communities and environmental non-governmental organisations (NGOs).

E. FUTURE UK DEVELOPMENT STRATEGY

E1. The South African Government's strategy to tackle the challenges described in section B identifies five key priorities

- macro-economic stability to provide an enabling environment for private investment and growth
- meeting basic needs
- affordable social safety nets
- human resource development
- job creation.

We endorse these priorities. We will support South Africa's implementation of the policies it has developed to achieve growth and redistribution. We will provide know-how in areas where South Africa wants our help and where we offer comparative advantage, based on the relationships DFID has established in South Africa and the lessons from our co-operation with other countries in transition.

E2. We will focus on initiatives with greatest prospect of progress towards poverty elimination. We will support national programmes with impact upon the poor, particularly through pilot projects offering potential lessons for wider application. We will promote co-ordinated support to sectoral programmes with other donors, building provincial capacity for financial management and effective use of resources. We plan fewer, larger programmes but the portfolio identified with South African partners is still extensive, given the range of needs for which our help is wanted; tighter geographical focus will enhance the coherence and effectiveness of our contribution to poverty elimination. We will develop our partnerships with the poorest Provinces (Eastern Cape, Northern, North West, Free State and KwaZulu-Natal) within which most of the former homeland areas lie. We will aim within the next three years to direct at least 50% of the programme to initiatives with direct impact in the five poorest provinces, doubling the present share.

E3. Putting the White Paper into practice. The UK Government's White Paper on International Development sets priority objectives for DFID. Each is crucial to eliminate poverty in South Africa.

POLICIES AND ACTIONS WHICH PROMOTE SUSTAINABLE LIVELIHOODS.

E4. South Africa wants continued support for pro-poor policy development. We will provide know-how for macro-economic and fiscal reform and development of social policies, legal and regulatory frameworks covering local government, public sector transformation, revenue reform, and enterprise restructuring in targeted sectors which have responsibility for basic social services and economic development. These are all areas where South Africa values the British experience of public service reform and access to the expertise of other departments including the Treasury, Customs and Excise and the Cabinet Office. We will support South African efforts to monitor poverty, the impact of official policies and progress towards achievement of development targets.

E5. We will support the building of a public service able to put government policies into practice. Major projects - the Local Government and Sustainable Livelihoods programme (LOGOSUL), Provincial Financial Management and Service Delivery, further know-how for the Department of Public Service and Administration and the recently-agreed Customs Transformation Project - will be developed with all three spheres of government to deliver:

- **growth and development** through capacity building and integrated development planning in selected rural and urban municipalities with high unemployment, service backlogs and insufficient capacity
- **improved service delivery**, through devolution of functions, publication of service standards and developing alternative delivery systems including public-private partnerships
- **more efficient and effective public services**, through more efficient revenue collection, training for political and public service leadership in provinces and municipalities, transformation to meet national targets for affirmative action on race, gender and disability

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

- *better use of financial resources*, through reallocation of expenditure and staff to areas that add social value, and performance-based budgeting which links service delivery outputs to the public spending used to generate them.

E6. We will work with Parliament and its portfolio committees to improve government accountability and improve the capacity of representatives to protect and advance the interests of the poor, in conjunction with the EC's programme of assistance to Parliament and preparation of an induction course for new legislators post-1999. We will support South Africa's Independent Electoral Commission (IEC) for management of national elections in 1999, drawing on Commonwealth expertise, and other donor support.

E7. We will review where we can add value in the area of *human rights and justice* to reinforce South Africa's rights-based approach to development and poverty elimination. We will work with other donors, notably the human rights programme of the EC, civil society and constitutional commissions committed to protect and advance the rights of the poor, focusing on women, children and the disabled. We will provide support for the independent elements of the criminal justice system and improved access for the poor. We will assist the development of national gender machinery, including the Commission for Gender Equality and will work with government and civil society to help prevent violence against women. We envisage related know-how funds, similar to the current scheme to increase accountability of the South African Police and its operational effectiveness in priority areas identified by the government in its White Paper on Safety and Security. We will link DFID work in this area with other UK Government and international initiatives to tackle arms control, drugs, money laundering and organised crime.

