

South Africa

The Development Challenge: South Africa has made considerable progress since the fall of apartheid in 1994. Major transformations of the judicial, educational, health and governance systems have been launched. Two sets of free and fair national and local elections have been held. The South African government is committed to economic freedom and has invested heavily in its people. Public expenditures in education and health in particular have increased, and comprise more than 10% of the country's Gross National Product. Two million low-cost houses were constructed between 1996 and 2000, and 85% of all households have access to clean water.

Despite these achievements, South Africa continues to face rising gaps in services and opportunities for its historically disadvantaged population. The official unemployment rate is now 31%, and is even higher among black South Africans (37%). South Africa also has one of the largest income disparities in the world, with over 50% of the total population, mostly black South Africans, living below the poverty line. Two-thirds of total income is concentrated in 20% of the population, leaving the poorest 20% with only 2% of total income. Women earn 55% less than men. The infant mortality rate is 61 per 1,000 live births, and life expectancy at birth is estimated at 52 years.

To date, economic growth has been insufficient to lower South Africa's rising unemployment and poverty rates. Real Gross Domestic Product growth in 2003 was lower than expected at 2%, compared to 3% in 2002. Export growth also declined in 2003, primarily due to a stronger currency and a weak global economy. Privatization of state-owned enterprises is continuing at a slow but steady pace, and is expected to boost investment and reduce South Africa's debt burden, currently estimated at \$24 billion. Real capital spending by private businesses in South Africa is relatively high and growing.

HIV/AIDS is a major challenge to South Africa's continuing growth. South Africa has more people living with HIV/AIDS than any other country in the world. Adult HIV prevalence is estimated at 20%, with a rate of 26.5% reported among pregnant women. There are an estimated 660,000 HIV/AIDS orphans in South Africa today. It is estimated that 23% of the skilled and 32% of the unskilled workforce will be infected by 2005 and that, without treatment, five to seven million people will die from the disease by 2010.

South Africa has one of the highest murder rates and lowest conviction rates in the world. These factors have conspired to undermine investment and public confidence in a democratic government. Rapid influx of people into urban areas, including immigrants, has compounded the crime problem. The public perception of corruption has increased given recent allegations of fraud and bribery in government. The next national elections are scheduled to take place in April 2004, with local elections to follow in 2005. Although support for political parties is strongly divided along racial lines, the 2004 elections are expected to be democratic and relatively peaceful. Provision of goods and services is one of the key election issues.

South Africa remains critical to U.S. foreign policy interests. The country plays a key economic and political role in Africa bilaterally and regionally as an active member of the African Union and the New Partnership for Africa's Development, among others. South Africa has been actively engaged in efforts to peacefully resolve conflicts in Angola, the Democratic Republic of Congo, Mozambique, Rwanda, Burundi and, most recently, Zimbabwe. South Africa is also committed to U.S. counter-terrorism efforts, working to address issues such as money-laundering. South Africa remains by far the most important U.S. trading partner in sub-Saharan Africa, excluding Nigeria, a major oil exporter.

The USAID Program: USAID provides strategic assistance in six areas: health and HIV/AIDS, education, urban environment, employment generation, economic policy development, and democracy and governance. These objectives support national efforts to reduce disparities between historically privileged and disadvantaged groups and help build the capacity of local governments to deliver services. USAID uses partnerships with the private sector and non-governmental organizations to help achieve these objectives. South Africa is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the

approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005. A new regional HIV/AIDS strategy supporting 10 countries, including five PEPFAR countries, is expected to be finalized by the end of FY 2004 and will be fully implemented in FY 2005. This program will be managed by USAID/South Africa.

USAID programs will also support South Africa's efforts to increase access to quality education and training for historically disadvantaged groups. In addition, USAID will support policies conducive to sustainable urban management, as well as improved access to energy-efficient housing and basic municipal services through public-private partnerships. These activities meet U.S. Government priorities in clean energy, climate change, and water. USAID programs will foster the growth and development of small and emerging urban and rural businesses by providing linkages and market opportunities that did not exist or were constrained under apartheid. FY 2004 funds will also be used to provide capacity building and training to entrepreneurs from historically disadvantaged groups, facilitate market-based land transactions, and enhance rural finance. Furthermore, USAID programs will support South Africa's efforts to address high rates of crime and perceptions of corruption through such programs as the Anti Corruption Initiative. All FY 2004 and FY 2005 funds will support ongoing programs as described in the following Data Sheets.

Other Program Elements: Twenty centrally and regionally funded activities complement the bilateral program. USAID/Washington awarded eight partnerships with U.S. universities to assist South African universities in the areas of governance, education, workforce development, health and HIV/AIDS, and enterprise development. USAID/Washington-funded activities in HIV/AIDS, as part of PEPFAR, include a grant to a South African university to assist eight government ministries in Africa to develop strategic plans addressing the impact of HIV/AIDS on education systems; two research activities to reduce the transmission of HIV/AIDS and deliver comprehensive primary health care services; a grant to an association of African mayors to address HIV/AIDS at the community level; and support for the regional HIV/AIDS program, which provides prevention services at cross-border sites as well as support to non-presence countries. USAID/Washington supports a program that helps agribusinesses produce and market natural products, as well as a regional public-private alliance that will focus on urban youth employment initially in South Africa, Rwanda, Malawi and Mozambique. USAID's Southern Africa regional program includes a business linkages program, jointly funded with the bilateral South Africa program, that fosters trade among small, domestic enterprises and helps initiate regional trade opportunities. USAID's regional program also funds a Heartwater vaccine and parasite control initiative through a public-private partnership located in South Africa. The regional office also supports economic policy development activities in South Africa and has contributed funds to South Africa's port concessioning program. USAID/Washington provides assistance to a South African non-governmental organization to build capacity and develop structures and systems of conflict resolution.

