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SUMMARY

ANNUAL ACTION PROGRAMME 2019 IN FAVOUR OF THE REPUBLIC OF SOUTH AFRICA

1. Identification

Budget heading	BGUE-B2019-21.020600 - Cooperation with South Africa
Total cost	2019 Budget: EU Contribution EUR 22 300 000
Legal basis	Regulation (EU) N° 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020

2. Country background

South Africa is classified as an upper middle-income country. High unemployment and underemployment rates are considered a central contributor to widespread poverty and inequality since a broader section of the working age-population is not participating in the mainstream economy. In the fourth quarter of 2018, Statistics South Africa (Stats SA) reported an unemployment rate of 27.1%. In the same period, 32.4 % of youth aged 15-24 (approximately 3.3 million) were not in employment, education or training (NEET) and a majority of them are women.

Gross domestic product (GDP) growth rates over the last years have been anaemic and insufficient to create new job opportunities. The economy has grown by 0.8% in 2017 and 1.5% in 2018 – even experiencing a technical recession in the first quarter of 2018. It is expected to grow by 1.7% in 2019, well below the sub-Saharan Africa average and insufficient to curb the high unemployment. South Africa's vulnerabilities are getting more tangible, public finances are deteriorated with increasing government debt. Weakening governance and increasing contingent liabilities and bail outs of State-owned Companies (SoCs) may imperil public sector's balance sheet. Because of structural constraints South Africa has gradually decoupled from global economic growth in the last decade. The country's social contract is under pressure.

The Government has reiterated the importance of the National Development Plan (NDP) 2030 which remains 'the' strategic plan aimed at eliminating poverty and reducing inequality by 2030. According to the plan, South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

South Africa's young and robust constitutional democracy and rule of law are positive assets for the future and have been successfully tested in its 25 years of democracy. South Africa's progressive Constitution marks the country's commitment to democracy, rule of law and human rights values. The last years of the Zuma administration revealed however the vulnerability of the institutional framework and rule of law. South Africa has shown a deterioration of 0.6 points in the 2018 Ibrahim Index of African Governance's overall 'governance indicator'. South Africa is currently going through a key political transition to redress the negative effects of the Zuma's presidency, characterised by 'state capture', a combination of rampant corruption, political impunity, and a relentless attack against any strong South African government institutions that resisted 'capture'.

President Ramaphosa promised to reverse these negative trends and find a new positive social, political and economic dynamic for South Africa.

3. Summary of the Programme

3.1. Background

The **Enhancing Accountability Programme** is aimed at reinforcing the role of civil society, private sector and specific State institutions in enhancing accountability, democratic engagement and transparency in South Africa. The programme will aim to enhance the capacity of both civil society and specific independent State institutions such as those in Chapter 9 and Chapter 10 of the Constitution, to contribute to improved accountability. The programme will provide resources in the form of funding, skills, capacity and engagement opportunities to enable civil society and other eligible organisations to engage and demand answerability but also to collaborate with State institutions to enhance accountability in the public and private sector.

Under the EU-SADC EPA (EU – Southern African Development Community Economic Partnership Agreement), South Africa has preferential market access for over 95% of its exports to the EU. Trade with the EU accounts for approximately 26% of South Africa's total global trade, with agricultural and fishery products representing almost 10% of the trade. Exports of agricultural products to the EU remain concentrated around fruit, wines, fish, vegetables, as well as sugar to a lesser extent. There is potential for more exports in these and other areas. One of the main challenges for many of these exports relates to animal and plant health (sanitary and phytosanitary (SPS) issues) and food safety concerns – specifically the ability of South Africa to meet the required EU standards.

The **Support Programme to the implementation of the EU–SADC Economic Partnership Agreement (EPA) in South Africa** aims to enhance South Africa's trade and business opportunities by promoting the full implementation of the EU-SADC EPA in South Africa while advancing regional integration, with a specific focus on agricultural products.

3.2. Cooperation policy of beneficiary country

Management and coordination of Official Development Assistance (ODA) is the prime mandate of the International Development Cooperation Chief Directorate within the National Treasury (NT:IDC). The NT:IDC coordinates development partners' support with the objective of ensuring aid effectiveness within the framework of the Monterrey, Paris and Busan Agreements and aligned with the National Development Plan 2030 and the Medium Term Strategic Framework (MTSF) (2014-2019). The NT:IDC applies strict rules and regulations for the management of ODA and in particular for budget support operations.

Political and policy dialogue happen within the framework of the Strategic Partnership with South Africa, to which the actions under the Development Cooperation Instrument (DCI) make a strong contribution towards poverty reduction, employment creation and education. South Africa is a strong supporter of the aid effectiveness agenda and is regularly engaging the development partner community on how to advance the post-Busan agenda. As one of the main partners in development in the country, the EU fully supports these efforts. The EU (Member States or the European Commission) is leading most of the donor coordination working groups.

The actions for the 2019 Annual Action Plan seek to align the development cooperation activities with the Constitution which makes provision for 'State Institutions Supporting Constitutional Democracy', as well as overall national development objectives as provided in key policies including the National Development Plan 2030 (NDP), the New Growth Path (NGP), the Integrated Growth and Development Plan (IPAP) and the Agricultural Policy Action Plan (APAP), the South African Veterinary Strategy (2016-2026), the National EPA Implementation Plan for South Africa, Integrated Marketing Strategy for Agriculture, Forestry and Fisheries Products in South Africa (IMSAFP), the Prevention and Combating of Corruption Activities Act (Act 12 of 2004), the Back to Basics (B2B) Strategy,

3.3. Coherence with the programming documents

From a South African perspective, the NDP is the overarching programmatic and strategic document, operationalised through rolling-out the MTSF, and financially covered by the MTSF and annual budget appropriations. The NDP identified three main priorities: (i) raising employment through faster

and more inclusive economic growth, (ii) improving the quality of education, skills development and innovation and (iii) building the capacity of the state to play a developmental and transformative role.

The EU-South Africa Multiannual Indicative Programme (MIP) 2014-2020 is built upon these three priorities. The **Enhancing Accountability Programme** will contribute towards the 'Building a capable and developmental State' objective of the MIP which includes a specific objective to strengthen systems of oversight (including Chapter 9 Institutions and stepped up anti-corruption efforts) and another one to contribute to an active citizenry (women and men) in policy design, implementation, and monitoring and evaluation promoted.

The Support Programme to the implementation of the **EU-SADC EPA in South Africa** will contribute towards priority 3 of the MIP 'supporting inclusive sustainable growth, job creation and youth employment' which includes a specific objective to *unlock challenges related to quality infrastructure and technical capacity in agricultural value chains that are throttling exports to the EU; and to support increased responsiveness to opportunities under the EU-SADC EPA, particularly for emerging exporters of agricultural products and those with recognised geographical indications*

The programmes are relevant for the UN 2030 Agenda for Sustainable Development and will contribute to the progressive achievement of Sustainable Development Goals (SDGs) as follows: Enhancing Accountability Programme: SDGs 16 and 17; Support Programme to the implementation of the EU-SADC EPA in South Africa: SDGs 8 and 10..

3.4. Identified actions

The **Enhancing Accountability Programme's** overall objective is to improve public governance in South Africa. The action intends to reinforce the role of civil society, private sector and specific State institutions in enhancing accountability, democratic engagement and transparency in South Africa.

The **Support Programme to the implementation of the EU-SADC EPA in South Africa's** overall objective is increased, sustainable and inclusive economic growth with higher employment in South Africa. The action intends to enhance South Africa's trade and business opportunities by promoting the full implementation of the EU-SADC EPA in SA while advancing regional integration, with a specific focus on agricultural products.

3.5. Expected results

The actions covered by the current Annual Action Programme (AAP) will contribute to achieving the national objectives set in the NDP 2030 and its roadmap for the next 12 years: ultimately reducing unemployment and therefore inequality and poverty but also building the capacity of the State to play a developmental, transformative role for future generations.

The Enhancing Accountability Programme will (i) reinforce the capacities of civil society organisations (CSOs) in enhancing accountability; (ii) increase opportunities for engagement between civil society, public and private sector; and (iii) improve transparency in the public and private sectors.

The Support Programme to the implementation of the EU-SADC EPA in South Africa will (i) improve quality infrastructure and systems; (ii) increase awareness of technical requirements needed to take advantage of the opportunities under the EU-SADC EPA among South African exporters; and (iii) improve capacities for private sector and civil society organisations to be engaged and to monitor EPA implementation.

3.6. Past EU assistance and lessons learnt

Overall progress with regards to previous AAPs is considered good. The use of budget support, which comprises the bulk of the MIP interventions, is seen as positive. Indeed, lessons from previous EU projects in South Africa point out that budget support is the most effective implementation modality for the programme in the context of limited ODA/own country resources. In line with Government ODA policy, budget support is used by National Treasury, in full use of country systems, to select and fund value added activities, targeting bottlenecks in the implementation of policies and service delivery necessary to achieve Government outcomes. While often remaining associated to the selection of budget support funded actions, the EU's engagement remains focused on policy dialogue

around sector indicators and favouring exchange of experiences with EU and Member States, in complementarity with other EU funded programmes and Technical Assistance

One of the most significant features of the EU-funded programmes is the strong ownership and appropriation of the actions by the South African implementing partners and stakeholders. Each of the actions proposed for the AAP 2019 has been identified and developed taking stock of past or on-going related interventions.

The Enhancing Accountability Programme is informed by the EU's long time engagement with CSOs in South Africa and draws lessons from previous cooperation programmes such as the Civil Society Advocacy Programme in the mid-2000s which provided support to the Chapter 9 institutions. The South Africa CSO Roadmap recommends expanding engagements with CSOs in the economic space, including trade unions, cooperatives or employers' federations. In 2015, the South Africa Roadmap Facility recommended strengthening the capacity of CSOs in relation to the public policy cycle. The design of the Capacity Building and Engagement Window in this action has considered the recommendations of the 2017 EU-funded South Africa Mapping study of CSOs in the human rights and social justice sectors. Ongoing EU support to CSOs to engage with legislatures has demonstrated the need for continued involvement but also expanding it to other actors involved in enhancing accountability.

The Support Programme to the implementation of the EU–SADC EPA in South Africa draws lessons from previous cooperation programmes such as the Risk Capital Facility, Innovation for Poverty Alleviation Programme, Employment Creation Programme, the Local Economic Development Programmes, the National Development Policy Support Programme and the Partnership Instrument (PI) programme Economic Partnership Agreement Outreach. Lessons learnt point to (i) enhancing sustainability of the project by developing links with various relevant government departments; however, the programme structure and governance has proven to be crucial for implementation purposes with, for instance, the Risk Capital Facility structure having proven to be very effective with implementation through a specialised entity but linked to the South African government; (ii) job creation being enhanced through innovation, utilisation of research results and better access to technology; (iii) having a partnership with private sector actors in the project in order to increase a project's chances to be successful and sustainable; (iv) the relevance of targeting quality indicators in addition to quantitative ones; and (v) projects including the development of agreements between upstream and downstream segments of the value chains targeted at their outset in order to ensure a fair distribution of value.

3.7. Complementary actions/donor coordination

The present AAP will complement and strengthen the on-going EU-funded programmes and those of other development partners. For instance, the **Enhancing Accountability Programme** will complement EU actions supporting the South African Legislative Sector and CSOs engaging with national and provincial legislatures. The action will also be complementary to the European Instrument for Democracy and Human Rights (EIDHR) MIP 2018-2020, Objective 3 – Support to Democracy at thematic level and CSO Thematic support. At bilateral level, Germany is engaged in a programme in two provinces, Mpumalanga and Eastern Cape (Strengthening Local Service Delivery in South Africa) to provide technical assistance to municipalities to assist with improving service delivery. Canada implemented in 2013-2018 a 'Building a Capable State project' to improve capacity, performance, and service delivery in Government.

The **Support Programme to the implementation of the EU–SADC EPA in South Africa**, although the only ODA funded programme providing direct support to South Africa for the implementation of the EU-SADC EPA, has synergies with the *Employment Promotion through Small, Medium and Micro-sized Enterprises Support Programme*; the *SWITCH Africa Green and its Green Business Development Component*; the EDF-funded *Regional Indicative Programme for Eastern, Southern Africa and the Indian Ocean (RIPES&IO) [2014-2020]* – namely, for example, to specifically support the Operationalisation of the SADC regional Agricultural Policy. Complementarity is also foreseen with the Department for International Development (DFID) UK *Africa Food Trade and Resilience programme* and the German Development Cooperation (GIZ) global project *Supporting sustainability aspects in the implementation of EU Economic Partnership Agreements*.

The EU-funded programmes in South Africa largely support the government's efforts in promoting employment and skills development, improving living conditions of the poor and enhancing capacities within the public administration, as set in the NDP and MTSF.

National responsibility for donor coordination and management is vested in the International Development Cooperation Chief Directorate within the National Treasury. It coordinates donor assistance with the objective of ensuring aid effectiveness within the framework of the Paris Declaration. National Treasury's access to information on other donors and international organisations can facilitate synergies and ensure efficient utilisation of resources and avoid duplication. Donor coordination by the EU takes place through the monthly EU Development Counsellors' meetings and, when matters require, at the Heads of Mission meetings.

Coordination also takes places through various sector working groups on 'Gender' and 'Education, Skills Development and Employability'.

4. Communication and visibility

All communication and visibility activities will be undertaken in compliance with the Communication and Visibility Manual for EU External Actions, and in close collaboration with the South African Government. Acknowledgement of EU support to the sector will be given as appropriate.

