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2. OVERVIEW: RATIONALE AND CENTRAL THEMES OF DCR II

2.1 Building on DCR I to DCR II: re-design and new expectations

DCR I was carried out in 1998 and 1999, by a team of local and international consultants commissioned jointly by the UNDP and the SA Government.

Though no final report was formally released due to concerns over the level of stakeholder consultation and validity of the data generated by this exercise, the process of conducting a largely SA-led DCR was nevertheless significant in terms of the impact it had in stimulating a richer debate on the nature and impact of ODA, and the methodology required to do this.

The resulting reflections, within Government and among donors, over the need and value of a subsequent exercise precipitated an important shift in the way in which this DCR II was framed and undertaken:

- ◆ SA ownership of the DCR II process;
- ◆ A tight focus on the alignment of ODA to SA development priorities;
- ◆ Producing for government a detailed, accurate quantitative picture of ODA to the country over the period '94-'99.

Ownership of the DCR II process and alignment with MTEF

DCR II was to be organised and clearly led by the Department of Finance's International Development Cooperation Directorate (IDC), with the financial support of a number of donors⁵. The process of production and form of the final report was to differ substantially from the dryly statistically descriptive prototype of conventional UNDP directed DCRs.

South Africa's DCR II was to be original in its design and aspirations. It was to be explicitly driven by SA, combine both quantitative and qualitative processes of enquiry, and the fundamental purpose of the report was to look at the effectiveness of ODA in relation to South Africa's own development objectives as expressed in the Medium Term Expenditure Framework MTEF).

Stakeholder consultation

DCR II was to be conducted through a consultative, iterative process, with the active engagement of local stakeholders from all spheres of government,

⁵ Viz. DANCED (Denmark), DFID (UK); European Union; GTZ (Germany), IDRC (Canada), Ireland Aid, JICA (Japan), Royal Netherlands Embassy, SIDA (Sweden), SDC (Swiss Development Cooperation)

relevant sections of civil society, and virtually all foreign donors, in the processes of enquiry, data collection and validation.

We discuss these issues in greater detail in the Research Methodology section of this report in Chapter 3.

Production of an accurate verified ODA data set.

At the core of DCR was to be an accurate, validated global data set pertaining to ODA to SA for the period '94-'99. These figures were, at the very least, to be analysed along a basic range of dimensions:

Yearly totals of the consolidated flow of ODA to SA;

- ◆ Yearly commitment figures for individual donors;
- ◆ Yearly figures for commitments to sectors of destination, provinces and departments;
- ◆ Breakdown of proportion of loans, grants and other forms of ODA.

Institutionalisation.

The process of undertaking DCR II was not intended to be an end in itself. The exercise would seek to institutionalise the processes and instruments it generated. Any methodological tools produced for the quantitative and qualitative investigations, from the data collection instrument for the tracking of ODA to generic models to monitor and evaluate the impact and alignment of ODA, had to be designed in a way that would enable them to be absorbed and routinised within the ODA management system. We look at this issue in greater detail in Chapter 5.

2.2 The emphasis on implementation and alignment with the MTEF

The foremost and central theme of DCR II has been the need to critique the alignment of ODA with the SA Government's development objectives, and, on the basis of this, to suggest ways of improving the impact of ODA. This concern with alignment, and the underlying and related fundamental issues of ownership and control of ODA, are not aid-specific. They are part of wider debate in the country initiated by former President Mandela and now President Mbeki.

The last year of the Mandela government saw the publication of the Presidential Review Commission (PRC). This report raised deep concerns about the need to reform the institutions of the SA Public Sector in order to improve the service delivery in line with the ANC's manifesto policy objectives.

President Mbeki's ascension to the Presidency in 1999 saw these themes of transformation and the effective implementation of the government's reconstruction and development placed at the heart of government business.

