



Cooperation with the private sector in South Africa

Country report 2011

Highlights

- The DPP portfolio has substantially expanded in 2011. Seven new partnerships were signed, for a total amount of 3.6 Mio Euro, with 70% contributed by the private sector.
- The GIZ partnership with First National Bank (FNB) and Carbon Programmes successfully proved the business case for energy efficiency investments in low cost housing. A housing loan, specifically including energy efficiency measures, is now available on the bond market for low income earners.



Background

Bilateral Cooperation with South Africa started as early as 1993 on the back of overcoming apartheid. Private sector promotion has since been a priority, be it through the institutional support for public sector actors, building entrepreneurship skills, developing a modern dual vocational training regime, or more recently, through Development Partnerships with the Private Sector (DPP). Ever since the partnership programme has kicked-off, GIZ has formed over 50 partnerships with companies in South Africa. These are often using very innovative and exemplary approaches, e.g. in the area of water management, youth development, electronic waste, local procurement or Corporate Social Responsibility (CSR).

South Africa has arguably the most drive and motivation when it comes to the various concepts of joint development partnerships and their implementation.

Cooperation: State - private sector - civil society

South Africa created the first statutory basis for cooperation between the public and private sectors in 1999 with the Public Finance Management Act, supplemented in 2003 by the Local Government: Municipal Finance Management Act and subsequent regulations. A PPP Unit was established at the Ministry of Finance as a contact and coordination agency and is active since. South Africa has become a model for other countries in southern Africa seeking to put in place the legislative and practical framework for formalized partnerships between the public and

private sectors. Numerous concrete infrastructure public-private-partnership projects have evolved and are ongoing.

Main economic indicators

- Economic sector contributions: Agriculture (2% of BIP in 2009), manufacturing (15%), mining (10%), services (44%) (tourism, energy, telecommunications, finance, trade and communication)
- Real GDP growth is 2,8% in 2010 after negative growth in 2009
- Ease of Doing Business Index: Rank 35 in 2011 out of 183 countries; 2nd in sub-Saharan Africa
- Human Development Index : Rank 123
- South African trade with Germany: Imports EUR 7,68 Billion (vehicles 28,4%, machinery 19,5%, electronics and electrical equipment 12,2%, chemicals & pharmaceuticals 7,6%); Exports EUR 5,37 Billion (metals 21,5%, raw materials 16,5%, machinery 15,1%)

BMZ focal areas

- Governance and Administration
- Energy and Climate
- HIV / AIDS



One of the key challenges facing South Africa is the need for economic growth and job creation. South Africa is looking to create 5 million jobs by 2020. Government clearly recognizes the need for increased cooperation with the private sector and acts accordingly. Private investment is at the core of the renewable energy drive in SA, the Job Fund supports innovative ways of job creation and specialized co-funding facilities for growth sectors.

But SA's history in cooperating with the private sector goes beyond PPPs. Some of the most important government contributions towards collaboration and relationship building with the private sector include the framework of Black Economic Empowerment, the Expanded Works Programme, the Johannesburg Stock Exchange Social Responsibility Index and the National Skills Development Strategy. The latter is strongly supported by the GIZ Employment and Skills Development Programme over many years.

Focal area: Governance and administration

South Africa's constitution is regarded as one of the most progressive internationally, securing the right of every citizen to access to public services, participation in local decision making as well as to accountable and democratic governance. However, the reality of providing these services and participation in local governance is often more challenging. In response to this challenge, GIZ currently operates three programmes:

- Strengthening of Local Governance Programme (SLGP) which is aimed at strengthening cooperative governance
- Public Service Reform Programme (PSRP), which looks at reform in the public service
- Youth Development through Football (YDF) which collaborates closely with the Ministry of Sport and Recreation

All these programmes have a focus on strengthening partnerships between the public and private sector, and civil society to address local and national developmental challenges. More specifically SLGP works in partnership with the Department of Cooperative

Governance and Traditional Affairs (COGTA), National Treasury and the South African Local Government Association (SALGA) to establish a more participatory system of local governance which includes the promotion of innovative partnerships between Government, the private sector as well as with civil society stakeholders. The Small Towns Development Initiative, for example, is a GIZ partnership which promotes dialogue between public and private sector and civil society. The Harrismith Partnership Project, supported by the Africa Facility, which brings together a local youth forum, private business and local municipality to develop much needed youth orientated business opportunities in a small town serves as a catalytic demonstration pilot.

The relevance of youth development in South Africa is growing. The Sport for Social Change Network, a development partnership with NIKE SA, capacitates appropriate civil society organizations to partner with public and private sector players when undertaking joint youth development actions.

Focal area: Energy and climate

South Africa's energy intensity is above average. Energy comprises approximately 15% of GDP, creating employment for ~250,000 people. 93% of the electricity produced is derived from coal. At the same time, the country is among the 15 largest emitters of greenhouse gases worldwide in absolute terms. In recent years, South African electricity demand has outstripped its supply forcing the government, business and communities to look at both increased investment in renewable energy and coal power stations and energy efficient measures.

