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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL  
AND THE EUROPEAN PARLIAMENT**

**Towards an EU-South Africa Strategic Partnership**

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## Towards an EU-South Africa Strategic Partnership

### INTRODUCTION

South Africa is a country transformed from the nation that emerged from apartheid twelve years ago. It has emerged from the trauma of apartheid to build a democratic, tolerant and multiracial society. It has achieved financial and economic stability enabling the country to further develop economic growth to the benefit of all its people. It has emerged as a leading nation and a peace broker in the region and on the African continent. It has authority not just in Africa but in global multilateral institutions.

An enlarged EU has developed a new approach to North-South cooperation by adopting three key policy papers on the Millennium Development Goals, the European Consensus on Development and the EU Strategy for Africa. It is strengthening its foreign action and seeks to foster stability, security and prosperity worldwide.

South Africa therefore is a natural partner to Europe on the African continent and on a global level. Building on shared values and mutual interests as well as profound cultural links, the EU and South Africa have developed a multifaceted, comprehensive partnership based on the "Trade, Development and Cooperation Agreement" (TDCA) between South Africa, the European Community and its Member States.

Today, however, relations between South Africa and the EU require more coherence, clear objectives, and a shared forward-looking political vision with a view to strengthening joint political action. The partnership needs to clearly spell out what both sides can expect from one another on the domestic, regional, continental and global fronts, and do justice to South Africa's and the EU's unique positions in the new, globalised world.

**The purpose of this Communication on a Strategic Partnership with South Africa is therefore to propose a comprehensive, coherent and coordinated long-term framework for political cooperation with the Republic of South Africa, one which is mindful of South Africa's traumatic past, of its role as an anchor country in the region and of its unique position on the continent and on the global scene.**

#### 1. THE POST-APARTHEID SOUTH AFRICA

Twelve years after the end of apartheid, which had a profound impact on all aspects of society, South Africa is still struggling with its recent traumatic past, yet has achieved remarkable progress.

**Domestically**, since 1994 the government has set out to dismantle the social relations of apartheid and create a democratic society based on equity, non-racialism, respect of the rights of religious, cultural, linguistic and indigenous communities. New policies and programmes have been put in place to improve the quality of life of the vast majority of the people,

including the provision of basic social services and positive discrimination through the policy of Black Economic Empowerment (BEE).

Achievements to date include:

- a constitutional multi-party political system,
- a functioning parliamentary democracy,
- a prevailing sense of constitutionalism and of the rule of law,
- mechanisms for accountability, transparency and information in public administration,
- an independent judiciary.

Economically speaking, the country's most striking feature is the dual economy inherited from apartheid, based on racial divides, with close to half of the population living below the poverty line.

Since the end of apartheid, the country has done well in bringing about internal and external macroeconomic stability. Public expenditure has remained at an overall sustainable level, with a budget deficit of less than 3% of GDP. However, the growth of the formal economy needs to develop further to enable decisive economic "take-off" and job creation and integration of the "informal" economy. The outlook for the coming years is more positive, and the government's new ASGISA policy (Accelerated and shared growth initiative for South Africa) is aimed at combating poverty and reducing inequality by promoting economic growth and employment.

The major social challenge facing the country is undoubtedly the wide social and economic disparities that affect the whole of society. This is further illustrated by two dramatic issues that stand out because of their potential harmful effect on society as a whole:

- the alarmingly high prevalence of HIV/AIDS with the estimated number of people infected nearing 6 million. This represents an estimated adult prevalence rate of 21.5%. The medium- to long-term consequences of the pandemic will be very high social and economic costs following a reduction in the total population, reduced life expectancy and the loss of economically active people, coupled with a drastic increase in the number of orphans<sup>1</sup>;
- the level of both ordinary and organised crime and violence affecting in particular women and children, linked to international trafficking of human beings in the Southern African region.

South Africa is facing important environmental challenges. Access to agricultural and drinking water, soil erosion and desertification, waste management and pollution, all have an impact on food security, long-term welfare and economic development of the poorest, especially of the rural population. In addition, climate change is likely to exacerbate many of these environmental concerns and bring new challenges. South Africa needs to tackle the increase in greenhouse gas emissions from the transport sector and in particular from the energy sector, where electricity generation is based primarily on coal and likely to remain so.

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<sup>1</sup> It is estimated that there will be about 1.5 million children orphaned by HIV/AIDS by 2010.

In the **Southern African region**, South Africa with Botswana, Lesotho, Namibia and Swaziland forms the Southern African Customs Union (SACU). Since 1994, it has been a member of the Southern African Development Community (SADC), the regional economic community of Southern Africa, comprising 14 countries. South Africa plays a key role in the region. It contributes 50% of the GDP of sub-Saharan Africa, and close to 75% of the GDP of the SADC. South African investment in the rest of Southern Africa represents 49% of the region's FDI, and 80% of trade in Southern Africa is with South Africa. Most of this consists of South African exports to the rest of the region. In addition, South Africa's business expansion into the region is gaining momentum, and there is a long history of regional labour migration to the country. Furthermore, South Africa's capacity in science and technology represents a significant resource for the region in general.

**On the continental scene**, South Africa is the key representative of the emerging South. It plays a crucial role within the African Union and is one of the initiators and driving forces of NEPAD. In the area of peace and security, it has played a constructive role on the African continent as a mediator and peace-keeper, for example in Rwanda, the Democratic Republic of Congo, Burundi, Liberia, Sudan and Côte d'Ivoire. It continues its efforts to bring the Zimbabwe crisis closer to a solution.

**On the global level**, South Africa is one of the leading members of the Non-Aligned Movement. It is a member of the WTO and the Commonwealth of Nations and plays a very active role in these organisations. In the Doha talks, as a member of the G20 and the Cairns Group, South Africa seeks to foster common approaches with other developing countries through strategic alliances and coalitions in order to strengthen the development dimension in the WTO negotiations and to promote greater integration of developing countries into the multilateral trading system. South Africa also plays an important role in the reform of the UN. In addition, it has recently joined Brazil, Russia, India and China in the group of emerging donor countries (BRICS) and is likely to develop its role as a donor on the African continent. Finally, South Africa is also adopting a higher profile in the discussions on further multilateral action on climate change.

## 2. EU-SOUTH AFRICA RELATIONS

South Africa and the EU share **political, social and ethical values** such as democracy, human rights, respect of the rule of law and good governance, tolerance, equality, a commitment to fight poverty and social exclusion and the promotion of sustainable development.

They agree on the **basic economic principles** of the social market economy, free trade and an equitable international economic order.

They are both actively committed to an agenda of **peace and stability, governance, democratisation and combating poverty** throughout the African continent. They both believe in multilateral solutions to international conflicts and have an interest in making sure that the voices of developing and emerging countries are heard on the international scene.

The Trade Development and Cooperation Agreement (TDCA) is the legal basis for overall relations between South Africa and the EU. It covers political dialogue, trade, development cooperation, economic cooperation as well as cooperation in a whole range of other areas. South Africa is also a party to the Cotonou Agreement, but has no access to its financial instruments or preferential trade regime.

