

**Document of
The World Bank
FOR OFFICIAL USE ONLY**

Report No. 47479 - ZA

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

FOR

THE REPUBLIC OF SOUTH AFRICA

March 16, 2010

**Southern Africa Country Department 1
Africa Region**

**International Finance Corporation
Sub-Saharan Africa Department**

**Multilateral Investment Guarantee Agency
Sub-Saharan Africa Department**

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

LAST BOARD CPS DISCUSSION: JANUARY 15, 2008

CURRENCY EQUIVALENTS (Exchange Rate as of March 15, 2010)

Currency Unit	=	Rand
Rand 7.38	=	US\$1

WEIGHTS AND MEASURES Metric System

FISCAL YEAR

April 1	–	March 31
---------	---	----------

	IBRD	IFC	MIGA
Vice President	Obiageli K. Ezekwesili	Thierry Tanoh	Izumi Kobayashi
Country Director	Ruth Kagia	Jean Philippe Prosper	Frank Lysy
Task Team Leaders	Naresha Duraiswamy/ Elisabetta Marmolo	Abubakar S. Momodu	Thomas A. Vis

The CPS PR benefited from contributions from the South Africa Country Team, including: Herawaty Anderson, Andrew Asibey, Lilia Burunciuc, Juan Gaviria, Nthato Gobodo, Sarwat Hussain, Elysee Kiti, Sandeep Mahajan, Phindile Ngwenya and Dennis de Tray. Judith Chilufya, Faith Chirwa, Karsten Feuerriegel, Mohamed Khatouri, Guo Li, Zeinab Partow, Dirk Reinermann and Milan Vodopivec also provided inputs. The report was prepared under the overall guidance of Ruth Kagia.

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activity	MIGA	Multilateral Investment Guarantee Agency
ABCDE	Annual Bank Conference on Development Economics	MSMEs	Micro, Small and Medium Enterprises
ADB	African Development Bank	MTBPS	Medium Term Budget Policy Statement
AICD	Africa Infrastructure Country Diagnostic	MTSF	Medium Term Strategic Framework
ANC	African National Congress	OECD	Organization for Economic Co-operation and Development
BOP	Balance of Payments	PCG	Partial Credit Guarantee
CPS	Country Partnership Strategy	PEFA	Public Expenditure and Financial Accountability
		PEP	Private Enterprise Partnership
CTF	Clean Technology Fund	PFM	Public Financial Management
CSP	Concentrated Solar Power	PMI	Purchasing Managers Index
DBSA	Development Bank of Southern Africa	PPIAF	Public-Private Infrastructure Advisory Facility
DFI	Development Finance Institutions	PPP	Public-Private Partnership
DFID	Department for International Development (UK)	RAMP	Reserves Asset Management Program
EC	European Commission	RIAS	Regional Integration Assistance Strategy
EDPL	Electricity Sector DPL	SACU	Southern African Customs Union
ESMAP	Energy Sector Management Assistance Program	SADC	Southern African Development Community
EISP	Eskom Investment Support Project	SAPP	Southern Africa Power Pool
EIB	European Investment Bank	SARB	South African Reserve Bank
FIAS	Foreign Investment Advisory Service	SIL	Specific Investment Loan
FDI	Foreign Direct Investment	SMEs	Small and Medium Enterprises
FSAP	Financial Sector Assessment Program	SOE	State Owned Enterprise
GCR	Global Competitiveness Report	SSA	Sub-Saharan Africa
GDP	Gross Domestic Product	UNISA	University of South Africa
GEF	Global Environment Facility	UNHCR	United Nations High Commissioner for Refugees
GHG	Greenhouse Gas	WDR	World Development Report
GOSA	Government of South Africa	WBG	World Bank Group
ICA	Investment Climate Assessment	WBI	World Bank Institute
IFC	International Finance Corporation		
IMF	International Monetary Fund	ZAR	South African Rand
IPP	Independent Power Producer		
LTMS	Long Term Mitigation Scenario		
MFMTA	Municipal Financial Management Technical Assistance Project		
M&E	Monitoring and Evaluation		
MIC	Middle Income Country		

TABLE OF CONTENTS

INTRODUCTION	1
I. RECENT TRENDS IN ECONOMIC AND SOCIAL DEVELOPMENT	2
Solid foundation, significant challenges.....	2
A new political landscape.....	5
A hard-hit economy emerging from recession	5
II. PROGRESS IN IMPLEMENTING THE CPS	7
III. THE NEXT PHASE OF THE PARTNERSHIP	11
Eskom Investment Support Project	11
Analytical and Advisory Activities (AAA)	14
IV. RISK ASSESSMENT	16
 <u>TABLES:</u>	
Table 1: Dismantling the Legacy of Apartheid.....	4
Table 2: Key Economic Indicators (preliminary data for 2009/10)	6
 <u>BOXES:</u>	
Box 1: Supporting Global Public Goods: The GEF Portfolio	10
Box 2: Timely Power Sector Investments are Necessary for Reducing Poverty and Inequality in South Africa	12
Box 3: South Africa Committed to Mitigating Climate Change	13
 <u>ATTACHMENTS:</u>	
Attachment 1: Progress with IFC and MIGA support	18
Attachment 2: CPS RESULTS MATRIX (Progress Report).....	24
Attachment 3: SELECTED PARTENERSHIPS.....	29
 <u>CAS ANNEXES</u>	
CAS Annex A2 - South Africa at a glance.....	30
CAS Annex B2 – Selected Indicators* of Bank Portfolio Performance and Management	33
CAS Annex B4 – Summary of Nonlending Services	34
CAS Annex B5 – Social Indicators	35
CAS Annex B6 - Key Economic Indicators.....	36
CAS Annex B7 – Key Exposure Indicators.....	38
CAS Annex B8 –Operations Portfolio (IBRD/IDA and Grants).....	39

INTRODUCTION

1. In January 2008, the Executive Directors discussed the Country Partnership Strategy (CPS) that would guide the relationship between the Government of South Africa (GOSA) and the World Bank Group (WBG) through 2012. The CPS, jointly developed with the GOSA, provides a flexible framework within which the relationship can evolve over time based on country demand, WBG comparative advantage and changes in the global environment. Its objective of fostering economic growth and equity, with a special focus on urban and rural development and regional integration, remains robust and relevant today.

2. In the intervening two years, South Africa has experienced the first recession in 17 years from which it is slowly emerging. The recession was relatively short-lived which reaffirms the robustness and resilience of the South African economy. The fiscal space enabled by the budgetary discipline before the crisis, low public debt, South Africa's deep and liquid capital markets and continued access to global markets, allowed for an aggressive counter-cyclical fiscal and monetary response to mitigate the impact of the crisis. At the same time, it exposed weaknesses in the structure of the economy, manifested in the loss of 870,000 jobs following a steep decline in output from manufacturing and mining,¹ as the demand for the country's exports plummeted, commodity prices fell² and domestic private sector demand came to a virtual halt.

3. In May 2009, President Zuma's Government was sworn in on a platform of ensuring inclusive and job-creating growth and strengthening service delivery, a commitment that was given new urgency by the global economic crisis. The need to address severe infrastructure backlogs, including energy, and to improve lagging human development indicators further defined GOSA's framework of action. Consequently, while the implementation of the CPS remains anchored in the core objective of achieving growth with equity, the WBG is progressively aligning its program to the new priorities identified by the Government. This is consistent with the framework of engagement, where the WBG retains the flexibility of the CPS by relying on the annual business planning process led by GOSA as the instrument for shaping the work program.

4. The GOSA's request for financial support to the electricity sector has introduced a new dimension to the partnership. The proposed Eskom Investment Support Project (EISP), combines IBRD financing and proposed investments from Clean Technology Fund (CTF)³, to enhance power supply and energy security in an efficient and sustainable manner and to reduce Greenhouse Gases (GHGs) in line with South Africa's Long Term Mitigation Scenarios (LTMS). Given the energy intensive nature of the economy, the adequate supply of electricity is a necessary condition for ensuring growth at a level that would meaningfully reduce poverty. The EISP will help South Africa remain on course as a leader on clean technologies by financing high-impact interventions of the LTMS where action is constrained by resource availability and the risks associated with deployment of new low-carbon technologies. For

¹ Manufacturing output fell by 14.5 percent January-October 2009 relative to the same period in 2008, while mining was down 7.3 percent over this time period.

² Despite strong recovery in the past few months, most commodity prices remain below their pre financial-crisis levels.

³ While the EISP is designed as an integrated IBRD/CTF operation, approval by the IBRD board for the two loans would be sought sequentially.

example, the proposed IBRD/CTF co-financed 100 MW Concentrated Solar Power (CSP) plant would be a flagship activity which will establish cost and performance benchmarks for the broader deployment of CSP technology in the country and potentially in the sub-region. South Africa's entry into CSP offers new opportunities for the CSP market in South Africa, the continent and beyond. It is noteworthy that the largest operating existing facility (Seville, Spain) is 20 MW in size. The project also introduces large-scale wind energy to South Africa funding a 100 MW plant. Unlike concentrated solar, wind energy is a commercially mature renewable energy technology, but remains underexploited in South Africa because it is intermittent and is not well-suited to meet base load requirements.

5. South Africa has made an early demonstration of its commitment to bring about a bend in its carbon trajectory. This commitment is intended to meet urgent generation expansion and initiate an aggressive program to reduce carbon emissions, enhance energy efficiency measures and introduce renewable energy and demand side management. Consistent with this, South Africa has made a number of commitments to low carbon growth, including: signing the Kyoto Protocol, adopting a national Climate Change Response Strategy, issuing regulations for energy efficiency, incentivizing private participation in clean energy and issuing air quality standards. At COP15 South Africa indicated that, if technical and financial support from developed countries were to be made available, it would undertake mitigation actions which would result in a deviation below the current emissions baseline of around 34 percent by 2020 and by around 42 percent by 2025. The EISP would contribute in large measure towards breaking market barriers on renewable energy with Eskom playing a catalyzing role while the GoSA continues to create an enabling environment that encourages private sector investment. As mentioned, the GoSA has already adopted attractive and private sector-friendly feed-in tariffs for renewable technologies including wind and CSP.

6. This Progress Report provides an update on the implementation of the CPS in the context of recent developments in South Africa including the financial crisis. The Report also discusses the opportunities for expanding WBG engagement with South Africa in line with GOSA's focus on accelerating growth with equity and in the context of the EISP.

I. Recent Trends in Economic and Social Development

Solid foundation, significant challenges

7. South Africa's smooth and peaceful political transition to constitutional democracy along a negotiated path of reconciliation has been one of the most remarkable political achievements of our time. Efforts to build a free, diverse, non-racial and economically strong nation have produced impressive results, although challenges remain. The country made great progress after the dismantling of apartheid, reconnecting with the world, substantially increasing growth, strengthening the economy's macroeconomic underpinnings and improving the lives of its people. Gross Domestic Product (GDP) growth picked up from an average of 1 percent in the decade preceding 1994 to 2.7 percent during 1994-98, rising to 4.1 percent during 1999-2008 which resulted in a 50 percent increase in GDP in the latter period in 2008. South Africa's GDP per capita was just under US\$6,000 consolidating its position in the ranks of upper middle-income countries.

8. Budgetary discipline generated fiscal space, which was used for pro-poor and infrastructure-related expenditure, contributing to impressive social sector achievements. Between 1991 and 2008 net secondary school enrolment went up from 45 percent to 72 percent. Since the end of apartheid, 1.6 million free housing units have been constructed for low-income families in South Africa. Access to electricity went up from 34 percent in 1993 to 81 percent in 2007. Similar improvements have also been recorded for water and sanitation. The social grant system, mostly for child support, has seen a dramatic increase in coverage: from 2.5 million beneficiaries in 1999 to over 13 million in 2009.

9. South Africa's economic achievements spread well beyond its borders to the rest of Sub-Saharan Africa (SSA). It is the largest economy in the region accounting for nearly a third of the SSA's GDP and two-thirds of Southern Africa's GDP. Studies have shown that a one-percent growth of South African GDP is associated with a 0.4-0.9 percent growth of GDP in the rest of SSA, independent of regional shocks. South Africa's influence is transmitted through its dominant stake in intra-regional trade flows, significant direct investments, and the strong and growing presence of its banking sector in southern Africa. Its influence is especially felt in the Southern African Customs Union (SACU) countries which, in addition to benefiting from access to its sizable market, also rely heavily on revenue sharing with South Africa. South Africa dominates the regional electricity market through Eskom, its state-owned utility company, which generates 95 percent of the country's electricity needs and more than 60 percent of all energy produced in SSA.

10. South Africa is a top destination for people fleeing unrest and those seeking economic opportunities. It hosts more than eight percent of the world's asylum seekers. In 2008, South Africa was the main destination for new asylum-seekers, receiving roughly one quarter of individual applications globally (UNCHR, 2009). Deepening pockets of poverty among some groups of South Africans and the perception that immigrants aggravate the already fierce competition for jobs and services has complicated the integration of foreign migrants. This has at times led to confrontations. Sustainable and equitable growth in South Africa, therefore, has important regional benefits including stability.

