

## DISCLAIMER

This report was financed as part of the aid programme to the Government of South Africa. However, the views and recommendations contained in this report are those of the consultants, and both the Department of Labour and the Department of Finance is not responsible for or bound to the recommendations made in this report.

## ACKNOWLEDGEMENTS

The consultants would like to thank the following individuals and organisations for their unstinting support and assistance during the study:

- ◆ Gary Moonsamy for his management support during the study;
- ◆ The Chief Director of Employment and Skills Development Services, Ms. A Bird for sharing her experiences and knowledge;
- ◆ The Chief Directorate of Employment and Skills Development Services: Project Manager's Committee for their time, willingness and openness in sharing information and experiences;
- ◆ The Programme Management Unit for organising the interviews and documentation at very short notice;
- ◆ The European Union technical assistants for their valuable time; and
- ◆ The donors for sharing their knowledge and experiences.

## CONTENTS

List of Tables and Figures .....	i
List of acronyms and abbreviations .....	ii
EXECUTIVE SUMMARY .....	III
EU timeframes and financial contributions.....	v
Achievements.....	vi
Challenges .....	vii
Recommendations .....	ix
1 INTRODUCTION.....	11
1.1 Background to the Study .....	11
1.2 Approach to the study .....	11
1.2.1 Study design.....	11
1.2.2 Analysis .....	12
1.2.3 Sample .....	12
1.3 Timeframes and Financial contributions .....	13
1.4 Achievements and Challenges.....	14
2 PRIORITIES OF DEPARTMENT OF LABOUR.....	16
2.1 Policy and Legislation.....	16
2.2 Overseas development assistance.....	18
3 LMSDP STRATEGY.....	20
3.1 Priorities .....	24
3.2 Ownership.....	25
3.3 Management/co-ordination model .....	25
3.4 Sustainability .....	26
3.5 SYNOPSIS.....	26
4 LMSDP IMPLEMENTATION STRUCTURE .....	27
4.1 Priorities .....	30
4.2 Ownership.....	31
4.3 Management and co-ordination.....	31
4.4 Sustainability .....	32
4.5 SYNOPSIS.....	33
5 LMSDP PROGRAMME PROCESS.....	34
5.1 Priorities .....	36

5.2	Ownership.....	37
5.3	Management model .....	37
5.4	Sustainability .....	38
5.5	Synopsis .....	38
6	INTERNATIONAL DEVELOPMENT CO-OPERATION .....	39
6.1	Donors perceptions .....	40
6.2	Department of Labour .....	40
6.3	International Development Co-operation Unit.....	41
7	RECOMMENDATIONS .....	41
7.1.1	<i>Increased DoL management capacity.....</i>	41
7.1.2	<i>Best use of Technical Assistance.....</i>	42
7.1.3	<i>Reduce staff turn-over.....</i>	42
7.1.4	<i>Flexible management structure .....</i>	42
7.1.5	<i>Better understanding of the LMSDP.....</i>	42
7.1.6	<i>More staff for non-EU projects .....</i>	43
7.1.7	<i>Strategy post 2002 .....</i>	43
7.1.8	<i>Director level for PMU .....</i>	43
7.1.9	<i>Review structure and increase local consultants .....</i>	43
7.1.10	<i>Use of donor logos .....</i>	43
7.1.11	<i>Flexible financial agreements.....</i>	43
8	CONCLUSION .....	45
9	REFERENCES.....	47
10	APPENDIX 1: WORK PLAN.....	49
11	APPENDIX 2: INSTRUMENTS .....	50
	Interview Schedule with the Department of Labour Officials .....	50
	Interview Schedule with International Donors .....	52

*LIST OF TABLES AND FIGURES*

Table 1: Timeframes for Implementation of LMSPD

Table 2: Estimated EU Budget for LMSPD

Table 3: Sample

Table 4: Timeframes for Implementation of LMSPD

Table 5: Estimated EU Budget for 6 LMSPD Projects

Table 6: ODA to Chief Directorates in the DoL

Table 7: Project Expected Project Outcomes and Strategic Objectives

Table 8: Project Funding by Donors

Table 9: Analysis of Programme Strategy

Table 10: ESDS Structure in terms of the LMSPD

Table 11: Management Roles and Responsibilities

Table 12: Levels of Authority in the LMSPD Structure

Table 13: Analysis of Programme Structure

Table 14: Analysis of Programme Process

Table 15: Itinerary for study

*LIST OF ACRONYMS AND ABBREVIATIONS*

DoF	Department of Finance
DoL	Department of Labour
ESDS	Employment and Skills Development Services
EU	European Union
GTZ	Gesellschaft fuer Technische Zusammenarbeit
IDC	International Development Co-operation
LMSDP	Labour Market Skills Development Programme
MTEF	Medium Term Expenditure Framework
NSA	National Skills Authority
NSSE	National Skills Strategy Executive Committee
NSSS	National Skills Strategy Steering Committee
ODA	Overseas Development Assistance
PMC	Project Manager's Committee
PMU	Programme Management Unit
PSC	Project Steering Committee
SDA	Skills Development Act
SDLA	Skills Development Levies Act
SDS	Skills Development Strategy
SETA	Sector Education and Training Authorities

## EXECUTIVE SUMMARY

The Department of Finance, together with the support of the United Nations Development Programme and other donors, is in the process of developing a Development Co-operation Report to evaluate donor assistance in South Africa for the period 1994 to 1999. The Development Co-operation Report will offer a guideline for the alignment of future Overseas Development Assistance to the development priorities of the South African government.

As part of this process an analysis of the Department of Labour's strategy, structures and processes for the management and co-ordination of Overseas Development Assistance was conducted between 18 April 2000 to 5 May 2000. Between 1994 and 1999 the Department of Labour received Overseas Development Assistance from a dozen international donors in the form of grants, technical assistance, research support, study tours and equipment. Four of the seven Chief Directorates within the Department of Labour received this assistance and the Employment and Skills Chief Directorate received the largest proportion of these funds to enable the department to achieve its fourth priority- *training to enhance the skills of the labour force*. This study is limited to investigating the way the Employment and Skills Development Chief Directorate manages and co-ordinates Overseas Development Assistance.

A qualitative approach was adopted for the study and was characterised by face-to-face in-depth interviews, focus group discussions and telephonic interviews. A documentation review was also conducted. The sample was limited to relevant officials, technical assistants and donors.

The Department of Labour during its policy development process began to develop an implementation strategy. In consultation with its social partners, the Skills Development Strategy emerged as the best way to implement its policies and new legislation on skills development. The Skills Development Act and the Skills Development Levies Act passed in 1998 and 1999 respectively, will further the Department of Labour's policy goals of correcting the low level of skills.

The Skills Development Strategy is implemented in two phases; the first phase will focus on the design of the learnerships, skills programmes, plans for skills development and the establishment of the institutions, systems and funding. This phase will take three years. Piloting programmes and actual skills training of target groups will occur concurrently. The second phase is implementation at scale. The first phase will be implemented through the Labour Market Skills Development Programme by the Employment and Skills Development Services Chief Directorate in the Department of Labour.

The Labour Market Skills Development Programme consists of twelve projects that enable it to set up the necessary structures, systems and processes to implement the two Acts. The programme and the related projects are directly related to the Employment and Skills Development Services Chief Directorate's strategic

objectives for the next five years and therefore linked to the performance agreements of staff within the Chief Directorate.

A unique reporting structure with clearly outlined roles, responsibilities and authority is in place to facilitate maximum stakeholder participation in and ownership of the implementation of the LMSDP. Stakeholders participate in and guide the projects through the Project Steering Committee with the day-to-day management of the projects the responsibility of the Project Management Committee. These committees meet at least once a month. Projects report monthly to the National Skills Strategy Executive Committee. This committee consists of project managers and long-term technical assistants for the respective project. Reporting to national stakeholders occurs at the quarterly National Skills Strategy Steering Committee meeting. This committee reports to the National Skills Authority. Donors are represented at the National Skills Strategy Steering Committee. These meetings ensure that donors are aware of their contribution in furthering the goals of the Labour Market Skills Development Programme.

The Employment and Skills Development Services Chief Directorate's strategy for Overseas Development Assistance is directed by policy imperatives. In the first couple of years after 1994, Overseas Development Assistance requests were limited to technical assistance to support policy development. Once a clear vision of policy began to emerge, the Employment and Skills Development Service Chief Directorate developed a broad programme for implementation. This parallel process of policy development and implementation design enabled the Department of Labour to direct Overseas Development Assistance to align with and support policy imperatives. Furthermore, it enabled the Department of Labour to lead the negotiations of financial agreements with international donors. This leadership role was strongly complimented by most of the donors interviewed. A broad programme of projects such as the Labour Market Skills Development Programme is an efficient vehicle to manage and co-ordinate the diverse interests of donors, while ensuring that funds are directed to support South African development priorities.

The management structure of the Labour Market Skills Development Programme allows donor co-ordination to be part of the Department of Labour's accountability to stakeholders. This management model allows for greater efficiency, and most importantly, facilitates transparency between donors and between donors and key stakeholders in South Africa.

This approach to Overseas Development Assistance by the Employment Skills Development Services Chief Directorate is in line with the Department of Labour's policy guidelines for technical assistance and co-operation. The guiding principles for accepting technical assistance and co-operation include:

- ◆ Technical assistance offered should be in line with broad government policies;
- ◆ It should develop South African capacity and not create dependency;
- ◆ Technical assistance, with recurrent costs for government must be evaluated to ensure that sufficient financial resources are available to sustain such projects/programmes in the long term;

- ◆ The acceptance of international technical assistance must be in accordance with the fiscal and financial prerequisites in South Africa; and
- ◆ Technical co-operation between South Africa and the donor country should be on equal terms.

