



## RESEARCH REPORT 12

Economic Diplomacy Programme

August 2013



# **South African Development Partnership Agency (SADPA):** Strategic Aid or Development Packages for Africa?

Neissan Alessandro Besharati

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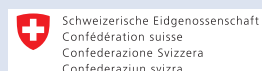
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## ABBREVIATIONS AND ACRONYMS

|         |   |
|---------|---|
| ABC     | Brazilian Cooperation Agency (Agência Brasileira de Cooperação)           |
| AMEXCID | Agencia Mexicana de Cooperación Internacional para el Desarrollo (Mexico) |
| ANC     | African National Congress   |
| APRM    | African Peer Review Mechanism   |
| ARF     | African Renaissance Fund  |
| ATAF    | African Tax Administration Forum  |
| AU      | African Union   |
| AUC     | African Union Commission  |
| BEE     | Black Economic Empowerment  |
| BRICS   | Brazil, Russia, India, China and South Africa                             |
| CABRI   | Collaborative Africa Budget Reform Initiative                             |
| CIDA    | Canadian International Development Agency                                 |
| COSATU  | Congress of South African Trade Unions                                    |
| CSI     | corporate social investment   |
| CSIR    | Council for Scientific and Industrial Research                            |
| CSR     | corporate social responsibility   |
| DAC     | Development Assistance Committee  |
| DBSA    | Development Bank of Southern Africa                                       |
| DCMIS   | Development Cooperation Management and Information System                 |
| DFID    | Department for International Development (UK)                             |
| DIRCO   | Department of International Relations and Cooperation                     |
| DPME    | Department for Performance Monitoring and Evaluation                      |
| DRC     | Democratic Republic of the Congo  |
| dti     | Department of Trade and Industry  |
| EDD     | Economic Development Department   |
| G-20    | Group of Twenty   |
| GDP     | gross domestic product  |
| GEAR    | growth, employment and redistribution                                     |
| GIZ     | German Society for International Cooperation                              |
| IBSA    | India, Brazil and South Africa  |
| IDC     | Industrial Development Corporation  |
| IEC     | Independent Electoral Commission  |
| M&E     | monitoring and evaluation   |
| MDG     | Millennium Development Goal   |
| NDP     | National Development Plan   |
| NEPAD   | New Partnership for Africa's Development                                  |
| NGO     | non-governmental organisation   |
| NGP     | New Growth Path   |
| NORAD   | Norwegian Agency for Development Cooperation                              |
| NPC     | National Planning Commission  |
| NPCA    | NEPAD Planning and Coordinating Agency                                    |
| NT-IDC  | International Development Cooperation unit of the National Treasury       |

|        |  |
|--------|--|
| ODA    | official development assistance                          |
| OECD   | Organisation for Economic Co-operation and Development   |
| PALAMA | Public Administration Leadership and Management Academy  |
| PEFA   | Public Expenditure and Financial Accountability (Agency) |
| PEPFAR | President's Emergency Plan for AIDS Relief (US)          |
| PFMA   | Public Financial Management Act                          |
| PICI   | Presidential Infrastructure Championing Initiative       |
| PIDA   | Programme for Infrastructure Development in Africa       |
| PPP    | public–private partnership                               |
| RDP    | Reconstruction and Development Programme                 |
| REC    | regional economic community                              |
| SACU   | Southern African Customs Union                           |
| SADC   | Southern African Development Community                   |
| SADPA  | South African Development Partnership Agency             |
| SAIDA  | South African International Development Agency           |
| SARS   | South African Revenue Service                            |
| SME    | small and medium-sized enterprise                        |
| SOE    | state-owned enterprise                                   |
| TAU    | Technical Assistance Unit (National Treasury)            |
| UNISA  | University of South Africa                               |

## EXECUTIVE SUMMARY

The following report is an in-depth analysis commissioned by the South African Institute of International Affairs between 2012 and 2013 that explores South Africa's past, present and future development assistance to the rest of the continent. It unpacks South Africa's development partnership paradigm and the tensions that lie within its various global engagements, its approach to incoming aid and outgoing South–South co-operation. It explores the economic and political drivers and the internal and external forces that affect Pretoria's international development policy, and the comparative advantage that South Africa possesses as a development partner in Africa. The report explains the rationale for the establishment of the South African Development Partnership Agency (SADPA), its various stages of evolution, and the institutional challenges that are currently present in the co-ordination of diverse domestic stakeholders engaged in development activities throughout Africa. It provides insight into the envisioned functions of SADPA, its potential financing, implementation and oversight mechanisms. It concludes with an analysis of the effectiveness and quality of South Africa's development co-operation with the continent, and recommendations for the future of SADPA's operations. The report is the result of extensive interviews with numerous local and international stakeholders and review of the existing literature from various South African authors.

## CHAPTER 1

### INTRODUCTION

The development landscape today has evolved significantly since the turn of the century, when the global community joined forces to commit to the Millennium Development Goals (MDGs). The traditional donors are now accompanied by a tapestry of other players – including the private sector, civil society, vertical funds and philanthropies – in addressing the challenges of the developing world. One of the most significant new players is the emerging economies, middle-income countries that used to be receivers, but are increasingly also becoming providers of development assistance. The traditional North–South aid paradigm has transformed gradually into more horizontal development partnerships, which are expressed through a variety of approaches and modalities including South–South and triangular co-operation. Development discourse has shifted to look beyond just aid, and include, among others, a coherence of international policies including trade, infrastructure development, investment, governance reform, capacity building, and domestic-revenue mobilisation. Defining, monitoring and assessing the impact of development co-operation is now a much more complex undertaking. Meetings and summits of the UN, international development banks, the Group of Eight and the Group of Twenty (G-20), and the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), in Rome, Paris, Accra and Busan, have tried to improve the effectiveness of international development activities, create a more inclusive dialogue of partners, and encourage stronger accountability at national and international level. Developing countries have increasingly taken a driving seat in the global development agenda and in defining their priorities. Africa is a prime example where, through multilateral institutions such as the African Union (AU) and its regional economic communities (RECs), a clear agenda and approach for development of the continent has been set.

South Africa is the economic powerhouse and the largest African provider of assistance on the continent. Although still having to address critical development challenges domestically, it has specific capacities and strengths to support the rest of Africa. For many decades Pretoria has provided development assistance through a variety of different institutions; however, its approach has not always been unified or coherent. Since 2007 there has been discussion to formalise, rationalise, co-ordinate and provide structure to South Africa's development co-operation through the establishment of the South African International Development Agency (SAIDA), later modified to the South African Development Partnership Agency (SADPA). This report hopes to contribute to these debates. It unpacks the various elements of Pretoria's development co-operation paradigm and tensions that lie within it. It analyses the historical experience of South Africa as both recipient and provider of aid. The report looks at the forces – political, developmental and commercial – that drive the country's domestic, regional and global agenda. By drawing on experience from other development agencies (of both the North and the South) and by assessing the current local environment, the report explores the possible approach to



SADPA's operations, financing, governance and engagement with various players. It also discusses the complexities and challenges of South Africa's institutional context for the management of SADPA.

The report builds on previous work undertaken by various researchers at SAIIA, the Institute for Global Dialogue and other think tanks. It takes stock of where the government is with the establishment of SADPA and the concerns of various domestic and foreign players. It analyses the effectiveness of South Africa's past development co-operation and the role that SADPA can play to further the priorities of the country and the continent. As a word of caution to the reader, at the time the report was written the SADPA legislative bill was still under internal government negotiations; therefore many potential alterations may still occur. The views expressed reflect the opinions and understanding of the author gathered through inputs and feedback from a variety of stakeholders and experts on the subject from September 2012 to March 2013. It is hoped that this research can provide useful contributions and recommendations to policymakers in the establishment and operationalisation of SADPA, in defining South Africa's overall development co-operation policy, and in assisting South Africa to position itself in the current African and global development landscape.

## CHAPTER 2

### **SOUTH AFRICA'S HISTORY OF DEVELOPMENT CO-OPERATION**

Before exploring the way South Africa promotes social and economic development in the world, it is useful to reflect on the country's own development path and how this has been defined through its various national strategies for economic growth, poverty alleviation and sustainable development. The approach to development co-operation has also been influenced by the way Pretoria has engaged with foreign partners as a receiver of aid. Long before SADPA, South Africa has been providing assistance to Africa both bilaterally and through manifold regional public goods. This has set the foundation for a complex set of relationships with the continent. The chapter explores some of this background and the historical context affecting South Africa's role today as a development partner in Africa.

#### **SOUTH AFRICA'S OWN DEVELOPMENT TRAJECTORY**

##### **Democracy and the Reconstruction and Development Programme**

From a system of 'racial capitalism'<sup>1</sup> enforced through an oppressive apartheid regime, South Africa went through an exemplary peaceful transition to democracy without major bloodshed. Although the negotiated transition saw a transfer of political powers to the black majority, economic power and control over productive assets remained predominantly in the hands of a small white middle class. In order to address the poverty affecting the majority of the new electorate, the new governing party, the African National Congress (ANC), which emerged from a tradition of social struggle and alliance with trade unions (the Congress of South African Trade Unions or COSATU) and the South African Communist Party, started by adopting a basic-needs approach. The first years of the democratic dispensation saw the establishment of the Reconstruction and Development Programme (RDP), with a dedicated ministry under the presidency. Through the use of the fiscus and extra budgetary resources from donors and the private sector, the government constructed low-cost housing and extended access to water and electricity to millions of poor. Over the next decade social grants programmes (for children, the elderly, disabled, caregivers, veterans, etc) were extended and later, under the Jacob Zuma administration, a massive state-funded antiretroviral programme to address the scourge of HIV/AIDS was rolled out.

### **Growth, employment and redistribution**

Already in 1994 the newly elected ANC-led government realised that a fully socialist approach enshrined in the Freedom Charter<sup>2</sup> would not be sustainable for South Africa. Thus in the second term led by President Thabo Mbeki, the government embarked on the growth, employment and redistribution (GEAR) strategy. GEAR had a heavy neoliberal imprint that called for the privatisation of state assets, trade liberalisation, foreign investment, strengthening of property rights, and creation of an enabling business environment coupled with fiscal conservatism and inflation control. The GEAR strategy helped to address the onerous debt South Africa had accrued during the apartheid government and opened the country even more to global markets, which had previously been closed because of sanctions. GEAR helped to bring about macro-economic stability, decrease inflation and solidify South Africa as an export-oriented economy. Manufactured goods and services (mainly financial and telecommunications) were exported throughout Africa, with South Africa producing 30% of the entire continent's gross domestic product (GDP).<sup>3</sup> GEAR was later replaced by the Accelerated and Shared Growth Initiative for South Africa, which aimed to address employment and broad-based poverty alleviation.

### **Rebalancing inequalities**

Aside from the 2008 global financial crisis, the South African economy has experienced steady growth, averaging 3.22% since 1994.<sup>4</sup> Inequality has, however, continued to linger, with South Africa ranking continuously among the top-three most unequal countries in the world.<sup>5</sup> Since the beginning of the democratic dispensation, Pretoria tried, with varying degrees of success, to redress the social injustices of the past and promote redistribution. One of the boldest attempts of redistribution was the Black Economic Empowerment programme (the BEE Act of 2003), aimed at transferring 25% of the country's productive assets to black ownership while transforming management, recruitment, training, procurement, local small and medium-sized enterprise (SME) development, and social investment practice in favour of previously disadvantaged groups. The BEE policy, led by the Department of Trade and Industry (the dti), established the foundation for industry charters and corporate score cards, which would provide incentives for South African companies to undergo transformation in order to access lucrative government contracts provided through the Preferential Procurement Policy Framework Act (the PPPFA of 2000). The BEE policy has, however, been criticised for failing to change the lives of the millions of poor South Africans, and for instead creating a new elite minority of wealthy African businessmen with close ties to the ruling party.<sup>6</sup>

### **The developmental state**

One of the trends in economic thinking popular in the country's political circles has been that of the 'developmental state', which the South African government aspires to become. Developmental states are usually associated with Asian economic development models championed by countries such as Japan, South Korea, Taiwan and China, where the government intervenes in the economy through regulations, protection of certain industries, and through the strategic use of state-owned enterprises (SOEs) and

development finance institutions. Effective developmental states have the capacity to rally all country stakeholders around a clear national development agenda, led by a central co-ordinating body, and implemented by a competent and professional bureaucracy independent from political forces.<sup>7</sup> Notwithstanding the scepticism of many observers (that South Africa has the required capacity to tackle the bureaucratic inefficiencies and the conditions to be a successful developmental state), there is certainly a strong desire by the government to move in this direction.

The 2007 ANC Polokwane Conference saw a revival of leftist and anti-liberal sentiments, and calls by the Youth League for nationalisation of mines and banks. Polokwane saw the rise of populist Jacob Zuma, who, after assuming power, strengthened the central role of the presidency in development planning processes. The National Planning Commission (NPC) and the Department for Performance Monitoring and Evaluation (DPME) were established as new ministries within the presidency. Development policy, budgeting and public-sector accountability, which historically were led heavily by the National Treasury through the Medium Term Strategic Framework, were now in part taken up by the presidency. The ANC election manifesto was translated into 12 national priorities closely monitored through the outcome-based approach and delivery agreements between the president and respective ministers. One of the Presidential Outcomes (Outcome 11) clearly links South Africa's development to 'a better Africa and a better world'. Domestic revenue has been effectively collected by the South African Revenue Service (SARS) and redistributed by the Treasury into a very social-oriented budget, where 60% of public funds are allocated to the education, health, social protection and housing sectors.<sup>8</sup> Another ministry created under the Zuma administration was the Economic Development Department (EDD), responsible for co-ordinating the development of the country's macro-economic policy.

### **Recent development frameworks**

Unemployment remains at the heart of South Africa's socio-economic challenges, with unemployment rates hovering at around 25%.<sup>9</sup> This is attributed in part to limited skill sets of the majority of the workforce to meet the demands of the South African economy as well as labour laws that limit South Africa's productivity compared with its Asian competitors. The Zuma administration has made employment generation the highest government priority. The latest macro-economic strategy for South Africa released by the EDD is the New Growth Path (NGP). The centre piece of the NGP is the creation of five million jobs by 2020, through a social compact among government, business and unions. Investments will be made in labour-intensive industries such as mining, tourism, agriculture, manufacturing and processing. Infrastructure development is also a major component of the NGP, where public investment in roads, railways, ports, water, electricity and telecommunications is expected to reach 10% of the country's GDP every year. Infrastructure development will go beyond South African borders to include the entire region, to encourage trade and market expansion. South Africa aspires to be a logistical and financial hub for the entire continent. South Africa remains the economic powerhouse of Africa, where for every 1% growth in the national economy there is a correlating 0.5–0.75% growth on the continent.<sup>10</sup> An interesting direction that Pretoria has been articulating in both the NGP and the National Development Plan (NDP) is the

gradual move towards a 'green economy'. South Africa's current energy consumption relies heavily on coal. Nevertheless, avenues are being explored to tap into hydro, wind, gas, biofuel, and solar possibilities. Investing in new renewable energies and public works is hoped to contribute to employment generation. Goals and actions for all social and economic sectors of South Africa are detailed in the NDP, a comprehensive long-term vision (with a target year of 2030) developed by the NPC after an initial 'diagnostic' study and extensive consultation with various stakeholders. The NDP also emphasises African regional integration and its importance for trade, infrastructure development, knowledge sharing, migration and natural resource management. However, the NDP, the NGP and other development planning processes of South Africa are not always integrated and consistent with each other, partially because of the lack of co-ordination and the silo-based approach common within the South African public administration.