Other Donors: Donor coordination remains strong. The United States is the largest bilateral donor and second largest overall donor in South Africa. The European Union (EU) is the largest donor in health, education, criminal justice reform and community water projects. Other major bilateral donors and their principal areas of focus, in rank order of resources, include the United Kingdom (health, private sector development, democracy and governance, labor and criminal justice); Germany (democracy and governance, education, health and economic policy); and Sweden (democracy, governance, labor, and poverty alleviation). The USG is working closely with several bilateral governments, as well as the EU and the United Nations (UN), on HIV/AIDS research and poverty alleviation. The 13 UN agencies in South Africa focus on HIV/AIDS, rural development, and regional integration. The European Commission will soon launch a major initiative in local government in South Africa.

Data Sheet

USAID Mission:	South Africa
Program Title:	Democracy and Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	674-001
Proposed FY 2004 Obligation:	\$500,000 CSH; \$3,500,000 DA; \$1,500,000 ESF
Prior Year Unobligated:	\$860,000 DFA
Proposed FY 2005 Obligation:	\$4,276,000 DA; \$1,000,000 ESF
Year of Initial Obligation:	FY 1996
Year of Final Obligation:	FY 2007

Summary: Since the end of apartheid, the Government of South Africa is striving to rule justly, invest wisely in its people, and encourage economic freedom. USAID is assisting South Africa's efforts to address high rates of crime, perceptions of corruption, inadequate local government managerial capacity, low public approval of local government's performance in delivering services, and negative forms of civil society participation such as tax and election boycott campaigns that do not contribute to good governance. USAID technical assistance supports improved court administration, better municipal planning, and increased community understanding of local government for more effective participation in governance.

Inputs, Outputs, Activities:

FY 2004 Program:

Improve local government service provision and civic participation (\$1,880,000 DA; \$530,000 DFA recoveries; \$500,000 CSH). South Africa's recently decentralized local government system is expected to extend public services to historically disadvantaged communities, but local authorities' capacity to manage the complex system is inadequate. In FY 2004, using DA and DFA recoveries, USAID will continue training local government councilors, officials and community leaders in 94 of South Africa's 284 municipalities in their roles and responsibilities. This will result in public approval of these municipalities' performance rising from 31% in FY 2002 to 45% in FY 2004. USAID will train leaders of 45 community-based organizations in 15 of the same municipalities in financial accounting and performance management, focusing specifically on local government budgeting and development planning procedures. This will help strengthen civil society at the local level and improve civic participation in governance. Using CSH funds, USAID will provide technical assistance to a program that assists councilors, officials and community leaders in 110 municipalities to develop and implement plans to manage the HIV/AIDS pandemic. USAID, as part of the President's Initiative (PEPFAR) will also use CSH funds for 14 non-governmental organization (NGO)-led programs that provide access to justice for women and child victims of violent crime and which ensure access to post-exposure prophylactics to prevent the spread of HIV. Principal contractors/grantees: Creative Associates, Pact.

Develop a more effective and accessible criminal justice system (\$1,620,000 DA; \$330,000 DFA recoveries; \$1,500,000 ESF). High crime, low conviction rates, and public concerns regarding corruption in government contribute to the view that the South African government is not responding fast enough to people's needs. USAID, the South African Department of Justice (DOJ), and Business Against Crime, an association of major South African corporations, formed a tripartite partnership in FY 2002. In FY 2004, using DA and DFA recoveries, the partnership will continue to support the introduction of an integrated case flow management system for courts, the decentralization of court support services, and a study of options for contracting out the management of funds held in trust by courts for deceased estates, child support payments, and bail. USAID assistance will help reduce the backlog of criminal cases by an estimated 10%. USAID will provide technical assistance to merge magistrates and judges into a single judiciary and will support the training of women lawyers to increase by 10% the pool of women eligible to

be appointed as judges. With ESF funds, USAID will train 300 prosecutors to handle money-laundering cases and plea bargaining. Principal contractors/grantees: Creative Associates, Business Against Crime.

FY 2005 Program:

Improve local government service provision and civic participation (\$2,157,000 DA). Using DA funds, USAID plans to provide technical assistance to approximately 80 municipalities to enhance revenue and improve service delivery. In 15 of these same municipalities, USAID will continue transferring skills in advocacy and management to 45 community based organizations to improve civic participation. USAID also will continue support for 14 NGOs that ensure access to medical care for women and children who are victims of violent crimes. Principal contractors/grantees: Creative Associates, Pact.

Develop a more effective and accessible criminal justice system (\$2,119,000 DA; \$1,000,000 ESF). Using DA funds, USAID plans to continue support for the restructuring of the DOJ and the judiciary, training an estimated 100 personnel from five government institutions in forensic auditing, and training for 100 magistrates in the skills required to try corruption cases. With ESF funds, USAID may support South Africa's community policing system and train 200 prosecutors in techniques such as plea-bargaining and prosecution of money-laundering cases. It is expected that these interventions will help South Africa reduce its criminal case backlog by a further 10%. Principal contractor/grantee: Business Against Crime.

Performance and Results: USAID's program continues to show progress in supporting South Africa's transition to majority rule democracy at both the central government and local levels. As a result of USAID support, 110 of South Africa's 284 municipalities have coordinated HIV/AIDS strategies, and 94 have improved planning skills and more positive forms of community participation that improve governance. Sixteen of the 47 district municipalities have joined a learning network. The Hologram newsletter that disseminates local government best practices has 3,500 subscribers, while 550 visitors are accessing its website each month. A USAID-supported tax reform advocacy organization persuaded Parliament to increase the number of tax-deductible NGO activities from 22 to 49. The same NGO program contributed to a tripling of qualified NGOs, from 6,637 in 2001 to 21,652 in 2003, thus expanding the pool of NGOs able to use available tax savings for charitable work. Through a USAID-leveraged public-private partnership, the backlog of cases in the judicial system continues to decline.