## **2.1. Political dialogue**

Political dialogue has been ongoing ever since the end of the apartheid regime, through informal talks at Head of Mission level in Pretoria and through visits by politicians and senior officials in both directions.

Structured and formal political dialogue as mentioned in Article 4 of the TDCA has been launched in the margins of the “Cooperation Council”, the joint body that oversees EU-South Africa relations in their entirety. Since 2004, the Cooperation Council has met at ministerial level followed by a ‘troika’ meeting on political issues.

The two partners consider political dialogue as an essential component of their partnership. It offers an opportunity for exchanging views on a broad range of domestic, regional, continental and global issues, including HIV/AIDS, Zimbabwe, NEPAD and the African Union, peace-keeping operations in Africa and the African Peace Facility, the European Union’s enlargement, developments within the United Nations, the Middle East peace process, and international terrorism.

## **2.2. Trade**

The EU is South Africa’s main economic trade partner, accounting for approximately 32% of its exports and 41% of its imports. South Africa is also the EU’s largest trade partner in Africa. The EU’s exports to South Africa have risen by an average of 9.5% annually since the entry into force of the TDCA.

The trade provisions of the TDCA have been in effect since the year 2000, and cover about 90% of bilateral trade between the two partners. They have had a positive effect on trade relations between the two partners and are the basis for the Free Trade Area (FTA) to be completed by 2012. The introduction of the FTA is asymmetrical in that the EU is opening its market faster and to more products than South Africa.

## **2.3. Development cooperation**

The EU is by far the most important donor: the Commission and the Member States together provide about 70% of total donor funds, which amount to about 1.3% of the government budget and 0.3% of GDP.

Development cooperation in the shape of the “European Programme for Reconstruction and Development” (EPRD) amounts to nearly €130 million a year and is financed from the Community budget. It focuses primarily on the promotion of economic activity and growth and on social services. In the latter field, substantial support has gone to the provision of water and sanitation, to education and to capacity building in the health sector as a contribution to the fight against HIV/AIDS in the country.

The European Investment Bank also has a Memorandum of Understanding with South Africa and provides loans under Community guarantees for an average amount of €120 million per annum.

Evaluations have concluded that EU-South Africa development cooperation is relevant to the policies, strategies and development priorities of South Africa. However, programme-wide efficiency could be improved by focusing on fewer interventions.

## 2.4. Cooperation in other areas

South Africa has a separate Science and Technology Agreement with Europe. Its performance in the Framework Programmes for Research and Technological Development is improving steadily, with successful participation by South African research organisations in several of the thematic priorities of the Sixth Framework Programme. South African research institutions have largely facilitated international scientific cooperation (INCO) between European and Sub-Saharan African researchers.

The European Community and South Africa have also signed separate Agreements on Trade in Wine and Spirits.

Other areas — mostly limited and ad hoc — where cooperation with Europe has developed include sanitary and phyto-sanitary (SPS) measures and food safety, customs, wine and spirits, etc. In the field of Information Society, dialogue is ongoing in order to identify areas of cooperation at the policy and regulatory levels.

In education, South African universities participate in several international partnerships funded under the Erasmus Mundus programme. A small number of South African students have received grants to study for master's degrees in Europe. Fellowships have also been awarded under the Marie Curie Actions of the Sixth Research Framework Programme.

## 3. TOWARDS AN EU-SOUTH AFRICA STRATEGIC PARTNERSHIP

Meeting in the Joint Cooperation Council, South Africa, the European Commission and the Member States have acknowledged that recent changes in EU–South Africa relations call for a more coherent strategic framework. They adopted “Joint Conclusions” at the 23 November 2004 meeting and a “Joint Report” in November 2005, and agreed that “new steps need to be taken to ensure that South Africa–EU relations develop into a truly strategic partnership that (...) would do justice to the role of South Africa as an anchor on the continent and a key player on the international scene”.

The proposed Strategic Partnership seeks to implement this process

- **by bringing the Member States, the Community and South Africa together in a single and coherent framework, with clearly and jointly defined objectives, covering all areas of cooperation and associating all stakeholders;**
- **by moving from political dialogue to strategic political cooperation and shared objectives on regional, African and global issues;**
- **by enhancing existing cooperation, developing stronger and sustainable economic cooperation, fully implementing the TDCA provisions on trade-related areas and extending cooperation to the social, cultural and environmental fields.**

In addition, the Strategic Partnership must build on the “MDG Package”, “The European Consensus on Development” and the “EU Strategy for Africa” by putting at the heart of political dialogue the progress towards attaining the MDGs along with governance issues and peace and security at both domestic and international level.

### 3.1. Bilateral relations – a new strategic approach to cooperation

#### 3.1.1. Political cooperation

The most important element of the proposed Strategic Partnership consists in moving from mere political dialogue to active political cooperation. The South Africa–EU Partnership must become a meeting place for building bridges between two consensus-seeking representatives of the North and the South. Its main purpose must be to enable the two parties to actively seek common ground on issues of mutual interest, support each other's political agendas and take joint political action at regional, African or global level.

As indicated in Article 4 of the TDCA, political dialogue must cover all aspects of the partnership: domestic, regional, continental and international issues. The same must apply to active political cooperation, which is therefore an element that cuts across all levels of cooperation: bilateral, regional, continental and global.

#### 3.1.2. Promoting trade

Trade relations can be developed not only by considering further reciprocal liberalisation of trade in goods and by creating larger markets, but also by including trade in services and WTO-plus commitments in several new regulatory areas.

The free-trade agreement foreseen in TDCA must be developed to include the harmonisation of trade regimes and new commitments on matters such as services, government procurement and investment.

Both parties must also seek to develop cooperation in several trade-related areas: customs cooperation, rules of origin, the fight against fraud and irregularities in customs and related matters, competition policy, intellectual property rights, consumer protection, food safety, sanitary and phyto-sanitary measures, technical barriers to trade, and standards and norms, both from a domestic application and an export promotion point of view. Air transport plays an important role in economic development, regional integration and the promotion of trade. The EU and South Africa need to create a sound legal framework for further development of air services and technical cooperation in this sector.

Finally, some of the trade provisions - e.g. concerning safeguards and dispute settlement - may need to be reviewed in the light of future relations between the TDCA and the Southern African EPA process.

#### 3.1.3. Towards an innovative economic, social and environmental partnership

The TDCA provisions on economic and other cooperation open up a wide area of potentially fruitful cooperation that could benefit both parties. One particular area where this form of cooperation could be beneficial to South Africa and complementary to development cooperation is **regional policy** and social cohesion. South Africa has shown a keen interest in Europe's experience in implementing regional policy and in operating the Structural Funds. It considers that these policies could be a model for South Africa's efforts to deal with the wide social and economic disparities between the provinces and regions of the country. The EU is ready to share its experience in the field of regional policy and social cohesion in order to help meeting the challenge of South Africa's imbalances and disparities.