The new South African German Energy Programme aims to promote investment in renewable energy and energy efficiency. Its interrelation and interdependence with private sector actors is substantial. Private investors will have to be induced through tariff setting and good framework conditions to invest in solar and wind energy. Motivated manufacturing industries and capacitated service providers are essential for a meaningful uptake

DPP Africa Facility

The Africa Facility focuses on promoting cooperation between the state, the private sector and civil society. In many African countries this cooperation, which is essential for sustainable development, is not yet a reality. Since its inception in 2006, the Africa Facility has pursued three objectives in particular:

1. State organizations partnering with German development cooperation are enabled to involve the private sector systematically as a driving force in sustainable development. The private sector and civil society have an appropriate role within society and the framework for productive cooperation is in place.
2. The private sector fulfills its role as a responsible stakeholder in society through promotion of corporate social responsibility (CSR) and multi-stakeholder forums.
3. Concrete partnerships between GIZ and individual companies have positive impacts on sustainable development. In parallel, sector-specific policy dialogues are to be established, involving the state, the private sector and civil society.



of energy efficiency initiatives. Funding has also been set aside for integrated DPP measures with German, European and African enterprises.

A concrete development partnership with First Rand National Bank has proven that loan products for low income earners to apply energy efficiency measures in housing are viable. The partnership showed that CO₂ savings can average 2 tons/year and that households can save up to 40 Euros per month on energy costs. The bank now offers a “Green Mortgage” product.

South Africa is committed to combating Climate Change, as signatory to the United Nations Framework Convention on Climate Change and the Kyoto Protocol and host of the 17th Congress of the Parties meeting in December 2011. The BMU funded Climate Support Programme (CSP) strengthens the Department of Environmental Affairs (DEA) through providing capacity for analysis, policy development and consensus building processes.

Water Conservation

Reduced water risks for business, water security for residents and less costs for the municipality

The Emfuleni Local Municipality (ELM) experiences annual water losses 36 million m³ or the equivalent of over 14,000 Olympic-sized swimming pools. 40% of treated water disappears through leaking pipe networks

The necessary capacity, instruments or resources to implement the required water conservation and demand management actions is lacking. This is particularly crucial in a situation, where households, the farming community and the business sector have to share an increasingly scarce resource.

Sasol, ELM and GIZ pilot this water conservation project which:

- Reduces physical water losses in prioritized areas
- Capacitates service providers for repairs and maintenance
- Creates a special account within the municipality to reinvest in water network infrastructure
- Provides water conservation education and awareness

Key result will be the reduction of water losses in the ELM area by 12 million m³ by June 2014. The resulting financial gains improve the municipality's budgetary situation. Water as a scarce resource will be valued.



Focal area: HIV/AIDS

The HIV/AIDS epidemic, with its significant social, economic and cultural impacts, is one of the largest obstacles to development in South Africa. With some 5.7 million people (nearly 25% of the adult population) infected, the country is among the worst hit. It accounts for 17% of all HIV infected people worldwide.

The GIZ development partnership efforts were instrumental in motivating and engaging the private sector in the fight against AIDS. The workplace programme concepts have originated in the initial HIV/AIDS partnerships between GIZ and German automobile manufacturers in SA. The Mercedes Benz HIV/AIDS programme is still considered a benchmark. In recognition of the chief significance of a coherent and effective response to the epidemic, the fight against AIDS was made a focal area for German development cooperation in 2011. The Multi-sector HIV/AIDS Prevention Programme (MHIVP) was commissioned by BMZ to reach out to the youth, mainstreaming HIV/AIDS into GIZ projects, capacitating NGOs and AIDS councils. MHIVP uses integrated DPPs and prepares for the creation of a Health Journalism Centre and the use of mobile technology to address the youth.

The topic is still significant for the German automobile companies in South Africa. VW in partnership with GIZ started a life skills development and outreach programme in the Eastern Cape Province that links children and young people between the age of 12 and 20 with existing health facilities for HIV/AIDS prevention, diagnostics and treatment. The partnership combines HIV/AIDS and youth development approaches with curriculum improvements in the school system to better address health issues.

