

MINISTRY OF FOREIGN AFFAIRS OF DENMARK



DENMARK – SOUTH AFRICA

PARTNERSHIP FOR THE FUTURE





DENMARK'S NEW PARTNERSHIP WITH SOUTH AFRICA

South Africa has a quite strategic position in Africa as the continent's political and economic heavyweight with global influence in a number of areas. Thus, South Africa is an important partner for Denmark in a globalised world. This policy paper outlines Denmark's cooperation with South Africa, politically and economically, in the years to come.

Denmark supported the struggle against Apartheid in South Africa for many years. The effort was characterised by strong public support, and images of Nelson Mandela's release and leadership were seen as historical milestones. During South Africa's transition to democracy, Denmark's South Africa policy focused on development cooperation. Despite South Africa being wealthier than traditional recipients of Danish development assistance, the cooperation continued due to a wish to support South Africa's transition to freedom and democracy.

The country has experienced rapid change over the past decade. Today, South Africa is one of the most interesting emerging economies and despite the continued limited size of the economy its growth projections are extremely positive and the purchasing power of its large population is increasing. Furthermore, South Africa is characterised by market-friendly policies and political stability, ensuring an attractive climate for investment and trade. Combined with its geographical location, good infrastructure and sound banking sector, South Africa is in many ways an attractive gateway to Africa.

Despite the many positive developments and new opportunities, South Africa is still experiencing challenges. Wide income inequalities, unemployment and poverty are still prevalent. Other problems include a high crime rate, HIV/AIDS and general challenges in the health sector. On top of that, South Africa has an education system that often lags far behind at primary and secondary level while some of its universities produce top candidates.

Denmark's relationship with South Africa has also changed over the last decade. Due to the Nordic countries' strong support for the ANC during the Apartheid era, for many years Denmark enjoyed a special status in South Africa. Over time, this historical connection naturally has become less significant. South Africa is a key regional player whose international position is illustrated by its G20 membership, for instance. The cooperation with the BRIC countries (Brazil, Russia, India and China), in particular, is playing an increasingly important role.

Most recently, South Africa has strengthened its engagement in the fight against climate change and will be hosting the UN's Climate Change Conference in 2011. Furthermore, South Africa is actively mediating in conflicts on the African continent, particularly through the Southern African Development Community (SADC) and the African Union (AU), and it has become a donor country in Africa.

Despite the changes in the relationship between Denmark and South Africa, there is still a solid foundation for close cooperation, even though Denmark no longer enjoys automatic access to dialogue with South African partners. In the future, Denmark will be an active partner and constructive player in South Africa's growth and in the country's increasingly important political position on the African continent and in South-South cooperation. The objective is two-fold: we need to be better equipped to take advantage of the many interesting political

and economic opportunities offered by cooperation with South Africa, and simultaneously this will be advantageous for Denmark's role and position in a globalised world. In the short term, Denmark will assist with strategic development initiatives, although at a reduced level. Overall, the ideal is a broadened partnership for the future based on pursuing both Danish and common interests. Commercial cooperation will play a crucial role in the future. However, we must make the most of our two countries' common positions on issues such as peace and stability in Africa, the building of stronger African institutions, the promotion of democracy and human rights, and the international debate on values.

CHANGES AND **GROWTH** IN SOUTH AFRICA– WITH ONGOING CHALLENGES

SOUTH AFRICA ON THE MOVE

South Africa has undergone major changes since its transition to democracy in 1994. Democratic principles and the rule of law are well founded in a strong constitution and modern legislation. Four national elections have taken place. The media are free, the courts of law are independent and civil society is thriving. Issues of importance for society as a whole are handled politically, debated in public and resolved – if necessary – in the judicial system.