Due to the economic importance of South Africa in the region and internationally, it will also be important to develop a reinforced exchange on economic co-operation including a regular economic dialogue and exchanges in the field of macro economic and finance.

Concerning cooperation in science and technology, the potential exists to strengthen EU-South Africa cooperation in the framework of existing agreements. In addition, every effort should be made to promote the practical and industrial application of scientific exchanges so as to ensure an immediate impact on economic growth and employment.

A provisional list of promising new areas for cooperation is in Annex 1 and needs to be further developed.

#### *3.1.4. Development cooperation – a new Country Strategy for 2007-2013*

South Africa is a middle income country (MIC) that generates substantial budget resources of its own and Europe's development aid, though significant, is small in comparison to the country's budget. Yet development money has provided the resources for sector-wide budget support programmes, best practice initiatives, capacity building and international exposure. In addition, and as stated in the European Consensus on Development Policy, "many lower MICs (...) are confronted with striking inequalities and weak governance, which threaten the sustainability of their own development process. Many MICs have an important role in political, security and trade issues, producing and protecting global public goods and acting as regional anchors".

The 2007-2013 development cooperation programme needs to take this into account, examine South Africa's need for ODA and focus on the added value of Europe's contribution. It must ensure the protection of the natural resource base and be environmentally sustainable. It needs to be fully in line with South Africa's economic and social policies and respond to its priorities, in particular by addressing the bottlenecks in social service delivery and taking account of the "developmental", more interventionist economic policy of the South African government, which focuses on economic growth, employment and addressing the wide income disparities and inequalities.

### **3.2. South Africa as a regional anchor**

Representing close to 75 % of the total GNP of the SADC region, South Africa is the political, economic, financial, human-resources and trade hub of the region. The role it decides to play will be of crucial importance for the implementation of the SADC's Regional Indicative Strategic Development Plan and indeed for regional integration in Southern Africa. SADC remains the major engine for regional political cooperation and the "natural" alliance in the region, while SACU plays an important role with respect to trade.

The EU Strategy for Africa considers Regional Economic Communities as prime building blocks for EU-Africa relations. In the case of the Southern African region, the EU and South Africa, as strategic partners, must engage in more intense and substantive dialogue and political cooperation on the complex regional context and its political challenges. They must define more clearly their respective roles in the region, taking into account the emergence of new economic powers.

A major dimension of cooperation at regional level is security and peace-keeping. South Africa and the EU must work with SADC to further the Strategic Indicative Plan for the

Organ on Politics, Defence and Security Cooperation (SIPO), the Early Warning System and the SADC peace-keeping capacity.

The EC-SADC EPA negotiations will have to address questions raised by the coexistence of the TDCA and the future EPA, bearing in mind that the EPA objectives are to develop a more predictable and rules-based regional market for goods and services, with a view to fostering regional integration, to harmonise trade rules within the region and vis-à-vis the EC and to create a simple trading framework between the countries in Southern Africa and with the EC. This may require further adjustments to the TDCA.

### **3.3. South Africa as a key player on the Continent**

South Africa is a key player on the continental scene. It is one of the driving forces behind the African Union and NEPAD. Through its commitment to the African Peer Review Mechanism, it promotes good governance on the continent. The country is also a striking example of the transformation of an unjust political regime into an open, democratic society that promotes tolerance and reconciliation. It is also an increasingly important investor in Africa, both in financial terms and in terms of the transfer of know-how and best practices. Finally, South Africa is active in conflict prevention, mediation and conflict resolution in several African countries and strongly supports the AU efforts in this field.

Political and diplomatic cooperation on African issues must become an area of stronger *entente* between South Africa and the EU. Cooperation should not be limited to financing the AU and funding peace-keeping missions, but should become an element of a strengthened partnership. The EU must explore ways with South Africa to define a common African agenda and to support each other's objectives in Africa.

Such an *entente* does not diminish existing EU relations with other African countries, nor does it affect cooperation with the African Union and the Regional Economic Communities. On the contrary, it is intended to bring the Africa strategy down to national level with a view to involving other countries in stronger links with the EU.

### **3.4. International cooperation on global issues**

South Africa occupies a unique position on the international scene. On many occasions, it speaks on behalf of the emerging and the developing world. Its authority in international fora is remarkable and surpasses its economic weight. Although South Africa and the EU do not always take the same positions on international issues, they agree on many. Like Europe, South Africa is committed to countering the proliferation of weapons of mass destruction, to the recognition of the jurisdiction of the International Criminal Court, to the abolition of the death penalty and to combating terrorism. Both share a strong belief in the multilateral system of collective security of the United Nations and in the prime responsibility of the UN Security Council for the maintenance of international peace and security. Both also share a strong commitment to tackling the causes and impacts of climate change and have confirmed their interest in deepening their dialogue on these and other environmental concerns.

These issues are on the agenda of political talks between the EU and South Africa, but must also lead to concrete action. The EU must seek joint positions and effective cooperation with South Africa in all of these areas and defend mutual interests at international level.

Similarly, the EU must seek to launch mutually beneficial cooperation on the environment, energy security and sustainable use of energy resources, migration, the fight against the international drugs trade, money laundering, tax fraud and avoidance, corruption, maritime and aviation security, trafficking in human beings, in particular children, small arms and organised crime.

Finally, both partners favour a stronger representation of developing and emerging countries in international organisations. To that end, they need to promote stronger political coordination, cooperation in the IFIs and international fora, including UN bodies, and joint action.

#### **4. CONCLUSIONS**

South Africa and the EU share much common ground as bridge-builders between North and South, between West and East, between civilisations, peoples and religions. Europe believes it can perform this function better in a partnership with South Africa. However, such a strategic partnership is not built overnight; it is the result of a dynamic development. The EU is ready to engage in this dynamic process, primarily through in-depth and uninhibited political dialogue and cooperation with South Africa at all levels.

The current organisation of political dialogue is based on exchanges with the EU Heads of Mission in Pretoria, regular visits by Ministers and senior officials in both directions and the annual Cooperation Council. In addition, exchanges between the European Parliament and South African Parliament are held through the EP Delegation for South Africa, and South Africa is an active participant in the ACP-EU Joint Parliamentary Assembly. This institutional setup has been considered satisfactory in the past, but needs to be reviewed in the light of the strategic nature of the EU-South Africa partnership.

The Commission invites the Council, the European Parliament and the European Economic and Social Committee to endorse the main thrust of this Communication. On the basis of these broad principles, the Commission will draft an action plan for implementing the Communication, which will be submitted to the Joint EU-South Africa Cooperation Council later this year and should lead to a Joint Declaration by the partners.

Depending on the discussion in the Council, the European Parliament and the Economic and Social Committee as well as on the South African views, such an action plan could focus on

- strengthened political dialogue, leading to common political positions and joint action,
- active joint involvement in regional and global issues,
- implementation of a jointly drafted Country Strategy Paper in line with this Communication,
- revision and full implementation of the TDCA according to the above priorities.