In 1996, the Department of Labour requested European Union funding to implement six projects within the Labour Market Skills Development Programme as well as technical assistance from Danida, AusAid, Ireland Aid, Royal Netherlands Embassy, German Technical Co-operation and Korea. The technical assistance from Danida and Royal Netherlands Embassy was used to pilot elements of new policies such as learnerships. The financial agreement with the European Union was finalised in 1997 for 46 million Euro for three years, 1997 to 1999. This is the largest technical assistance of its kind in the world. However, due to delays and the lengthy European Union tendering process the programme time frame has been revised to 1999 to 2002. Actual implementation of the EU funded projects began in June 1999.

#### *EU TIMEFRAMES AND FINANCIAL CONTRIBUTIONS*

According to the Interim Work Plan the LMSDP is designed for implementation in three indicative phases described in the table below:

**Table 1: Timeframes for Implementation of LMSDP**

<b>Phases</b>	<b>As indicated in the financing agreement</b>	<b>As revised</b>
Phase 1: Design and capacity building.	1997-1998	1999
Phase 2: Capacity building and start of piloting.	1998-1999	2000
Phase 3: Piloting and evaluation	1999-2000	2001

Currently the DoL has requested a four-year extension for the programme from the EU, with completion in November 2002.

The EU has committed 46 million Euro for three years. A broad breakdown of the EU contribution is:

- ◆ 30 million Euro to the DoL (work plan funds);
- ◆ 13 728 220 Euro to consulting companies (tendered); and
- ◆ 271 780 Euro for contingency.

To date only R3 million of the allocated R180 million (30 million Euro) have been spent by the DoL.

The table below summarises the estimated EU budget for six of the projects in the LMSDP.

**Table 2: Estimated EU Budget for LMSDP**

PROJECT BUDGET	ESTIMATED BUDGET in R				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
Project 1: Institutional and management capacity of ESDS Chief Directorate to implement the LMSDP established	2 904 363	9 122 900	7 357 200	1 351 300	20 735 763
Project 2: Capacity for strategic decision-making in the labour market with a view to improvements in skills development, job opportunities and economic performance enhanced.	551 000	4 764 266	3 351 653	1 188 623	9 855 542
Project 3: A national system of learnerships, skills programmes and the Education and Training Quality Assurance functions of Sector Education and Training Authorities established.	4 593 000	22 268 000	3 817 000	0	30 678 000
Project 4: A system and methodology for firm-based skills development planning and implementation, linked to the grant system, to promote a new commitment to training within firms established.	327 455	6 605 000	11 577 545	370 000	18 880 000
Project 5: Institutional capacity developed of and effective stakeholder participation in SETAs and NSA is achieved across each economic sector and nationally.	403 100	10 451 650	8 704 825	5 056 950	24 616 525
Project 6: Effective and efficient funding mechanism for the LMSDP developed and implemented.	6 628 891	44 810 109	23 795 170	0	75 234 170
Total	15 407 809	98 021 925	58 603 393	7 966 873	180 000 000
Consulting Company Funds					82 369 320
Contingency					13 630 680
Grand Total	15 407 809	98 021 925	58 603 393	7 966 873	276 000 000

- Calculated at an exchange rate: ECU 1.00 = R6.00

In terms of the projected quarterly expenses, a total of R1 345 570 was projected for the first three-quarters of year one and R14 062 239 for the last quarter. To date of R3 million of the R180 million has been expended. At the time of writing this leaves R12 407 809 to be spent in the next six weeks.

### *ACHIEVEMENTS*

The achievements of the Labour Market Skills Development Programme to date are:

- ◆ The main achievement of the LMSDP is the development of a framework and strategy that are guiding programme implementation. This framework and strategy could evolve into a model of best practice that could be replicated by other line departments and donors;
- ◆ Establishment of a Programme Management Unit;

- ◆ Establishment of a financial and management system to manage donor funds based on the DoL's Basic Accounting System;
- ◆ Establishment of the National Skills Authority;
- ◆ Establishment of 25 Sectoral Education and Training Authorities;
- ◆ Technical assistance to the roll-out and implementation of the LMSSDP
- ◆ The securing of adequate funding to support the implementation of the programme over the four years
- ◆ Establishment of the National Skills Fund and co-operation with the South African Revenue Service in setting up the levy collection and grant disbursement system;
- ◆ Establishment of the Skills Development Planning Unit;
- ◆ The commencement of restructuring of INDLELA;
- ◆ Successful launch of the LMSSDP;
- ◆ Conceptualisation, design and implementation of five out of six projects.
- ◆ Production of draft performance agreements for the ESDS Chief Directorate;
- ◆ Finalisation of log frames covering the 5 EU funded projects as well as 3 of the remaining 6 projects supported by other donors;
- ◆ Production of a draft monitoring and evaluation framework;
- ◆ Setting up and implementing pilot projects in field; and
- ◆ Finalising agreement with contracting agents for Project 4.

## *CHALLENGES*

Despite the achievements in the two years leading up to the implementation of the LMSSDP and the eleven months of implementation, the DoL and the donors faced many challenges in the implementation of the LMSSDP. These include:

- ◆ Centralised bureaucracy of the European Union reduces efficient and responsive decision making;
- ◆ Inadequate capacity. This is reflected both in quantity and quality. The main challenges for the Chief Directorate in this regard are:
  - High staff turnover – although positive in that individual staff can secure more lucrative positions within the market place, the high staff turnover is detrimental to the implementation of the projects within the LMSSDP;
  - Insufficient staff to carry out the support function;
  - Insufficient staff to carry out the complex tasks of the LMSSDP ; and
  - Approximately 40% of staff are appropriately skilled in the implementation of the projects.

The above could result in:

- Retardation in the progress of projects
- No continuity in the implementation processes
- The time lapse to get new staff orientated to the programme

- Collectively the above could jeopardise the attainment of the outcomes and impacts.
- ◆ LMSSDP management system and structure not completely aligned to DoL structure;
- ◆ As the practice of Technical Assistance is new within the DoL, officials have minimal capacity to effectively and efficiently utilise and absorb technical assistants into project activities and tasks. The DoL also faces the challenge of utilising the technical assistance in a way that ensures the outputs and impacts of the LogFrame are achieved within the specified time period.
- ◆ Another challenge faced by the DoL is the appropriate and effective transfer of skills from the technical assistants to DoL officials. With the already extensive and intensive workload, and inadequate number of staff to execute tasks, skills transfer is an additional challenge. The technical assistants are currently perceived as an '*extra pair of hands*' supplementing the current staff capacity. The result of this situation is twofold:
  - Technical assistants are taking the lead and facilitating processes, with DoL staff engaging, commenting and participating when they can; and
  - Minimal skills transfer.
- ◆ The main challenge in the LogFrame approach in project design and project management is that project staff (DoL officials and technical assistants) are forced to summarise complex ideas and relationships into simple phrases, which may have little meaning. The challenge to the DoL is the inclusion of events and activities unrelated to the main outputs but critical to project implementation. A further challenge is how environmental changes are accommodated within the current LogFrame;
- ◆ Another major challenge to the DoL is in the spending of funds allocated to the LMSSDP. With the limited technical, human resource and absorptive capacity of the DoL, utilising the committed funds in an effective, efficient and accountable manner is challenging;
- ◆ Related to the expenditure of financial resources is the timeframe for the rollout of the programme. Considering the developmental nature of the LMSSDP and the human resource capacity issue, the timeframe for implementation is too ambitious;
- ◆ The DoL must deal with the absence of a documented exit strategy. The LogFrame currently focuses on the rollout and implementation of the programme over the next three years. There is minimal evidence of a sustainability plan for beyond the technical and financial support of the donors.
- ◆ The current project management structure does not facilitate discussions across the projects. Apart from the crosscutting themes, there is an increasing perception among the technical assistants and the DoL officials that there is insufficient formal or informal communication across projects.
- ◆ Currently the DoL is servicing and managing the EU programme to the exclusion of other donors. The direct result of this is as follows:

- The monitoring of Projects 7 - 12 is minimal
  - Projects 7-12 have just commenced with the development of the operational frameworks
  - *'fire fighting'* techniques are used to manage other donors
- ◆ The DoL faces the challenge of being able to manage the donors and programmes in a way that minimises the need for *'fire fighting'*

## RECOMMENDATIONS

The following recommendations emerged from the analysis of the findings:

- ◆ To ensure improved and increased DoL capacity to manage and co-ordinate Overseas Development Assistance the following is recommended:
- Increase the number of DoL staff to carry out the programme effectively. This could be achieved by building personnel costs into the implementation budget of the donor funded projects over the next three years, thereafter an assessment can be made on the importance of the post to the programme as a whole; and
  - With the increase in support and professional staff, formal and informal opportunities could be created for skills transfer from technical assists to DoL staff, as well as other opportunities such as short courses or higher education courses appropriate to the project tasks. This will improve the capacity of DoL officials.
- ◆ The DoL is experimenting with a new model of skills development and to maximise the utilisation of technical assistance within the DoL, DoL officials need to develop the capacity to utilise and absorb this assistance. Increased planning could be undertaken collaboratively between the DoL officials and the technical assistants in the determining the:
- The type of technical assistance required;
  - How the assistance will be manifested; and
  - How skills transfer and capacity building of DoL staff will happen.

However, the LMSDP is a new and unique South African strategy for developing skills and therefore the selection of technical assistants with appropriate experience is difficult.

- ◆ The potential high staff turnover across the programme is closely linked to the issue of staff capacity. To ensure continuity, effective implementation and sustainability of the programme, it is imperative that there is a consistent staff cohort through the critical programme cycles. This could be done by including incentives in the performance agreements such as :
- Study awards and grants for DoL staff; and
  - Performance based incentives – study tours, bonuses, paid leave.