In 1994 the ANC government, with Nelson Mandela as President, inherited an economy that was isolated and on the verge of collapse. By means of tight economic policies focusing on macroeconomic stability, financial and monetary policy discipline, and promotion of foreign investments, the successive ANC-governments – most recently with President Jacob Zuma at the helm – managed to build a strong economy with growth rates of 4-5% per annum before the international recession hit in 2008/9. The reconstruction of the economy has taken place simultaneously with the establishment of a welfare state covering healthcare, education, pensions and social services for the poor, in particular families with children. There have been massive investments in infrastructure, not least in relation to the FIFA World Cup in 2010. These government programmes have been implemented without creating budget deficits or public debt larger than in established democracies that are not faced with a similar heavy burden from the past.

CHALLENGES REMAINING

South Africa still faces great challenges. There is a need to improve financial management in the public sector and for a rigorous clampdown on corruption and fraud. People in remote areas either do not have access to social services or the quality of the services is unsatisfactory. The lack of skilled personnel in the public sector is one of the major contributing factors. Additionally, the existence of monopoly-like conditions in a number of sectors leads to distortion, inefficiency, high prices and a lack of competition in parts of the private sector. However, the ANC ruling party, supported by its two alliance partners – the trade unions and the communist party – continues to enjoy strong support from the population due to the struggle against apartheid and wins 60-70% of votes at national elections.

A mixed picture also presents itself in the social sectors. The average life expectancy is 48.2 years for men and 51 years for women – but these figures are declining. This is primarily due to the impact of HIV/AIDS, with an estimated 18% of the total population between 15 and 49 years of age being infected. Lifestyle diseases such as diabetes also pose an increasing threat to public health.

Education still lags behind, especially for the black and coloured segments of the population. Despite 98% enrolment at primary school level, few receive tertiary education. This results in

a lack of skilled personnel in many sectors, which is a hindrance to even further growth and improved service delivery in the public sector.

Lifting the large groups of black and coloured people out of poverty has proven extremely difficult, although initiatives for expanding the welfare state and extensive affirmative action programmes for the benefit of these groups have contributed to poverty reduction. However, 40% of the population still live below the poverty line (as defined in South Africa) and there is 25-40% unemployment, depending on methods of measurement, mainly amongst the youth and those with little education.

One of the major challenges lies in the massive inequality between rich and poor. The poor often live in shacks in large townships on the outskirts of large cities or in the rural areas and have limited access to the labour market and social services. The rich, on the other hand, have a standard of living equal to or above European standards. Inequality has become greater, not less, in the period after the transition to democracy. There is still a strong correlation between poverty and colour, and consequently the majority of social problems and crime connected with poverty largely exist within the black and coloured segments of the population. Crime is still unacceptably high, although it has been declining in the past 3-4 years.

Facts about South African Society

- The population of South Africa is 49.3 million people – 9 times the number of people in Denmark (5.5 million)
- South Africa's population growth is 1.3% compared to Denmark's 0.7%. Women in South Africa give birth to 2.4 children on average. In Denmark this figure is 1.9 children
- South Africa's geographical area is 1 219 100 km² – more than 28 times the size of Denmark (Denmark has 43 100 km²)
- South Africa has 11 official languages
- 43% of South African Members of Parliament are women (Denmark: 38%)
- Average life expectancy in South Africa is 50.5 years (78 years in Denmark)
- Approximately 79% of South Africa's population are black, approx. 9% are white, 9% are coloured and approx. 3% are of Indian descent.
- 57% of the population in South Africa live in urban areas (86% in Denmark)
- South Africa has a large young population – the median age is 24 years (40 years in Denmark).

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Sources: Statistics Denmark, the World Fact Book, Folketinget.dk, South Africa Survey 2008/9

SOUTH AFRICA'S FOREIGN POLICY – STRENGTHENED POLITICAL **DIALOGUE**

REVISED PRIORITIES IN SOUTH AFRICA'S FOREIGN POLICY

South Africa's foreign policy is first and foremost focused on southern Africa, the African continent and its relations to other countries in the southern hemisphere. In particular, large emerging economies such as Brazil, India and China are seen as strategic partners for South Africa. Further down the list are South Africa's relations to countries in the north, including the EU countries, Denmark and the other Nordic countries.