By the end of FY 2004, USAID's contribution to the public-private anti-crime partnership with Business Against Crime and the DOJ will total \$6.5 million, and will have leveraged \$4.1 million from Business Against Crime and \$42.6 million from the DOJ, for a cumulative total of \$52.7 million. The partnership-supported restructuring of the courts resulted in a \$2.7 million reduction in court expenditures in FY 2003. Due to USAID assistance, the backlog of criminal cases was reduced by 22%, from 133,556 in FY 2000 to 104,112 in FY 2003. By the end of 2007, USAID-assisted municipalities will have enhanced revenue, improved service delivery, and achieved a 55% approval rating (up from 31% in FY 2002). The criminal case backlog will be reduced to 70,000 cases (50% of the 2000 number); 50,000 NGOs will qualify for tax benefits (an increase from 6,637 in FY 2001); and the fight against corruption will be succeeding. NGO programs supported by USAID will contribute to the slowdown in the spread of HIV/AIDS, as municipalities are better able to plan and manage the impact, and as NGOs that work with women and children victims of violent crimes increase program coverage.

Data Sheet

USAID Mission:	South Africa
Program Title:	Education
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	674-002
Proposed FY 2004 Obligation:	\$500,000 CSH; \$9,341,000 DA
Prior Year Unobligated:	\$940,000 DFA
Proposed FY 2005 Obligation:	\$7,602,000 DA
Year of Initial Obligation:	FY 1996
Year of Final Obligation:	FY 2007

Summary: Nearly fifty years of apartheid education excluded blacks in South Africa from receiving quality education in most disciplines, particularly math and science, and denied them opportunities to participate in the economy. USAID's education program supports the transformation from an inferior and inequitable education system to one that offers quality learning conditions and programs through activities that develop specific skills and address institutional change. In support of the President's Africa Education Initiative, USAID trains teachers to improve their teaching skills in literacy, numeracy, math, science, and technology. USAID provides technical assistance in curriculum policy development and implementation, and supports technical assistance to strengthen management and governance structures and practices in schools and tertiary education institutions. USAID also works to mitigate the impact of HIV/AIDS in the education sector by supporting the development of models to prevent the spread of the disease and by assisting infected and affected teachers and students.

Inputs, Outputs, Activities:

FY 2004 Program:

Curriculum reform and implementation (\$2,000,000 DA; \$940,000 DFA recoveries). USAID supports South Africa's post-apartheid curriculum reform efforts to incorporate life-long learning, student-centered, and results-oriented approaches into the curriculum. USAID will use DA funds to provide technical assistance to refine and implement national curriculum guidelines at the basic education level, targeting 500 of the poorest rural schools among the approximately 17,000 primary schools in the country. USAID will use DA and DFA recoveries to assist all 17 historically disadvantaged institutions (HDIs) of tertiary education through technical assistance and short-term training to improve capacity in the design and implementation of new curricula. Principal contractors/grantees: United Negro College Fund Special Programs (UNCFSP), and a new contractor (to be determined).

Teacher training (\$4,948,500 DA). USAID will train 3,300 teachers in student-centered numeracy and literacy approaches for grades one to nine, and in math, science, and technology subjects for grades 10 to 12. Funding from the President's Africa Education Initiative (AEI) will provide both in-service (\$700,000) and pre-service (\$650,000) training for teachers in the poorest rural provinces. Principal contractors/grantees: To be determined.

Institutional strengthening (\$2,227,000 DA). USAID will intensify its technical assistance and training programs to improve the administration and management of 500 targeted schools. The training will enable and empower black parents to participate in the administration and management of their schools. USAID will provide technical assistance to 17 HDIs to strengthen their management, governance, and financial administration capacity. Principal contractors/grantees: UNCFSP and a new contractor (to be determined).

Mitigate the impact of HIV/AIDS (\$500,000 CSH; \$165,500 DA). USAID will use both DA and CSH funds to provide technical assistance to the South Africa Department of Education to develop models to support

teachers and students infected and affected by HIV/AIDS, as part of PEPFAR. Principal contractor/grantee: To be determined.

FY 2005 Program:

Curriculum reform and implementation (\$1,835,000 DA). USAID plans to continue support to improve the quality of teaching by training subject specialists and head teachers in 500 schools in literacy, math, and science for grades one to nine. USAID will provide technical assistance and short term training to assist 17 HDIs to ensure that curricula and courses comply with South Africa's new quality assurance standards. Principal contractors/grantees: UNCFSP and a new contractor to be determined.

Teacher training (\$3,687,000 DA). USAID plans to support the training of approximately 4,000 teachers to enhance their assessment skills and to improve their technical/subject matter knowledge in literacy and numeracy, math, and sciences. The training will enable teachers to use discovery-based methods of instruction that focus on increased student involvement, and will help teachers develop and use their own teaching and learning materials. Principal contractors/grantees: To be determined.

Institutional strengthening (\$1,730,000 DA). USAID plans to assist 500 schools by training 4,000 teachers and 500 school principals to improve their administrative skills and to increase the participation of communities in the governance of targeted schools. USAID will support executive leadership training and development to improve management, administrative skills, and services in all 17 HDIs. Principal contractors/grantees: UNCFSP and a new contractor (to be determined).

Mitigate the impact of HIV/AIDS (\$350,000 DA). USAID plans to continue to support the implementation of models to assist teachers and students infected and affected by HIV/AIDS. These efforts will include basic care such as nutrition and treatment of opportunistic diseases. Principal contractor/grantee: To be determined.

