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3. CONSULTANCY APPROACH - TERMS OF REFERENCE, RESEARCH METHODOLOGY AND DEFINITIONS

3.1. Terms of Reference

The full Terms of Reference (TORs) for DCR II are detailed in Appendix 1. Three objectives were specified at the outset of this study:

- ◆ To conduct an evaluation of ODA to South Africa in the period 1994 -1999 in terms of the criteria described (in section C of the ToRS);
- ◆ To offer recommendations as to how present and future ODA, to both government and civil society, should be coordinated and aligned to the articulated needs and priorities of the South African government as reflected in the MTEF;
- ◆ To develop mechanisms and tools to be used to conduct evaluations of ODA expenditure in South Africa on a regular basis.

These objectives were defined more precisely in consultation with IDC early in this DCR II process, and by the consultancy team on the basis of internal discussions. Essentially the three key objectives for DCR II were defined as:

- ◆ Better aligning ODA to SA development priorities;
- ◆ Producing for government a detailed, accurate quantitative picture of ODA to the country over the period 1994 -1999;
- ◆ Designing generic monitoring and evaluation systems for ODA to ensure alignment with SA priorities.

Accordingly, the following were determined to be the key outputs of this DCR process:

- ◆ The production of a comprehensive, disaggregated, accurate and usable data set for SA, covering the period April 1994 to March 1999. The additional requirement in respect of the data-set was that it conform as much as is possible to the Project Management System of the IDC while simultaneously ensuring it has sufficient compatibility with the generic DCR format to ensure meaningful comparisons with the outputs of DCRs conducted in other countries. This data-set should, as far as possible, be consistent with other DCRs, and detail the net flows of ODA to SA according to origin of flow and sector of destination (this analysis is presented in Chapter 5).

- ◆ Discrete examinations of eleven sectoral and thematic areas identified as important within the SA developmental landscape.

(The summaries of these component investigations are presented in Chapter 6 of this report).

As the consultancy progressed we made a critical, and in our view ineluctable, conceptual shift that altered the research focus, the instruments, tools and arguments we were developing, and the outputs we were working towards. In essence, the shift was to place the issue of ownership, in the sense of proactive SA management of ODA, at the heart of our case.

There were two significant implications of this change. The first was to elevate the discussion of the effective management of ODA to the strategic level at the apex of DoF, where we felt it logically belonged and from where it needed to be driven. The second was to recognise the importance of having a dynamic, information management system based on hard quantitative data that could be used for planning and management, and for monitoring and evaluation purposes.

The issue of monitoring and evaluation of ODA was initially one of the key objectives in the ToRs. However, once the central thrust of DCR II shifted to conceptualising an SA-led ODA programme, the attention shifted to determining how best SA could control direct ODA. If the overarching thesis emerging from the our macro-level research and component studies is that SA should be more strategic in its choice and use of ODA, and hence proactively dictate the nature and mainstreaming of ODA, then the monitoring and evaluation of ODA should be subsumed within a broader, more SA-centred framework of internal scrutiny and accountability mechanisms.

Monitoring and evaluation of ODA is a means of determining maximum impact. We have chosen to move further upstream to a model where even the choice of ODA is in SA hands, and where the alignment of ODA is primarily a SA responsibility.

Put somewhat simply, in this paradigm it was no longer appropriate to see the monitoring and evaluation of ODA as a stand-alone, parallel-to-government issue.

3.2. Logframe for DCR II

The logframe for this project is contained in Appendix 2.

There are two points of note here. Log-frames are normally planning tools that should bring key stakeholders together early in the design of a project and engage key stakeholders in a collective process of determining activities, assumptions and outputs. The log-frame for DCR

II was produced solely by the International Team Leader as a notional planning matrix that did not engage the views of stakeholders.

As a consequence, it is not wholly surprising that many of the assumptions made did not actually materialise. Whilst this process may have had the disadvantage of not being collaborative, it had the advantage of permitting a more flexible and organic approach, which in fact became inevitable because of logistical difficulties relating to the timely release and mobilisation of resources. This issue is explored further in the following section.

