

COOPERATION AGREEMENT BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF TRANSKEI

AND

THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA

REGARDING STRUCTURAL ADJUSTMENT

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PREAMBLE

The Government of the Republic of Transkei and the Government of the Republic of South Africa (hereinafter called "the Parties");

ACKNOWLEDGING that the need to alleviate poverty and address backlogs with the limited availability of resources places specific responsibilities on governments and their peoples;

RECOGNIZING the principle that people should participate in the planning and execution of services and programmes affecting them;

CONFIRMING that it is the primary responsibility of the Transkei Government to promote the quality of life of the people of Transkei inter alia through the rendering of public sector services, the promotion of economic growth and the creation of opportunities for the people for them to make use of such opportunities for purposes of the general advancement of Transkei and its economy;

CONFIRMING that, in the light of the close economic interrelationship between South Africa and Transkei, the South African Government accepts the obligation to stand supportive in respect of the above and that the Parties accordingly wish to co-operate with each other to attain a viable balance between the scarcity of resources and meeting the realistic needs of the people of Transkei;

ACCEPTING the need to consult on macro and sectoral economic policies, institutional arrangements and fiscal management and the continuous need for bilateral negotiation on the prioritization of the allocation of resources;

ACKNOWLEDGING that such co-operation can best be achieved by maintaining a well structured co-operation dispensation between the Parties which shall be effected through the strengthening of a *MUTUALLY DEPENDENT UPON, INTEGRATED & COHERENT STRUCTURAL ADJUSTMENT*

ACCEPTING the need to agree on the basic principles and arrangements of such a co-operation dispensation and further accepting the need to enter into subsequent programme agreements to enable the Parties to give practical effect to such principles and arrangements;

HEREBY agree as follows:

ARTICLE 1

DEFINITIONS

In this Agreement, unless inconsistent with the context in which it is used -

"South Africa" means the Government of the Republic of South Africa;

"Structural Adjustment" means -

the process of evaluating, guiding and directing an economy to develop its full potential, given its available resources, by means of policy, institutional and financial changes to modify the structure of the economy and specifically the role of the public sector in the economy (i.e. the composition of output and the allocation of inputs by sectors) so as to promote and maintain economic growth through development in the medium to longer term and shall consist of the elements mentioned in Article 3;

"Transkei" means the Government of the Republic of Transkei;

"Transkeian Public Sector " means -

the government departments as well as the institutions financed wholly or in part, directly or indirectly, from the Transkeian Exchequer;

"TSAC" means the Transkei Structural Adjustment Committee referred to in Article 4.

ARTICLE 2

FUNDAMENTAL PRINCIPLES FOR CO-OPERATION

In order to ensure sustainable co-operation within a spirit of mutual trust and respect for each other's responsibilities, as envisaged in the Preamble, it is necessary that the Parties agree to the basic principles that will guide such co-operation, and accordingly-

1. . the Parties-

- (a) commit themselves to promote sustainable economic development in a regional context based on sound principles and harmonized policies and strategies to the benefit of the region within which Transkei falls as well as the Southern African region as a whole and to promote the welfare of their people;
- (b) having accepted the principle of a financial adjustment programme, commit themselves to a coherent multi-year Structural Adjustment Programme for Transkei, which, when adopted, will prevent the further erosion of respective obligations and responsibilities and which will, inter alia, address unsustainable budgetary deficits;
- (c) will jointly prepare and agree to a multi-year Structural Adjustment Programme for Transkei with the purpose of-
 - promoting and maintaining economic growth and development in Transkei with special emphasis on socio-economic upliftment, addressing existing backlogs and creating a climate conducive for private sector involvement;

ARTICLE 2: FUNDAMENTAL PRINCIPLES FOR CO-OPERATION (continued)

- contributing towards the achievement and maintenance of a sustainable fiscal position in Transkei;
- effectively and efficiently identifying, mobilising and utilising scarce financial and other resources for development in Transkei;
- strengthening the institutional capacity through the improvement of the level of skills and productivity of the Transkeian Public Sector and where necessary to introduce appropriate measures of rationalisation to manage resources effectively and efficiently;

with the view to incorporating the principles, guidelines and measures as set out in this Article and the elements set out in Article 3 of this Agreement;