E8. In *enterprise development* we will focus on job creation and income generation. We will support training by non-governmental organisations (NGOs) in business skills, concentrating on KwaZulu-Natal, the Eastern Cape and the North West. We will promote sustainable livelihoods for rural women by helping the Mineworkers Development Agency establish a national network of rural enterprise development centres, offering training and access to micro-finance. We will support partnerships for local economic development between local business, NGOs and government, utilising the planned provincial network of small enterprise support agencies. In partnership with major construction companies we will help to train 4,000 emerging black contractors. We will encourage joint-venture investment, drawing on business links established by the UK Department of Trade and Industry. We will develop our partnership with the Commonwealth Development Corporation, building on work to train managers from small businesses and to enhance the poverty impact of Maputo Corridor development. We will support projects which offer good prospect of sustainable job creation; but meanwhile there is an immediate need for jobs and income in the poorest communities. We will consider support for South Africa's highly successful Community Based Public Works Programme to create jobs and invest in local infrastructure, linked to our support for developmental local government.

BETTER EDUCATION, HEALTH AND OPPORTUNITIES FOR POOR PEOPLE.

E9. In *education* the priority is strategic focus to improve the quality of school education, implement the new national curriculum and make effective use of the education budget. We will explore with other donors the scope for co-ordinated sector approaches in target provinces to build on the lessons of current projects, with particular stress on financial management by the national and provincial Departments of Education. We will build on the innovative work on educational priorities for other disadvantaged groups, including illiterate adults, already established by a range of partners outside government.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

Eio. In *health* we will build on the current programme in Northern and North West provinces, where more than 500 managers have been trained, to develop a limited number of strategic programmes to strengthen primary health services and improve reproductive health through better management of district health systems. An estimated 3 million South Africans are HIV positive, with 1,500 new infections every day and despite high expenditure on health care relative to much of the rest of Africa the prevalence of chronic diseases like TB is growing, with high mortality rates among poorer women and children. We will provide know-how in the management of communicable diseases, testing new approaches, including those aimed at behavioural change in younger age groups, in operational settings. We will offer support to South Africa to use its lead responsibility for health within the Southern African Development Community to promote effective regional action to tackle HIV/AIDS, drawing on other African experience which has shown that even in resource-poor countries like Uganda a successful response can be developed. Health has good potential for sector support and we will explore the scope for co-ordinated action, in particular with the EC as the largest donor, the World Bank and the UN agencies. We will work with other UK government departments to ensure consistency of support for the Essential Drugs Programme to make high quality, low cost essential drugs available to all South Africans.

Eii. In *water supply and sanitation* we will support implementation of the Water Services Act in former homeland areas of Mpumalanga, Northern and North West provinces through a joint partnership with the Departments of Water and Forestry and Constitutional Development and the new local government structure. We will support dissemination of lessons from pilot projects to build local authority capacity to provide basic water services to more than 12 million people without adequate supply.

PROTECTION AND BETTER MANAGEMENT OF THE NATURAL AND PHYSICAL ENVIRONMENT FOR SUSTAINABLE RURAL LIVELIHOODS.