11. Notwithstanding these major achievements, several critical challenges remain. The social structures of apartheid have proven to be troublingly entrenched and long-lasting, even though their legal foundations are no longer in place. The capital and energy-intensive nature of industrial production, unequal land distribution and spatial barriers erected by the "geography of apartheid" have made progress on job creation vastly insufficient. Widespread unemployment, reinforced by highly unequal ownership of assets and skills, has exacerbated inequality (Gini 0.67). While successive post-apartheid Governments have provided electricity, schooling, social grants and health facilities to many more people, the quality and reliability of access has been very uneven in large part because of this historical legacy. As a result, South Africa is a dual economy with one of the highest inequality rates in the world. The impoverished living conditions of a large proportion of the black population coexist with "first-world" lifestyle of a segment of the multi-racial population (Table 1). Closing the gap between the two economies is a daunting policy and implementation challenge that GOSA is trying to address.

Table 1: Dismantling the Legacy of Apartheid

	Post Apartheid Progress	Development Deficit
A development paradox	<ul style="list-style-type: none"> - 32nd largest economy (US\$277bn in 2008)^a - Per Capita GDP increased by 50% (1999-2008) to just under US\$6,000 -The Rand was the second best performing currency against the dollar in 2009- Ranked 5th globally on financial market sophistication^b - Ranked 2nd in 2008 Open Budget Index ahead of France, New Zealand and USA 	<ul style="list-style-type: none"> - Gini-coefficient increased from 0.64 to 0.67 (1995 - 2008)^c -85% of total agricultural land is owned by 9% of the population - Unemployment rate one of the highest in the world at 24.3% (34.1% including discouraged workers)^c - Only 10% of microenterprises have access to formal bank credit line - The largest contributor to GHG emissions in Africa and the 11th largest emitter globally - Ranked 90th globally on labor market efficiency
Challenge of inclusive growth and employment creation	<ul style="list-style-type: none"> - Beneficiaries of social grants increased from 2.5 million to over 12 million (1999-2007) - Access to electricity went up from 34 %t to 81% of population (1993-2007) - 1.6 million free low-income houses built (1994-2008) 	<ul style="list-style-type: none"> -50% of jobs are located in areas where the job density is lower than 10 jobs per hectare. -53% of population accounts for less than 10% of total consumption - Estimated backlog of 1.7 million low cost housing units
Education and skills gap	<ul style="list-style-type: none"> -Education budget is 19.3% of the budget (2009) -Net secondary school enrolment increased from 45% to 72% (1991 - 2008) -UNISA is a pioneer in tertiary distance education and the largest correspondence university in the world with 250,000 students - Quality of mining technology patents is of high international standard – on par with USA and higher than Canada and Australia^d 	<ul style="list-style-type: none"> - SA ranked last of 45 countries on International Reading Test (PIRLS 2006) - SA ranked 119 globally on quality of education system (GCR 2009) -Scarcity of technical skills - municipalities reported an average 22% vacancy rate (June 2008)(15 Year Review) -
Healthcare heavy disease burden	<ul style="list-style-type: none"> -Health spending per capita = US\$748 (<i>WHO standards = above \$45</i>)^e -Immunization coverage increased from 63% to 88.2% (1998 - 2008)^e -Chris Hani Baragwanath Hospital with 2964 beds is the largest acute hospital in the world and serves some 3.5 million people in Soweto 	<ul style="list-style-type: none"> -Private sector providers cover 14% of population but absorb 60% of the costs; 79% of doctors work in private sector - 0.7% of world’s population, but 17% of the world’s HIV/AIDS cases and 24% of the global burden of HIV-related TB, - Female homicide rate six times the global average; 50% of these women are killed by partners^d -Life expectancy at birth went down from 54.9 years to 50.5 years (2001-2009)^c
<p>a/World Development Indicators, 2009 b/ Global Competitiveness Report 2009-10 c/ Development Indicators, the Presidency, 2009 d/ Closing the Skills and Technology Gap, the World Bank, 2009 e/ Lancet: Health in South Africa, Sept 2009 d/ Lancet: Health in South Africa, Aug 2009</p>		

12. Human development challenges continue to loom large with discouraging reversals in mortality indicators. South Africa has the largest number of people living with HIV/AIDS in the world (5.5 million) and continues to battle a dual epidemic of TB and HIV/AIDS and bears 24 percent of the global burden of HIV-related TB. Current health problems are rooted in the unique legacy of South African apartheid history. The migrant labor system contributed to many of the major current health problems through social changes which led to destruction of family life, alcohol abuse and violence, particularly gender based violence, while the health delivery system is heavily skewed in favor of the elite. These developments have strained informal safety nets and undermined progress on longevity with life expectancy at birth falling from 54.9 years in 2001 to 50.5 years in 2007.

A new political landscape

13. In 2009, the country experienced the most significant political transition since 1994. The ruling African National Congress (ANC) won with a 65.9 percent majority and Mr. Jacob Zuma was sworn in as President on May 8, 2009. The transition, following the recall of President Mbeki, was not without political fall-out. Several senior ANC politicians left the ruling party and formed a new centrist party, the Congress of the People, led by former defense minister, Mr. Mosioua Lekota. The new Government has rightly acknowledged that growth would need to be much more inclusive with greater emphasis needed on job creation.⁴ Accordingly, it has sought to play a more proactive role in promoting, through tax and other incentives, more labor-intensive activity in manufacturing and services complemented with opportunities for skills development. GOSA is also proactively addressing critical bottlenecks to growth and private sector investments, including crime and violence and key infrastructure backlogs in electricity, housing and roads. The cabinet was enlarged from 28 to 34 Ministers. The economic policy cluster now includes a Minister each for Economic Development, National Planning Commission, and Monitoring and Evaluation with the latter two ministries located in the Presidency. The precise policies and the implementation mechanisms needed to achieve the sustained reduction of poverty and inequality are inherently complex. These are currently being shaped by a vigorous process of consultation and political consensus-building within Government and with key stakeholders.

A hard-hit economy emerging from recession

14. The FY 2008-2012 CPS, prepared before the onset of the global financial crisis, rightly gives South Africa high marks for economic management, including strong macro-fiscal stabilization measures and progress on several socio-economic fronts. It also recognizes underlying structural issues, including high unemployment, low domestic savings and investment, and the economy's vulnerability to external shocks arising from a large current account deficit and reliance on portfolio inflows.⁴ The global economic crisis led to the first recession in 17 years from which South Africa is slowly beginning to emerge. Growth for 2009 is estimated at a negative 1.8 percent, compared to the initial forecast of a positive 3-4 percent in the 2009 budget. The decline in economic activity has been particularly sharp in manufacturing and mining. Demand for exports has plummeted and domestic demand remains sluggish, severely impacting the industrial sector. Construction, buoyed by a massive Government spending program on roads, power, and stadia for the 2010 World Cup, has been one of the few sectors to grow. The recession raised the unemployment rate from 21.9 percent in the last quarter of 2008 to 24.3 percent in the fourth quarter of 2009, reflecting a loss of 870,000 jobs in 2009 (See Table 2).

³Overall, the current Government has accorded its highest priority to the following areas: (i) more inclusive growth, especially employment creation; (ii) skills development and enhanced quality of education; (iii) improved health care; (iv) rural development, food security, and land reform; (v) fight against crime; and, (vi) regional cooperation and development.

⁴ South Africa CPS for FY08-12 - Paragraphs 23-27

Table 2: Key Economic Indicators (preliminary data for 2009/10)

	2006	2007	2008	2009	2010	2011
					(Projections)	
Output and Prices						
Real GDP Growth	5.3	5.5	3.7	-1.8	2.3	3.2
Headline CPI (annual average) inflation	4.6	6.1	9.9	7.1	5.8	6.1
External Outlook						
Export Growth	6.0	5.9	2.4	-20.2	3.8	3.9
Imports Growth	18.9	9.0	1.4	-18.3	6.8	4.9
Current account balance (% of GDP)	-6.3	-7.2	-7.1	-4.3	-4.9	-5.3
Gross official reserves (billion \$)	25.6	33.0	34.1	35.8	35.8	35.8
In months of GNFS imports	3.1	3.7	4.6	4.5	4.2	3.9
Public Finance (% of GDP)						
Total Consolidated Government Budget Revenue	26.6	30.2	29.7	26.8	27.3	27.9
Total Consolidated Government Expenditure	26.0	28.5	30.8	34.1	33.6	32.9
Overall budget deficit (excl. grants)	0.6	1.7	-1.0	-7.3	-6.2	-5.0
National Government Debt (Net loan debt)	30.6	23.2	22.7	28.2	33.2	37.3
Borrowing Requirement Incl Non-Financial Public Sector	-0.3	-0.3	4.0	11.8	11.1	8.8
Investment and Saving (% of GDP)						
Gross Domestic Investment	20.6	21.9	22.8	23.3	23.4	23.6
Of which public fixed investment	5.0	6.2	7.5	8.4	8.7	8.9
Of which private fixed investment	13.8	15.0	15.8	15.4	15.4	15.4
Gross national saving	14.3	14.6	15.4	16.4	16.4	16.4
Money and Credit						
Net Domestic assets	15.4	21.3	9.6	9.1	10.6	11.6
Broad money (incl. forex deposits)	22.5	23.6	14.8	7.9	12.6	12.5
Repo Rate	9.0	11.0	11.5	7.5	7.25	8.5

Source: National Treasury, South Africa

15. Fortunately, South Africa entered the downturn with a sound macro/fiscal position, enabling aggressive countercyclical fiscal and monetary responses.⁵ In particular, fiscal space generated by several years of budgetary discipline and low public debt (net debt of the national government was just 22.7 percent of GDP by end-2008/09), together with South Africa's deep and liquid capital markets and continued access to global finance, allowed the government to undertake a substantial fiscal expansion to offset the weak private sector demand. The emphasis has been on significantly scaling-up infrastructure spending, and protecting and enhancing social sector expenditure in certain areas despite the major decline in revenue. Together with sizeable across-the-board salary increases in the public sector in 2008/09 and 2009/10, this caused the fiscal balances to worsen from a surplus of 1.7 percent of GDP in 2007/08 to a deficit of 7.3 percent of GDP in 2009/10. The public sector borrowing requirement to GDP ratio meanwhile increased from 0.3 percent to 11.8 percent. The 2010/11 Budget purports to extend the expenditure trends, by proposing a ZAR846 billion (US\$ 114 billion equivalent) infrastructure investment plan for the FY11-13 period, ZAR454 billion of

⁵ The framework for South Africa's response to the crisis was discussed and agreed upon by Government, labor, and business, and community representatives in February 2009. Key elements of the agreed framework included fiscal and monetary expansion, accelerated public sector investment, protection of jobs and investment in people and productive capacity, and supporting vulnerable sectors such as clothing and textiles and automobile manufacturing.

which would be incurred by large State Owned Enterprises (including ZAR 309 billion by Eskom and ZAR 49 billion Transnet) with substantial cover in the form of government guarantees.⁶ Fiscal balances are projected to improve gradually over the medium-term, an outcome predicated upon revenues picking up with the economic recovery and moderation of expenditure growth.⁷ The budget deficit and public sector borrowing requirement would fall to 6.2 percent and 11.1 percent respectively in 2010/11 and further to 4.1 percent and 7.1 percent respectively by 2012/13.

16. South Africa's external and financial sectors remain robust despite the global crisis. After an initial dip, foreign portfolio investment has recovered strongly, comfortably covering South Africa's large current account deficit (7.4 percent of GDP in 2008 and 4.3 percent of GDP in 2009). Foreigners purchased over US\$10 billion worth of equity on the Johannesburg Stock Exchange in 2009, exceeding the net outflow of about US\$6.3 billion in 2008. In addition, a slump in imports and a mild recovery in exports have ended a prolonged period of trade deficit, taking considerable pressure off the current account. Gross reserves increased from US\$34.1 billion in end-2008 to US\$39.5 billion in end-January, 2010. These Balance of Payments (BOP) developments have led to a full recovery in the value of the Rand against the major currencies: the Rand/US\$ rate and the nominal effective exchange rate stand firmer today than in late August 2008, just before the onset of the global financial crisis. South African banks remain in a sound position to weather the global financial storm, benefiting from limited exposure to foreign currency debt and more disciplined lending practices ensured by the National Credit Act of 2007. According to a recent South Africa Reserve Bank Supervision Report, local banks' capital-adequacy ratio increased from 11.8 percent to 13 percent over 2008 and liquid assets held by banks exceeded statutory requirements throughout 2008. The ratio of non-performing loans to loan advances increased from 2.8 percent in July 2008 to 5.5 percent in August 2009 as a result of the crisis, but remains manageable. South Africa is an active participant in discussions at the International Monetary Fund, G-20, the Financial Stability Board and Basel Committee on Banking Supervision and has put in place several new initiatives to improve its regulatory system. This includes improvements in crisis contingency plans and the expansion of the scope of regulation to include hedge funds, private equity and credit ratings agencies.

II. Progress in Implementing the CPS

17. The two years that have passed since the CPS was launched have been anything but ordinary, marked by a global economic crisis, a looming power crisis and major political developments within South Africa. These developments introduced new challenges which tested the robustness of the CPS framework. The principles of Government ownership and WBG alignment, flexibility and responsiveness embodied in the CPS, helped build a solid foundation for expanding the program. A critical success factor has been the decentralization of a strong technical team which has enhanced the agility and technical credibility of the WBG.