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ANNEX 3 - ABBREVIATIONS

## ANNEX 1

### **BROAD LINES OF A JOINT ACTION PLAN TO IMPLEMENT THE EU–SOUTH AFRICA STRATEGIC PARTNERSHIP**

On the basis of the outcome of the discussions in the Council, the European Parliament and the European Economic and Social Committee, the Commission intends to draw up a draft Action Plan for the implementation of the Communication on a strategic partnership with South Africa. The draft Action Plan will be then be submitted to the Joint EU-South Africa Cooperation Council, which is expected to meet towards the end of the year. It is hoped that the partners will then adopt a Joint Declaration endorsing the Action Plan.

Such an action plan needs to be further developed but could focus on

- Strengthened political dialogue, leading to common positions and joint political action,
- Active joint involvement in regional and global issues,
- Implementation of a jointly drafted Country Strategy Paper in line with this Communication,
- Revision and full implementation of the TDCA according to the above priorities.

#### **1. Political strategy and cooperation**

As indicated in the Communication, stronger political dialogue, leading to common political positions on subjects of mutual interest and to joint political action where appropriate, forms the very backbone of the Strategic Partnership. This dialogue should be frank, open and uninhibited and exclude none of the domestic, regional, continental and global issues.

Possible themes for enhanced political and economic cooperation that could be included in the action plan are:

Domestic South African and European issues

- Economic and financial policy and Foreign Direct Investment
- HIV/AIDS
- Health and food security
- Crime
- Countering racism and xenophobia
- Land reform
- Governance, democracy and human rights
- Employment, economic growth, redistribution of wealth

- EU enlargement, neighbourhood policy
- Decent work, including employment, social safety mechanisms, social dialogue, rights at work, gender mainstreaming
- Social inclusion and cohesion
- ...

#### Regional issues

- Social cohesion; regional integration
- See below, point 2

#### African matters

- EU–AU relations
- The EU–Africa summit
- The African Union
- Peace-keeping and mediation on the African continent
- The African Peace Facility
- APRM
- NEPAD
- ...

#### International and global issues

- The MDGs
- Countering the proliferation of weapons of mass destruction
- Recognition of the jurisdiction of the International Criminal Court
- Abolition of the death penalty
- Combating terrorism
- Global environmental issues, including climate change
- Migration
- Energy security and sustainable use of energy resources

- The fight against the international drugs trade, money laundering, tax fraud and avoidance, corruption and organised crime
- Trafficking in human beings, in particular children
- ILO
- Ratification, implementation and enforcement of core labour standards
- Social dimension of globalisation
- Small arms and light weapons
- WTO and the DDA
- The reform and role of the United Nations
- Multilateralism and representations in International Financial Institutions
- The Middle East peace process
- Iraq
- Iran and nuclear non-proliferation
- ...

## **2. Joint involvement in regional issues**

Because of their topicality and particular interest, regional issues merit a special place in political dialogue and in joint action, trade cooperation, economic cooperation and development cooperation. Indeed, the regional context in Southern Africa is particularly complex and requires a sustained cooperative effort from all parties, including South Africa and Europe. The challenges the region is facing are manifold.

AIDS is hitting Southern Africa harder than any other region in the world. The impact of the pandemic on society, on the health infrastructure and services, on human resources and on the economy of the region as a whole will be hugely destructive over the coming years.

Politically speaking, the SADC region will have to come to terms with important shifts in power patterns as new regional powers are likely to emerge. In addition, it will have to find a solution to the political stalemate in the Zimbabwe crisis.

A major short-term challenge to the region is untangling the knot of regional cooperation and integration. Implementing the SADC Regional Indicative Strategic Development Plan, agreeing on the right recipe for EPA negotiations, clarifying the relationship between the SADC, SACU and the TDCA are issues to be dealt with urgently.

As the prime mover in the region, South Africa needs to assume its leading role in these matters and must be able to count on Europe's support.

### **3. Country Strategy Paper 2007-2013**

At the moment, the Commission, nine Member States, and the South African authorities are jointly drafting a new 2007-2013 Country Strategy Paper. Care will be taken to ensure that the drafting and approval of this CSP runs parallel to the discussion and adoption of the Communication and its subsequent Action Plan and that the CSP truly translates the broad political lines set out by the Communication.

The subsequent implementation of the CSP along these lines will form part of the Action Plan.

### **4. TDCA review**

In recent months, the review of the TDCA has led to informal contacts between the Commission and South Africa and has enabled the two sides to

- tentatively identify those provisions that may need amending (revision);
- suggest priorities for those provisions that have not been implemented yet.

As regards the provisions that have not been implemented yet, there seems to be a strong interest in deepening cooperation in the following areas: trade and trade-related areas, intellectual property rights, customs, competition policy, regional policy, sanitary and phytosanitary measures, technical barriers to trade, maritime and air transport and security, energy, information and communication technologies, mining, tourism, consumer policy, social and employment policy, science and technology, education and training.

Among the promising areas of cooperation that can be developed, are

- The environment, with particular emphasis on Climate Change
- Economic co-operation
- Information society, where promising opportunities have been identified in research and education, but also at the policy and regulatory levels as well as on activities related to the World Summit on the Information Society follow-up
- Education and training, including student, teacher and academic exchanges and a “South Africa” window in the Erasmus Mundus programme
- Industrial, maritime and air transport including safety and security aspects, mining, energy in particular in promoting energy efficiency policy and technologies as well as clean coal technologies, and the environment, where there is a clear interest in exchanging the rich experiences of both
- Justice, where exchanges of information and cooperation on extradition could be developed

- Employment and social protection; gender equality and the promotion of women's rights, labour law and dialogue between social partners, with a view to promoting productive employment and decent work for all<sup>2</sup>
- Youth, exchange of approaches, experience and best practice
- Enhanced cultural cooperation, which would offer both sides an opportunity to promote, strengthen and exchange their rich cultural diversity, taking into account the recently adopted UNESCO Convention on the protection and promotion of the diversity of cultural expressions
- Cooperation in press and information, to improve mutual understanding and visibility

The Action Plan should contain concrete steps for implementing cooperation in these fields.

## **5. Institutional architecture**

The Action Plan should also include proposals for institutional arrangements for political dialogue at various levels, in accordance with the ambitions of the Communication.

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<sup>2</sup> COM(2006) 249: Promoting decent work for all - The EU contribution to the implementation of the decent work agenda in the world.

## ANNEX 2

### **THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION IN SOUTH AFRICA**

South Africa's current social and economic situation has been shaped by fifty years of apartheid.

Black, Asian and "coloured" South Africans were forced off the land, out of agricultural markets, and increasingly into wage labour as migrants within South Africa's growing mining and manufacturing industries. Black South Africans were forced into overcrowded, arid "homelands", which were economically unsustainable and dependent on agricultural "exports" from white South Africa.