Historically Denmark has enjoyed a close relationship with South Africa – along with the other Nordic countries – formed during the struggle against apartheid and expanded in the succeeding years with large development assistance cooperation. However, a new reality presents itself today, where new areas of cooperation need to be identified. Today, the historical relationship plays a less important role and Denmark no longer enjoys automatic access to dialogue with South African partners.

In 2009 a declaration focusing on strengthening the regular political dialogue was signed at Ministerial level. The declaration has resulted in a number of meetings at Ministerial and senior official level. Parliamentary delegations from both countries have also conducted visits.

South Africa is a member of G20 and was a non-permanent member of the UN's Security Council in 2007-2008 (and is a candidate for 2011-2012). Together with Brazil, India and China, South Africa forms the "BASIC countries", which play an important role in the negotiations for a new climate change agreement. The UN's Climate Conference in 2011 (COP17) will take place in South Africa.

South Africa has taken the lead in developing the vision of "African Renaissance", and was one of the primary initiators in the establishment of the African Union (AU) and the New Partnership for Africa's Development (NEPAD). Furthermore, South Africa is one of the major players within the Southern African Development Community (SADC). South Africa is thus playing a key role in establishing an African architecture for politics and security that reaches beyond national borders and which can contribute to solving the continent's conflicts and problems as well as promoting economic integration. South Africa assumes an important role as a mediator in conflicts on the continent, such as in Burundi, the Ivory Coast, the Democratic Republic of Congo and Zimbabwe. South Africa is also in the midst of establishing its own development assistance agency, which is expected to focus on assistance to other African countries.

South Africa's key role on the African continent bilaterally and regionally makes the country an important partner for Denmark. Denmark has provided development assistance to African countries for many years. With increasing engagement in weak states and an objective to contribute to conflict resolution and to promote regional cooperation in Africa, it is of importance for Denmark to have close political dialogue with South Africa. Cooperation with South Africa on global challenges will be given high priority, for example the cooperation within the UN.

With its many years of experience in development assistance in Africa, Denmark can be a valuable resource for South Africa in its efforts to build a development assistance organisation.

THE INCREASING IMPORTANCE OF THE EU COOPERATION

The EU is an important platform for Denmark's relations with South Africa. The EU and South Africa share common values such as democracy, human rights, respect for law and order, good governance, equal opportunities, the fight against poverty and the promotion of sustainable development. The EU is South Africa's largest trade partner and remains an important player with regard to development cooperation with South Africa.

On this basis, the EU established a strategic political partnership with South Africa in 2006 focusing on global, continental and regional issues of common interest. One of the main areas of this strategic partnership is joint engagement in promoting peace, freedom and security and stability in the world. The partnership strategy was accompanied by a joint plan of action covering a wide variety of issues such as the environment, climate, education, transport, ICT and the fight against terrorism. The EU-Africa Strategy from 2008 provides another general framework for the cooperation and partnership between the EU and South Africa.

The strategic partnership includes high-level consultations twice a year and the formation of a number of working groups on issues defined in the plan of action, and the Lisbon Treaty establishes a common EU Foreign Service, which will take on a more central role in the dialogue between the EU and South Africa. In the future it will be the EU's High Representative that spearheads the EU delegation at the high-level consultations and representatives from member states will no longer participate. It will be through participation in the preparation for the high-level consultations and the continuous cooperation between the member states' missions in Pretoria that Denmark will be able to influence the dialogue between the EU and South Africa. Furthermore, the cooperation between the EU and AU, as well as the implementation of the EU-Africa Strategy, will be areas through which Denmark can exercise influence.

In 1999, South Africa signed an agreement with the EU on trade, development and cooperation which establishes the framework for cooperation between South Africa and the EU. South Africa also participates in certain parts of the Cotonou Agreement between developing countries in Africa, the Caribbean and the Pacific (the ACP countries) and the EU, but the country is not covered by the Cotonou Agreement's aid and development cooperation. South Africa participates in the negotiations on the regional Economic Partnership Agreements (EPAs) between ACP countries and the EU as a member of the group on southern Africa (the SADC group). So far, no final results have been obtained. Denmark supports the establishment of developmental-friendly economic partnership agreements.