- ◆ Greater flexibility of the management and co-ordination structure of the LMSDP is needed to facilitate greater responsiveness to projects and accommodation of the day-to-day management needs of projects.
- ◆ To enhance the understanding of the LMSDP collectively and individually within projects the following is recommended:
  - Reporting on project progress and experiences at the National Skills Strategy Executive Committee should not be limited to reporting on crosscutting issues. A roster could be drawn up where at least two projects per meeting could make presentations on their progress and plans;
  - A forum needs to be established which encourages communication across the projects. This is imperative for effective and efficient resource utilisation, capturing of lessons learnt, sharing work across similar project issues and tasks and monitoring the programme in a holistic way;
  - Improve co-operation between projects; and
  - Put in place guidelines for arbitration between projects.
- ◆ Due to the complexity and scope of the EU funded projects very little time is allocated to non-EU funded projects. The Project Management Unit needs to allocate DoL staff to focus on the non-EU funded projects (Danida, USAID, AUSAID, Royal Netherlands Embassy).
- ◆ To enhance the sustainability of the programme, a well-planned and documented strategy must be developed for the period after 2002.
- ◆ Upgrade PMU to Director level within the DoL structure.
- ◆ Monitoring and evaluation framework should include review of the structure.
- ◆ Sensitively manage the use of donor logos and symbols in public and stakeholder communication.
- ◆ Increase the balance between foreign and local consultants.
- ◆ Build in greater flexibility in financial agreements to facilitate any changes during the implementation phase in recognition of time lags between negotiations and implementation.

## **1 INTRODUCTION**

### *1.1 BACKGROUND TO THE STUDY*

The Department of Finance (DoF), with the support of a range of donors, is developing a Development Co-operation Report to evaluate donor assistance to South Africa from 1994 to 1999. The Development Co-operation Report will offer a guideline for the alignment of future Overseas Development Assistance (ODA) with the South African government's development priorities. As part of this process, an analysis of the Department of Labour's (DoL) strategy, structures and processes for the management and co-ordination of ODA was conducted between 18 April 2000 to 5 May 2000. This report briefly summarises the approach to the study, the findings and recommendations.

Although four of the seven Chief Directorates within the DoL received ODA during the period, the Labour Market Skills Development Programme (LMSDP) implemented by the Employment and Skills Development Services (ESDS) Chief Directorate received the largest proportion of funds. This study is therefore limited to the management and co-ordination of ODA in the implementation of the LMSDP.

### *1.2 APPROACH TO THE STUDY*

The focus of the study is on:

- ◆ The strengths and weaknesses of the LMSDP strategy,
- ◆ The strengths and weaknesses of the LMSDP operational structure;
- ◆ The strengths and weaknesses of the LMSDP implementation process;
- ◆ The identified gaps; and
- ◆ The lessons learned from the process.

#### 1.2.1 Study design

A qualitative approach was used in this study, as the consultants considered it the best way to describe the strategy, structure and processes of the LMSDP. This included face-to-face in-depth interviews, focus group discussions and telephonic interviews. the extent to which the programme would meet the intended objectives.

The following questions were identified as the critical questions for the study:

- ◆ Alignment of ODA with South African government priorities;
- ◆ Increasing South African ownership of ODA;
- ◆ Issues of efficiency;
- ◆ Issues of sustainability; and
- ◆ The role of the International Development Co-operation (IDC) unit in the DoF.

Two assessment instruments were developed around the critical questions and administered (see Appendix 2). In addition relevant documentation was requested and used as supporting evidence (see References).

### 1.2.2 Analysis

Pre-determined categories for data analysis were set at the outset of the study and these were related to the aims of the study. Primary and secondary data were coded according to these categories, which provided the framework for the analysis and findings. The recommendations set out in Section 6 were deducted from this analysis.

### 1.2.3 Sample

**Table 1: Sample Summary**

<b>Stakeholder</b>	<b>Organisation/department</b>	<b>Total sample</b>
International donors	<ol style="list-style-type: none"> <li>1. AUSAID</li> <li>2. DANIDA</li> <li>3. European Union</li> <li>4. Ireland Aid</li> <li>5. Royal Netherlands Embassy</li> <li>6. USAID</li> </ol>	6
Department of Labour	<ol style="list-style-type: none"> <li>1. Chief Director: ESDS</li> <li>2. Programme Manager</li> <li>3. Project Managers/Directors (Focus group)</li> <li>4. Director: Sub-Directorate: Technical Co-operation</li> </ol>	8
Technical Assistants	<ol style="list-style-type: none"> <li>1. Team Leader Project 1</li> <li>2. Team Leader Project 2</li> <li>3. Team Leader Project 3</li> <li>4. Team Leader Project 5</li> <li>5. Team Leader Project 6</li> <li>6. Seconded staff Project 8b</li> </ol>	8
Department of Finance	<ol style="list-style-type: none"> <li>1. International Donor Co-ordination Unit</li> </ol>	1
<b>TOTAL</b>		<b>23</b>

### 1.3 TIMEFRAMES AND FINANCIAL CONTRIBUTIONS

According to the Interim Work Plan the LMSDP has been designed for implementation in three indicative phases described in the table below:

**Table 2: Timeframes for Implementation of LMSDP**

Phases	As indicated in the financing agreement	As revised
Phase 1: Design and capacity building.	1997-1998	1999
Phase 2: Capacity building and start of piloting.	1998-1999	2000
Phase 3: Piloting and evaluation	1999-2000	2001

Currently the DoL has requested a four-year extension from the EU for completion in November 2002.

The EU has committed 46 million Euro for a period of three years, a broad breakdown of the EU contribution is:

- ◆ 30 million Euro to the DoL (work plan funds);
- ◆ 13 728 220 Euro to consulting companies (tendered); and
- ◆ 2 271 780 Euro for contingency.

To date only R3 million of the allocated R180 million (30 million Euro) have been spent by the DoL.

The table below summarises the estimated EU budget for the LMSDP.

**Table 3: Estimated EU Budget for six LMSDP Projects**

PROJECT BUDGET	ESTIMATED BUDGET in R				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
Project 1: Institutional and management capacity of ESDS Chief Directorate to implement the LMSDP established	2 904 363	9 122 900	7 357 200	1 351 300	20 735 763
Project 2: Capacity for strategic decision-making in the labour market with a view to improvements in skills development, job opportunities and economic performance enhanced.	551 000	4 764 266	3 351 653	1 188 623	9 855 542
Project 3: A national system of learnerships, skills programmes and the Education and Training Quality Assurance functions of Sector Education and Training Authorities established.	4 593 000	22 268 000	3 817 000	0	30 678 000

Project 4: A system and methodology for firm-based skills development planning and implementation, linked to the grant system, to promote a new commitment to training within firms established.	327 455	6 605 000	11 577 545	370 000	18 880 000
Project 5: Institutional capacity developed of and effective stakeholder participation in SETAs and NSA is achieved across each economic sector and nationally.	403 100	10 451 650	8 704 825	5 056 950	24 616 525
Project 6: Effective and efficient funding mechanism for the LMSDP developed and implemented.	6 628 891	44 810 109	23 795 170	0	75 234 170
<b>Total</b>	<b>15 407 809</b>	<b>98 021 925</b>	<b>58 603 393</b>	<b>7 966 873</b>	<b>180 000 000</b>
Consulting Company Funds					82 369 320
Contingency					13 630 680
<b>Grand Total</b>	<b>15 407 809</b>	<b>98 021 925</b>	<b>58 603 393</b>	<b>7 966 873</b>	<b>276 000 000</b>

\* Calculated at an exchange rate: ECU 1.00 = R6.00

In terms of the projected quarterly expenses, a total of R1 345 570 was projected for the first three-quarters of year one and R14 062 239 for the last quarter. As discussed to date a total of R3 million of the R180 million has been expended. At the time of writing, this leaves R12 407 809 to be spent in the next six weeks.

#### 1.4 ACHIEVEMENTS AND CHALLENGES

The achievements of the Labour Market Skills Development Programme to date are:

- ◆ Establishment of a Programme Management Unit;
- ◆ Establishment of a financial and management system of donor funds based on the DoL Basic Accounting System;
- ◆ Establishment of the National Skills Authority;
- ◆ Establishment of 25 Sectoral Education and Training Authorities;
- ◆ Technical assistance to the roll-out and implementation of the LMSDP
- ◆ Securing adequate funding for the implementation of the programme over the four years
- ◆ Establishment of the National Skills Fund and co-operation with the South African Revenue Service in setting up the levy collection and grant disbursement system;
- ◆ Establishment of the Skills Development Planning Unit;
- ◆ The commencement of restructuring of INDLELA;
- ◆ Successful launch of the LMSDP;
- ◆ Conceptualisation, design and implementation of five out of six projects.
- ◆ Production of draft performance agreements for the ESDS Chief Directorate;

- ◆ Finalisation of log frames covering the five EU funded projects as well as three of the remaining six projects supported by other donors;
- ◆ Production of a draft monitoring and evaluation framework;
- ◆ Setting up and implementing pilot projects in field; and
- ◆ Finalising agreement with contracting agents for Project 4.

Despite the achievements in the two years leading up to the implementation of the LMSDP and the eleven months of implementation, the DoL and the donors faced many challenges in the implementation of the LMSDP. These include:

- ◆ Centralised bureaucracy of the European Union reduces efficient and responsive decision making;
- ◆ Inadequate capacity. This is reflected both in quantity and quality. The main challenges for the Chief Directorate in this regard are:
  - High staff turnover – although positive in that individual staff can secure more lucrative positions within the market place, the high staff turnover is detrimental to the implementation of the projects within the LMSDP;
  - Insufficient staff to carry out the support function;
  - Insufficient staff to carry out the complex tasks of the LMSDP ; and
  - Approximately 40% of staff are appropriately skilled in the implementation of the projects.

