



COMMISSION OF THE EUROPEAN COMMUNITIES

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99/0070 (SYN)

Proposal for a

**COUNCIL REGULATION (EC)**

**on development cooperation with South Africa**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

Between 1986 and 1999 the European Community (EC) provided 1085.2 MECU in its aid programmes to South Africa (SA).

The starting point was the *European Special Programme* originally proposed by the European Parliament and adopted by the General Affairs Council in September 1985 to assist the victims of apartheid, financed between 1986 and 1990 from budget line B9530 and between 1991 and 1995 from budget line B7-5070.

As the political situation in South Africa evolved, with the establishment of a democratic government in 1994, the EC adapted the emphasis and modalities of its cooperation. A Commission Delegation was opened, the programme was renamed in 1995 the *European Programme for Reconstruction and Development in South Africa (EPRD)* echoing the new South Africa's own Reconstruction and Development Programme RDP .

In November 1996, the Council adopted Regulation (EC) No 2259/96 on development cooperation with South Africa<sup>1</sup>, referring to a financial amount of 500 MECU for the EPRD from January 1996 to December 1999 and confirming the commitment of the EC to contribute to South Africa's sustainable economic and social development and to consolidate the foundations laid for a democratic society. To implement this cooperation, a Multi-annual Indicative Programme was signed in May 1997, and some 50 individual programmes and projects have been launched since then in sectors like Education, Health, Water and sanitation, Housing, support to Private Sector, to Good Governance, Capacity-building and Regional (SADC) Integration.

Council Regulation 2259/96 expires on 31 December 1999.

The present draft regulation is aimed at expressing the solidarity of the European Union with the efforts of South Africa to manage the difficult and lengthy process of change towards an open and democratic society and the continuity of its support through the pursuit of the EPRD, with a financial allocation of the same magnitude as the previous EPRD.

Meanwhile, the Commission is willing to adapt and improve such support, and therefore proposes some modifications to the 1996/1999 Regulation. Such modifications are considered necessary for several reasons.

First, the context of the EC/SA relationship has been marked by significant new developments:

- Following a decision of the ACP-EU Council in April 1997, South Africa became a qualified member of the Lomé Convention in June 1998, and is negotiating together with the other ACP Countries, the future EU/ACP cooperation agreement. The Commission has indicated in its communication to the Council on the negotiation of a development partnership agreement with the ACP countries (COM/SEC 98/119) that full accession of South Africa should

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<sup>1</sup> OJ L 306, 28.11.1996.

be envisaged. The possibility that South Africa gains effective access to EDF resources from the year 2003 onwards has to be considered, the modalities of such a cooperation having then to be defined in due time. For the time being, this requires that development cooperation between the EC and South Africa should continue to be financed from the General Budget, and should seek as well to be as consistent as possible with the provisions of the Lomé regime, in particular in the case of co-financed (from the EDF and from the EPRD) regional programmes.

- On the basis of Council Directives adopted in June 1995 and March 1996 South Africa just concluded with the EC a Bilateral Agreement on Trade, Development and Cooperation; this Agreement, in its Title V, contains provisions on the aims, priorities, means and methods and implementation of development cooperation which prevail over internal EU legislation and therefore require that the corresponding Articles of the former regulation be amended or adapted where necessary.

Second, the experience and lessons drawn from the EPRD have to be taken into account. In particular,

