

## [ POLICY BRIEF ]

# South Africa as a Development Partner in Africa

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Engagement for Africa's development has become a *raison d'état* for South African foreign policy since the end of Apartheid. The new South Africa claims to be a voice for the continent in multilateral forums like the G20 and, from April 2011 on, in the BRICS grouping (Brazil, Russia, India, China and South Africa). The content and the channels of South African engagement have fundamentally changed since 1994, however. Previously, aid to countries in the region had been seen as a tool to overcome isolation and as a clientele policy in the immediate neighbourhood. This brief provides an overview of key elements of South African development cooperation and discusses challenges that South Africa faces as a development partner.

### Rationale for engaging in development cooperation

Since 1994, South African foreign policy has been stoutly Pan-African. Former president Thabo Mbeki coined the term »African renaissance«, meaning that Africa would be able to reach its full potential after all African states gained their independence with the fall of the Apartheid regime. Mbeki was also among the initiators of the New Partnership for African Development (NEPAD), which in 2001 established a governance agenda for the continent. In official discourse, assistance to other African countries is depicted as »brotherly help« to fellow Africans. The renaissance rhetoric was apparently meant to ease the engagement in the context of high domestic development expectations and challenges – and to manage expectations and concerns in other African states.

As is the case for all providers of development assistance, the motivation is a mix of different factors. Cooperation can partly be regarded as the reflex of a new elite that had experienced solidarity in their struggle from neighbouring countries, leading to interconnected elites. The assistance is also partly regarded as compensation to neighbouring countries that suffered from an aggressive destabilisation policy by the Apartheid regime, with South African sponsored civil wars in Mozambique and Angola as well as development-stifling dominance in other places. Finally, South Africa has articulated an »enlightened self-interest' in being located in a peaceful and economically prosperous region since Nelson Mandela became president.

This paper offers a profile of South Africa as a development partner to other African states. South Africa is a substantial African source of financial transfers and assistance, particularly in its sub-region Southern Africa. While pan-African cooperation is part of the core foreign policy rationale of post-Apartheid South Africa, the country is struggling to sharpen its profile as a development partner, due to both persistent internal inequalities in South Africa and an inner-African reluctance to accept South Africa as a leader among African states.

South Africa is the economic powerhouse of the entire continent, with around a quarter of the Sub-Saharan GNI produced in the province of Gauteng (home to Johannesburg and Pretoria) alone. This also translates into challenges for South Africa's position on the continent, as its potentially dominant position is cautiously monitored by other African states. While being the only African state within the G20 and a newly invited member to the BRICS club, South Africa is well-advised to downplay its weight within Africa.

The economic clout of South Africa does not automatically translate into political power. Though groomed by outside powers, the country has limited leverage in Africa and is politically clearly trying to 'speak softly' in matters concerning other African states. It has been publicly denounced as 'not representing Africa' in the past – not least so by the African Union Commission – and is thus cautious to appear as a team player in Africa.

Development assistance which in itself symbolises inequality in (donor-recipient) relations is therefore a difficult topic and the administration is often at pains to emphasise that South Africa is not a donor country, but a partner to other states. This also has led to debates over the name of the new development agency (see box 1). The high receptiveness amongst South African officials for the term »South-South Cooperation« also has to be regarded in this context.

### Where and how does South Africa engage?

South African development cooperation is almost exclusively African in nature, with small amounts of humanitarian support going to places like Haiti (after the earthquake) or the Palestinian territories. An estimate of more than 95 per cent, however, is to African countries, predominantly in the sub-region South of the Congo, but also including projects in Southern Sudan, Guinea or Rwanda.

Unlike other emerging countries, South Africa's preferred channel of engagement is multilateral. Its financial contributions privilege regional organisations, especially the Southern African Development Community (SADC), the African Union (AU) and the Southern African Customs Union (SACU). This makes it difficult to account for the overall volume of South African development assistance, as membership fees and contributions to regional organisation follow both the rationale of regional integration and development cooperation.