5. Cost and financing

Enhancing Accountability Programme:	EUR 12 300 000
Support Programme to the implementation of the EU–SADC Economic Partnership Agreement (EPA) in South Africa	EUR 10 000 000
Total amount for programme	EUR 22 300 000



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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX 1

of the Commission Implementing Decision on the financing of the Annual Action Plan 2019
in favour of the Republic of South Africa

Action Document for ‘Enhancing Accountability Programme’

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Enhancing Accountability Programme CRIS number: DCI/AFS/2019/041-756 financed under the Development Cooperation Instrument	
2. Zone benefiting from the action/ location	Southern Africa, South Africa The action shall be carried out at the following location: South Africa	
3. Programming document	Multi-Annual Indicative Programme (MIP) between the Republic of South Africa and the European Union for the period 2014-2020	
4. Sustainable Development Goals (SDGs)	SDG 16: Peace, Justice and Strong Institutions SDG 17: Partnerships for the Goals	
5. Sector of intervention/ thematic area	Building a capable and developmental State	DEV. Assistance: YES
6. Amounts concerned	Total estimated cost: EUR 12 300 000 Total amount of EU budget contribution: EUR 12 300 000	
7. Aid modality and implementation modality	Project Modality Direct management through: - Grants - Procurement	
8 a) DAC codes	15150 Democratic participation and civil society (20%); 15113 – anti-corruption organisations and institutions (20%); 15153 – media and free flow of information (20%); 15170 women’s equality organisations and institutions (20%); 15160 – human rights (20%).	
b) Main Delivery Channel	200000 – Non-Governmental Organisations (NGOs) and civil society	

9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
	10. Global Public Goods and Challenges (GPGC) thematic flagships	N/A		

SUMMARY

The attainment of South Africa's National Development Plan's (NDP) objective of building a capable and developmental state is hampered by weak accountability, an increase in corruption and the impact of state capture in past years. State capture and corruption have impacted equally on state and society, eroding good governance, economic growth and the fight against poverty, unemployment and inequality. Basic service delivery is impacted and all the spheres of government are affected. The overall objective of the programme is to improve public governance in South Africa. The specific objective is to reinforce the role of civil society, private sector and specific State institutions in enhancing accountability, democratic engagement and transparency in South Africa. The expected results are: 1) Reinforcement of the capacities of civil society organisations (CSOs) in enhancing accountability; 2) Increased opportunities for engagement between civil society, public and private sector; 3) Improved transparency in the public and private sectors. Complementing other programmes supporting the South African Government, this programme will aim to enhance the capacity of both civil society and specific independent State institutions such as those in Chapter 9 and Chapter 10 of the Constitution, to contribute to improved accountability. Civil society is critical in holding public and private actors to account, alongside the constitutionally-mandated oversight institutions. The programme will provide resources in the form of funding, skills, capacity and engagement opportunities to enable civil society and other eligible organisations to engage and demand answerability but also to collaborate with State institutions to enhance accountability in the public and private sector. The programme will be implemented by means of grants and a Capacity Building and Engagement Window.

1 CONTEXT ANALYSIS

1.1 Context Description

South Africa has shown a deterioration of 0.6 points in the 2018 Ibrahim Index of African Governance's overall 'governance indicator'. Specifically concerning is the measure of Transparency and Accountability, where South Africa was placed 7th in Africa in 2018 and lost 14.3 points, framing it as the most deteriorated country over the decade¹. The country has experienced constantly declining scores every year between 2008 and 2017, driven mostly by the indicators measuring Access to Records of State-owned Companies (-50.0), Anti-corruption Mechanisms (-23.4) and Absence of Corruption in the Private Sector (-23.3). On the positive side, South Africa's score for Civil Society participation has improved with 19.2 points. South Africa's vibrant civil society including the media plays a critical watchdog role by focussing attention on corruption and lack of accountability.

Corruption takes many forms and impacts all sectors of state and society. It tangibly impacts on the economy² and service delivery – from electricity shortages to lack of proper housing, inadequate health services and infrastructure. Corruption is not limited to the national level but also impacts on provinces and at local level, and has its severest impact on the most vulnerable and marginalised people in society. It impacts on, and contributes to, the low economic growth rate, the recession and the country being assigned junk status by several global rating agencies³. Falling into a recession almost immediately cuts more than 200 000 jobs⁴. While corruption affects both women and men, it disproportionately affects vulnerable populations and hits the poor hardest, especially women, who represent a higher share of South Africa's poorest.

Government, civil society and private sector collaboration is essential to address governance challenges, fight corruption, ensure accountability of public and private institutions and contribute to the achievement of the National Development Plan's (NDP) Vision 2030. Chapter 13 (Building a capable and development state) of the NDP requires measures to make it easier for citizens to hold public servants and politicians accountable, particularly for the quality of service delivery. Strong actors and institutions, in particular (socio-economic) governance institutions are needed to re-build the social compact called for by President Ramaphosa. The Constitution mandates the so-called Chapter 9 institutions to support constitutional democracy. The Auditor General (AG), Public Protector (PP), South African Human Rights Commission (SAHRC), and the Commission on Gender Equality (CGE) are independent, and subject only to the Constitution and the law. In addition, Chapter 10 makes provision for the Public Service Commission (PSC), with the responsibility to oversee, investigate and monitor the public service, and to contribute to the effective and efficient performance of the public service.

To enhance the mechanisms of accountability, increased participation of civil society and specific State institutions tasked with oversight and accountability should be strengthened through capacity building to this end. Civil society is vibrant and engaged but requires more skills, resources, mechanisms, networks, information, alliances and opportunities to be vigorous in their efforts to ensure answerability to citizens. Enhanced accountability in South Africa will contribute to addressing inequality, poverty, corruption, unemployment, uneven quality and performance of public service delivery and strengthen democracy. Improved accountability will also contribute to an improved business environment, economic growth and lead to a more stable investor climate.

¹ Transparency International's global Corruption Perception Index for 2018 places South Africa 73rd out of 180 countries, with a score of 43/100.

² According to the Council for the Advancement of the South African Constitutional (CASAC) South Africa loses an estimated 20% of GDP annually to corruption.

³ The Public Enterprises Minister, Pravin Gordhan testified at a Commission of Inquiry that the firing in 2015 of then Finance Minister for allegedly stopping corrupt actions cost the economy more than ZAR500bn.

⁴ Gumede, W. 2019. Policy Brief 33: Impact of corruption on democracy and development. Democracy Works Foundation. Available on: <https://democracyworks.org.za/policy-brief-33-impact-of-corruption-on-democracy-and-development/>

1.2 Policy Framework (Global, EU)

The United Nations 2030 Agenda for Sustainable Development includes SDG 16 Peace, Justice and Strong Institutions aimed at building effective, accountable and inclusive institutions at all levels (see sec 4.4). At the EU level, (1) theme Four (Peace) of the New European Consensus on Development⁵, emphasises the need for inclusive political processes to ensure that citizens can hold public officials to account at all levels; (2) the new Africa-Europe Alliance for Sustainable Investment and Jobs⁶ in its dimension of strengthening the business environment and investment climate; (3) EU Agenda for Action on Democracy Support in EU external relations; (4) the EU Action Plan on Human Rights and Democracy (2015-2019)⁷ as it focuses in particular on empowering local institutions and civil society organisations; and (5) the Communication on Europe's engagement with Civil Society⁸ aimed at CSOs' engagement to build stronger democratic processes and accountability systems and to achieve better development outcomes. The EU's gender-responsive rights-based approach, the Gender Action Plan (GAP II)⁹ as well as the policy on Digital4Development¹⁰ is relevant.

1.3 Public Policy Analysis of the partner country/region

The project is in line with the MIP 2014-2020 Building a capable and developmental state focal sector¹¹, which reflects the priorities identified in the NDP¹². In addition to the National and Provincial Legislatures as oversight institutions, the Constitution makes provision for 'State Institutions Supporting Constitutional Democracy' as well as the PSC, established in Chapter 10, which has the responsibility of ensuring and overseeing an effective and efficient public administration with a high standard of professional ethics, and promoting the values and principles of public administration (outlined in sec 195)¹³. The country has ratified the United Nations Convention against Corruption, the African Union Convention on Preventing and Combating Corruption and the OECD Anti-Bribery Convention. The country also has its own national legal framework on corruption, the Prevention and Combating of Corruption Activities Act (Act 12 of 2004). South Africa is also a member of the Open Government Partnership (OGP), established to support the implementation of the 2030 Agenda. The values of transparency, accountability and citizen participation are central and are reflected in the country's OGP commitments and 3rd Action Plan¹⁴. The Back to Basics (B2B) Strategy¹⁵ calls for more transparent, accountable, effective and efficient delivery of public services at local level. South Africa has also ratified the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW).

1.4 Stakeholder analysis

The **final beneficiaries** of the Programme and right holders will be women and men living in South Africa, benefitting from a more capable and developmental state, which is more accountable to its citizens by better addressing their needs.

The **direct beneficiaries** of the programme as representatives of the right holders and duty bearers include: 1) State Institutions supporting Constitutional Democracy *inter alia* the Auditor General

⁵ OJ C 210 of 30.6.2017.

⁶ COM(2018) 643 final of 12.9.2018.

⁷ JOIN(2015)16 of 28.4.2015.

⁸ COM(2012)492 final of 12.9.2012

⁹ SWD(2015)182 final of 21.9.2015

¹⁰ SWD(2017) 157 final of 2.5.2017.

¹¹ Relevant MIP logframe objectives are: Overall Objective (O.O.) 3; Specific Objective (S.O.) 1: Result 1.1, 1.2, 1.3; S.O 4: Result 4.1, 4.2, 4.3, and 4.4.

¹² The Diagnostic Report of the National Planning Commission stated '*uneven performance of the public service results from the interplay between a complex set of factors, including tensions in the political/administrative interface, (...) the erosion of accountability and authority structures, etc.*'

¹³ The relevant principles include that: (e) the public must be encouraged to participate in policy-making; (f) public administration must be accountable; and (g) transparency in decision-making must be fostered by providing the public with timely, accessible and accurate information.

¹⁴ <https://www.opengovpartnership.org/documents/south-africas-third-national-action-plan-2016-2018>

¹⁵ Local Government Back to Basics Strategy, implemented by the Department of Cooperative Governance and Traditional Affairs.

(AG), Public Protector (PP), South Africa Human Rights Commission (SAHRC), and the Commission for Gender Equality (CGE), as well as the Public Service Commission (PSC); and

2) Civil society organisations, such as associations, non-governmental institutions, the media, think tanks, research institutions, universities, trade and labour associations, business associations, faith-based organisations, women's organisations, community-based organisations and citizen groups, with a special focus on CSOs that are representing the rights of people in vulnerable situations (such as persons with disabilities, indigenous peoples, other disadvantaged groups).

CSOs have demonstrated ownership with substantial participation in the formulation process and significant numbers of CSOs have the capacity to implement projects via grants as well as engage with State institutions to improve capacity of the latter. To ensure greater involvement by a variety of CSOs, consortia will be promoted. Civil society is very active in South Africa, ranging from national think tank type organisations to grass-roots community organisations. CSOs play an important role in lobbying and advocacy, engaging at policy level with Government, as well as providing services on behalf of Government in a wide variety of sectors. EU engagement with CSOs in the human rights and civil and political rights space is also well established. CSOs challenges, including varying capacity, funding and cooperation with each other, are often hampered by lack of resources.

Chapter 9 institutions have an important mandate, and enjoy independence; however they could play an even stronger watchdog role. Their resources are also limited – and controlled by the Executive. Chapter 9 and 10 institutions have indicated interest in, and foresee benefit from, involvement with CSO and through the Capacity Building and Engagement Window.

Other stakeholders include: Government departments including National Treasury; national, provincial, local government structures, private sector companies and business associations, regulatory authorities, state-owned enterprises, legislatures and the justice sector and EU institutions supporting accountability and related work, for example National Human Rights Institutions in the EU Member States, Ombudsperson institutions and European public administration institutions.

1.5 Problem analysis/priority areas for support

In principle, South Africa has the necessary legislation, policies, institutions, rules, watchdogs and enforcement agencies to ensure accountability. However, in many cases the integrity of the institutions and processes can be compromised by individuals' or elites' interests, by weak enforcement capacity, gaps in legislation, discretionary powers of public officials and selective enforcement of rules.

President Ramaphosa, in his 2019 State of the Nation address (SoNA), stated that the greatest efforts to end poverty, unemployment and inequality will achieve little unless state capture and corruption in all its manifestations and in all areas of public life, is tackled. The President highlighted five immediate tasks in the SoNA address, one being to step up the fight against corruption and state capture. This is in line with the NDP, which has identified promoting accountability and fighting corruption as a central challenge to fighting poverty and inequality and to improving public service delivery. Corruption at national level has led to weak accountability at the level of entities such as state-owned enterprises, the National Prosecuting Authority and the South African Revenue Service¹⁶. At local level, corruption has a detrimental effect on service delivery and meeting the obligations of Government.

Recently, a vibrant and vocal civil society and independent and investigative media - together with some of the public accountability institutions - contributed to exposing the deep-seated problems of corruption and state capture, thereby significantly contributing to the resilience of the democratic State. During the formulation of the programme, CSOs and Chapters 9 and 10 institutions identified that reforms to address inadequate legislation, procedures, processes, frameworks and regulations, and improved enforcement of adequate measures where they do exist, may be achieved in a number of inter-connected and complementary ways, including greater access to information and improved institutional transparency, improved democratic engagement of citizens and civil society with the public and private sector, and improved accountability in public and private institutions. CSOs have,

¹⁶ Addressed in the 2019 presidential SoNA speech.

during several group consultations, expressed the need for resources, knowledge, skills and opportunities to improve their capacity. Enhanced accountability can however not be achieved by civil society alone, and hence the Chapter 9 and 10 institutions are also recognised as critical change-agents to enhance accountability and some have indicated, during consultations, the willingness and the need to engage with CSOs, other public and Government institutions and other stakeholders, including European peers as appropriate, as a way to improve Government accountability.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Weakening of Government’s commitment to fight corruption and state capture.	Medium	CSO actions on enhancing accountability has continued in the past under state capture conditions and CSOs will be supported to continue their actions via the grants and the Capacity Building and Engagement Window.
Lack of interest in or support from State Institutions to make use of the opportunities to collaborate with key role players through the Capacity Building and Engagement Window.	Low	Ongoing engagement with State Institutions to inform them of opportunities and offer support in areas of interest. Engagement through the Human Rights dialogue. Potential involvement by a variety of institutions that may benefit from or provide support and engagement.
Lack of interest from the private sector to engage in actions to enhance accountability.	Medium	Dialogue and continued engagement through Advisory body and engagements and dialogues of sufficient profile to interest and engage the private sector.
Insufficient absorption capacity by CSOs and a limited number of key actors in the field that have capacity to apply.	Low	More than one Call for Proposals will be launched and communication activities and information sessions will be used to inform a wide range of CSOs of the opportunities application priorities and procedures. Special attention will be paid to reaching different CSOs including those representing women and rights of people living in vulnerable/marginalised situations. The duration of the project (60 months) will enable projects with varying duration. International organisations with expertise in this area will also be eligible for grants, in collaboration with South African CSOs.
Assumptions		
The current Government will continue its efforts to enhance accountability as it is an objective of the NDP. CSOs will continue to engage in activities to enhance accountability. The private sector will adhere to the UN Guiding Principles on Business and Human Rights.		