### **Current socio-economic context**

South Africa today remains a country with a sharp dual reality, with a Gini index of inequality of 63.1;<sup>11</sup> among the highest in the world. Half the population live below the \$2-a-day poverty line, while 20% of South Africans control 70% of the country's wealth.<sup>12</sup> Progress on the MDGs is mixed. Although South Africa has experienced overall economic growth, the Human Development Index has declined below that of many other countries in Southern Africa. In great part this is due to the high child and maternal mortality rates and the HIV/AIDS burden that affects roughly 17% of the population.<sup>13</sup> Although primary school enrolment is near universal, the quality of schooling in South Africa remains below that of other middle-income and other African countries. A poor quality of education has detrimental consequences for the future workforce. The public system particularly at subnational levels suffers from weak service delivery, which is plagued by corruption and thus a source of frequent social unrest. South Africa is internationally notorious for its high crime rate,<sup>14</sup> which affects not only the safety of its citizens but also the confidence of tourists and foreign investors.

## **SOUTH AFRICA AS A RECEIVER OF INTERNATIONAL AID**

### **Aid to South Africa pre-1994**

Though a country of great wealth in natural resources, South Africa has always been plagued by inequality and widespread poverty among its black population. Notwithstanding small pockets of white capacity, South Africa continues to suffer from a substantial human-resource shortage. In the past this human-resource deficit was addressed with the import of technical skills, particularly in the former homelands, of engineers, doctors, teachers, and other specialised personnel from Europe and North America, as well as from Cuba, Iran, Uganda and other African countries with higher levels of education.

Because of the international embargos and sanctions imposed on the apartheid government, pre-1994 all development assistance from foreign donors would flow via

civil society, churches, student organisations and the private sector.<sup>15</sup> Major institutions that acted as conduits of foreign aid included the Kagiso Trust, Urban Foundation, Gerald Foundation, Rural Foundation, Cofuka Steps, Joint Education Trust, South African Chamber of Commerce, and the United Democratic Front.

### **First decade of democracy**

During the transition to democracy, the international community supported President Mandela's nation-building process by channelling all development assistance via the new legitimate government. To manage more effectively the large and diverse flows of financing, the RDP Fund was set up as a mechanism to channel earmarked tax allocations from the fiscus, private contributions from corporations and official development assistance (ODA) from donors to the various government agencies for development projects. These funds were considered 'extra-budgetary', and therefore would not need to be appropriated by parliament. This allowed for a funding conduit that would respond promptly to urgent development needs throughout the country. With the attention now shifting to state building, less funding went to civil society, causing a gradual non-governmental organisation (NGO) crisis over the next years with many organisations obliged to shut down.

Management of foreign aid was led by the RDP Ministry under the presidency, but under President Mbeki this was shifted to the National Treasury and managed by the International Development Cooperation (NT-IDC) unit in the Budget Office. ODA from donors was now aligned to government priorities, used in a more strategic way to support development planning, apparatus building and public policy. South Africa was never an aid-dependent country, as ODA never exceeded 1% of the government's own budget. Technical support was, however, welcomed to address the capacity gaps in the government and improve delivery of services. Much of development assistance was therefore provided in the form of capacity development, exposure visits, dialogue and knowledge exchange with other countries. Though a higher middle-income country,<sup>16</sup> South Africa had high poverty rates and weak capacity of the public service to deliver appropriate services, which thus justified donor engagement. At the same time, South Africa attracted many donors because it had strong macro-economic stability, a world-class public financial management system and a clarity of vision in development planning, which set it apart from other African countries.

### **Management of official development assistance in South Africa**

Today, South Africa's largest donors include the US, the EU, Germany, the UK, France, Netherlands, Belgium, various Nordic countries, and UN programmes and funds. ODA is provided through a mixture of budget support (provided through the RDP Fund), technical co-operation and concessionary loans. The bulk of foreign aid goes to the health and education sector, where South Africa still has major deficits and the largest HIV-infected population in the world.<sup>17</sup> Large amounts of US funding (mostly from the US President's Emergency Plan for AIDS Relief or PEPFAR, the US Centre for Disease Control and Prevention, and other HIV-related funds) go through NGOs, research centres, universities and public entities. South Africa's total ODA is estimated to be on average

ZAR 8 billion a year<sup>18</sup> (over \$1 billion), which is quite high for a middle-income country. As opposed to other African countries, ODA is not used as a gap filler or to finance core service delivery functions of the government. Rather, ODA in South Africa is a discretionary resource that public institutions can use with more flexibility to conduct experimental work, pilot new ideas, unlock bottlenecks, improve service delivery and leverage other domestic resources. South Africa therefore uses ODA for value-add, risk taking, innovation and knowledge transfer.<sup>19</sup>

As aid is tiny in relation to other government resources, the relationship between Pretoria and its development partners is more balanced and equal. South African institutions generally have strong leadership and ownership over their development assistance. The National Treasury insists that more money should be channelled through country systems, the RDP Fund and budget support, so as to increase ownership, build capacity, reduce transaction costs and allow for better accountability. Over the years the NT-IDC has gained significant experience dealing with development partners. The unit takes a strong role in negotiating financing agreements and ensuring foreign partners follow internationally agreed aid-effectiveness principles. It co-ordinates, trains and guides a network of 'ODA co-ordinators' spread across different national departments and provinces, who have regular relations with donors in their respective sectors. ODA to South Africa is governed by the Public Financial Management Act (the PFMA of 1999) and the ODA guidelines are published by the National Treasury.

There are, nevertheless, some perennial challenges in the management of ODA to South Africa. Co-ordination has always been the Achilles heel of a very decentralised and internally competing South African public system. This also has major repercussions on information management, as will be noted later in the report with regards to outgoing development co-operation. Aside from some good collaboration by the EU member states in the water and health sectors, donor co-ordination and harmonisation is generally very weak in South Africa. Monitoring development partnerships and programming is done mostly through joint bilateral reviews. The Treasury holds a yearly annual consultation with all the development partners, but there is little interest from either government or donors to invest in major co-ordination efforts.

The South African aid environment is fragmented with different institutions interacting with donors through different arrangements. The legal framework of South Africa allows for any cabinet minister to sign a co-operation agreement with a foreign partner. Out of protocol these partnership agreements are channelled through the Department of Justice and Constitutional Development and the legal department of the Department of International Relations and Cooperation (DIRCO), to ensure consistency with the South African constitution and foreign policy. The Treasury has tried to exert more control over development co-operation arrangements, but is often bypassed, as both donors and departments want to avoid further delays caused by additional bureaucratic clearance. As a result, neither the Treasury nor DIRCO has a full and clear overview of South Africa's development co-operation. This affects ODA reporting and aid transparency considerably. Although the Treasury supplies regular reports to parliament on the funds that are channelled through the RDP Fund, it is not able to fully capture all the off-budget technical co-operation that does not utilise country systems. The Treasury has urged all departments to report the ODA funding they receive in their annual Estimates of National Expenditures. This information is, however, often incomplete, inaccurate and does not

match the reports that development partners provide to the Treasury. For many years the Treasury has endeavoured to establish a web-based open database on aid to the country, known as the Development Cooperation Management and Information System (DCMIS). This platform is, however, poorly populated, out of date, presents several technical problems and is far from being a reliable source of ODA information. Therefore, mutual accountability of aid in South Africa is extremely weak.

### **Role of South Africa in global-aid debates**

Internationally, South Africa has been vocal in global-aid effectiveness meetings in Paris, Accra and Busan. NT-IDC officials have also served on several technical groups of the Working Party on Aid Effectiveness hosted by the OECD. In such international engagements South Africa has taken a clear South orientation, endeavouring to be the 'voice of Africa' in aid negotiations. The Treasury has also supported the African Platform for Development Effectiveness of the AU and New Partnership for Africa's Development (NEPAD), and has actively participated in negotiations of the Post-Busan Interim Group. As a follow up to Busan, South Africa – like all other recipient countries – is urged to establish an aid monitoring and accountability framework that covers traditional donors as well as new development partners.<sup>20</sup> In regards to this, some preliminary steps have recently been taken by the NT-IDC to engage with philanthropies, foundations and charitable organisations operating in South Africa.

### **Recent trends**

Development assistance to South Africa peaked in 2006, but with the global financial crisis and the tightening of donor budgets, the debate on 'aid to middle-income countries' has begun to resurface. The general expectation from the traditional donors has been for emerging economies to take care of their own poor and, in the case of the BRICS (Brazil, Russia, India, China and South Africa) and even the CIVEATS grouping (Colombia, Indonesia, Vietnam, Egypt, Argentina, Turkey and South Africa), to start supporting poorer neighbours in their respective regions. These debates have also affected South Africa, which has seen a gradual decline of ODA since 2010.<sup>21</sup> Trends in development co-operation to South Africa have seen a move towards mutual exchange, horizontal partnership arrangements, and an increase in concessionary loans in favour of parastatals, like the Development Bank of Southern Africa (DBSA), Industrial Development Corporation (IDC) and Eskom. Many of the concessionary loans to South Africa revolve around green energy and the climate change agenda, currently of high priority for the European donors. Recent aid cuts have been signalled, for example, by the recent public announcement of the UK's Department for International Development (DFID) to withdraw direct aid to South Africa by 2015.<sup>22</sup> The decline of ODA to South Africa is affecting particularly the NGO sector, which still requires foreign funding to fulfil its role of advocacy and public accountability effectively, at times even complementing the state in the delivery of services to marginalised and vulnerable groups. South Africa remains of high strategic interest to the donor community as a country strong in financial management systems and a gateway into Africa, among other reasons. This has given rise to trilateral co-operation arrangements, which will be discussed in further detail later in the report. In recent discussions parliament has



decided that incoming ODA will continue to be the responsibility of the Treasury, while the new SADPA will focus on outgoing assistance.

## **SOUTH AFRICA AS A PROVIDER OF ASSISTANCE TO AFRICA**

### **Aid to the continent pre-1994**

South Africa's provision of aid to other countries on the continent is hardly a recent phenomenon. The apartheid government's Department of Foreign Affairs utilised the Economic Cooperation Promotion Loan Fund (1968, later revised in 1986) as a slush fund to provide financial aid to other developing countries to win their political support and to buy votes at the UN. This was achieved with varying degrees of success with Zaire, Malawi, Cote d'Ivoire, Comoros, Gabon, Equatorial Guinea, Swaziland and Lesotho. South Africa used the fund in conjunction with its military pressure as a strategic foreign diplomacy tool during the Cold War anti-communist campaign in Africa. It also used the fund to overcome international isolation caused by sanctions and to allow South Africa to facilitate trading relations with some countries.<sup>23</sup> Nevertheless, the fund contributed to useful development projects in Africa, such as the construction of the Lilongwe airport in 1977.

### **Support to the homelands and the Development Bank of Southern Africa**

During the pre-1994 period the bulk of South Africa's foreign development assistance was allocated towards its homelands, pseudo self-governing black territories within South Africa not recognised by the international community. The 'Bantustan' governments were almost entirely sustained by budget support from Pretoria's 'Development Assistance Programme'. The other major channel of South African aid to the homelands was through the development projects of the DBSA, which grew out of the Department of Foreign Affairs<sup>24</sup> and was established in 1983 to support SME development, agriculture, mining, water, energy, transport and social infrastructure development, and to provide technical assistance to the homelands. The DBSA Act was reviewed in 1997 and its mandate was extended to the broader Southern Africa region. Today the DBSA is still an important institution, providing loans to public-sector institutions in South Africa and neighbouring countries. The DBSA marketing mantra is that of 'financer, advisor, lead arranger and implementer' of infrastructure development in the region. Compared with other development banks, the DBSA's lending is not concessional and comes at fairly high costs, as it receives credit lines from other development finance institutions. DBSA loans, however, are accompanied by a package of technical assistance, and the DBSA does not impose any conditionalities on its clients (except that of being in good financial standing).

### **Peacekeeping and multilateralism**

In the new democratic dispensation, President Mandela tried to transform the image of South Africa in Africa as a driver of growth, human capacity and freedom on the

continent.<sup>25</sup> Mandela needed to repair the significant damage done by the previous government in economically destabilising the region and fuelling civil wars in Mozambique and Angola. One of the first things the ANC did when it assumed power was to forgive the debts of Swaziland, Mozambique and Namibia, each valued in the neighbourhood of ZAR 1 billion.

In the decade that followed, the aggressive South African military apparatus was transformed and utilised as a peacekeeping force in all sorts of operations in Burundi, the Democratic Republic of the Congo (DRC), Central African Republic, Darfur, Comoros, Liberia, Cote d'Ivoire and South Sudan. Significant development assistance to Africa was provided through the South African Defence and Police Departments. Together with Nigeria and Egypt, South Africa became the biggest African contributor to multilateral peacekeeping operations of both the UN as well as the AU. This was prominent especially under the leadership of Mbeki, who has continued to be a reputable African mediator of conflict even after his presidential term. South Africa has also been a contributor to humanitarian assistance through organisations such as the Red Cross, the World Food Programme and other UN organisations. South Africa has supported other multilateral financing mechanisms such as the Commonwealth Fund, the Global Alliance for Vaccines and Immunization and the Global Environment Fund.

### **South African capacity-building endeavours**

South Africa's peacekeeping in African countries was almost always followed by support to electoral processes, institution building, and post-conflict reconstruction and development. President-led negotiations became the trend that would be followed by the Bilateral Joint Coordination Commission between South Africa and other African states. These would be co-ordinated by the Department of Foreign Affairs, but would involve most of the other departments of the national government, and at times also the provincial and local governments, providing some form of training, technical assistance, exchange, scholarships or other type of support to their counterpart in the recipient country. A variety of South African institutions – including the Departments of Justice, Police, Science and Technology, DIRCO, and the Public Administration Leadership and Management Academy (PALAMA) – provided capacity-building support to thousands of civil servants in countries such as Burundi, the DRC, Rwanda and South Sudan over the course of the last decade.