Essentially, the unequivocal and consistent call from the Head of State has been the need to re-focus government so that developmental resources at the country's disposal are implemented swiftly, effectively and in line with the government's Reconstruction and Development Programme (RDP)-inspired policy objectives, as reformulated in the Growth, Employment and Redistribution Strategy (GEAR), and as now pursued through the medium of the MTEF.⁶

The SA government's position can thus be reduced to a simple formula: maximum ODA alignment with MTEF priorities equals optimum impact.

There are, of course, two critical assumptions in this argument that need to be acknowledged at this point.

Firstly, that the government's RDP-revised and now prevailing macro-policy framework, GEAR, and its derivative resource management instrument, the MTEF, are appropriately designed and utilised to deliver the radically pro-poor and redistributive goals of the original RDP. (These frameworks are described in Chapter 4 as part of the discussion on contextual background to DCR II).

Secondly, that the agencies and institutions of government are capable of effectively directing and using domestic state resources and external ODA to implement the government's core policy objectives, whatever they may be.

This second assumption is itself dependent upon a range of corollary assumptions that have a critical bearing on the performance of government, and on the direction and utilisation of ODA. These include:

- ◆ The operational effectiveness of a structure of government based on three ostensibly non-hierarchical spheres of government;
- ◆ The value-added, functional utility and affordability of mediating development through provincial structures;
- ◆ The ability of government department's (both national and provincial) to develop integrated cross-sectoral long-term plans and to prioritise and pursue these development initiatives, in the face of political pressure for short term gains (which is especially heightened at decisive points in the electoral cycle);
- ◆ The ability of government departments to translate macro-policy objectives, and sectoral or departmental strategic plans into effective operational programmes.

A critique of these assumptions was beyond the scope of this report. Our commission did not include an invitation to analyse government's current macro-economic policies or to re-visit the terrain covered by the PRC. We can only state the obvious. The key recommendations of the PRC - the structural,

⁶ We do not see the MTEF as a policy framework, but rather a planning and budgeting instrument. The policy frameworks on which the MTEF is based, the RDP and GEAR, are discussed in greater detail in Chapter 4 of this report.

representational and attitudinal transformation of the Public Service; and enhanced service delivery by a slimmer more cost effective Public Service - need to be implemented if the benefits of 'aligned ODA' are to be realised.

2.3 From ownership of the DCR II process to ownership of ODA

At the heart of DCR II is the principle of SA ownership of ODA. What is the basis for SA's resolute stand for ownership over ODA? What is the donor view on this? A clear message emerging from our research is that SA's claim for ownership of ODA is not contested.

There are a number of obvious reasons for this: economic, normative, political and, ultimately, pragmatic.

The first factor, grounded in a materialistic interpretation of decision-making, recognises that ownership and control usually go with economic power. In SA's case, the value of ODA in relation to the national budget has never exceeded 2% and is now just over 1%. Though it is true that this figure does not accurately reflect the development value of ODA at the departmental and provincial levels (especially the latter where in some cases it is unofficially estimated at 30% of capital investment budget), the reality is that, from a national Treasury perspective and in terms of international comparisons, ODA is not a crucial source of income. It is marginal to the government's own finances. Put graphically, the tip of the tail is simply unable to wag the dog.

The normative claim for local 'ownership' of ODA is equally compelling. The SA government enjoys international respect for the manner in which it has peacefully reconciled a country inheriting the bitter schisms of apartheid, and located this profound transformation within an ambitious but realistic macro-economic framework of reconstruction and development.

The political case is straightforward. The democratic legitimacy of the SA government, and its mandate to manage the country's development, is unquestionable. Further, not only is the country an exemplary plural democracy in the African context, it is also of enormous regional and international importance in other strategic senses. It is an economic powerhouse and a geo-political giant in Southern Africa.

In other words, far from being a typical 'basket' case for ODA, SA is a rare and special role model. The stakeholders within the ODA arena, both within government and in civil society, have the resources, intellectual clarity, and structural strength that is easily capable of holding its own in any international engagement.