⁶ Other areas of emphasis in the budget include employment programs, social security benefits, health, education, fighting crime, and rural development.

⁷ Public expenditure is projected to grow at around 2 percent per year over the FY11-13 period, compared with 7.2 percent growth during FY06-09.

18. While the priorities and principles of engagement are established in the CPS, the specific activities are defined during the annual business planning process led by National Treasury in consultation with line ministries. The process is demand-driven and aligned with the Government's planning and budget cycle. GOSA and the WBG agreed on the first ever business plan in October 2008. Subsequently, the 2009 business plan sets the priorities for the WBG program for FY10. This process will continue to be reviewed and updated every year to ensure that the WBG program remains true to Government priorities and programs and to monitor progress. Early results show progress in several areas identified in the CPS and in the quality of the partnership (Attachment 2).

19. The partnership has helped to reinforce South Africa's regional and global leadership in several key areas. In the area of global public goods, the GEF-financed environmental portfolio enhanced by the proposed clean technology program to be funded under the EISP, will shore up the position of South Africa as a leader on environmental and climate change issues. South Africa is also a leader in championing the knowledge-for-development agenda in the African continent and is a convener of major regional and global international knowledge sharing events. The WBG has provided significant support to the knowledge agenda. Starting with rural and urban sector programs identified early in the CPS, the knowledge program has been expanded to reflect new areas of emphasis by Government. This includes employment creation, closing the skills gap, HIV/AIDS, and crime and violence. An important outcome of the WBG supported knowledge program has been to help define the nature and magnitude of the development challenges confronting GOSA and to offer options to address them based on global best practice.

20. **Urban development:** In December 2007, the Government identified three areas for Bank support to help undo the segregation and exclusion inherent to the "geography of apartheid": (i) spatial development and the built environment, (ii) housing and (iii) municipal infrastructure finance. A series of workshops in 2008 and 2009 convened South African and international expertise to address these issues. A detailed study on municipal infrastructure needs and financing options was completed in June 2009. Key options identified in that study are now being implemented by NT with technical assistance from the WBG. A new budgeting and financial management system was introduced in 40 municipalities under the US\$15 million Municipal Financial Management Technical Assistance Program. The Bank has leveraged more than US\$3 million in grant funds, mainly through the Public-Private Infrastructure Advisory Facility (PPIAF) and Cities Alliance to support activities such as capacity building, municipal creditworthiness, public private partnerships, creating sustainable and inclusive human settlements, and regional exchange of knowledge.

21. **Rural development:** Land reform remains a cornerstone of GOSA's strategy to achieve growth with equity. Currently, 55,000 farmers own 85 percent of the agricultural land. Most agriculture is capital-intensive with limited potential to generate jobs. GOSA's policy emphasizes the restitution of land to those evicted during apartheid, the redistribution of land to the landless and security of land tenure in freehold farming areas and former homelands. Implementation has been much slower than planned in part because this is a complex and politically charged apartheid legacy to dismantle. The Bank has had an extended engagement with GOSA on land reform and rural development. Previous analytical work on land redistribution helped define policy options for the GOSA, while the Integrated Sustainable

Rural Development Strategy benefited from the Bank's technical input. A draft operational manual for the implementation of the land reform program and an impact evaluation of the land restitution program has been completed. In January 2010, the Department of Rural Development and Land Reform signed the first fee-based technical assistance agreement between the GOSA and the Bank for US\$413,000 to support its efforts to develop and implement the Comprehensive Rural Development Program.

22. **Support for private sector-led growth:** Growth and investment in South Africa has been largely driven by capital intensive industries with the result that growth has not yet produced sufficient jobs to keep up with the demand from new entrants to the labor market. At the beginning of 2009, the ANC pledged that it would create 500,000 jobs, a promise that has proved difficult to achieve in light of the economic downturn. To support GOSA deepen its understanding of the binding constraints to job creation and employment, the WBG undertook an Investment Climate Assessment (ICA) and a Financial Sector Assessment Program (FSAP) update in 2009. Several post-ICA and FSAP technical assistance activities addressed issues faced by small businesses such as access to finance, the impact of exchange rate fluctuations on exporters, the impact of labor laws on employment generation and the impact of HIV/AIDS on firm-level productivity. The Bank has also partnered in efforts to strengthen monitoring and evaluation systems to enhance targeting of Small and Medium Enterprises (SMEs) support.

23. **International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) programs,** and the work by Foreign Investment Advisory Service (FIAS), complement the analytical work on private sector development by helping to structure and finance public-private partnerships in infrastructure, promote foreign direct investment and South-South ventures, and assist Micro, Small and Medium Enterprises (MSMEs) to develop and integrate into the formal economy. In FY09 IBRD partnered with IFC to support SME development through the Soweto Business Chamber.

24. **Knowledge sharing:** South Africa has become an important venue for major regional and global knowledge sharing events, many of which are facilitated by the Bank. Examples include the dissemination of the *Growth Commission Report*⁸ in June 2008 at the Annual Bank Conference on Development Economics (ABCDE). The World Development Report (WDR 2009) on *Reshaping Economic Geography* was discussed in South Africa at a joint forum with the Development Bank of Southern Africa (DBSA) in July 2009 while the *Africa Infrastructure Diagnostic Report* was launched in November 2009. The 2011 WDR consultations on Conflict and Fragility are planned for April 2010 in Cape Town.

25. **Technical assistance:** In response to specific requests by GOSA, the WBG has supported the Department of Education to develop norms and standards for infrastructure in the education sector. This has helped improve service delivery. The Bank has also worked with the Department of Trade and Industry in designing a monitoring and evaluation system to improve delivery of services to MSMEs which is now being piloted. In partnership with the European Commission, the WBG supported South Africa in its first Public Expenditure and Financial Accountability (PEFA), Public Financial Management (PFM) and Performance assessment.

⁸ *Growth Report: Strategies for Sustained Growth and Inclusive Development* by the Commission on Growth and Development 2008.

The reports confirm that South Africa has high international PFM standards which are being leveraged for South-South knowledge-exchange with other Middle Income Countries (MICs) and Low Income Countries. The WBG has also provided technical assistance to the newly-established Department of Performance Monitoring and Evaluation to improve the quality of public services in South Africa and strengthen the Department's capacity to monitor and evaluate service delivery outcomes across sectors.

26. **Global Public Goods:** Prior to and during the CPS period, over US\$50 million from the Global Environment Facility (GEF) was mobilized to support GOSA to integrate biodiversity considerations into local development planning and to develop global best practice on national and trans-frontier environment policy (see Box 1). South Africa is an active participant in the GEF and leader in the GEF Council. The current portfolio has grown to be one of the largest of the Bank's GEF operations. During GEF 4 the country allocation was US\$22.4 million. This is expected to increase to US\$56.5 million under GEF 5, doubling the Bank's share of GEF country resources in South Africa. The main focus has been on conserving globally significant biodiversity, supporting South Africa's efforts to mainstream biodiversity conservation into its economy, phasing out toxic chemicals and ozone depleting substances, and promoting the use of renewable energy and energy efficiency. In addition, the US\$500 million CTF investment plan endorsed by the CTF Board in November 2009 will support South Africa's efforts to increase the use of renewable energy and improve energy efficiency.

Box 1: Supporting Global Public Goods: The GEF Portfolio

The environment portfolio has been the main area of World Bank financial engagement in South Africa and has provided the basis for a broader dialogue and trust building. The main instrument underlying dialogue and project work since 1998 has been GEF grants. The portfolio includes the projects listed below.

Project	Approval date	Amount (US\$m)	Status
-Greater Addo Elephant National Park	Feb 2004	\$5.50	Ongoing
-Cape Action Plan for Environment Program	May 2004	\$9.00	Ongoing
-Richtersveld Community Biodiversity Conservation	Aug 2002	\$0.87	Closed
-iSimangaliso Wetland Park	Dec 2009	\$9.30	Ongoing
-Renewable Energy Market Transformation	Jun 2007	\$6.00	Ongoing
-Maloti Drakensberg Transfrontier Conservation and Development Project [South Africa and Lesotho]	Sep 2001	\$8.00	Closed
-Africa Stockpiles Program	Sep 2005	\$1.70	Ongoing
-Western Indian Ocean Fisheries	Sched. for Sep 2010	\$0.20	Ongoing
-Western Indian Ocean Marine Highway Development and Coastal and Marine Contamination Prevention	May 2007	\$11.00	Ongoing
-SADC Groundwater	Jun 2005	\$7.00	Ongoing
TOTAL		58.57	

In December 2009, the Board approved a US\$9 million grant for financing conservation activities in the iSimangaliso Wetland Park, a World Heritage site. The project combines conservation objectives with spatial development approaches, and has provided the first opportunity to pilot the use of 'country systems' for environmental safeguards. The pilot builds on South Africa's robust track record of systems governing environmental assessment, protection of natural habitats, protected areas and protection of physical cultural resources.

27. **Regional integration:** The CPS reinforces AFR’s Regional Integration Assistance Strategy (RIAS) which recognizes South Africa as a regional leader in the implementation of the three areas of focus under the RIAS – infrastructure, economic integration and regional public goods. Significant progress has been made in implementing several of these areas as follows: (i) the Southern Africa Power Pool study which assesses least cost electricity options for the sub-region and reviews regulatory barriers to regional power trade; (ii) a regional ICA; (iii) a study on improved effectiveness of financing for HIV prevention, care and impact mitigation in SACU; (iv) regional lessons in infrastructure development were debated at the launch of the Bank’s Africa Infrastructure Country Diagnostic (AICD) flagship report; (v) a study is underway exploring the potential for greater regional integration through trade, with a focus on South Africa’s leading role in the region and an emphasis on formulating policy options to encourage improved trade and investment outcomes; and lastly (vi) the World Bank Institute (WBI) has developed a strategic partnership with the Department of Science and Technology and the Government of Finland on science, technology and innovation in South Africa and released a joint publication *‘Knowledge Economy for Development – Ten Lessons for Africa’*. WBI, building on the successful Collaborative Africa Budget Reform Initiative model (a network of budget practitioners across Africa), plans to develop similar programs of regional knowledge-sharing in other areas of public policy and to create a network of delivery partners for co-branded, short and executive education courses.

III. The Next Phase of the Partnership

28. **The Partnership is now entering its third year.** The Bank’s framework for engagement with South Africa will continue to be defined by GOSA’s development priorities set forth in its official policy documents such as the Medium Term Strategic Framework (MTSF). The GOSA has increased focus on policy areas where the WBG has a comparative advantage, and where development deficits are significant: education, energy, water and climate change, health, job creation and the over-arching imperative of achieving strengthened service delivery. The WBG proposes to increase its engagement in these areas in consultation with GOSA and within the framework established in the CPS⁹ of accelerating shared growth with equity.¹⁰

Eskom Investment Support Project

29. The proposed operation is an IBRD Specific Investment Loan and CTF Loan to Eskom Holdings in support of its investment program that accompanies this report.¹¹ It is the first component of a planned Electricity Sector Support Program which would support a 4800 MW coal-fired “supercritical” power plant (coal is the only feasible fuel source for **base load large power plants** in the near to medium term) and low carbon investments including CSP, wind power and energy efficiency. Consistent with the growth, equity and regional integration objectives of the CPS, the EISP would support the immediate energy security objectives critical to economic recovery and growth (see Box 2) as well as South Africa’s transition to a

⁸ See South Africa CPS for FY08-12, paragraph 65.

⁹ These objectives are captured in the Accelerated and Shared Growth Initiative for South Africa (ASGISA) launched in 2006.

¹¹ Further detail on the proposed operation as well as South Africa’s LTMS on climate change is provided in the project document “Eskom Investment Support Project” accompanying this Progress Report.

low-carbon economy in support of its LTMS and consistent with its adoption of the Copenhagen Accord (2009).

30. The World Bank convened an **independent expert panel** to assess whether the EISP met the Bank's criteria for supporting coal power projects contained in "Development and Climate Change: A Strategic Framework for the World Bank Group" (DCCSF). The panel determined the project met the DCCSF criteria and further proposed that WBG funding initially for the Medupi project could play a major role in changing the technology base of the region in the context of the LTMS and the National Integrated Resource Plan. The Panel recommended that the WBG finance Medupi, but also engage in a longer term relationship with South Africa to help place the country on a low carbon trajectory. The WBG concurs with the key recommendation of the Panel to define the Medupi project "*as part of a transition strategy to a more climate protective future, and to link it to longer-term sustainable energy programs.*"

Box 2: Timely Power Sector Investments are Necessary for Reducing Poverty and Inequality in South Africa

The urgent investments in the power sector, which GOSA and ESKOM are now undertaking with the proposed assistance by the WBG, are a necessary condition for achieving the country's ambitions for sustained growth, job creation and the reduction of high levels of poverty and inequality.