- the Court of Auditors, in its Report No 7/98, as well as the European Parliament in its comments on the report, put forward a series of recommendations with a view to addressing the difficulties observed, and in particular the slowness of execution, the onerous procedures and the problems in the management and follow-up of the programme; they stress the need for simplified and accelerated procedures, more decentralisation of powers of decision, approval and payments to the South African authorities; for deconcentration from headquarters to the Delegation; for less cumbersome procedures in particular when co-operating with NGOs; the need to launch global evaluations of the EPRD; and the necessity to dedicate more resources to the management of one of the most important cooperation programmes of the European Union;
- the need, also underlined by the Member States, for more focus in the EPRD, in order to enhance the overall coherence of EU assistance, in line with Article 130 of the Treaty and relevant Council Regulations, to have more visibility and impact (in particular in political dialogue with the South African authorities), and to avoid dispersion of resources; therefore, the relevance of concentrating on a limited number of multi-annual sector support programmes. Those programmes would be implemented in coordination with various partners (government Departments, local authorities, NGOs, ...) and combining different types of support (projects as well as direct support to the South African budget when appropriate conditions are met);
- the necessity to organise periodic global evaluations of the EPRD in order to adjust our development cooperation strategy;
- the necessity to accommodate observations from Financial Control on the way to deal with provisions of the Financial Regulations applicable to the General Budget of the European Communities when implementing the EPRD.

The Commission has already taken a series of measures to address these issues, in particular:

- the decision to reinforce the Delegation in terms of staff and of informatics tools for the management and follow-up of programmes;
- reorganisation and rationalisation of Headquarters tasks, in liaison with the establishment of the RELEX Common Service;
- completion and distribution of a guide to procedures intended for the use of beneficiaries;
- reduction in the number of programmes launched each year through concentration of interventions;
- preparation of a global evaluation of the development strategy followed by the European Union in South Africa since 1994. This evaluation will begin in 1999;
- preparation, in liaison with the South African Department of Finance, of a common data base of development operations and programmes with other donors, particularly the Member States;
- organisation, with the South African Government, of annual consultations and of half-yearly reviews of implementation of European Union/South Africa cooperation.

These measures have begun to bear fruit, and it can be seen in particular that in 1997 and 1998 there was a significant improvement in the level of payments. However, it is still necessary to pursue and to reinforce the process now under way in the directions noted above, by adapting the Regulation, which serves as the legal base for cooperation with South Africa:

- in the context of visibility and coherence, by further regrouping European Union interventions in a limited number of sectors of concentration (see Art. 2 and Art. 6.1), and by the establishment of tri-annual programming and regular dialogue with Member States on the strategy to be followed (see Art. 6.1, 6.2 and 6.3);
- in the context of efficiency of operations, and of simplification and harmonisation of procedures, by adapting and clearly defining the activities which are eligible for financing from the budget (see Art. 4.2), by adopting whenever possible the usual procedures of partners (see Art. 7.2) and by simplifying the decision making process (see Art.8.3);
- in the context of decentralisation and deconcentration, by transferring to the Delegation and to the beneficiary the responsibility for certain decisions up to now taken in Brussels (see Art.7.8);

- in the context of reinforcement of resources to ensure a more effective management and follow-up of cooperation, by the creation of additional Local Agent posts in the Delegation (see Financial Sheet Art.10) and the programming of an annual envelope for Technical Assistance (see Art.10).

Therefore, the following Articles have been modified:

- Art. 1 on priorities
- Art. 2 on domains of intervention
- Art. 4.2 on type of expenses
- Art. 6 on programming
- Art. 7 on procedures (point 2. and 8.)
- Art. 8 on comitology
- Art. 11 on entry into force

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**COUNCIL REGULATION (EC)**

**on development cooperation with South Africa**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130w thereof,

Having regard to the proposal from the Commission,

Acting in accordance with the procedure laid down in Article 189c,

Whereas, since the elections of April 1994 and the establishment of a democratic government, the Community has turned towards a strategy of support for the policies and reforms undertaken by the South African authorities;

Whereas the Council has adopted the Council Regulation (EC) No 2259/96 of 22 November 1996 on development cooperation with South Africa<sup>2</sup>;

Whereas this above-mentioned Regulation shall expire on 31 December 1999;

Whereas the Agreement on Trade, Development and Cooperation between the European Community and the Republic of South Africa stipulates in its Chapter VII that financial assistance in the form of grants shall be covered by a special financial facility established under the Community budget, that the Community declares its willingness to maintain its financial cooperation with South Africa at a substantial level, and that it will take the necessary decisions in this respect on the basis of a proposal by the Commission;

Whereas other appropriate instruments could be made available after this Agreement has entered into force, in particular in the framework of the future EC/ACP Cooperation Agreement and the eligibility of South Africa to the European Development Fund,

Whereas the above-mentioned Agreement contains in its Chapter V provisions on aims, priorities, methods and implementation of Development Cooperation with South Africa;

Whereas in the light of the implementation of the Council Regulation (EC) No 2259/96 of 22 November 1996 above-mentioned, and of the Special Report No 7/98 of the Court of Auditors in respect of the European Community Development

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<sup>2</sup> OJ L 306, 28.11.1996.