"Bantu" education systems were designed to meet the need for largely unskilled labour. The apartheid regime imposed limitations on company ownership by black people and the business activities that they could engage in, mainly involving the retail supply of food and fuel. The resulting shortage of managerial and specialist skills, compounded by limited access to savings and credit institutions, is recognised today as a key constraint on growth in the small business and informal sector, as demonstrated by the relatively low proportion of small and medium-sized enterprises in South Africa.

In contrast, the largely white-owned formal sector became highly concentrated and capital-intensive. During apartheid, it grew on capital-related subsidies and import substitution in response to sanctions. The result was that, by 1990, six conglomerates centred around mining and finance controlled companies with 80% of the market capitalisation on the Johannesburg stock exchange.

Twelve years after the apartheid regime was replaced by a democratic government, South Africa remains deeply marked by its historical heritage. Remarkable achievements have been made in reconciling the masters and victims of apartheid, but the "rainbow nation" propagated by Nelson Mandela is still far away. Economic disparity prevails. Large firms in the formal economy have been able to build on the dominant position secured during apartheid to take advantage of the new opportunities in post-apartheid South Africa. This contrasts starkly with the previously neglected subsistence and informal economies, in which many of the black majority of the population still live in dire poverty<sup>3</sup>. While the Government is committed to narrowing the enormous gap between rich and poor through a set of comprehensive policy measures such as employment generation, Black Economic Empowerment, skills development and social grants, a fundamental turn-around has not yet been achieved, leaving the country with the risk of growing discontent among the poor, with corresponding possible threats to its internal political stability.

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<sup>3</sup> These contrasting situations conform roughly to what President Mbeki has termed the "first" and "second" economies. The second economy is "characterised by underdevelopment, contributes little to GDP, contains a big percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the first and the global economy and is incapable of self-generated growth and development".

## 1. Political situation

Since 1994, in line with the **Reconstruction and Development Programme (RDP)**, the government of South Africa has set out to dismantle the social relations of apartheid and create a democratic society based on equity, non-racialism and non-sexism. New policies and programmes have been put in place to substantially improve the quality of life of the vast majority of the people.

The RDP, the core of all post-1994 policies, has as its objectives:

- Meeting basic needs
- Building the economy
- Democratising the state and society
- Developing human resources
- Nation building

Although much remains to be done in order to **consolidate the foundations of its young democracy**, in which human rights and fundamental freedoms are respected, South Africa has made great efforts towards institutionalising democracy, and the country has experienced a stable political environment. Achievements to date include:

- A multi-party political system
- A functioning parliamentary democracy
- The entrenchment of constitutionalism and the rule of law
- An independent judiciary
- Mechanisms for accountability, transparency and information in public administration

The first general and free national and provincial **elections** in April 1994 put an end to apartheid and brought Nelson Mandela, leader of the African National Congress (ANC), to power as President of a Government of National Unity. The second and third elections held in June 1999 and April 2004 confirmed the mandate for the ANC, with Thabo Mbeki as President. In 2004, the ANC, which regularly gains the majority of black votes, received a little over a two-thirds majority. Since 2004, it has also been running all nine provinces. The ANC is in an alliance with the Congress of South African Trade Unions and the South African Communist Party, with which it established common lists for the elections. The main official opposition in Parliament is formed by the Democratic Alliance. The New National Party, led in 1994 by ex-President De Klerk, decided to disband in 2005 and to integrate with the ANC. The share of Mangosuthu Buthelezi's Inkatha Freedom Party (based in KwaZulu-Natal) has been continuously shrinking (to 7% at national level in 2004). There are other smaller parties such as the Pan African Congress, Independent Democrats and Freedom Front, which have an active but small role in the debate on domestic and foreign policy issues.

During apartheid, **civil society** played a prominent role in taking pro-active action against the government to bring about political change. Since 1994, civil society has continued to make a

vital and important impact on South African society by advocating proper and effective governance and by championing issues such as poverty, gender parity and the efficacy of service delivery, engaging the government on tangible reforms. However, it has been weakened by the loss of the donor funding that it received during apartheid, and the loss of many of its members to government, the civil service and the private sector. Thus, while new partnerships between civil society organisations and the government have gradually emerged, especially for service delivery in some social sectors, there is undoubtedly scope for strengthening the advocacy and campaigning role of civil society.

In spite of intense efforts to further the peace and reconciliation process following the apartheid era, both public authorities and civil society are conscious of the need to address the issues of exclusion and non-integration, which are still prevalent in all layers of South African society. In this context, the approval of the Black Economic Empowerment (BEE) Charter and, more specifically, the implementation of the **Broad Based Black Economic Empowerment Act** of 2003 are important steps towards economic inclusion and equity for the black majority of the population. However, black empowerment at the workplace is slow and much remains to be done to implement a “broad based” black economic empowerment.

South Africa plays a key role in the **Southern African region**. It contributes 50% of the GDP of sub-Saharan Africa, and close to 75% of the GDP of the SADC. South African investment in the rest of Southern Africa represents 49% of the region’s FDI, and 80% of trade in Southern Africa is with South Africa. Most of this consists of South African exports to the rest of the region. In addition, South Africa’s business expansion into the region is gaining momentum, and there is a long history of regional labour migration to the country. Furthermore, South Africa’s capacity in science and technology represents a significant resource for the region in general. While its economic dominance translates into significant political influence, South Africa’s diplomacy is based on consultation, consent and consensus. However, South Africa’s policy of “quiet diplomacy” vis-à-vis Zimbabwe has not yet had the desired results.

South Africa plays an active role at **international and pan-African level**, also as a mediator between the developed and the developing world. South Africa plays a crucial role within the African Union, NEPAD, the Non-Aligned Movement, the WTO and the Commonwealth of Nations. It has been the international venue for high-profile global conferences, including the World Summit on Sustainable Development. South Africa has concluded or is negotiating numerous multilateral and bilateral agreements within the WTO framework, notably with the EU, MERCOSUR, the USA and EFTA. In the area of peace and security as well, South Africa has been playing a very active and constructive role on the African continent. Here, it has been involved in addressing crises and brokering conflict resolution in Rwanda, the Democratic Republic of Congo, Burundi, Liberia, Sudan and Côte d’Ivoire.

## **2. Economic situation**

Economic growth in the first 10 years after the end of the apartheid regime averaged only 2.9% per annum, but increased to 4.5% in 2004 and has been estimated at 5.0% in 2005. South Africa’s economy has moved from being dominated by mining (share in 2005 only 7%) and agriculture (in 2005 only 3%) to a situation where manufacturing (2005: 20%) and services (2005: 70%) contribute the main shares of GDP.

In recent years, **macro-economic stability** has been achieved. As a result, the government has had room to increase its expenditure. Fiscal policy has become more expansionary, while

keeping within prudent limits. Since 2000, the budget deficit has remained between 1.4 and 2.3% of GDP. For 2005, the deficit has been estimated at 0.5%. Overall, public debt amounts to 30.5% of GDP and public expenditure remains at an affordable and sustainable level of 27% of GDP.