### **Southern African Customs Union**

One of the oldest forms of South African financial assistance to its neighbours has been the Southern African Customs Union (SACU), a legacy that dates back to 1910. SACU is an 'arrangement of convenience'<sup>26</sup> among South Africa, Botswana, Namibia, Lesotho and Swaziland. SACU countries commonly agree on customs tariffs and revenue-sharing mechanisms, which redistribute income from customs according to a formula that benefits the poorer countries. This is set up to allow for compensation for South Africa's economic dominance in the region. Although many argue that it is more of a customs excise arrangement than a serious developmental mechanism, SACU transfers have constituted 50–70% of revenue for countries like Lesotho and Swaziland, which

remain extremely dependent on South Africa and vulnerable to shocks in its economy.<sup>27</sup> The National Treasury has estimated that in 2004, 87% of South Africa's transfers into Africa were through SACU.<sup>28</sup> In 2008, as part of SACU, Pretoria transferred ZAR 27 billion to its neighbours, representing more than 1% of South Africa's GDP.<sup>29</sup> Notwithstanding ongoing reviews of the arrangement, SACU has been perennially criticised internally and externally by various stakeholders. Many are concerned with its sustainability, and some (like COSATU) have reservations about supporting countries like Swaziland (the last absolute monarchy in Africa) and Botswana (which has a high GDP per capita for the region), when there is still dire poverty to be addressed in South Africa. Some have proposed to strengthen the developmental function of SACU and align it better to the regional development agenda outlined by NEPAD and the Southern African Development Community (SADC).<sup>30</sup> However, there is much resistance by the various partners to make serious changes to such delicate customs and revenue-sharing arrangements.<sup>31</sup> Although over the years SACU has become a de-facto form of budget support to the low-income countries neighbouring South Africa, considering its official development co-operation is questionable.

### **The African Renaissance Fund**

The most defined and structured instrument of South Africa's development assistance has been the African Renaissance Fund (ARF). The ARF was set up in 2000 to replace the previous Apartheid Economic Cooperation Promotion Loan Fund. Established in the spirit of Mbeki's African Renaissance, the fund was envisioned not as an instrument to provide aid but rather to establish partnerships, demonstrate solidarity and support the economic empowerment of Africa. The ARF was to be replenished every year by parliamentary allocations and would have the provision of a rolling budget to build up capital if the funds were not spent. Based in the Department of Foreign Affairs, it was a tool to further South Africa's international affairs objectives. The mandate of the ARF was very broad, to fund activities of co-operation, democracy and good governance, conflict resolution, social and economic development, humanitarian and disaster relief, technical co-operation, and capacity development. The ARF was a fund that departments could tap into for nearly anything in Africa. Over the decade ARF projects included agricultural projects in Zimbabwe, cultural projects in Mali, humanitarian assistance in Somalia, water dams in Lesotho, and even providing support to the African Cup of Nations.<sup>32</sup> In line with foreign-affairs imperatives, the fund played a big role in post-conflict reconstruction and development. It supported peace processes in Burundi, the DRC and Comoros; election observer missions in Zimbabwe; public-administration training in Sudan; and technical assistance by South African institutions throughout Africa.

In some instances, it was even used to repay the debts of Comoros, Gabon, Lesotho, Mozambique, Malawi and the Central African Republic.<sup>33</sup> This can be regarded to some extent as Pretoria's own unique contribution to the debt cancellation of heavily indebted poor countries.<sup>34</sup> Although according to some calculations the ARF constituted only 3–4% of South Africa's overall development co-operation,<sup>35</sup> its disbursements increased incrementally to ZAR 200–300 million a year. Over the years projects funded by the ARF were supplemented by additional funding from other foreign donors, which would fund South African projects through trilateral co-operation. The ARF was hosted in DIRCO in

the same section that manages NEPAD in order to align the fund to the African agenda. Projects are reviewed by an advisory committee made up of members from DIRCO, the National Treasury and the dti (although the latter effectively never participated in ARF deliberations). The committee provides recommendations for the Ministers of Finance and Foreign Affairs, who need to approve the projects in order for funds to be released. However, the ARF has been accused of suffering from many problems, which will be discussed in more detail later in the report in relation to the evolution towards SADPA.

## SOUTH AFRICA'S SUPPORT OF THE AFRICAN DEVELOPMENT AGENDA

Since 1994 the ANC government has been committed to giving South Africa a stronger African identity and supporting the continent's development processes. All presidents of the new dispensation have been at the forefront of creating regional public goods and supporting the African development agenda, through contributing to the establishment and consolidation of African institutions such as the AU, SADC and NEPAD. This section illustrates Pretoria's role in building important regional development mechanisms on the continent.

### **New Partnership for Africa's Development**

President Thabo Mbeki focused a considerable amount of his time on continental priorities and was a staunch promoter of the vision for an 'African renaissance'. Together with President Olusegun Obasanjo of Nigeria, Abdelaziz Bouteflika of Algeria and Abdoulaye Wade of Senegal, Mbeki was one of the founding fathers of NEPAD in 2001. NEPAD was a comprehensive development programme for Africa, which embodied the principles of African ownership and empowerment. It sought to unleash Africa's own natural and human resources to support regional integration, agriculture and infrastructure development on the continent. President Mbeki played a leading role in the conceptualisation of NEPAD and its sister agency, the African Peer Review Mechanism (APRM), dedicated to promoting good governance, human rights, and democracy on the continent. This leadership role in promoting good governance in Africa came also from the experience emanating from the exemplary transition to democracy that South Africa experienced in its own historical trajectory.

Later NEPAD became the host of other sector development frameworks such as the Comprehensive Africa Agriculture Development Programme, Programme for Infrastructure Development in Africa (PIDA), Africa-wide Capacity Development Strategic Framework, Consolidated Plan of Action for Science and Technology, and the Environment Action Plan. Since its inception NEPAD has become the reference point for Africa's regional development planning, South-South co-operation, continental exchange, and learning. NEPAD is essentially a development framework, but the implementation of it has rested heavily on RECs and on the member states. Although at a higher level and particularly in the area of foreign affairs, NEPAD is aligned to Pretoria's policymaking, and many departments still struggle to understand and convert NEPAD into concrete sector actions at country level. Aside from a few areas such as agriculture and science and

technology, DIRCO struggles to receive reports on the implementation of NEPAD by other South African line ministries.<sup>36</sup> Nevertheless, South Africa is still the biggest contributor to NEPAD, hosting the NEPAD Secretariat (now the NEPAD Planning and Coordinating Agency or NPCA) in Midrand, and providing office premises, equipment, tax exemptions and staff secondments to the agency. It further contributes ZAR 35 million every year, two-thirds of which go to the NPCA and one-third to the APRM.<sup>37</sup> In 2011 the NPCA, together with the AUC, established the African Platform for Development Effectiveness, which offered an important vehicle to discuss mutual accountability frameworks for aid effectiveness, and to develop the 'African Consensus' which allowed Africa to 'speak with one common voice' at the Busan Fourth High Level Forum (see Box 1).

#### **Box 1: The African Consensus on Development Effectiveness**

Between 2010 and 2011 the NPCA and the African Union Commission (AUC) led a multistakeholder consultative process that culminated in the drafting of the 'African Consensus'. The document reflected the new development effectiveness paradigm, strongly advocated by Africa, in which the development community was urged to break the cycle of aid dependency and to look at new sources of development financing, including domestic resources, remittances, trade and private-sector development, and foreign and local investment. The importance of strengthening national revenue systems and fighting illicit capital outflows was also addressed. A strong focus in the African consensus was on infrastructure development and regional integration. The document continued to emphasise the need to implement the unfinished aid effectiveness commitments from Paris and Accra and the importance of national ownership, capacity development and use of country systems. South–South co-operation and emerging donors were welcomed and seen as complementary to North–South relations.

### **Infrastructure development**

Even after Mbeki, South Africa continued to retain a leading role in Africa's developmental agenda. Recognising the importance of regional integration and trade expansion for South Africa's future, Pretoria focused much of its international investment in infrastructure development on the continent through supporting PIDA. The DBSA, for example, as the main instrument for South Africa's financing of infrastructure development in the region has reached almost ZAR 10 billion in net loans from its international division.<sup>38</sup> President Zuma and seven other heads of state co-ordinate the Presidential Infrastructure Championing Initiative (PICI) dedicated to complete nine priority infrastructure projects throughout Africa. These include roads, bridges, border posts, fibre-optic networks, gas pipelines and water management systems. One of the most exciting projects of PICI is the revisiting of Cecil Rhodes' old vision of the Cape Town to Cairo highway. This initiative integrates several ongoing plans such as the DFID North–South corridor, the

Trans-African Highway and the Durban to Dar es Salaam road. Extensive scoping, mapping and costing for these projects have already been undertaken. South Africa will take a lead, together with Egypt and Kenya, in upgrading the current infrastructure and constructing the missing links of the dream African East Coast highway.<sup>39</sup> This initiative, coupled with the plans to create a free-trade zone among SADC, COMESA and the EAC, will be a very important integration achievement for the continent.

### **Southern African Development Community**

Producing two-thirds of the GDP of Southern Africa,<sup>40</sup> Pretoria is very committed to economic integration, trade facilitation, infrastructure and industrial development in the region. Hence among the 15 countries that constitute SADC, South Africa is its biggest contributor, providing 20% of SADC's operational budget. South Africa chaired SADC's political, defence and security organ between 2009 and 2010 and has also played an active role in SADC's Regional Indicative Strategic Development Plan. One of the important achievements is the completion of the SADC Master Plan for Infrastructure, which is now the blueprint for the DBSA's work in the region.

### **African Union**

Pretoria has also been very committed to strengthening the AU and its substructures as the main channel of multilateral security, development and political decision-making in Africa. Since the AU's inception South Africa has been one of the five African member states which has contributed the most to the AU budget, and one of the few paying membership fees on time. Every year it transfers ZAR 150–200 million to the AU,<sup>41</sup> contributing 15% to the organisation's budget.<sup>42</sup> It serves on many of the AU's subsidiary bodies, commissions and committees, and hosts and sponsors the AU's Pan African Parliament in Midrand. A bold statement of political commitment by Pretoria towards the regional organisation has been the candidacy and election in 2012 of Madame Nkosazana Dlamini Zuma, former South African Minister of Foreign Affairs and Home Affairs, as Chair of the AUC. Regardless of the contributions of South Africa and other African countries, pan-African institutions, like the AU, SADC and NEPAD, remain heavily funded by Northern donors. This has raised concerns and criticism with regards to leadership, independence and sustainability of such African regional institutions.<sup>43</sup>

### **Multilateral development banks**

Aside from the regional political institutions, South Africa has also played an important role in international financial bodies that provide support to Africa's development. South Africa, for example, is the only African country that replenishes the World Bank's International Development Association dedicated to providing concessional loans to least-developed countries. It is also a permanent member and third-largest shareholder (after the US and Japan) of the African Development Bank and the only African contributor of the African Development Fund, which is 99% funded by Northern donors. On a smaller note, South Africa hosts and chairs the Collaborative Africa Budget Reform Initiative (CABRI), an important network of senior budget officials to improve public financial

management in Africa. Although Pretoria provides significant funding to such regional bodies, it does not have a dedicated strategy to provide South African technical and personnel support, through secondments, salary top-ups and incentives, or entry-level international development expert schemes, as many of the other countries do.

### **Managing sensitivities and complex relationships**

While taking an active role in Africa's development agenda, Pretoria has also had to manage a range of negative perceptions it faces on the continent.<sup>44</sup> South Africa is in fact often seen as a hegemon, a 'big brother' and regional bully.<sup>45</sup> The apartheid legacy has left a certain degree of suspicion towards Pretoria. The rise of other African economies, such as Nigeria, Egypt, Ghana, Angola and Kenya, has also engendered a new level of rivalry among the giants of the continent. South Africa's regional dominance particularly concerns its immediate neighbours, which fear their fragile markets may be crushed by its powerful economy. South Africa is often judged for its 'imperialist arrogance',<sup>46</sup> manifested particularly in the way the private sector behaves in the rest of Africa. Because of all these sensitivities, Pretoria is very careful in its approach to the continent and tries as much as possible to act through multilateral institutions such as the AU and SADC. This overly cautious approach is often criticised for allowing Pretoria to act with more leniency towards despots, warlords and corrupt leaders on the continent. In order to uphold the 'Southern banner' and the 'African brotherhood', South Africa often faces tension between its foreign policy and its democratic and human rights values enshrined in its constitution. The 'soft and quiet international diplomacy' and the complex relations it has with the rest of Africa invariably affect the way South Africa undertakes its development co-operation. More of this will be explored in the following chapter.

## CHAPTER 3

### DRIVING FORCES OF SOUTH AFRICA'S DEVELOPMENT CO-OPERATION

For the average South African on the street, providing aid to Africa is not always the most intuitive thing for the government to do. In fact, with the wide range of problems affecting the country domestically – wide-spread unemployment, the largest HIV-infected population worldwide, a shortage of human resources, endemic crime and corruption, striking inequalities and half the population living in poverty – one could question whether South Africa should be giving to other African countries at this stage. Critics of aid argue that taxpayers' money should not be used to feed corrupt leaders, warlords and undemocratic regimes in Africa. When President Mandela cancelled the debt of Lesotho and Swaziland during his term, some argued that those resources could have been better spent to finance the RDP process in South Africa.<sup>47</sup> Mbeki's heavy engagement with and attention to the rest of Africa was criticised even by other ANC comrades, causing him to lose important political capital back home and used as one of the reasons to remove him from power.

However, development assistance is never provided on purely charitable grounds. Just like all other countries have multiple political, economic and strategic interests for providing aid, so too does South Africa. On the one hand, Pretoria does have altruistic intentions of supporting development in Africa. On the other, it also has a self-interest in furthering its own national interest – and these are not mutually exclusive. The NGP published by the Economic Development Department in 2010 states that 'support for regional growth is both an act of solidarity and a way to enhance economic opportunities [for South Africa]'.<sup>48</sup> Without a doubt, development co-operation has been used in the past and present by Pretoria as a tool for soft diplomacy<sup>49</sup> to promote foreign-policy objectives, but these include also the promotion of the MDGs, South-South co-operation, the African agenda and regional integration. The chapter examines some of these driving forces for Pretoria's development co-operation and the added value South Africa has in undertaking development on the continent compared with other development partners. This informs the focus that SADPA will have as it moves forward in setting South Africa's international development policy.

#### POLITICAL DRIVERS OF PRETORIA

Because of its historical ties with the rest of the world, the ANC has always had a very internationalist agenda, and a material and moral obligation to repay the rest of the continent for the support it received during the struggle and to repair the damage done by the apartheid destabilisation campaign against countries that harboured South African freedom fighters. A new image of South Africa had to be built post-1994, and relationships



needed to be restored with African neighbours that supported the liberation. At the 2007 Polokwane Conference, international relations discussions of the ANC centred on the concept of 'ubuntu' (humanity), where South Africa had to share whatever little it had with its African brothers in a spirit of solidarity and co-operation. Subsequently, such philosophy informed the government's foreign-policy approach. DIRCO's White Paper<sup>50</sup> articulated in more detail Pretoria's 'diplomacy of ubuntu' that includes values and notions of interconnectedness, partnership, and collaboration within the African and global family.

Below the surface, however, there are more pragmatic drivers of Pretoria's development co-operation that affect the South African population directly. Wars, disasters, famine, political and economic instability on the continent will inevitably lead to a large influx of migrants and refugees into South Africa. This will in turn lead to an even greater number of poor people requiring jobs, and will add further strain to the already weak South African public services. The striking case has been the crisis in Zimbabwe that has led to the influx of some 1.5 million Zimbabweans to South Africa. Other large migrations are seen from neighbouring countries, the DRC and even Somalia. In the eyes of many South African citizens, immigrants take away limited local jobs, increase trafficking of drugs and illegal goods, and cause an increase in crime. Such phenomena have led to a rise in xenophobic attitudes and incidents all over the country.<sup>51</sup> In short, issues of home affairs are linked closely to foreign affairs. Shortly after 1994 the government quickly realised that the development of the country was intrinsically linked to the development of the rest of the continent. An underdeveloped region would inevitably lead to increased insecurity, crime and migration. In President Mandela's iconic words, 'we cannot be an island of prosperity surrounded by a sea of poverty', echoed again in Zuma's recent State of the Nation Address in 2013. South Africa cannot develop its full potential if the region is not developed. Pretoria's enlightened self-interest<sup>52</sup>, in which a safer, stable and prosperous Africa is also in its best national interest, is therefore fairly intuitive.