Performance and Results: USAID's broad support to the transformation of the education sector in South Africa is producing demonstrable results. At the primary school level, technical and training assistance has increased grade three student pass rates in literacy and numeracy in USAID-targeted schools by 8% above the baseline of 37% since 2001. This improved performance is helping to bring the educational level of South Africa's students results in line with that of other nations in the region. USAID's assistance at both the policy and implementation levels is helping South Africa achieve its objectives to bolster education in mathematics, science, and technology. With USAID technical support, South Africa recently published its first "e-education" policy, which will integrate electronic technology and teaching. USAID's continued support to 102 magnet high schools in poor areas that focus on math and science is also showing strong gains, as these schools continue to close the gap with the national average in achievement scores. An innovative USAID partnership with Microsoft, the local telephone company, and the country's largest cable television company supports teacher training, brings technology to the classroom level, and is a model for new approaches to enhance math and science gains.

Since 2002, USAID has awarded 3,101 scholarships to fill essential needs in key fields such as accounting, engineering, health science management, math, and sciences -- all fields of study where the majority population is under-represented. USAID assistance at the tertiary level has helped institutions that received minimal resources under apartheid to become key providers of higher education in South Africa. These institutions are now implementing curricula that meet international standards in numerous fields, with additional courses added each year. These universities and technical training institutes are adapting and instituting approaches to better serve students. Revised curricula are used to accommodate modular approaches that help students accumulate credits at their own pace, and specialized programs are used to assess the academic needs of in-coming students and to provide additional instruction where needed. By 2003, USAID-assisted institutions provided 75% of historically disadvantaged first-year students with relevant bridging courses. By the end of 2007, over 4,000 teachers from the 500 schools in the poorest rural provinces will be adequately qualified to teach students using student-centered education instruction methods.

Data Sheet

USAID Mission:	South Africa
Program Title:	Economic Capacity Building
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	674-004
Proposed FY 2004 Obligation:	\$500,000 CSH; \$3,254,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$2,400,000 DA
Year of Initial Obligation:	FY 1996
Year of Final Obligation:	FY 2007

Summary: USAID's economic capacity building program helps develop the potential of historically disadvantaged South Africans to analyze economic problems and to design and implement market-based policies. Through technical assistance and training, the program strengthens the abilities of historically disadvantaged South African individuals, economic think tanks, and universities to contribute to policy discussions and decision-making. This approach has significantly strengthened the economic policy framework in order to emphasize pro-growth policies that also reduce poverty and increase employment.

Inputs, Outputs, Activities:

FY 2004 Program:

Development of pro-growth and equitable tax and budget policy (\$2,454,000 DA; \$500,000 CSH). Using DA funds for technical assistance and training, USAID will assist the government of South Africa to build on its macro-economic framework to reduce poverty and unemployment. USAID, working jointly with the United Kingdom, will train up to 50 provincial officials to design, implement and monitor South Africa's new pro-job and poverty reduction programs. Forty parliamentarians will graduate with a diploma in economics from USAID's parliamentary training program, and another 80 legislators will complete training on investigating government misspending. USAID technical assistance will further strengthen the role of the Parliamentary Budget Committee, contributing to more public debate and transparency in budget allocations. Through technical assistance, USAID will help South Africans implement new budget legislation that uses impact indicators to focus on results-based decisions. USAID will support U.S. Treasury training to design and implement deposit insurance at financial institutions. USAID, in support of PEPFAR, will continue to use CSH funding to help government officials, business and labor leaders understand the impact of HIV/AIDS with a focus on cost-effective approaches and on monitoring the impact of South Africa's roll-out of anti-retroviral treatment. Principal contractors: U.S. Treasury; Nathan Associates.

Implementation of new land tenure policy in traditional homelands (\$300,000 DA). Recent proposed changes in South Africa's land tenure legislation expands the participation of "vulnerable groups" (women and children) in decision-making on land allocations in traditional areas, in collaboration with traditional authorities. For the first time, this allows women to own traditional land in their own right. USAID will assist with key training for these new stakeholders. In addition, USAID will help build South African capacity in alternative dispute resolution techniques to develop ways of resolving disagreements outside the traditional and over-crowded court structure. USAID will continue to fund local research on the extent and nature of land problems (mainly evictions) facing land tenants and agricultural workers. Principal contractor: Nathan Associates.

Privatization and public-private partnerships (\$500,000 DA). USAID will continue to build South African capacity to develop and execute public-private partnerships, including partnerships for the Gautrain (rapid-rail transport between Johannesburg and Pretoria) and the new Department of Trade and Industry campus. USAID's technical support in restructuring state enterprises will be used to explore ways to expand private sector involvement in service provision. USAID will continue assistance to regulators to

improve the capacity of historically disadvantaged South Africans to provide regulatory oversight that promotes growth. Principal contractors: The U.S. Department of Justice/Federal Trade Commission (FTC); Chemonics; Deloitte Touche Tohmatsu; Nathan Associates; and the U.S. Treasury.

FY 2005 Program:

Development of pro-growth and equitable tax and budget policy (\$2,150,000 DA). USAID plans to fund the final tranche of U.S. Treasury work on tax and budget policy reform. USAID and other donors will provide technical assistance and training to analyze, design, and implement ways to reduce the implications of poverty for those who cannot work; assist those who can work to find jobs; and develop ways of keeping those who are intermittently poor from becoming chronically poor. USAID will also provide technical assistance to improve the South African government's results monitoring and to increase fiscal transparency through greater public input into the budget process. USAID will continue work on the impact of AIDS treatment and the development of mitigation methods to deal with hospital/clinic overcrowding and welfare payment failures. Principal contractors: The U.S. Treasury and new partners (to be determined).