NORDIC COOPERATION WITH SOUTH AFRICA

The Nordic cooperation with South Africa constitutes an important platform for Denmark, partly in relation to the general political dialogue with South African government partners and civil society and partly in relation to thematic issues such as climate change.

In 2008, as an integrated part of the Nordic cooperation, the Nordic countries signed an agreement with South Africa establishing the basis for trilateral cooperation with other African countries, for example in terms of support for elections or transfer of successful South African experience in other areas.

A series of dialogues takes place at Ministerial level between the Nordic countries and a number of African countries. This group of Foreign Ministers was formed in 2000 and consists of the five Nordic countries and ten African countries, namely Benin, Botswana, Ghana, Lesotho, Mali, Mozambique, Nigeria, Senegal and Tanzania – as well as South Africa. The group's strategic

focus is to ensure broad dialogue between the Nordic countries and a group of progressive African countries in a relatively informal forum. The eighth meeting was held in Copenhagen in 2009 and the ninth was held in Senegal in 2010.

Cooperation on the political level includes:

- Regular high-level political consultations focused on promoting mutual Danish and South African interests, including national, regional and international interests
- Increased exchange visits between Denmark and South Africa, including Ministerial visits and parliamentary delegations
- Strengthened joint Nordic dialogue with South Africa regarding the trilateral agreement with South Africa on implementing development projects such as promoting democracy, good governance and social sectors in other countries in Africa
- An active Danish role in the EU on joint policies relating to South Africa which, among other things, seek to increase South Africa's work in areas of peace and security, specifically in solving political crises and conflicts in Africa and strengthening the cooperation between the EU and South Africa in this particular area and in other areas of strategic importance
- Intensified cooperation with South Africa in multilateral forums, including the UN
- Regular dialogue with South Africa regarding current affairs in the AU and SADC, both bilaterally and within the context of the EU
- Increased cooperation with think-tanks and civil society organisations based in South Africa with the objective of promoting peace, security and democracy as well as economic integration in southern Africa
- Exchange of experience of Danish development initiatives in Africa, bilaterally and regionally.



The growth in emerging economies leads to an increase in foreign trade. The figure illustrates the increase in imports for a number of emerging economies in the period from 1990-2008. Since 2000, South Africa has more than doubled its imports (227%).

As in other emerging economies, the purchasing power of South Africa's high and middle income groups is expected to rise as the growth increases. In addition, South Africa's low income groups represent a potentially large market. Thus, South Africa offers significant market opportunities.

Danish-South African Trade

Despite South Africa's growth rates and increasing imports, Danish-South African trade has been at a relatively low level, but increasing slightly as of 2004. The trade has traditionally been focused on pharmaceutical and medical products, machinery and machine parts.

Danish Exports to South Africa and Imports from South Africa						
Million DKK	2004	2005	2006	2007	2008	2009
Eksport	968	1.075	1.280	1.507	1.333	1.239
Import	1.053	1.185	1.569	1.267	1.637	897
Balance	-85	-110	-289	240	-304	343

Source: Statistics Denmark (March 2010)

OPPORTUNITIES IN SOUTH AFRICA FOR DANISH COMPANIES

Expectations concerning South Africa's growth rates, continued increase in imports, increased purchasing power among the new black middle class and the strategic location of South Africa as an entry point into other parts of the African continent are factors that make South Africa an extremely interesting market for Danish companies in a number of sectors. Through increased trade and investments, Danish companies will be able to provide know-how, technology and the specific export goods that match the demands and needs of the country within areas such as food production and processing, pharmaceutical products and system export within the health sector, all forms of renewable energy and energy efficiency technology as well as fishery and aquaculture. The potential for strengthened and expanded commercial cooperation between Denmark and South Africa in a number of areas is further elaborated in the figure below on Facts on the Economy of South Africa.