Aid Programme regarding South Africa (1986-1996), the Council Regulation (EC) No 2259/96 of 22 November 1996 has to be adapted, in particular as concerns simplification of procedures, greater focus on sectoral priorities and decentralised decision-making;

Whereas assistance provided under this Regulation shall be implemented in coherence with actions of other donors, including multilateral institutions,

Whereas Council Decision 87/373/EEC of 13 July 1987<sup>3</sup> lays down the procedures for the exercise of implementing powers conferred on the Commission and the operation of the Committee that shall assist the Commission;

Whereas the operation of this Committee should follow the management procedure or the advisory procedure where the management procedure is not considered appropriate;

Whereas Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the Communities' financial interests<sup>4</sup> establishes a common legal framework for all the fields of the communities' own resources and expenditure;

Whereas Council Regulation (EC, Euratom) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities<sup>5</sup> applies to all areas of the Communities' activity without prejudice to the provisions of the Community rules specific to the different policy areas,

HAS ADOPTED THIS REGULATION:

### *Article 1*

#### **Aims**

The Community shall implement financial and technical cooperation with South Africa to support the policies and reforms carried out by that country's national authorities in a context of policy dialogue and partnership.

The aim of the Community cooperation programme, entitled the 'European Programme for Reconstruction and Development in South Africa', shall be to contribute to South Africa's harmonious and sustainable economic and social development and to its insertion into the world economy and to consolidate the foundations laid for a democratic society and a State governed by the rule of law in which human rights and fundamental freedoms are fully respected.

Within this context the Community shall give priority to supporting operations which contribute to the fight against poverty.

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<sup>3</sup> OJ L 197, 18.7.1987.

<sup>4</sup> OJ L 312, 23.12.1995.

<sup>5</sup> OJ L 292, 15.11.1996.

## *Article 2*

### **Areas of cooperation**

Development cooperation to be carried out under this Regulation will focus mainly on:

- support to policies, instruments and programmes aiming at the progressive integration of the South African economy into the world economy and trade, for employment creation, development of private sector, regional cooperation and integration. In this latter context, special attention will be given to providing support to the adjustment efforts occasioned in the region by the establishment of the free-trade area under the Trade, Development and Cooperation Agreement, especially in the SACU. Promotion of mutual general interest cooperation between European Union and South African businesses may be considered as well;
- improvement of living conditions and delivery of basic social services;
- support to democratisation, the protection of human rights, sound public management, the strengthening of local governments and involvement of civil society in the development process.

Dialogue and partnership between public authorities and non-governmental development partners and actors will be promoted.

Programmes shall focus on fight against poverty, take into account the needs of the previously disadvantaged communities and reflect the gender and environmental dimensions of development.

## *Article 3*

### **Eligibility of cooperation partners**

Cooperation partners eligible for financial assistance under this Regulation shall be national, provincial and local authorities and public bodies, non-governmental organisations and community-based organisations, regional and international organisations, institutions and public or private operators. Any other body could be eligible if so designated by both parties.

## *Article 4*

### **Means, nature of expenses, information on the programme and coordination**

1. The means that may be deployed under the cooperation operations referred to in Article 2 shall include in particular studies, technical assistance, training or other services, supplies and works, and also evaluation and monitoring audits and missions.
2. Community financing in local or foreign currency, depending on the needs and nature of the operation, may cover:

- government budget expenditures to support reforms and policy implementation in the priority sectors identified through a policy dialogue, under the form of direct sectoral budget support;
- investment and equipment;
- in certain cases, and in particular where a programme is implemented by a non-government partner, taking into account the fact that the programme has to aim as much as possible at long term sustainability, recurrent expenditure (including administrative, maintenance and operating costs).