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

The action is informed by the EU's long time engagement with CSOs in South Africa. Various evaluations concluded that the EU has supported policy innovation through innovative government programmes involving CSOs which enables an inclusive approach to service delivery as well as an adequate level of advocacy and watchdogging *vis-à-vis* government action¹⁷. The Civil Society Advocacy Programme in the mid-2000s provided support to the SAHRC, CGE and PP, but it experienced management and procurement difficulties and hence direct financial support is not

¹⁷ South Africa - EU Country Roadmap for engagement with Civil Society 2014 – 2017.

recommended. The South Africa CSO Roadmap recommends expanding engagements with CSOs in the economic space, including trade unions, cooperatives or employers' federations. An independent source of funding for CSOs in the democracy and good governance sector is also critically needed¹⁸. In 2015, the South Africa Roadmap Facility recommended strengthening the capacity of CSOs in relation to the public policy cycle. The design of the Capacity Building and Engagement Window in this Action has considered the recommendations of the 2017 EU-funded South Africa Mapping study of CSOs in the human rights and social justice sectors. Ongoing EU support to CSOs to engage with legislatures has demonstrated the need for continued involvement, but also expanding it to other actors involved in enhancing accountability.

3.2 Complementarity, synergy and donor coordination

Donor Coordination: EU Donor coordination takes place through the monthly EU Development Cooperation Counsellor's meetings, and through a broader donor working group on governance currently co-chaired by Germany and Canada. The EU also holds *ad hoc* meetings where support to civil society engagement and capacities are discussed, be it with EU Member States, non-EU Member States and private partners (such as foundations). These different platforms could serve as opportunities to share on the implementation of this project, looking at complementarities and synergies with similar actions funded by other institutional or private partners.

Complementarity and synergy: This programme will be complementary to other areas of action of the MIP 2014-2020 and especially Sector 3, 'Building a capable and developmental State' including measures in favour of civil society¹⁹. The Action will also be complementary to the European Instrument for Democracy and Human Rights (EIDHR) MIP 2018-2020, Objective 3 – Support to Democracy at thematic level and CSO Thematic support. The EIDHR can also provide support to human rights defenders in cases where this may be required. Institutional exchanges can be facilitated through Technical Assistance and Information Exchange instrument (TAIEX). At bilateral level Germany is engaged in a programme in two provinces, Mpumalanga and Eastern Cape (Strengthening Local Service Delivery in South Africa) to provide technical assistance to municipalities to assist with improving service delivery. Canada implemented in 2013-2018 a 'Building a Capable State project' to improve capacity, performance, and service delivery in Government.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The overall objective is to improve public governance in South Africa.

The specific objective is to reinforce the role of civil society, private sector and specific State institutions in enhancing accountability, democratic engagement and transparency in South Africa.

Expected results are²⁰:

1. Reinforcement of the capacities of CSOs in enhancing accountability...
2. Increased opportunities for engagement between civil society, public and private sector.
3. Improved transparency in the public and private sectors.

The activities foreseen in the Action are:

Component A - Grants to Civil Society Organisations, and
Component B - Capacity Building and Engagement Window

¹⁸ This approach supports the EU engagement with CSOs, articulated in the "Roots of Democracy and Sustainable Development: Europe's Engagement with Civil Society in External Relations" Communication.

¹⁹ The proposed Action is complementary with the following ongoing or upcoming EU funded programmes: 1) Enhancing Legislature Oversight Programme; 2) Enhancing CSO Participation in Legislatures' Oversight and Participation Processes; 3) Public Financial Management Capacity Development Programme for Improved Service Delivery, including a direct grant to the International Budget Partnership 4) Public Service Training and Capacity Building Programme, 5) Socio-economic Justice for All, 6) EU-SA Dialogue Facility, and 7) Gender Equality and Women Empowerment in South Africa programme.

²⁰ All results should consider the implications of accountability, transparency, democratic engagement on women relative to men.

Grants to CSOs (and other eligible organisations) will build their capacity to enhance accountability in the public and private sphere. Special attention will be paid to rights, participation and non-discrimination of women, girls and people living in vulnerable situations (such as persons with disabilities, indigenous peoples, and other disadvantaged groups). Exact activities will be determined by the grantees but, in line with Official Development Assistance (ODA) policy in South Africa, actions should favour pilot, innovation and risk taking actions.

Activities that could be included in grant projects potentially include: public interest litigation; civil case litigation; lobbying for and contributing to law reform (with particular focus on non-discrimination and equality); action research; campaigns and advocacy; preparing submissions; budget analysis including gender-sensitive budget analysis and contributing to budget processes; procurement monitoring; facilitating national task teams; investigative journalism; establishing information repositories; monitoring of service delivery and scorecards; municipal forums; scrutiny in appointment of key positions in Chapter 9 Institutions, state-owned enterprises, law enforcement agencies and regulatory bodies; developing community media; social audits or other citizen-based monitoring processes; development of tools (online, mobile, etc.) and alliance building amongst CSOs. Applicants will be encouraged to utilise information and communication technologies to contribute to enhancing accountability. CSOs may also benefit from the Capacity Building and Engagement Window.

The Capacity Building and Engagement Window is envisioned as a rights-based responsive mechanism which can provide resources, support and opportunities for state and non-state actors to engage and collaborate to enhance participation, accountability and non-discrimination and transparency in the public and private sphere in South Africa. The Window will make resources available for: 1) Exchange of Experiences potentially between State Institutions supporting Constitutional Democracy; the PSC; regulatory bodies; state-owned enterprises; legislatures; private sector companies and representative bodies; national, provincial and local government structures; EU and EU Member States actors; CSOs and other relevant institutions; 2) Mobilisation of experts; 3) Research and studies; 4) Training and capacity building activities including short term exchanges upon request; 5) Conferences, seminars and workshops including events, capacity building, and expertise in gender-responsive RBA working principles (participation, non-discrimination, accountability, transparency applying to all rights), gender equality and human rights. In order to support and enhance the capacity of civil society and the state to improve accountability in the public and private sphere, both CSOs and State institutions such as Chapter 9 and 10 bodies, can request support to address specific aspects. The Window will also provide a platform for knowledge sharing, peer evaluation, thematic dialogues, and sector coordination and dialogue in a sustainable way.

4.2 Intervention Logic

The project aims to contribute to a capable and developmental state by enhancing the capacity of CSOs and specific independent State institutions to enhance accountability of public and private institutions. Assumptions underpinning the project are that the current Government will continue its efforts to enhance accountability as it is an objective of the NDP and that CSOs will continue to engage in activities to enhance accountability. Change in three related and critical areas can contribute to achieving these objectives i.e.: improved accountability of public and private institutions; enhancing access to information and improved public transparency; and deepening citizens' democratic engagement with the public and private institutions. Civil society has already played an important role in highlighting the erosion of accountability, state-capture, corruption and poor service delivery. Sustainable change can be attained by strengthening the capacity of both civil society and State institutions tasked with oversight and accountability, to be better equipped to ensure accountability. The project will provide resources (funding, skills, capacity building and engagement opportunities) to enable civil society – including organisations working at community and local levels - to engage and demand accountability but also to collaborate with State institutions to enhance accountability in the public and private sector. This may be attained in a number of ways, including contributing to strengthen existing frameworks, legislation, requirements and processes, or to help with the establishment of new vehicles to allow for greater transparency, access to information, monitor policy implementation, opportunities for engagement, and responsiveness by the public sector and private sector. More than one call for proposals (and potentially direct awards) for CSOs and other eligible

organisations will be launched and the exact nature of the interventions will be determined by the organisations while promoting pilot, innovation and risk taking actions. However, to support the CSO activities, but also to enable State institutions to engage with civil society, the public sector, and local and European expertise, the Capacity Building and Engagement Window will be established to respond to needs and to enable engagement, cross-fertilisation between the different stakeholders. It is expected that an increased critical mass of CSOs advocating for, and engaging in, initiatives to improve accountability and the opportunities for networking and interplay with other independent State Institutions and State and private stakeholders, and international partners will help to achieve systematic reforms, change and higher impact.

4.3 Mainstreaming

Gender, human rights and a focus on vulnerable and marginalised people, will be mainstreamed in the Action. CSO projects will be required to address these aspects, with a specific focus on gender, including gender budgeting and analysis, women's democratic engagement, and enhancing the capacity of women to be active citizens. EU-South Africa Human Rights dialogue will focus on issues of relevance, including gender-responsive rights-based approach working principles participation, non-discrimination, accountability and transparency applying to all rights. The Action will reflect the EU's rights-based approach, in particular focusing on the aspects of participation as a right and the basis for active citizenship, non-discrimination and equal access; accountability and access to the rule of law and transparency and access to information. The UN Guiding Principles on Business and Human Rights framework should be applied by beneficiaries participating in the action. Environment and climate change may be addressed by CSO projects in relations to Government's accountability to instruments such as the Paris Agreement on Climate Change.

4.4 Contribution to Sustainable Development Goals (SDGs)

This intervention is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDGs 16 and 17. Primary SDG: 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels which aims to build effective, accountable and inclusive institutions at all levels. Relevant indicators include 16.5 - Substantially reduce corruption and bribery in all their forms; 16.6 - Develop effective, accountable and transparent institutions at all levels; 16.7 - Ensure responsive, inclusive, participatory and representative decision-making at all levels; and 16.10 - Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements. Secondary SDGs: Strengthen the means of implementation and revitalise the global partnership for sustainable development. Indicator 17.17 – Encourage public, public-private and civil society partnerships.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation of the budget support component

N/A

5.4 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures²¹.

5.4.1 Grants: (direct management).

(a) Purpose of the grant(s)

The purpose of the grants will be to provide funding to CSOs or other eligible organisations to contribute towards: 1) Reinforcement of the capacities of CSOs in enhancing accountability; 2) Increased opportunities for engagement between civil society, public and private sector; and 3) Improved transparency in the public and private sectors.

(b) Type of applicants targeted

To be eligible for a grant, the applicant must:

- (i) be a legal person and
- (ii) be non-profit-making and
- (iii) be a specific type of organisations such as: non-governmental organisations, citizens' groups, organisations representing economic and social interests, community organisations, advocacy organisations, women's and youth organisations, research organisations, academic institutes, think tanks, education institutions, independent foundations, public bodies, media groups and international (inter-governmental) organisations. However, in case of a multi-beneficiary grant, an international organisation, a public sector operator, or a local authority cannot be the lead applicant.
- (iv) be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as an intermediary, and
- (v) be able to demonstrate to have carried out activities in the field covered by the Call in the past three years.

5.4.2 Procurement (direct management)

Subject	Indicative type (works, supplies, services)	Indicative trimester of launch of the procedure
Result 1 – 3: Enabling and building the capacity of civil society and specific state institutions to contribute to enhanced accountability in South Africa	Services (one or more contracts)	3 rd trimester of 2020

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

²¹ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.6 Indicative budget

	EU contribution (in EUR)
5.4.1 Direct Management - Grants	9 800 000
5.4.2 Direct Management - Procurement	2 000 000
5.9 Evaluation, 5.10 Audit	250 000
5.11 Communication and visibility	50 000
Contingencies	200 000
Total	12 300 000

5.7 Organisational set-up and responsibilities

An Advisory Committee consisting of the EU Delegation and National Treasury, other participating institutions and/or experts, potentially including one or more EU Member States and other relevant development partners will supervise the two programme components.

Component A: Two or more calls for proposals will be prepared, launched and managed by the EU. The first call will be launched indicatively in February 2020 under a suspensive clause prior to the signature of the financing agreement.

Component B: The Advisory Committee will advise on applications to the Capacity Building and Engagement Window. Requests for capacity building and engagement activities will be reviewed on a quarterly basis, based upon expressions of interest. The criteria for approval will be agreed by the Advisory Committee.

5.8 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of projects resulting from a call for proposals will be a continuous process and part of the implementing partners' responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Any monitoring and evaluation should be gender-sensitive, assess gender equality results and implementation of rights-based approach working method principles (participation, non-discrimination, accountability and transparency) in terms of implementation of the project and project outcomes. Monitoring and evaluation should be based on indicators that are disaggregated by a minimum sex and age and even further when appropriate (disability, race/ethnicity, etc.). Key stakeholders will participate in the monitoring process. The Technical Assistants responsible for the Capacity Building and Engagement Window will track indicators and progress against the logframe.

Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix.

Reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final reports, narrative and financial, will cover the entire period of the actions' implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that civil society and state institutions' capacity need to be enhanced to contribute to enhanced accountability in the public and private sector. Collaboration between civil society, the public sector and the private sector is critical to this action and needs to be evaluated.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The communication and visibility budget will be included as part of the service contract/s, plus an additional amount to be managed by the EU Delegation and it will be implemented by way of procurement to be indicatively launched in trimester 2 of Y1. The communication and visibility budget of this Financing Agreement may be pooled with the respective budgets of other Financing Agreements in the context of a larger communication programme.