In South Africa and other emerging markets, commercial cooperation is linked to other challenges than those known from Denmark's local markets. Knowledge of the political, commercial, social and cultural environment, as well as the security situation, in addition to a presence in the market is a great advantage. The influence of policies and regulations can be illustrated by the South African government's "Broad Based Black Economic Empowerment" (BBBEE) programme, designed to improve opportunities for previously disadvantaged groups in business and in the labour market. With a traditional commercial approach, the programme could be perceived as a hindrance to commercial cooperation or a risk factor. However, if the BBBEE requirements are incorporated as a strategic part of a Danish company's work with corporate social responsibility, this "hindrance" could be seen as a branding opportunity. The example illustrates the importance of understanding the relevant (political) risks when assessing the market opportunities.

Facts on the Economy of South Africa

- South Africa is the world's 32nd largest economy measured in GDP (Denmark is the 31st largest)
- South Africa's GDP makes up approximately half of the total GDP of Africa
- In 2008, South Africa's annual GDP growth rate was 3.1%; Denmark's was -1.1%
- South Africa has a large research and development sector and was the first country to be able to convert coal to oil
- In 2009, approximately 68% of South Africa's energy consumption came from coal. South Africa is the world's 14th largest producer of CO₂
- South Africa has the 31st largest labour force, is the 18th largest producer of electricity, has the 11th longest railway tracks and the 18th longest road network in the world
- In 2009, South Africa was number 45 on the Global Competitiveness Index and Denmark was number 5
- In 2008, it took 22 days to start up a company in South Africa (down from 35 days in 2005); in the same period it took 6 days in Denmark
- South Africa's and Denmark's composition of GDP made up by sectors is very similar (South Africa: agriculture 3.3%, industry 33.7% and service 63%, vs. Denmark: agriculture 4.6%, industry 30.7% and service 64.7%)
- In 2008, South Africa was number 9 on the list of most wine producing countries in the world (equivalent to an 11% increase in wine volume from the previous year).

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Sources: IMF, the World Bank, Invest in South Africa 2009, World Economic Forum, Statistics Denmark, the World Fact Book, South Africa Survey 2008/, Wine Institute

SECTORS OF INTEREST TO DANISH COMPANIES

In recent years, new opportunities have arisen within the energy sector, especially in the field of renewable energy such as wind energy and solar energy, as well as energy efficiency technology. These opportunities were increased by a major energy crisis in South Africa in the first half of 2008, when the supply of energy could no longer meet the increased demand, but also due to South Africa's voluntary climate change commitments. Even though South Africa will continue to receive most of its electricity from coal power plants, including two new facilities that are being built at present, the first wind farms and solar energy facilities are expected to have been established by 2011.

Other sectors also offer opportunities for Danish companies, for example, within the areas of information technology and communication, where South Africa and Africa in general are lagging far behind, in part due to limited broadband capacity and a lack of competition. This situation, however, is changing in South Africa. Mobile telecommunications and internet based transactions are growing rapidly. These are both areas where Denmark is among the leading nations. Finally, there is an unrealized potential within the more traditional sectors such as health (pharmaceutical products and system export such as waste disposal and electronic patient journals), agriculture (particularly in combination with biomass facilities), food production and processing, fishery and aquaculture, and mining. These are all areas which continue to be of great importance for South Africa and represent sectors in which Danish companies have leading competencies.

ADVISORY SERVICES ON COMMERCIAL COOPERATION IN SOUTH AFRICA

Danish companies interested in examining specific opportunities for starting a business, exporting or finding a partner in South Africa are recommended to contact the Danish government institutions which can assist with funding and provide commercial and political advice to Danish companies abroad. These institutions are the Trade Council under the Danish Ministry of Foreign Affairs, Eksport Kredit Fonden/Export Credit Fund (EKF), the Industrialisation Fund for Developing Countries (IFU) and Danida under the Ministry of Foreign Affairs. The four organisations work together in the GoGlobal collaboration. (www.goglobal.dk)

Danish Government Institutions Assisting Danish Companies in South Africa

The Trade Council, Ministry of Foreign Affairs (Embassy in Pretoria)