The above could result in:

- Retardation in the progress of projects
  - No continuity in the implementation processes
  - The time lapse to get new staff orientated to the programme
  - Collectively the above could jeopardise the attainment of the outcomes and impacts.
- ◆ LMSDP management system and structure not completely aligned to DoL structure;
  - ◆ As the practice of Technical Assistance is new within the DoL, officials have minimal capacity to effectively and efficiently utilise and absorb technical assistants into project activities and tasks. The DoL also faces the challenge of utilising the technical assistance in a way that ensures the outputs and impacts of the LogFrame are achieved within the specified time period.
  - ◆ Another challenge faced by the DoL is the appropriate and effective transfer of skills from the technical assistants to DoL officials. With the already extensive and intensive workload, and inadequate number of staff to execute tasks, skills transfer is an additional challenge. The technical assistants are currently perceived as an '*extra pair of hands*' supplementing the current staff capacity. The result of this situation is twofold:
    - Technical assistants are taking the lead and facilitating processes, with DoL staff engaging, commenting and participating when they can; and
    - Minimal skills transfer.

- ◆ The main challenge in the LogFrame approach in project design and project management is that project staff (DoL officials and technical assistants) are forced to summarise complex ideas and relationships into simple phrases, which may have little meaning. The challenge to the DoL is the inclusion of events and activities unrelated to the main outputs but critical to project implementation. A further challenge is how environmental changes are accommodated within the current LogFrame;
- ◆ Another major challenge to the DoL is in the spending of funds allocated to the LMSP. With the limited technical, human resource and absorptive capacity of the DoL, utilising the committed funds in an effective, efficient and accountable manner is challenging;
- ◆ Related to the expenditure of financial resources is the timeframe for the rollout of the programme. Considering the developmental nature of the LMSP and the human resource capacity issue, the timeframe for implementation is too ambitious;
- ◆ The DoL must deal with the absence of a documented exit strategy. The LogFrame currently focuses on the rollout and implementation of the programme over the next three years. There is minimal evidence of a sustainability plan for beyond the technical and financial support of the donors.
- ◆ The current project management structure does not facilitate discussions across the projects. Apart from the crosscutting themes, there is an increasing perception among the technical assistants and the DoL officials that there is insufficient formal or informal communication across projects.
- ◆ Currently the DoL is servicing and managing the EU programme to the exclusion of other donors. The direct result of this is as follows:
  - The monitoring of projects, 7-12 is minimal
  - Projects 7-12 have just commenced with the development of the operational frameworks
  - 'fire fighting' techniques are used to manage other donors
- ◆ The DoL faces the challenge of being able to manage the donors and their programmes with a minimum of 'fire fighting'

## 2 PRIORITIES OF DEPARTMENT OF LABOUR

### 2.1 POLICY AND LEGISLATION

The DoL has identified a number of major problems in the labour market. These include: high levels of unemployment; low rates of employment creation; widespread poverty among low wage earners; inequality based on race and gender; inadequate protection for some low-wage earners; low levels of education; skills and investment in training and an adversarial labour relations. Between 1994 and 1999 the DoL started developing policies and legislation to address these problems within the national vision of the first democratically elected government.

This vision was to achieve democracy, full employment, equity, social justice, economic growth and international competitiveness. The objectives of the policies are to:

- ◆ Create an enabling environment for economic growth, social development, increased efficiency, productivity and employment;
- ◆ Promote stable and sound labour relations;
- ◆ Enhance the development of skills;
- ◆ Eliminate discrimination and inequalities in the labour market; and
- ◆ Improve working conditions and social security benefits.

According to the DoL its approach to policy formulation and legislation is to:

‘Forge a middle route between the extremes advocated by those in favour of unqualified labour market flexibility or deregulation of the labour market, and those advocating a more rigorous regulation of the labour market.’<sup>1</sup>

During the period 1994 to 1999, six key Acts were promulgated. These are:

- ◆ NEDLAC Act;
- ◆ Labour Relations Act;
- ◆ Basic Conditions of Employment Act;
- ◆ Employment Equity Act;
- ◆ Skills Development Act (SDA); and
- ◆ Skills Development Levies Act (SDLA).

The NEDLAC Act established the National Economic Development and Labour Council (NEDLAC), which provides a consultative structure for negotiation with social partners around labour market policies and legislation. The Labour Relations Act provides for a stable labour relations environment through simplifying dispute resolution procedures, promoting sectoral collective bargaining and codified dismissal procedures. In addition, it enhances the rights of trade unions as per the Constitution. The Basic Conditions of Employment Act improves the conditions of the most vulnerable workers such as domestic workers. The Employment Equity Act seeks to eliminate unfair discrimination in employment and promotes affirmative action to redress past imbalances. The SDA and the SDLA aim to improve the education and skills levels of the workforce.

In 1999 the Ministry of Labour published its priorities for the next term of government. The 15 priorities are as follows:

- ◆ Achieving the balance between efficiency and protection;
- ◆ Employment creation;
- ◆ Implementation of the Presidential Jobs Summit Agreements;
- ◆ Training to enhance the skills of the labour force;
- ◆ Employment equity;

---

<sup>1</sup> Ministry of Labour, *Fifteen Point Programme of Action: 1999-2000*.

- ◆ Protection of vulnerable workers;
- ◆ An adequate social safety net;
- ◆ Occupational health and safety;
- ◆ Promoting stable labour relations;
- ◆ Promoting productivity;
- ◆ Building social partnerships and statutory bodies;
- ◆ International obligations;
- ◆ Monitoring and evaluating impact and effectiveness of new laws;
- ◆ Implementation of our legislative programme through institutional restructuring;
- ◆ Legislative amendments.

In 1999 all DoL Chief Directorates were responsible for contributing to the achievement of all fifteen points (see Figure 1: DoL Structure). However, this strategy was reviewed and individual Chief Directorates were each responsible for the achievement of specific priorities. The Employment and Skills Development Services (ESDS) Chief Directorate is now responsible for the achievement of priority 4 (Training to enhance the skills of the labour force) and priority 15: (Legislative amendments). This is achieved largely through the Labour Market Skills Development Programme (LMSDP) within the ESDS Chief Directorate. The broad purpose of the programme is to ensure that the SDA and the SDLA are implemented.

## *2.2 OVERSEAS DEVELOPMENT ASSISTANCE*

Between 1994 and 1999 the DoL has received ODA from over a dozen of international donors. The ODA was in the form of:

- ◆ Grants (direct budget contribution – the largest amount);
- ◆ Technical assistance (second largest contribution) ;
- ◆ Study tours; and
- ◆ Equipment (smallest contribution).

Four of the seven DoL Chief Directorates received ODA to date. Table 4 describes the broad purpose of ODA to these Chief Directorates.

**Table 4: ODA to Chief Directorates in the DoL**

<b>CHIEF DIRECTORATE</b>	<b>PURPOSE</b>
1. Employment and Skills Development Services	Establishment and implementation of the Labour Market Skills Development Programme to support skills development.
2. Occupational Health and Safety	Elimination of child labour.
3. Labour Market Policy	Build capacity in labour market information and statistics.
4. Labour Relations	Support with the implementation of Employment Equity Act.

In addition, the Commission for Conciliation Mediation and Arbitration (CCMA) and NEDLAC received ODA, also co-ordinated by the DoL, as these bodies have no authority to enter international agreements.

The Sub-Directorate: Technical Co-operation in the International Relations Directorate was established in 1997 to co-ordinate ODA on behalf of the DoL. The functions of the Sub-Directorate include:

- ◆ developing policy and guidelines on ODA,
- ◆ co-ordinating technical assistance,
- ◆ advising senior management and the Minister,
- ◆ assisting the DoL to access ODA,
- ◆ monitoring the implementation and assessing the sustainability of projects,
- ◆ supporting the DoL with planning projects.

Between 1997 and 1999 this Sub-Directorate co-ordinated all ODA in the department. However due to a lack of staff capacity in the Sub-Directorate (one person), the Technical Co-operation Co-ordinating Committee was established in January 2000 to support the Sub-Directorate's work. The committee meets monthly and comprises representatives from all the Chief Directorates. It reports to the Director General. The meetings provide for a forum to share information, discuss issues, ensure no duplication of projects and that all ODA furthers the policy goals of the DoL.

The Sub-Directorate: Technical Co-operation has established guidelines on co-ordination, accessing and management of technical assistance and co-operation. The purpose of these guidelines is to prevent commonly experienced problems where there is a lack of clear policies and guidelines, such as:

- ◆ Fragmented and uncoordinated donor funding of labour projects can lead to duplication and conflicting labour policies;
- ◆ Technical assistance offered may not address priority issues, thus diverting the assistance away from real needs;
- ◆ Conditions attached may have negative effects on the economy of the recipient country; and
- ◆ Capital projects are undertaken without ensuring that the government has necessary resources to fund recurrent costs.

The DoL guidelines cover functions of the Technical Co-operation Sub-Directorate, principles for accepting technical assistance and co-operation, procedures for accessing ODA, financial management, financial accountability, legal and financial support services and monitoring and evaluation. The document further outlines relationships and technical assistance to other African countries and particularly Southern African Development Co-operation countries.

The guiding principles for accepting technical assistance and co-operation include:

- ◆ Technical assistance offered should be in line with broad government policies;
- ◆ It should develop South African capacity and not create dependency;

- ◆ Technical assistance, which has recurrent cost implications for government must be evaluated to ensure that the necessary financial resources are available to sustain such projects/programmes in the long term;
- ◆ The acceptance of international technical assistance must be in accordance with the fiscal and financial prerequisites in South Africa; and
- ◆ Technical co-operation between South Africa and the donor country should be on equal terms.

The Director of Technical Co-operation further stressed the following policy guideline:

‘Our guidelines in terms of seeking international assistance is based on our understanding that that particular country can offer international best practices as far as that area is concerned. So we don’t just accept assistance from any government because they are there to offer us money. We really try and check that in terms of labour market policy issues. Do they really offer what we can learn from them?’

‘Our philosophy is that donors do not tell us what our priorities are. We actually tell donors what our priorities are.’

The strengths of the DoL’s ODA management include:

- ◆ A clear set of guidelines for ODA are in place; and
- ◆ Co-ordinating committee in place to monitor ODA across Chief Directorates.