The core of the development programme is a dedicated fund in the Department (ministry) for International Relations and Cooperation (DIRCO) called the African Renaissance and International Cooperation Fund. In addition, other government departments have minor sums for cooperation and also invite staff from neighbouring states' administration for training or engage directly in other countries in capacity-building. Taking a broad estimate of overall aid engagement, South Africa might have dedicated the equivalent of around one per cent of its gross national income to cooperation with other African states (in 2008: ca. 150 million Euros)<sup>1</sup>. While there is no single statistical source for these financial flows and the figure is thus based on rough estimates, it would make South Africa a medium size international donor, on par with a number of new EU member states in terms of financial volume.

### African Renaissance and International Cooperation Fund as the core

The African Renaissance Fund (ARF) came into being in January 2001 and represents an estimate of only one third to half of South Africa's international cooperation funding. The Fund's goals include the promotion of democracy and good governance, conflict prevention and settlement, social and economic development as well as humanitarian assistance and the support for human resource development. The Fund's constitutive act does not prioritise one goal over others, with the exception of a clear regional focus on Africa.

The Fund is envisaged to be at the level of around 45 million Euros for the financial year 2011–12. This indicates rapid funding growth, up from the equivalent of Euro 9.3 million Euro in 2006 and Euro 30 million in 2008. The annual reports of DIRCO on the ARF provide details on spending and include an assessment grid on the value for money delivered with the projects that will have to be signed off by the Auditor General.<sup>2</sup>

One of the original purposes of the ARF was to channel other external funding. This was based on experience with humanitarian assistance in the Mozambique

1 Grimm, S. (2010): Südafrika als »neuer Geber«?, GIGA Focus Afrika 3/2010, Hamburg.

2 DIRCO, Report on the African Renaissance and International Cooperation fund 2009/10; DIRCO, Multiannual Strategic Plan 2010–2013.

floods in 2000, during which Pretoria had no legal vehicle to accept other donors' funds and channel it to Mozambique. The original ARF act thus has a clause (art. 2, paragraph 2e) that allows for the inclusion of funding »from other sources,« however this clause has never been used. Other donors are reluctant to channel their funds through the South African Treasury instead of going to the partner countries directly. More recently, South Africa has explored possibilities for trilateral cooperation with other donors.

The multi-annual strategy of the foreign ministry (renamed Department for International Relations and Development in 2009) explores the ARF's specific actions in more detail. It presents a broad range of topics to be supported with ARF funding (see box 2), ranging from support for elections to cultural cooperation like the support to museums or conservation of cultural goods in Timbuktu. The lack of focus enlarges the policy space for South Africa's missions abroad tremendously; however, it also deprives them of direction for their actions.

## Financing beyond aid

In addition to these funds, South Africa provides financial transfers within SACU, the oldest such customs union in the world.

The Southern African Customs Union (SACU) is a colonial legacy in the region. It was established in 1910 and includes South Africa, Botswana, Lesotho, Namibia and Swaziland. Customs and fees within SACU are collected at the point of goods entering the union. Given the infrastructure in Southern Africa and the fact that three member states are landlocked countries, the collection point is usually located in South Africa. Since the 1960s, SACU has a mechanism of transfer payments within the region, based on a formula for calculation that has been subject to changes several times. The formula was last renegotiated after the end of Apartheid. Agreement was reached in 2002, indicating protracted and difficult negotiations.

Transfers are purely fiscal. They are of interest from a development perspective, too, because the formula includes a factor for the level of economic development. Poorer SACU members thus receive more finance than the level of exports and imports would suggest. Moreover, transfers are based on forecasts and lack a mechanism for reclaiming funds that exceed the actual levels of im-

### BOX 1: SAIDA OR SADPA – MORE THAN SEMANTICS

Naming South Africa's development agency was a contentious issue. During the party meeting of the ruling African National Congress (ANC) in Polokwane, delegates decided on the establishment of a South African International Development Agency (SAIDA). This decision triggered turf wars between the Treasury and the then Department for Foreign Affairs.

