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REPORT

on the proposal for a European Parliament and Council regulation on
Amending Regulation (EC) no 1726/2000 on development cooperation with
South Africa
(COM(2003) 627 – C5-0495/2003 – 2003/0245(COD))

Committee on Development and Cooperation

Rapporteur: Nelly Maes

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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PROCEDURAL PAGE

By letter of 21 October 2003 the Commission submitted to Parliament, pursuant to Articles 251(2) and 179 of the EC Treaty, the proposal for a European Parliament and Council regulation on Amending Regulation (EC) no 1726/2000 on development cooperation with South Africa (COM(2003) 627 – 2003/0245(COD)).

At the sitting of 23 October 2003 the President of Parliament announced that he had referred the proposal to the Committee on Development and Cooperation as the committee responsible and the Committee on Budgets for its opinion (C5-0495/2003).

The Committee on Development and Cooperation had appointed Nelly Maes rapporteur at its meeting of 10 September 2003.

The committee considered the Commission proposal and draft report at its meetings of 1 December 2003, 20 January 2004 and 8 March 2004.

At the last meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Margrietus J. van den Berg (acting chairman), Marieke Sanders-ten Holte (vice-chairwoman), Anders Wijkman (vice-chairman), Nelly Maes (rapporteur), Yasmine Boudjenah, John Alexander Corrie, Nirj Deva, Glenys Kinnock, Hans Modrow, Sérgio José Ferreira Ribeiro, Michel-Ange Scarbonchi (for Luisa Morgantini).

The Committee on Budgets decided on 26 November 2003 not to deliver an opinion.

The report was tabled on 10 March 2004.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a European Parliament and Council regulation on Amending Regulation (EC) no 1726/2000 on development cooperation with South Africa (COM(2003) 627 – C5-0495/2003 – 2003/0245(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2003) 627)¹,
 - having regard to Articles 251(2) and 179 of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C5-0495/2003),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Development and Cooperation (A5-0132/2004),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1
RECITAL 1 a (new)

(1a) The mid-term review includes suggestions and proposals for improving the implementation of development cooperation with South Africa, some of which were already made in the Country Strategy Evaluation of 2002 and have been taken into account in the 2003-2005 Indicative Programme. They concern inter alia mainstreaming of gender issues at all levels of the project cycle from planning to implementation; streamlining of administrative procedures; improving criteria for assessing project and programme design and clarification of the

¹ Not yet published in OJ.

conditions for granting contributions from the European Programme for Reconstruction and Development (EPRD) to regional programmes. In addition the Mid-term Review suggests certain amendments to be made to Regulation (EC) No 1726/2000.

Amendment 2

ARTICLE 1, POINT 1 a(new)

Article 2, paragraph 2, point (ba) (new) (Regulation (EC) no 1726/2000)

1a) The following point (ba) shall be inserted in Article 2(2):

"(ba) Strengthening of women's participation at all levels of the project cycle, namely project planning, implementation and evaluation."

Amendment 3

ARTICLE 1, POINT 6 a (new)

Article 9, paragraph 4 (new) (Regulation (EC) no 1726/2000)

6a) The following paragraph 4 shall be added to Article 9:

"4. Proposals for the continuation of development cooperation with South Africa, and also the future renegotiation of the Trade, Development and Cooperation Agreement, adopted by Council Decision n° 1999/753 EC¹, must take duly into account the European Parliament's position."

¹ JO L 311, 4.12.1999, p.1.

EXPLANATORY STATEMENT

Introduction

During apartheid time, the EU fund was channelled through Non Governmental Organisations, designed to support the South African population struggle against the apartheid system. After the country's first democratic election in 1994, EU's relations with South Africa have changed its nature. The partnership between South Africa and EU has evolved from exclusively supporting NGO to cover a wide range of issues including trade, development and fisheries. In the field of development co-operation, the EU contributed to the country's political, economic and social development since 1996 through a European Programme for the Reconstruction and Development was put in place (EPRD). Since then, The Trade, Development and co-operation Agreement (TDCA) was signed in 1999 and South Africa joined the Lomé Convention and the Cotonou agreement but does not qualify for EDF funding. The TDCA agreement, which is partially operational will become fully into force by 2004 when signed by all Member States.

Commission's proposal to modify the regulation

With the budget 885,5 million Euro, the Regulation 1726/2000 of the European Parliament and the Council on development co-operation form the legal basis for South Africa and EU development co-operation. In addition, article 9.3 of this Regulation requests the Commission to "submit to the European Parliament and the Council a mid term review by 31 October 2003 at the latest and an overall evaluation of the programme prior to the expiry date" It is in this context that the Commission prepared a proposal for amending this regulation (Com(2003)627 final and a report on a mid term review on the European Programme for Reconstruction and Development (EPRD).