The achievement of macro-economic stability is also due to the strict **monetary policy** applied since the late 1990s, resulting in a reduced inflation rate of 3.9% in 2005, well within the South African Reserve Bank's 3-6% target range. Since the middle of 2003, the Reserve Bank has been in a position to reduce interest rates, cutting the repo rate from 13.5% to 7%, which has also stimulated domestic demand and economic growth. In April 2005, when deciding on a further lowering of the interest rate, the Reserve Bank slightly changed its position: for the first time it took into consideration not only the level of inflation but also the impact of exchange rate fluctuations on the export sectors and thus on unemployment.

As regards **external stability**, following the depreciation of the rand in early 2001, the currency has strengthened considerably since the middle of 2002. This has had a dampening effect on the exports of the mining and manufacturing sectors and therefore implications for economic growth as well. Increased domestic demand resulting from a growing economy and lower interest rates, combined with lower prices for foreign products, has led to increased imports. As a consequence, the current account surplus enjoyed until 2002 became a deficit of about 4% of GDP in 2005. This reversal took place mainly vis-à-vis the EU, South Africa's major trading partner. While South Africa had enjoyed a trade surplus with the EU since 1998, this turned into a slight deficit in 2004. So far, the current account deficit has been easily financed by significant portfolio inflows. Inflows of foreign direct investment continue to grow, though levels remain low and volatile, below \$1bn per year or 3.2% of GDP. To counter the rand's volatility, the Reserve Bank is in the process of increasing its foreign reserves to US \$22 billion (23 weeks of imports) by February 2006.

However, this bright side of the economic medal also has a very prominent dark side. South Africa is a **dual economy** with high inequality in economic and social living standards, based on racial lines and on an urban/rural divide. The modern sector, built up under apartheid, has been best placed to take advantage of trade liberalisation and macroeconomic stability. Much of this comprises large, capital-intensive firms. Smaller firms and those in the informal economy have done less well. Many black, Asian and coloured South Africans live a precarious existence in the "second economy", moving between unemployment, working in the informal sector (often as "hawkers") and low-paid jobs in the formal sector. Often they have to travel great distances to formal jobs because of the apartheid policy of locating their communities away from the centres of formal employment. The "second economy" is also home to millions of the poor, mostly black, marginalised and unskilled, who engage in informal activities mainly for sheer survival.

While the country has an advanced physical infrastructure as well as sophisticated financial, IT and telecommunication networks similar to those of the developed world<sup>4</sup>, it also faces extreme deprivation and exclusion and a level of poverty that compares to most least-developed countries. The Gini coefficient of 0.58 illustrates this significant social and

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<sup>4</sup> Infrastructure, however, is reaching its capacity limits mainly in power supply, ports and railway transport systems, creating the need for big investment programmes (outside ODA).

economic divide in South Africa. This affects mainly the black population: almost 50% of the black population live below the national poverty line, against only 2% of whites<sup>5</sup>.

The steady though modest economic growth and a stable internal and external macro-economic situation have not brought down **unemployment**, the key economic and social problem of the country.

Slow economic growth, a result of low investment and saving rates (16% and 15% of GDP, respectively), coupled with the continued ability of capital-intensive firms to benefit from the base built up under apartheid, has curtailed the demand for labour. The opening up of the economy has reduced the importance of sectors such as mining and clothes and textiles in favour of growth in sectors such as wholesale and retail trade, services, construction and communications. Jobs are being created, but not fast enough to incorporate the number of new entrants into the labour market. The apartheid legacy has left South Africa with structural obstacles to employment, with people living far from sources of employment growth, workers lacking skills, potential entrepreneurs lacking both collateral and access to financial and business services and a highly concentrated business structure. A workforce that is increasing faster (by 35% between 1995 and 2002) than the number of employment opportunities (by only 12% during the same period) has also contributed to unemployment. Presently, unemployment stands at between 26% and 41% of the workforce, depending on whether or not “discouraged” workers are included<sup>6</sup>. Of the unemployed, a large majority are young people<sup>7</sup>. There are proportionately more women unemployed than men and unemployment is geographically skewed, with the highest levels found in the provinces of Limpopo, KwaZulu Natal and the Free State.

Linked to the issue of unemployment is the problem of missing relevant **skills among the labour force**. Qualified employees are not only lacking in comparison to the needs of a growing economy and social system, but are also emigrating in large numbers, attracted by perceived better financial and living conditions abroad. In contrast, the growing numbers of unskilled young people entering the labour market do not meet the requirements of employers in either the social or economic sectors. On the other hand, there is a long history of regional labour migration to South Africa, which continues to act as a magnet for migrants of many kinds. These include skilled professionals, unskilled job seekers, illegal migrants, refugees, and cross-border traders; with human trafficking on the rise. While South Africa has ‘exported’ skills to the developed world, it has also contributed to the drain on skills in other parts of the region and the continent<sup>8</sup>. In total, however, the skills gap is considered a major impediment to economic growth.

One way of boosting the development of the second economy and employment is the promotion of **small, micro and medium-sized enterprises (SMMEs)**<sup>9</sup>. However, the

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<sup>5</sup> The black population grew by 7.5 million people, or 25%, between 1994 and 2004 (coloureds by 0.6 million or 19%, Indians by 0.1 million or 12%, whites by 0.1 million or 2%).

<sup>6</sup> Employment statistics vary according to sources and can only indicate orders of magnitude and major trends, if any. Stats SA has since recently used only the lower figure.

<sup>7</sup> Currently more than two thirds of South Africans aged between 18 and 35 are unemployed.

<sup>8</sup> This explains the long delays in the finalisation of a protocol on the free movement of people within the SADC.

<sup>9</sup> Official statistics estimate that around one quarter of the whole workforce is employed in the informal sector (particularly in agriculture, construction and the wholesale and retail trade). SMMEs contribute 30% to GDP and account for 50-60% of formal employment.

anticipated employment boom in this sector has remained below expectations. Employment in the informal sector fell by 17% between September 2000 and March 2005<sup>10</sup>. This could possibly be attributed to a regulatory environment biased against SMMEs, and certainly to difficulties in gaining access to finance. There is an ongoing debate on whether to shift the focus away from promoting grassroots SMMEs towards establishing downstream and upstream links with larger (first economy) companies to integrate the SMMEs (second economy) into the development value-chain of the economy as a whole. This debate illustrates the need for a coherent strategy on how to develop the second economy and a comprehensive employment growth policy. Additional research and political discussion are required for more informed decision-making in this area.

Both the first and second economies have considerable adverse **environmental impacts**. South Africa is currently among the world's top 20 greenhouse gas polluters, with an expected increase in emissions of 30% over the coming ten years<sup>11</sup>. There is ample room for energy-saving and climate-friendly technologies. Systematic and thorough environmental impact assessments are often not available due to the lack of capacity.