The weaknesses include:

- ◆ Understaffed to manage and co-ordinate ODA effectively;
- ◆ No active participation in the development of models and structures to manage and co-ordinate ODA in Chief Directorates;
- ◆ No support to Chief Directorates in planning and implementation of ODA; and
- ◆ No overall monitoring and evaluation strategy for the ministry

According to the Director of Technical Co-operation, the DoL has gained valuable experience in working with donors and understanding their requirements, processes and procedures over the last few years. This experience has enhanced their international relationship building.

### **3 LMSDP STRATEGY**

According to the DoL only 20% (3 million) of South Africa’s economically active population is skilled or highly skilled, while about 80% (12 million) is semi-skilled, unskilled or unemployed. South Africa’s skills profile also compares poorly with other middle income countries. For example, South Africa has about 4% professionals in its labour force, compared to about 8% for other middle income countries.

The Skills Development Strategy (SDS) aims to address these problems by improving the standard of living and reducing poverty among targeted workers and the unemployed. This will be achieved through increased employment and the establishment of sustainable small, medium and micro-enterprises (SMMEs). The implementation of SDS will occur in two phases. The first phase will focus on the design of the learnerships, skills programmes and plans for skills development and the establishment of the institutions, systems and funding. The LMSDP will implement this three-year phase. Piloting and actual skills training of target groups will occur concurrently. The second phase is implementation on scale, which commences towards the end of 2002.

The ESDS Chief Directorate will implement the first phase of the SDS through the LMSDP. The Minister of Labour and the Ambassador of the European Union launched the programme on 7 October 1999. It aims to establish a comprehensive system for skills development and training in South Africa and will enable the DoL to realise its skills development policies and legislation, namely SDA and SDLA.

The SDA and SDLA passed by Parliament at the end of 1998 and beginning of 1999 aimed to address the skewed skills profile of South Africa.

According to the DoL the SDA seeks to:

‘Establish a high quality workplace education and training system that is cost-effective and accountable, meets training needs and which complements employment and economic growth’<sup>2</sup>

The SDA provides for:

- ◆ A research and strategic planning unit to gather and disseminate information on labour market skills trends and promote planning for the prioritisation of skills development;
- ◆ Employment services which promote people’s active participation in the labour market;
- ◆ Learnerships and other training programmes which will result in registered qualifications signifying work readiness responsive to the needs of the labour market; and
- ◆ Co-ordination of the skills development strategy through Sector Education Training Authorities working with the National Skills Authority and the Minister of Labour.
- ◆ SETAs to co-ordinate and manage the financing of skills development through a levy grant of one percent of payroll.

The SDLA aims to promote:

‘Increased investments by firms in skills development and to ensure funds are available for national skills priorities.’<sup>3</sup>

---

<sup>2</sup> Ibid.

The purpose of the LMSDP is: More trainees employed with increased relevant knowledge and competence after completing training through an Integrated Skills Development System.

The target beneficiaries of the LMSDP are:

- ◆ Unemployed youth and school-leavers;
- ◆ Women;
- ◆ Workers in danger of being or already have been retrenched;
- ◆ People with disabilities;
- ◆ People with little, outdated or no education or formal training;
- ◆ South African companies and SMME entrepreneurs;
- ◆ DoL represented by the ESDS Chief Directorate;
- ◆ NSA; and
- ◆ SETAs.

The ESDS Chief Directorate has adopted the LMSDP as its operational strategy for the next five years with its outputs structured according to twelve projects within the programme. In so doing, it has linked its performance agreements to the results of the individual projects.

Performance agreements for the ESDS Chief Directorate are in the process of being finalised and consist of five-year objectives. These objectives are:

1. Skills Development Strategy infused into government's human resources development strategy;
2. Skills development strategy and policy aligned to South African Qualifications Authority (SAQA), Further Education and Training (FET) and Higher Education (HE);
3. Provision of relevant analysis to enable provinces, SETAs and NSA to strategically align skills plans to industry and social development skills demands;
4. Efficient and effective financial management of subsidies from the NSF and accountable collection and disbursement of levies by NSA/SETAs;
5. Integrated employment services at Provincial Offices and Labour Centres;
6. Effective functioning of the NSA and SETAs ;
7. Increased access to and relevance of work-based qualifications/learning supported and assessed by restructured agency; and
8. Effective and efficient management of the Chief Directorate.

The different projects in the LMSDP will achieve these five-year strategic objectives:

- ◆ Objectives 1 and 2 are the responsibility of the Chief Director.
- ◆ Objective 3 will be achieved through projects 2, 4 and 11.
- ◆ Objective 4 will be achieved through project 6.

---

3 Ibid.

- ◆ Objective 5 will emerge through projects 8 and 9,
- ◆ Objective 6 through project 5,
- ◆ Objective 7 through projects 3,7 and 12 and
- ◆ Objective 8 through project 1.

Table 5 summarises the expected outcomes for the projects and their links to five-year strategic objectives.

**Table 5: Project Expected Project Outcomes and Strategic Objectives<sup>4</sup>**

Project	Expected outcomes	Five year strategic objectives
Project 1	Capacity of DoL developed and the PMU	8
Project 2	Information systems for strategic planning developed and operationalised.	3
Project 3	National learnership programme designed and implemented.	7
Project 4	National In-Service training system developed and implemented.	3
Project 5	Institutional capacity development for stakeholders established.	4
Project 6	National funding system established.	6
Project 7	Education and Training Quality Assurers (ETQA) supported.	7
Project 8	Provincial implementation (Youth, Spatial Development Initiatives and Social Plan).	5
Project 9	Effective public/private partnerships established for the effective delivery of ESDS through regulatory framework.	5
Project 10	SDS capacity building framework and programme established.	8
Project 11	Designated groups.	3
Project 12	Restructuring of Indlela.	7

Several important issues that cut across projects have been identified. A 'Lead Project' takes responsibility to co-ordinate each crosscutting issue. The crosscutting issues are:

1. Policies and strategies;
2. SETAs established and operationing;
3. Provincial implementation;
4. Marketing;
5. Capacity building;
6. Project management;
7. Funding mechanism developed;
8. Inter-governmental department co-ordination;
9. SAQA; and
10. Designated groups.

<sup>4</sup> National Skills Strategy Steering Committee: Report No. 1 – 1 June 1999 to 21 October 1999, Department of Labour, 22 October 1999

Primarily the EU (see Table 3) funds the first six projects, the DoL and other international donors fund the remaining projects. Negotiations with USAID are in progress for supporting some of the projects. Table 6 summarises the funding of Projects by donors.

**Table 6: Project Funding by Donors**

PROJECT	DONORS
Project 1	EU
Project 2	EU and USAID (in negotiation)
Project 3	EU and German Technical Co-operation (GTZ)
Project 4	EU
Project 5	EU and GTZ
Project 6	EU
Project 7	
Project 8	DANIDA
Project 9	Negotiating with Norway
Project 10	GTZ, Ireland Aid, AusAid, USAID (in negotiation)
Project 11	Royal Netherlands Embassy
Project 12	AusAid and Korea

Individual project results enable the project to achieve its overall objective. These results that facilitate the achievement of the overall LMSDP objective. This 'nested' approach enables careful monitoring of activities and in evaluating the impact of the Programme. Furthermore, the coding all objectives and crosscutting issues enable efficient monitoring of the Programme. Donors support this leadership role of the DoL in structuring the outcomes of projects and the overall Programme.

### 3.1 PRIORITIES

The SDS and its first phase the LMSDP are in line with the South African government's priorities of alleviation of poverty, economic growth, global competitiveness and redress. Although the LMSDP strategy is only a three-year programme it enables the DoL to transform skills development into an integrated national system within structures, processes and systems.

A broad programme strategy and supporting projects is important in helping to achieve broad government priorities and the implementation of policies. Without a programme strategy, these discrete projects may not have the necessary scaffolding to achieve broad priorities and policy goals of both the DoL and the South African government.

According to the ESDS Chief Director during the policy process phase the DoL was already thinking of an implementation strategy. Although the LMSDP was launched

in October 1999, it was conceived in 1997 and its strategy evolved in conjunction with the policy process and the drafting of legislation.

Linking the ESDS Chief Directorate's performance agreements to the results of the overall programme and individual projects further ensures that the LMSDP is a vehicle to achieve Priority 4 of the DoL.

All the donors interviewed agreed that the priorities identified by the LMSDP aligned to their priorities and in particular the LMSDP would contribute positively to the alleviation of poverty. According to USAID, their concept paper on the South African Labour Market identified the same priorities and a similar strategy to deal with the problems. The LMSDP strategy has given USAID confidence to support the initiative because the strategy will provide 'a good return on investment'. AusAid said that it would continue to provide technical assistance to the LMSP because of the similarity between the Australian skills development strategy and the LMSDP.

However, as the negotiations between the EU and the DoL took two years, the details of the original log frames require amendments because of the changes that occurred during that period.

### *3.2 OWNERSHIP*

The EU largely funds the implementation of LMSDP; the strategy of which was developed by the DoL and driven by 'policy imperatives'. Technical assistants helped with the policy development process. However, the request for the major funding was based on established policies that ensured South African ownership and facilitated greater donor co-ordination. Having policies in place further enabled the department to prioritise projects for donor funding, articulate its needs and take a stronger leadership role during negotiations and drafting of financial agreements.

According to all donors, DoL has the responsibility for ensuring ownership of ODA. There was consensus that the DoL played an active and leadership role in identifying priorities and projects in negotiating agreements.

The DoL responsibility to and ownership of the LMSDP are demonstrated by linking the performance agreements of the ESDS Chief Directorate to the results of the LMSDP. Ownership by the DoL is further demonstrated by the ESDS Chief Directorate on its responsibility for the allocation of funds to projects within the programme.

### *3.3 MANAGEMENT/CO-ORDINATION MODEL*

A comprehensive policy driven strategy such as the LMSDP ensures that ODA from a variety of sources is maximised and aimed at achieving broad priorities instead of project specific priorities. With a strategy, the DoL is in a stronger position to manage and monitor its needs, its budgets and the use of ODA to

supplement its Parliamentary approved budgetary shortfalls. This further enables the DoL to work towards fully funding all its functions.