Donor engagement with SA thus has to accord with the progressive development cooperation principles of 'partnership, local control and ownership' as enunciated by bodies such as OECD, DAC and UNDP. In doing business with SA, this is as much a matter of pragmatic imperatives as of philosophical choice.

2.4 Partnership as a means to development, partnership as an end of development

Questions remain beneath the surface here that confronted us in this enterprise. Why are donors here? What is the donor view of SA? What is the underlying set of assumptions and aspirations donors bring with them? Are donors here to stay?

The answer to the first, fundamental question is multi-layered, and this report and the component studies peel through successive and intertwined layers: providing ODA to repair the injustices of apartheid; alleviating poverty in a country that, in terms of the Gini coefficient, is the second most unequal society in the world; supporting the evolution of one of the most inclusive, vibrant democracies anywhere; promoting economic growth in Africa's most developed economy, and the Western world's leading trade partner on this continent.

Within all these relationships we perceived two themes woven through the ODA-based relationship that we were asked to examine: partnership as a means to development, and partnership as an end of development. While both these dynamics and aspirations are visible, our view is that the deeper and longer donor view of SA is the latter. Donors recognise the stature of the country and, though their motives may be mixed, they want to see SA as an equal partner. There are very few, if any, recipients of ODA elsewhere in the world where 'partnership as end of development' is a realistic expectation and visible in other protocols linking donor and recipient. In a country where ODA and development cooperation are becoming an increasingly minor part of bilateral agreements within wider political and economic bi-national relations, SA ownership of ODA is thus not an option. It just has to be.

But, there is another twist to this assertion, which in our view needs to focus on the deeper debate of *how* SA exercises its authority over the management of ODA. What are the implications of SA exercising ownership and control over ODA?

Authority begets responsibility.

The central argument in this report is based on this contention: that SA needs to exercise this rightful authority over ODA in a much more measured, proactive, strategic and coherent manner, and that the donors expect this of SA.

The government, through the Department of Finance (DoF), needs to move from what appears as a fuzzy, passive, organically formed set of 'ODA management' arrangements to an explicit 'SA Management of ODA' framework. There is a universally voiced plea for clearer direction, and better coordination from local stakeholders and donors, suggesting that the authority vested in the SA government is not being fully and effectively exercised. We explore and detail the management and institutional aspects of this new paradigm in Chapters 6, 9 and 10 of this report.

There is a seemingly paradoxical position here that requires elaboration. While both local stakeholders and donors want government to assume responsibility

for providing direction for ODA, this is not a plea for (a return to?) a dominantly centralist approach to the management of ODA. There is general recognition that what is required is clarity in terms of definition and articulation of SA's needs and priorities, and the freedom to let departments and provinces attract and utilise ODA creatively within this authoritatively defined framework. In other words, the establishment of a conceptually strong and operationally dynamic strategic framework, which allows for horizontal and vertical decentralisation; an unambiguous policy framework for ODA provided by central government, with departments and provinces free to work entrepreneurially within these parameters.

Our view is that the authority that is widely being asked for naturally and formally belongs to, and should be visibly exercised by, the political and executive leadership of the Ministry of Finance. It is important to make a distinction here: between the power to mediate, interpret and represent the interests of the SA Government and local stakeholders to the international community; and the responsibility for all aspects of programming and the management of ODA resources coming into the country. What we are reporting and recommending is that DoF assumes 'interpretative' intellectual leadership, of the kind conferred on it by government to translate and manage GEAR into the MTEF instrument. We reiterate that the motivation for this call by affected stakeholders to strengthen the authoritative role of DoF lies primarily in the need for consistency and clearer guidance, with all stakeholders desperate to see greater order, cohesion and focus to the way ODA is managed.