### 3. Social situation

A **strong social network** in support of those who cannot earn a living from the first or second economy is considered as the third pillar of South Africa's socio-economic system. Remarkable efforts have been made to provide social services to previously disadvantaged communities. Government budgetary expenditure on social services has increased dramatically over the last 10 years and now represents about 63% of the total budget. Since 1994, close to 9 million people have been provided with a basic water supply: today, 85% of households have access to clean water. Over 1.5 million houses have been built to provide shelter to over 6 million people. At the beginning of the new millennium, 64% of households were living in formal houses. Over 500 000 houses were connected to the main electricity grid so that 70% of households were using electricity for lighting. As regards the health sector, the immunisation coverage of children against common infectious diseases has risen to 90% and the usage of antenatal clinics is as high as 95%. In the field of education, the gross enrolment rate in secondary schools increased to 89% in 2004 and matriculation pass rates improved from 49.3% in 1998 to 73.3% in 2003 and 70.7% in 2004.

To deepen and broaden democracy, **local governments** have been given responsibility for delivering social and administrative services to their populations - health, education, water/sanitation, infrastructures, environmental protection, etc. But during the initial stage of the transfer of responsibilities, local governments were overwhelmed with the task. The underspending by provincial departments of conditional grants earmarked for basic services highlights this fact. Poor service delivery at local level has become the cause for riots and unrest in the communities concerned.

A major threat to stable social and economic development with higher economic growth is coming from the **HIV/AIDS pandemic**. The estimated number of HIV-infected people has grown from 3.8 million in 1999 to 5.2 million in 2005. This represents an estimated adult prevalence rate of 21.5%, which is substantially higher among the black than the white

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<sup>10</sup> Stats SA: Labour Force Survey.

<sup>11</sup> In addition, the so-called "brown" environment issues adversely affect the lives mainly of the poor urban and peri-urban population.

population. Currently only some 80 000 out of 500 000 to 750 000 people are receiving antiretroviral treatment<sup>12</sup>. The medium- to long-term consequences of the pandemic will be very high social and economic costs following a reduction in the total population, reduced life expectancy and the loss of economically active people, coupled with a drastic increase in the number of orphans<sup>13</sup>.

South African **crime** levels are among the highest in the world. Although recent statistics released by the government in 2004/2005 indicate that some crime rates are declining, the high level of crime and violence has highly adverse effects on the lives and the well-being of all parts of the population. It also risks having adverse effects on domestic economic viability and on foreign direct investment in South Africa. White-collar crime in the form of **corruption** has a damaging effect on development for the poor and on public confidence in government, both nationally and at local level. The issue has received particular attention from the government.

Access to **justice** for vulnerable and indigent groups of the population remains an issue, partly due to the difficult accessibility mainly in rural areas and partly due to an overburdened system. The state's response to crime has so far tended rather towards retribution, resulting in tougher laws and maximum sentencing, leading to the highest incarceration rate in Africa<sup>14</sup>, while restorative justice approaches still need to be explored.

Under the apartheid regime, around 6 million people were forcibly moved from their land. As a result, **land and land reform** are unquestionably emotive issues. In 2000, the South African government recommitted itself to its 1994 RDP target of transferring 30% of the country's agricultural land, around 24 million ha, to previously disadvantaged communities by 2014. The implementation of the land reform has, however, made only slow progress. Since 1994, black ownership of land has increased by only 3% (2.3 million ha) to 16% at present (12.8 million ha). As regards land restitution, of a total of 79 000 claims originally lodged, 57 900 have been settled at a cost of R2.5 billion. The deadline for settling claims has had to be extended to 2007. The slow progress of the reform has increased voices of discontent, in particular from organisations such as the Alliance of Land and Agrarian Reform (ALARM) composed of landless people's organisations, NGOs, small farmer and producer groups and the South African Communist party. It is in general recognised that faster progress is required in order to ensure social cohesion and political stability.

#### 4. Environment situation

As both an industrialised and a developing country, South Africa faces environmental challenges of both kinds. The causes and effects of climate change, air pollution resulting in acid rain, growth in water usage outpacing supply, pollution of rivers from agricultural runoff and urban discharge, soil erosion and desertification are among the major problems the country has to tackle.

**Emissions** from vehicles (aeroplanes, ships, trains and road vehicles), contribute 44% of the total national nitric oxide emissions and 45% of the total national volatile organic compound emissions (VOC). This is particularly a problem in urban areas.

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<sup>12</sup> Government has allocated more than R3.4 bn for antiretroviral drugs up to end of 2007.

<sup>13</sup> It is estimated that there will be about 1.5 million children orphaned by HIV/AIDS by 2010.

<sup>14</sup> 413 of every 100 000 inhabitants (2004), with 186 000 prisoners held in overcrowded detention houses.

The energy sector as a whole is the single largest source of carbon dioxide (CO<sub>2</sub>), one of the primary causes of **climate change**, and sulphur dioxide (SO<sub>2</sub>) emissions in South Africa. This is mainly due to the reliance on coal (75% of its primary energy) and oil or its products. A growing energy demand, combined with a continued reliance on coal, as well as a growing transport sector, will create increasing pressure on South Africa to tackle its greenhouse gas emissions to help address the causes from climate change. At the same time, South Africa's climatic sensitivity, with most crop agriculture taking place where it is only just climatically viable, will increase the need to adapt to the growing impacts of climate change.

South Africa is an arid country with only 8.6% of the rainfall available as surface water. This is one of the lowest conversion ratios in the world. Similar to surface waters, South Africa's groundwater resources are relatively limited compared to world averages. The scarcity of freshwater resources and highly variable hydrological conditions have led to every major river in South Africa being regulated in order to ensure adequate water supply for development. South Africa's available **freshwater resources** are already almost fully-utilised and under stress. At the projected population growth and economic development rates and with the increasing impacts of climate change it is unlikely that the projected demand on water resources in South Africa will be sustainable. Limits to both water supply and quality are thus likely to restrain the country's further socio-economic development. Many water resources are polluted by industrial effluents, domestic and commercial sewage, acid mine drainage, agricultural runoff and litter. To augment supplies, South Africa is looking towards water sources in other southern African countries (e.g. Lesotho) to assist in providing sufficient water for projected future demands.

More than 90% of South Africa's land surface falls within a **desertification** risk area. The Department of Water Affairs and Forestry is promoting, via its National Action Plan, the development of community forestry to reduce the pressure on natural woodlands which as the only source of energy for many poor suffer from rapid depletion.

South Africa's coastal and marine resources are under considerable threat and are already severely degraded in many areas due to over-harvesting and urban/industrial development. Coastal areas in South Africa are mainly used for tourism, recreation and leisure, commercial and recreational fishing, agriculture and mining. Many South Africans are dependent on the coast for their subsistence. At present, it is estimated that about 12 million people live within 60 km of the coast, which constitutes about 30% of the population. Thus coastal and marine resources play a major role in sustaining the economic and social development, and contribute to the employment and food security of local populations. The major land-based pollutants are wastewater from industries and sewerage as well as run off from agricultural lands and urban areas. South Africa is situated on one of the major global oil tanker routes which, together with its notoriously rough sea conditions, make it highly vulnerable to oil spills. This is reflected in the relatively high number of shipping accidents, which have been recorded.