The Trade Council provides advisory services such as information on market and export opportunities, partner/distributor searches, political risk management, legislation and regulations, relevant players and corporate social responsibility (CSR) including BBBEE. Additionally, they provide support for trade fairs and marketing, as well as duty and tax procedural issues. (www.ambpretoria.um.dk)

Eksport Kredit Fonden/Export Credit Fund (EKF)

EKF insures Danish business and industry against the commercial and political risks of financing projects in high-risk markets. EKF provides financing through export credit guarantees, working capital guarantees and loans. (www.ekf.dk)

The Industrialisation Fund for Developing Countries, IFU (office in Johannesburg)

IFU acts as project advisor and joint investor for Danish companies setting up in developing countries. Investments take the form of loans, guarantees and mezzanine financing. IFU has invested in more than 30 projects in South Africa to the value of approximately 106 million DKK over the past 15 years. (www.ifu.dk)

Danida (Embassy in Pretoria)

The Embassy in Pretoria encourages Danish businesses to contribute to poverty reduction through the use of Danida's business instruments which offer assistance to technology exchange, training of local companies, CSR activities as well as soft loans.

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Commercial and Investment Cooperation includes:

- Strengthening of the Trade Council and the Ministry of Foreign Affairs' commercial and political advice for Danish companies focusing on:
 - Opportunities in sectors in which Denmark has a strong international profile and where demand exists in South Africa, not least within renewable energy and energy efficiency technology
 - Socioeconomic conditions and legislation as well as companies' social responsibility, including more advisory services concerning CSR and BBBEE
 - Political contacts and advisory services
 - Partner search

- Market analyses
 - New market segments such as Middle of the Pyramid (MoP) and Base of the Pyramid (BoP)
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- Exploration of commercial opportunities in other parts of Africa through South Africa and South African companies and competencies
 - Monitoring of financing options for large-scale development projects in southern Africa
 - Strengthened coordination between the Danish governmental institutions through the GoGlobal cooperation
 - Maintaining the Business-to-Business (B2B) programme for a period and further developing the Innovative Partnerships for Development (IPD) programme, including the BoP elements. These programmes aim at ensuring synergy with the work on commercial export promotion and spreading the effects to reach townships and poor communities
 - Promotion of Danish investments and partnerships in South Africa within the cited sectors
 - Active involvement in the WTO and the EU to ensure optimal conditions for Denmark's commercial relations with South Africa.



ENVIRONMENT, ENERGY AND CLIMATE CHALLENGES

Traditionally South Africa's economy has focused on a number of large, energy intensive companies and industries, such as the mining industry. The energy sector –accountable for 15% of the gross domestic product – is based largely on major deposits of cheap coal, and electricity is supplied by the state-owned company ESKOM from a number of large coal power plants. The price of electricity has been among the cheapest in the world and there has been plenty of it; thus, there has been no incentive for introducing energy saving measures. Consumption has generally been high.

The cheap energy supply has contributed to South Africa's positive growth rates. In 2008, South Africa experienced a supply deficit resulting in power cuts, causing parts of the economy to shut down for a few months. Plans for increasing the energy supply have accelerated and will be implemented over the next decade. The plans include new modern coal power plants as well as investments in renewable energy, including, in particular, solar and wind energy. Furthermore, electricity saving initiatives will be introduced.

For a number of years Denmark has supported South Africa with environmental and energy projects through Danida programmes. As part of the reduction in bilateral aid to South Africa, these programmes will be phased out in the coming years. This does not, however, imply that the cooperation will cease to exist. In 2009, Denmark and South Africa signed a declaration of intent regarding cooperation on environmental and energy issues. This declaration is under implementation and incorporates, in addition to a few development activities, trade components and initiatives in the field of research and science.

CLIMATE NEGOTIATIONS AND NATIONAL PLANS

Due to the traditionally energy intensive industrial production and the cheap supply of electricity, South Africa is ranked in the top on the list of countries with a high level of CO₂ emissions. At the 15th UN Climate Change Conference (COP15) in Copenhagen in 2009, South Africa presented its national climate plan which includes voluntary reduction in the growth of CO₂ emissions by 34% in 2020 and 45% by 2045 (based on the 2009 level). A national plan is expected to ensure that the goals of this policy on climate change are met. South Africa has associated itself with the Copenhagen Accord.

