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ANNEX 2

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

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

ANNUAL PROGRAMME

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

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

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

SUMMARY

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

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

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

¹ OJ C 210 of 30.6.2017.

² COM(2018) 643 final of 12.9.2018.

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

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

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

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

1 CONTEXT ANALYSIS

1.1 Context Description

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

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

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

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

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

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

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

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

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

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

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

1.2 Policy Framework (Global, EU)

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

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

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

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

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

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

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

1.3 Public Policy Analysis of the partner country/region

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

1.3.1 National Development Plan

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

1.3.2 Agricultural Policy Action Plan

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

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

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

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

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

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

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

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

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

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

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

1.3.3 Operation Phakisa

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

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

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

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

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

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

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

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

1.3.5 South African Veterinary Strategy

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

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

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

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

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

1.3.7 National EPA Implementation Plan for South Africa

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

1.4 Stakeholder analysis

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

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

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

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

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

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

1.5 Problem analysis/priority areas for support

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

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

1.5.1 Weaknesses in quality infrastructure

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

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

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

1.5.2 Limited responsiveness to opportunities under the EPA

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

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

1.5.3 Capacity Challenges

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

1.6 Other areas of assessment

1.6.1 Fundamental values

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

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

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

1.6.2 Macroeconomic policy

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

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

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

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

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

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

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

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

1.6.3 Public Financial Management (PFM)

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

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

The latest PFM assessments include:

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

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

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

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

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

1.6.4 Transparency and oversight of the budget

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

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

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

2 RISKS AND ASSUMPTIONS

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

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

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

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

3.2 Complementarity, synergy and donor coordination

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

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

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

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

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

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

4 DESCRIPTION OF THE ACTION

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

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

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

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

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

Expected induced outputs for Specific Objective 1 are:

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

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

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

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

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

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

Expected induced outputs for Specific Objective 2 are:

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

Direct Outputs of the Action are as follows:

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

Direct outputs of the complementary support will be:

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

4.2 Intervention Logic

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

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

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

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

4.3 Mainstreaming

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

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

4.4 Contribution to Sustainable Development Goals (SDGs)

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

5 IMPLEMENTATION

5.1 Financing agreement

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

5.2 Indicative implementation period

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

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

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

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

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

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

5.3.2 Criteria for disbursement of budget support

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

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

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

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

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

5.3.3 Budget support details

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

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

Indicative timetable of disbursements of budget support (million EUR)

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

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

5.4 Implementation modalities for complementary support to budget support

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

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

5.4.1 Procurement (direct management)

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

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

5.5 Scope of geographical eligibility for procurement and grants

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

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

5.6 Indicative budget

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

5.7 Organisational set-up and responsibilities

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

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

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

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

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

5.8 Performance and Results monitoring and reporting

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

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

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

5.9 Evaluation

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

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

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

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

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

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

Evaluation services may be contracted under a framework contract.

5.10 Audit

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

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

5.11 Communication and visibility

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

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

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

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

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

APPENDIX - INTERVENTION LOGIC TABLE (FOR BUDGET SUPPORT)

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

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

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

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

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

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

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

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