It is foreseen that a contract for communication and visibility may be contracted under a framework contract.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	OO: To improve public governance in South Africa	1. Overall Governance 2. Proportion of businesses that had at least one contact with a public official and that paid a bribe to a public official, or was asked for a bribe by those public officials during the previous 12 months	1. Ibrahim Index of African Governance (IAAG) Overall Governance Indicator 2. Country report on SSDGs (indicator 16.5.2)	<i>Not applicable</i>
Outcome(s) (Specific Objectives(s))	SO 1: 1. Reinforcement of the capacities of CSOs in enhancing accountability.	1.1 Civil society participation in political processes.	1.1 IIAG Report	Government will continue its efforts to fight state capture and enhance accountability. CSOs will continue to engage in activities to enhance accountability
	SO 2. Increased opportunities for engagement between civil society, public and private sector.	2.1 Proportion of population who believe decision-making is inclusive and responsive, by sex, age, disability and population group (race/ethnicity). 2.2 The degree to which the government provides opportunities for the public to engage in budget processes.	2.1 Country report on SDGs (indicator 16.7.2) 2.2 Annual Open Budget Survey	
	SO 3. Improved transparency in the public and private sectors.	3.1 Proportion of enquiries seeking access to public information and government data that were received and addressed.	3.1 IIAG Report	

Outputs	O1. Improved accountability of public and private institutions.	1.1.1 Number of State institutions benefitting from actions to strengthening accountability of state institutions towards citizens.	1.1.1 Project reports and Capacity Building and Engagement Window reports	State institutions will make use of the opportunity to strengthen accountability
		1.1.2 Number of regulations, legislation, public policy documents or guidelines targeted to change / improve.	1.1.2 Projects reports and media reports	Government will be committed to change regulations etc. where it requires improvement.
	O2. Increased democratic engagement between civil society, public and private sectors.	2.1.1 Number of citizens (sex-disaggregated) benefitting from project actions.	2.1.1 Project reports and measure of actions facilitated by the Capacity Building and Engagement Window	Citizens want to increase their participation.
		2.1.2 Number of civil society organisations benefitting from project actions.	2.3.1 Project reports and measure of actions facilitated by the Capacity Building and Engagement Window	Civil society organisations will want to increase their interactions with the public and private sectors.
	O3. Enhanced transparency in the public and private sectors.	3.1.1 Number of public sector institutions that develop processes to improve public access to Government information/data.	3.1.1 Projects reports and media reports	The public sector will be committed to improve transparency.
		3.1.2 Number of civil society organisations that benefit from actions supporting enhanced transparency.	3.2.2 Project reports and measure of actions facilitated by the Capacity Building and Engagement Window	



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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX 2

of the Commission Implementing Decision on the financing of the Annual Action Plan 2019
in favour of the Republic of South Africa

Action Document for ‘Support Programme to the implementation of the EU–SADC Economic Partnership Agreement (EPA) in South Africa’

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Support Programme to the implementation of the EU–SADC Economic Partnership Agreement (EPA) in South Africa Cris number: DCI/AFS/2019/041-739 financed under the Development Cooperation Instrument (DCI)	
2. Zone benefiting from the action/ location	Southern Africa, South Africa The action shall be carried out at the following location: South Africa	
3. Programming document	Multi-Annual Indicative Programme (MIP) between the Republic of South Africa and the European Union for the period 2014-2020	
4. Sustainable Development Goals (SDGs)	Main SDGs: 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all 10: Reduce inequality within and among countries	
5. Sector of intervention/ thematic area	Priority 3: Supporting inclusive sustainable growth, job creation and youth employment	DEV. Assistance: YES
6. Amounts concerned	Total estimated cost: EUR 10 000 000 Total amount of EU budget contribution: EUR 10 000 000 of which EUR 8 500 000 for budget support and EUR 1 500 000 as complementary support.	
7. Aid modality and implementation modalities	Budget Support Direct management through: <ul style="list-style-type: none"> • Budget Support: Sector Reform Performance Contract • Procurement 	
8 a) DAC codes	33110 – Trade policy and administrative management 43073 – Food safety and quality	
b) Main Delivery Channel	10000 Public Sector Institution	

9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	x	<input type="checkbox"/>
	Aid to environment	x	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	x	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	x
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>
10. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

The main objective of the "Support Programme to the implementation of the EU–SADC (Southern Africa Development Community) Economic Partnership Agreement (EPA) in South Africa" is to enhance South Africa's trade and business opportunities by promoting the full implementation of the EU-SADC EPA in South Africa while advancing regional integration, with a specific focus on agricultural products. Agricultural exports face particular requirements but their expansion can have significant multiplier effects on employment and economic development.

Under the EU-SADC EPA, South Africa has preferential market access for over 95% of its exports to the EU; trade with the EU accounts for approximately 26% of South Africa's total global trade, with agricultural and fishery products representing almost 10% of the trade. Exports of agricultural products to the EU remain concentrated around fruits, wines, fish, vegetables, as well as sugar to a lesser extent. There is potential for more exports, in these and other areas. One of the main challenges for many of these exports relates to sanitary and phytosanitary (SPS) issues and public health concerns – specifically the ability of South Africa to meet EU requirements.

The project is in line with the New European Consensus on Development¹ as it promotes investment for inclusive and sustainable economic growth by increasing opportunities for regional and international trade of agricultural and other products; it directly aligns with the new Africa-Europe Alliance for Sustainable Investment and Jobs² by strengthening trade between Africa and the EU; it also aligns with SDG 8 by promoting inclusive and sustainable economic growth, full and productive employment and decent work for all, and contributes to SDG 2 by contributing to the promotion of sustainable agriculture. The priority areas for support under this action to ensure South Africa's trade and business opportunities by promoting the full implementation of the EU SADC-EPA include: (i) improved quality infrastructure and systems; (ii) increased awareness of technical requirements needed to take advantage of the opportunities under the EU-SADC EPA among South African exporters; and (iii) improved capacities for private sector and civil society organisations to be engaged and to monitor EPA implementation. A gender-responsive rights-based approach will be applied throughout all stages of the Action's cycle, in line with the Government of South Africa and EU's commitments.

¹ OJ C 210 of 30.6.2017.

² COM(2018) 643 final of 12.9.2018.

This programme will be implemented through budget support, with complementary support to provide technical assistance. The choice of budget support takes into account the fact that the fundamental values, macroeconomic policy, public finance management and budget transparency and oversight have been assessed and found to be satisfactory. In addition, appropriate government institutions and policies, including gender equality policies, are in place to allow for positive uptake and impacts of the programme. The inclusion of women through the Action will increase women's economic inclusion and empowerment and help unleash the full economic potential of the South African economy. The former Department of Agriculture Forestry and Fisheries (DAFF)³ aims to advance international trade in the agricultural sector through innovative, inclusive and sustainable policies and programmes. This will include activities that pilot interventions that can be rolled out on a larger scale in the future; feasibility studies; enhancing public-private partnerships; and supporting interventions that bridge the gap between existing South African systems and those required to meet EU standards.

The overall objective of the Action is 'Increased, sustainable and inclusive economic growth with higher employment in South Africa'. The specific objectives (SO) are as follows:

SO 1: To unlock challenges related to quality infrastructure and technical capacity in agricultural value chains that are throttling exports to the EU.

SO 2: To support increased responsiveness to opportunities under the EU-SADC EPA, particularly for emerging exporters of agricultural products and those with recognised geographical indications.

1 CONTEXT ANALYSIS

1.1 Context Description

The European Union (EU) remains the main trading partner of South Africa, with a total of 29.6% of South Africa's exports (EUR 23.1 billion) going to the EU in 2017, and 30.9% of all imports (EUR 24.5 billion) coming from the EU in the same year (European Commission, DG Trade, 2018). Trade has increased in both directions and the EU is set to remain the single biggest trading partner.

Until 2016, the EU and South Africa trade relationship was governed by the Trade and Development Cooperation Agreement (TDCA) under which South Africa liberalised 86% of its market and the EU opened 95% of its economy, thus covering 90% of total bilateral trade between the parties. The TDCA entered into force in May 2004 and was at full implementation by 1 January 2012.

The EU signed an Economic Partnership Agreement (EPA) in 2016 with the Southern African Development Community (SADC) EPA Group comprising the South Africa Customs Union (SACU - Botswana, Eswatini, Lesotho, Namibia and South Africa), and Mozambique. While the EPA is a regional trade agreement, specific rules apply to South Africa's exports to the EU whereby the TDCA advantages have been confirmed and extended. Under the EPA, SA has preferential market access for over 95% of its exports to the EU (whereas the rest of the region benefits from full duty-free access). It also creates new opportunities to expand trade in the region, notably through the inclusion of new rules of origin as well as application of the cumulation principle. The EPA also includes a bilateral protocol between the EU and South Africa on the protection of geographical indications and trade in wines and spirits (which originates from the TDCA).

Agriculture is one of the most labour-intensive sectors with women accounting for roughly a third of South Africa's farm jobs⁴. Moreover, parties have underlined the importance of the agricultural sector to the EU-SADC EPA (Article 68 of SADC-EU EPA text). It is therefore vital that the EU-SADC EPA implementation support programme assists in strengthening quality infrastructure and builds on other resources (such as the ZAR40 million [approximately EUR 2.7 million] which DAFF received to upgrade hard infrastructure and equipment for sanitary and phytosanitary (SPS) analytical services and

³ Renamed Department of Agriculture Land Reform and Rural Development as from 29 May 2019, the new acronym has not yet been released.

⁴ While women's contribution to South Africa's agricultural labour market is mostly as labourers, progress has been made in the past few years in increasing the number of women in management positions within the sector. Several national agricultural associations and organisations, such as African Farmers Association (AFASA), Produce Marketing Association (PMA), Fruit South Africa, Grain South Africa's farmer development programme and Agricultural Business Chamber's Grain Unit, among others, have prominent women at the helm.

laboratories) in order to strengthen global market access for South African agricultural products. Interventions in this area will positively impact economic and employment links to the rural poor through this key sector, while making concrete steps towards women's socio-economic empowerment, respect of women's rights and gender equality, in an overall rights-based approach. Moreover, better market access for agricultural products is a key strategic area of the EU-SADC EPA and the regional integration agenda. Agriculture products are one of the top five South African export products to the EU, with fruit and vegetable products (in particular citrus, grapes and apples) representing 8% of total South African exports to Europe, and agricultural exports having grown by 28% over the past four years.

Exports to the EU market of South African agricultural products ranging from dairy products to Karoo lamb, despite demand, continue to be limited due to a number of factors. Among these challenges, compliance with EU public health as well as Animal and Plant Health (SPS) requirements is significant. In most cases, like abalone, beef, poultry, lamb or milk, South Africa does not have a residue monitoring plan accepted by the EU (one for each commodity) to deal with public health requirements in terms of contaminants and residues in food of animal origin. Ensuring adequate traceability is also a problem in complying with the EU import requirements.

The ban on the use of hormones within the EU leads to special requirements for third countries exporting meat to the EU. Hence, a residue monitoring plan could include a 'split system' guaranteeing that animals or their products for export to the EU have not been treated with hormones at any time during their rearing. Another issue relates to the need for adequate boundaries between disease-free and non-free zones and a surveillance strategy to prove that Foot and Mouth Disease (FMD) free status is continuously maintained.

In addition, products protected by geographical indications (GIs) under the EPA face a particular set of issues. These include completing the registration process for the GIs; enforcing the GIs in the EU; and developing marketing expertise that takes advantage of the opportunities of a GI. Rooibos and honeybush face additional challenges in developing an industry structure that is inclusive and takes into account the interests of indigenous communities. Further, the right to food⁵ is an increasingly vital global consideration that informs and drives a push for interventions that ensure secure food security, improve nutrition and promote sustainable agriculture.

To ensure that any interventions at the technical level reach their potential in terms of supporting implementation of the EPA in South Africa, it will be critical to continue to raise awareness about the technical requirements needed to take advantage of the opportunities provided for the agricultural sector under the Agreement. This can be done through strengthened public-private dialogue and increased capacity among South African stakeholders in business and civil society to actively engage in monitoring the implementation of the EPA.

1.2 Policy Framework (Global, EU)

At the EU level, the action is in line with several EU policies and priorities for the country and region:

- 1) The European development policy addresses, in an integrated manner, the economic, social and environmental dimensions of sustainable development. The action is in line with theme 3 (Prosperity) of the New European Consensus on Development⁶, emphasising the need for inclusive and sustainable growth and jobs; in particular theme 4 also addresses the role of investment and trade in helping to diversify economies, foster growth and decent jobs, deliver innovative products and services, link developing countries' economies to regional and global value chains, promote regional integration and trade, and meet social needs. Moreover, the action applies a gender responsive, rights-based approach (RBA), in line with the requirements of the European Consensus (articles 15 and 16).
- 2) The action directly aligns with the economic integration and trade dimensions of the new Africa-Europe Alliance for Sustainable Investment and Jobs⁷ notably in terms of strengthening trade between the EU and Africa.

⁵ https://www.sahrc.org.za/home/21/files/brochure_A3_English.pdf

⁶ https://ec.europa.eu/europeaid/sites/devco/files/european-consensus-on-development-final-20170626_en.pdf

https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-factsheet-africa-europe_en.pdf

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018DC0643&from=EN>

- 3) The project is in line with 2030 Agenda for Sustainable Development⁸ and specifically Sustainable Development Goal (SDG) 8, which speaks to promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (see section 4.4).
- 4) The Action will also contribute to the Gender Action Plan (GAP II) 2016-2020⁹, objective 15 ‘access by women to financial services, productive resources including land, trade and entrepreneurship’; and objective 14 ‘access to decent work for women of all ages’ under the thematic priority; ‘Promoting Economic and Social Rights and Empowerment of Girls and Women’.
- 5) The action is directly in support of the EU-SADC EPA objectives and the implementation thereof recognising the importance of the agricultural sector to the EPA (Article 68 of the EU-SADC EPA text); in particular building of technical capacity in the public and private sectors to maintain and expand market access (Article 65 OF EU-SADC EPA text), promoting sustainable economic growth and regional integration (Articles 1-3, 6-7, 10 of EU-SADC EPA text), strengthening monitoring of the Agreement and encouraging civil society participation (Articles 4 and 10 of EU-SADC EPA text), as well as establishing and enhancing SADC EPA States’ technical capacity to implement and monitor SPS measures (Article 60 of EU-SADC EPA text).