South Africa will host the 17th UN Climate Change Conference (COP17) in December 2011 and is participating as a dynamic and constructive player in the climate change negotiations. Denmark's role as COP President in 2010 involves playing an active role in climate change diplomacy. Thus, Denmark seeks close cooperation with future COP presidencies.

Cooperation on Environment, Energy and Climate includes:

- Working closely with South Africa in the process leading up to COP16 in Mexico in 2010

and COP17 in South Africa in 2011, with the objective of achieving an ambitious and legally binding agreement on climate change whilst ensuring that the Copenhagen Accord serves as a foundation for the ongoing negotiations in UNFCCC. The focus will be on promoting the positive dynamics that South Africa brings to the group of BASIC countries, G77 and the group of African countries

- Cooperating with South Africa to ensure inclusion of the African countries in the climate negotiations and further ensuring that these countries' interests are taken into account, with specific focus on adaptation needs and actions based on assessment of the vulnerability of the different African countries
- Cooperation on strengthening African countries' reporting on climate issues
- Posting of a Climate Attaché at the Embassy in Pretoria by the Danish Ministry of Climate and Energy until the end of COP17 in South Africa
- Participation in regional initiatives such as the cooperation on integrated water resource management, regional energy cooperation and CDM
- Transfer of Danish experience with establishing the necessary structures and frameworks for integrating renewable energy
- Strengthened implementation of the declaration of intent signed by Denmark and South Africa in 2009 regarding cooperation on environmental and energy issues.



DEVELOPMENT COOPERATION WITH A REGIONAL AND COMMERCIAL **FOCUS**

South Africa is moving from being a receiver of development assistance to becoming a donor. At present foreign development assistance makes up less than 1% of the government budget. Despite the limited volume, international development assistance still plays an important role. Technical support is provided through development assistance. Furthermore, experience is transferred from other countries to South African society, which is still characterised by new institutions being fine-tuned and policies that are continuously refined. There are areas where South Africa still remains very similar to a traditional developing country; as previously mentioned, these areas include the health and education sectors, as well as housing and infrastructure in parts of the country.

As defined by the Danish government's Africa Strategy, a process to restructure and reduce Danish development assistance to South Africa was initiated in 2007. Development funds are thus exclusively used in areas considered to be of strategic importance and which contribute to ensuring better opportunities for the black and coloured segment of the population in the private sector as well as fighting corruption and HIV/AIDS and promoting gender equality. Denmark's regional engagement within the areas of peace, security, democratisation and regional economic integration in Southern Africa will be strengthened with a point of departure in South Africa.

The future engagement in South Africa, through Danida's commercial instruments such as the Business-to-Business Programme (B2B), Innovative Partnerships for Development Programme (IPD) and the Programme for Mixed Credits (BK), is based on the Africa Commission's recommendations, focusing on the youth of Africa and the need for increased growth by increasing decent job opportunities. Poverty alleviation and Broad Based Black Economic Empowerment (BBBEE) are key words when selecting future projects. Projects and activities will only be approved for funding if they cannot be realised without the support of Danida (additionality). The commercial instruments will specifically be focused on sectors with substantial development potential and local demand. Thus, the Programme for Mixed Credits (BK) will focus on the climate and energy sector. The B2B Programme will similarly focus on this sector as well as the agricultural and environmental sectors.

The IPD Programme must strive to support strategic Corporate Social Responsibility (CSR) and Base of the Pyramid (BoP) projects. BoP projects will focus on segments in the townships which have rising production capacity and purchasing power.

As of 2012, bilateral activities in South Africa will amount to approximately 25 million DKK per year in new pledges. The amount allocated for the B2B, IPD and BK Programmes will be adjusted continuously. Regional activities are expected to amount to approximately 30 million DKK annually in new pledges. This represents a significant decrease in bilateral assistance, which amounted to 100-150 million DKK annually up to 2009. The financial framework will be reviewed in 2013.