Part of the financing may be channelled, in a targeted manner (e.g. emerging entrepreneurs), in the form of risk capital or interest rate subsidies to European Investment Bank loans.

3. A financial contribution from the partners referred to in Article 3 shall in principle be required for each cooperation operation. That contribution will be requested in accordance with the possibilities of the partners concerned and depending on the nature of each operation. It may be in kind. In specific cases where the partner is either a non-governmental organisation or a community-based organisation, the contribution may not be required.

4. The Commission may take any appropriate step to ensure that the Community character of aid provided under this Regulation is made known.

5. Opportunities may be sought for potential co-financing with other donors, particularly the Member States.

6. In order to achieve the objectives of coherence and complementarity referred to in the Treaty and with the aim of guaranteeing optimal effectiveness of the aid, the Commission may take all necessary coordination measures, notably:

- (a) the establishment of a system for the systematic exchange of information on actions financed or planned to be financed by the Community and the Member States;
- (b) on-the-spot coordination of these actions by means of regular meetings and exchange of information between the representatives of the Commission and the Member States in the beneficiary country.

7. The Commission, in liaison with the Member States, may take any steps necessary to ensure adequate coordination with other donors concerned.

#### *Article 5*

#### **Form of financial support**

Financial support under this Regulation shall take the form of grants.

## *Article 6*

### **Programming**

1. Tri-annual indicative programming based on specific objectives shall be carried out in the context of close contacts with the South African Government and taking account of the results of the coordination referred to in Article 4 (6) and (7). Such a programming should result in aid being focused each year in a limited number of sectors identified amongst those areas referred to in Article 2.
2. In order to prepare for each programming exercise, in the context of increased coordination with the Member States, including on the spot, the Commission shall draw up a recapitulative document on cooperation strategy (Strategy Paper) to be examined by the Committee referred to in Article 8 hereafter referred to as the Committee. This Strategy Paper shall take into account the results of the most recent overall evaluation of operations financed under Regulation 2259/96 and under this Regulation, of other regular evaluations of operations. This document will be discussed at the request of the Commission or one or more Committee members. In that case, where it is not possible to reach a desirable consensus on the Strategy Paper, the Committee shall give its opinion in accordance with the procedure referred to in Article 8.
3. The Commission shall forward a Tri-annual Indicative Programme to be signed by the Commission and the South African Government, drawn up on the basis of that examination, to the Committee for information. An exchange of views shall take place once a year, on the basis of a presentation by the Commission's representative of the general guidelines for the operations to be carried out in the year ahead.

## *Article 7*

### **Procedures**

1. The Commission shall be responsible for appraising, taking decisions on and managing operations conducted under this Regulation, in accordance with the budgetary and other procedures in force, notably those laid down in the Financial Regulation applicable to the general budget of the European Communities.
2. In the specific case of contribution of the EPRD to regional programmes in the SADC area financed from the EDF, this contribution may be utilised following Lomé Convention modalities, provided that the provisions of the Financial Regulation applicable to the general budget of the European Communities are respected.
3. In order to ensure transparency and achievement of the objectives referred to in Article 4 (6), the Commission shall forward project profiles to the Member States and their local representatives as soon as the decision to appraise them has been taken. The Commission shall subsequently update the project profiles and forward them to the Member States.
4. All financing agreements or contracts concluded under this Regulation shall provide for on-the-spot checks by the Commission and the Court of Auditors in accordance with the usual arrangements established by the Commission pursuant to

the rules in force, in particular those laid down in the Financial Regulations applicable to the general budget of the European Communities.

In addition, the Commission may carry out on-the-spot checks and inspections in conformity with Regulation No 2185/96.

The measures taken by the Commission in accordance with the procedure set out in Article 8 shall provide for adequate protection of the financial interests of the European Community in conformity with Regulation No 2988/95.