1.3 Public Policy Analysis of the partner country/region

The country’s intentions are iterated in various policy instruments such as the New Growth Plan, the National Development Plan (NDP) and the Agriculture Policy Action Plan (APAP), Operation Pakhisa amongst others. The objectives encapsulated in the various policy documents are in line with regional SADC and African Union (AU) instruments. What runs as a thread in all policy documents on South Africa’s agricultural sector is the need to commercialise communal agriculture, capacitate smallholder farmers, develop market opportunities, improve veterinary health, and build capacity in quality control and assurance. South Africa has ratified all major international human rights treaties, including the International Covenant on Economic, Social and Cultural Rights (ICESCR), Convention on the Elimination of Discrimination Against Women, Convention on the Rights of Child, Convention on the Elimination of Racial Discrimination and the eight fundamental labour conventions.

1.3.1 National Development Plan

The NDP aims to create 11 million jobs by 2030. This is expected to be actualised by having the economy growing by an average of 5% per year. The agricultural sector is among the major labour-intensive employers in the South African economy. The NDP identifies agriculture as crucial for food security, rural employment and increasing incomes. Much emphasis is placed on the reconfiguration of government departments, agro-processing, elimination of barriers to entry for small-scale farmers and market concentration. Areas that are singled out for intervention include the table grapes industry along the Orange River, poultry, red meat value chain and the sugar industry in Mpumalanga. The Industrial Development Corporation (IDC) and Land Bank are identified as the main institutions to drive the capacitation of these farmers.

1.3.2 Agricultural Policy Action Plan

South Africa has an overarching industrial policy document known as the Industrial Policy Action Plan (IPAP) that falls under the Department of Trade and Industry. Due to the importance of the agricultural sector in the South African economy, DAFF has developed its own direction for industrial development in the APAP. The APAP has three main pillars, which are: equity and transparency; growth and competitiveness; and environmental sustainability. The stated objectives of the APAP are as follows:

- i) Accelerate interpretation of Broad Based Black Economic Empowerment (BBBEE) Charters¹⁰ and small-scale fisheries policy¹¹.

⁸ <https://sustainabledevelopment.un.org/post2015/transformingourworld>

⁹ Gender Equality and Women’s Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020, SWD(2015)182 final of 21.9.2015.

¹⁰ The BBBEE Charters were gazetted by the dti in 2017 and are Codes of Good Practice that are applicable to different sectors in South Africa that aim to achieve transformation in the relevant industry by accelerating their levels of black ownership and/or participation.

¹¹ The aim of the policy is to administer the provisions of the Marine Living Resources Act (MLRA), manage, promote, and support the small-scale fisheries sector.

- ii) Promotion of local food economies.
- iii) Investment in agro-processing logistics.
- iv) Development of value chain strategies in poultry, wheat, red meat and soya cake.

In addition, some of the objectives of the APAP include strengthening research and development in the sector. In line with environmental sustainability, the APAP mandates government to adopt smart agricultural practices. Skills development, access to information, market access and an integrated institutional framework are some of the objectives of APAP, as well as institutionalisation of support of all the sectors mentioned above with the small-scale farmer being at the core of the policy.

The APAP introduces criteria that DAFF uses when pursuing projects. The criteria include the effects of projects on the following areas:

- Contribution to food security;
- Job creation;
- Growth potential;
- Potential contribution to trade balance.

APAP also prefers projects that advance the integration into value chains for the following products: red meat; fruit and vegetables; wine; wheat; forestry; and aquaculture and small-scale fisheries. Some of the South African government programmes that fall under APAP include Fetsa Tlala and Ilima/Letsema Fund¹².

1.3.3 Operation Phakisa

South Africa has an overarching development approach – targeting the oceans economy, agriculture, land reform and rural development. The agriculture component of Operation Phakisa is aimed at strengthening an already existing programme of DAFF known as *Revitalisation of the Agricultural and Agro-processing Value Chains*. Stakeholders that are involved in the implementation of Operation Phakisa include: provincial departments of agriculture; state owned enterprises; organised agriculture; financial development institutions; labour; and civil society. Biosafety and the development of SPS infrastructure together with producer support are the key pillars of Operation Phakisa in the agriculture sector. The intended beneficiaries are specifically:

- a) Black small-scale farmers;
- b) Small forestry growers;
- c) Small scale fishers.

1.3.4 An Integrated Marketing Strategy for Agriculture, Forestry, and Fisheries Products in South Africa

The Integrated Marketing Strategy for Agriculture, Forestry and Fisheries Products in South Africa (IMSAFFP) is a DAFF policy document released in 2012 with a target of full implementation by 2030. The strategy document reflects the aims of DAFF in marketing agricultural products to include eliminating market access constraints; strengthening commodity groupings; and developing and strengthening marketing infrastructure. There is a stated focus on the development and marketing of agro-processing hubs and horticultural crops.

Overall, the current policy environment in South Africa can be viewed as being favourable and credible. DAFF has taken the lead role in implementation of these and other agricultural policies and interventions, with particular reference to the APAP and Operation Phakisa, while interdepartmental efforts are also being made to address the gaps and shortcomings that exist. The policies collectively recognise the importance of the agricultural sector; and the export opportunities that exist can substantially contribute to the accelerated socio-economic transformation.

Further, it is noted that, while political pronouncements have been made by the government about its intention to pursue expropriation of land without compensation, it has also continued to reiterate that its

¹² Fetsa Tlala is an integrated government framework that is aimed at implementing the food production pillar of the National Policy to maximise cultivation of food by putting 1 million hectares of land under production by 2018/19 production season. The Ilima/Letsema Fund is a similar programme aimed at reducing poverty through increased food production initiatives.

efforts and commitment to its transformation agenda will not impact negatively on the protection of property rights, policy coherence and the rule of law.

1.3.5 South African Veterinary Strategy

The Department of Agriculture, Forestry and Fisheries' veterinary strategy (2016-2026) has been developed with the mission to promote the wellbeing of animals and humans by creating systems and mechanisms that provide for effective and efficient veterinary services with the capacity to prevent, detect, contain and eliminate animal and public health risks. It has a vision to create cohesive, science-based and pro-active Veterinary Services. Specifically, the strategy aims to¹³:

- Improve on technical capabilities needed to address current and new animal health, welfare and production issues based on scientific principles.
- Support acquisition of sufficient financial capital to attract adequate human resources and retain professionals with technical and leadership skills.
- Promote and strengthen collaboration and partnership between government and non-governmental sector.
- Create and maintain a recognised animal and public health environment to facilitate access to local and international markets.

The strategy provides a broad framework for the fulfilment of the government's commitments and responsibilities to guarantee citizens of South Africa 'the right to have access to sufficient and safe food of animal origin'. It is also aligned with the New Growth Plan (NGP), the National Development Plan (NDP) and Industrial Policy Action Plan (IPAP) through the Agriculture Policy Action Plan (APAP) in terms of assisting in the achievement of decent employment through inclusive growth, and comprehensive rural development and food security.

1.3.6 South Africa's National Policy Framework for Women's Empowerment and Gender Equality

Known as the Gender Policy Framework, it outlines South Africa's vision for gender equality and for how it intends to realise this ideal. It details the overarching principles, which are integrated by all sectors and Departments into their own sectoral policies, practices and programmes. DAFF does this through the implementation of internal policies¹⁴ and external actions¹⁵.

1.3.7 National EPA Implementation Plan for South Africa

The EU is partnering with EU-SADC EPA Group states for the development of National EPA Implementation Plans (NEIPs). The aim of these plans is to 'maximise the contribution of the EPA to long-term sustainable economic development', with the NEIPs being seen as 'useful tool(s) to align EPA implementation priorities with development assistance funds'. Once the NEIP for South Africa has been developed, it will be used as a guiding document that will also inform implementation of the Action.

1.4 Stakeholder analysis

The final beneficiaries of the programme, the rights holders, will be the people of South Africa who will benefit from a reduction in poverty and improved standards of living through economic growth. The direct beneficiaries of the programme will be men and women farmers, including smallholder farmers, and those living in vulnerable situations and marginalised communities (indigenous peoples, persons with disabilities, other discriminated groups, etc). The agricultural industry, (focusing on specific value chains) will benefit from capacity building and enhanced access to markets, and an improved administrative and regulatory environment, while the relevant government departments/agencies will access resources necessary to assist with the implementation of their policies in this area.

There are a number of government entities and civil society organisations that could become partners in implementation, or whose activities could complement the Action to enhance its proposed impact. On the

¹³ [https://www.daff.gov.za/vetweb/Animal%20Identification/Veterinary%20Strategy%20%202016-09-08_%20\(Final\).pdf](https://www.daff.gov.za/vetweb/Animal%20Identification/Veterinary%20Strategy%20%202016-09-08_%20(Final).pdf)

¹⁴ The capacity building for women employees won DAFF a Certificate of Excellence in the Government Department Award category at the 2016 Standard Bank Top Women Awards

¹⁵ Such as DAFF's Comprehensive Agricultural Support Programme (CASP), Female Entrepreneur Awards - formerly known as the Female Farmer Awards- and Young Entrepreneur Awards, among others.

industry side, this includes participants from commodity industry organisations, Agricultural Trade Forum and business associations' (including those targeted at women and youth) active in the sector, such as the National Animal Health Forum, the Agricultural Business Chamber as well as the Consumer Goods Council of South Africa – a non-profit organisation that facilitates engagements on risk, safety, compliance and sustainable issues across consumer goods. Associations and provincial government officials actively involved in promoting South African products with GIs were also identified. On the government side, the duty bearers will be the following departments and key agencies who are important stakeholders (which may play an implementation role): DAFF; the Department of Trade and Industry (the dti); the National Treasury; the Technology Innovation Agency (TIA) which was established in terms of the Technology Innovation Agency Act (26 of 2008) with the objective of stimulating and intensifying technological innovation to improve economic growth and the quality of life by developing and exploiting technological innovations and to provide South Africa with appropriate and effective support for innovation, with high social and economic impact. National Agricultural Marketing Council (NAMC), a statutory body reporting to DAFF, is tasked with increasing market access for all market participants; promoting the efficiency of the marketing of agricultural products; optimising export earnings from agricultural products; and enhancing the viability of the agricultural sector. The Perishable Products Export Control Board (PPECB) is a National Public Entity reporting to DAFF and independent service provider of quality certification and cold chain management services for producers and exporters of perishable food products. The Council for Scientific and Industrial Research (CSIR) a national research organisation established in 1945 through an Act of Parliament and is partly funded using voted funds received as an annual grant through the Department of Science and Technology. DAFF is in the process of establishing a memorandum of understanding with CSIR to guide collaboration between the two entities. Another important stakeholder is the Agriculture Research Council (ARC) established by the Agricultural Research Act 86 of 1990 and is a public entity that reports to DAFF with a specific responsibility for conducting research, development and facilitating technology transfer that will promote agriculture and industry. The ARC-Onderstepoort Veterinary Research (ARC-OVR) functions as a strategic facility that serves as the national reference and testing laboratory for animal diseases and meat safety whereas the National Analytical Services laboratories in DAFF are the national reference and testing laboratory for food of plant origin including rooibos tea. The National Metrology Institute of South Africa (NMISA) established in 2006 is a state owned entity responsible for maintaining SI units and to maintain and develop primary scientific standards of physical quantities for the country and comparing the standards with other national standards to ensure global measurement equivalence. The South African National Accreditation System (SANAS) under the dti is another key stakeholder responsible for among others promoting the accreditation of calibration, testing and verification laboratories.

1.5 Problem analysis/priority areas for support

Due to a number of factors such as the prevailing socio-economic environment, coordination deficiencies at the national, provincial and local levels, and the persistent negative legacy of apartheid, the agricultural industry in South Africa has not, firstly, fully taken advantage of its potential and, secondly, achieved the levels of inclusive transformation and gender equality desired by the government and other stakeholders. Addressing the challenges that exist in the agriculture sector and, in the context of the EPA, facilitating access to export opportunities (both regionally and with the EU) by small and emerging farmers will accelerate transformation and employment creation in the industry.

To this end, it is necessary that the action takes cognizance of these and other structural challenges of the industry that exist. Prior engagements with various stakeholders revealed three broad themes that should be targeted for the action that, if addressed, could have a substantive and sustainable impact on the industry. These are: improving quality infrastructure, enhancing responsiveness to the opportunities offered by the EPA and strengthening public-private dialogue around EPA. These themes are discussed below.

1.5.1 Weaknesses in quality infrastructure

In terms of the infrastructure challenges that exist, issues such as the lack of policy implementation, the absence of or outdated SPS measures, infrastructure and capacity were identified as serious barriers for South African agriproducts to access the EU market, which regularly fail to meet the required public health and sanitary standards. Certain products therefore cannot be exported to the EU e.g. poultry, red meat and dairy; or the costs to export are higher due to the reliance on alternative systems, such as

expensive international testing facilities, as is the case with ratite (e.g. ostrich) meat. There are also increased risks of outbreak of diseases, impacting the entire agriculture value chain and the economy. A recent outbreak of FMD has led to the suspension of South Africa's FMD-free status and halting of the exports of a wide range of agricultural products.

The European Commission's Directorate General for Health and Food Safety (SANTE) undertook 15 audits across 9 areas in South Africa between 2008 and 2017. The recent audit on game meat, which resulted in South Africa being delisted for export of farmed game to the EU, identified a number of shortcomings, in most cases common to other animal commodities, which included lack of an effective livestock identification and traceability system (for FMD), the use of unsuitable laboratory analytical models, the failure to get samples tested in time, and the failure to carry out certain tests and testing for all the required substances. In spite of the importance that quality infrastructure holds, it is noted that the programme will not have sufficient resources to directly finance physical infrastructure. Therefore, it is key that the strategic focus is placed on piloting of the policy implementation (e.g. around a livestock identification and traceability system and revitalisation of the infrastructure of reference laboratories), regulation (e.g. protection of GIs) and processes and systems (e.g. integrated electronic foodborne hazards surveillance system for food laboratories and residue control implementation).