South Africa has one of the world's greatest **diversity of plant and animal species** contained within one country, and is home to many species found nowhere else in the world. With increasing demand for land restitution it is anticipated that there will be increased loss of natural habitats and, with it, potential loss of biodiversity.

South Africa's total waste stream for 1998 was estimated at 538 million tonnes of which industrial and mining waste amounts to about 470 million tonnes per annum (87%). Non-hazardous industrial waste amounts to approximately 16 million tonnes. 95% of urban waste is disposed of on landfill sites of which there are about 1,200 in South Africa.

South Africa has put in place a set of **legislation** and regulatory instruments to address these issues, which includes

- The Environmental Impact Assessment regulations and the associated schedule of activities as well as the Guideline Document for the Implementation of the Environmental Impact Assessment regulations were adopted in 1997,
- The Development Facilitation Act, 1995,
- The National Environmental Management Act, 1998 (NEMA),
- National Water Act, 1998.

In addition South Africa has signed or adhered to several **international environment conventions**<sup>15</sup>.

## 5. Medium Term Challenges

Over the next decade, South Africa must maintain a coherent and structured approach to tackling poverty by integrating it into sector policies, strategies, project activities and budgetary allocations. The **vision for 2014** is to reach a united, non-racial, non-sexist and democratic society. The consolidation of democracy will be closely linked with measures aimed at integrating all of society into a growing economy from which all people can benefit. Failure to reach this target might well result in continued unacceptably high levels of economic and social poverty and inequality, which will adversely affect political stability, as occasional demonstrations and protests among the poor have already suggested.

High unemployment, resulting in poverty, crime and, eventually, political instability, as well as the incessant spread of the HIV/AIDS pandemic are the current main challenges facing South African society.

One way of **tackling unemployment** is considered to be sustainable higher economic growth, in particular resulting from labour-intensive economic activities. Under this approach, the first economy will need to continue to play the dominant economic role, but with the focus on supporting and strengthening the second economy to enable it to become part of the mainstream economy of South Africa. In this context, **skills development in all crucial areas** is high on the priority agenda. This approach should address the inequality of income distribution too. A further aim is to limit and, if possible, reduce the dependence of a large number of households on social grants.

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These include:

UNFCCC - Framework Convention on Climate Change (1992, New York) (UN)

Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (1989, Basle) (UNEP)

UNCBD - Convention on Biological Diversity (1992, Rio) (UN)

UNCCD - United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (1994, Paris)

London Convention 1972 Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter

CITES - Convention on International Trade in Endangered Species of Wild Flora and Fauna) 1973

RAMSAR - The Convention on Wetlands, Ramsar, Iran, 1971.

The good health of the population is a further prerequisite for the prosperous social and economic development of South Africa. Key challenges in the health sector therefore include the expansion of access to the primary health-care system. This concerns in particular maternal and child health and infectious diseases (HIV/AIDS, tuberculosis and other communicable diseases), which need to be addressed in order to reduce mortality and morbidity. A multi-faceted approach to **combating the HIV/AIDS pandemic** needs to be placed high on the agenda, covering at least three areas: prevention, addressing health system constraints to scale up anti-retroviral treatment, and care for the increasing number of orphans and vulnerable children. Tackling these infectious/communicable diseases will also necessitate further EU-South Africa cooperation and partnership in the field of the clinical research for the development of new drugs and vaccines.

The **fight against criminality (including corruption)** and respect for the rule of law is a huge challenge that requires major investment in human resources and equipment. This needs to be coupled with strengthening of the capacity of law-enforcement agencies and strong cooperative partnerships with communities and civil society organisations. Crime prevention and the introduction of a credible restorative justice approach need to complement the mainly retributive approach so far pursued.

Social, political, economic and environmental stability can only be ensured in South Africa if the challenge of access to **land** and security of tenure is met. This has to be seen as part of a strategy to uplift the rural poor and give them access to the mainstream economy, while at the same time guaranteeing the constitutional protection of property rights. This process must ensure that the beneficiaries of land restitution and redistribution are able to use the land in a productive manner, which is the key to building sustainability into the process of redistributing assets to previously disadvantaged communities.

**The protection of the environment** and the sustainable use of natural resources also present a major challenge in the medium term.

All of the above challenges require better delivery of services to South Africans. This has become a major preoccupation for the government. In order to be able to meet these challenges and to deliver, government needs to continue its efforts to strengthen its own institutional and administrative capacity at national, provincial and local level. **Capacity building** efforts must consequently be considerably strengthened, in particular at local level.

**Participation by communities and civil society** is key to policy implementation. Public-private partnership encourages the mobilisation of private resources for development objectives. Specific mechanisms to ensure participation and partnership at local level are crucial.

In the light of South Africa's current political and economic position and power as well as of its enormous additional potential, the country has a vital **political role to play at international level** in advocating the interest of developing countries. At pan-African level, the AU and NEPAD are faced with tremendous challenges in establishing functioning democracies based on peace and security and with the capacity for the sustainable

development required to alleviate poverty. South Africa is expected to be continuously engaged in this important process<sup>16</sup>.

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<sup>16</sup> South Africa has already developed a range of instruments to this effect, such as the Renaissance Fund, DBSA, etc.

### ANNEX 3

#### Abbreviations

ACP	Africa, Caribbean, Pacific
AIDS	Acquired Immunodeficiency Syndrome
ANC	African National Congress
APRM	African Peer Review Mechanism
ASF	African Standby Force
AU	African Union
BEE	Black Economic Empowerment
BRICS	Brazil, Russia, India, China and South Africa
CSP	Country Strategy Paper
EC	European Community
EDCTP	European and Developing countries Clinical Trials Partnership
EDF	European Development Fund
EP	European Parliament
EPA	Economic Partnership Agreement
EPRD	European Programme for Reconstruction and Development
ESDP	European Security and Defence Policy
EU	European Union
FTA	Free Trade Agreement
G8	Group of 8
GDP	Gross Domestic Product
GNI	Gross National Income
HIV	Human Immunodeficiency Virus
ICT	Information and Communications Technology
LDC	Least Developed Countries

LIC	Low Income Countries
MDGs	Millennium Development Goals
MIC	Middle Income Countries
MIP	Multi-annual Indicative Programme
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PRSP	Poverty Reduction Strategy Process
REC	Regional Economic Community
RDP	Reconstruction and Development Programme
RIP	Regional Indicative Programme
RISDP	Regional Indicative Strategic Development Plan (SADC)
SACU	Southern African Customs Union
SADC	Southern African Development Community
SMEs	Small and Medium-Sized Enterprises
SMMEs	Small, Micro and Medium-Sized Enterprises
SWEEP	Sector Wide Enterprise, Employment and Equity Programme
TDCA	Trade, Development and Cooperation Agreement
UN	United Nations
WTO	World Trade Organisation