5. Where operations give rise to financing agreements between the Community and South Africa, such agreements shall stipulate that taxes, duties and charges shall not be borne by the Community.

6. Participation in invitations to tender and contracts shall be open on equal terms to all natural and legal persons in the Member States, South Africa and the other ACP States. Participation may be extended to include third countries in duly substantiated cases and in order to ensure the best cost-effectiveness ratio.

7. Supplies shall originate in the Member States of the European Community, South Africa or the other ACP States. In duly substantiated exceptional cases, they may originate in other countries.

8. Except as otherwise in the present Regulation, contracts shall be signed by the South African Government. In addition, if a contract is not covered by a financing agreement, contracts shall be concluded by the Commission.

In application of Article 111 of the Financial Regulation applicable to the general budget of the European Communities, payments will be made through a local Paying Agent which will be established by agreement between the South African authorities and the Commission, and by whom bank accounts in local currency and EURO will be opened. The Paying Agent must keep a full account of operations on these accounts and submit to the controls of the Commission and the Court of Auditors.

In application of Article 109 of the Financial Regulation applicable to the general budget of the European Communities, a National Authorising Officer may be appointed.

#### *Article 8*

#### **Comitology**

1. The Commission shall be assisted by a Committee, composed of the representatives of the Member States and chaired by the representative of the Commission.

2. The Commission representative shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148 (2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within

the Committee shall be weighted in the manner set out in that Article. The chairman shall not vote.

The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the opinion of the Committee, they shall be communicated by the Commission to the Council forthwith. In that event, the Commission may defer application of the measures which it had decided for a period of not more than one month from the date of such communication.

The Council, acting by a qualified majority, may take a different decision within the time limit referred to in the previous paragraph.

3. By way of derogation to paragraph 2 above, for financing decisions concerning any operation at a cost of over EURO 5 million and below EURO 25 million, or any adjustment of such an operation involving an increase of more than 20 % in the amount initially agreed, and proposals arising for substantive amendments in the execution of a project for which a commitment has already been made, the Committee shall deliver its opinion on the draft within a time limit which the Chairman may lay down according to the urgency of the matter, if necessary by taking a vote. The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the Committee. It shall inform the Committee of the manner in which its opinion has been taken into account.

4. The Commission shall inform the Committee succinctly of financing decisions it intends to take concerning projects and programmes of a value of under EURO 5 million. Such information shall be given at least one week before the decision is taken.

5. Where the increase referred to in paragraph 3 above is more than EURO 5 million but less than 20 % of the original commitment, the Committee's opinion shall be sought by simplified and accelerated procedures.

6. In case of programmes approved by the Committee and financed through tranches relating to more than one financial year, the Commission will take yearly subsequent financing decisions, not exceeding the determined maximum expenditure for the approved programme and in the limit of financial resources made available by the budgetary authority, without further communication to the Committee.

#### *Article 9*

### **Monitoring and evaluation**

After each financial year the Commission shall submit an annual report on implementation of this Regulation to the European Parliament and the Council. The report shall set out the budget turnout with regard to commitments and payments and the projects and programmes financed in the course of the year. It shall contain statistics on contracts awarded for implementing projects and programmes.

In addition the Commission shall monitor progress against each operations' objectives in terms of outputs and outcomes, using objectively verifiable indicators.

The Commission shall regularly *evaluate* operations financed by the Community to determine whether those operations' objectives have been reached and to establish guidelines for improving the effectiveness of future operations. Summaries of *evaluation* reports shall be forwarded to the Member States. Full reports shall be made available to Member States which request them.

By 31 October 2003 and eighteen months prior to the expiry of this Regulation, the Commission shall submit to the European Parliament and the Council an overall evaluation of the operations financed by the Community forming the tri-annual programme 2000-2002 under this Regulation, accompanied if necessary by proposals for amendments to it and in the latter case by suggestions for the future of the Regulation.

#### *Article 10*

##### **Annual appropriations**

The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspective.