First, without investments in power generation now, given their long lead times, blackouts would soon follow just when the economy is recovering from the financial crisis. This would repeat the experience of late 2007 and early 2008, stifle economic recovery and again put thousands of jobs and livelihoods at certain risk. Second, average GDP growth rates of 4 percent achieved between 1999 and 2008 helped reduce poverty and unemployment, albeit not sufficiently. Even just returning to that former growth path now hinges on additional supply of electric power. Unless these investments are undertaken, poverty and inequality will stagnate at today's high levels, raising concerns for social and political stability. Third, to get onto a growth path that is more rapidly job-creating while also reducing poverty and inequality, requires additional power supply combined with other policy interventions which GOSA has currently prioritized. These include urgently-needed improvements in skills development and improving the investment climate for more rapid growth of SMEs, addressing the challenges of the 'geography of apartheid' in urban areas as well as instituting land reforms, to name but a few.

The policies and implementation mechanisms that are needed to get to these "sufficient conditions" for the sustained reduction of poverty and inequality are complex, and these are currently being shaped by a vigorous process of political consensus-building and policy formulation within the government which the WBG is supporting through technical assistance and advisory services.

31. The GOSA and the WBG have agreed to establish a long term partnership to meet the ambitious targets set by the LTMS. The EISP is a key building block of the longer term partnership between the GOSA and the WBG to support South Africa as it works to meet its low carbon trajectory targets.

32. The recent global financial crisis has tightened international as well as domestic credit markets and compromised South Africa's ability to respond to the funding challenges facing the power sector. Decreased *availability of low-cost capital* with long tenors not only limits Eskom's ability to access new funding, but has also compromised its financial position. This project will bridge the financing gap of the Eskom investment program. The Bank is being called upon to play its role as *lender of last resort* - stepping in to fill a long-term developmental financing gap when international capital flows have reduced amidst the financial crisis. The proposed Bank support will also send a signal to private financiers regarding the credibility of Eskom's Investment Program. The main risk of *not* investing in additional power generation in a timely manner is that it would compromise the ability of the

South African economy to recover from the global economic crisis and to get onto a growth path that is more rapidly job-creating and poverty and inequality reducing (see Box 3).

Box 3: South Africa Committed to Mitigating Climate Change

While South Africa is the largest emitter on the continent – it produces 65 percent of Africa’s and 1.5 percent of the world’s carbon dioxide emissions – it is also a global leader in addressing climate change and is an active participant in the Kyoto, Poznan and Copenhagen processes. It is a leader on climate change issues on the continent and among MICs. Under its LTMS, the Government has adopted mitigation strategies aimed at allowing emissions to grow in the short term, but at a reduced rate, plateau by 2030, and decline gradually thereafter. Mitigation strategies include industrial energy efficiency, renewable energy, nuclear, passenger modal shift, and improved vehicle efficiency. South Africa’s climate change mitigation strategy is in line with the recently adopted *Strategic Framework for the World Bank Group on Development and Climate Change*, according to which new coal-based power should employ the most appropriate, clean technologies when no other viable alternatives are present.

In November 2009, the CTF committee approved US\$500 million for South Africa’s Clean Technology Investment Plan. This paves the way for South Africa to move closer to its vision of generating increased electricity from renewable energy by 2013, improving energy efficiency by 2015, and strengthening demand-side energy management through increased solar water heating over the next five years. The projected carbon emissions under the EISP are well within South Africa’s LTMS trajectory. The proposed measures to support energy efficiency and renewable energy using EISP and CTF resources would help South Africa meet its greenhouse gas emission targets.

33. Bank involvement would support top of the range climate-friendly and energy-efficient technology. The proposed supercritical coal-fired projects supported under the proposed operation would use the best proven technologies to minimize carbon emissions. Bank involvement would facilitate the development of South Africa’s first commercial utility-scale renewable energy projects. The proposed operation entails support for the largest dry-cooled power station in the world reflecting the concerns over water scarcity in South Africa. It would help South Africa double its generation capacity by 2025 while also reducing the proportion of electricity generated from coal from the current 90 percent to 70 percent in the same time period.

34. The EISP will prepare the ground for leveraging private sector financing through Public Private Partnerships (PPPs). The Bank has initiated discussions with the National Treasury to this end and recently provided a PPIAF grant to strengthen the PPP framework for power sector generation as a first step.

35. This Progress Report does not propose a detailed lending program. It contemplates IBRD lending to South Africa of up to US\$6 billion in total during the remainder of the CPS period, including, but not limited to, the current consideration the IBRD commitments of US\$3.75 billion in FY10. Assistance could be provided in the form of technical assistance as well as through loans or guarantees from the WBG. Climate related resources could also form part of the assistance drawing from the CTF, the GEF, carbon resources as well as any new post-Copenhagen instruments that may emerge. Assistance would be provided to both the public and the private sector in support of South Africa’s LTMS. The lending program for FY11-12 is indicative at this stage and will be managed in the context of country demand and the Bank’s ability to service such demand in the context of its capacity to lend. Given the size of the South African economy, the country's currently moderate level of international debt and healthy level of foreign exchange reserves under baseline assumptions, it would still leave WBG exposure within prudent limits.

Analytical and Advisory Activities (AAA)

36. A strong knowledge program will continue, supplemented by funding from other development partners and GOSA resources. With regard to *urban development*, WBG will continue with the policy-oriented technical assistance and capacity building described in section II above, in particular in the areas of urban spatial development and housing. In *finance and private sector development*, WBG will focus on analytical work and technical assistance in four priority areas: improving investment climate and access to finance with special focus on MSMEs; supporting entrepreneurship and job creation for youth; promoting technology absorption and skills development; and providing assistance in contingency planning and preparedness in light of the financial crisis. The IFC's US\$577 million portfolio would focus on provision of short-term liquidity, long-term foreign currency funding for financial institutions, outward investment of local firms and financing, and technical assistance to SMEs in the informal, education and renewable sectors.

37. With regard to *regional integration*, work is underway on a regional ICA and regional studies on trade, foreign direct investment, infrastructure and technology absorption in Southern Africa. Continued support will generate policy options in key areas that support or constrain trade integration. The WBG will build on its work with the Southern African Power Pool to support the development of regional energy trade, drawing on existing generation capacity in the broader system, while also exploring longer term hydro-solutions.

38. The Bank will continue to provide technical assistance with *macro-modeling* to further improve the capacity of national and regional policy-makers to evaluate results from computable general equilibrium models. The Bank will also help the Government develop a more comprehensive understanding of persistent *unemployment* in South Africa. This work will be conducted through AAA co-financed by a Dutch Trust Fund. Employment creation, has so far failed to accommodate large increases of the labor force (particularly among women) under the conditions of sharply segmented labor market, low informal employment and capital intensive agriculture. Recognizing that the Government has limited room for maneuvering in its choices between the economic efficiency and social equity, the Bank will explore feasible policy options bringing international best practice particularly from Latin America and the Caribbean. The AAA will focus on removing constraints to the growth of South Africa's missing small firm sector and review institutional rigidities. Collaboration between National Treasury, Department of Labor, and the Bank has commenced with an impact evaluation of the youth wage subsidy experiment partially financed by the Spanish Impact Evaluation Trust Fund.

39. In *rural development and land reform*, the focus will be on quality implementation of the recently-signed fee-based technical assistance program with the GOSA for promoting South-South learning in the area of rural development. In the area of *urban crime and violence*, the Bank is developing analytical work and will facilitate South-South exchanges for developing national crime prevention policies.

40. The strong partnership in the *education* sector will continue to assist the Government to roll out the national policy on education infrastructure in partnership with the Netherlands and AusAid, as well as assess the constraints on development of skills to boost employment. In the

health sector, the Bank is (i) undertaking a macro-economic analysis of the impact of HIV/AIDS in South Africa and reviewing the fiscal implications of Anti-Retroviral Treatment, (ii) supporting the Southern Africa National AIDS Council and the nine provinces to analyze HIV/AIDS data and how the country has responded to date in prioritizing interventions based on the drivers of the epidemic and (iii) supporting monitoring and evaluation at provincial levels. The Bank will continue to work with the Presidency and several other Government agencies to develop capacity to undertake policy evaluation, impact assessments and improve monitoring systems in support of efforts to enhance service delivery and strengthen development impact.

41. In the *environment sector*, Bank management of GEF grant funds comes in support of the implementation of community-based biodiversity conservation projects, trans-frontier marine and water management initiatives as well as building capacity for climate change mitigation. The entry point for biodiversity is the protected areas system with ecotourism as a key driver of growth. South Africa would play a regional coordination role for a proposed project dealing with trans-boundary protected areas with Botswana, Lesotho, Mozambique, Namibia and Swaziland. The total expected allocation for biodiversity for these six countries is around US\$37 million. The proposed project is intended to strengthen the management capacity in protected areas, creation of corridors to protect biodiversity in productive landscapes and address land degradation.

42. South Africa's ownership of the CPS and the business plan is reflected in the willingness of South African institutions to partner with the Bank and contribute their own resources in implementation of activities in the business plan. This collaboration is central to the Partnership as it helps ensure tailoring of knowledge products to the South African context, knowledge transfer and local capacity-building, and mobilization of the resources needed to support knowledge programs.

43. The WBG is exploring financing options that will ensure the sustainability of the knowledge program. As trust is built and the relationship with South Africa deepens, other opportunities for reimbursable technical assistance beyond rural development and land reforms may become available. The WBG is also exploring co-financing with other development partners (see Attachment 3). The WBG will build on ongoing South-South cooperation such as rural development with China, energy efficiency with Brazil, prevention of crime and violence with Brazil and Colombia.

44. Finally, the Bank collaborates closely with development partners on regional integration in Southern Africa, especially in infrastructure development and trade facilitation programs. The main partners include the African Development Bank, Development Bank of Southern Africa, European Investment Bank, and the UK's Department for International Development.

IV. Risk Assessment

45. In this section we consider three aspects of country risk,¹² the impact of the global crisis on the South African economy, political risks and reputational risks. Project risks are covered in the accompanying EISP documentation.

46. **The Global Crisis:** Although South Africa has an established record of macroeconomic policy credibility, a large current account deficit in the face of disappearing global capital flows poses a considerable macroeconomic policy challenge for South Africa. A steady flow of foreign portfolio flows had thus far sustained the BOP situation. With this important financing source now uncertain, important macroeconomic stresses are beginning to emerge. The Rand and major stock market indices had initially lost considerable value as the foreign investors took flight. While gross external debt is modest at 26 percent of GDP, the banking system is sound and financial markets are deep, the credit crunch and the large current account deficit could severely curtail the Government's plans for large-scale infrastructure investment and expansion of expenditure in the social sector. A sudden stop in capital inflows could seriously exacerbate this risk. Fortunately, at the moment, there are no signs of this risk materializing; both the exchange rate and the stock market value have leveled off since November, albeit amidst heightened volatility. South Africa's investment grade rating by the major rating agencies gives added assurance as does the fact that the country is officially out of recession.

47. The biggest threat to the economy under these potential downside scenarios would be sustained slowdown of GDP growth, say in the range of 1-2 percent over the next several years. With high unemployment rates and policy urgency to meet the Government's development objectives, this would present a daunting challenge for the country. Fortunately, the macro policy framework in South Africa is robust and if maintained, can be expected to mitigate these risks. Support from the international financial institutions such as the WBG will further help by providing much needed fiscal space during the recovery period – especially in addressing power sector challenges – and preventing crowding out of productive private investment, thus enhancing prospects for economic recovery.

Risk level: Moderate

48. **Political Risk:** South Africa has undergone one of the most important political transitions since 1994. As with any political transition, this raises the risk of policy reversals. An unexpected shift in policies given a turbulent global financial and economic climate could further unnerve financial markets and put increased pressure on the BOP and exchange rate. Conversely, a perceived lack of pro-active policies to address high and possibly rising unemployment and poverty in the country could lead to discontent that erupts in social unrest and instability. Based on analyses of the Budget Speech in February 2010 and the Medium Term Budget Policy Statement in October 2009, the Government appears committed to continuing sound macroeconomic management and has affirmed its commitment to fiscal responsibility. Neither a dramatic shift in economic policy nor a business as usual approach seems likely. The desire to maintain international confidence and to host a successful FIFA

¹² This section reflects the assessment of the Bank and may not necessarily reflect the views of the GOSA.

World Cup in 2010 also works against any fundamental shift in strategic thrust following the change of Government.

Risk level: Low

49. **Perception risk:** In terms of South Africa's borrowing relationship with the World Bank, the engagement is still at an early age. The EISP is the first large lending operation proposed for South Africa after a long hiatus. The Borrower has not been exposed to Bank processing and policies. There is continuing concern on the part of some stakeholders about Bank conditionality linked to its engagement. The EISP is a critical next step in the WBG's relationship with South Africa. Speed and agility in responding to the GOSA's request for support to the electricity sector is a key building block in this relationship. Continued implementation of the Partnership, knowledge sharing, frank dialogue regarding the Bank policies and procedures as well as timely and high-quality response to the needs of South Africa will help alleviate concerns. The WBG's response in South Africa is consistent with the Africa Region MIC Agenda; the WBG needs to continue to ensure that policies and practices are in line with that agenda.