One of the national priorities expressed in the Presidential Plan of Action is a better South Africa, a better Africa and a better World (Outcome 11). All the major government planning documents – the NDP, NGP and the Industrial Policy Action Plan – are linked clearly to continental priorities. It is not surprising therefore that South Africa's foreign affairs agenda (expressed in DIRCO's strategic plan) is in great part the 'African Agenda', articulated in the vision and documents of institutions such as the AU, NEPAD and SADC. The ARF was guided heavily by the NEPAD framework, and most likely SADPA will continue in the same vein. Although Pretoria is committed to supporting the African development agenda, it might not always be clear on how to implement it; and how to link it coherently to its broader international relations engagements (for example, with the BRICS, G-20, World Bank, UN and the OECD). Although in theory all departments of the South African government should be committed to supporting Outcome 11 and NEPAD, this is manifested in different levels of engagement.<sup>53</sup>

## ECONOMIC DRIVERS OF PRETORIA

Even in the post-1994 era, Pretoria has attempted to use its development assistance as soft diplomacy to enlist the support of other countries for its candidacy to AU and UN bodies (ie securing a seat on the UN Security Council and Madame Zuma's Chairmanship to the

AUC). Such attempts have met with limited degrees of success. South Africa's development co-operation has generally not been used as strategically as other countries have used theirs. Some commentators are concerned that DIRCO's White Paper and foreign-policy approach of ubuntu is too innocent,<sup>54</sup> idealistic, altruistic and naïve for the current economic climate in the world. Whereas other major players in Africa – the Europeans, Americans, Chinese, Indians, Turks and the Brazilians – are all driven by strong national interests, South Africa's development co-operation strategy lacks dynamism and economic drive. South Africa, for example, has not used its development work on the continent effectively to support its commercial interest in the same way that China, the US, Japan, the EU and India have.

Increasingly, there are views in the economic sectors of South Africa which advocate that aid and trade negotiations should go hand in hand, and that development co-operation should be much more business-oriented and geared towards the promotion of investment. South Africa's economy is too small to survive and grow on its own. Africa is therefore the primary target market for South Africa's services and manufactured goods. An integrated Southern African economy, with open tariffs and good infrastructure, is critical for South Africa's economic growth. Establishing a footprint and reputation in other African countries with development activities paves the way for South African businesses to expand their clientele and supply base. However, South African foreign policy has not reached the level of sophistication to integrate economic considerations in the picture. South Africa's foreign aid has not produced the commercial dividends that the private sector would expect. South African businesses often complain that they are overlooked in international public contracting<sup>55</sup> and that they do not receive attention and support from DIRCO or the South African embassies in various countries.

Traditionally Pretoria has invested significant resources in bringing about peace and stability in Africa, but then companies from Europe, Brazil, India, China and the Arab states end up benefiting more from these new markets. A typical case has been in the DRC, where South Africa invested in substantial peacekeeping, mediation and capacity-development activities, but was unable to successfully broker big mining concessions with the Congolese government. China at the same time swiftly negotiated a deal to provide access to copper and cobalt mining in the DRC in exchange for a \$6 billion public infrastructure package to be implemented by Chinese companies.<sup>56</sup> Another more recent example has been in the North–South corridor initiative, where South African companies have not been able to position themselves as effectively as the British and Chinese companies as prime contractors to implement the major infrastructure programmes that Africa has planned.<sup>57</sup>

It is clear that South African companies cannot compete with the Indian, Brazilian, and especially Chinese, mining and construction companies that offer lower costs and quick implementation times. The South African companies, on the other hand, that dominate the African markets are the telecommunications, retail, tourism and financial services firms. All South Africa's banks, supermarkets and mobile companies have succeeded in Africa regardless of the support they received from Pretoria. Nonetheless, the negative practices of an unbridled South African private sector will inevitably have an effect on the perceptions of other African nations and political relations of Pretoria. Although generally better than their Asian counterparts in human resources, safety and environmental practices,<sup>58</sup> concerns were raised at the ANC Polokwane Conference about

the behaviour of South African companies on the continent and thus the need to establish a code of conduct for South African businesses operating in Africa. For all these reasons it is important to create formal mechanisms of collaboration between the business sector and South African international development institutions.<sup>59</sup> In recent years the National Treasury, the DBSA and DIRCO have been more open to engaging the corporate sector and integrating commercial thinking in their work. Good examples of such integration have been the construction of the Maputo corridor in the late 1990s, Sasol and Eskom projects in Mozambique, and the DBSA's recent move towards demanding more 'local content', which includes South African companies, in the loan agreements with partner countries. Under the Zuma administration there has also been a notable increase of business delegations accompanying presidential state visits around the world.<sup>60</sup>

Although such an approach would be in resonance with the 'developmental state' ambitions South Africa aspires to, capacity of the government to rally and co-ordinate all private and public stakeholders towards the same regional development vision is still very limited. Overall, Pretoria is still far from setting up systems such as those in the US, where corporations through lobby and interest groups have a strong say on foreign policymaking. The dti has traditionally been more sensitive to private-sector interest, and therefore has been advocating for a stronger economic diplomacy approach to South Africa's development co-operation. While ruthlessly avoiding mercantilism, South Africa should not be apologetic about its commercial interest, as held by all the other foreign players on the continent. Many argue that without necessarily imposing its labour, services and products on the continent, Pretoria's development co-operation could still produce better returns for the South African constituents.

## SOUTH AFRICA'S COMPARATIVE ADVANTAGE AND FOCUS

We have established why South Africa should engage in development co-operation with the continent, but one may ask why the rest of Africa should receive support from South Africa rather than from the more experienced and wealthier traditional donors? Or why a Northern partner should utilise South Africa as a pivotal country in trilateral co-operation rather than providing assistance directly to the recipient countries? South Africa is the biggest development partner in Africa, with a lot of continent-specific expertise, which can operate relatively free from neocolonial perceptions.

### Proximity

When undertaking development co-operation in Africa, Northern donors often come with the historical baggage of preconceived aid packages, which are met with resistance by the local recipients. South Africa, on the other hand, is in a unique space of being 'an insider'. In the words of the DIRCO Deputy Minister,<sup>61</sup> South Africa has been in a special position of engaging in development co-operation 'with Africa and for Africa'. Although it cannot claim to fully understand all the complex dynamics of Africa, it is much more in tune with the developmental, political and security context of the continent. It shares a history, culture, languages, tradition, geography and climate with the region. The political ties of the ANC with other liberation movements and parties also provide it legitimacy and access

in the region. Its proximity to the ground allows it to react fairly rapidly in Africa and at much lower costs than partners that have to fly from across the oceans.

### **Identifying special expertise**

Pretoria does not have much money to share but it does have a certain degree of capacity, know-how and skills it can offer countries with greater developmental needs. South Africans are not as experienced as other traditional donors or even some other African countries in many fields; therefore it is important to identify the specific expertise that South Africa can offer in development co-operation. This notion of comparative strength is critical for all Southern providers and is the entry point for trilateral co-operation arrangements. For example, Japan utilises Mexico's experience in earthquake management to train other Latin American countries, and it utilises Brazilian agricultural expertise to rehabilitate Mozambique's ProSavana corridor. In exporting its own developmental model, Pretoria and its partners have likewise identified specific areas in which South Africa is strong and has a comparative advantage over other development partners.

### **Peace building, reconciliation and democracy**

First and foremost South Africa is acclaimed as a beacon of democratic freedom in Africa, likened to other pluralistic nations of the South such as India, Brazil, Turkey, Mexico and Indonesia. Its peaceful transition to democracy, reconciliation process, social justice and nation-building process make it unique in the annals of global politics. It prides itself on holding a constitution and legal frameworks that are among the most progressive in the world; consistently ranked among the top-five countries in Africa in the Mo Ibrahim Index and in the area of good governance. With its exemplary history and rich experience, South Africa is strongly placed to take leadership in the rest of Africa in areas such as conflict mediation, peace building, democratic elections and good governance.

### **Institutional and human-resource development**

Linked to this is South Africa's successful experience of state building, which it now shares with the rest of its African sister countries. Since the 1990s South Africa in fact has been strongly engaged in institution building, capacity building and human-resource development of African public servants across the continent, through training offered by PALAMA, the Independent Electoral Commission (IEC), the South African army and police services, and other departments. A big role in building human capacity has been the role of the South African universities – like the University of South Africa (UNISA) and the Universities of Cape Town, Witwatersrand (Wits), Stellenbosch and Pretoria – which rank among the top higher education centres in Africa. These centres of learning have opened their classrooms to students from the neighbouring SADC countries for the same or similar fees as local students. South Africa's contribution to Africa's development has also been in the area of science, technology, and research for development, with some of the leading research institutes and think tanks of the continent again being based in South Africa.

## Public financial management

Another other important area of South Africa's strength is its sound and stable financial systems. This is not only in the private sector, banking and capital markets but also in public financial management. The South African budget process and the PFMA have been rated extremely highly by independent international agencies such as the Public Expenditure and Financial Accountability (PEFA) and the International Budget Partnerships, surpassing in quality the financial management systems of even many of the European, North American and Australasian countries. SARS is renowned for its strength in revenue collection, taxation, customs and effective domestic resource mobilisation. This expertise is now in high demand throughout Africa. Linked to its excellence in this area, South Africa leads and hosts CABRI and the African Tax Administration Forum (ATAF).

## Infrastructure development

Agriculture and infrastructure are two areas of high priority in the African development agenda, but are often not well supported by the traditional donors, which favour governance and social sectors. South Africa as well as the other major BRIC partners have thus played a stronger role in promoting infrastructure and economic development on the continent, partially also for their experience and comparative advantage in these fields. With regards to infrastructure, the DBSA and other South African SOEs have invested significantly in regional infrastructure (including in water, transport, energy and telecommunications) in order to support industrial development, trade and integration in the region's economy. In 2010 it was estimated that the IDC and DBSA jointly invested some ZAR 8 billion outside of South Africa.

## Sector and geographic focus

Having explored the above areas of strength, it is not surprising therefore that DIRCO's priority areas in South Africa's development co-operation through the ARF and now through SADPA, have consistently been projects geared towards:

- regional integration;
- peace, security and stability;
- post-conflict reconstruction;
- strengthening relations with Africa and the global South;
- promoting good governance; and
- humanitarian assistance.

Geographic priority of South Africa's development assistance emerges naturally as a result of the considerations discussed previously. Some 70% of South Africa's development co-operation is in the SADC region (96% if SACU transfers are included). Another obvious area of South Africa's engagement is the African post-conflict regions (including the DRC, Sudan, Burundi, Rwanda and Somalia), where most mediation and national reconstruction is required. Some recipient countries of South Africa's development assistance have been

countries that share ideological links and liberation struggles with South Africa's ruling party. Examples include humanitarian assistance provided to the Palestinian territories and the ZAR 1 billion debt cancellation and agriculture support offered by Pretoria to Cuba in 2010. Although the focus of SADPA will remain predominantly the African continent, DIRCO indicates that some small assistance could extend also to Asia and the Caribbean.<sup>62</sup>

## CHAPTER 4

### THE SOUTH AFRICAN DEVELOPMENT PARTNERSHIP AGENCY

Discussions around the establishment of a centralised South African development agency have been ongoing in South Africa for more than half a decade, with very slow progress made in its implementation. The chapter elaborates on the rationale and drivers that have led to the establishment of SADPA and the steps that have been taken to gradually operationalise the new agency and the fund dedicated to providing development support on the continent. It analyses Pretoria's evolving development partnership paradigm, placing it in the current international development discourse of the OECD–DAC as well as that of South–South co-operation. It will also provide insight into the volumes of South Africa's development assistance and what this represents in relation to the country's GDP.

#### RATIONALE FOR THE ESTABLISHMENT OF SADPA

Three main drivers provided the rationale for the establishment of the SADPA:

- to better the co-ordination of South Africa's diverse development partnerships;
- the restructuring of the ARF; and
- the growing trend in trilateral co-operation.

#### Co-ordination and rationalisation of outgoing aid

As discussed, South Africa's development co-operation with the rest of Africa has manifested through a range of diverse public institutions. It is estimated that nearly half of all departments of the South African state are engaged in some form of international partnership.<sup>63</sup> Some of the more prominent departments providing assistance in Africa include Defence, through peacekeeping operations, and Education, through providing scholarships and subsidies to students from the rest of Africa. Other departments include the Police Service, Mineral Resources, Energy, Trade and Industry, Agriculture, Public Enterprise, Science and Technology, Justice and Constitutional Development, and Public Works. Numerous South African parastatals, statutory bodies and public entities – as diverse as PALAMA, Statistics South Africa, the Human Sciences Research Council, the IEC, the Council for Scientific and Industrial Research (CSIR), the Reserve Bank, the National Research Foundation and UNISA – are providers of developmental support to other countries. Even SOEs, such as the DBSA, IDC, Eskom, Telkom and Transnet, have engaged in neighbouring countries and in the rest of Africa.

Several attempts have been made to quantify the totality of South Africa's outgoing development assistance. In 2006 the National Treasury conducted an internal survey requesting all national departments to provide information about their international development co-operation. Although the responses were far from complete, the study revealed that if all peacekeeping and electoral support that South Africa provides is added to the country's development assistance, this amounts to similar volumes of ODA compared with countries like Sweden, Norway and India. It is estimated that in 2004 South Africa's public and private outflows to Africa amounted to ZAR 1.6 billion.<sup>64</sup> In 2006 South Africa's total development assistance was calculated as being \$363–475 million,<sup>65</sup> which amounted to 0.18% of the country's GDP or 0.36% if SACU transfers were also included in the calculation. More recent studies estimated South African development co-operation to be 0.7%<sup>66</sup> to 1%<sup>67</sup> of the country's GNI, making South Africa a top-performing country in ODA compared with most traditional donors. None of these figures, however, is accurate, as much information from departments and public entities is still missing and there is much debate on what should be included in these calculations, such as SACU transfers, peacekeeping operations, loans for infrastructure, debt reorganisation, in-kind technical support, scholarships and training. Some of these forms of assistance are also debatable within the current OECD–DAC definitions of ODA.

Nonetheless, South Africa's development co-operation is still significant and, if rationalised, monitored, channelled and co-ordinated better, could have a major impact and raise South Africa's profile in Africa and internationally.<sup>68</sup> What limits Pretoria is the absence of an overarching framework, strategy and operational guidelines for South Africa's external development co-operation. There is no central agency that can co-ordinate the efforts of the various players, and properly track and account for all of South Africa's development assistance. This has therefore become one of the biggest drivers behind the ANC's discussions on the need to establish an agency to align government efforts, and to co-ordinate and act as a 'nodal point' for South Africa's external development co-operation.