3.3. Research methodology

Four strands of conceptualisation define the uniqueness of DCR II:

- ◆ SA ownership
- ◆ Style
- ◆ Scope and sequence
- ◆ Stakeholder workshops

3.4. South African ownership

The stamp of local ownership, and host country centredness that runs through DCR II is evident in the way the research methodology was conceptualised and undertaken. A decision was taken at the outset that the DCR II should be undertaken in a manner that met the review needs of the SA government and that the methodology should not be restricted to, or determined by, any existing templates or research models for conventional DCRs.

Given the limitations of the standard UNDP approach it was felt that in order to build a deep and rich picture of ODA to the country a more comprehensive and integrated approach was necessary that could purposefully combine quantitative and qualitative research methodological approaches.

Two other factors are worth noting. Firstly, though a number of donors generously supported distinct aspects of DCR II, overall leadership for this process rested with government itself. Secondly, all the consultants, including the International Team Leader, had extensive local experience. Most of the consultants were identified by IDC itself, and virtually all were either SA citizens or SA residents.

3.5. Style

The multi-method, highly process-orientated style used in DCR II has never been used on DCRs anywhere before. It is original and unique to SA.

The design, research and validation principles central to this enterprise were alluded to earlier and we highlight them again:

- ◆ **Comprehensive and integrated approach**, integrating qualitative and quantitative approaches.
- ◆ **Wide stakeholder consultation** in the processes of designing data collection instruments, data gathering and verification of findings, involving key stakeholders from all spheres of government, civil society and the donor community. This methodological principle was particularly central in the approach taken in researching the component studies.
- ◆ **Validation of quantitative and qualitative data.** Feedback presentations to relevant respondents to ensure open iterative processes of validation.
- ◆ **Institutional sustainability beyond DCR II.** The data collection instruments developed for this consultancy, especially for the collection of quantitative data on ODA, were customised so that they could be institutionalised and used annually by DoF. The intention has been to develop user friendly instruments likely to be of sustained and general value, of easy use and value not just to DoF but, as far as possible, consistent with the internal recording and reporting requirements of donors too, so that the annual task of ODA data reporting could be systematised within government.

As our international comparative study of UNDP DCRs⁸ showed, in no other country has there been such a concerted locally led multi-method attempt to develop a comprehensive picture of the impact of ODA and its alignment with government priorities, using such a wide range of investigative, consultative and corroborative processes.

The traditional objective of UNDP-modelled DCR processes has been to provide a map of the quantity and flow of ODA in different countries in a manner that facilitates within-country analysis while simultaneously permitting cross-country comparisons.

The emphasis in conventional UNDP DCR studies is principally on the gathering, analysis and reporting of quantitative information in a

⁸ IOD-SA *Comparison of Development Cooperation Reviews*, October 1999

relatively politically neutral manner, and usually according to a relatively standardised format.

While commentary and interpretation of the quantitative information is encouraged, the predominant thrust of this UNDP model is a review of ODA by analysis of the quantity and nature of financial flows to sectors of destination and institutional recipients, etc. This conventional format for DCRs has endured since its introduction by the UNDP in the early 1980s.

The style of the SA DCR II differs fundamentally from this approach in that the focus of this research is not solely on the quantitative information or the analysis thereof. Rather, the intention here has been to design an approach capable of collecting not only quantitative information to record the nature and flow of ODA in the manner typical of other DCRs, but also to look qualitatively at issues of SA ownership, and ODA impact and alignment by way of a sample selection of sectors of destination. Further, and significantly, we have sought where possible, to include within this approach, participatory and consultative processes involving key stakeholders.

3.6. Scope and sequence of DCR II processes

The original design of DCR II assumed that the research would be undertaken in three sequential phases, each building on the findings of the preceding phase, and all completed within seven months.

The actual process has taken nearly eleven months, elongated by a combination of logistical constraints: delays over the release of funding for discrete activities; problems over the appointment, availability, deployment and productivity of consultants; difficulties in getting key stakeholders together at critical consultation and iteration points in the project cycle; and significantly long delays in getting quantitative ODA data from donors.