1.5.2 Limited responsiveness to opportunities under the EPA

Three main challenges were identified in this theme: lack of awareness about the technical requirements needed to take advantage of the of EU-SADC EPA by targeted beneficiaries (potential exporters, communities and civil society organisations (CSOs), a non-existent EU-SADC EPA monitoring system in South Africa, and slow implementation. The low responsiveness to the opportunities under the EPA is considered to broadly encompass issues related to the absence of technical assistance/institutional mechanisms that promote access to the EU export market, especially among small holder farmers. Addressing these challenges will contribute to stronger trade relationships between the EU and South Africa.

The absence of a monitoring system for tracking EU-SADC EPA implementation is also significant as it compromises the success of any planned interventions. Lastly, slow follow through on the required systems, regulations and legislation for implementation further translates into missed opportunities to increase export opportunities (both regionally and to the EU) and taking advantage of preferences under the EU-SADC EPA that include full exploitation of the cumulation principle; as well as exacerbating uncertainty on the current status of implementation of some EPA provisions e.g. Tariff Rate Quotas (TRQs), GIs protection.

1.5.3 Capacity Challenges

When engaging with stakeholders outside of DAFF and the dti, key capacity challenges identified were weak private sector organisations and civil society groups, limited public-private dialogue (PPD) processes (limited accountability and transparency), and staffing gaps in some crucial areas, such as production animal and veterinary experts working for government. These capacity issues translate into causal effects of no mutually agreed EPA national implementation plan, little to no follow through on issues discussed in PPD platforms and as a result the PPDs failing to generate solutions that address missed opportunities to promote trade, and specifically in relation to veterinary experts – an inefficient implementation of SPS requirements.

1.6 Other areas of assessment

1.6.1 Fundamental values

South Africa has a strong framework for adherence to the fundamental values of democracy, human rights, and the rule of law. It has also ratified all the main international human rights conventions and the ILO's eight fundamental conventions covering fundamental principles and rights at work, including freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, and the elimination of

discrimination in respect of employment and occupation¹⁶. With respect to democracy, peaceful periodic democratic elections are held in respect of national laws and international standards. Constitutional/democratic institutions function well; and checks and balances are in place. A strong civil society and media significantly contribute to pluralism, oversight and accountability.

With respect to the rule of law, the Constitution provides for the separation of powers, the Judiciary is independent and impartial, and the Bill of Rights (Chapter 2 of the Constitution) is widely regarded as one of the most progressive in the world and includes all civil and political rights as well as justiciable socio-economic rights. The European Commission's overall assessment of the fundamental values is positive despite some inherent problems linked to young democracies. The political debate at all levels and amongst all strata of the society on the underlying principles, while at times chaotic, remains open and free.

1.6.2 Macroeconomic policy

Socio and economic progress achieved by the country during the mid-2000s i.e. reduction of poverty, increased access to education, health, social housing, water/sanitation and electricity, decline of unemployment, government debt below 30% of gross domestic product (GDP), increased foreign exchange reserves, have undoubtedly been eroded and offset over a period of time.

The December 2017 political transition offered opportunities and hope to advance crucial socio-economic reforms and put back the country on a growth path. To that effect, South Africa can rely on very resilient institutions such as the National Treasury, the Reserve Bank, the Auditor General Office, the Revenue Service, a very sophisticated and robust financial and banking system amongst the finest in the world, a Judiciary that gives the State the legal stability and of course the Constitution.

On 21 September 2018, the President presented the Economic Stimulus and Recovery Plan. Some of the measures included re-prioritisation of ZAR 50 billion of public spending, infrastructure spending, change in the visa regime, revised mining charter, improved business enabling environment and agreement on a social compact between labour and business with the focus of Jobs and Investment Summits in 2018, and enhancing the fight against corruption, state capture and illicit financial flows.

The timing of these announcements coincided with a pre-electoral period leading to the Presidential elections of 2019. However, it is expected that actions to combat corruption and the erosion of institutional capacity will be pursued in earnest following the national elections in May 2019.

Key indicators trend table (adapted) - Source: IMF Art IV – July 2018

Indicator	2014	2015	2016	2017 Est.	2018	2019 (Proj.)
Real GDP (% change)	1.8	1.3	0.6	1.3	1.5	1.7
GDP per capita (% change)	0.3	-0.3	-0.1	-0.3	-0.1	0.1
Inflation rate (annual average)	6.1	4.6	6.3	5.3	4.9	5.3
Unemployment rate	25.1	25.4	26.7	27.5	27.9	28.3
Investment (% GDP) (public and private) including inventories	20.5	21.1	19.4	18.6	18.5	18.7
Total revenue (% GDP) and grants	27.9	28.4	28.7	28.3	29.3	29.7
- Tax revenue (% GDP)	24.2	24.7	25.1	24.6	25.6	26.0
- Non-tax revenue (%GDP)	0.4	0.3	0.3	0.3	0.3	0.3
- Provinces, Social Security and others	3.4	3.4	3.4	3.4	3.4	3.4
Total expenditures (% GDP)	31.9	33.1	32.7	33.0	33.3	33.6
- Current Expenditure	28.0	28.5	29.1	29.2	29.7	30.0
-- Wages and Salaries	11.3	11.5	11.6	11.7	11.7	11.7
-- Other G&S	4.8	4.7	4.9	4.8	4.6	4.6
-- Interest	3.1	3.4	3.6	3.7	3.9	4.0
-- Transfers	8.8	9.0	9.1	9.2	9.6	9.8

¹⁶ The eight fundamental ILO conventions are: Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); Right to Organise and Collective Bargaining Convention, 1949 (No. 98); Forced Labour Convention, 1930 (No. 29); Abolition of Forced Labour Convention, 1957 (No. 105); Minimum Age Convention, 1973 (No. 138); Worst Forms of Child Labour Convention, 1999 (No. 182); Equal Remuneration Convention, 1951 (No. 100); Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

- Capital expenditure	3.8	3.8	3.4	3.4	3.3	3.2
Overall Balance	-4.0	-4.7	-4.0	-4.8	-4.0	-3.9
Financing (% GDP)	4.0	4.7	4.0	4.8	4.0	3.9
- Domestic Debt	4.2	3.9	3.6	3.2	3.3	3.4
- External Debt	0.2	-0.1	0.9	0.4	0.4	0.5
Gross debt (% GDP)	46.5	18.9	50.6	53.2	55.5	56.2
DSA rating (if available)						
Balance on G&S (% change)	-1.5	-1.3	0.6	1.4	0.5	0.0
Current account balance (% GDP)	-5.1	-4.6	-2.8	-2.5	-2.9	-3.3
Gross International Reserve (months of imports)	5.9	6.2	5.7	5.6		

1.6.3 Public Financial Management (PFM)

The National Treasury is responsible for managing South Africa's national government finances. Over the next 10 years, National Treasury priorities include increasing investment in infrastructure and industrial capital; improving education and skills development to raise productivity; improving the regulation of markets and public entities; and fighting poverty and inequality through efficient public service delivery, expanded employment levels, income support and empowerment.

Critical reforms such as the Public Procurement and Supply Chain Management, the implementation of the municipal standard chart of accounts (mSCOA), the Integrated Financial Management and Information System (IFMIS), and the change in the accounting system (from cash-based to accrual accounting at national level) continue to be pursued. Capacity building will remain crucial to enable the sustainability of the reform process. The National Treasury will also coordinate efforts to improve the balance sheets of State-owned companies and reduce the risks for the fiscus caused by the ever-increasing contingent liabilities.

The latest PFM assessments include:

The National Public Expenditure and Financial Accountability Assessment (PEFA) 2014: Overall, PEFA 2014 scored slightly better than PEFA 2008 with some slippages related to budget credibility (Performance indicator PI-4) and to predictability and control in budget execution (PI-2110). On the positive side, comprehensiveness and transparency and policy-based budgeting have both improved with better scores for PI-9: Oversight of aggregate fiscal risk from other public sector entities and PI-11: Orderliness and participation in the annual budget process. Discussions are on-going with the National Treasury and development partners to carry out a PEFA in 2019 based on the new framework.

The Provincial PEFA 2015: Overall, the nine provincial PEFA's indicate that provincial governments perform reasonably well, generally mirroring the strengths and weaknesses in PFM systems and processes at national level. Within the 'Public Financial Management Capacity Programme for Improved Service Delivery' that will be implemented as from 2018, a provision has been made for an update of the 2015 Provincial PEFA's.

Auditor-General South Africa: PFMA audit outcomes (2016-2017). For the 2016/2017 financial year, 422 departments and public entities with a total budget of ZAR 1.2 trillion (approximately EUR 80 billion), were audited. National and provincial governments have recorded much-improved audit results, although the Auditor General highlighted the slowness of the auditees in addressing audit recommendations aimed at improving internal control systems, eliminating governance risks and other concerns¹⁷.

In conclusion, the current PFM system in the country and approach to further improvements is not only relevant but coherent with the identified weaknesses. A major challenge remains capacity building in the public service, support for which is included in the AAP 2017 with a new PFM project focussing on Financial Management at local level with a focus on improved service delivery.

¹⁷ Overall, the Auditor General required Auditees to perform the following basics properly and consistently: (i) implementing plans to address deficiencies in financial control, (ii) providing effective leadership and monitoring achievement of performance targets and (iii) reviewing and monitoring compliance with key laws and legislation over financial matters.

1.6.4 Transparency and oversight of the budget

In the latest survey (2017), South Africa has been ranked first, alongside New Zealand, with a score of 89 out of 100 for ‘Transparency’; an improvement of 3 points compared to the 2015 survey. In general terms, South Africa provides the public with ‘extensive’ budget information. Meanwhile, Open Budget Index (OBI) made two recommendations to further improve transparency: (1) increase the information provided in the Executive’s Budget Proposal by including more data on the financial position of the government; and (2) increase the information provided in the Year-End Report by including more information on the comparisons between planned revenues and actual outcomes and comparisons between the original macroeconomic forecast and the actual outcome.

‘Public Participation’ in the budget process remains as in many other countries the most problematic issue. OBI considers that South Africa provides few opportunities for the public to engage in the budget process with a score of 24/100 (New Zealand scored 59/100). While this score appears to be low, it is twice higher than the global average and the highest in the region.

In conclusion, the budget transparency and oversight of the budget eligibility condition for the budget support programme is met.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Lack of inter departmental and agency coordination.	M	Identifying relevant persons within departments and agencies who are willing to act as champions in the implementation of the programme.
Lack of intra-departmental coordination and capacity.	M	Integration or establishment of a framework in which there is coherence in implementation of different policy iterations concerning agriculture, including the APAP, Operation Phakisa and the relevant parts of the NDP.
Occurrence of a major unexpected disease outbreak and or adverse weather conditions that negatively impact on production of quality agricultural commodities for export.	M	South Africa has a Disaster Risk Management strategy which includes a cross-border disease management contingency plan and early warning systems and rapid response mechanisms. In the event of the occurrence of unexpected major disasters, the government will activate contingency plans in coordination with the private sector.
Lack of interest of Civil Society Organisations to advocate and engage in public-private dialogue.	L	Communication activities and information sessions will be used to inform a wide range of CSOs of the opportunities and procedures. Special attention will be paid on reaching different CSOs including those representing women and rights of people living in vulnerable/marginalised situations. An efficient participatory platform/mechanism will be in place to ensure meaningful participation.
Assumptions		
<ul style="list-style-type: none"> • Full DAFF and the dti political commitments, technical participation and coordination. • Adequate human resources, for example, immediate assistance would be needed in capacitating the veterinary services directorates. • Government agreement on the identification of a project with a potential for huge impact, such as a livestock traceability system (mitigating the risk in that there will be fewer persons and departments involved and the funds can be easily accounted for). • The dti works closely with DAFF on areas of mutual concern. • The National EPA Implementation Plan is in place. • Other non-tariff barriers do not hinder the implementation of the Action. 		

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

Some of the important lessons learnt from previous cooperation programmes such as the *Risk Capital Facility*, *Innovation for Poverty Alleviation Programme*, *Employment Creation Programme*, the *Local Economic Development Programmes*, the *National Development Policy Support Programme* and other grant funded projects are: (i) to enhance sustainability of the project, developing links with various relevant government departments is strongly encouraged; however, the programme structure and governance has proven to be crucial for implementation purposes, with for instance the *Risk Capital Facility* structure having proven to be very effective with implementation through a specialised entity but linked to the South Africa government; (ii) job creation can be enhanced through innovation, utilisation of research results and better access to technology; (iii) having a partnership with private sector actors in the project usually increases a project's chances to be successful and sustainable; and (iv) the relevance of targeting quality indicators in addition to quantitative ones; and (iv) projects should include the development of agreements between upstream and downstream segments of the value chains targeted at their outset in order to ensure a fair distribution of value.

Specific lessons drawn from the Partnership Instrument (PI) programme *Economic Partnership Agreement Outreach* are: (i) a mandatory deliverable of the project, to establish a project steering committee bringing together the Consultants, EU Delegation, the dti, DAFF, Department of International Relations and Cooperation (DIRCO), and South African Revenue Service (SARS) served as a platform to routinely deliberate and agree on the deliverables and strategy, allowing for full ownership. The exercise also had positive spill-over effects on broader trade relationships with South Africa by ensuring a common understanding and way forward regarding many aspects of the EU-SADC EPA; (ii) in an effort to relay the potential the EPA offers for South Africa while ensuring that South African government representatives were part of the process, the project made use of media (brochures, op-eds, website), forums (engaging relevant stakeholders, specifically civil society), and workshops and trade events (engaging business representatives).