### **Reconfiguring the African Renaissance Fund**

The second rationale for the creation of SADPA was that the main instrument for South Africa's foreign development assistance, the ARF, suffered from many limitations, had proven to be ineffective, and needed some serious restructuring. In this regard the National Treasury in 2006 started an internal evaluation of the ARF that could feed into the debates on the future of SADPA.

The ARF's initial configuration, with joint administration and concurrence of two departments, made it quite inefficient. The ARF committee would meet on an ad-hoc and irregular basis to appraise projects and provide recommendations, which would await the signature of two ministers, thus slowing down significantly the process for funds to be released to implementing institutions. The functioning of the advisory committee suffered from staff turnover and poor co-ordination between DIRCO and the Treasury. At times the committee was completely hands off and disengaged in its decision-making and at other times it was far too prescriptive and conditional.<sup>69</sup> The ARF operated mostly in a re-active fashion.<sup>70</sup> It did not have direction, strategic intent or clear criteria for selecting proposals.<sup>71</sup> The projects often lacked a strong developmental rationale or impact on poverty alleviation (such as funding to the African Cup of Nations). The ARF



lacked a proper support structure to examine its implementation, engage properly with stakeholders, identify projects and to conduct meaningful monitoring and evaluation (M&E). The focus had been on disbursement of funds rather than on measuring the impact of development activities. The ARF did not have the capacity to undertake effective project management, M&E and track expenditures.<sup>72</sup> In August 2010 the ARF came under heavy criticism in parliament by the opposition parties, which accused the fund of '[propping] up rogue states and countries with a history of human rights abuses'.<sup>73</sup> Thus there was a growing consensus that the ARF needed to be heavily restructured and professionalised into the new SADPA.

### **Trilateral co-operation**

Another strong factor contributing to the formation of SADPA has been the gradual move in recent years by the donor community from South Africa country programming to the broader region with more cross-border programming.<sup>74</sup> This has occurred in tandem with the increase both globally and in South Africa of trilateral co-operation arrangements. In its basic format, tripartite collaboration involves the use of donor funds to mobilise middle-income country technical expertise in support of development needs of a third recipient country, building partnerships and leveraging resources in a win-win-win situation. The ARF was initially designed to also receive funds from other parties, particularly in response to the 2000 Mozambique flood; although this option was not used extensively.<sup>75</sup> Over the last few years, however, a number of South African departments such as DIRCO, the Treasury, PALAMA, Defence, Justice, Science and Technology, the Presidency, and the Police Service have received funds from donors such as the German 'Gesellschaft für Internationale Zusammenarbeit' (GIZ), the US Agency for International Development, the Canadian International Development Agency (CIDA), the Norwegian Agency for Development Cooperation (NORAD), the Swedish International Development Cooperation Agency, the Netherlands, Switzerland, Japan, Belgium, and the UNDP to establish development co-operation programmes with other local partners throughout Africa. Northern donors see significant comparative advantage in using South African technical expertise and often find a convergence of their foreign-policy objectives with those of Pretoria (ie promoting democracy, peace and good governance). Trilateral co-operation, however, does not come without concerns. Engaging the bureaucracies of three or more countries causes major delays, high costs and inefficiencies in the implementation of the projects. Many question the effectiveness of trilateral co-operation as opposed to implementation through direct bilateral engagement. Although trilateral partnerships have generally been beneficial to South Africa, they have not always led to empowerment and ownership for the third-country recipients.

There are, however, more balanced trilateral partnerships that involve countries of the South. In the past South Africa has co-operated with Cuba in the provision of medical and engineering expertise to other African countries, such as Rwanda and Sierra Leone. South Africa partnered with Vietnam in a ZAR 172 million rice production project in Guinea-Bissau. One of the most prominent trilateral partnerships that Pretoria is engaged in is the India–Brazil–South Africa (IBSA) partnership. IBSA is one of the most powerful global expressions of South–South co-operation, with three big pluralistic democracies of the South collaborating, trading and exchanging knowledge in 16 different fields.

In March 2004 at the New Delhi Summit, the three countries set up an IBSA Trust Fund, to which each country contributes \$1 million a year to projects that address poverty and hunger throughout the world. The trust fund is managed by the UNDP's South–South Cooperation Unit and is overseen by a board of officials in New York from the three countries. IBSA development projects have been implemented in countries throughout the world, including in Africa in countries such as Guinea-Bissau, Cape Verde and Burundi. Diplomats from the three countries<sup>76</sup> have stated that the financial envelope of the trust fund is very small to make a meaningful impact, and that administration of IBSA projects often suffers from inefficient management and a lack of transparency.

### BIRTH AND EVOLUTION OF SADPA

The genesis of SADPA took place in 2007 at the July Policy Conference and later at the 52<sup>nd</sup> National Conference of the ANC in December of the same year. ANC members in Polokwane discussed the need to establish an institution to reach out to the rest of Africa and alleviate poverty and distress on the continent. The limitations of the ARF were acknowledged and the ANC felt that it was time to form an agency that would rationalise and co-ordinate South Africa's international development work. At the conference the delegates proposed also to increase South Africa's development assistance to reach 0.2–0.5% of GDP,<sup>77</sup> which involved a doubling of the current efforts.

This followed intense consultations between 2008 and 2010, in both the party as well as in the government, on the structure and approach this agency could take. Initially called SAIDA, the name was changed to SADPA to avoid evoking neocolonial feelings<sup>78</sup> and rather reflect the new co-operation paradigm South Africa desired to have with the rest of Africa. Several studies were commissioned, and papers and proposals were received from various think tanks, experts, private companies and NGOs. Consultations were held in Pretoria's international relations, co-operation, trade and security cluster, and several exchanges were held also with parliament. In December 2009 parliament approved an initial concept note and conceptual framework for SADPA, for DIRCO to continue working on over the next few years.

Representatives from DIRCO, the Treasury, parliament and other government departments travelled across the world to learn about various models, operational and management approaches, institutional arrangements and legislative frameworks that governed some of the most seasoned development agencies from other countries. Study tours were arranged to see Northern agencies in Japan, Australia, Denmark, Sweden, France, the US, as well as other emerging countries such as Korea, Mexico, Slovakia, Poland and the Czech Republic. South African officials have been exposed to some of the most experienced development agencies such as DFID and the GIZ, progressive models such as the ones of NORAD and New Zealand, and some of the Southern countries with similar contexts like Brazil and India. Special attention was given to models of development assistance in post-conflict environments, as this is particularly relevant to the African context. Ultimately, Pretoria took what it thought appropriate from the experience of other agencies but is currently developing its own model based on its particular operating context and country priorities (see more in the following sections).

DIRCO continues to lead the consultation and developments on SADPA. Together with the Technical Assistance Unit (TAU) at the National Treasury, a feasibility study was conducted to analyse different options of public entities that SADPA could be established as. The most appropriate structure for SADPA that was finally identified was that of 'government component' as a Section 3a public entity. A business case for the new agency was presented to an inter-departmental evaluation committee and, in April 2012, the proposal was approved by the Ministers of International Relations, Finance and Public Service and Administration.<sup>79</sup> This called for the establishment of the agency under the Public Service Act (of 1994) as well as the creation of a new 'Partnership Fund for Development'.

DIRCO is now preparing the SADPA bill that will allow for the establishment of the new Partnership Fund, which will repeal the previous ARF Act and transfer remaining funds and assets to SADPA. The initial draft bill was rejected by parliament, which requested some amendments to the document (such as Treasury concurrence) to be included before it was re-tabled and approved in December 2012. Although the Partnership Fund cannot be established until parliament passes the SADPA Bill, DIRCO is in the process of establishing the agency from the beginning of the budgetary year in 2013, by utilising the current DIRCO structures and the remaining funds from the ARF. In April 2012 DIRCO submitted to the DPSA the SADPA business case; the draft Partnership Bill; the proposed SADPA organisational structure; and the shared service agreement between the agency and DIRCO. The DPSA approved the proposal and prepared a proclamation for the establishment of the agency to be signed by the president and announced in the Government Gazette during the course of 2013.<sup>80</sup>

Notwithstanding the bureaucratic and political delays, DIRCO (with the assistance of TAU) has continued to push forward with the technical work and has drafted the three-year human-resource plan and competency framework, medium-term budget, programming portfolios, strategic framework, operational systems, policy guidelines, legal procedures, tools and instruments for project design, M&E, and financial accountability of SADPA.

The long process, now reaching almost six years in the establishment of SADPA, reflects the political sensitivities, confusion and contestations over this new entity that exists within the South African government. In addition, the high staff turnover at DIRCO, limited capacity and the low political engagement have contributed to further delays in the process. One important element to note is that the ARF is still functioning, and that going forward SADPA will not be the only South African agency that is providing and will be providing development assistance to the rest of Africa.

## **SOUTH AFRICA'S DEVELOPMENT PARTNERSHIP PARADIGM**

In the development community terminology is often loaded with political connotations. Referring to the same concept, we have seen a shift from using the word aid, to development assistance, to development co-operation. From saying rich, industrialised, North, OECD countries, we have moved to donor, development partners, and recently to providers of assistance. Similarly from poor, third-world, low-income, South, developing

countries, the discourse has shifted to partner countries and receivers of assistance. Is it just the politics of semantics, or do these words have different meanings?

Interestingly, the semantics debate has also affected the South African political space. In 2009 when the Zuma administration came to office, the Department of Foreign Affairs was renamed DIRCO. In Polokwane originally the ANC delegates talked about SAIDA, but later this was changed to SADPA. Similar to China and Brazil, South Africa avoids being referred to as a 'donor'. This is partially because it wants to avoid evoking sensitivities of a North–South colonial type of relationship with its African partners.<sup>81</sup> It is still a receiver of aid, and it hopes to continue to receive assistance to support its own development trajectory. South Africa's outgoing development assistance is very small in financial terms and expressed more in the form of technical co-operation. It is therefore much more comfortable with the rhetoric of 'development partner'. The concept of 'partnership' with the rest of Africa was already present in South Africa's foreign policy from the Mbeki era, when NEPAD was founded. Still today Pretoria envisions national and regional development processes to occur through multiple partnerships with the North, the South, multilateral organisations, the private sector and civil society.

The definition of development co-operation is also continuously evolving and being shaped by the frameworks and actions of diverse development agencies. South Africa also plays a role in defining the international aid architecture. The traditional donors, grouped together under the OECD–DAC, have defined ODA as '[grants, goods], loans and technical assistance to developing countries and multilateral agencies (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms'.<sup>82</sup> By default South Africa's development co-operation does not sit comfortably in the OECD classifications, as South Africa by and large supports the rest of Africa through peacekeeping, debt forgiveness, non-concessional loans for infrastructure development, and customs and trade arrangements, which do not fall under the strict DAC definition of ODA. Also much of South Africa's development assistance is through training, scholarships and technical co-operation that is often difficult to account for, quantify and assign a monetary value to.

Pretoria identifies itself as a nation of the South and therefore prefers to place its development assistance within the South–South co-operation movement. The UN Conference on Trade and Development defines South–South co-operation as 'economic and technical co-operation among developing countries in trade, investment and finance'.<sup>83</sup> South–South co-operation is broadly defined as the exchange of resource, technology, skills and technical know-how among countries of the South to promote development – social, economic, cultural, political and scientific. Although there are no commonly agreed parameters of South–South development assistance in the same way as there are for the DAC countries, in the IBSA Trust Fund guidelines one can distill principles of national ownership, mutual exchange, local capacity building, innovation and sustainability shared among South Africa, Brazil and India.<sup>84</sup> Furthermore, Pretoria is committed to align its development co-operation to the African notions of development effectiveness and to the principles promoted in the various NEPAD documents, such as the importance of local ownership, capacity development, policy coherence, sustainability, self-reliance and use of Africa's own resources to spur development on the continent.

Domestically, the National Treasury describes incoming ODA as:<sup>85</sup>

official resource flows from the international donor community to South Africa in the form of grants, technical co-operation and financial co-operation, where the South African Government is held at least partially responsible or accountable for the management of such resources.

It would be interesting to observe in the next few years if this state-led approach to ODA management will also be reflected in South Africa's outgoing development co-operation, considering Pretoria's aspirations of a 'developmental state' and admiration for Asian development models.

DIRCO's own definition of development partnerships is described as 'co-operation between developing countries in the field of aid, trade, security, politics to promote economic and social well-being'.<sup>86</sup> Like other Southern providers, South Africa promotes the notion of solidarity, equality, horizontal co-operation, reciprocity, mutual benefit, exchange and learning. Rather than following the DAC language and Northern paradigm of development, Pretoria continues to be a proponent of South-South co-operation and declares its allegiance to the NEPAD framework and that of the African Platform for Development Effectiveness, where aid is just one of the many catalysts to unleash development on the continent. The South agenda and the African agenda are clearly rooted in Pretoria's foreign policy and therefore will inevitably also influence South Africa's development co-operation policy as it gradually takes shape.

## CHAPTER 5

### INSTITUTIONAL ARRANGEMENTS AND CONSIDERATIONS GOING FORWARD

As discussed, South Africa has been engaged in development co-operation on multiple fronts, through numerous institutions and diverse mechanisms. As SADPA planning moves forward, will the new agency be expected to manage all of South Africa's development co-operation – including bilateral, multilateral, regional, trilateral, IBSA, concessional loans, humanitarian, public and private development financing? Incoming development co-operation will remain for the time being in the remit of the National Treasury, but will SADPA be the primary institution through which all of Pretoria's outgoing development assistance is channelled? Many institutions have a stake and are engaged at different levels in South Africa's development partnership agenda. Clarity of roles and co-ordination is therefore critical. The chapter discusses the different financing and implementation mechanisms that need to be put in place to take forward Pretoria's development co-operation. For the purpose of this discussion it will be helpful to distinguish between the financiers, policy setters, implementers, technical support and the watchdogs of South Africa's development co-operation. The chapter also examines the political challenges and institutional complexities of leadership, co-ordination, accountability, and information management in the establishment of SADPA.

#### FINANCING SADPA

##### The Partnership Fund

The draft SADPA Bill prepared by DIRCO calls for the establishment of a new 'Partnership Fund for Development' (aka the SADPA Fund), which will be governed by the PFMA and which will have a separate parliamentary appropriation process. Once ratified the new fund will effectively replace the old ARF and therefore be under the accounting responsibility of the Director-General of International Relations and Co-operation (although this is also still under discussion). Like the ARF, it will be a special fund that is able to receive financing from third-party sources. The SADPA Fund is expected to be replenished by yearly parliamentary appropriations, roll-over of funds from previous years, loan repayments and interests, and financing from foreign donors and private contributions.

##### Rolling budget

The special provision that the ARF had, and the SADPA Fund will continue to have, is that of being able build savings from previous years without having to return unspent

money. This is an important feature, which helps to avoid the pressure that most other development agencies face of having to spend their funding before the financial year end because of the fear of being allocated less the following year. Such financial security reduces unnecessary wastage of public funds and promotes a more efficient and coherent use of development resources. The approach provides a model of good practice for the management of development financing that Pretoria can share with the rest of the international development community.