Regulatory reform (\$250,000 DA). With the completion of USAID's work on public-private partnerships and privatization, the focus will shift to improving the capabilities of South Africans who are regulating telecommunications, transport, the financial sector, and electricity generation. USAID will complete work with South Africa's Competition Commission on anti-trust policy. Principal contractors: The U.S. Department of Justice/FTC, the U.S. Treasury, and a new contractor (to be determined).

Performance and Results: USAID's efforts to build historically disadvantaged South Africans' capacity in economic analysis, policy development and implementation continue to show progress. Since inception, the program has moved from training individuals to building institutional capacity, with strong results in the government, the private sector, think-tanks, and university sectors. More USAID-trained black economists are making significant contributions to South Africa's policy debate in government and in the private sector. USAID-supported institutions such as the University of the Western Cape are now seen as key training grounds, and local non-governmental organizations assisted by USAID are providing high quality economic analyses for the South African government. The impact of USAID's work is also seen through improved government budgeting processes, and USAID assistance to Parliament in economics training is resulting in a cadre of skilled decision-makers, including key ruling party figures. In addition, a new joint Budget Committee was established, and the ruling party insisted that its members include graduates of the USAID course.

Through support for public-private partnerships, USAID has helped leverage \$308 million in FY 2003, and has helped bring the private sector into joint efforts with the government on hospitals, roads, buildings for government offices, tourism and other key investments. USAID's work to strengthen local organizations continues to show results as well; a recent example is USAID support for micro-finance regulation, which resulted in fairer lending rules, registration of lenders and, because of the nature of the regulation, a 24% expansion in credit to the poor in the last year. USAID-supported research on the impact of South Africa's proposed roll-out of anti-retroviral treatment, requested by the South African cabinet, demonstrated that the roll-out was affordable, with a high ratio of benefits to cost. Further USAID-funded analysis of drug prices for HIV/AIDS led local manufacturers to reduce prices by 50-90%.

By the end of the program in FY 2007, the number of historically disadvantaged economists will have risen significantly. They will have the ability to analyze, design and implement key programs that will help South Africa find the sustainable balance between public and private provision of social services, which accelerates economic growth.

Data Sheet

USAID Mission:	South Africa
Program Title:	Housing & Municipal Services
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	674-006
Proposed FY 2004 Obligation:	\$500,000 CSH; \$5,452,000 DA
Prior Year Unobligated:	\$480,000 DCA; \$450,000 DFA
Proposed FY 2005 Obligation:	\$5,352,000 DA
Year of Initial Obligation:	FY 1996
Year of Final Obligation:	FY 2007

Summary: Despite South Africa's successful and continuing transformation to democracy, a significant percentage of South Africans remain under-served in basic shelter and municipal services. USAID will increase the access of historically disadvantaged households to these services and support policies that leverage resources for service provision and which lead to sustainable urban management. The program provides technical assistance and training to increase the capacity of local authorities to deliver services and mobilizes partnerships between non-governmental organizations (NGOs), the private sector, and the national government. USAID uses Development Credit Authority (DCA) funds and other alliances to leverage private sector resources in this area. Program resources in FY 2004 and FY 2005 will focus on energy-efficient housing, water, sewage, electricity, solid waste management, and transportation infrastructure services. The program is divided into four focus areas as well as four Presidential Initiatives: Water for the Poor; Global Climate Change (GCC); Clean Energy; and HIV/AIDS. The four areas support national legislation and policies as well as local government structures now mostly in place.

Inputs, Outputs, Activities:

FY 2004 Program:

Capacity building in municipal finance (\$763,000 DA). USAID will assist municipalities to improve financial management, capital investment planning, and access to capital markets. The program will provide technical assistance and training to 30 municipalities to implement legislation and policies on municipal borrowing and housing finance. USAID technical assistance will support capital investment programs in 10 municipalities, primarily focusing on historically disadvantaged areas. Principal contractors: Megatech and Research Triangle Institute.

Capacity building for basic service delivery (\$3,710,000 DA; \$450,000 DFA recoveries; \$480,000 prior year DCA). USAID will assist 10 municipalities to improve operations and cost recovery of basic municipal services in water/sanitation, transportation, and electricity. Prior year DCA funds will be used to leverage private sector resources through the Municipal Infrastructure Investment Unit (MIU) to provide partial credit guarantees that will allow municipalities to improve the quality and sustainability of essential municipal services, particularly water supply. Using DA and DFA recoveries, and in support of the President's Water for the Poor Initiative, USAID will provide technical assistance to mobilize resources for the South African government's municipal infrastructure unit to implement a new water/sanitation service delivery program. In support of the President's Global Climate Change and Clean Energy initiatives, USAID will provide technical assistance through a grant to facilitate clean technology and energy efficiency practices in six cities. Principal contractors: Megatech, Chemonics, ICLEI, and PADCO.

Urban planning and housing (\$670,000 DA). USAID will train 90 participants from local NGOs to establish effective urban and community planning and housing finance systems that expand access to shelter for impoverished communities. The program will focus exclusively on effective planning for informal settlements. USAID will continue to support a grant to provide housing finance to low income families. Principal contractors/grantees: Megatech.

Urban and local economic development (\$309,000 DA; \$500,000 CSH). USAID will provide technical assistance and training to at least five municipalities to develop and implement strategies that boost local economies. USAID will use CSH funds to train these same municipalities to reduce the negative impact of HIV/AIDS, and will use DA resources to develop the capacities of urban youth through public-private alliances. USAID's City Links program, which forges partnerships between cities in the United States and other countries, will work to assist three South African cities to better address local economic development and the HIV/AIDS epidemic among vulnerable groups. Principal contractor: Megatech.

FY 2005 Program:

Capacity building in municipal finance (\$919,000 DA). USAID intends to continue existing activities in municipalities and will focus technical assistance on capital planning. Principal contractors: Megatech and Research Triangle Institute.