Each year the budgetary description will fix a ceiling within the annual appropriation for Technical Assistance contracts to be concluded by the Commission for the carrying out of joint operations for the mutual benefit of the European Communities and of the beneficiary.

#### *Article 11*

##### **Duration**

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities* and shall expire on 31 December 2006.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council*  
*The President*

## FINANCIAL STATEMENT

**1. TITLE OF OPERATION :**

European Programme for Reconstruction and Development in South Africa

**2. BUDGET HEADING INVOLVED :**

B7-3200

**3. LEGAL BASIS :**

Council Regulation (EC) No 2259/96 expiring 31.12.1999  
Proposal for a new Council Regulation in preparation

**4. DESCRIPTION OF OPERATION**

**4.1 General objective**

This budget line is designated to finance the programmes aimed at contributing towards improving the situation of the most disadvantaged groups of the South African society, to South Africa's harmonious and sustainable economic development, and to consolidating the foundations laid for a democratic society and a State governed by the rule of law. This follows from the priorities defined in the framework of the Bi-Lateral Agreement on Trade, Development and Cooperation between the European Union and South Africa.

The EPRD is a continuation of the Special Programme on South Africa, originally proposed by the European Parliament in 1985 and confirmed on several occasions by the European Council. Reflecting the democratic evolution of South Africa, and following the elections in April 1994, the Government plays a full role both as interlocutor to the Commission in the policy dialogue and in project implementation. A role is maintained for the former NGO partners, a minimum of 25% of the annual budget allocation being disbursed through non-government channels.

**4.2 Period covered and arrangements for renewal**

Budget Line B7-3200 is a renewable annual action. The duration of the projects implemented in its framework depends on their features and is normally between three and five years.

## **5. CLASSIFICATION OF EXPENDITURE OR REVENUE**

### **5.1 Compulsory/Non-compulsory expenditure**

### **5.2 Differentiated/Non-differentiated appropriations**

## **6. TYPE OF EXPENDITURE OR REVENUE**

The greater part of all expenditure on this budget line is for the funding of programmes and projects designed to address the development problems as outlined above. The level of funding of an action varies dependent on the implementing agency, up to 100% in the case of an NGO implemented project, and as a contribution towards total costs when channelled through government.

Administrative expenditures necessary to execute the programmes and projects – namely Technical Assistance, studies, training, supplies of equipment and works - are also covered as well as costs for project preparation, evaluation and audit.

All expenditure is in the form of grant subsidy.

## **7. FINANCIAL IMPACT**

### **7.1 Method of calculating total cost of operation (relation between individual and total costs)**

The financial reference for the period 1996 – 1999 was 500 MECU, spread equally over the four years, giving an annual allocation of 125 MECU. This amount was increased in 1999 and in 1998 to 127,5 MECU and in 1997 to 127,8 MECU.

In constant ECU/EURO an equivalent amount is envisaged for 2000, 2001 and 2002, under reserve of the budgetary procedure.

| Period        | Financial Year and Reference (in € million) |        |        |
|---------------|---|--------|--------|
| 2000 – 2002   | 2000  | 2001   | 2002   |
|               | 125   | 125    | 125    |
| 2003 – 2005   | 2003  | 2004   | 2005   |
|               | 125   | 125    | 125    |
| 2006 – [2008] | 2006  | [2007] | [2008] |
|               | 125   | [125]  | [125]  |

The question of South Africa's position in the Lomé Convention, either as a qualified member as at present, excluded from access to financing from the European Development Fund, or as a full member, is subject to discussion and negotiation in the context of the future Convention, which could be effective from 2003. Should South Africa be admitted as a full member, the

budgetary resources necessary to pursue development work under the EPRD would no longer be necessary, while it can be envisaged that, for the period of the new EU - ACP development agreement, an equivalent sum would be allocated in the European Development Fund.