Future Development Cooperation with Strategic Initiatives includes:

- Initiatives to promote inclusion of the black and coloured population segment of the population in the private sector, including skills development, as well as efforts to fight corruption
- Maintaining the B2B Programme for a period, focusing on selected sectors (environment, agriculture, climate and energy) in order to contribute to socioeconomic development through training and technology transfer
- Further development of the IPD Programme (through strategic CSR and BoP projects) with a focus on supporting partnerships that address the specific challenges of the poorest South Africans
- Focusing Mixed Credits on the climate and energy sector, where South Africa faces great challenges and where it is considered that good opportunities exist for Danish companies to benefit from their core competencies
- Initiatives to fight HIV/AIDS and violence against women and children as well as to promote gender equality
- Efforts to strengthen South Africa's regional participation in areas of conflict resolution, promotion of democracy and regional economic integration, including issues pertaining to renewable energy.



SCIENCE, CULTURE, **RESEARCH** AND CONSULAR SERVICES

Globalisation is placing increased demands on the need for knowledge, innovation and cultural understanding. Increased cooperation between Denmark and South Africa in the areas of science, culture and research will be an asset for both parties. South Africa has strong research institutions which could provide interesting opportunities for Danish researchers, for example in trauma medicine and nanotechnology. South Africa, on the other hand, is particularly interested in Danish know-how regarding renewable energy and energy efficiency technology.

Ad hoc cooperation between Danish and South African researchers, universities, companies and innovative environments currently exists. This cooperation need not be formalised through government agreements, but the existing frameworks, including funding opportunities, could be made more visible. A number of EU programmes exist in addition to the Danish programmes. Both areas will receive increased attention in strengthening the partnership between Denmark and South Africa.

Eight Danish universities have joined forces to establish a common approach to capacity building and cooperation within the areas of research and education in developing countries, described in the 2009 report “Building Stronger Universities in Developing Countries”. The seven platforms presented in the report will, inter alia, provide opportunities for closer and more formalised cooperation between Danish and South African universities.

Cultural life in South Africa is dynamic and internationally recognized and is also increasingly attracting interest from Denmark. The cultural field – art, film, music, dance, tourism and sport – presents good opportunities for cooperation and exchange.

Globalisation is increasing the demands for countries to “brand” themselves. In 2006 the government presented a plan of action for intensive global marketing of Denmark. This plan intends to increase knowledge about Denmark, including the Danish welfare state model.

An increasing number of Danish tourists, students, company representatives and representatives of cultural and research institutions can be expected to spend shorter or longer periods of time in South Africa. The number of adoption cases from South Africa to Denmark has reached 70 per year and is growing. Every year, more than 2000 South Africans apply for visas to Denmark, the majority for the purpose of visiting Danes or for business purposes.

Cooperation on Science, Culture, Research and Consular Services includes:

- Strengthening cultural cooperation between Denmark and South Africa by, for example, forming networks and sharing knowledge and information between relevant partners. The main Danish players could be the Centre for Culture and Development, the Danish Arts Agency, Danish cultural organisations and civil society
- Strengthening of partnerships in areas of research and science by establishing stronger frameworks for cooperation and providing knowledge about funding opportunities
- Ensuring optimal service for Danes and South Africans applying for visas or who need assistance with other consular matters. This includes the outsourcing of parts of the visa application process
- Increased knowledge of Denmark in South Africa through an intensive marketing campaign (Public Diplomacy).



Ministry of Foreign Affairs of Denmark

Denmark – South Africa
Partnership for the Future
June 2010

Publisher

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DK-1448 Copenhagen K
Denmark

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E-mail: um@um.dk

Internet: www.um.dk

Design: Herrmann & Fischer as

Printing: Udenrigsministeriet

The folder can be downloaded or ordered
from: www.danida-publikationer.dk

The text of this folder can be freely quoted

ISBN 978-87-7087-458-8 (print version)

ISBN 978-87-7087-460-1 (internet version)