The objective of the Commission's proposal to modify the current regulation is designed to bring coherence in the following fields:

1. The Regulation validity: although the regulation covers a period of seven year, its article 6.1 requires triennial programmes to be carried out. A change is needed to synchronise the programme with the duration. The Commission is suggesting modifying article 6 to allow four-year Indicative Programmes.

2. Trade Development and Co-operation Agreement: an agreement was reached between South Africa and EU to allocate EUR 15 million for the restructuring of the South African wine and spirits sector and for the marketing and distribution of South African wines and spirits. It is therefore necessary to include an additional amount of € 15 million for the restructuring of the Wines and Spirits sector in the reference amount of 885.5 million mentioned in Art. 10.1.

3. Regional Co-operation: although it is clear that South Africa benefits directly and indirectly from programmes for regional cooperation and integration, the Regulation is silent on what balance must be found between EPRD and EDF contributions for financing such programmes. More explicit provisions on EPRD funding of regional projects and programmes need to be included in Article 4.

4. Direct budget support: South Africa has an outstanding public expenditure framework and sound public finance management. This makes the country an excellent partner for sector-wide

Programmes and for funding through direct budget support. Article 4.2.a) of Regulation 1726/2000 also provides for this possibility, but the wording is somewhat ambiguous (“... including direct targeted budget support”) and could be interpreted as excluding untargeted budget support. It seems advisable to lift the ambiguity.

5. Commission's new financial regulation: the Regulation need to be brought in line with the new Financial Regulation of the Commission and its implementing provisions, particularly concerning the use of a single currency, the types of support, the role of intermediary institutions and applicable procedures.

6. The Cotonou Agreement: reference needs to be made to Protocol 3 to the Cotonou Agreement defining South Africa's qualified states under this Agreement.

7. Reference to “Geographically competent committee”: the Regulation refers to this committee but fails to establish it legally. In practice, the EDF Committee has been acting as the “South Africa Committee”. It is important to establish this committee formally.

The rapporteur agrees with the Commission's proposal and observes that these technical changes do not affect the general policy guidelines of the 2000 Regulation.

Narrowing the gap between the poor and the rich

The post apartheid era in South Africa faces a number of challenges. Although the country has made tremendous progress in the field of political democracy, the economic apartheid is still in place. According to the Evaluation of the European Commission's country Strategy for South Africa, 50% of the population lives below the poverty line, income inequality is among the highest in the world, emigration to urban centres is massive and unemployment is in increase. South Africa had also one of the most unequal income distributions in the world, with the poorest 50% of the population generating only 11% of national income, and the richest 7% controlling 40% of it.

The Evaluation also pointed out the impact of economic and industrial restructuring associated with liberalisation on massive job loss in the primary sector of gold mining and agriculture. Despite a raise in the Black share of national income, from 30% in 1991 to 36% in 1996, the income of the poorest 40% of black households have fallen by 20% in the same period.

Taking into account the above mentioned facts, the rapporteur stresses that the driving line for the EU co-operation with south Africa should be contributing to narrow the gap between the rich and the poor and improving the general living standard of the poorest part of the population.

Recommendation

Development and Trade policies should be oriented towards poverty alleviation, promotion of employment and social justice, creation of wealth and fair distribution of income as well an

overall economic, social and cultural development

The fight against poverty and insecurity must address the structural causes of poverty in South Africa and appropriate measures should be taken to foster access to land, water, biodiversity and other resources. Policy should be designed to support sustainable agricultural livelihoods to reduce urban migration,

The recent out break of cholera who affected about 250 000 people in. is a clear sign of poverty related disease appearance in the absence of access to affordable clean drinking water. The South African government has the duty to provide access to water to the population and hence fulfil its obligation to the respect this basic human rights and EU's contribution should aim at responding to the populations needs.

The HIV/AIDS pandemic which affects around 11,4% of the 40 million inhabitants in South Africa should be given a priority in EU funding and the local population should be fully associated with the implementation of the programme.

EU financing procedure should be simplified and designed to give easy and transparent access to local NGO's, women's organisations and other local actors and they should be involved in the planning, implementation and evaluation of projects.

Gender specific issues should be targeted at all level of the project cycle in order to strengthen women's participation in project planning, implementation and evaluation,

Environment impact assessment should be conducted before project implementation and this should be included in the EU funded projects.

The European Parliament should also be worried by the references made in that Evaluation to:

- slow administrative procedures;
- moderate efficiency of the programmes, because of problems in their design;
- variable financial results due to lack of technical capabilities, insufficient capacity of use of allocate.