## 7.2 Itemised breakdown of cost

The table below concerns payments related to the budgets from 2000 to 2006 and excludes payments to be processed during the same period but concerning previous budgetary years.

|                           | 2000 | 2001 | 2002 | 2003  | 2004  | 2005  | 2006  | Following | Total |
|---------------------------|------|------|------|-------|-------|-------|-------|-----------|-------|
| Commitment appropriations | 125  | 125  | 125  | 125   | 125   | 125   | 125   |           | 875   |
| Payment appropriations    |      |      |      |       |       |       |       |           |       |
| 2000 budget               | 12,5 | 31,0 | 44,0 | 25,0  | 12,5  |       |       |           | 125   |
| 2001 budget               |      | 12,5 | 31,0 | 44,0  | 25,0  | 12,5  |       |           | 125   |
| 2002 budget               |      |      | 12,5 | 31,0  | 44,0  | 25,0  | 12,5  |           | 125   |
| 2003 budget               |      |      |      | 12,5  | 31,0  | 44,0  | 25,0  | 12,5      | 125   |
| 2004 budget               |      |      |      |       | 12,5  | 31,0  | 44,0  | 37,5      | 125   |
| 2005 budget               |      |      |      |       |       | 12,5  | 31,0  | 81,5      | 125   |
| 2006 budget               |      |      |      |       |       |       | 12,5  | 112,5     | 125   |
| Total                     | 12,5 | 43,5 | 87,5 | 112,5 | 125,0 | 125,0 | 125,0 | 244,0     | 875   |

All figures are indicative, based on an average programme implementation period of 5 years, and should be read taking account of:

- the proposed 3-year programme cycle, which has to be agreed with Government,
- the different implementation periods which may be relevant to certain projects financed,
- the difficulties inherent to accurate forecasting of development work in general.

## 7.3 Operational expenditure for studies, experts etc. included in Part B of the budget

It is likely that for the next three years basic social services, support to the private sector, economic development and good governance will remain the most important sectors for EU assistance to South Africa.

As an indication the breakdown for the 1996-1999 programme was Basic Social Services 60%; Private sector support 10%; Good Governance and Democratisation 25%; other 5%. It is probable that the amounts allocated to private sector support and economic development will increase in the new programme.

## **8. FRAUD PREVENTION MEASURES**

Financial correctness is guaranteed by annual audit statements of all concerned accounts. Each contract will contain provisions drawn up to safeguard the interests of the EU in accordance with the Financial Regulation of 13th March 1990 applicable to the General Budget of the European Communities, including on-the-spot checks by the Commission and the Court of Auditors.

Furthermore, the Commission may carry out on-the-spot checks and inspections in conformity with Regulation No 2185/96, and take any other measures deemed necessary for the protection of the financial interests of the European Community in conformity with Regulation 2988/95.

## **9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS**

### **9.1 Specific and quantified objectives; target population**

The tri-annual programmes, beginning with that for 2000-2002, will be designed in close cooperation with the Government. It is envisaged to move from a project-and programme-oriented approach, to a sectoral support programme approach. This will again decrease the number of actions per year, facilitate the administration and closer monitoring of their progress, and result in a clearer and more coherent strategy.

Quantifiable objectives such as the number of beneficiaries or improvement of living conditions, defined with appropriate indicators, are stipulated in each programme.

Wherever possible and appropriate the Commission will continue to insist on a contribution of the targeted group or institution.

### **9.2 Grounds for the operation**

After 5 years, the challenges faced by the South African Government of moving from a transitional period post-apartheid to a sustainable and equitable social and economic system are far from being overcome. The financial support given by the European Union to South Africa can further reinforce democracy and assist the Government to develop policy and to carry out activities which should result in improved living conditions and access to better services for the most disadvantaged communities as well as to facilitate the insertion of the South African economy into the global economy.

This shall be done by the Commission with Budget Line B7-3200 in close collaboration with the Member States and their bilateral cooperation programmes. Donor coordination meetings take place on a regular basis in South Africa.

### 9.3 Monitoring and evaluation of the operation

Article 8 of the Council Regulation establishes a “South Africa Committee” of Member States under the chairmanship of the Commission. This Committee will operate as a management Committee in particular for the discussions of strategy every three years and for financial decisions to be taken above EURO 25 million, and as an advisory Committee for other financing decisions.