### 3.4 SUSTAINABILITY

The LMSDP is a strategy to put in place an integrated national skills development system sustained by the skills development levies. According to the ESDS Chief Director, this was a major consideration in the negotiations with the EU. However, it is important to note that according to the DoF, sustainability is not limited to financial sustainability. Capacity building and skills transfer are equally important and should be part of all donor programmes. Capacity building is an output/result across all twelve projects in the LMSDP. It is also not limited to the DoL staff but includes its social partners, in particular the intermediary agencies such as the SETAs and provincial departments of labour. Capacity building has been identified as the fifth crosscutting issue. This issue is co-ordinated by Project 10, which is now managed by Project 1, the Programme Management Unit (PMU).

### 3.5 SYNOPSIS

**Table 7: Analysis of Programme Strategy**

AREA	STRENGTHS	WEAKNESSES	LESSONS LEARNED
Priorities of the LMSDP strategy	<ul style="list-style-type: none"> <li>◆ LMSDP is policy driven.</li> <li>◆ Implementation strategy was developed simultaneously with policy.</li> <li>◆ Directly linked to DoL 15 Point Priorities.</li> <li>◆ Clearly defined objectives.</li> <li>◆ Draft Monitoring and Evaluation Framework produced.</li> <li>◆ Directly linked to performance agreements.</li> </ul>	<ul style="list-style-type: none"> <li>◆ The lag between log frame development and implementation reduces flexibility in responding to changing priorities.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Policy processes and implementation strategy should not be separated.</li> </ul>
Ownership of the LMSDP strategy	<ul style="list-style-type: none"> <li>◆ DoL conception.</li> <li>◆ Directly linked to performance agreements.</li> </ul>		
Management/co-ordination of the LMSDP strategy:	<ul style="list-style-type: none"> <li>◆ A single programme.</li> <li>◆ All donors support a single programme.</li> <li>◆ Co-ordination through crosscutting issues.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Understaffed to effectively carry out the programme.</li> <li>◆ No clear exit strategy in place for donor funded projects.</li> </ul>	
Sustainability of the LMSDP strategy:	<ul style="list-style-type: none"> <li>◆ Skills development levies.</li> <li>◆ Systematic building of capacity of DoL and intermediary agencies.</li> </ul>	<ul style="list-style-type: none"> <li>◆ No clear strategy to address staff turnover.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Enabling policy environment.</li> <li>◆ Support by stakeholders.</li> </ul>

## 4 LMSDP IMPLEMENTATION STRUCTURE

The LMSDP is a programme of the ESDS Chief Directorate within the DoL and is also a strategy for achieving its strategic objectives. The programme will affect the transformation of a national skills training system. The implementation as discussed is funded jointly by international donors and the DoL through its parliamentary allocation. However, donor funding is substantial. To successfully manage the needs of, and co-ordination required by donors, stakeholders and the DoL, the LMSDP have established a unique implementation structure. However, in terms of the DoL reporting requirements the ESDS Chief Directorate has a parallel structure. These two structures describe the same human resources within the Chief Directorate.

The ESDS Chief Directorate was restructured to 'steer the Skills Development Strategy' Table 8 shows this:

**Table 8: ESDS Structure in terms of the LMSDP**

DIRECTORATE	PROJECT/S
Programme Management Unit	1
Skills Development Planning Unit	2 and 4
Skills Development Fund	6
Employment Services	8,9 and 11
National Skills Authority	5
Indlela	3 and 7

The table below describes the responsibilities of the different directorates in terms of the LMSDP projects

**Table 9: Management Roles and Responsibilities**

Structure	Role/purpose	Composition	Frequency of meetings
Minister of Labour	Final policy decision.		
National Skills Authority (NSA)	Advises the Minister on policy decisions.	Chair is appointed by the Minister and the NSA consists of: <ul style="list-style-type: none"> <li>◆ Organised business;</li> <li>◆ Labour;</li> <li>◆ Community;</li> <li>◆ Government; and</li> <li>◆ National providers.</li> </ul>	Quarterly
National Skills Strategy	Oversees the implementation of the LMSDP and ensures	Chaired by the Deputy Director-General and consists	Quarterly (one month before

Steering Committee (NSSS)	the effective co-ordination of all skills development projects with stakeholder participation.	of: <ul style="list-style-type: none"> <li>◆ NSA representatives;</li> <li>◆ DoL representatives;</li> <li>◆ Project managers;</li> <li>◆ Donor representative.</li> </ul>	NSA meeting).
<b>Structure</b>	<b>Role/purpose</b>	<b>Composition</b>	<b>Frequency of meetings</b>
National Skills Strategy Executive Committee (NSSE)	Manages the implementation of the LMSDP and other projects and report to the NSSS. Forum to establish linkages across projects and manage linkages and problems.	Chaired by the Chief Director: ESDS and consists of: <ul style="list-style-type: none"> <li>◆ Project managers and supporting staff; and</li> <li>◆ Team leaders.</li> </ul>	Monthly
EU Executive Committee	To ensure the effective management and co-ordination of the 6 EU funded projects within the LMSDP.	Consists of the PMU management team	Weekly
Programme Management Unit	<ul style="list-style-type: none"> <li>◆ Co-ordinate administration of all projects and ensure the implementation of the LMSDP by other projects. Ensure they conform to agreed critical path and achieve the set OVI's.</li> <li>◆ Overall co-ordination and preparation of work plans, work plan monitoring and reporting.</li> <li>◆ Administrative authority over projects.</li> <li>◆ Ensures learning outcomes from individual projects integrated into agreed, integrated learning framework.</li> </ul>	Headed by SA Programme Manager and EU counterpart.	
Project Steering Committee (PSC)	Oversees the implementation of the project and ensures the effective steering of a project.	Chaired by Project Manager and consists of: <ul style="list-style-type: none"> <li>◆ Team Leader;</li> <li>◆ NSA representatives;</li> <li>◆ SETA managers; and</li> <li>◆ DoL staff.</li> </ul>	Monthly
Project Manager's Committee (PMC)	To ensure the effective day-to-day management of the project.	Chaired by the Chief Director and consists of: <ul style="list-style-type: none"> <li>◆ Project manager and supporting staff; and</li> <li>◆ Relevant consultants.</li> </ul>	Weekly

Directors of each Directorate under which the project falls (as described in Table 8) are the Project managers. Where a Directorate manages more than one project, the Deputy Directors act as project managers. Team leaders are the long-term consultants from the contracting company or consortium.

There are several working groups within projects for effective management of a sub-project. Their function is to:

- ◆ Develop operational work plans;
- ◆ Motivate all changes to work plans;
- ◆ Ensure effective financial management in sub-projects;
- ◆ Conduct research, development work and draft proposals; and
- ◆ Report on a monthly basis.

The working groups meet as required.

Table 11 describes the responsibilities of the different levels of the LMSDP management:

**Table 11: Levels of Authority in the LMSDP Structure**

<b>LEVEL</b>	<b>RESPONSIBILITY</b>
NSSS	<ul style="list-style-type: none"> <li>◆ Co-ordination;</li> <li>◆ Advising;</li> <li>◆ Decision making;</li> <li>◆ Ensuring inputs from stakeholders; and</li> <li>◆ Ensuring participation of donors.</li> </ul>
NSSE	Decision making authority.
EU Executive Committee	Operational decision making.
PSC	<ul style="list-style-type: none"> <li>◆ A representative stakeholder authority; and</li> <li>◆ Make policy recommendation.</li> </ul>
PMC	Take full responsibility of the management and co-ordination of a project.
Working Group	Make recommendations.

The PMU plays a crucial role in donor co-ordination through the co-ordination of the administration, financial and capacity building for all projects under the LMSDP. Its functions include:

- ◆ Co-ordinate administration of all projects and ensure the implementation of the LMSDP by other projects. Ensure they conform to agreed critical path and achieve the set OVIs;
- ◆ Overall co-ordination and preparation of work plans, work plan monitoring and reporting;
- ◆ Administrative authority over projects;

- ◆ Co-ordinate financial, provisioning and personnel administration in the ESDS Chief Directorate; and
- ◆ Ensures individual learning outcomes from individual projects integrated into agreed, integrated learning framework.

#### 4.1 PRIORITIES

The management structure established for the LMSDP ensures maximum stakeholder participation at all levels of the programme and co-ordination within the project. Stakeholders are represented at the programme level through the NSSS and at project level through the PSC. Their key role is to implement programme strategy. Co-ordination within the programme ensures that the individual projects support the overall objective of the programme, and that they further the strategic objectives of the Chief Directorate. The NSSE, PMC and EU Executive Committee achieve this co-ordination.

The administration, financial and reporting tasks within and across projects, within Directorates, within the programme and across the DoL are huge and very demanding. The PMU is responsible for these reporting tasks. It is important to note that the PMU has no authority to make policy.

Although the LMSDP structure enables the DoL to maximise stakeholder participation, the process requires a great deal of administration, co-ordination and time. For Team Leaders and Project Managers responsible for the day-to-day management and implementation of projects, this process is lengthy and unrelated to their immediate priorities. If one meeting is missed then decisions affecting projects are delayed for up to five months. This tension according to the Chief Director enables the LMSDP to work as a single strategy 'rather than disparate set of projects' and focuses on 'system change rather than *ad hoc* projects'.

The reporting at NSSE meetings is conducted primarily through the crosscutting issues which is considered useful for co-ordination. However this method of reporting does not allow for understanding the progress made within individual projects and sharing experiences across projects. According to some Team Leaders, it also does not successfully facilitate co-operation between projects. Individual project Team Leaders and Project Managers are responsible for taking the initiative to co-operate.

The NSSE does not provide a mechanism to arbitrate difference between projects. A mechanism for arbitration across projects is necessary because all projects support a single strategy. The EU funded projects' Team Leaders meet weekly through the EU Executive Committee, however there is no overall manager or Team Leader for this process.