Below we describe the idealised process and the refinements to this process, inspired by the limitations that affected us along the way.

Table 1: Planned versus actual DCR II process

	July 1999	Aug	Sept	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	June	July
PLANNED IDEAL VERSION	PHASE I												
	<ul style="list-style-type: none">International Comparative Study of DCRs.Synthesis of donor evaluation studies on their own ODA.												
ACTUAL DCR II PROCESS	PHASE I												
	<ul style="list-style-type: none">International Comparative Study of DCRs.Synthesis of donor evaluation studies on their own ODA.												

3.6.1. Phase 1

Planned to be done in four weeks; actual time taken close to ten weeks.

Two parallel objectives to this phase:

- ◆ **International comparative study of DCRs.** International comparative study of other DCRs, based on Internet and literature based desk research. This envisaged obtaining information from countries that had undertaken DCRs, and from UNDP HQ and UNDP offices worldwide.
- ◆ **Synthesis of donor evaluation studies of their own ODA.** Compiled a synthesis of donor commissioned evaluation studies on their own ODA programmes to SA, looking in particular at issues of impact and the monitoring and evaluation methodologies used in these reviews

Key findings:

- ◆ **Limited value of donor-led, purely quantitatively-based DCR.** Twenty nine countries were approached for their DCRs and information sought from the UN system for over six weeks. Eight DCR reports were eventually obtained from six countries. The comparative study showed that traditional DCRs offered a partial quantitative picture of ODA to a country, with variable data-capture rates from donors, and virtually no qualitative discussion of impact of ODA.
- ◆ **No institutional memory of ODA to SA.** The synopses of donors' own evaluation exercises indicated that there were no intelligent information management and storage systems either within their SA offices or anywhere within SA government, where a comprehensive record of these reports was maintained.
- ◆ **High degree of donor non-cooperation in data collection processes.** The audit trail of the donor evaluation synthesis study reflected a surprisingly high degree of non-cooperation on the part of the donors.

Implications of these findings on Phases 2 & 3 of DCR II research methodology

- ◆ **Design SA-led quantitative and qualitative DCR II.** Reinforced the view that SA-led, integrated quantitative and qualitative methodology could lead to more useful results.
- ◆ **Adopt user friendly, iterative processes for data collection.** Greater attention was paid to: defining ODA categories more precisely (especially sectors of destination); creating a user-friendly data collection instrument; and designing iterative processes to collect and verify data through DCR II project cycle.

- ◆ ***Institutionalise the instruments.*** Confirmed the need to develop tools which should be institutionalised and become part of a national information management system.
- ◆ ***Ensure inclusive, consultative process methodology.*** Reinforced our commitment to ensure better engagement by donors and key stakeholders in the DCR II research process.
- ◆ ***Focus on alignment, avoid preoccupation with ‘ultimate’ impact on ODA.*** The synopses of donor monitoring and evaluation studies illustrated the difficulty (if not impossibility) of assessing the definitive impact of ODA. It also revealed that there is no generic monitoring and evaluation system available for use in this area. It pointed towards focusing DCR II research attention on issues of ownership by SA, alignment of ODA with SA priorities, and institutional arrangements impacting on effectiveness and efficiency.

3.6.2. Phase 2

Planned to be done in 3 months, from October to December; start date delayed by late release of funding, and actual timeframe seven months because of delays in obtaining hard data from donors.

- ◆ ***Quantitative analysis of ODA to SA 1994-1999.*** On the basis of this produce an accurate, validated global and dis-aggregated data set that could be used to inform and direct the largely qualitatively focused component studies to follow.

3.6.3. Phase 3

Three months; actual timeframe nine months due to: untimely release of funding for discrete component studies; problems with deployment of consultancy teams; difficulties in accessing information from key stakeholders; and revisions to reports due to stakeholder comments.