There are provisions in Article 9 of the Council Regulation for monitoring the execution of Budget Line B7-3200, for an annual report on implementation to be submitted to Parliament and to Council and for evaluations of individual actions being carried out. The conclusion of evaluations is taken into account when preparing new proposals.

## 10. ADMINISTRATIVE EXPENDITURE (SECTION III, PART A OF THE BUDGET)

### 10.1 Effect on the number of posts

| Type of post                 |          | Staff to be assigned to managing the operation |                 | Source  |                      | Duration            |
|------------------------------|----------|--|-----------------|---|----------------------|---------------------|
|                              |          | Permanent posts                                | Temporary posts | Existing resources in the DG or department considered | Additional resources |                     |
| Officials or temporary staff | A        | 1,25 (VIII)                                    |                 | 1,25 (VIII)   |                      | 7 years (2000-2006) |
|                              |          | 1,25 (SCR)                                     |                 | 1,25 (SCR)  |                      |                     |
|                              |          | 3 (Del)  |                 | 3 (Del)   |                      |                     |
|                              | B        | 1 (VIII)                                       |                 | 1 (VIII)  |                      |                     |
|                              |          | 2 (SCR)  |                 | 2 (SCR)   |                      |                     |
|                              |          | 2 (Del)  |                 | 2 (Del)   |                      |                     |
| C                            | 1 (VIII) |  | 1 (BxI)         |   |                      |                     |
|                              | 1 (SCR)  |  | 1 (SCR)         |   |                      |                     |
|                              |          | 0,25 (Del)                                     |                 | 0,25 (Del)  |                      |                     |
| Other resources              |          |  |                 |   |                      |                     |
| Project officers(LA)         |          | 6,75   |                 | 4,75  | 2 <sup>(1)</sup>     |                     |
| Secretariat (LA)             |          | 6,5  |                 | 4,5   | 2                    |                     |
| Other (LA) <sup>(2)</sup>    |          | 2,5  |                 | 1,5   | 1                    |                     |
| Junior experts               |          | 2  |                 | 2   |                      |                     |
| Total                        |          | 30,5   |                 | 25,5  | 5                    |                     |

(\*The number of posts would remain constant whether aid to South Africa is from Budget or EDF)

(1) - one of the two posts indicated, for a computing/finance officer, was the subject of a request introduced to DG IA-E in December 1998.

(2) - drivers

## 10.2 Overall financial impact of additional human resources

|                          | Amounts<br>(EURO) | Method of calculation   |
|--------------------------|-------------------|---|
| Officials                | 101.100           | 2xGr I (2 x 15,000)x13 = 390.000ZAR<br>2xGr III (2 x 8,000)x13 = 208.000ZAR |
| Temporary staff          |                   |   |
| Other resources (A60010) | 101.100           | 1xGr V (1 x 5,000)x13 = 65.000ZAR   |

## 10.3 Increase in other administrative expenditure as a result of the operation

| Budget heading                     | Amounts<br>(EURO) | Method of calculation  |
|------------------------------------|-------------------|--|
| 60020 - pension funds              | 5.100             | Estimations on the basis of current prices<br>in South Africa        |
| - missions                         | 6.000             |  |
| 60120 - equipment (furniture, PCs) | 25.000            | Idem   |
| 60130 - vehicle                    | 25.000            | Idem   |
| 60180 - telephone charges          | 10.000            | Idem   |
| 7031 - costs of the Committee      |                   | <sup>1</sup> Average costs based on 5 meetings a year<br>– see below |
|                                    | 5.750             |  |
| Total                              | 76.850            |  |

<sup>1</sup> Costs calculated on the average meeting costs relative to the EDF and Food Aid Committees (charged to the same budget line) of 11.000 Euro per meeting (1998). The South Africa Committee is held on average 5 times a year, always at the same time as the EDF Committee for which the same members are usually present – one quarter of the average costs of 5 meetings are set against this operation.