Participation in PSCs have been varied across projects, which impacts on representation and provision of strategic input and support to projects. According to some Team Leaders and Project Managers, the capacity of PSCs has been limited and very often PSC meetings are more information sharing than strategic. For one

Team Leader, the role of the PSC should be limited to the inception phase where it plays a significant role in steering the results of the project.

The success of the LMSDP according to both the DoL and donors is in managing donor co-ordination and ensuring that all donor support supports a single strategy. The NSSS provides a 'transparent' forum for donors to meet and understand their contribution to the programme. Some donors noted that stakeholder participation requires time and very often this time is not built into project timeframes.

The Technical Assistant from the DoF raised concerns that the NSSS meetings are more information sharing meetings for donors than a strategic steering meeting. The Chief Director has corrected this by urging participants to read documentation before meetings so that meeting time can be used for debate and strategising.

A PMC member described the structure as:

'It's a bit bureaucratic. On the other hand the strength is its political expediency because once things have been decided, policy issues and recommendations are made at the different layers then we already have political and social ownership of those decisions. So we don't get to the end of the project and find that our stakeholders reject the policy ideas. So already from inception we have this political approval, which is the greatest advantage. But in terms of the reporting lines and getting things done, I think it impedes progress because you have to go through layers of reporting and getting approval for whatever needs to be done.'

#### *4.2 OWNERSHIP*

The LMSDP structure encourages and facilitates stakeholder ownership of the programme. The decision-making authority given to stakeholders at NSSSC and representative authority of PSCs demonstrate this. Although this is crucial for system change, it also creates tension between DoL imperatives and those of stakeholders.

According to the PMC, the structure enabled donor co-ordination in a way that ensured DoL ownership of the programme:

'We managed to keep the donors out of policy decision making process, they do get involved indirectly but the policy ownership is retained locally especially between the department and their social partners.'

#### *4.3 MANAGEMENT AND CO-ORDINATION*

The management structure requires huge administration effort. According to the PMU Programme Manager they are in the process of streamlining the administration to reduce effort especially in reporting:

'A principle we have is that when a project member has written something once its done. It's been written and we don't duplicate.'

The LMSDP has requested permission from the office of the Accountant General in the DoF and the DoL to use one way of financial reporting to all donors and the DoL. This is a unique initiative and will reduce the burden of financial reporting and increase efficiency.

Although the PMU has administrative authority over all projects, its position within the DoL structure is precarious. The Programme Manager is employed at Deputy Director level, which undermines her administrative authority over projects.

For projects outside the EU Executive Committee, the establishment of the PMU has enhanced sharing of information and financial management. Before its establishment, they felt 'forgotten'.

Ireland Aid had committed technical assistance and a grant for Project 10 for the 1998 financial year. By July 1999 the funds were not used and were transferred to GTZ for management and only spent in February 2000. Although the management of funds by GTZ provided the DoL with flexibility in accessing the funds, Ireland Aid would prefer management by the government system than a third party.

In the pilot Project 8b funded by Royal Netherlands Embassy, access to funds was difficult because of the DoL's procurement policy. Both the donor and the technical assistants have emphasised the importance of financial flexibility in a pilot project.

#### *4.4 SUSTAINABILITY*

Team Leaders contracts did not allocate time for management and related administration, which has affected their technical work.

The PMU is not sustainable within the DoL structure because being in the DoL undermines its administration authority. It is currently functioning because of the way it evolved, where the current Programme Manager was previously responsible for donor co-ordination and continues this in the PMU:

'There could be incredible tension, and that's why this situation is fine because of a set of individuals and could go very, very wrong in another situation.'

The PMU has 19 staff, of which less than a third is professional, which makes it difficult to carry out management responsibilities effectively. A major concern is lack of financial management capacity, which will be very demanding as the project implementation begins and spending of funds dramatically increases. This lack of professional staff further undermines the PMU's capacity to mobilise and absorb new funding. The Chief Director is currently managing and conducting the new USAID funding negotiations. Furthermore the PMU is responsible for managing over eleven hundred consulting months for the duration of the EU funded projects.

Although the ESDS Chief Directorate has restructured, using a project management work style, DoL structures are not as flexible.

4.5 SYNOPSIS

**Table12: Analysis of Programme Structure**

AREA	STRENGTHS	WEAKNESSES	GAPS	LESSONS LEARNED
Priorities of LMSDP structure:	<ul style="list-style-type: none"> <li>◆ Structure supports and maximises stakeholder participation at all levels.</li> <li>◆ Restructured the ESDS Chief Directorate to align with the LMSDP structure.</li> <li>◆ Project-management work style.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Requires time and administration effort.</li> <li>◆ Not sufficiently responsive to projects day-to-day management needs.</li> <li>◆ Limited capacity within some PSC to steer projects.</li> <li>◆ DoL structures rigid and not conducive to project-management work style.</li> <li>◆ Complexity of the LMSDP structure makes it difficult to replicate in other line ministries.</li> </ul>		<ul style="list-style-type: none"> <li>◆ A systematic way of stakeholder participation enhances ownership.</li> </ul>
Ownership of the LMSDP structure:	<ul style="list-style-type: none"> <li>◆ Structure supports and maximises stakeholder participation at all levels.</li> </ul>			
Management Co-ordination of the LMSDP structure:	<ul style="list-style-type: none"> <li>◆ Initiated a new way of financial reporting.</li> <li>◆ Structure enables donor co-ordination efficiently and transparently.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Reporting through crosscutting issues do not sufficiently allow sharing of project progress and experience.</li> <li>◆ NSSEC do not facilitate co-operation between projects.</li> <li>◆ Unequal support to non-EU funded projects.</li> </ul>	<ul style="list-style-type: none"> <li>◆ No arbitration mechanism between projects.</li> <li>◆ An alternate more efficient way of sharing information.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Effective and efficient ways of reporting.</li> </ul>
Sustainability of the LMSDP structure:	<ul style="list-style-type: none"> <li>◆ Support for the structure by both DoL and donors.</li> <li>◆ The structure developed organically.</li> </ul>	<ul style="list-style-type: none"> <li>◆ PMU is understaffed professionally.</li> <li>◆ PMU position within DoL structure undermines its authority in the LMSDP structure.</li> </ul>	<ul style="list-style-type: none"> <li>◆ No review mechanism for the structure.</li> </ul>	

## **5 LMSDP PROGRAMME PROCESS**

The DoL initiated requests for funding of the implementation of its SDS during the policy development period in 1996 as documented in its first funding request to the EU:

‘The Department of Labour has initiated a broad policy development process for a new human resource development strategy, but to inform this process projects are needed to test these policy initiatives. The Department of Labour is proposing a Framework Programme within which to cluster projects which explore the emerging policy ideas.’<sup>5</sup>

Actual funding during the policy development process was consciously limited to technical assistance related to the policy process, research to support the policy process, study tours and piloting of key policy initiatives. No funding for implementation of projects and additional staff was requested. This decision was to ensure that ODA would be driven by policy imperatives. Lessons gained during the pilot projects funded by DANIDA and the Royal Netherlands Embassy enhanced policy, legislation and implementation.

The EU funding of six projects within the LMSDP is the largest technical assistance programme of its kind in the world. The funds will be used primarily to kick-start the NSF, put in place systems and processes and build capacity within the DoL and its social partners.

The negotiations took over two years. The negotiations began in 1996, the launch of the LMSDP occurred in October 1999 and the first technical assistants arrived in June 1999. Negotiations with the contracting agent for Project 4 are still underway. According to the DoL Director for Technical Co-operation the ESDS Chief Directorate must be commended for the success in finalising the agreement with the EU:

‘Dealing with the EU, is [EU] a huge bureaucracy, meeting their requirements is a mammoth task and I think they were able to deal with it. The fact that the programme with the department [DoL] is the biggest single EU project in the whole world, that tells you something.’

Over a quarter of the EU funds is used for consulting. The EU tendering procedure for contracting technical assistance takes at least nine months and the perception in the DoL is that the criteria excluded many capable South African organisations from effectively competing. This has resulted in all the contracting companies being European. Some of these contracting companies have South African partners, namely Ratio, Praxis and Africon. There has been an allocation for local consultants from the work plan funds.

---

<sup>5</sup> Department of Labour, *Request to the European Community for the Department of Labour, South Africa.*

However, the strength has been that consortia, instead of individual companies, have been contracted. This influences the effectiveness and efficiency of managing the contracting agencies.

The DoL actively developed of Terms of Reference for these agents, the selection of agents and finalising agreements. During the finalising of agreements with the contracting consortia for Project 4 the DoL recognised that the terms were not favourable to the sustainability of the project and is in the process of negotiating a more favourable agreement. The contracting agency required a licensing fee for continued use of their training programmes in South Africa.

The LMSDP strategy and structure govern current negotiations with other donors such as USAID. This has proved extremely useful to both donors and the DoL in terms of efficiency, alignment of priorities and ownership.

The PMU with the assistance of short-term consultants has developed a draft monitoring and evaluation framework , which will be discussed in the next few weeks. The aims of the Monitoring and Evaluation System:

- ◆ The primary purpose is to enable managers of the various projects and implementing agencies to monitor progress and performance (and in turn react to the information). At a higher level in the management hierarchy, the long term impact of the programme on beneficiaries can be evaluated.
- ◆ Its aim is to provide an impact monitoring system for the EU. This is part of the EU and other donor agencies' efforts to become more accountable to their funding partners and transparent to the tax payers who ultimately pay for their operations.

The draft monitoring and evaluation framework , developed in the context of LMSDP and not the strategic objectives of the ESDS Chief Directorate includes:

- ◆ Performance monitoring;
- ◆ A financial monitoring system;
- ◆ Diagnostic monitoring studies;
- ◆ Periodic evaluations;
- ◆ Impact evaluation studies;
- ◆ A mid-term and final review of the EU programme; and
- ◆ A mid-term and final review of projects funded by other donors.