Challenges and way forward

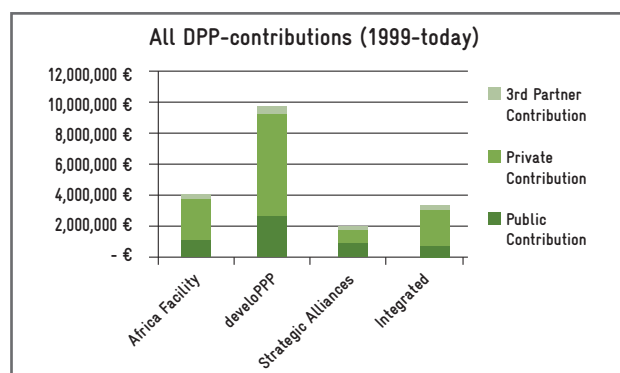
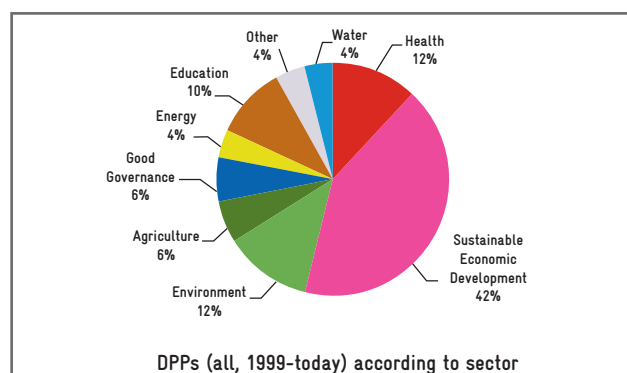
The general prospects for DPP development are encouraging. South Africa has a proven PPP history on service and infrastructure delivery by the private sector. GIZ's broader model of Development Partnerships with the Private Sector works well with many local and international enterprises. A multitude of positive examples are on display. The next step must be to further the understanding within the South African public sector as well as organized business.

Unfortunately there is no immediate South African public partner assuming a lead role on DPP dissemination as yet. The PPP Unit in the National Treasury is characterised by many years of PPP implementation in a classical sense, mostly an issue of funding and public procurement. Philosophy and concept of DPPs are partly beyond their grasp. The road ahead – and equally a challenge – will be to engage with the multitude of partner organizations through the various GIZ players and at the same time avoid the emergence of a variety of approaches, administrative rules or even legislative developments. Mainstreaming of DPP requires the development of a coherent national regulatory framework.

Development Partnerships with the Private Sector. Facts & Figures South Africa

All ongoing DPPs in South Africa

Title	Partner	Start	End	Public contribution	Private contribution	Contribution by 3rd partners	Total	Sector
Africa Facility								
Sport for Social Change Network (SSCN) Southern Africa	NIKE UK Headquarters	01.08.11	31.07.13	190,332 €	423,000 €	-	613,332 €	Education
Emfuleni Water Conservation Project	Sasol	01.07.11	30.06.14	204,082 €	647,347 €	306,122 €	1,157,551 €	Water
MTN South Africa E-Waste Project	MTN Group Limited	01.03.11	30.11.13	199,500 €	826,210 €	23,000 €	1,048,710 €	Environment
Strengthening Local Supply Chains	Sasol	01.11.11	01.09.14	200,000 €	203,000 €	-	403,000 €	Sustainable Economic Development
3E (Energy, Education & Entrepreneurship) Project	My Fire (PTY) Ltd	15.12.10	30.11.13	200,000 €	367,000 €	-	567,000 €	Energy
Harrismith Partnership Project	Harrismith Highway Group	03.10.11	30.09.13	80,000 €	126,000 €	-	206,000 €	Good Governance
develoPPP.de – ideas competitions								
Improvement of youth's perspectives through education on life skills and HIV/AIDS through football	Volkswagen, South Africa	01.10.09	30.06.12	200,000 €	300,000 €	100,000 €	600,000 €	Health
South African - German CSR Initiative	Southern African - German Chamber of Commerce and Industry	01.07.11	30.06.13	81,691 €	91,291 €	-	172,982 €	Sustainable Economic Development
ProESE-Practice-oriented Education in Sanitary Engineering	Festo Didactic	01.10.11	30.11.13	174,139 €	179,836 €	-	353,975 €	Education
develoPPP.de – strategic alliances								
Reducing shared water risk: from footprinting to watershed sustainability for SABMiller	SABMiller PLC	01.10.09	30.09.12	250,000 €	250,000 €	7,500 €	507,500 €	Water
erp4school Africa	SAP AG	01.12.10	31.10.13	398,000 €	437,000 €	125,000 €	960,000 €	Education
Integrated DPP								
Partnering with local business chambers to create change in small towns in South Africa	The Afrikaanse Handels-instituut	01.01.10	31.12.12	87,536 €	169,474 €	49,865 €	306,875 €	Sustainable Economic Development
Piloting learnerships for the South African Foundry Industry	South African Institute of Foundrymen	01.01.10	31.12.12	45,100 €	105,300 €	68,000 €	218,400 €	Sustainable Economic Development



Overview DPP (all, 1999-2011) – number of projects, contributions

Type of DPP	No. of DPPs	Public Contribution		Private Contribution		3rd Partner Contribution		Total In €
		In €	In %	In €	In %	In €	In %	
Africa Facility	10	1,309,814.00	29.0	2,863,557.00	63.4	342,122.00	7.6	4,515,493.00
develoPPP	25	2,708,791.35	27.9	6,562,951.85	67.5	449,271.00	4.6	9,721,014.20
Strategic Alliances	5	894,201.30	44.9	868,743.67	43.7	227,291.67	11.4	1,990,236.64
Integrated	11	752,789.00	22.6	2,291,536.00	68.9	282,715.00	8.5	3,327,040.00
Total	50	5,465,595.65	28.5	12,383,788.52	64.7	1,301,399.67	6.8	19,150,783.84

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