Ei2. The poor live mainly in rural areas and most of the rural population is poor. The recent national poverty hearings confirmed that poor peoples' aspirations to a better life focus, after basic services, on employment and increased consumption. We will support enhanced rural livelihood prospects through access to productive resources and training, increased agricultural production and processing, eco-tourism and better use of land, forest and coastal resources. Planned priorities include

- support for South Africa's land reform programme to provide more people with access to productive assets
- restructuring of agricultural support services to meet the needs of small scale and emerging farmers, with new initiatives in Eastern Cape and KwaZulu-Natal building on work in progress in the Free State, Northern Province and Northern Cape
- pilot projects to develop innovative approaches to community-based natural resource management, meeting rural energy needs and helping to advance rural development in partnership with NGOs and government
- support for restructuring of state forests in the former homelands to improve the efficiency of forest operations and create sustainable livelihoods for the employees and communities presently dependent on them
- continued partnership with the Department of Water and Forestry, with the flexibility to meet evolving demands to strengthen links between water, forestry and environmental programmes.
- We will ensure that all our projects contribute to achievement of South Africa's environmental policy objectives and commitments to international agreements. We will consider support for implementation of the outcome of the current Coastal Zone Management policy process to achieve sustainable management and community access to coastal resources.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

THE INFLUENCING AGENDA

Ei3. We will work for consistency of policy and for effective representation of South African interests in elaboration and implementation of the range of international policies affecting development on which the UK Government can exercise influence. The leading current issue is negotiation of a trade, co-operation and development agreement between South Africa and the EU which best meets the development needs of South Africa and its neighbours as well as the EU. We will work for a successor arrangement to the present EC co-operation programme which ensures consistency of commercial and development policies and coherence with the support of other major donors. We will explore opportunities for complementary donor support in priority sectors. We will support training for South African officials at the Department of Trade and Industry to help build South African capacity to advance its own and regional interests in discussions on international trade, negotiation of a successor to the Lomé Convention and to secure maximum advantage from World Trade Organisation commitments.

REGIONAL

Ei4. South Africa's successful transformation will be an important example and opportunity for the battle against poverty by other African countries. We will encourage two-way sharing of transformation experiences in such areas as water resource management, public service reform and better school teaching. We will support cross-border initiatives based on shared interests, including the Maputo Development Corridor (of interest already to South Africa, Mozambique and Swaziland), regional fisheries management and a regional initiative to tackle HIV/AIDS.

F. IMPLEMENTING THE NEW STRATEGY

Fi. The strategy responds to South Africa's needs and we will establish partnerships with government, civil society and business which match DFID resources to the achievement of jointly agreed outcomes. Management of this extensive programme will present a major challenge. DFID Southern Africa (DFIDSA) will need to be staffed to do the job, concentrating professional effort on strategy, advocacy and influence and contracting out management tasks. We have commissioned an independent review of DFIDSA staffing and structure, to take place early in 1999.

F2. We will promote transformation through development and use of local skills in our recruitment and procurement of consultancy services and through adopting the principles and service standards of South Africa's Batho Pele ("People First") programme of improved public service.

G. PROGRAMME RESOURCES

Gi. DFID expenditure in South Africa is expected to reach £25 million in the current financial year. There are potential constraints, as outlined in Section B, to smooth programme implementation; but if we can maintain an effective partnership with South Africa to promote pro-poor growth and development we plan to spend up to £30 million annually

over the next three years to finance the programme set out in this paper. South Africa is a middle-income country with a realistic prospect of achieving the international development targets and moving beyond the requirement for development assistance. We should review the appropriate level of DFID support at the end of the period.

SUMMARY OF CONSULTATION PROCESS

1. OBJECTIVE

Our aim has been to consult as early and extensively as possible to ensure that new ideas on where and how to work could be effectively captured and developed within the Country Strategy Paper process. We have consulted in South Africa and the UK, with current and potential partners (in government, civil society and the private sector) and with other interested parties. The process has been flexible, and aimed to respond to new ideas as they emerged.

2. BACKGROUND

- The UK Government's White Paper published in November 1997 committing the Government to international partnerships to achieve development targets for elimination of poverty;
- The South African Government is committed to pursuing partnerships with civil society and the private sector where this enables the effective delivery of better quality services to its citizens, particularly the previously disadvantaged and the poor;
- DFID Southern Africa (DFIDSA) has experience of working at a project level in joint partnerships with government, civil society and the private sector (e.g. STD/HIV Mineworkers Project);
- Official development assistance is significant but equal to only a small percentage of government spending. Pursuit of DFID's mandate in trade and investment dialogues has the potential for significant impact.