Risk level: Substantial

50. **Reputational risk regarding coal:** As laid out in the EISP project documentation, South Africa is the largest emitter of GHGs on the African continent and the world's fifth largest producer of coal. South African coal is high quality, low sulfur and cheap to mine, making coal the fuel of choice for large-scale power generation. South Africa however faces serious threats from climate change, particularly in human health, agricultural production, plant and animal biodiversity, water resources and rangelands. The risk of a negative public perception of the Bank's support for coal-fired power plants is therefore high. The Government's LTMS envisages a mix of energy sources, including renewable energy. In December 2009 at Copenhagen, the Government of South Africa announced a commitment to reducing emissions by 34 percent below the "business as usual" levels by 2020, and by 42 percent by 2025. Further, Eskom undertook a rigorous selection process to ensure that the best proven available technology is adopted. The Bank supports these efforts and will help GOSA implement a viable communications strategy to explain steps taken to address climate change and energy needs.

Risk level: High

ATTACHMENTS

Attachment 1: Progress with IFC and MIGA support

Update on Progress

IFC

In light of the global economic crisis, IFC is implementing a counter cyclical strategy in South Africa focused on (i) enhanced private sector access to funding, by providing short term liquidity and longer term foreign currency funding to financial institutions. The current global financial crisis and the limited availability of term dollar funding, have made IFC an even more important partner for South African companies; (ii) actively supporting South African companies “going north” and “going global”; (iii) providing advice and financing in underserved niches of the South African market, where IFC can bring value added; (iv) providing technical assistance and related support for small business, with a focus on the informal sector and education; and (v) supporting the development of renewable energy. IFC portfolio in South Africa was US\$577 million as at June 2009.

Investment Activities

- **Absa Bank (“Absa”)**: As part of its crisis response, in September 2009, IFC committed a US\$150 million standby credit line to Absa Capital dedicated to infrastructure project funding in sub-Saharan Africa with a focus on International Development Association (IDA) countries. IFC will make matching investments in each project for its own account. Furthermore, IFC is looking to replicate this structure with additional clients in the region.
- **Standard Bank Group (“SBG”)**: IFC has supported the SBG through a range of engagements, including a US\$60million multi-country facility for its affiliates in Africa as well as US\$30 million in financial products (senior loan, subordinated loan, trade line, and mezzanine financing) in Latin America. As part of its crisis response, in June 2009 IFC along with various Finance Partners also provided short term funding of up to US\$400 million to SBG under the Global Trade Liquidity Program.
- **Evolution I BVI LP (“Evolution I” or the “Fund”)**: In May 2008 IFC committed US\$20 million to Evolution I. The Fund is focused on equity investments in climate change companies and projects that operate in South Africa and the neighbouring SADC countries. Evolution I is targeting to raise and invest capital commitments of up to ZAR1 billion. It is expected that Southern African Development Community (SADC) investments will account for about 25 percent of the Fund’s investments.
- **Sasfin Holdings Limited (“Sasfin”)**: IFC committed US\$30 million to Sasfin, a mid-size specialist banking and financial services group that focuses on entrepreneurial Small and Medium Enterprise clients. The package consists of US\$10 million in equity, a US\$10 million Tier II loan and US\$10 million in trade finance guarantees. Sasfin will use the funds to increase the products it offers to smaller businesses, strengthen its environmental and social lending practices, and boost foreign trade of South African companies

- **Nedbank Tier II Capital:** IFC and the African Development Bank have provided financing of US\$280 million to Nedbank to allow it to increase lending to underserved markets in South Africa and the region for affordable housing development, black economic empowerment transactions, smaller businesses, large-scale infrastructure and resource-extraction projects, and the agribusiness sector. Nedbank is the first African bank to adopt the Equator Principles.
- **African Bank:** IFC committed ZAR350 million (US\$44million) to African Bank by way of a 12 year subordinated local currency Tier II qualifying loan. It provided the funding as part of a total facility being ZAR1 Billion financing from a consortium of Development Financing Institutions (DFIs) including DEG, Proparco and FMO. The facility is expected to i) broaden access to finance to underserved markets notably unsecured retail finance largely used for incremental housing construction and education purposes, and ii) show much needed confidence in a financial institution that is reliant on wholesale funding, thereby ensuring continued growth and credit product availability to the lower middle market segments served, even in the midst of relative market uncertainty.
- **IFC “Inward Listing” Rand Bond for South Africa:** IFC is finalizing discussions to issue South African Rand denominated bonds, *inside* of the Republic of South Africa to help facilitate the further expansion of the South African fixed income capital markets. Supranational institutions such as the IFC make excellent partners to help develop domestic bond markets. An IFC “Inward Listing” would also provide a top-rated international credit (triple A-international) to the market and would serve as a catalyst for further growth of the already well-developed capital markets.
- **Lonmin:** IFC continues to work with Lonmin in South Africa, in addition to a US\$150 million investment IFC is providing input to the development of Lonmin’s community and linkages programs. This will ensure that the community and South African small businesses gain benefits.
- **Columbus Stainless Steel (Pty) Limited (“Columbus”):** IFC committed a US\$50 million loan to support the expansion of the Columbus’ down-stream production capacity. Columbus is the only integrated stainless steel manufacturer in Africa and supports key industries in South Africa including automotive, fabrication and construction. It exports 80 percent of production to Africa, Europe and Asia.
- **Carbon Delivery Guarantee:** In June 2008, IFC (as a US financial intermediary) agreed to purchase up to 900,000 carbon credits worth approximately US\$38 million from South African fertilizer producer **Omnia** and sell them to buyers in developed countries. The transaction was IFC’s first carbon finance operation in Africa, and opens the door for further activity. IFC is now assessing opportunities for carbon finance for South African SMEs, with IFC client banks acting as financiers using IFC credit lines of energy efficiency and clean production to generate credits; as aggregators and traders of the credits on the SME’s behalf; and to provide delivery guarantees through the carbon finance program.
- **IPP and PPP Electricity Generation Projects:** In May 2008 IFC indicated potential interest in providing a US\$500 million corporate loan to Eskom in support of their new five year capital expenditure plan and taking the lead in mobilization of other funding

through a B-Loan or coordinating other DFI lenders. Following consultations with the client and our World Bank colleagues it was decided that the World Bank was best placed to directly support Eskom, whilst IFC would actively look to support any potential IPP and PPP electricity generation projects.

Advisory Services

- **IFC Thandi Land Reform Program:** Private Enterprise Partnership (PEP) Africa in partnership with the Capespan Group and Capespan Foundation Trust established a land reform program to assist black farm workers and farmers to acquire land by either purchasing farms (full ownership) or by obtaining a share in an existing farming enterprise (partial ownership). The program is also focus on improving skills and knowledge by building technical and managerial capacity with more than 400 participants trained to date and 23 projects listed for intervention. Social programs include HIV/AIDS, Wellness and Gender-Sensitivity components with the number of people reached already exceeding 4000. Twelve peer educators have been trained in HIV/AIDS, Gender and Home Base Care. During the Voluntary Counseling and Testing campaign 207 employees, including seasonal workers were tested for HIV. 19 percent of the employees and 31 percent of the seasonal workers tested positive. The average HIV prevalence for the Thandi Farms was 29 percent in comparison to a 26 percent average in the Eastern Cape Province. In partnership with Careworks, the IFC team secured treatment for those employees in need. The program was implemented for twelve months and thereafter a full assessment was done by an outside consultant. It is set to fast track the development of a sustainable model for land transformation in South Africa.
- **Lonmin:** IFC is currently mid-way through a three-year Advisory Service program with Lonmin. The program works in partnership with Lonmin to improve the lives of the workforce and the community surrounding Lonmin's operations. To date the program has awarded 165 contracts worth US\$43 million to local suppliers and increased Lonmin's female workforce by 41 percent or over 500 women. The program has reached over 100,000 employees and community members in HIV education and has worked with local stakeholders to plan 24 community projects worth over US\$8 million.
- **FIAS:** At the request of the National Treasury and the South African Revenue Service, FIAS has recently completed a study on the tax burden in key sectors of the economy and a related project to document the tax compliance costs for small businesses in South Africa which has led to the **design** of a less burdensome tax administration regime for SMEs, to be implemented in the near future.
- **SA SME Banking program:** The South African Small and Medium Enterprise (SMEs) Banking program was designed to assist local financial institutions, business services providers and credit bureaus in developing their capacity to identify and meet the needs of SMEs in the country. The three-year advisory service program which recently closed, helped support and accelerate lending to SMEs in South Africa. The IFC program, in cooperation with local financial institutions, credit reporting companies, and local business service providers, focused on three issues. These are improving the national credit reporting infrastructure in South Africa to provide lenders with the information

they need to better assess credit risk for smaller businesses; supporting individual banks and non-bank financial institutions in expanding financial services to SMEs, particularly black-owned, women-owned and rural-based businesses; and linking banks and credit bureaus to existing business development service providers to develop specialized programs and products that target SMEs.

- **Karsten Farms (“the Company” or “Karsten”):** IFC is implementing an Advisory Services (AS) project to allow Karsten undertake a *cleaner production assessment* of its farming operations in Uppington, South Africa (the “Project”). This assessment will result in the possible introduction of energy efficiency and other resource conservation measures in the following areas: (i) Housing for farm workers, (ii) water pumping, and (iii) refrigeration. These combined interventions would potentially lead to savings in energy consumption and cost, and a potential IFC investment for the implementation of the findings of the assessment (in the range of US\$0.5 to US\$2.0 million). If this project is successful it may encourage other farms in the Karsten Group, in South Africa, and in other countries, to adopt cleaner production practices in their operations.

HIV/AIDS and Wellness Education and Prevention program: IFC’s partnership with Karsten in this regard started in January 2008 and ended in December 2009. Through a performance grant, IFC funded 52 percent of Karsten’s HIV/AIDS and Wellness program. During this period, an external consultant trained 60 peer educators and 20 community health workers in HIV/AIDS and general health matters. An on-site voluntary counseling and testing campaign rendered by a private company, reached 100 percent of the employees with an uptake of 95.5 percent for HIV testing. In partnership with a local hospital, employees in need of Anti-retro viral treatment are taken to the hospital for treatment and care. To date, the program has reached a total of 31,000 people which includes the surrounding communities and seasonal workers.

- **Hernic Ferrochrome:** Hernic identified a definite need to address HIV/AIDS issues amongst its workforce. Employees only disclosed their HIV status when they were terminally ill and disabled. The company’s objective for its HIV/AIDS workplace program is to mitigate the spread of the disease among its 700 employees, including the 1,200 contract workers of JIC Mining. This can only be achieved through an effective Education and Prevention program, access to Voluntary Counseling and Testing (VCT) and Treatment. Through a performance-based grants seed funding program, IFC Against AIDS is supporting the company in the launch, implementation and Monitoring and Evaluation of Hernic's workplace and community Wellness Program. The objectives are to i) to support Hernic with 48 percent of the eligible costs that are necessary for the launch, implementation of a workplace and community Wellnes program ii) to contribute 100 percent of a critical aspects of the monitoring and evaluation strategy, namely the Knowledge, Attitudes, Practices and Behavior surveys which serves as a baseline and follow-up evaluation tool for assessing program effectiveness.
- **Climate Change Investment Programme in Africa (CIPA):** IFC has launched CIPA to help boost sustainable energy investments in Africa. CIPA, an integrated advisory and investment program, will work with financial institutions (commercial banks and private equity) to promote energy efficiency, renewable energy, and cleaner production investments. IFC will also provide necessary advice to bank clients, governments and key market service providers on sustainable energy investments and related climate

change issues. In line with IFC's corporate strategies to integrate investment and advisory services, approach climate change advisory services as a cross-cutting issue, and provide access to finance for SMEs, CIPA will target energy markets including South Africa, programmatically in view of integrating significant SME pipelines with bank finance. CIPA also serves as the platform through which IFC can align with other donor/development initiatives by blending its finance with concessional finance to structure innovative sustainable energy finance products. CIPA in South Africa and Kenya aims to lever some US\$90million investment finance from US\$4.5million advisory services by working with 8 banks and some 120 market services providers. IFC's integrated investment and advisory services will in this regard develop sustainable energy markets in Africa and deliver on climate change, energy reduction, capacitated stakeholders, and renewable energy impacts.

- **SME Toolkit (“The Toolkit”):** IFC has partnered with Business Partners Limited South Africa to implement the SME Toolkit. The Toolkit offers free business management information and training for small and medium enterprises on accounting and finance, business planning, human resources, marketing and sales, operations, and information technology. It offers a wide range of how-to articles, business forms, free business software, online training, self-assessment exercises, quizzes, and resources to help entrepreneurs, business owners, and managers in emerging markets and developing countries start, finance, formalize, and grow their businesses.
- **Business Edge (BE):** BE is a comprehensive range of practical and flexible management training products and services, specially designed to improve the performance of small and medium firms. IFC is in the process of selecting partners to facilitate the roll out this product in South Africa. The BE package includes international-standard curricula tailored to SME management training needs, adapted to local markets. Over 30 classroom training seminars (usually 1-2 day in length) and over 30 self-study books covering topics in Marketing, Finance & Accounting, Human Resources, Production and Operations and Personal Productivity Skills are available. The BE system is non-academic, uses adult teaching methods and addresses specific issues and management skill gaps by providing knowledge and expertise which can be directly applied in the workplace with immediate result. In addition, capacity building workshops for BE franchisees and certified BE Trainers guarantee the quality of the training delivery.