3.2 Complementarity, synergy and donor coordination

There are no donors providing direct support to South Africa for the implementation of the EU-SADC EPA. Besides the EPA Outreach Programme mentioned above, the programme is complementary and has synergies with the ongoing Small, Medium and Micro-sized Enterprises (SMMEs) Support Programme, the recently approved Wines and Spirits Programme and EU-SA Strategic Economic Partnership Programme (SASEP) funded through the PI. Though broader than the EPA and mainly achieved through visibility actions, one of the main objectives of the SASEP is to continue with the successful partnership with dti, SARS and DAFF from the EPA Outreach Programme.

Synergies with the *Employment Promotion through SMMEs Support Programme* are also foreseen in the following activities: (i) Increasing access to finance for SMMEs; (ii) Provision of Business Development Services support to SMMEs in targeted value chains; and (iii) Analysis and development of agri-business value chains. There is also synergy with the *SWITCH Africa Green* and its *Green Business Development Component*. Moreover, the programme is targeting sustainable supply chain management in the agricultural sector and adherence of Local Good Agricultural Practices (GAP). Lessons learnt from promotion and training in GAP, and Sustainable Consumption and Production in primary food and beverages production, food processing, etc., could be relevant to this action.

As mentioned above, although no direct support to South Africa for the implementation of the EU-SADC EPA currently exists, there are a number of regional programmes that are supporting EPA implementation in SADC Member States.

The EU supports region-wide interventions through the EDF-funded *Regional Indicative Programme for Eastern, Southern Africa and the Indian Ocean (RIPES&IO) [2014-2020]* – namely, for example, to specifically support the operationalisation of the SADC regional Agricultural Policy. Although South Africa cannot financially access EDF-funded interventions, the country has however participated in regional processes to develop a number of implementation mechanisms for the EU-SADC EPA, including a Regional EU-SADC Implementation Strategy, Regional Communication and Visibility Strategy and EU-SADC EPA Monitoring and Evaluation Framework and System. Moreover, this programme was informed

and designed in synergy with EPA implementation support programmes developed in the other countries party to the EU-SADC EPA, which could also indirectly benefit South Africa.

Complementarity is also foreseen with the Department for International Development (DFID) UK Africa Food Trade and Resilience programme whose objective is to stimulate increased regional food trade. The programme has a specific EPA component for the region. In addition, there will be complementarity with a new German Development Cooperation (GIZ) global project operating under the title *Supporting sustainability aspects in the implementation of EU Economic Partnership Agreements*. This GIZ programme was established in May 2017 with the overall objective to foster EPA implementation by regional organisations, their member states, the private sector and civil society in a way that supports sustainable development. The project operates cross-regionally, with a focus on Southern Africa (EU-SADC EPA) and the Caribbean (CARIFORUM EPA).

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The overall objective of the Action is ‘Increased, sustainable and inclusive economic growth with higher employment in South Africa’. The Action will focus on improving the capacities of Government of South Africa to meet the required Codex, OIE and EU directives regarding animal and plant health (SPS issues) and public health standards – thus focusing on support to the agricultural sectors implementation of the EU-SADC EPA. The strategic interventions will address three key areas: Quality infrastructure, EU-SADC EPA awareness and Capacity building.

Specific Objective 1: To unlock challenges related to quality infrastructure and technical capacity in agricultural value chains that are throttling exports to the EU

Quality infrastructure is defined as a system contributing to governmental policy objectives in areas including industrial development, trade competitiveness in global markets, efficient use of natural and human resources, public health, the environment and climate change (UNIDO). A systems approach is proposed to allow this programme to support aspects related to policies and ‘soft’ infrastructure (e.g. human capacity, systems, regulations). The main gap identified by stakeholders is the slow pace in implementation of government policies and a failure to comply to the sanitary and phytosanitary requirements for agricultural products in accessing foreign markets and in particular the EU.

Some specific issues that are being considered for action in this area include the following: support for foot and mouth disease control through the piloting of a livestock and products identification and traceability system, support for national reference laboratories that currently service the country and SADC region, strengthened public-private partnerships in the areas of SPS traceability for livestock and food, support for the establishment of an SPS Risk Assessment centre that can assist the SADC region with expertise, support for the implementation of the National Chemical Residue Control and Monitoring and Microbial Monitoring Programmes for export products.

Expected induced outputs for Specific Objective 1 are:

- i. Enhanced delivery of relevant traceability services, including public-private partnerships, that allow for surveillance, detection, response and control of animal diseases.
- ii. Improved capability and overall capacity and management of public health through effective microbial and chemical residues testing in South Africa.
- iii. Comprehensive response to the EU and OIE audit reports’ recommendations.
- iv. National EPA Implementation Plan (NEIP) for South Africa developed and presented to the EU.
- v. Improved intra and interdepartmental coordination mechanisms for implementation of NEIP.

Specific Objective 2: Emerging exporters of agricultural products and those with recognised geographical indications increasingly respond to opportunities under EPA.

There has been some progress made in increasing awareness of the EPA among South African exporters since it entered into force in 2016. There remain however, some areas where improved systems are required to ensure accountability and transparency of the processes required for EPA implementation. For example:

- The utilisation of tariff-rate quotas (TRQ) available under the EPA could increase, particularly by SME and emerging exporters, including those that are owned and employ women;

- Emerging exporters do not have the same level of awareness of opportunities under the EPA as established producers so additional activities to support them in key agricultural sectors could be designed in conjunction with the NAMC and relevant industry associations;
- Implementation of the South African legislation on GIs will require resources for capacity building of designated assignees;
- Associations representing products with recognised GIs under the EPA could be supported to ensure the necessary EU registration processes are completed, benefit sharing arrangements are concluded, IP is protected, and there is increased marketing of the products.

The effective implementation of the EPA in South Africa needs to be underpinned by engagement between the government, private sector and civil society. There are a number of existing public-private dialogue platforms (e.g. National Animal Health Forum, Livestock Welfare Coordinating Committee (LWCC), The National Laboratory Association – South Africa (NLA-SA), Fruit SA, Consumer Goods Council of South Africa (CGCSA), South Africa Women's Agricultural Union and others) that could benefit from strengthened capacity. This would assist in also monitoring the implementation of the Agreement in South Africa, which could in turn feed into the regional process.

Expected induced outputs for Specific Objective 2 are:

- Improved targeting and implementation of support on inclusive utilisation of TRQs and other opportunities by South African exporters.
- Enhanced support to export-ready SMEs and emerging producers (women and black owned) to take advantage of EPA opportunities and procedures.
- Improved services on registration of products with recognised GIs (including in EU database), as well as better marketing strategies and supporting legislation developed in South Africa.
- Increased engagement with impacted communities, including San and Khoi, about their rights and opportunities to access markets, especially with regards to certain products protected by GIs.

Direct Outputs of the Action are as follows:

- Policy dialogue events
- Programme Steering Committee established and providing strategic guidance
- Programme Evaluation undertaken

Direct outputs of the complementary support will be:

- Enhanced and inclusive public-private dialogue on EU-SADC EPA implementation in South Africa.
- Strengthened capacity of DAFF to implement trade policy in relation to agricultural products.
- Cross-cutting issues streamlined into the DAFF policy preparation, monitoring and evaluation process in support of implementation of the EPA.

4.2 Intervention Logic

Given the close trade relations that presently exist between the EU and South Africa, and in light of the potential for the expansion of this cooperation identified in the EPA, it is necessary to address the structural barriers that exist. Interventions such as the piloting of better laboratories, marketing of opportunities that exist under the EPA, and the education of the private sector, civil society organisations and impacted communities are fundamental in creating the foundation for the achievement of the overall objective.

Accreditation, better monitoring of GIs, and the improved capacities of government, communities and entrepreneurs will collectively lead to the conditions necessary for more trade in a sustainable and ethical way that will lead to increased, sustainable and inclusive economic growth with higher employment for South Africa. In addition, the action will also take into account regional integration, which can also be a major driver for growth and support in the agricultural space (including within the context of regional and continental efforts on trade, investment and migration).

The government is committed to pursuing a development agenda that should ensure inter-agency coordination and cooperation take place where necessary and complementary support from the programme will support it, including through building capacity for providing the necessary quality infrastructure. Further, the private sector, while being a beneficiary, will also need to play a crucial role. Overall, effective implementation of the EU-SADC EPA in South Africa, supported with appropriate accompanying measures, will go a long way in delivering on the objectives of the NDP and bring value to the EU-South Africa Strategic Partnership.

To achieve the results, there are a number of assumptions that have been outlined under section 2. The main underlying assumption is that there is economic stability, which will provide for increased private sector investment, leading to more exports that will generate employment opportunities. Other assumptions are that inter-departmental coordination will improve and there are increased government efforts to address trade bottlenecks in areas that are not supported by this Action.

4.3 Mainstreaming

Gender equality is not a target but gender, environment and youth issues are important for the programme and will be mainstreamed as set out below in line with South African Government policies and structures.

- **Gender equality and women's empowerment.** This action will have a gender-transformative approach in line with DAFF's Sector Transformation Agenda¹⁸ as well as the European Commission Directorate General for International Cooperation and Development (DEVCO) Guidelines 'Because Women Matter'. Activities will ensure the participation of women and previously disadvantaged persons. Many of the agriculture sector programmes have mainstreamed gender throughout their transformation agendas.
- **Environment/climate change.** Special attention will be paid to mainstreaming environment and climate change related issues, through encouraging growth and job creation in the agriculture sector in the green economy, and by ensuring that supported activities do not negatively affect the environment and apply low-carbon choices. GIs can be drivers for rural transformation leading to more sustainable development. Sustainable land-management, soil and biodiversity protection, and application of good and climate smart agricultural practices will also contribute positively to climate change.
- **Youth development and participation.** The agriculture sector has adopted capacity building initiatives that target unemployed youth.

4.4 Contribution to Sustainable Development Goals (SDGs)

This intervention is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all and decent work for all, and SDG 10 - Reduce inequality within and among the countries; which act as the principle SDGs for this programme. The programme will also contribute to several other SDGs such as SDG 1 - End poverty in all its forms everywhere; SDG 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture; SDG 5 - Achieve gender equality and empower all women and girls; and SDG 6 - Ensure availability and sustainable management of water and sanitation for all, and SDG 12 - Ensure sustainable consumption and production patterns; and 17 - Strengthen the means of implementation and revitalise the global partnership for sustainable development; while also contributing to.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

¹⁸ <https://www.DAFF.gov.za/DAFFweb3/Branches/Food-Security-Agrarian-Reform/Sector-Transformation>

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for the budget support component is EUR 8 500 000, and for complementary support is EUR 1 500 000. This amount is based on a broad qualitative assessment of the following elements:

- **Financing needs:** Based on the policy supported and the use of Official Development Assistance (ODA) funding for piloting new approaches for policy making not otherwise feasible with national budget due to fiscal constraints and perceived risk on the nature of actions. The Government of South Africa has allocated significant national budget resources to the agriculture sector¹⁹ and, through implementation of Operation Phakisa, it is anticipated that there will be increased involvement of the private sector and civil society in driving the agenda for transformation in agricultural sector. Despite the significant financial commitments, levels of innovation in the sector are still low and much more needs to be done to improve and strengthen the engagement of the private sector as well as civil society to achieve results especially with respect to the increase in export of goods to external markets in the region as well as to the EU. The potential impact and value for money that can be realised through this support is significant.
- **Management capacity:** The National Treasury has issued a document reflecting the commitment of the overall management capacity of the government to ensure proper application of Budget Support funds in South Africa.
- **Ownership:** Government entities receiving support from this programme must reflect their allocations in their annual performance plan, budget overview and Medium-Term Expenditure Framework.
- **Transparency:** The funds are released to the South African government, through the Reconstruction and Development Programme Account, when the agreed conditions set out in the Financing Agreement have been met. The Auditor-General of South Africa audits the financial statements.
- **Monitoring and Evaluation:** South African systems of monitoring and evaluation are used to assess the performance of activities funded under the programme.
- **Track record and absorption capacity of past disbursements and how effectively agreed objectives were achieved with budget support operations:** being risk-taking and added value pilot activities, aiming at introducing evidence-based policy reforms, the absorption capacity is generally slower than in the implementation of the Department ‘business as usual’ activities.

5.3.2 Criteria for disbursement of budget support

- a) The general conditions for disbursement of all tranches are as follows:
 - Satisfactory progress in the implementation of the Agricultural Policy Action Plan 2015-2019 and its successor (currently being finalised and possibly covering the period 2020-2024), the South African Veterinary Strategy 2016-2026 and the continued credibility and relevance thereof;
 - Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances;
 - Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme;
 - Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.
- b) The performance indicators for disbursement that may be used for variable tranches are the following:
 - **KPI 1:** Number of animals individually identifiable and traceable;
 - **KPI 2:** Number of samples tested for microbiological contamination and chemical residue levels at facilities targeted for export to the EU;

¹⁹ National Treasury Budget allocation to DAFF is approximately ZAR7.7bn (approximately EURO .5bn) for the 2019/2020 fiscal year

- **KPI 3:** % of TRQs used by South African exporters to the EU;
- **KPI 4:** Number of official laboratories capacitated with accredited testing methods for agriculture products for export to the EU market;
- **KPI 5:** Number of requests for market access to the EU by South Africa for agriculture products;
- **KPI 6:** National EPA Implementation Plan (NEIP) developed and presented to the EU.

The chosen performance indicators and targets to be used for disbursements will apply for the duration of the action. However, in duly justified circumstances, National Treasury may submit a request to the Commission for the targets and indicators to be changed. Note that any change to the targets should be agreed ex-ante at the latest by the end of the first quarter of the assessed year. The agreed changes to the targets and indicators shall be agreed in advance and may be authorised in writing (either through a formal amendment to the financing agreement or an exchange of letters).