Capacity building for basic service delivery (\$3,687,000 DA). USAID plans to support South African national and local governments in expanding water, sanitation, and transportation services to 10 cities and to incorporate energy efficiency in the delivery of these services. USAID will establish public-private partnerships to improve management of and investment in these services. USAID may award grants to NGOs to provide services to vulnerable groups as well as to institutions working to build the capacity of municipal officials responsible for service delivery. Principal contractors: Megatech and PADCO.

Urban planning and housing (\$427,000 DA). USAID plans to support the efforts of the South African government to integrate planning principles into housing and community development and to improve the quality of housing and associated infrastructure delivered to low income families. Principal contractors/grantees: Megatech.

Urban and local economic development (\$319,000 DA). USAID plans to support municipalities' efforts in the areas of youth development and one activity in HIV/AIDS. Principal contractor: Megatech.

Performance and Results: USAID continued to deliver impressive results in FY 2003, exceeding targets at least four years in a row in terms of policy development and municipal services delivered to historically disadvantaged households. During FY 2003, 197,473 households benefited from USAID-supported programs. Historically disadvantaged households benefited from receiving new houses and services to upgraded housing and solid waste removal in communities previously not served. USAID partners generated a capital investment value of \$74.5 million, including \$53 million leveraged by USAID's principal partner, the South African government's municipal infrastructure investment unit. USAID-financed technical assistance led to the implementation of the last cornerstones of housing and municipal policies that better serve the majority population. Specifically, both the implementation of the National Assembly's Municipal Finance Management Bill and the introduction of standardized contract provisions for public/private partnerships are enabling national, provincial and local governments to provide basic infrastructure and services such as power, water and sanitation for their most underserved citizens. Additionally, USAID supported the establishment of legislation that will direct capital investment into municipal infrastructure and services.

USAID relied heavily on partnerships in providing policy and service delivery assistance. USAID's support of a public-private alliance using a DCA guaranty attracted other investors, including the Overseas Private Investment Corporation, which provided a further \$250 million guaranty to the program. This program is supporting 35,000 homeowners against loan default and loss of their homes due to HIV/AIDS incapacitation. Successful climate change interventions led to the integration of energy efficient practices into housing and municipal service delivery in eight cities and to the promotion of public awareness through partnerships with 13 environmental groups. USAID sponsored the second conference on women in local government in an effort to highlight gender issues related to managing municipalities, and commissioned a working paper on the role of women in housing development.

By 2007, 20 cities will have increased their capacity to access capital for infrastructure and to manage municipal services and/or housing. They will implement systems and mechanisms to improve the quality and/or quantity of priority services for over three million households. Financial instruments will be in place

to enable a larger percentage of the population, particularly vulnerable groups, to access credit and banking services.

Data Sheet

USAID Mission:	South Africa
Program Title:	HIV/AIDS and Primary Health Care
Pillar:	Global Health
Strategic Objective:	674-008
Proposed FY 2004 Obligation:	\$20,828,000 CSH; \$488,000 ESF
Prior Year Unobligated:	\$2,402,000 CSH; \$1,200,000 ESF
Proposed FY 2005 Obligation:	\$24,011,000 CSH
Year of Initial Obligation:	FY 1995
Year of Final Obligation:	FY 2007

Summary: South Africa's health system faces a dramatically high HIV/AIDS prevalence rate of 20%, reaching 26.5% among pregnant women, and uneven access to quality health services for South Africans who lacked health care under apartheid. USAID's program, with other USG agencies, builds on South Africa's strengths in health care and fosters integration of HIV/AIDS into primary health care services. Supporting the President's Emergency Plan for AIDS Relief (PEPFAR), the program focuses on HIV/AIDS prevention, treatment, care and support, including management of anti-retroviral therapy (ART), diagnosis and treatment of opportunistic infections, including tuberculosis (TB), and management of primary health care (PHC) services.

Inputs, Outputs, Activities:

FY 2004 Program:

Expanded HIV/AIDS prevention services (\$5,600,000 CSH; \$488,000 ESF; \$1,200,000 prior year ESF; \$2,402,000 prior year CSH). USAID, as part of PEPFAR, will use prior and current year CSH funds to support South Africa's HIV/AIDS prevention program by promoting abstinence and partner reduction through non-governmental and faith-based organizations (NGOs and FBOs), and by assisting provinces to expand availability of services for voluntary counseling and testing (VCT) and prevention of mother to child transmission (PMTCT). USAID will support expansion of PMTCT services to 65 sites in four high prevalence provinces. These will operate as hubs providing training in PMTCT to health practitioners. Prior and current year ESF will be used for infant feeding and maternal health in PMTCT programs. USAID will competitively award five new grants to local NGOs and FBOs to expand successful community-based HIV/AIDS prevention activities, and will initiate five new adolescent-friendly programs with a strong focus on abstinence and male responsibility. Principal contractors/grantees: Hope Worldwide, Nelson Mandela Children's Fund, John Snow, Inc., Johns Hopkins University, Family Health International, EngenderHealth, PACT, Elizabeth Glaser Pediatric AIDS Foundation, University Research Corporation, Management Sciences for Health, and new partners (to be determined).

Expanded HIV/AIDS treatment, care, and support services (\$9,900,000 CSH). In support of PEPFAR, USAID will assist at least 40 community organizations that reach over 50,000 orphans and vulnerable households to provide home-based and hospice care, community mobilization, and psychosocial support. A public-private alliance will leverage support for 50,000 employees to gain access to ART benefit packages. Programs will provide treatment to 5,000 HIV positive people through existing and new public-private partnerships. In addition, USAID will support five sentinel treatment sites to track treatment outcomes and side-effects, and will improve the quality of home-based care, including palliative care, in five of the country's poorest provinces. Principal contractors/grantees: Same as "Expanded HIV/AIDS Prevention Services."