Update on Progress

MIGA

MIGA has South Africa as its eighth largest investor, with a gross exposure of US\$300 million (4.45 percent of MIGA's exposure at end-December 2008). The core of the Agency's strategy remains to support South African firms investing in the rest of Africa, though, over the past six months, demand for insurance coverage has been rising for projects in South Africa. In close cooperation with the Bank and IFC, MIGA continues to work with numerous South African commercial banks and corporations across a wide range of sectors, especially oil and gas, infrastructure (e.g., energy), mining, finance and agribusiness.

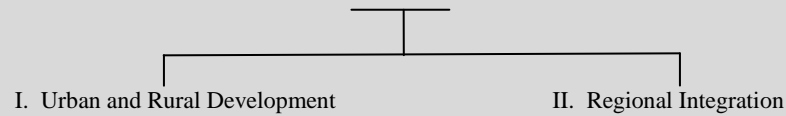
In addition, MIGA and the Bank's Foreign Investment Advisory Services (FIAS) provide technical assistance to the Department of Trade and Industry to promote foreign direct investment into the country. In terms of technical assistance, MIGA is working jointly with FIAS to support the Department of Trade and Industry in developing a strategy and structure to promote foreign direct investment flows to South Africa as part of its growth strategy.

Attachment 2: CPS RESULTS MATRIX (Progress Report)

OVERARCHING OBJECTIVE: Accelerate growth and reduce poverty and inequality within a stable macro-economic environment

CROSS-CUTTING THEME: Improved service delivery

PILLARS



Country Development Goals	Key Issues	CPS Outcomes	Milestones	Bank Programs	Progress to Date/Comment(s)
PILLAR 1: URBAN AND RURAL DEVELOPMENT					
Urban Development					
Create sustainable human settlements and improve the quality of household life	Urban areas, due to “geography of apartheid”, are not coping with massive influx of people in terms of basic infrastructure.	Effective strategies for investment in municipal infrastructure, spatial development and housing.	Improved municipal financial management capacity and policies	<ul style="list-style-type: none"> • Municipal Financial Management Technical Assistance Project (MFMTAP) • AAA on three focus areas i.e. municipal infrastructure finance, urban spatial development and housing. • Cities Alliance Grants 	<ul style="list-style-type: none"> • A new budgeting and financial management system was introduced in more than 40 local governments. There has been a strategic integration of investments in housing for the poor, public transport and local economic development in selected municipalities. • Ekurhuleni Metropolitan Municipality upgrading for growth strategy completed. • The Tshwane Comprehensive Sustainable Human Settlement Strategy and Financing Plan developed & supplemented by sector specialist reports
	More than 2 million households lack adequate housing in South Africa				

Attachment 2: CPS RESULTS MATRIX (Progress Report)

OVERARCHING OBJECTIVE: Accelerate growth and reduce poverty and inequality within a stable macro-economic environment

CROSS-CUTTING THEME: Improved service delivery

Country Development Goals	Key Issues	CPS Outcomes	Milestones	Bank Programs	Progress to Date/Comment(s)
Private Sector Development					
Develop skills and capabilities to support an inclusive growth path	An investment climate not always conducive to the establishment of labor intensive SMEs and export/manufacturing firms in the formal sector.	Improved investment climate for labor intensive informal and formal sector enterprises	Reform options developed for improved investment climate for formal and informal sector formulated	<ul style="list-style-type: none"> ▪ 2nd Investment Climate Assessment • Bank, MIGA and FIAS AAA <ul style="list-style-type: none"> - Follow-up analysis to ICA; - FIAS and MIGA study on investment promotion ▪ FIAS (with Treasury and SARS): follow-up on study on sectoral tax burden in key sectors, and tax compliance costs for small businesses ▪ CGE macromodeling TA for Treasury • Closing the Skills & Technology Gap in South Africa TA under preparation with Human Development Group ▪ 	<ul style="list-style-type: none"> ▪ Reform options developed for Skills (human resource) development, access to finance for small businesses, the informal sector, competition in industry, crime and violence ▪ US\$1.1 million in grant funds was leveraged to identify ways to close the skills and technology gap and increase employment
Rural Development					
Employment generation through rural development.	Capital intensive agriculture that fails to generate sufficient jobs. 55,000 white farmers own 85% of agricultural land.	Accelerated delivery to black farmers of land under land reform programs to meet the national target of 30 percent by 2012	Operational manuals for implementation of restitution, redistribution and tenure reform Agricultural and land policy reforms formulated	<ul style="list-style-type: none"> ▪ US\$ 2 million Reimbursable Technical Assistance to support the Departments of Agriculture and Land Affairs: <ul style="list-style-type: none"> - Impact evaluation study of the land restitution program 	<ul style="list-style-type: none"> ▪ A draft operational manual for the implementation of the land reform prepared and disseminated ▪ Legal agreement for Fee-based TA signed and implementation commenced

Attachment 2: CPS RESULTS MATRIX (Progress Report)

OVERARCHING OBJECTIVE: Accelerate growth and reduce poverty and inequality within a stable macro-economic environment

CROSS-CUTTING THEME: Improved service delivery

Country Development Goals	Key Issues	CPS Outcomes	Milestones	Bank Programs	Progress to Date/Comment(s)
Environment					
Protect and enhance environmental assets and natural resources through improved biodiversity and conservation	High population densities in areas of low agricultural and economic potential impinges on environment conservation	Employment generation through improved biodiversity and conservation Number of jobs created Hectares of land brought under conservation		<ul style="list-style-type: none"> ▪ US\$ 9.3 million iSimangaliso Wetland Park Project ▪ US\$9 million Cape Action Plan for Environment Project ▪ US\$5.5 million Greater Addo Elephant National Park Project ▪ US\$877,000 Richtersveld Community Biodiversity Conservation Project 	<ul style="list-style-type: none"> ▪ GOSA has successfully integrated bio diversity considerations into local development planning. ▪ 5,391 jobs created ▪ 1,846,335 hectares brought under terrestrial conservation ▪ 127,414 hectares are currently being brought under marine conservation.
Adapt and mitigate climate change (lower carbon growth, better adaptation, higher water and energy efficiency)	Heavy reliance on coal-based energy Large rural areas vulnerable to drought and negative impact of climate change	Strategies for dealing with climate change designed	Policy options for climate change formulated Reduction of barriers to renewable energy technologies to help mitigate greenhouse gas emissions	<ul style="list-style-type: none"> ▪ US\$ 6 million Renewable Energy Market Transformation Project ▪ Assist development of carbon finance market 	<ul style="list-style-type: none"> ▪ Long-term mitigation Scenario adopted by the Cabinet ▪ Clean technology Investment plan finalized ▪ US\$300 million of activities to be financed under the Clean Technology Fund under appraisal
Environment – Regional					
Improved efforts at cross country environment conservation		Improved regional conservation		<ul style="list-style-type: none"> ▪ US\$11 million Western Indian Ocean Marine Highway and Coastal Contamination Prevention Project ▪ US\$8 million Maloti-Drakensberg Trans-frontier Project ▪ US\$7 million SADC Ground Water and Drought Management Project ▪ US\$200,000 Western Indian Ocean Fisheries Project 	<ul style="list-style-type: none"> ▪ Several communities have initiated conservation activities to preserve cross-border bio-diversity.

Attachment 2: CPS RESULTS MATRIX (Progress Report)

OVERARCHING OBJECTIVE: Accelerate growth and reduce poverty and inequality within a stable macro-economic environment

CROSS-CUTTING THEME: Improved service delivery

Country Development Goals	Key Issues	CPS Outcomes	Milestones	Bank Programs	Progress to Date/Comment(s)
Infrastructure					
Increased investment in infrastructure to underpin accelerated growth with employment generation	International financial crisis makes investment in infrastructure more costly Backlog of unmet investment needs precipitated energy crisis	Increased power generation capacity Gradual shift to low carbon trajectory	Increased capacity in the Medupi power plant Private investment in renewable energy	<ul style="list-style-type: none"> ▪ US\$ 3.75 billion Eskom Investment Support Project (Anticipated Board date of March 2010) ▪ GEF-financed Renewable Energy Market Transformation Project 	<ul style="list-style-type: none"> ▪ Safeguards Diagnostic Review for electricity sector completed and findings and recommendations are being implemented. ▪ Investment Plan for Clean Technology Fund approved
PILLAR 2: REGIONAL INTEGRATION					
Increased regional trade and investment in SADC	Tariff and other barriers to intra-SADC trade. Slow progress in formal liberalization. Limited FDI	Improved regional investment climate Regional trade liberalization	Policy options to improve SADC investment climate formulated Diagnostic of the current trade policies and performance	<ul style="list-style-type: none"> ▪ Regional ICA for southern Africa ▪ AAA on Regional Trade and Integration 	<ul style="list-style-type: none"> ▪ Regional ICA is under preparation ▪ Strategy for improved regional trade outcomes is under preparation ▪ ESMAP Regulating Electricity Trading in SADC Countries AAA study under preparation ▪ Southern Africa Regional Power Market Generation and Transmission Expansion Study commenced
Improved health and longevity	Southern Africa is the epicenter of the HIV/AIDS pandemic in the globe 1 in 6 adults in age group 15-49 live with HIV in South Africa. TB incidence in South Africa is 3.7 times higher in 2008 than 1994. HIV deaths are 49.6% of total deaths in South Africa	Reduce new infections by 50% by 2011. Place all persons with HIV on treatment	Data on the impact of HIV mitigation programs in the region	<ul style="list-style-type: none"> ▪ Technical support to SADC governments to improve the effectiveness of HIV financing for prevention, care and impact mitigation. ▪ Impact evaluation of ARV and other HIV/AIDS programs 	

Attachment2: CPS RESULTS MATRIX (Progress Report)

OVERARCHING OBJECTIVE: Accelerate growth and reduce poverty and inequality within a stable macro-economic environment

Country Development Goals	Key Issues	CPS Outcomes	Milestones	Bank Programs	Progress to Date/Comment(s)
CROSS-CUTTING THEME: Improved Service Delivery					
Improved public service quality standards	<p>Focused on inputs and outputs rather than outcomes.</p> <p>Lack of accountability of the service</p> <p>Lack of M&E system</p>	<p>Improved capacity to monitor and evaluate key performance outcomes:</p> <p>Indicator:</p> <p>Number of departments reporting on key performance outcomes</p>	<p>Delivery agreements to implement PM&E framework signed with priority sectors</p>	<ul style="list-style-type: none"> ▪ Help prepare National PM&E Framework ▪ TA to Department of Performance, Monitoring and Evaluation to prepare an Indicator Framework for the MTSF ▪ Institutional Assessment of Departmental M&E units ▪ Closing the Skills & Technology Gap in South Africa TA ▪ Norms and standards for improved physical teaching and learning environment ▪ M&E system in Department of Trade and Industry ▪ Impact evaluation of non-financial services and the Broad-Based Black Economic Empowerment ▪ TA and capacity building with Dept Science & Technology on Innovation: 	<ul style="list-style-type: none"> • Establishment of a Department of Performance Monitoring and Evaluation to drive public sector performance and to enhance service delivery • Development of performance monitoring framework with 12 key outcomes based on the MTSF provides an immense opportunity to improve service delivery in key areas to benefit the poor

Attachment 3: SELECTED PARTENERSHIPS

The Bank works closely with its international development partners to serve the GOSA's policy priorities. Since the start of the CPS, the Bank has collaborated with the European Commission (EC) on South Africa's first Public Expenditure and Financial Accountability Public Financial Management Performance Assessment. The Bank is also partnering very closely with the African Development Bank (ADB) to support Eskom's investment plans. ADB and World Bank are jointly supporting the Clean Technology Fund package for South Africa and the Bank's EISP is a complement to an ADB loan for the power sector which has recently been approved by its Board. The Bank is also working with the GEF to support various initiatives to protect the global commons.

The UN family and the Global Fund are close partners in the fight against HIV/AIDS. UNICEF and the Bank supported the evaluation of South Africa's Supplementary Child Support Grant scheme, and worked with UNAIDS to finance a study that reviewed the impact on HIV on people with disabilities and how to improve service delivery to them. The Bank and the IMF jointly undertook the FSAP.

On the knowledge front, WBI, Finland, Norway and the EC have partnered with the Department of Science and Technology in South Africa to support the development of the knowledge economy in the African continent. This partnership supported a series of SADC regional science and technology workshops, publications and grass roots level activities with South African university students. Finland and Norway have financed Bank managed Trust Funds to support the knowledge economy activities in South Africa. The Bank is also working with the Netherlands on a study of skill development in South Africa and the employability of labor.

In the area of regional integration, the Bank is partnering with DFID, for example towards the North – South transport corridor in South and East Africa, as well as with NEPAD on knowledge sharing events such as the WDR and the Africa Infrastructure Country Diagnostic. With regard to South – South Exchange, the Bank is facilitating knowledge sharing with China in the area of land reform and other areas. The Republic of Korea financed a Bank-managed trust fund to support a social innovation pilot targeted at university students and other youth who had dropped out of school.