### **Sources of funding**

In terms of volumes of assistance South Africa cannot expect to be in the same league as the OECD–DAC donors and not even of the BRIC countries. Nevertheless, for the sake of identifying the economic leverage Pretoria will have in the international development space it would be useful to reflect on how much money SADPA could potentially manage and the main sources of such funding. This is currently left to much speculation and opinion. What is clear is that SADPA will inherit the ARF pot, which will include the usual yearly allocation from the fiscus of ZAR 500 million, plus whatever else is left over in the ARF account, (currently around ZAR 1 billion). South African taxpayers could be sensitive to financing development projects in Africa, depicted by critics as supporting corrupt leaders, despots and warlords, while back home poverty is still widespread and public services are not delivering as they should. But in the grand scheme of things ZAR 500 million compared with the overall government budget of over ZAR 1 trillion is quite insignificant. There are bigger pockets of development financing that DIRCO manages, such as contributions to humanitarian and multilateral (African and global) institutions, which if added up and transferred to SADPA oversight could increase significantly the economic power of the agency. There are already discussions about whether Pretoria's contributions to the IBSA Trust Fund should also pass to SADPA management, as this can easily be transferred within the DIRCO structures.

As discussed in earlier sections, the bulk of South Africa's development co-operation lies in the manifold South African departments and public entities (such as peacekeeping, elections, policing, capacity building, and infrastructure development), which finance their international endeavours through their own budgets approved separately by parliament or by their board of directors. The degree of how much of these resources SADPA could leverage in its work will depend on how much the other departments are willing to give to SADPA oversight and direction over these funds. This is highly unlikely at this stage, as many departments will hold on to their attractive international development projects, which allow them opportunities to receive additional discretionary funds, interact with foreign partners and undertake extensive travel abroad. A large portion of South Africa's development co-operation activities, in both departments as well as the central agencies, is financed by foreign donors. Even some of South Africa's most acclaimed South–South co-operation stories – like CABRI, PALAMA's Regional Capacity Building project, and South African Police Service training throughout Africa – could not have occurred without the assistance of Northern donors.



### **Incoming, outgoing and triangular?**

Other middle-income countries, such as Brazil and Mexico, established development co-operation agencies to manage both incoming and outgoing development co-operation to ensure coherence between the two. The South African country evaluation of the Paris Declaration<sup>87</sup> also recommended SADPA to have a similar dual function; however, later that year cabinet-level debates concluded that the National Treasury will continue to manage South Africa's incoming aid, while SADPA will manage Pretoria's outgoing assistance. But then what about trilateral co-operation that serves a hybrid of domestic and foreign development objectives? Currently some of South Africa's trilateral co-operation is managed through the Treasury, some through DIRCO, and some directly between the donors and the line departments. DIRCO hopes that a significant part of SADPA financing will come from foreign partners through trilateral co-operation arrangements. This seems to resonate already with most of South Africa's Northern donors that have keenly expressed interest in collaborating with DIRCO and the agency, once established. The growing appetite for innovative trilateral partnerships in the current global development debates places the winds firmly in favour of SADPA.

### **Domestic versus foreign resources**

Although it is hard to estimate the potential volumes of trilateral co-operation that may flow to the South African government in the next few years, by analysing previous funding and current projections, SADPA might have to manage more money from foreign donors than from South Africa's own resources. This poses a great risk in terms of Northern influence on South Africa's international development policy, which is similar to tendencies found in other African institutions (the AU, SADC, NEPAD, etc). For argument's sake, if SADPA receives ZAR 500 million from the South African fiscus<sup>88</sup> and say ZAR 3 billion from Northern donors, whose development agenda would SADPA be promoting? The risk of foreign influence to Pretoria's development co-operation policy can be reduced if there is strong South African leadership in setting the agenda, and defining the principles and criteria for project selection, with clear parameters for donor engagement. Special care needs to be taken not to be steered by attractive packages with large amounts of funding from external sources. In theory Pretoria's programming should first be developed, in consultation with other African partners, and subsequently donors should be approached to fund the programmes. In the current context, however, there is little political engagement, no clear pre-determined strategic programme for SADPA and there does not seem to be a plan to have such programming while the supply of donor funding seems to be very high, even before projects have been conceived.

### **Other financing mechanisms**

Together with foreign donors, SADPA also hopes to receive funding from other sources such as charitable organisations, investors, the private sector and philanthropies. These, however, will also have their own strategic interests, which SADPA and DIRCO will have to address by finding ways for effective engagement. Some thought could also be given by SADPA to self-generating income activities such as small revenue from its projects,



interest from loans, consulting work, training, research and other services and goods it could provide to its partners at a more modest and affordable cost.

## DIVERSE DOMESTIC PARTNERS

At the Accra High Level Forum in 2008, later also reaffirmed in Busan in 2011, there was a call to engage more stakeholders in development processes and expand national ownership and consultation to parliament, the private sector, civil society, unions, academia and other key domestic players. This is also heavily promoted in the African Platform for Development Effectiveness, which also led a very broad-based consultative process with numerous stakeholders in order to develop the African Consensus on Development Effectiveness. This section analyses the potential role of some critical players – including SOEs, the private sector, civil society and legislators – in South Africa's development partnerships in Africa. For each of these their potential role as beneficiaries, service providers, advisors and financiers of development co-operation will be discussed; as well as the platforms the government has to engage with such partners. Should any of these players be involved in substantive ways in the work of SADPA, an underlying question is whether they will be willing to report their activities to SADPA and operate within SADPA's strategic framework? This complex question was posed in Mexico and, after a protracted discussion, the government concluded that it would be easier to keep these institutions outside the work of AMEXCID (the Agencia Mexicana de Cooperación Internacional para el Desarrollo).

### Parliament

As in any other country, the role of parliament in South Africa is to oversee Pretoria's incoming and outgoing development co-operation. Parliament therefore plays a critical accountability role and closely monitors the executive and budgetary process. As discussed in the previous section, the SADPA Fund will undergo annual parliamentary appropriation and review. In the current set-up the Parliamentary Committees on Finance and International Relations and Trade receive regular reports from the Treasury and DIRCO on the RDP Fund and the ARF. As discussed, these central funds are far from representing the totality of South Africa's ODA, both as a recipient and as a provider. It is thus critical that SADPA, in the future, is able to provide regular reports on South Africa's diverse sources and forms of development co-operation as part of its information management function. It might be sensible to include members of parliament in SADPA's Advisory Board to increase the engagement of parliament in Pretoria's development initiatives on the continent.

### Civil society

Similar to parliament, civil society is also a very important player to include in development co-operation. Aside from its role in promoting democracy, pluralism, oversight and accountability, civil society also has a wealth of technical experience in the field of development that can be tapped into to support the work of SADPA. NGOs can in fact assist in the design, implementation, research, and M&E of South Africa's

development co-operation activities. As discussed, NGOs in South Africa used to be very active pre-1994 in the struggle against apartheid and were critical in the country's development processes. Lately with the diminishing of funding to the third sector (including cuts in donor aid),<sup>89</sup> the NGO community has been weakened and more fragmented. The social sectors of education, health and social services are still the ones with the largest number of NGOs, funded in great part by HIV/AIDS money (ie PEPFAR). In terms of South Africa's outgoing assistance, some civic organisations such as Gift of the Givers, Islamic Relief, Rescue SA, and South African Women in Dialogue, have been direct implementers of ARF projects in other parts of Africa. Although there is a general openness by Pretoria to engage NGO groups in its work, one of the biggest constraints for civil-society participation in government policymaking is the lack of effective co-ordination mechanisms in South Africa's NGO community. Aligned to global and African trends, the South African government needs to engage more with civil society in its foreign-policy work and deepen its approach to its development co-operation with Africa. Useful lessons can be learned in this regard by Brazil, where civil society plays an active role in relation to Brazil's foreign policy and external development partnerships.<sup>90</sup> Of particular note was a conference in 2012, where DIRCO gathered together some of South Africa's major relief organisations to promote better co-ordination and use of non-governmental expertise in Pretoria's humanitarian interventions.

### **Private sector: Donor, implementer and beneficiary**

One of the most promising new players in the global development landscape is the private sector. Currently the OECD, the UN and most donor countries are reflecting on ways to engage these important players in development processes. South Africa in particular has a rich history of public-private partnerships (PPPs) and corporate social responsibility (CSR), from which the world could learn. The political evolution of the country (pre- and post-1994), the long-standing divided socio-economic reality, and recently the regulatory environment for businesses (that includes B-BBEE score cards and industry charters), has given rise to a very powerful CSR movement in South Africa (among the leading in the world). Annual surveys conducted by the research company Trialogue indicate that South Africa's corporate social investment (CSI) in the country amounts to almost ZAR 7 billion a year,<sup>91</sup> which is almost equal to the total international donor funding to the country. This, however, is very scattered, not aligned to government development planning processes, and lacking proper M&E systems to ensure effectiveness, impact and accountability. Most of the successful CSI occurs within South Africa's borders; however, many of the companies that operate on the continent (ie Sasol, Standard Bank, Shoprite) extend their CSI practices to other African countries. Netcare has also worked side by side with the ARF in the provision of medical assistance in Somalia. Pretoria and other African governments should engage better with the private sector to align their charitable work with public development priorities. Consultation between the public and private sector also promotes transparency and accountability of corporate social spending.

Among the ambitions of SADPA is to receive financing from the corporate sector to supplement its programming. For it to engage, however, the private sector needs to see the 'returns on investment' and the value of contributing to public goods. There are some good examples in Mozambique and Tanzania where multinational mining companies,

as part of their 'social licences', have constructed railways, roads and ports for their own commercial interest, but which are now also public goods from which communities can also benefit.<sup>92</sup>

One of SADPA's future strategies is to utilise more PPPs for development in Africa. For this to happen, however, it is critical to have commercial concerns integrated in development co-operation policy. Important mechanisms of consultation need to be established between foreign affairs' officials and the private sector. This could generate an integrated development assistance programme linked to business interests similar to the approaches of China and the US. In planning development co-operation it is important to also prioritise the private sector as a 'beneficiary' of assistance. A growing entrepreneurial sector, operating in an enabling environment, generates employment, local development and trade, and fuels economic growth. Domestic and international investors are often direct contributors to government revenue through corporate taxation, customs, concessions and licences for their activities. NEPAD and the African Platform for Development Effectiveness have emphasised the importance of private-sector development in Africa as a critical engine of development on the continent that should be further capitalised.

Finally the private sector can also be an important 'implementer' and 'service provider' for development projects especially in energy and infrastructure sectors, as was the case with the Pretoria–Maputo development corridor. Private companies can be effective contractors in the delivery of services and technology, as they strive for innovation, efficiency, flexibility and value-add, which is often missing from the public sector. PPPs, however, are very susceptible to corruption, and therefore require a high degree of oversight. Civil society, globally and in South Africa, is generally very concerned about this new trend of engaging the private sector in development. The risk it poses is that of abuse of public funds to fuel commercial gain that benefits mainly elite capitalist groups but does not contribute to pro-poor development.<sup>93</sup>

### **Development finance institutions**

We have seen in earlier sections that public entities in South Africa, such as, for example, the IEC, CSIR, PALAMA and Statistics South Africa, play a major role in development co-operation. SOEs such as Eskom, Transnet and Telkom are another group of entities, which owing to the operational needs of business expansion have extended their investment to neighbouring countries, thus contributing to development through infrastructure, employment, local economic development and regional integration. Two of the big South African SOEs that have been providing significant assistance in the region through loans and infrastructure development are the IDC and the DBSA. Both these institutions, which had been created initially to support development in South Africa, have had their mandates expanded to include support in the broader SADC region (the DBSA in 1997 and the IDC in 2001). These institutions also have units dedicated to support NEPAD and the Africa agenda. International investments of the IDC focus on the private sector and have included the construction of a hospital in Zambia (2009), a cement factory in Namibia (2010) and a hydroelectric plant in Cahora Bassa, Mozambique (2008). The DBSA, whose focus is more the public sector, has financed over ZAR 60 billion in infrastructure projects between 2006 and 2009 in the broader region.<sup>94</sup> In 2011 the DBSA

provided a loan of \$262 million to the Zambian Road Development Fund Agency for the rehabilitation of five priority roads, three of which are part of the Trans-African Highway network.

Together with the National Treasury, the DBSA is the South African public authority that structures development loans and sovereign lending to neighbouring countries in the region. The DBSA receives credit lines from other development finance institutions (for example, German, French and Japanese); therefore its loans can hardly be concessional in the ODA sense. From a commercial basis it is much cheaper for African countries to borrow from the World Bank, the African Development Bank, Islamic Development Bank, European Investment Bank, or other bilateral banks, rather than from the DBSA. These offer more favourable interest rates, more significant grant elements, and, in the case of the Chinese, faster mechanisms and massive access to resources (human, financial and commodities). Nevertheless, the DBSA offers a project preparation facility and a package of technical assistance, research and scoping grants, which make it an attractive local loan provider. The advantage of the DBSA is that it also operates with the South African logistical centre and banking system, which is by far the best on the continent. Although the DBSA's remit always included South Africa's neighbours, now the bank is extending its remit to the entire continent and is discussing the establishment of the Development Bank International. The DBSA is also the 'reference bank' for the other development banks of Brazil, Russia, India and China, which are currently exploring the possibility of establishing a new BRICS Bank.

With a loan net book to projects on the continent amounting to over ZAR 10 billion a year,<sup>95</sup> the DBSA is an important arm of South Africa's development co-operation. Would DBSA International and SADPA as two major structures of South Africa's development assistance to Africa now be overlapping each other? In reality these two entities could co-exist and work in tandem with one another, in the same way the German KfW (Kreditanstalt für Wiederaufbau) and GIZ, and the French Development Agency (AFD) and French embassies work side by side in providing assistance to developing countries. As a bank, the DBSA could focus more on loans and hard infrastructure development while SADPA, as a development agency, could focus more on softer grants and technical co-operation. The funding sources of the two agencies will also be very different. It would be beneficial, however, if these two institutions would consult regularly together and operate under the same common unified development co-operation strategy of Pretoria, leveraging resources, expertise and comparative strength from one another. The DBSA could potentially be one of the external financiers of SADPA as well as an implementer of its activities, and SADPA could cushion the DBSA's loans through the provision of concessional grants and technical assistance. Moving forward it would be important to reflect how the major SOE and development finance institutions could be better integrated in the SADPA framework and form part of a coherent approach of a South African 'developmental state' support to the region.

## ROLE OF SADPA

### **Facilitator of partnerships**

The previous sections explored the special role the new agency will play in managing diverse ‘partnerships’ with recipient countries, multilateral organisations, bilateral donors, civil society, private sector and finance institutions in order to promote development in Africa. Depending on the stakeholders, collaboration arrangements might range from that of co-funder, service provider, technical advisors or beneficiary. But the most important function SADPA will play is to promote synergy, harmonisation and coherence among the different spheres, components and arms of the South African government undertaking development co-operation.