(d) agree that, immediately after the signing of this Agreement, the following issues shall, as a matter of priority, receive urgent attention through TSAC, culminating in the adoption of a firm plan and a programme for implementation, viz.-

- the management of public sector finance in Transkei, inclusive of the optimal exploitation of the sources of income of Transkei in accordance with its statutory powers;

ARTICLE 2: FUNDAMENTAL PRINCIPLES FOR CO-OPERATION (continued)

- the institutional capacity and all relevant aspects of the management of the human resources of the Transkeian Public Sector to ensure optimal productivity and efficiency, including appropriate measures of rationalisation;
 - the harmonisation (which may include parity) of tax structures between the Parties;
- (e) agree, as a matter of priority, to the formulation through TSAC, of a comprehensive human resources policy for the Transkeian Public Sector, which shall include an appropriate remuneration policy, with specific attention being given to the underlying considerations for the harmonisation of such policies between the Parties.

2.
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~~To achieve the purpose of the Structural Adjustment Programme, Transkei undertakes to-~~

- (a) implement and maintain the Structural Adjustment Programme after it has been duly approved by the Parties;
- (b) apply stricter fiscal discipline to limit the involvement and role of the Transkeian Public Sector in the economy and to increase the emphasis on the promotion of the role of the private sector, thereby reducing the claim of the Transkeian Public Sector on scarce financial and other resources;

ARTICLE 2: FUNDAMENTAL PRINCIPLES FOR CO-OPERATION (continued)

- (c) maintain a well-considered balance between recurrent and capital expenditure to ensure that economic development is maintained, whilst taking into account the need for recurrent expenditure to ensure the full utilization and maintenance of existing and newly created capital assets;
- (d) reduce the ratio of expenditure on personnel emoluments to total government expenditure, inter alia, through a rationalization programme agreed to by the Parties, which could include a phased reduction in identified categories of Transkeian Public Sector staff;
- (e) submit any Budget of Transkei to the legislature only after it has been considered by TSAC and pertinent recommendations by TSAC have been considered and approved by the Parties;
- (f) adhere to the terms and limits of the approved budgets, unless the Parties, on recommendation of TSAC, have agreed otherwise;
- (g) establish efficient and effective practices for the annual budgetary process on the basis of sound financial management policy and procedures and ensure strict adherence to such practices;
- (h) refrain from taking decisions which could result in financial commitments that fall outside the agreed budgetary framework;

ARTICLE 2: FUNDAMENTAL PRINCIPLES FOR CO-OPERATION (continued)

- (i) exercise sound financial practices through the -
- timeous payment of legitimate claims against the Transkeian Exchequer;
 - enforcement and improvement (where necessary), of its Treasury legislation and regulations including appropriate and timeous auditing of public accounts;
- (j) effect the efficient functioning of the auditing of Transkeian Public Sector accounts, give priority attention to the findings and recommendations of the Select Committee on Public Accounts and submit, on a regular basis the reports of the Auditor-General to TSAC to determine institutional deficiencies in order to agree on corrective and other timeous measures to be taken in this respect;
- (k) communicate its commitments, responsibilities and obligations in terms of, and resulting from, this Agreement to the management levels of the Transkeian Public Sector and ensure that these departments and institutions abide by such commitments, responsibilities and obligations;
- (l) consult with the TSAC Programme Co-ordinator on all matters having financial implications on the Transkeian Public Sector.
3. Transkei may approach South Africa, through TSAC, should a need arise for any assistance in addition to what has been agreed upon as part of the Structural Adjustment Programme.

ARTICLE 2: FUNDAMENTAL PRINCIPLES FOR CO-OPERATION (continued)

4. South Africa shall, within the limits of its own resources, provide assistance to Transkei within the framework of Structural Adjustment as provided for in this Agreement and, consequently South Africa undertakes to-
 - (a) enter into a process of negotiation with Transkei on the extent of budgetary and other assistance as part of the design and implementation of a Structural Adjustment Programme;
 - (b) give an indication to Transkei and TSAC, which will be reviewed on an annual basis in view of the circumstances prevailing at the time, on the extent of budgetary and other assistance it will endeavour to provide to Transkei within a suitable time-frame, i.e. a rolling period of three years, to enable TSAC to prepare and recommend a multi-year Structural Adjustment Programme to the Parties.

5. South Africa further undertakes to inform Transkei timeously of policy decisions which will have a direct bearing on the economic or financial position of Transkei.