Improved primary health care services (\$3,328,000 CSH). USAID will provide technical assistance and training to 5,000 health care staff to improve resource and clinical management, to strengthen data quality collection and use for decision-making, and to improve the overall quality of health care. USAID will

support an advisor in the Department of Health to strengthen drug management systems for ARV rollout. Principal contractors/grantees: Same as "Expanded HIV/AIDS Prevention Services."

Improved TB diagnosis and treatment (\$2,000,000 CSH). USAID will provide training and technical assistance to 1,000 clinic staff and community volunteers to improve TB diagnosis and increase the percentage of patients who successfully complete treatment. Grants to NGOs and FBOs will increase the number of volunteers available for implementation of TB treatment, thereby ensuring effective management of the disease. USAID will expand a successful TB training program to at least 250 doctors in five provinces. Principal contractors/grantees: Same as "Expanded HIV/AIDS Prevention Services."

FY 2005 Program:

South Africa is a focus country under the President's Emergency Plan for AIDS Relief. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005.

Expanded HIV/AIDS prevention services (\$6,500,000 CSH). Under this plan, USAID plans to expand prevention activities with a special emphasis on abstinence and "being faithful" programs. USAID will expand its small grants program to high HIV/AIDS prevalence communities, and plans to use new public-private partnerships. Principal contractors/grantees: Same as noted above, plus others to be determined.

Expanded HIV/AIDS treatment, care and support services (\$11,500,000 CSH). In support of PEPFAR, USAID will expand treatment, care, and support activities, including expansion of private sector partnerships. USAID will support new models to enhance the availability and quality of AIDS treatment and will expand community care and support, palliative care, and assistance to households with orphans and vulnerable children in five high risk provinces. Principal contractors/grantees: Same as "Expanded HIV/AIDS Prevention Services."

Improved primary health care services (\$4,011,000 CSH). USAID will support South Africa's efforts to strengthen the capacity of public sector health facilities, especially in historically disadvantaged areas; to deliver quality PHC services, and to promote the integration of HIV services into PHC services. Specific interventions may include expansion of PHC pilot activities in three of nine provinces and increased integration of HIV/AIDS services into routine clinic services and at the community level. Principal contractors/grantees: Same as "Expanded HIV/AIDS Prevention Services."

Improved TB diagnosis and treatment (\$2,000,000 CSH). USAID will help improve the diagnosis and treatment of TB in high prevalence areas. Specific interventions may include expanded community-based treatment; expanded advocacy and initiatives to increase adherence to TB treatment; and assistance in monitoring TB plans in all provinces. Principal contractors/grantees: Same as "Expanded HIV/AIDS Prevention Services."

All family planning agreements will incorporate clauses that implement the President's directive restoring the Mexico City policy.

Performance and Results: In FY 2003 more than 44,000 clients received comprehensive VCT services through USAID-supported clinics in Soweto, the Eastern Cape and other provinces. Of the more than 8,000 HIV positive pregnant women in Soweto, 84% received PMTCT services. USAID's pilot treatment program provided AIDS treatment to more than 900 patients, provided more than 18,000 employees with access to treatment benefits, and trained over 1,000 doctors in ARV therapy. USAID provided care and support to more than 46,000 orphans and vulnerable children in three poor provinces and Soweto. In 2003, USAID's partners made over 300,000 home care visits; helped establish home care and nutritional guidelines for HIV-infected households; and supported hospice services. USAID helped create the first public-private partnership to renovate and manage a public hospital in a very poor province. USAID's main PHC activity, focused on the Eastern Cape, has led to more than 90% of the 700 clinics in USAID target areas offering all basic PHC services five days a week. Eighty-four percent of the clinics have key PHC drugs available; 64% of the 11,000 nurses in the target areas are trained to provide all basic PHC services. In 2002-2003 there were more than 15 million visits for PHC services, an average of 2.5 visits per person per year. As the result of assistance from USAID, South Africa now has a single national

health information system and a system for district level health planning and budgeting. By 2007, USAID, in collaboration with its USG partners, will have helped increase access to PHC and HIV/AIDS services to more than 50% of the South Africa population.

Data Sheet

USAID Mission:	South Africa
Program Title:	Employment Creation
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	674-009
Proposed FY 2004 Obligation:	\$500,000 CSH; \$7,131,000 DA
Prior Year Unobligated:	\$12,000 DA; \$120,000 DCA; \$250,000 DFA
Proposed FY 2005 Obligation:	\$7,159,000 DA
Year of Initial Obligation:	FY 2000
Year of Final Obligation:	FY 2007

Summary: With an unemployment rate of 37% for the black population (versus 4% for the white population), the lack of employment opportunities remains the biggest threat to South Africa's emerging democracy. USAID's program to create employment for historically disadvantaged people fosters the growth and development of small, medium and micro-enterprises (SMMEs) and agribusinesses by creating linkages between previously disadvantaged firms and established businesses. The program uses technical assistance and training to help historically disadvantaged entrepreneurs exploit growing opportunities to secure domestic, regional and international trade, and supports these businesses to effectively identify new markets, build capacity, and secure financing to expand.