Finally, there is a behavioural dimension to go with the aggregation of symbolic, managerial and policy interpretation powers willingly conceded to the DoF by key stakeholders. In the course of DCR II there was a constant plea from the donor community for more active engagement on the part of DoF as the lead SA institution, both in terms of the management of ODA, and behavioural relationship with donors collectively and individually. The structural and procedural aspects relating to this issue are covered in Chapter 9.

The behavioural issue is more difficult to address, because the presenting problem is probably not the real problem. The ostensible point made by donors is that the extent of engagement between donors and the SA government sometimes does not fully reflect the level of commitment (perceived generosity?) of donors and their willingness to be partners to this engagement. There are a couple of issues at play here, which do need dealing with directly if the key stakeholders want to prevent latent forces from affecting formal processes. The first is the issue of mutual expectations of the nature of the relationship between the SA government (and in particular the DoF) and leading donors. The second is the relative value placed on ODA, by donors and recipients. We explore this issue of value next.

2.5 The value of ODA

As we have stated above, SA needs to decide whether it really wants ODA, and if so what kind of ODA. Is ODA of sufficient value to warrant the dedication of

resources and wise attention that is required to manage an involved and demanding set of negotiated relationships with international partners whose conduct may often be behaviourally demanding and not always consistent with their rhetoric?

The development arena, especially in Africa, is riddled with complex policy tensions and challenging dynamics, rooted in the colonial legacy of Europe's relationship with this continent and the western world's tortuously tangled involvement in aid, trade and debt. President Mbeki has uncompromisingly placed difficult issues on the international agenda with a clear call for the need to develop policies that justly serve the interests of Africa and the poor of this continent (including at the World Economic Summit and G7 meetings).

These issues, and the latent tensions and concealed debates they contain, have a silent, but very real and discernable, effect on the discourse on ODA to SA, and the perceived value of ODA. In our view they particularly affect the manner in which the leading players conduct themselves.

Our hope is that DCR II will force this debate into the open. SA needs to make a considered and fundamental judgement on whether it needs ODA to achieve its own vision of development, the value it places on the ODA it wants, and the nature of the ODA required for this purpose. It then needs to act authoritatively on the basis of this judgement.

The main view emerging from the DCR II component studies is that ODA is best seen and used as a mixture of virtually free 'leading edge knowledge and venture capital'. In other words an intellectually and materially resourced international Research and Development Fund, which is notionally no-cost⁷. This view is largely based on the value placed on 'knowledge banking' and 'knowledge transfers' discussed later in Chapters 6 and 7, and highlighted in a number of component studies.

Essentially, the argument presented is that this knowledge-based form of ODA offers greater value, in terms of capacity building, longer term development potential and immediate cost-effective service delivery gains, than is suggested by its notional value in monetary terms. This is the kind of ODA the country needs, and should seek to obtain, in a selective, discriminating, proactive and strategic manner. Our research pointed to these key characteristics in defining the type of ODA that should be sought:

- ◆ ODA in the form of knowledge banking, i.e. good practice models and leading edge knowledge in a particular technical field. This kind of expertise can help SA move swiftly up the contemporary knowledge chain, without having to bear full experiential learning and Research & Development (R&D) costs.
- ◆ ODA as risk capital to finance innovations or test 'pilots' of potential wider benefit, or in technical or geographical areas where private finance or

⁷ We recognise that, strictly speaking, ODA is never entirely free, since there are always local costs associated with ODA, in terms of actual costs and opportunity costs to cover the management of ODA

public-private partnerships may not be keen to finance development ventures.

We want to make two critical points in relation to the issue of knowledge banking. The first is that knowledge transfer is a two-edged sword. While there is undoubtedly value in SA acquiring high quality technical assistance and intellectual capital at seemingly no cost, there is an eagerness on the part of some donors to engage in this kind of partnership and this deserves caution. This keenness on the part of some donors to export policy development TA should rightly be recognised for what it is: the power to define development paradigms and meaning.