The Bank is also partnering with the Public Private Infrastructure Advisory Facility (PPIAF) to support the South Africa Cities Network. The sub-national Technical Assistance Facility of the PPIAF provided grants to help improve the creditworthiness of cities in South Africa and access financing for service delivery. A similar partnership was developed with Cities Alliance and UN Habitat to support slum upgrading activities in several local authorities in South Africa.

CAS Annex A2 - South Africa at a glance

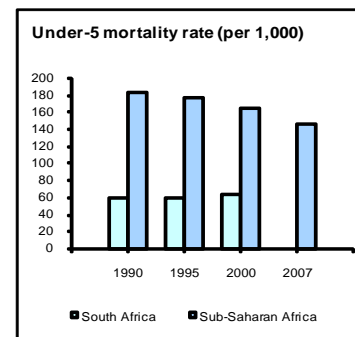
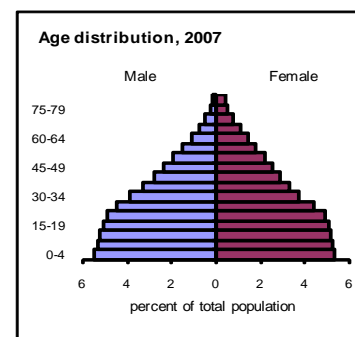
Key Development Indicators

(2008)

	South Africa	Sub-Saharan Africa	Upper middle income
Population, mid-year (millions)	47.8	800	824
Surface area (thousand sq. km)	1219	24,242	41,497
Population growth (%)	0.4	2.4	0.7
Urban population (% of total population)	61	36	75
GNI (Atlas method, US\$ billions)	283.2	761	5,854
GNI per capita (Atlas method, US\$)	5,930	951	7,107
GNI per capita (PPP, international \$)	9,780	1,869	12,072
GDP growth (%)	3.1	6.2	5.8
GDP per capita growth (%)	2.6	3.8	5.0

(most recent estimate, 2003–2008)

Poverty headcount ratio at \$ 125 a day (PPP, %)	26	51	..
Poverty headcount ratio at \$ 2.00 a day (PPP, %)	43	73	..
Life expectancy at birth (years)	51	51	71
Infant mortality (per 1,000 live births)	56	89	21
Child malnutrition (% of children under 5)	..	27	..
Adult literacy, male (% of ages 15 and older)	89	71	95
Adult literacy, female (% of ages 15 and older)	87	54	93
Gross primary enrollment, male (% of age group)	108	99	112
Gross primary enrollment, female (% of age group)	103	88	109
Access to an improved water source (% of population)	88	58	95
Access to improved sanitation facilities (% of population)	65	31	83

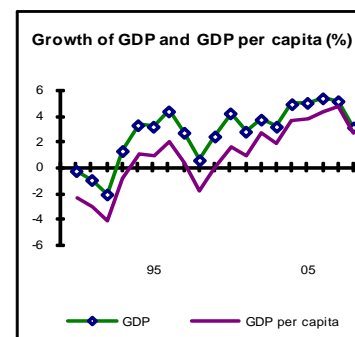


Net Aid Flows

	1980	1990	2000	2008 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	..	270	487	794
<i>Top 3 donors (in 2007):</i>				
United States	..	66	106	227
European Commission	..	83	120	145
France	..	0	18	105
Aid (% of GNI)	..	0.2	0.4	0.3
Aid per capita (US\$)	..	7	11	17

Long-Term Economic Trends

Consumer prices (annual % change)	13.8	14.3	5.4	11.5
GDP implicit deflator (annual % change)	24.9	15.5	8.8	10.8
Exchange rate (annual average, local per US\$)	0.8	2.6	6.9	8.3
Terms of trade index (2000 = 100)	..	106	100	119



Population, mid-year (millions)	27.6	35.2	44.0	47.8
GDP (US\$ millions)	80,710	112,014	132,878	276,445
<i>(% of GDP)</i>				
Agriculture	6.2	4.6	3.3	3.3
Industry	48.4	40.1	31.8	33.7
Manufacturing	21.6	23.6	19.0	18.8
Services	45.4	55.3	64.9	63.0
Household final consumption expenditure	47.8	57.1	63.0	60.0
General gov't final consumption expenditure	14.3	19.7	18.1	20.4
Gross capital formation	29.9	17.7	15.9	22.8
Exports of goods and services	35.4	24.2	27.9	35.4
Imports of goods and services	27.3	18.8	24.9	38.5
Gross savings	34.0	19.3	15.8	15.4

1980–90 1990–2000 2000–08
(average annual growth %)

Population	2.4	2.2	1.0
GDP	14	2.1	4.3
GDP per capita	2.9	1.0	1.7
Industry	0.6	1.1	3.3
Manufacturing	1.1	1.6	3.2
Services	2.4	2.7	4.9
Household final consumption expenditure	1.3	2.2	5.3
General gov't final consumption expenditure	3.5	0.3	5.2
Gross capital formation	-4.7	5.0	9.3
Exports of goods and services	1.9	5.6	4.0
Imports of goods and services	-0.6	7.1	10.0

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Aid data are for 2007.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade **2000** **2008***(US\$ millions)*

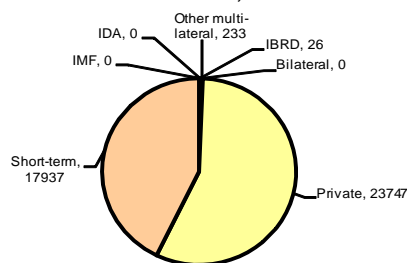
Total merchandise exports (fob)	31,998	85,253
Total merchandise imports (cif)	27,293	89,557
Net trade in goods and services	3,930	-8,567
Current account balance	-172	-20,474
as a % of GDP	-0.1	-7.4
Workers' remittances and compensation of employees (receipts)	344	823
Reserves, including gold	7,533	34,099

Central Government Finance*(% of GDP)*

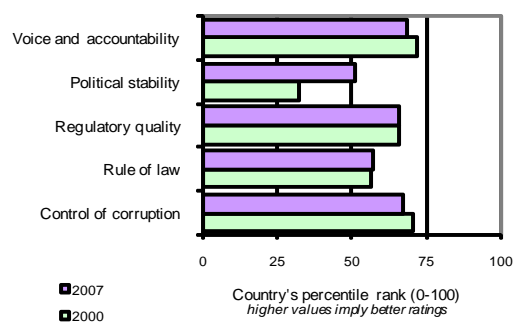
Current revenue (including grants)	22.9	26.8
Tax revenue	22.5	26.2
Current expenditure	23.5	27.4
Overall surplus/deficit	-1.9	-1.0
Highest marginal tax rate (%)		
Individual	45	40
Corporate	30	28

External Debt and Resource Flows*(US\$ millions)*

Total debt outstanding and disbursed	24,861	27,488
Total debt service	3,861	6,122
Debt relief (HIPC, MDR)	-	-
Total debt (% of GDP)	18.7	9.9
Total debt service (% of exports)	9.8	5.9
Foreign direct investment (net inflows)	969	5,746
Portfolio equity (net inflows)	4,169	8,670

Composition of total external debt, 2007**Private Sector Development** **2000** **2008**

Time required to start a business (days)	-	22
Cost to start a business (% of GNI per capita)	-	6.0
Time required to register property (days)	-	24
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2008
Skills and education of workers	..	35.5
Labor regulations	..	32.8
Stock market capitalization (% of GDP)	154.2	177.5
Bank capital to asset ratio (%)	8.7	7.9

Governance indicators, 2000 and 2007

Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure **2000** **2008**

Paved roads (% of total)	20.3	..
Fixed line and mobile phone subscribers (per 100 people)	30	98
High technology exports (% of manufactured exports)	7.0	5.7

Environment

Agricultural land (% of land area)	82	82
Forest area (% of land area)	7.6	7.6
Nationally protected areas (% of land area)	..	6.1
Freshwater resources per capita (cu. meters)	990	936
Freshwater withdrawal (billion cubic meters)	12.5	..
CO2 emissions per capita (mt)	8.4	8.7
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	3.0	3.6
Energy use per capita (kg of oil equivalent)	2,529	2,739

World Bank Group portfolio **2000** **2008***(US\$ millions)*

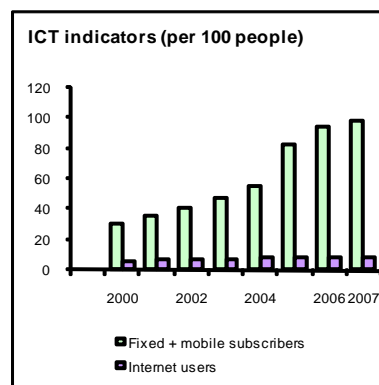
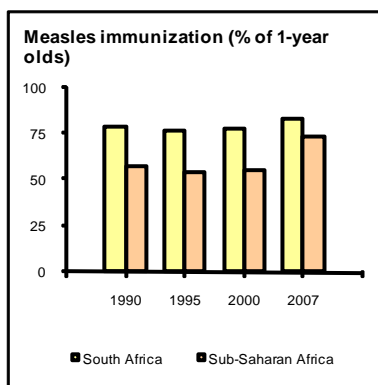
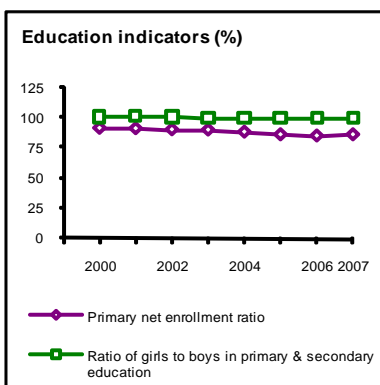
IBRD		
Total debt outstanding and disbursed	3	26
Disbursements	3	3
Principal repayments	0	3
Interest payments	0	1
IDA		
Total debt outstanding and disbursed	0	0
Disbursements	-	-
Total debt service	-	-
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	55	166
Disbursements for IFC own account	25	27
Portfolio sales, prepayments and repayments for IFC own account	3	28
MIGA		
Gross exposure	12	12
New guarantees	0	0

Note: Figures in italics are for years other than those specified. 2008 data are preliminary.
.. indicates data are not available. - indicates observation is not applicable.

12/29/09

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	South Africa			
	1990	1995	2000	2008
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$ 125 a day (PPP, % of population)	..	214	26.2	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest quintile (%)	..	3.6	3.5	..
Prevalence of malnutrition (% of children under 5)	..	..	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	90	..	92	91
Primary completion rate (% of relevant age group)	76	..	90	84
Secondary school enrollment (gross, %)	66	83	86	97
Youth literacy rate (% of people ages 15-24)	88	90	91	95
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	104	..	100	100
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	45	43
Proportion of seats held by women in national parliament (%)	3	25	30	33
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	60	59	63	59
Infant mortality rate (per 1,000 live births)	45	45	50	46
Measles immunization (proportion of one-year olds immunized, %)	79	76	77	83
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	400
Births attended by skilled health staff (% of total)	..	82	84	92
Contraceptive prevalence (% of women ages 15-49)	57	..	56	60
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.8	6.2	15.9	18.1
Incidence of tuberculosis (per 100,000 people)	301	317	576	948
Tuberculosis cases detected under DOTS (%)	..	6	58	78
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	83	84	87	93
Access to improved sanitation facilities (% of population)	69	68	66	59
Forest area (% of total land area)	7.6	..	7.6	7.6
Nationally protected areas (% of total land area)	..	..	..	6.1
CO2 emissions (metric tons per capita)	9.4	9.0	8.4	8.7
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	3.0	2.7	3.0	3.2
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	9.4	10.2	11.3	9.7
Mobile phone subscribers (per 100 people)	0.0	14	19.0	92.4
Internet users (per 100 people)	0.0	0.7	5.5	8.6
Personal computers (per 100 people)	0.7	2.8	6.6	8.5



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

12/29/09

South Africa
CAS Annex B2 – Selected Indicators* of Bank Portfolio Performance and Management
As of December 29, 2009

Indicator	2007	2008	2009	2010
Portfolio Assessment				
Number of Projects Under Implementation ^a	5	4	4	5
Average Implementation Period (years) ^b	3.4	4.1	5.1	4.4
Percent of Problem Projects by Number ^{a, c}	0.0	25.0	0.0	20.0
Percent of Problem Projects by Amount ^{a, c}	0.0	0.0	0.0	16.1
Percent of Projects at Risk by Number ^{a, d}	0.0	25.0	0.0	20.0
Percent of Projects at Risk by Amount ^{a, d}	0.0	0.0	0.0	16.1
Disbursement Ratio (%) ^e	15.8	41.8	26.6	25.8
Portfolio Management				
CPPR during the year (yes/no)	No	No	No	No
Supervision Resources (total US\$)	305.5	330.3	194.0	55.0
Average Supervision (US\$/project)	51.9	54.7	28.3	10.9

* does not include Trust funds.