- ◆ ***Undertake eight sector studies and three cross cutting thematic studies, covering the following eleven component studies in all:***

Sector Studies	Thematic Cross-cutting studies
<ul style="list-style-type: none"> ▪ Democracy & Good Governance ▪ Education ▪ Health ▪ Infrastructure ▪ Labour Skills Development⁹ ▪ Land Reform ▪ SMME ▪ Water and Sanitation 	<ul style="list-style-type: none"> ▪ Capacity Building ▪ Environment ▪ Gender

Key logistical issues and their methodological Implications

- ◆ **Quantitative and qualitative processes run in tandem.** Funding for Phase 2 not secured or released in time, so Phases 2 and 3 had to be run concurrently
- ◆ **Focus research on significant areas of ODA activity.** The research focus areas for the qualitative studies were chosen jointly by IDC and donors and were considered to be of particular significance in terms of the flow of ODA for the period under review. Sponsorship for the component studies was then subsequently obtained from individual donors, who selected areas of particular interest from their own perspective.
- ◆ **Cross cutting themes of particular interest to SA.** The cross cutting themes pursued in DCR II have no exact equivalent category in the OECD DACS sectoral typology. The decision here was to persist with a SA understanding of issues. One consequence of this was that because these categories do not exist in precisely the same form in the accounting systems used by donors for their ODA flows, a quantitative assessment of ODA to these thematic areas was not possible.
- ◆ **Hard quantitative data not available to component studies.** In the absence of firm ODA figures these studies had to work on the basis of 'intelligent sampling', i.e. 'follow the money, follow the noise, draw on your own experience and ask relevant stakeholders where to focus enquiry'.

⁹ Labour Skills Development was included in the original list, excluded early due to logistical problems, and then, close to the end of the DCR II process, reintroduced as a sector that should be examined.

- ◆ **DCR II was itself a microcosm of multi-donor projects.** Problems with the availability and timely mobilisation of resources (financial and professional) for the component studies meant that the envisaged phased sequencing did not occur in a manner that allowed for anticipated synergy and the level of iteration originally envisaged. Two consequences are worth noting: changes in the composition of consultancy teams meant further delays to original timelines; and component study teams working independently to their own schedules meant little inter-action between the teams, which particularly affected the critique of cross cutting themes.

Essentially, the difficulties encountered and hence the experiential insights gained during the DCR II project cycle have undoubtedly deepened our appreciation of the need for donor coordination, and importance of strengthening management capacity on the SA side if government departments are to manage complex multi-donor ODA projects.

3.7. Stakeholder and other workshops

Stakeholder workshops have been a key feature of DCR II and have been used to ensure ownership, data validation and coherence of approach across the various component studies.

Three types of workshops were organised

- ◆ **Sectoral or thematic stakeholder workshops:** these were held at the end of all but two of the component studies (the exceptions being Land Reform and Labour Skills Development) to ensure that the findings and recommendations from each study were tested with representatives from lead institutions in the relevant area. In addition, some consultancy teams used stakeholder workshops as an integral research methodological tool to complement other data gathering processes.
- ◆ **Focus groups and design workshops:** given the importance of the quantitative data set to DCR II, special effort was made to engage donors in the design of the software based data collection instrument and the subsequent testing of the user-friendliness of this tool. We cover this issue in greater detail in Chapter 5.
- ◆ **Consultancy team workshops:** in view of the fact that over 30 consultants worked on the DCR, two planning workshops were held to ensure a coherence of approach across the various component teams. The intention was to repeat this process through the project cycle. Unfortunately, two factors diminished the potential value of this approach: firstly, the withdrawal of some consultants even after attending planning workshops; secondly, the logistical problems and differing time scales of teams that prevented team members being available.

3.8. Definitions

Development Cooperation Reviews have a language of their own and a precise set of definitions designed to ensure that discussions on the nature, level and timing of ODA flows is described and analysed as accurately as possible and using a commonly agreed set of parameters.