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support is provided as direct untargeted budget support to the National Treasury. The crediting of the euro transfers disbursed into Rand will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

Support is provided as both fixed and fixed/variable tranches. The indicative disbursement table, utilising the South African financial year (April to March), is given in the table below:

Indicative timetable of disbursements of budget support (million EUR)

	FY 2020/21				FY 2021/22				FY 2022/23				Total
	Quarters				Quarters				Quarters				
Type tranche	1	2	3	4	1	2	3	4	1	2	3	4	
Fixed				2.0				3.25					5.25
Variable				1.0								2.25	3.25
Total				3.0				3.25				2.25	8.5

One of the key deliverables for the Action is the development of the NEIP for South Africa and its presentation to the EU. The deliverable was included because the NEIP, a vital instrument that facilitates implementation of the EPA, is currently not in place in South Africa and its importance to the EPA is the basis for its selection as a KPI. The choice to categorise the KPI as a variable tranche was necessitated by the need to incentivise the South African government into fastracking the development of the plan which has been delayed. This incentivisation informs the linkage of the KPI to the proposed variable tranche disbursement at the end of the first FY. The other deliverables of the Action feed into the NEIP in some manner, with all the KPIs collectively contributing towards supporting implementation of the EPA in South Africa. Critically, the duration of the Action is comparatively short and sufficient time is required before progress for the other KPIs can be measured. It is for this reason that payment for the final variable tranche has been scheduled for the last year of the Action.

5.4 Implementation modalities for complementary support to budget support

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures²⁰.

²⁰ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.4.1 Procurement (direct management)

A Technical Assistance Team (TAT) will be established within the responsible department of the partner country. The TAT will be responsible for providing TA that will, amongst others, focus on capacity building and the provision of technical expertise to support implementation of the programme by DAFF and its partners, as well as the achievement of the Direct Outputs and mainstreaming targets.

Subject	Indicative type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance	Service	1 - 2	1st Quarter of 2020

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (EUR)
5.3 Budget support – Sector Reform Contract	8 500 000
5.4 Complementary support (Direct management – procurement)	1 250 000
5.9 – Evaluation 5.10 - Audits	200 000
5.11 – Communication and visibility	50 000
Totals	10 000 000

5.7 Organisational set-up and responsibilities

The project will be implemented under a Financing Agreement to be signed between the Government of South Africa and the European Commission. Prior approval will be sought to initiate the procurement of the Technical Assistance via a suspensive clause ahead of the finalisation of the Financing Agreement between the EU and the Government of South Africa.

DAFF will have the responsibility of implementing this project, in partnership with entities such as the Technology Innovation Agency (TIA) and National Agricultural Marketing Council (NAMC), and it will ensure close coordination of project activities and in this regard will be in close contact with the various other ministries, departments and organisations involved with and benefitting from the project activities.

A Programme Steering Committee (PSC) shall be set up to oversee and validate the overall direction and policy of the project. The PSC shall meet at least twice a year. The Committee will be Chaired by DAFF. Members of the PSC shall include representatives of DAFF, and the dti. State-owned Entities as well as representatives of CSOs or private sector organisations that are involved in the implementation of the programme shall also have a seat on the PSC. A representative of the EU Delegation and National Treasury (International Development Cooperation Directorate) shall also be a member of the Committee but without voting rights.

The sector policy dialogues shall feed into the dialogue structures existing at bilateral level between the EU and South Africa as well as those under EU-SADC EPA. The dialogues will allow for engagement and knowledge sharing on details of the programme and policy developments and considerations. The dialogues will take place through a variety of means including, but not limited to, the PSC, possible ad-hoc meetings on issues relevant to the achievement of the objectives of this programme, or structured according to working groups on sub-sectors/areas of expertise.

At the implementation level, a TAT will be set up to drive the programme, supplement capacity in DAFF for implementing the programme and provide monitoring reports to the PSC. In particular, the TAT will support the implementation of interventions related to SO2 especially related to facilitating the involvement of the private sector and civil society. This will be done together with DAFF as the key implementing department.

5.8 Performance and Results monitoring and reporting

Performance monitoring by the South African government takes place annually based on a fiscal year that runs from April to March. Mechanisms to conduct monitoring and evaluation are covered in the work of the Departments including National Treasury, Statistics SA and the Auditor General and are overseen by the Department of Performance Monitoring and Evaluation established in the Presidency. Additional data will be sourced from relevant entities such as the South African Bureau of Standards, Department of Agriculture Forestry and Fisheries (DAFF), the dti and agencies. Reports from these entities are issued on an annual basis, with the quantitative and qualitative data made available used to measure achievement against the selected indicators. DAFF also reports in line with government requirements and publishes its annual performance plans and reports in April and September respectively.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the responsibilities that will be established within the implementing partners. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the partner's strategy, policy or reform action plan list (for budget support). Reporting will take place at least twice a year in the form of reports on technical and financial progress against the workplan endorsed by the PSC, which will be presented and discussed at the PSC. Reporting against indicators will be required to be disaggregated according to sex and age, and even further (including disability, location urban/rural, group etc.) when applicable, as far as is possible given the nature of the indicators themselves and in line with the Cabinet requirement that data be disaggregated by gender.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the importance of the action, a mid-term and a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving and learning purposes in particular with respect to the complementary support enabling direct output 2 'Strengthened capacity of DAFF to implement trade policy in relation to agricultural products'.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the pilot being tested.

The evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. The Communication and Visibility Plan of Action and its implementation will be undertaken by the Technical Assistance team under the supervision of the EU Delegation.

The communication and visibility budget will be implemented by way of procurement to be indicatively launched in trimester 3 of Y1. The communication and visibility budget of this Financing Agreement may be pooled with the respective budgets of other Financing Agreements in the context of a larger communication programme.

APPENDIX - INTERVENTION LOGIC TABLE (FOR BUDGET SUPPORT)

	Results chain	Indicators (max. 15)	Baselines (year) Starting point of the indicator(s)	Targets by the end of the budget support contract (year) Intended value of the indicator(s)	Sources of data
Expected impact of the policy (Overall objective)	Overall objective: Increased, sustainable and inclusive economic growth with higher employment in South Africa.	1. Unemployment rate for persons of age 18 years and above, by sex and location urban/rural (%)	1. (Q1 2019 Values for Population 15–64 yrs) Overall unemployment rate: 27.6% Female unemployment rate: 29.3% Male unemployment rate: 26.1%	1 Unemployment rate is reduced by at least 1 percentage point	Quarterly Labour Force Survey (QLFS) documents from STATSSA. APAP progress reports Parliamentary Portfolio Committee reports NAMC Annual Reports
Specific Objective 1	To unlock challenges related to quality infrastructure and technical capacity in agricultural value chains that are throttling exports to the EU.	1.1 Number of requests for market access to the EU by South Africa for agriculture products	1.1 Zero	1.1 One market access request	DAFF annual reports

<p>Specific Objective 2</p>	<p>Emerging exporters of agricultural products and those with recognised geographical indications increasingly respond to opportunities under EPA</p>	<p>2.1 % change in SA exports of agriculture products to the EU measured in tonnes and ZAR</p>	<p>2.1 15,65% increase from 2017 to 2018 in terms of value (ZAR)²¹</p> <p>Exports to EU (2018) R40,292,085,792.00²²</p> <p>Volume in Tonnes, 2018: EU - 2 249 444 Tonnes</p> <p>Volume in Litre, 2018: EU – 367 704 086,8 L</p> <p>Volume in number of units: EU – 9 017 154</p> <p>Aggregated HS Chapters I-XXIV (Sections I-IV)</p>	<p>2.1 1% point increase from 2018 level in terms of value (ZAR)</p>	<p>Export data from STATSSA/SARS (where applicable)</p> <p>Export data queried from SARS via Trade Statistics Data portal. https://tools.sars.gov.za/tradestatsportal/data_download.aspx</p> <p>Cumulative Bilateral Trade Reports: https://www.sars.gov.za/ClientSegments/Customs-Excise/Trade-Statistics/Pages/Merchandise-Trade-Statistics.aspx</p> <p>DAFF Directorate of Statistics and Economic Analysis</p>
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²¹ Data extracted from SARS, Cumulative Bilateral Trade Reports, 2017 and 2018. Aggregated value of agricultural exports of HS Sections I to IV (Live animals; Vegetables; Animal or vegetable fats; and Prepared foodstuffs) for EU group of countries.

²² Data extracted from SARS, Cumulative Bilateral Trade Reports, 2017 and 2018. Aggregated value of agricultural exports of HS Sections I to IV (Live animals; Vegetables; Animal or vegetable fats; and Prepared foodstuffs) for EU group of countries.

Induced Output 1 (SO1):	Enhanced delivery of relevant traceability services, including public-private partnerships, that allow for surveillance, detection, response and eradication of animal diseases.	1.1.1 Number of animals individually identifiable and traceable	1.1.1 No animals on a national system for individual animal identification and traceability	1.1.1 Target to be defined during programme inception	1. DAFF annual reports. 2. DST reports. 3. dti agencies' reports
Induced Output 2 (SO1):	Improved capability and overall capacity and management of public health through effective microbial and chemical residue testing in South Africa	1.2.1 Number of official laboratories capacitated with accredited testing methods for agricultural products for export to the EU market	1.2.1 One official laboratory with accredited testing methods for products for export to the EU market	1.2.1 Two official laboratories capacitated with accredited testing methods for products for export to the EU market	DAFF annual reports
Induced Output 3 (SO1):	Comprehensive response to the EU audit report recommendations.	1.3.1 Number of samples tested for microbiological contamination and chemical residue levels at facilities targeted for export to the EU	1.3.1 400 samples tested for chemical residues and unknown number of samples tested for microbiological residues	1.3.1 800 samples tested for microbiological contamination and/or chemical residues	National Chemical Residues Control Programme report National Microbiological Monitoring Programme report
Induced Output 4 (SO1):	National EPA Implementation Plan for South Africa (NEIP) developed and presented to the EU	1.4.1 NEIP developed and presented to the EU	1.4.1 No NEIP	1.4.1 NEIP developed and presented to the EU by end of FY1-1	NEIP
Induced Output 5 (SO1):	Improved intra and interdepartmental coordination mechanisms for implementation of NEIP	1.5.1 Progress in implementation of the NEIP in the agriculture sector	1.5.1 No NEIP	1.5.1 To be determined during programme inception ²³	Progress report on implementation of NEIP

²³ Targets for the agricultural sector in the NEIP will be determined once the plan is finalised

Induced Output 1 (SO2):	Improved targeting and implementation of support on inclusive utilisation of TRQs and other opportunities by South African exporters, in particular in sectors with high potential for the employment and entrepreneurship of women.	2.1.1 % of TRQs used by South African exporters to the EU	2.1.1 Varying usage rates per product but less than 100% of TRQs used per annum For TRQ application period 01 January 2018 – 31 December 2018 an average of 43,6% of allocated import quotas were used by South Africa for exports to the EU	2.1.1 10% average increase in usage of TRQs used by South African exporters to the EU	EC monthly data European Commission, CIRCABC, Taric and Quota Data & Information, 2018 STATSSA/SARS data DAFF Marketing Directorate
Induced Output 2 (SO2):	Enhanced support to export-ready SMEs and emerging producers (women and black owned) to take advantage of EPA opportunities and procedures.	2.2.1 Amount allocated from statutory levies in agriculture sectors ²⁴ to export promotion and market access	2.2.1 2017 R63.5 million was allocated from the statutory levies to export promotion and market access – equivalent of 12.6% of total levy expenditure	2.2.1 At least 1% point increase from 2017 level in terms of % of total levy expenditure	NAMC Annual Reports
Induced Output 3 (SO2):	Improved services on registration of products with recognized GIs (including in EU database), as well as better marketing strategies and supporting legislation developed in South Africa.	2.3.1 Status of development of procedures for registration and certification of GIs on EU database	2.3.1 Regulations on the recognition of GIs has been published.	2.3.1 50% implementation of published regulations on recognition of GIs	Programme reports
Induced Output 4 (SO2):	Increased engagement with impacted communities, including San and Khoi, about their rights and opportunities to access markets, especially with regards to certain products protected by GIs, in line with the UN Guiding Principles on Business and Human Rights	2.4.1 Number of public-private dialogues held with impacted communities on products protected by GIs under the EPA (participants taking part in the policy dialogue events to be disaggregated by gender, age group and race)	2.4.1 Zero dialogue events held with impacted communities	2.4.1 At least 6 dialogue events are held with impacted communities	Programme reports

²⁴ There are statutory levies for field crop products, horticulture products and livestock products.

Budget Support Contract Direct Outputs					
Direct Output 1:	Policy dialogue events	1.1.1 Number of policy dialogue forums convened	1.1.1 Zero policy dialogue events	1.1.1 Target to be defined during programme inception	Programme reports Policy dialogue event reports
Direct Output 2:	Programme Steering Committee established and providing strategic guidance	1.2.1 Programme Steering Committee chaired by DAFF	1.2.1 Number of PSC meetings	1.2.1 At least two meetings per year	Programme reports Minutes of PSC meetings
Direct Output 3:	Programme evaluation undertaken	1.3.1 Service contract(s) signed	1.3.1 No service contract in place	1.3.1 Programme mid term and final evaluation	Programme reports
Complementary Support Direct Outputs					
Direct Output 1:	Enhanced and inclusive public-private dialogue on EU-SADC EPA implementation in South Africa	1.1.1 Number of regular technical and high-level meetings to review implementation of the EU-SADC EPA	1.1.1 Zero	1.1.1 Target to be defined during programme inception	Programme reports
Direct Output 2:	Strengthened capacity of DAFF to implement trade policy in relation to agricultural products.	1.2.1 Extent to which DAFF led coordination mechanisms enhance trade policy in relation to agricultural products	1.2.1 Zero	1.2.1 Target to be defined during programme inception	Programme reports DAFF Annual reports
Direct Output 3:	Cross-cutting issues streamlined into the DAFF policy preparation, monitoring and evaluation process in support of implementation of the EPA	1.3.1 Number of reports which include explicit and in-depth assessment of cross-cutting issues (gender equality, rights-based approach/minorities rights, climate change/environment)	1.3.1 Zero	1.3.1 Target to be defined during programme inception	Programme reports DAFF Annual reports