ARTICLE 3

STRUCTURAL ADJUSTMENT

1. The Parties agree that Structural Adjustment, as defined in Article 1, consists of the following elements-
 - Economic Programming;
 - Institutional Development;
 - Financial Adjustment.

2. (a) The element of "Economic Programming", referred to in Article 3(1), entails the formulation of sustainable and appropriate economic policies and strategies based on the recognition of the integrated regional nature of, and disparities inherent in, the Southern African economy, and the urgent need for economic development and socio-economic upliftment.

- (b) Such policies and strategies shall be derived from and harmonized in a regional and Southern African context through cooperation between the Parties jointly to devise a macro development strategy in keeping with the particular circumstances prevailing in a region.

- (c) Arising from these policies and strategies, and in recognition of the broad economic and social objectives, processes, procedures and practices shall be instituted through operational planning and budgeting to devise and execute economic development programmes and projects on a sectoral basis, based on the recognition of the need for effective and efficient use and allocation of scarce resources and reflecting priorities as agreed to.

ARTICLE 3: STRUCTURAL ADJUSTMENT (continued)

3. The element of "Institutional Development" referred to in Article 3(1), entails a process of developing and maintaining the capacity of the public sector by defining, agreeing and implementing appropriate measures to-
- (a) strengthen and maintain the ability to formulate and implement policy, strategy, planning and programming;
 - (b) improve efficiency through sound management, through, inter alia, training, effective utilization of manpower resources, appropriately applying such resources that can be productively utilized on a sustainable basis with due recognition of the claim of manpower resources on scarce financial resources;
 - (c) preserve, maintain and fully utilize existing assets;
 - (d) ensure administrative stability and continuity.
4. The element of "Financial Adjustment", referred to in Article 3(1), entails the following-
- (a) The maintenance and expansion of financial capacity in such a way as to ensure a sustainable fiscal position in support of its objectives within the reality of a limited economic base and the integrated nature of the Southern African economy;

ARTICLE 3: STRUCTURAL ADJUSTMENT (continued)

(b) The active management of the dynamic interaction between three dimensions, namely, the utilization of resources (expenditure), the mobilization of internal resources (revenue) and the mobilization of external resources (financial assistance and loans) in the broader context of public finance specifically to-

- attain the efficient and effective utilization of financial resources within the sustainable capacity of Transkei in support of its economic goals and objectives;
- optimise the exploitation of the existing revenue base and implement measures to expand and maintain the revenue base;
- identify and mobilize appropriate external financial resources within the long term sustainable fiscal capacity of Transkei;
- improve the efficiency and effectiveness of financial management through the implementation of appropriate financial management practices and systems.

5. (a) The Structural Adjustment Programme shall-

- (i) have clearly defined objectives to be reached within a pre-determined multi-year time frame;
- (ii) be monitored according to clearly defined annual objectives and be reviewed regularly, as a multi-year rolling plan;

ARTICLE 3: STRUCTURAL ADJUSTMENT (continued)

- (iii) be of a dynamic nature to provide for changing circumstances;
 - (iv) be comprehensive to also incorporate the activities of the total Transkeian Public Sector;
 - (v) be supported by studies or other investigations to address well-defined and prioritized issues via TSAC.
- (b) Upon approval of the Structural Adjustment Programme for Transkei by the Parties, such approved programme, as well as subsequent arrangements and understandings in terms of Articles 2(3) and 2(4) shall form the context within which TSAC shall annually recommend the Transkei budget to the Parties for consideration.

ARTICLE 4

TRANSKEI STRUCTURAL ADJUSTMENT COMMITTEE

1. The existing Joint Financial Adjustment Committee shall henceforth be known as the TSAC.
2. The object of TSAC shall be to facilitate and guide the structural adjustment process, to investigate issues pertaining to the management of this process, take operational decisions in this respect, and to advise and make recommendations to the Parties on the content of, or any policy issue related to, the Structural Adjustment Programme.
3. TSAC shall comprise-
 - (a) representatives nominated by the Parties;
 - (b) the Chairman and Vice-Chairman;
 - (c) the Secretariat.
4. Each Party shall designate one of its representatives on TSAC as leader of its delegation taking cognisance of the importance of continuity in this position.
5. All meetings of TSAC shall be convened by the Chairman taking cognisance of the fact that the meetings should be synchronized with the budgetary cycles of both Parties: Provided that a Party may, if it deems it necessary, request the Chairman to convene a meeting which will be held as soon as reasonably possible after receipt of such request.