### **Decentralised implementation**

As discussed, since Polokwane there has been a general acknowledgement of the need and value of having a more co-ordinated approach to South Africa’s development partnerships, through the establishment of a centralised agency. However, South Africa’s public system is highly decentralised in its functioning and therefore it is very likely that the implementation of projects and activities will still lie in the various departments and public entities, as has been the case in the past. It is most unlikely that SADPA will manage the range of development activities from agriculture, to capacity building, to policing, to health programming. Line departments in fact are the ones that have the expertise, the vision and the networks required to make the projects work. Even if SADPA implemented its own projects, it would have to still collaborate closely or draw technical experts from the various specialised agencies. In all the departments there is the incentive and enthusiasm to engage internationally, travel to other countries and receive additional discretionary resources from donors; therefore decentralised development partnerships will continue. Nevertheless, there is still a need for coherence and co-ordination of South Africa’s diverse international development activities.

### **Co-ordination, coherence and information centre**

Not being involved in direct implementation, SADPA’s role might therefore possibly take four forms. First and foremost, to be a nodal point, an information hub, a central database where all the necessary information about South Africa’s outgoing development assistance (from all departments and agencies) can be gathered, organised and reported upon in a transparent and consolidated manner. Second, it can provide a co-ordinated response, an overall framework, political direction and unified guidelines to all departments on how to align their development co-operation to Pretoria’s strategic objectives and ensure that it is effective. As part of this function SADPA would have a quality assurance role, developing common standards and systems for design, management, M&E and reporting by all those South African entities involved in development partnerships. Third, it can be a knowledge hub, a learning centre where experiences, evidence and good practices can be shared across projects and across departments in order to gradually generate increased knowledge

of South–South and African co-operation. This is well depicted in the comments by the Chair of the Parliamentary International Relations Committee referring to SADPA as a ‘Centre for Development Cooperation’.<sup>96</sup> Fourth, SADPA can facilitate collaborations and leverage resources from different sources to achieve a bigger impact from Pretoria’s development co-operation. These functions would benefit greatly all of the South African line ministries and public entities, SOEs, NGOs and the private sector if they participated in the arrangements. Such functions would not be too different from the model of the Brazilian Cooperation Agency (ABC), which does not implement any projects directly, but rather functions as a network, database, and a facilitator for other Brazilian institutions providing technical assistance to other countries.

### **Tool for South African foreign diplomacy**

A number of recent statements by DIRCO high-level officials<sup>97</sup> have confirmed that development co-operation will be primarily used as a vehicle to promote South Africa’s foreign policy and its strategic international diplomacy, while also addressing poverty and marginalisation in Africa and in the global South. In an official response to parliament dated 28 February 2013,<sup>98</sup> DIRCO outlined the following functions SADPA would play.

- Develop the policy guidelines on outgoing South African development co-operation and ensure coherence throughout government in implementation.
- Support programmes and projects in respect of outgoing development co-operation partnerships and use the fund to support programmes and projects.
- Provide technical advice on foreign policy in the areas of development co-operation.
- Build and maintain close co-operation and liaison with international development co-operation agencies and other stakeholders on behalf of the Minister of International Relations and Cooperation.
- Maintain oversight for all South Africa’s official outgoing development co-operation and assistance – bilateral, trilateral and multilateral partnerships with countries, development institutions, civil society and the private sector.
- Conduct an annual accountability audit and M&E for all South Africa’s outgoing development co-operation.
- Ensure effective management and administration of the Partnership Fund for Development.
- Promote and market SADPA and its projects.

## **LEADERSHIP AND CO-ORDINATION**

One of the most politically sensitive and complex issues around the establishment of SADPA is the institutional arrangements required for the management of this new agency and fund. Arguably, these complexities are possibly one of the main reasons for the long delay in the formalisation of this new entity.

### **Which ministry manages development co-operation?**

With the exception of the UK (DFID) and Germany (the Federal Ministry for Economic Cooperation and Development), most countries have no dedicated ministry that deals solely with international development co-operation. Donor countries tend to have their development co-operation placed in their Ministry of Foreign Affairs, as a tool to further their international interests. Most recipients of aid, on the other hand, place their development co-operation units either with Ministries of Finance if aid is aligned to the budget processes or with the Ministry of Planning to integrate foreign assistance in the national development planning. The tricky part lies in middle-income countries like South Africa, which are both receivers and providers of development assistance. Some countries like Japan and China have linked their development co-operation closely to trade, commerce and industrial development, thus these ministries have played a stronger role in international affairs. Which department is therefore better placed to manage incoming, outgoing, trilateral and multilateral co-operation? Currently South Africa is caught in the middle of these debates where at least four departments – International Relations and Cooperation, National Treasury, Trade and Industry, and the Presidency – play a significant role in international development co-operation. Although to an extent all of these departments need to be involved, it is important to identify who will lead, have oversight and provide direction to South Africa's development co-operation and provide institutional support to SADPA. Linked to this is also the question of who should represent South Africa in international development co-operation meetings. The answer to the question lies in another question: What type of development partner would South Africa like to be? What are the priorities for Pretoria's development partnerships – foreign policy, poverty alleviation, economic diplomacy? Is political direction or technical expertise more important? Should SADPA be staffed by diplomats or by development specialists? Although at this stage it is fairly clear that SADPA will sit within DIRCO, several other departments have an interest and a value in being engaged in the work of SADPA. The following sections will thus reflect on different possibilities and future options of management arrangements for SADPA and the advantages and disadvantages that each one would present.

### **Department of International Relations and Cooperation**

At Polokwane, SAIDA was conceptualised as a tool to pursue the South African foreign relations agenda. It was thus natural that it would be led by DIRCO, as the main department that leads South Africa's political interest internationally. This set-up is similar to other emerging economies like Brazil and Nigeria, which have their technical co-operation agencies housed in the Department of Foreign Affairs. DIRCO by constitution is the only department that can sign agreements between the South African government and international parties, and therefore has an overview and understanding of the multitude of partnerships of Pretoria. Furthermore, its vast network of embassies around the world provides the space for having potential SADPA project managers on the ground closely monitoring projects in different countries.

On the negative side, DIRCO is criticised by other departments (particularly Treasury and the dti) for not having enough technical expertise and understanding of development



co-operation. In fact, DIRCO has been very poorly engaged in the global-aid effectiveness discourse led by the OECD–DAC and did not even participate in the Busan High Level Forum, where the latest discussions on development co-operation occurred. The main concern of the dti is that DIRCO has a weak understanding of economic diplomacy, which in its view should be an integral part of development partnerships. DIRCO is criticised for formulating foreign policy in isolation without taking into account the needs and interest of the various South African stakeholders, such as the private sector and civil society. Capacity in DIRCO is generally limited, staff are stretched and there is a very high turnover due to the nature of diplomatic work, which is not ideal for continuity and effective functioning of a development agency. A report by the Overseas Development Institute<sup>99</sup> revealed similar limitations in Brazil's ABC, as it was staffed mainly by diplomats rather than development experts.

### **National Treasury**

In earlier proposals by the Centre for Global Development, it was suggested that SADPA be housed in the National Treasury. The Treasury already manages the incoming development co-operation to South Africa and has been engaging for almost a decade in the aid effectiveness discourse with the OECD–DAC, dealing with a large variety of development partners. As in many countries, in South Africa the Treasury is arguably the most powerful department, as it controls the entire government's budget process. It carries a lot of credibility with foreign partners and is renowned for the strength of its PFMA, auditing mechanisms, and revenue services. It provides direction to the DBSA, another very important instrument of South Africa's development co-operation in the region. The Treasury also leads South Africa's engagement in many critical global development forums, such as the World Bank, African Development Bank, G-20 and the OECD. As the 'guardian' of South Africa's public finance, it is concerned with financial accountability and therefore it had concurrence over the ARF. In the latest cabinet discussions, the Minister of Finance has requested amendments to the SADPA Bill to ensure that the Treasury retains signing off concurrence on SADPA financial disbursement. This matter has been a source of tension between the Treasury and DIRCO and is still under debate.

### **Department of Trade and Industry**

A few have also suggested that the dti should have more involvement in SADPA, as development partnership should be about investment, trade, economic co-operation and expanding markets for private-sector development. Under this school of thought, the private sector is the driver of employment, production, trade and technology transfer and therefore of economic growth. This neoliberal thinking encourages development endeavours to be aimed at building industrial capacity, reducing tariff barriers and providing incentives and a more enabling environment for companies to play their role in development processes. This approach is favoured also by other emerging countries, in particular China where development co-operation is used to promote business development. Japan, Germany and the US have also operated at times with this paradigm and have achieved proven success through such strategies.



From time immemorial relationships between the dti and DIRCO have been complicated, as both departments occupy South Africa's international affairs space. Although some may argue to the contrary,<sup>100</sup> the dti has been more in tune with private-sector needs and therefore believes it is in a better place to conduct economic diplomacy in the region. Technical knowledge that the dti can contribute to the field of development co-operation includes that of risk assessments before funds are disbursed.

### **Presidency**

Finally, the presidency, which houses the NPC and the DPME, has also been seen as a potential candidate to host SADPA. Owing to its strategic location close to the highest political power in the country, it would have close linkages to South Africa's development strategy and policy formulation. The DPME already runs M&E processes, and collects and analyses massive amounts of information from all departments. It therefore would not be too much of a stretch for it to also collect development co-operation data. Furthermore, the presidency is also heavily involved in the G-20 and BRICS, where a lot of global and regional development processes are discussed. Locating SADPA as a central agency within the presidency would reinforce the 'developmental state' approach that South Africa might extend into the region.

Development co-operation with the rest of Africa, however, is still a small issue in comparison with the massive development planning and M&E work that the presidency has to undertake within South Africa. Many people are against overwhelming the presidency with yet one more agency to manage, which would again require recruitment or transfer of specialised staff to an already overburdened centralised government entity.

### **Independent entity**

Whatever the final institutional set-up of SADPA, there seems to be a need to include in Pretoria, in some form, all these critical players. People have also argued that the agency should be fully independent and autonomous, not attached to any specific department, and report directly to the president and parliament. The most outstanding example of such an arrangement is DFID, whose political head is a cabinet minister, and which sets a poverty reduction strategy for the UK independently of (but still in consultation with) foreign affairs, trade and defence. DFID furthermore uses a multi-year planning system and devolves significant programming and financial management authority to its field offices in various partner countries. DFID country directors can sign off up to GBP 20 million in local development projects. Another interesting model is that of GIZ, which is officially a company, but whose board of directors are representatives of different German government ministries. In South Africa this model could be followed if SADPA were to become a parastatal or an SOE with an oversight board made up of an inter-ministerial membership. The benefits of such a set-up would be that SADPA's work would be disentangled from (but still informed by) foreign policy, government politics, and inefficiencies that come through the public system, and rather focus more on technical issues and effectiveness of development programming. The disadvantages of having an autonomous entity, detached from any government department, is that it would increase significantly the operational costs of setting up a new organisation with its offices and

personnel at headquarters and on the field. Increased administrative overheads will detract from the funding that would normally go for programming purposes. Parliament has also warned DIRCO against creating ‘an ivory tower’ and to rather keep SADPA slim with low operational costs.<sup>101</sup> Having the agency housed inside and integrated, for example, in DIRCO would allow access to spaces, networks and personnel from within the department as well as in the embassies, thereby significantly reducing the administrative costs associated with the functioning of the agency. Mexico, for example, to save money and simplify the establishment of their new development agency, converted the former office and staff of the general directorate of scientific and technical co-operation into AMEXCID. Another interesting case is NORAD, which went through a phase of first being within the Ministry of Foreign Affairs, then outside (as an independent body), and then back into the ministry structures.

### **Current reality**

Although the SADPA Bill has not been approved by parliament yet, and many issues are still open, the current proposal is to establish SADPA as a Schedule 3a public entity under the PFMA. SADPA would fall under the responsibility of the Minister of International Relations and Cooperation, and under the political oversight of one of the deputy ministers. It would be a semi-autonomous government component run by a chief executive officer, probably at deputy-director general rank, who will administratively report to the Director-General of DIRCO. With such arrangements DIRCO would be able to provide policy directives without being accountable for the financial management of the agency, which would rest in the hands of SADPA chief executive and financial officers. The agency is envisioned to have a technical advisory board or board of trustees of 11 members, which would include DIRCO, the Treasury, the dti, the Department of Science and Technology, the presidency and potentially other experts and representatives of labour, business and academia. Some have questioned why there is no formal representative of African institutions (ie the NEPAD agency, SADC, the AU, and other African countries) if the aspirations are to promote and align SADPA to the African agenda? If it follows the same ARF dynamics, the majority of the board will be DIRCO officials and the chair will most likely be the director-general or other person appointed by the minister. The SADPA Board of Trustees are expected to meet quarterly to review proposals and reports, receive project updates, and approve budgets and work plans.<sup>102</sup> It is not entirely clear, however, what powers will be devolved to the board, whether just ‘advisory’ or whether it will have serious decision-making responsibilities over SADPA’s programming, operations, policies, partnerships and budget. The National Treasury has rejected the first proposal of the SADPA Bill on the basis that it also wants to have concurrence on SADPA’s financial disbursements. At a glance, SADPA seems to be just another reincarnation of the ARF, as also observed by Member of Parliament, Kenneth Sinclair.<sup>103</sup> On paper, in fact, SADPA has the same legal status, the same governance structure, the same motives, and probably the same fiscus allocation as the ARF, but now with a different, fancier name. Will SADPA therefore also inherit the same issues and problems that plague the ARF?

Like any other organisation, the quality of the institution and programming will depend greatly on the knowledge, expertise and skills of the people who will be managing its activities. South Africa does possess a diversity of people across government, NGOs,

international development agencies, the private sector, academia and think tanks with a wealth of experience in international development who can be brought in to consolidate South Africa's knowledge in development co-operation for the effective functioning of SADPA. Just as the donors are lined up at DIRCO's door, so too are numerous South African technical experts, public servants, diplomats and academics ready to apply for jobs once the agency is officially launched. DIRCO envisions the agency starting up with 18–20 people, among whom would be a mix of diplomats, development technicians, and legal and financial management experts. Staffing might start from late 2013 and salary scales will follow the Public Service Act. The success of SADPA's institution-building process will depend greatly on whether the recruitment process will be done in a competitive, thorough and fair manner, without political interference from the diverse powers involved.

## CHAPTER 6

### EFFECTIVENESS OF SOUTH AFRICA'S DEVELOPMENT CO-OPERATION

South–South versus North–South rhetoric aside, does Pretoria really offer an alternative development partnership paradigm?<sup>104</sup> Is South Africa's approach to development co-operation more effective than other development providers? Global standards of effectiveness have been set out by the OECD–DAC-led High Level Forums. As a receiver of aid, South Africa, represented by the National Treasury, has been engaged heavily in these processes and has advocated vehemently for donors to be held accountable to these internationally agreed commitments of good aid practice. Now that South Africa is also emerging more clearly as a provider of assistance, is it willing to follow the same rules it has committed to in Monterrey, Paris, Accra and Busan to apply to its outgoing assistance?