There is no sense in SA exercising seeming control and ownership over physical forms and processes of ODA transfer when, in fact, the ultimate result is a concession over the 'management of meaning' to an external player.

Secondly, if, after due consideration, SA does decide that ODA is desirable and valuable, in the deeper sense of adding special value to its development trajectory, then managing the utilisation of ODA within SA, and the relationship with the source of ODA, require care. The basis of such a relationship has to be that SA exerts its intellectual authority over the management of ODA, and, in particular, over the content of knowledge transfer. Ideally, an attempt should be made to free the relationship from the complex tensions of dependency and the assertion of independence that go with a typical donor-recipient dynamic, and locate ODA within a wider set of mutually beneficial relationships, with SA taking the lead on this particular issue.

Finally, an essential qualification to complete this discussion. There is an assumption in the argument presented here that the two types of knowledge-focused ODA suggested above are universally applicable within any macro-development framework defined by SA. This assumption is challenged by the view that an explicitly and exclusively poverty alleviation development approach may require other forms of ODA, rather than knowledge capital. However, our view is that, given the prevailing policy frameworks, it is safe to assume that, for the foreseeable future, SA is likely to remain committed to a development path which is always based on principles of growth and capacity building. In this case knowledge capital will probably be the currency through which ODA transfers take place.

2.6 The demand for verified quantitative data on ODA

The second key objective of DCR II was the production of an accurate validated quantitative data set pertaining to ODA for the period 1994-1999.

The demand for this information by Parliament and senior levels of government (including the Minister of Finance) and their interest in the trends, form and level of ODA, is an indication of the healthy interest in the nature and content of ODA, for purposes of strategic planning and accountability.

The data set we have compiled and from which we derive the abbreviated analysis presented in Chapter 5 (the full interactive data-set will be available on

the CD version of this report), the project management information systems and web-based information dissemination systems currently being developed by IDC, which have informed the ideas in this report, should provide a basis for the development of a comprehensive platform of measures, which are not only available to government but also to donors and the general public.

The likelihood is that, far from satiating the demand for information, the provision of ODA-related information is likely to stimulate the thirst and curiosity for even more detailed data. In our view the demand for information from national Ministers and MPs, Provincial Legislatures and MECs, is likely to grow. We see this as a positive development, which should drive the process of creating better ODA information systems through all spheres and tiers of government.

As SA takes ownership and responsibility for ODA, these internal accountability and scrutiny mechanisms will inevitably need to be strengthened, not just centrally, but in individual departments and provincial administrations.

There are two issues of note here relating to and befitting SA's standing as a confident democracy:

Firstly, SA needs independent SA institutions that are not only capable of scrutinising ODA flows, but assertive enough to critique government's policies and the institutional frameworks within which ODA is located.

Secondly, given the vibrancy of SA's democratic structure, our view is that SA has much to gain if some ODA is used to strengthen independent advocacy and watchdog functions in civil society organisations and the sovereign Chapter 9 bodies. We look at this latter issue in greater detail in Chapters 6 and 9 of this report, and in two of the component studies, on 'Democracy and Good Governance' and 'Environment'.

Recommendations

- SA needs to exercise the rightful authority over ODA in a much more measured, proactive, strategic and coherent manner, and that the donors expect this of SA.
- Clarity is required in terms of definition and articulation of SA's needs and priorities, along with the freedom to let departments and provinces attract and utilise ODA creatively within this authoritatively defined framework.
- The authority that is widely being asked for naturally and formally belongs to, and should be visibly exercised by, the political and executive leadership of the Ministry of Finance (MoF)
- SA needs to make a considered and fundamental judgement on whether it needs ODA to achieve its own vision of development, the value it places on the ODA it wants, and the nature of the ODA required for this purpose.
- SA needs independent SA institutions capable of scrutinising ODA flows, assertive enough to critique government's policies and the institutional frameworks within which ODA is located.