Inputs, Outputs, Activities:

FY 2004 Program:

SMME development (\$3,196,000 DA; \$250,000 DFA recoveries; \$250,000 CSH; \$120,000 prior year DCA). USAID will use DA and DFA recoveries to extend and expand its business linkages program to serve a wider clientele of historically disadvantaged businesses. Through technical assistance and training, USAID will help create 3,000 private sector jobs and R800 million (\$114 million) in new sales. In addition, USAID will expand the regional trade component of this program, which supports historically disadvantaged businesses seeking opportunities within sub-Saharan Africa, to cover nearly all the countries in the Southern Africa Customs Union (SACU) region. This effort directly supports the U.S. Trade Representative's efforts to sign a Free Trade Agreement (FTA) with SACU. Similarly, the business linkages program will prepare client entrepreneurs to take advantage of growing opportunities with the United States under the African Growth and Opportunities Act (AGOA). USAID will continue to implement a new program to support credit unions and cooperatives, which will increase access to finance for lower income households and businesses by approximately R1 million (\$143,000). USAID will use public-private partnerships and prior year Development Credit Authority funds to expand access to finance for small businesses. CSH funding will be used in support of PEPFAR to mitigate the impact of HIV/AIDS on SMMEs through treatment and prevention for employees of small black businesses. Principal contractors/grantees: The Corporate Council on Africa, ECIAfrica (sub-grantee), South African Cooperative and Credit League, and Megatech, Inc.

Agribusiness development (\$3,935,000 DA; \$250,000 CSH; \$12,000 prior year DA). USAID will expand its successful agribusiness program from three to six South African provinces. As a direct result, the program will serve a greater number of emerging agribusinesses, and will assist them to capture larger market shares. USAID will provide technical assistance to the South African National Department of Agriculture and the Land Bank, through the services of a USAID-supported long-term rural finance advisor, to facilitate the flow of capital to historically disadvantaged agribusinesses. In addition, USAID will fund an ongoing program to assist emerging agribusinesses to identify potential market-based land transactions that promote business growth. CSH resources will be used in support of the PEPFAR program to assist emerging agribusinesses to develop treatment and prevention programs for their employees. In FY 2004, the agribusiness portfolio will create 1,250 jobs and generate some R227 million

(\$32 million) in new sales. Principal contractors/grantees: Deloitte Touche Tohmatsu, Corporate Council on Africa, ECIAfrica (sub-grantee), and AfricaBio.

FY 2005 Program:

SMME development (\$2,826,000 DA). USAID will build on successful business linkages programs to increase market opportunities within South Africa and internationally. USAID-funded technical assistance and business advisory services will help small and medium businesses in South Africa to develop the capacity to further tap into AGOA and regional trade opportunities. As a result, opportunities to link with Africa-wide and U.S.-based regional trade initiatives will expand to benefit South African small businesses. In FY 2005, the program intends to create 3,300 new jobs and increase sales for historically disadvantaged businesses by R900 million (\$128 million). Principal contractors/grantees: Corporate Council on Africa, ECIAfrica (sub), and Megatech, Inc.

Agribusiness development (\$4,333,000 DA). USAID plans to continue the agribusiness program to build the capacity of emerging farmers to more fully take advantage of growing market opportunities. Resources will also support continued outreach to market-based agricultural land transactions in order to increase the productivity of emerging agribusinesses. USAID funding will support specific efforts to enhance access to finance for small-scale farmers. Programs that contribute to research on biotechnology and land tenure issues will be expanded. USAID estimates that the agribusiness program will support 2,500 jobs in FY 2005, and will increase sales for historically disadvantaged farmers by R453 million (\$65 million). Principal contractors/grantees: Deloitte Touche Tohmatsu, Corporate Council on Africa, ECIAfrica (sub-grantee), AfricaBio, and Megatech, Inc.

Performance and Results: In FY 2003, USAID-funded programs assisted historically disadvantaged SMMEs to generate over \$170 million in business transactions and over 2,900 jobs. Over the life of the program, over \$440 million in business transactions have been generated, exceeding the target by 10 percent, and 8,500 jobs have been created. A recent external evaluation of USAID's flagship business development program concluded that the program was "very successful" and extremely cost efficient in terms of program costs and job creation when compared to similar donor and government programs operating in South Africa. The evaluation found that every \$1 spent through USAID-funded assistance generated \$10 in additional revenue for historically disadvantaged businesses. Small businesses taking advantage of USAID's new regional and AGOA trade activities have been able to conclude \$4.4 million in sales, achieving nearly two-thirds of the program target in the first year of the two-year program. SMMEs in the program have secured financing totaling \$69 million.

During FY 2003, the USAID-funded agribusiness linkages program assisted historically disadvantaged agribusinesses to generate more than \$116 million in sales from over 23,500 business deals. Over the life of the program more than \$205 million in sales have been concluded. The primary agribusiness program met its sales target of R1.4 billion (\$200 million), and has exceeded by 38% the "number of business deals" target.

By program completion in FY 2007, South African small businesses and agribusinesses will have improved their marketing, production and management capabilities and will have become well-informed participants in markets for their goods and services. Over the next three years, businesses supported by the USAID program will complete transactions valued at over \$500 million, and will be significant sources of employment.

South Africa PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	20,404	28,565	23,328	24,011
Development Assistance	36,804	34,393	28,678	26,789
Development Credit Authority	500	0	0	0
Economic Support Fund	600	0	1,988	1,000
Total Program Funds	58,308	62,958	53,994	51,800

STRATEGIC OBJECTIVE SUMMARY				
674-001 Democracy and Governance				
CSH	0	275	500	0
DA	6,679	5,486	3,500	4,276
ESF	600	0	1,500	1,000
674-002 Education				
CSH	979	275	500	0
DA	9,422	9,743	9,341	7,602
674-004 Economic Capacity Building				
CSH	0	125	500	0
DA	6,210	4,573	3,254	2,400
674-006 Housing & Municipal Services				
CSH	0	275	500	0
DA	5,902	5,605	5,452	5,352
DCA	500	0	0	0
674-008 HIV/AIDS and Primary Health Care				
CSH	19,425	27,615	20,828	24,011
ESF	0	0	488	0
674-009 Employment Creation				
CSH	0	0	500	0
DA	8,591	8,986	7,131	7,159

Mission Director,
Dirk Dijkerman