Little thought has been given so far by the government to ensure coherence between how it expects to receive assistance and how it expects to provide assistance. Even if South Africa chooses to follow the same line as countries like China and Brazil and not conform to the Paris system in its South–South co-operation, there are many similar principles of good aid practice that are also emphasised in the AU–NEPAD documents on development effectiveness. What is generally accepted as good principles of development co-operation by the African community is that recipient countries take ownership and leadership of the development agenda and develop it through a participatory democratic consultative processes. What is expected then from donors (North and South) is alignment to country priorities, use of local systems and resources, untying of aid, no conditionalities, and transparency and accountability of all parties involved. It is under these principles that South Africa's development assistance should also be assessed and compared with the other development partners. No one can deny the importance of a results-based orientation and that ultimately South Africa's development co-operation should be measured against the improved development outcomes it produces for the people of Africa.

The chapter analyses Pretoria's development co-operation in the light of these principles of good practice. As SADPA is not established and functional yet, this analysis focuses more on the historical approach of Pretoria in development partnerships, through the ARF and the continental co-operation by other South African departments and agencies. It also captures some of the thinking and trends of DIRCO that might affect the way SADPA will operate in the future.

#### **Quantity: Development assistance per GDP**

In terms of aid volumes, the international donor community has been urged for decades to contribute 0.7% of their countries' GDP to ODA.<sup>105</sup> Few countries have reached this target, most notably the Nordics. In 2012–13 the UK has endeavoured to reach this target, notwithstanding the recent European financial crisis. Some have proposed that emerging

powers and the big Southern providers should also have a similar but more modest target of 0.5%. We have seen in previous sections how, depending on the type of calculations and what type of assistance is included, South Africa has already surpassed the 0.7% target, and that notwithstanding the poverty and development challenges of the country, the political leadership is willing to increase its support to the rest of Africa. In this regard South Africa, though modest in its actual economic power, stands out among the Northern and Southern providers of development assistance as a very giving nation.

### **Development programming and country ownership**

One of the approaches to SADPA's future programming that DIRCO officials have considered is not to have a predefined pattern and set South African country strategy for international development co-operation, in the same way that traditional DAC donors operate. In the spirit of national ownership the idea is that the development assistance, which South Africa would provide to a recipient country, would be demand-driven and tailored from country to country. This open and progressive approach is already captured in many recent ARF projects. For example, following South Sudan's request for support in building its air-traffic control systems, the ARF financed the South African Air Traffic and Navigation Services to supply technical equipment and training to the Sudanese authorities. In Uganda CSIR scientific expertise was utilised to assist Uganda in converting recently discovered essential oils into perfumes to be exploited for commercial purposes. These loose and open development partnership arrangements have their merits in terms of supporting country ownership; but they also contain some risks. They encourage a more fragmented and ad-hoc approach to development co-operation, which the ARF is already highly criticised for. Not having a predetermined and clear South African development co-operation strategy makes it very difficult to properly assess overall results, create good accountability mechanisms, and measure the effectiveness of programming towards the impact which the government, parliament and citizenry would like to see from Pretoria's development assistance. While allowing space for partner countries to shape the type of assistance and the way they would receive support, Pretoria needs to be clear on its comparative strengths, the technical expertise it has to offer, as well as its foreign policy and international development imperatives it is called to address and report on. Similar to the approach of Brazil, this might mean that at times Pretoria needs to provide funding, at times technical expertise and at other times to even have the wisdom to say that South Africa is not well placed to provide the specific assistance requested by the partner country. Such a proactive and strategic approach to its development co-operation would also be in line with its vision to become a successful developmental state, and play a leading role within the region.

### **Technical co-operation and tied aid**

Because of the flexible approach to development partnerships, the type of co-operation modalities that South Africa offers varies from grants, loans, technical assistance, and training to in-kind goods and technology. According to DIRCO officials, SADPA will be open to all kinds of development co-operation modalities including budget support, a programme-based approach, a sector-wide approach, project support, pooled and basket

funding and even micro-grants, to be managed by the South African diplomatic missions overseas. Realistically, however, considering the relatively small budget that SADPA might end up controlling (as a successor to the ARF), it will probably leave most of the big lending and infrastructure work to the DBSA, and concentrate primarily on grants and technical co-operation. Because of the nature of technical co-operation, being technical assistance, institutional exchanges and training services, to a large extent Pretoria's support will be 'tied' to South African contractors. Officially both the ARF and SADPA do not provide tied aid, in practice and by default, however, Pretoria's development co-operation is linked to South African institutions, service providers, companies, products, personnel and experts. The ARF, for example, in its humanitarian projects has made use of South African NGOs and charities. This is also in line with the DBSA's recent move to demand more 'local content' (which includes South African contractors) in their loan agreements. This is not a deliberate and systematic strategy by Pretoria to generate employment and support the domestic economy through its development collaboration, although some argue that it should be. Nevertheless, this trend seems to be similar to what occurs with other traditional donors as well as major Southern providers like China, Brazil and India. This approach has been criticised by the developing world as not leading to local empowerment and sustainability, and being inefficient because it inflates costs in favour of donor countries, with less actual aid being received by recipient countries.<sup>106</sup> There has been therefore a growing trend by the DAC donors to gradually untie their aid and favour more locally sourced contractors. South Africa (through the Treasury), as part of the developing world, has been very vocal about this issue with regards to its incoming aid, and now it needs to assess whether it will apply the same standards to its outgoing aid. At the same time, other voices in Pretoria (like the private sector, the dti and the DBSA) advocate strongly that if local African companies cannot be found to implement development projects, these contracts should rather be awarded to South African companies to support the domestic industry.

### **Budget support or not?**

In the same vein, the National Treasury has been very strong in advocating domestically and internationally for donors to use country systems as a way to support national ownership and build capacity of local institutions. South Africa therefore has been a strong supporter of budget support mechanisms, which it uses in the domestic context through the RDP Fund. On the continent Pretoria also spearheads public-finance reform initiatives such as CABRI and ATAF. But is South Africa ready to provide direct budget support to other African countries? Does it trust the financial management systems of its sister countries to give them money to directly manage their own development? This is a particularly complex question considering the widespread corruption endemic throughout the African continent. In the past the ARF has given budget support to other African countries, but it did not have the capacity to monitor properly the appropriate use of the funds on the ground, and therefore the perception was that the ARF was often throwing money into 'black holes'. South African policymakers are divided on this issue. Some believe that Pretoria's development assistance is too small in financial terms to have a meaningful impact if given as budget support, and will also not be sustainable in the long run. This is echoed by the experience of the Nigerian Ministry of Foreign

Affairs, which used to give cash to other developing countries that would usually not go beyond the capital cities.<sup>107</sup> The ministry thus resolved to create a technical co-operation corps (consisting of mainly doctors, teachers and technical experts) to ensure that its small development assistance would have a bigger impact. Others in the South African government believe that in principle there is no problem with providing cash to other countries so long as their systems are reliable and strong and there are clear accountability mechanisms in place. Providing budget support will have to be assessed on a case-by-case basis, using internationally agreed criteria and systems of assessment such as the existing PEFA, the Mo Ibrahim Index and the APRM.

### **Loans and conditionalities**

Although direct cash transfers to other African countries are very limited, the ARF in the past (and possibly SADPA in the future) has been used to pay back loans that other countries have with South Africa in a form of pseudo debt relief. As seen in previous sections, the major loans issued by South Africa usually come from the DBSA and the National Treasury. Some of Pretoria's loans, such as the ones to Swaziland, Lesotho and Zimbabwe, have been quite controversial and linked to the issue of conditionalities, which is often discussed and relevant to the international development discourse. In response to a deep financial crisis, the Kingdom of Swaziland approached South Africa in 2011 requesting support for a bailout. The response of Pretoria was to offer Swaziland a loan that came with requirements for financial reform and accountability, but also conditionalities related to political freedoms and human rights reforms. The \$355 million loan was eventually rejected by the Swazi monarch. This anecdote relates to Pretoria's leadership on the continent with regards to democracy and good governance and is very similar to how Northern partners would engage with developing countries. However, it does contradict the Southern (and African) notion of no conditionality and non-interference in state affairs. How does South Africa reconcile these two poles it is often caught between? How does it please the voices that expect it to play a stronger role in supporting the Southern and African agenda versus the ones that require more accountability and moral leadership on the continent? These are some considerations that Pretoria needs to make as it shapes the future of its development co-operation policy.

### **Results-based monitoring and evaluation**

Critical to all forms of development co-operation and aid management is the issue of accountability. This has been highlighted consistently in the Paris Declaration (2005), Accra Agenda for Action (2008) and in the Busan Global Partnership outcome document (2011). For effective reporting to all partners (recipients, implementers and donors), executives, parliament and to the public, it is critical for strong M&E systems to be in place. South Africa's public system, as a whole, has only recently moved into a results-based development planning framework, led by the presidency, through the outcomes-based approach. As part of this, South Africa's civil service is gradually building its M&E capacity, through the co-ordination of the presidency's DPME. The numerous DIRCO study tours in the North, and interactions with agencies such as CIDA, DFID and NORAD have also instilled in Pretoria a commitment to developing a results-based



system for the design, management, budgeting, and reporting of its future development co-operation programming. Historically, the DIRCO-managed ARF, as discussed earlier, had a very poor track record of monitoring systems. ARF reports, which were prepared for parliament, usually consisted of a brief description of project activities and overall spending, but did not properly assess the impact of the interventions. Without proper M&E, projects could not be assessed in relation to achieving South Africa's foreign-policy objectives, the African development agenda, or measured against international standards of aid effectiveness. Following the clear weaknesses of the ARF, DIRCO is now committed to establishing a solid results-based management framework, stronger M&E capacity in SADPA and to including performance indicators to measure progress on development outcomes. Like other emerging donors, it will take time for Pretoria to develop the experience and strength to report on all OECD–DAC criteria, and rigorous impact evaluations of SADPA programmes are not foreseen for the time being owing to the costliness of these exercises, in relation to the limited financial envelope of the agency.

### **Transparency and information management – challenges of the South**

Accountability and information management for both incoming and outgoing development co-operation have always been a challenge for South Africa. Earlier the report discussed the difficulties that the Treasury has in reporting a complete and accurate overview of the incoming aid to South Africa. The situation is much worse with regard to information on South Africa's outgoing assistance, as this is currently managed in a decentralised way by various departments and public entities, that so far are not required to report to any central body. The weakness in monitoring, evaluation and information management appears to be a problem across most Southern and emerging donors, evidenced by the similar experiences of Brazil, Mexico, India and China. In part this is due to the fact that these new partners had relatively little time to develop and mature strong systems of their own. Their financial volumes are too small to justify complex and expensive M&E systems. And in almost all South–South providers their development co-operation is spread across a range of government entities. A lot of their development co-operation – credit lines, loans, debt relief, peacekeeping, training, trade facilitation, technical assistance, exchanges, and in-kind support – is difficult to quantify and to fit within the official ODA definition. The OECD–DAC has fairly elaborate systems for reporting on aid, which most traditional donors conform to, but, for political and technical reasons, many Southern partners would not take part in these systems. Nevertheless, aid transparency and accountability is a principle cherished by Africa (see the African Consensus), by partner countries and by civil-society organisations.<sup>108</sup> South Africa has also been an international leader in this field, with initiatives such as CABRI and the ATAF, and prides itself as the best country in the world with regards to budget transparency.<sup>109</sup> It is therefore critical that even in the area of development co-operation, Pretoria endeavours to promote the highest standards of transparency and accountability. Surprisingly, South Africa has not yet signed the International Aid Transparency Initiative, though by default its engagement in CABRI and endorsement of the new transparency standard of the Global Partnership would make it supportive of more transparency of aid information. DIRCO is planning to have an open-data policy and an Internet-based information platform for SADPA; however, given the poor track record of the ARF, IBSA and other fund reporting, many remain sceptical.



This is confirmed also by the challenges of information management of incoming aid to South Africa. With all the good will and decade-long human and financial investments by donors and the Treasury into the DCMIS, this web-based database is still poorly used, incomplete, and does not contain reliable information for researchers, policymakers and civil society to access.

## CHAPTER 7

### CONCLUSION

South Africa is emerging on the global scene as one of the promising new development partners. Development co-operation is, however, hardly a new thing for Pretoria. For many decades South Africa has engaged with the continent through different channels and mechanisms, and this has shaped the current approach and paradigm to the country's development partnerships. South Africa is uniquely placed and has special characteristics to enable it to be a significant player in Africa. It can draw on its own experiences, internal capacities and own development history to contribute to the strengthening of the continent. The historical relations and economic size of the country in the region, however, oblige South Africa to tread carefully, as it needs to maintain delicate political relations with its neighbours while promoting peace, development and good governance on the continent.

As an upper middle-income country based in Africa, a member of the BRICS and the G-20, and a provider as well as receiver of development assistance, Pretoria is making a unique contribution to the global development architecture. It maintains a strong African identity as well as leadership in the South–South co-operation movement, while also being a prominent centre for triangular co-operation. In percentage of GDP terms, South Africa's assistance to Africa is quite significant. Much of Pretoria's support to the region comes through customs-related budget transfers, peacekeeping operations, electoral support, debt readjustments, technical assistance, scholarships and training, some of which do not always fall under the traditional interpretation of development assistance.

Large challenges exist in defining, measuring and co-ordinating the vast variety of development co-operation activities. Many institutions, agencies and stakeholders exist in South Africa, which are engaged in some form with the continent. In order to achieve a bigger developmental impact, there needs to be better co-ordination, information management and policy coherence from Pretoria. This has been the main drive for the establishment of SADPA. While keeping a happy medium between its own domestic development needs and its foreign assistance, South Africa's international development partnerships reflects a variety of different political imperatives. Commercial drivers, however, are often missing in Pretoria's development co-operation thinking. Heavily influenced by the Southern models, yet maintaining good relations with the North, Pretoria is developing its own brand of development partnerships. The African agenda has always been at the heart of Pretoria's international development efforts, however, mixed opinions exist on the effectiveness of South Africa's current development co-operation approach.

The establishment of SADPA comes at a very timely moment, when better co-ordination is needed among South African institutions, and when Pretoria needs to play a more visible role in the global and regional scene. Careful attention needs to be given to different aspects of policy setting, co-ordination, implementation and evaluation of SADPA's work. It will be critical to define the various sources of funding for SADPA's future

programming and ensure that the agency is well resourced to have a meaningful impact on the continent. There needs to be better coherence between Pretoria's incoming and outgoing aid policy, and its manifold engagements in international development forums. Institutional rivalries and political sensitivities among different departments have slowed significantly the momentum in establishing the new development agency of South Africa. The architects of SADPA have high aspirations for the new entity; however, historical legacies and the politics of the capital raise scepticism over the future of the agency. From the initial glimmerings, SADPA appears to be only a slight evolution from its predecessor, the ARF. The agency for the time being will be embedded in DIRCO's structures and therefore subject to its limitations; nevertheless in the future it could evolve into a more independent public entity. Developing solid results-driven programming, establishing sound M&E systems, and transparent and efficient information management systems will be critical for the success of SADPA going forward. There is a lot that South Africa at this stage can learn from the more seasoned development agencies but also from some of the other emerging economies with similar challenges. A lot of learning needs to occur from Pretoria's own experiences and that of its African neighbours. SADPA will continue to evolve as it goes along and learns from its own successes and failures. In the words of a DIRCO official, 'SADPA is not a Rolls-Royce yet', but is probably good enough for South Africa to get started and emerge more vigorously on the international development scene.

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