ANNEX 1

CONTINUED

CONSULTATION PROCESS

| EVENT | PURPOSE & STAKEHOLDERS | OUTPUT |
|---|--|--|
| Annual Development Talks with the South African Government. February 1998 | To agree priority sectors for DFID activity with the South African Government; to explain opportunities arising from the new DFID White Paper. | Priority Sectors for DFID activity agreed. |
| Strategies for current priority sectors commissioned. 3 March 1998 6 May | DFIDSA sectoral advisers considered in depth with sectoral stakeholders the impact of current sector programmes, and sought to identify opportunities for further activities consistent with the DFID White Paper. First strategic workshop held. | Sector Strategies (used as basis for presentations to the Strategic Workshop). |
| UK Consultation Tour, 25 - 29 May 1998 | To expose first draft Strategy Paper to strategic comment by UK non-governmental organisations (NGOs), private sector, research/academic community, DFID departments and senior management, and UK Government representatives. | Second Draft Strategy Paper produced early July 1998 reflecting Republic of South Africa (RSA), UK Government and UK stakeholder views. |
| Second round of South African consultations, based on second draft Strategy Paper. Held over two days to allow for numbers involved and possibility of dividing for small group discussions. Second draft CSP issued to RSA stakeholders 13 July 1998, and workshops held 17 & 18 August 1998. | To present the second draft to a wide range of RSA stakeholders - representatives of government, NGOs, churches, trades unions, research institutes and academics - and obtain feedback for third and final substantial redraft. | Third draft Strategy Paper produced 3 September 1998, for final circulation and amendment prior to presentation to Permanent Secretary and Secretary of State, October 1998. |
| Distribution of final version to all RSA & UK stakeholders late 1998. | | |

ANNEX 2

SOUTH AFRICA PROGRAMME EXPENDITURE PROFILE

| £ MILLION | 1997/98 | 1998/99 | 1999/00 | 2000/01 |
|---|----------------|----------------|----------------|----------------|
| BINDING COMMITMENTS | | | | |
| Policies and actions which promote sustainable livelihoods: | 9.3 | 12.0 | 8.0 | 6.0 |
| Public Sector Reform and Services | 4.7 | 7.0 | 5.0 | 4.0 |
| Democracy, Rights and Justice | 1.7 | 2.0 | 1.5 | 1.0 |
| Enterprise Development | 2.9 | 3.0 | 1.5 | 1.0 |
| Better education, health and opportunities for poor people: | 8.5 | 12.0 | 8.0 | 6.0 |
| Education and Training | 4.8 | 6.0 | 4.0 | 3.0 |
| Health and Population | 3.7 | 6.0 | 4.0 | 3.0 |
| Protection and better management of the natural and physical environment: | 5.4 | 6.0 | 6.0 | 4.0 |
| Sustainable rural livelihoods | 4.2 | 4.5 | 4.0 | 2.0 |
| Water and Sanitation | 1.2 | 1.5 | 2.0 | 2.0 |
| SUB TOTALS | 23.2 | 30.0 | 22.0 | 16.0 |
| OTHER SPENDING PLANS | | | | |
| Policies and actions which promote sustainable livelihoods. | | | 7.0 | 8.0 |
| Better education, health and opportunities for poor people. | | | 3.0 | 6.0 |
| Protection and better management of the natural and physical environment. | | | 3.0 | 5.0 |
| SUB TOTALS | | | 13.0 | 19.0 |
| TOTALS | | 30.0 | 35.0 | 35.0 |
| EXPECTED ANNUAL EXPENDITURE (ALLOWING FOR SLIPPAGE) | | 25.0 | 30.0 | 30.0 |