Ideally, the data-set of DCR II should have been constructed on the basis of SA definitions. However, as will be evident from the discussion that follows, this is not yet possible. The quantitative research was carried out on the basis of definitions that owe their origin largely to the OECD/DAC system of classification. We describe this, and comment subsequently in 3.8.2, on the principles that should inform the creation of a SA-centred model.

3.8.1. Operational definition of key constructs

In this section, we present working definitions of the key constructs employed in this research. These definitions were decided upon at the outset of the project and in consultation with the donor agencies.

Official Development Assistance (ODA)

Definitions of ODA vary somewhat between donor agencies and governments. The two most frequently employed definitions are those of the UNDP and the OECD/DAC, and these are essentially equivalent in their determination of what constitutes ODA, especially in terms of differentiating it from other categories of support such as Official Development Finance (ODF) and Other Official Flows (OOF). In line with the prescripts of the standardised DCR methodology, this research adopted the precise definition provide by the DAC in their *Statistical Reporting Directives*¹⁰. According to this directive,

‘Official Development Assistance’ is defined as those flows to aid recipients and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following tests:

- ◆ It is administered with the promotion of the economic development and welfare of aid recipients as its main objective; and,
- ◆ It is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).’

Grants and Loans.

The OECD/DAC defines these as follows:

‘Grants are transfers in cash or in kind for which no legal debt is incurred by the recipient. For DAC reporting purposes, it also

¹⁰ DAC *Statistical Reporting Directives*, Revised Draft, March 2000

includes debt forgiveness, which does not entail new transfers; support to non-government organisations; certain costs undergone in the implementation of aid programmes; and "grant-like flows", i.e. loans for which the service payments are to be made into an account in the borrowing country and used in the borrowing country for its own benefit.

Loans are transfers in cash or in kind for which the recipient incurs a legal debt. Official loans are those with fixed maturities made by governments (central and local) or official (non-monetary) agencies, for which repayment is to be made by the recipient country. This includes loans repayable in the borrower's currency whether the lender intends to repatriate these payments or to use them in the borrowing country. '

Commitments and disbursements

The DAC manual refers to these as follows:

A **commitment** is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a multilateral agency....

Commitments are considered to be made at the date a loan or grant agreement is signed or the obligation is otherwise made known to the recipient (e.g. in the case of budgetary allocations to overseas territories, the final vote of the budget should be taken as the date of commitment)...

A **disbursement** is the placement of resources at the disposal of a recipient country or agency, or in the case of internal development-related expenditures, the outlay of funds by the official sector. Disbursement may be measured in various ways at different stages of the transfer process:

- ◆ For financial loans and grants, subject to the availability of the necessary records, preference should be given to the stage closest to balance-of-payments treatment;
- ◆ However, where funds are transferred to an account in the recipient country but held by the donor for release to the recipient on production of relevant documents, the balance-of-payments effective transaction is the conversion of foreign exchange, and this should be recorded as a disbursement.¹¹

¹¹ This means recording the figures for ODA at the point when it is transferred to the recipient country and converted into local currency, and not when it actually reaches the implementing agency. In our view this would account for some of the differences between donor and government accounts pertaining to ODA.

Sectors of destination

Finally, the DAC provides comprehensive definitions of the various sectors of destination for ODA flows. The objective of these is to ensure greater standardisation and precision in the documenting of areas of operation and financial flows. Further discussion on the sectors and their classification is contained in the following chapter on research methodology. The DAC prescribes the following in terms of the sectors:

*‘The **sector of destination** of a contribution should be selected by answering the question "which specific area of the recipient’s economic or social structure is the transfer intended to foster?" The sector classification does not refer to the type of goods or services provided by the donor. Sector-specific education or research activities (e.g. agricultural education) or construction of infrastructure (e.g. agricultural storage) should be reported under the sector to which they are directed, not under education, construction, etc.*

Some contributions are not susceptible to allocation by sector and are reported as non-sector allocable aid. Examples are aid for general development purposes, balance-of-payments support, action relating to debt, emergency assistance and internal transactions in the donor country.’