ARTICLE 4: TRANSKEI STRUCTURAL ADJUSTMENT COMMITTEE (continued)

6. In the absence of the Chairman at any meeting of TSAC, the meeting will be chaired by the Vice-Chairman.
7. (a) All decisions of TSAC shall be taken on the basis of consensus: Provided that if no consensus can be reached-
- (i) a task team or steering committee may be appointed to investigate the matter and make recommendations for consideration by TSAC at the next meeting; or
 - (ii) the Chairman may consult with both Parties to obtain consensus on the issue, which consensus will be communicated to TSAC at the next meeting.
- (b) Should no consensus on the issue be reached despite the appointment of the task team/steering committee or the efforts of the Chairman, the provisions of Article 8 of this Agreement shall apply.

Notwithstanding the provisions of Articles 4, 5 and 6, the Chairman shall, after consultation by the Chairman or the Secretariat, with the leaders of the delegations referred to in sub-article 4 of this Article, be entitled to consult with the Parties to obtain a decision on any matter that cannot be held in abeyance until the next TSAC meeting due to the urgent nature thereof; Provided that the matter is one that can be dealt with by TSAC; And provided further that the matter shall be reported upon at the following meeting. In this respect, the Chairman shall be entitled to appoint task teams or steering committees to undertake the necessary investigations.

ARTICLE 5

FUNCTIONS OF TSAC

1. TSAC shall-
 - (a) take steps to initiate, consider and evaluate proposals submitted to it for purposes of formulating a draft Structural Adjustment Programme for Transkei, which draft shall be submitted to the Parties for consideration;
 - (b) consider and evaluate proposals submitted to it on any issue related to the structural adjustment process and formulate recommendations for consideration by the Parties;
 - (c) consider and evaluate progress with, and deviations from, the Structural Adjustment Programme agreed upon by the Parties and identify differences in approach on issues between the Parties;
 - (d) make recommendations and report progress and deviations to the Parties in respect of any matter related to the Structural Adjustment Programme.
2. In the exercise of its functions, TSAC may make the necessary operational arrangements, including organisational and financing arrangements, in order to undertake or guide the required investigations on any aspect related to the structural adjustment process and to submit proposals to it.
3. The arrangements and understandings agreed to by the Parties, emanating from recommendations from TSAC, shall be respected as arrangements which are binding on the Parties.

ARTICLE 6

CHAIRMAN AND SECRETARIAT

1. The Chairman, Vice-Chairman and Secretariat of TSAC shall be appointed by agreement between the Parties.
2. The Chairman shall, in addition to the functions as set out in Articles 4 and 8-
 - (a) advise the Parties in writing of recommendations made by TSAC and, in turn, advise TSAC of the decisions of the Parties;
 - (b) regularly report progress on, or deviations from, the Structural Adjustment Programme, and/or any elements and issues related to such Programme, based on regular report-back by the Secretariat, as well as operational decisions and recommendations of TSAC, to the Parties;
 - (c) determine the procedures to be followed at TSAC meetings.
3. The term "Chairman" shall, unless inconsistent with the context, with reference the role, functions and responsibilities of the Chairman as provided for in Articles 4 and 6, include "Vice-Chairman"; Provided that in special circumstances, on the basis of absence, an appropriate nomination may be made by the Chairman or Vice-Chairman (as the case may be) to act in his stead.
4. The Secretariat shall perform a facilitating and supportive role to TSAC and the Bilateral Ministerial Committee referred to in Article 7(3), and its functions shall include -

ARTICLE 6: CHAIRMAN AND SECRETARIAT (continued)

- (a) the performing of general secretarial functions;
 - (b) providing a convener for task teams or steering committees of TSAC;
 - (c) providing professional advice and mobilising professional and/or specialist input required for any matter pertaining to this Agreement;
 - (d) monitoring the implementation of the Structural Adjustment Programme as well as arrangements and agreements between the Parties in this respect as agreed upon by the Parties, taking due cognisance of the provisions of this Agreement, with regular report-back to TSAC.
5. (a) The Secretariat shall appoint a person or persons acceptable to the Parties (hereinafter referred to as "TSAC Programme Co-ordinator") as an extension of the Secretariat, who shall be based in Umtata and who shall mainly-
- advise Transkei on the matters referred to in Article 2(2)(1);
 - act as official point of liaison in Transkei between the Parties, TSAC and the Secretariat;
 - monitor and follow-up on all agreements, arrangements and understandings between the Parties which are related to the structural adjustment process and report progress and/or deviations via the Secretariat and Chairman to TSAC.