Debates concerned who the new agency should report to and what its mandate should be. Discussions on value-for-money in international development were more to be found in Treasury, while Foreign Affairs highlighted the foreign policy dimension and advocated for the renaming of the entity in order to dissociate itself from ›traditional donors‹ and the (negative) connotation that comes with the term on the African continent. The debates were finally settled with the decision to call the new entity the South African Development Partnership Agency (SADPA).

port and export volumes. SACU transfers thus cushion a sudden slump in export earnings for South Africa's neighbours. However, this is only a temporary effect, as the current fiscal crisis situation in Swaziland illustrates.

Voices in South Africa have criticised this arrangement as it transfers funding to neighbouring states irrespective of their development orientation. Domestic development challenges in South Africa are persistent and funding needs ›at home‹ are deemed important.

The Development Bank of Southern African (DBSA) also provides funding for development projects in the region. Based in Midrand, the Bank was originally established to fund development in the so-called Bantustans, supposedly independent political entities within Apartheid South Africa established to disenfranchise the black population at the time.

As stated above, membership contributions to the AU and SADC could also be used for development purposes. They were, however, ignored in the above estimates of the overall development funding by South Africa. The line between support for regional integration and development cooperation is not drawn very sharply, however.

#### BOX 2: SELECTED STRATEGIC ISSUES FOR ENGAGEMENT IN SOUTH AFRICA'S BILATERAL RELATIONS

- Democratic institutions and effective governance
- Conflict prevention, peace building and post conflict reconstruction and development
- Security sector capacity and reform
- Restoring macro-economic and fiscal stability
- Improving legal and regulatory frameworks for trade and investment and financial markets
- Gender equity in institutions of governance and within civil society
- Building capacity in education, training, and health services
- Improving infrastructure to facilitate intra-African trade and investment
- Improving agricultural production for local consumption and for export
- Cooperation on scientific and technological research
- Tourism and cultural exchanges
- Beneficiation of mineral resources and improving energy sector capacity
- Supporting the development of organised civil society

Source: DIRCO, Multiannual Strategic Plan 2010-2013, p. 10

### Challenges for South African development cooperation

South Africa continues to be an aid recipient with vast internal development challenges, thus facing questions about the legitimacy to spend money beyond its borders. Being an electoral democracy, this argument carries weight in South Africa, with former President Mbeki being voted out of office by his party comrades not least based on allegations of loftiness and being more engaged abroad than on South Africa's internal challenges. President Zuma has corrected this image and takes a more hands-off approach to foreign relations. The decision

of the party convention in Polokwane 2007 to establish SADPA has still not been implemented; it does not appear to be an immediate priority for the administration. However, engaging in its neighbourhood for peace, stability and development remains in the clear interest of South Africa.

With discussions around SADPA resolved, the creation of an effective implementing body remains on the agenda. Activities currently are small scale and include rather ad hoc projects. The plethora of small engagements needs to be bundled and focused if South Africa wants to have an impact despite limited resources. The emphasis on results – and possible tough discussions with partners about a lack in development orientation – is difficult to reconcile with the government's emphasis on eye-level partnership and with its delicate leadership role. It is however implied by the NEPAD agenda as well as the very goals named in South African development cooperation.

The administration is currently trying to increase financial leverage for its activities through trilateral cooperation arrangements. South Africa appears to be relatively successful in this endeavour, but will face challenges in practical results. Western donors ask about the comparative advantages in South African aid delivery. While the political considerations might be favourable in some instances, the potential for trilateral cooperation remains under-explored as South Africa has difficulties to accept the principles of the Paris declaration in its external cooperation.

South Africa seems to be a willing, if not always an easy, partner for European development cooperation. The country will pursue its own foreign policy objectives that are relatively close to European priorities (such as peace and security engagement, economic and social development), but not necessarily identical to European perspectives. Furthermore, South Africa is not readily accepted as a leading power throughout the continent. European actors will need to negotiate on a case-by-case basis on the rules governing possible trilateral cooperation and must be clear about the added value to include South Africa in the cooperation.

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