3.8.2. South African Government definition of ODA

Definitions can be pure conceptual constructs or tools that can be used for practical purposes. In either case, what they include and what they leave out gives a clue to the world-view and value-base from which they originate. Definitions are the instruments of the management of meaning, and as such they are immensely potent in the struggle over meaning taking place in the ODA arena.

Despite the determined attempt by the SA government to lay claim to the conceptual ownership and resource management authority over DCR II, it is necessary to acknowledge the limitations of this ambition.

Two issues need to be considered in this regard, and both can be summarised in the expression “there’s many a slip between cup and lip”. In other words what leaves the farm is seldom what reaches the shop.

◆ Definition of ODA.

IDC’s own ODA Guide¹² describes ODA as ‘Official resource flows from the international donor community to South Africa in the form of grants, technical cooperation and financial cooperation, where the South African government is held at least partially responsible and/or accountable for the management of such resources’.

¹² The Draft Policy Framework and Procedural Guidelines for ODA Management

The nub of the issue here is that ODA is seen as resources received by the SA government recorded as such, and for which it is directly accountable. Contrast this with the OECD/DAC above (and the virtually identical UNDP definition presented in our international comparative study of DCRs) where ODA covers all 'flows to aid recipients and multilateral institutions provided by official agencies, including state and local governments.... which meet the following tests....'. In other words what officially leaves the shores is totted up and counted as ODA.

◆ **Commitment versus Disbursement**

As we have remarked earlier disbursement from the donor perspective occurs when funds are converted into local currency. However, from the recipient's point of view this clearly does not reflect reality, as the recipient has yet to receive the aid referred to. From the local perspective disbursement can reasonably be argued to be the point when ODA funds reach the implementation agency that is responsible for undertaking development activities.

The divergence in these definitions, whether formal or de facto, reflect the vantage point from which ODA is being conceptualised, and point to ways in which ODA is most usefully measured from their respective own perspective. The definitions also reveal gaps or variations in the conceptual understanding of the ODA system, significant conceptual dissimilarities through which ODA figures can be lost.

This leaves us with a difficult choice. Obtain and aggregate the ODA figures from a stable base of, largely, fixed range of donors who have their own recording and reporting systems based on their own definitions; or try and collect information from a variable range of recipient implementing agencies in SA, i.e. from the 'sectors of destination'.

Our difficulty in the DCR II study was that, while we would have preferred to detail ODA flows from the recipient perspective, both in terms of global ODA figures and disbursement (rather than commitment), the management information systems and hard quantitative data currently do not exist within SA to make this possible.

There is no doubt that, both in terms of principles and practical value, the recipient based figures on ODA would give a better indication of what is actually happening in SA terms. Ideally, recording the form and amount of ODA should occur closest to the point of action, i.e. when it reaches an implementing agency, and is analysed along a number of dimensions such as:

- ◆ The speed and level of conversion levels of pledges to commitment to disbursement.
- ◆ The proportional share of ODA that goes to Technical Assistance (foreign and local), grants and loans.
- ◆ The relative absorptive capacity of sectors and provinces.

- ◆ Patterns of expenditure and alignment in relation to government's own sectoral, programme or project plans.

Unfortunately, this is not presently possible. Only partial, basic information is captured by official SA systems. Essentially, this is based on the limited flow of ODA that comes into the country via the RDP Fund. This manifestly does not capture the full range of ODA transfers, and certainly not at the level of sophistication required to undertake detailed analyses.

So, for the moment, we have a disjuncture on the SA side. The recipient-focused, SA concepts and definitions that will lead the country to better understand and track what is happening with ODA, have been formulated. However, the soft and hard technology, accountability systems and decentralised management information systems required to support the capture and processing of this information from the various management units located in departmental and provincial programme areas, have yet to be put into place.

Recommendations

- DCR reviews should follow this model in preference to the conventional models which are customarily donor-driven and quantitative
- Information systems should be put in place to track ODA disbursements closest to the point of implementation
- The monitoring and evaluation of ODA should be subsumed within a broader, more SA centred framework of internal scrutiny and accountability mechanisms.