ARTICLE 6: CHAIRMAN AND SECRETARIAT (continued)

- (b) The details relating to the role, functions and responsibilities of the TSAC Programme Co-ordinator shall be mutually agreed upon by the Parties and, such role, functions and responsibilities may be redefined by consent between the Parties to make provision for changing circumstances.

- (c) The TSAC Programme Co-ordinator shall have free access to the Executive, financial management and administration of Transkei, which shall include access to all transaction agreements, bookkeeping and computer systems, bank accounts and supporting documentation of the Transkeian Public Sector.

ARTICLE 7

GENERAL PROVISIONS

1. The Parties agree that this Agreement provides for the management of a specific process which will be respected.. during the consideration by any of the Parties of any issue pertinent to this Agreement.
2. The Parties shall mandate their representatives to TSAC to take decisions on operational issues and formulate recommendations on policy matters.
3. The Parties hereby institute a Bilateral Ministerial Committee which shall meet upon request by any of the Parties, but at least once a year, after prior consultation with the Chairman of TSAC, and which shall generally consider and pursue matters related to this Agreement, including, inter alia, progress reports on the implementation of the Structural Adjustment Programme which will be submitted to it by TSAC.
4. The Parties shall, for purposes of facilitating the implementation of the actions required in terms of all arrangements necessary for the execution of the provisions of this Agreement, provide all the relevant information and shall also co-operate fully with all concerned.
5. Each Party shall bear its own costs associated with its participation in the mechanisms provided for in this Agreement; Provided that the costs associated with the TSAC Programme Co-ordinator, shall be negotiated between the Parties from time to time.

ARTICLE 7: GENERAL PROVISIONS (continued)

6. To give practical effect to the content of this Agreement the Secretariat shall compile a comprehensive procedure manual for consideration of, and approval by, the Parties.

ARTICLE 8

PREVENTION AND SETTLEMENT OF DISPUTES

1. Any dispute regarding the interpretation or application of this Agreement shall be resolved through consultation and negotiation.
2. Should such a dispute not be resolved through consultation and negotiation such a dispute shall be referred to the Chairman of TSAC by one or both Parties for mediation between them.
3. Should a dispute not be resolved through mediation, such dispute will, in the discretion of the Chairman be referred to the Bilateral Ministerial Committee, referred to in Article 7(3), for resolution.

ARTICLE 9

TERMINATION


1. This Agreement may, after consultation between the Parties, be terminated by a Party, by giving the other Party, 3 (three) months' written notice of such cancellation.

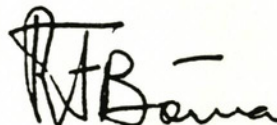
ARTICLE 10

FINAL PROVISIONS

1. This Agreement shall enter into force on the date of signature thereof and shall not supersede any existing agreement between the Parties except insofar as it amends the arrangements, functions and objectives of the existing Joint Financial Adjustment Committee.
2. Should either Party consider it desirable to amend the terms and conditions of this Agreement it shall request consultation between the Parties and such consultation shall commence within a period of 30 (thirty) days from the date of such request or within such extended period as may be agreed upon by the Parties.
3. The Parties shall also consult with the Chairman of TSAC with regard to any proposed amendment to this Agreement.
4. Any amendment agreed upon by the Parties shall be effected by Exchange of Notes.

In WITNESS WHEREOF the Parties hereto acting through their respective representatives hereunto duly authorised, have caused this Agreement, in the English language, to be signed and sealed in duplicate in their respective names, at Pretoria on the 26th date of August in this year Nineteen hundred and Ninety one.


FOR AND ON BEHALF OF THE
GOVERNMENT OF THE REPUBLIC
OF TRANSKEI


FOR AND ON BEHALF OF
THE GOVERNMENT OF THE
REPUBLIC OF SOUTH
AFRICA