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by OED by Number	3	1
Proj Eval by OED by Amt (US\$ millions)	35.4	10.9
% of OED Projects Rated U or HU by Number	0.0	0.0
% of OED Projects Rated U or HU by Amt	0.0	0.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

South Africa
CAS Annex B4 – Summary of Nonlending Services
As of December 31, 2009

Product	Completion FY	Cost (US\$000)	Audience	Objective
Recent Completion				
Multi Sector Services Delivery	2008	100	G, D, B	K, PS
Municipal Financial Management	2009	342	G, D, B	K, PS
Urban Sector Support	2009	293	G,D, B	K, PS
Climate Change Economic Modeling	2009	64	G, B	K, PS
Economics of Adaptation to Climate Change	2009	25	G, B	K
Impact Evaluation	2009	69	G, D, B	PS
1 st ICA update	2009	91	G, B	K, PS
Monitoring and Evaluation	2009	74	G, D, B	K, PS
Macro-modeling	2009	29	G, B	K, PS
<i>South Africa-based knowledge exchanges:</i>				
Africa Competitiveness Report (WEF Africa), June	2008		B, P	K, PD
World Development Report July	2009		B, P	K, PD
African Infrastructure Diagnostic Report, November	2009		B, P	K, PD
Regional IE & Health System Reform Workshop, Dec	2009		G, B, P	K, PD
Underway				
Urban Policy Dialogue	2010	200	G, B, PD	KG, PD, PS
FSAP Follow-up	2010	100	G, D, B	KG, PS
Economic/Poverty Monitoring and Macro-modeling	2010	180	G, B	KG
Closing the Skills and Technology Gap	2010	284	B, D, PS	KG, PD, PS
Rural Development and Land Reform	2010	510*	G, D, B	KG, PS
Transport Dialogue	2010	50	G, B,	KG, PS
Monitoring and Evaluation	2010	100	G, D, B	KG
Urban Crime and Violence Prevention	2010	52	G, D, B	KG
Analysis of ICA Constraints	2011	100	G, B, PD	PS
Post-Crisis SME Finance	2011	50	G, B, PD	KG
<i>Regional AAA and IDf grants:</i>				
Southern Africa HIV/AIDS and TB Action Plan	2010	194	G, B	KG, PS
Regional Trade, FDI and Technology Absorption	2010	25	G, B, PD	KG,PD
Regional Trade and Integration	2010	290	G, B	KG, PS
Regional ICA	2010	150	G,B,PD	KG, PS
SADC Public Sector Accounting Standards	2010-12	90	G	KG
Institutional strengthening of Supreme Audit Institutions	2010-12	90	G	KG
Planned				
Labor Markets/Unemployment	2011	100	G,B	KG, PS

*Includes \$410,000 of reimbursable TA

G (Government), D (Donor), B (Bank), PD (Public Dissemination)

KG (Knowledge Generation), PD (Public Debate), PS (Problem Solving)

South Africa
CAS Annex B5 – Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2002-08	Sub-Saharan Africa	Upper-middle-income
POPULATION					
Total population, mid-year (millions)	31.3	39.1	48.7	818.0	948.5
Growth rate (% annual average for period)	2.5	2.1	1.2	2.5	0.8
Urban population (% of population)	49.4	54.5	60.7	36.4	74.8
Total fertility rate (births per woman)	4.1	3.1	2.7	5.1	2.0
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita (US\$)	2,420	3,740	5,820	1,082	7,878
Consumer price index (2000=100)	17	59	120	127	124
Food price index (2000=100)	16	72	132	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	56.6	..	..	..
Low est quintile (% of income or consumption)	..	3.6	..	..	..
Highest quintile (% of income or consumption)	..	61.8	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	3.0	2.4	3.4
Education (% of GDP)	..	6.4	5.4	4.3	4.5
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	90	86	72	93
Male	..	89	86	75	93
Female	..	92	86	70	93
Access to an improved water source					
<i>(% of population)</i>					
Total	..	83	93	58	94
Urban	..	98	100	81	98
Rural	..	65	82	46	82
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	70	76	83	73	94
DPT	75	72	97	73	95
Child malnutrition (% under 5 years)	..	..	..	27	..
Life expectancy at birth					
<i>(years)</i>					
Total	60	61	50	52	71
Male	56	57	49	51	68
Female	63	65	52	53	75
Mortality					
Infant (per 1,000 live births)	56	49	46	89	21
Under 5 (per 1,000)	75	64	59	146	25
Adult (15-59)					
Male (per 1,000 population)	..	..	623	409	217
Female (per 1,000 population)	..	..	598	380	133
Maternal (modeled, per 100,000 live births)	..	..	400	900	110
Births attended by skilled health staff (%)	..	82	92	45	94

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

World Development Indicators database, World Bank - 15 September 2009.

South Africa
CAS Annex B6 - Key Economic Indicators

Indicator	Actual			2008	Estimate	Projected			
	2005	2006	2007		2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	3	3	3	3	..	..	..	..	..
Industry	30	31	32	34	..	..	..	..	..
Services	67	66	65	63	..	..	..	..	..
Total Consumption	83	83	82	81	81	84	84	84	84
Gross domestic fixed investment	17	18	20	22	22	23	23	23	24
Government investment	2	3	3	4	8	9	9	9	9
Private investment	14	16	17	19	14	14	14	14	15
Exports (GNFS) ^b	27	30	31	35	27	27	27	27	26
Imports (GNFS)	28	32	34	38	29	30	30	30	29
Gross domestic savings	17	17	18	19	19	16	16	16	16
Gross national savings ^c	14	14	14	15	16	14	13	13	13
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	247064	261007	286302	276451	304333	320063	337217	367470	406662
GNI per capita (US\$, Atlas method)	4850	5480	5760	5870	5880	6090	6620	7080	7730
Real annual growth rates (% , calculated from 00 prices)									
Gross domestic product at market prices	5.3	5.6	5.5	3.7	-1.9	1.5	2.7	3.2	4.5
Gross Domestic Income	5.7	6.6	6.0	3.6	-3.3	1.5	2.7	3.2	4.5
Real annual per capita growth rates (% , calculated from 00 prices)									
Gross domestic product at market prices	4.1	4.4	4.3	2.5	-2.9	1.5	2.7	3.2	4.5
Total consumption	4.7	6.5	4.0	1.6	-5.0	4.3	2.7	..	..
Private consumption	5.1	7.3	4.1	1.0	-5.2	1.6	-2.3	..	..
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	67647	78318	89549	98005	81300	86600	91500	97800	104600
Merchandise FOB	56355	66113	75765	85253	70900	74800	79800	85300	91200
Imports (GNFS) ^b	68549	84779	98053	117131	89500	96500	102600	109200	116500
Merchandise FOB	56670	70437	81518	89557	75400	81300	86400	92000	98100
Resource balance	-902	-6461	-8504	-19125	-8200	-9900	-11100	-11400	-11900
Net current transfers	-2466	-2329	-2353	-2289	-2343	-2352	-2352	-2252	-2252
Current account balance	-8570	-13852	-20517	-19570	-16343	-18152	-20752	-22152	-24152
Net private foreign direct investment	5717	-6590	2729	12140	2000	2000	4000	4200	4400
Long-term loans (net)	3636	1047	-3009	-5051	-665	-1220	..	..	..
Official	..	..	..	..	..	..	..	..	..
Private	..	..	..	..	..	..	..	..	..
Other capital (net, incl. errors & omissions)	-6172	14996	14011	9326	13250	17224	..	..	..
Change in reserves ^d	5388	4400	6787	3155	1757	148	48	148	48
<i>Memorandum items</i>									
Resource balance (% of GDP)	-0.4	-2.5	-3.0	-6.9	-2.7	-3.1	-3.3	-3.1	-2.9
Real annual growth rates (YR00 prices)									
Merchandise exports (FOB)	9.4	-1.0	3.2	-12.3	2.0	2.0	2.0	2.0	2.0
Primary	5.9	-0.9	4.3	-7.6	..	..	..	..	..
Manufactures	9.7	-3.1	6.1	-10.7	..	..	..	..	..
Merchandise imports (CIF)	12.9	13.4	6.2	-11.9	2.0	2.0	2.0	2.0	2.0

(Continued)

South Africa - Key Economic Indicators (Continued)

Indicator	Actual			Estimate		Projected			2013
	2005	2006	2007	2008	2009	2010	2011	2012	
Public finance (as % of GDP at market prices)^e									
Revenues	25.5	26.2	26.9	26.2	23.3	23.8	24.3	24.5	..
Expenditures	25.8	25.6	26.0	27.4	30.6	30.3	29.9	29.3	..
Budget surplus (+) or deficit (-)	-0.3	0.6	0.9	-1.2	-7.2	-6.5	-5.6	-4.7	..
Capital expenditure	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	..
Foreign financing	0.0	0.0	-0.2	-0.2	0.4	0.5	0.5	0.5	..
Monetary indicators									
M2/GDP	70.1	76.3	82.7	83.8	..	..	..	..	..
Growth of M2 (%)	20.5	22.5	23.6	14.8	..	..	..	..	..
Private sector credit growth / total credit growth (%)	136.4	102.3	114.7	95.7	..	..	..	..	..
Price indices(YR00 =100)									
Merchandise export price index	145.4	170.8	194.6	249.8	203.7	210.7	220.4	230.9	242.0
Merchandise import price index	130.8	144.2	157.0	195.7	161.5	170.8	177.9	185.7	194.2
Merchandise terms of trade index	111.2	118.5	124.0	127.7	126.1	123.4	123.9	124.3	124.7
Real exchange rate (US\$/LCU) ^f	112.5	108.9	105.1	94.1	..	..	..	..	..
Real interest rates									
Consumer price index (% change)	3.4	4.7	7.1	11.5	7.1	6.3	6.0	5.7	4.0
GDP deflator (% change)	5.4	6.5	8.2	9.2	6.0	6.3	6.4	5.6	5.9

a. GDP, fiscal year

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. National government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

South Africa
CAS Annex B7 – Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US\$m) ^a	31070	35523	43610	41943	38080	34730	32636	29261	25777
Net disbursements (US\$m) ^a	..	..	0	0	0	0	0	0	0
Total debt service (TDS) (US\$m) ^a	1198	1639	1911	1765	1946	1818	1674	1522	1112
Debt and debt service indicators (%)									
TDO/XGS ^b	43.0	42.1	45.2	40.4	44.0	37.7	33.3	28.0	23.1
TDO/GDP	12.6	13.6	15.2	15.2	12.5	10.9	9.7	8.0	6.3
TDS/XGS	1.7	1.9	2.0	1.7	2.2	2.0	1.7	1.5	1.0
Concessional/TDO	0.0	0.0	..	..	..	..	..	..	..
IBRD exposure indicators (%)									
IBRD DS/public DS	..	..	..	..	..	..	..	..	..
Preferred creditor DS/public DS (%) ^c	..	..	..	..	..	..	..	..	..
IBRD DS/XGS	0.0	0.0	..	..	..	..	..	..	..
IBRD TDO (US\$m) ^{d/f}	31	29	27	26	19	1,338	2,,246	2,914	3,362
Of which present value of guarantees (US\$m)									
Share of IBRD portfolio (%)	0	0	..	..	..	..	..	..	..
IDA TDO (US\$m) ^d	0	0	0	0	0	0	0	0	0
IFC (US\$m) ^g		49.1	170.1	179.9	116.6				
Loans ^g		18	65	83	43				
Equity and quasi-equity ^{c/g}		61	35	17	13				
MIGA ^g Investors into SA (US\$m)		12.3	12.3	12.3	12.6				
MIGA guarantees for South African Investors Abroad (US\$m) ^g		206.7	336.3	304.3	225.5				

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

f. Reflects actual and projected exposure associated with IBRD commitments through FY10 only.






g. IFC and MIGA numbers are by WBG fiscal year.

South Africa
CAS Annex B8 –Operations Portfolio (IBRD/IDA and Grants)

As of December 23, 2009											
Closed Projects	14										
IBRD/IDA *											
Total Disbursed (Active)											
of w hich has been repaid	0.00										
Total Disbursed (Closed)	26.10										
of w hich has been repaid	14.86										
Total Disbursed (Active + Closed)	26.10										
of w hich has been repaid	14.86										
Total Undisbursed (Active)	0.00										
Total Undisbursed (Closed)	0.00										
Total Undisbursed (Active + Closed)	0.00										
Active Projects											
Last PSR										Difference Between	
Supervision Rating										Expected and Actual	
					Original Amount in US\$ Millions					Disbursements^{af}	
Project ID	Project Name	<u>Development Objectives</u>	<u>Implementation Progress</u>	Fiscal Year	IBRD	IDA	GRANT	Cancel.	Undisb.	Orig.	Frm Rev'd
P075997	ZA-GEF CAPE Action Plan	S	S	2004			9.00		0.03	0.03	
P064438	ZA-GEF Great Addo SIL	HS	S	2004			5.50		0.86	0.86	
P086528	ZA-GEF Isimangaliso Wetland			2010			9.00				
P052368	ZA-GEF Maloti Drakensburg	S	S	2002			7.89	0.04	0.29	0.37	
P073322	ZA-GEF Renewable Energy Market	MS	U	2007			6.00		5.74	2.99	
Overall Result							37.39	0.04	6.92	4.25	

MAP

SOUTH AFRICA

- SELECTED CITIES AND TOWNS
- ⊙ PROVINCE CAPITALS
- ⊛ NATIONAL CAPITAL
-  RIVERS
-  MAIN ROADS
-  RAILROADS
-  PROVINCE BOUNDARIES
-  INTERNATIONAL BOUNDARIES



This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

DECEMBER 2008

BRD 33484R