The PMU is responsible for the design of the framework, Project 2 will be responsible for conducting baseline studies and periodic evaluation studies. Individual Projects, SETAs and other intermediary agencies will be responsible for the monitoring and must submit short monthly monitoring reports. Currently monitoring is integrated into the project management cycle through outputs and

---

6 Department of Labour – PMU, *A Framework for Monitoring and Evaluation: Labour Market Skills Development Programme*, 25 March 2000

timeframes. According to one Team Leader, 'It's a question of keeping your eye on the target'.

Capacity building is central to all the donor funded projects, and occurs through:

- ◆ skills transfer by working together on implementing projects,
- ◆ a formal training programme consisting of nine learning areas in management,
- ◆ registering in post graduate studies related to labour market.

### *5.1 PRIORITIES*

The long negotiation process, the long EU tendering process, and a centralised EU decision-making and approval process, delayed project implementation. This made it extremely difficult to ensure that the SDLA was implemented timeously. Importantly, the DoL continued with implementation using its own funds:

'We didn't stand back and say that because the EU approval did not come forward on time then we had to wait on other aspects. We always tried to find ways and in some cases we ended up getting people work under very stressful conditions. We had to improvise to get alternative arrangements. We had big projects such as SETA establishments, the draft regulations etc. If we had waited for EU and other donor processes to be final, I am sure by today we would not have achieved what we have.'

Through its single strategy and structures, the DoL ensured that the delay in funds and technical assistance did not affect implementation of the SDA. The long lag between the original financial agreement and the implementation has resulted in the need to review and change the log frames. This is made difficult by the rigidity of consortia contracts.

The rigour required by the EU through developing log frames according to the DoL staff has improved its internal planning process and has been an extremely beneficial process for DoL staff.

Most of the technical assistants interviewed were concerned about the lack of skills transfer in their projects due to a staff shortage and high staff turnover. Shortage of staff has also negatively affected the use of technical expertise. Technical assistants very often do DoL staff work and administration instead of building capacity.

There is also a tension between foreign technical assistants and their local counterparts. Some foreign consultants lack sensitivity to the South African context. They also can take a long time to familiarise themselves with the context, policies and legislation. Some PMC members feel that during the policy development process, South Africans developed a lot of expertise in this field. EU funds should rather have been used to employ support staff where there is sufficient internal technical expertise. Short-term foreign consultants could be employed where there are gaps.

As the words of some of the DoL staff show:

‘To a degree a lack of understanding of the South African Context, I think that is where the biggest drawback is with all of these European consultants. They don’t really understand the South African context, the people, the culture, the labour market issues.’

‘Sometimes it is not just lack of understanding, I think it goes further sometimes to a lack of respect for South African context and South African understanding.’

One PMC member perceived that foreign technical assistants are not receptive to their South African counterparts contesting their views.

## *5.2 OWNERSHIP*

The DoL has demonstrated ownership of the process by implementing the SDA and SDLA in the absence of funds. The Department has also corrected contractual agreements and terminated (or not renewed) the contract of a long-term technical assistant who did not agree with the LMSDP structure.

However, the PMC has raised the question of ownership in terms of the signals sent to stakeholders and the public by having foreign Team Leaders and the donor symbols/logos on correspondence and other forms of communication. According to one member of the PMC:

‘Uses of symbols to the general public might also distort the question of ownership.’

## *5.3 MANAGEMENT MODEL*

The consensus among donors around the process of finalising agreements was very positive and acknowledged the leadership and ‘hands on’ approach of the DoL. However, according to the Dutch technical assistants, the DoL does not have the necessary management capacity for their project. They have recommended that before requesting support for technical assistance the DoL should critically evaluate its management capacity and capability.

The financial management systems have improved with the establishment of the PMU. Some Team Leaders were concerned that the PMU does not provide sufficient professional support such as vetting reports, quality assurance, interpreting the outputs of various projects and their implications for the programme as a whole.

The EU financial agreement covers more than eleven hundred consultant months. However, the LMSDP does not have an induction programme for these consultants. The PMU needs a more systematic introduction of short-term and long-term consultants to the overall objectives of the programme, its management structures and processes and procedures.

Some foreign companies contracted do not have a base or offices in South Africa that can provide support to technical assistants such as finding accommodation, schools for children, etc.

#### 5.4 SUSTAINABILITY

Shortage of staff and high staff turnover in particular projects may undermine the capacity building and skills transfer efforts. According to one Team Leader, the capacity building programme should build these factors into its broad programme.

The lack of professional staff within the PMU will compromise the efficiency of disbursements of funds and the effective management of consultants.

#### 5.5 SYNOPSIS

**Table 13: Analysis of Programme Process**

Area	◆ STRENGTHS	◆ WEAKNESSES	GAPS	LESSONS LEARNED
Priorities of LMSDP process:	<ul style="list-style-type: none"> <li>◆ Simultaneously developing a policy implementation plan.</li> <li>◆ Strong DoL leadership</li> </ul>	<ul style="list-style-type: none"> <li>◆ The EU criteria for tendering made it difficult for SA organisations to compete. This may have compromised SA government tender priorities.</li> </ul>		<ul style="list-style-type: none"> <li>◆ Balance local and foreign technical assistants.</li> <li>◆ Long-term consultants should be local.</li> </ul>
Ownership of LMSDP process:	<ul style="list-style-type: none"> <li>◆ DoL continued implementation of the SDA and SKLA in the absence of funds from EU.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Foreign technical assistants and the logos and symbols of the EU may send out contradictory signals around ownership.</li> <li>◆ Foreign consultants have a limited understanding of the SA context and require a lot of support in this area.</li> </ul>		
Management / co-ordination of LMSDP process:	<ul style="list-style-type: none"> <li>◆ Draft monitoring and evaluation framework in place.</li> <li>◆ PMU has improved financial management and sharing of information across programmes.</li> </ul>	<ul style="list-style-type: none"> <li>◆ No time allocated to Team Leaders for management and administration.</li> <li>◆ Ineffective use of technical assistants due to understaffing.</li> <li>◆ Pilot projects are not given procurement flexibility.</li> <li>◆ The effective co-ordination of skills transfer between technical assistants and DoL staff.</li> </ul>	<ul style="list-style-type: none"> <li>◆ An induction programme for consultants.</li> <li>◆ Some contracting companies do not have a base in South Africa to support their consultants.</li> </ul>	<ul style="list-style-type: none"> <li>◆</li> </ul>

Sustainability of LMSDP process:	<ul style="list-style-type: none"> <li>◆ Formal training is programmes in the process of being developed and can be used by any organisation.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Understaffing and high staff turnover in some Projects may undermine capacity building initiatives.</li> <li>◆ Skills transfer between technical assistants and DoL staff is affected by time constraints in implementation.</li> <li>◆ PMU unable to absorb new projects funded through ODA.</li> </ul>		
----------------------------------	--	---	--	--

## 6 INTERNATIONAL DEVELOPMENT CO-OPERATION

The Chief Directorate: International Development Co-operation in the Department of Finance is responsible for the 'macro-management' of all ODA to South Africa. Its vision for ODA management is:

'To ensure the effective and efficient mobilisation of all available ODA resources towards the achievement of government's reconstruction and development objectives as reflected in the Medium Term Expenditure Framework (MTEF).'<sup>7</sup>

To enable the realisation of this vision the Chief Directorate has defined the following overall objectives:

- ◆ The effective and efficient mobilisation, management and co-ordination of all ODA potentially available to South Africa;
- ◆ Ensuring that ODA is optimally aligned with government's reconstruction and development priorities, *inter alia* as reflected in the MTEF; and
- ◆ Ensuring that the necessary legislation, policies, strategies and procedures are established to facilitate the effective and efficient mobilisation and management of ODA.

These broad management objectives have been further defined into twelve specific objectives that describe the function of the Chief Directorate. These are mainly related to informing line ministries of policies and procedures related to ODA, providing support for developing and finalising agreements between line ministries and donors, support with macro-implementation of programmes and projects and management of funds. The Chief Directorate has a set of five processes for implementation. These are:

- ◆ Annual consultations on development co-operations;
- ◆ Mid-term review meetings;
- ◆ Programme review meetings with donors;

---

<sup>7</sup> Department of Labour: Chief Directorate-International Relations, *Polciy Guidelines on the Co-ordination, Accessing and Management of Technical Assistance and Co-operation*.

- ◆ Donor co-ordination meetings with departments; and
- ◆ Sector co-ordination meetings.

The Chief Directorate has a total staff complement of six and two additional technical assistant from the EU.

### *6.1 DONORS PERCEPTIONS*

Donors perceive the role of the IDC to identify government priorities, co-ordinate and manage annual consultations, facilitate working relations with line ministries and monitor implementation of ODA funded programmes and projects on behalf of the South African government. The following roles were also mentioned:

- ◆ Intervene when the donors experience difficulty with line ministries;
- ◆ Planning of overall assistance; and
- ◆ Expedite the bureaucracy on both sides.

The majority of donors interviewed perceived that the IDC was effectively carrying out its function but noted that the IDC was understaffed. One donor was sceptical about the IDC identifying priorities. In addition, they recommended that the IDC take a more active role in:

- ◆ Identifying priorities for donors;
- ◆ Co-ordinating donors;
- ◆ Monitoring the disbursement of funds to line ministries;
- ◆ Understanding and investigating the process of foreign exchange from donors to prevent 'bottle necks';
- ◆ Monitoring and evaluation;
- ◆ Encouraging line ministries to spend funds (by threats of cutting resources/budgets); and
- ◆ Data collection.

According to the IDC one of its strategic approaches to ensure its vision is achieved involves securing South African ownership of ODA through aligning it with South Africa's development priorities and reprioritisation of ODA in terms of the MTEF. However, this is not clearly defined in its specific objectives or part of the processes in place to ensure prioritisation. The IDC structure has no place for carrying out monitoring and evaluation.

### *6.2 DEPARTMENT OF LABOUR*

The DoL perceives the role of the IDC as:

- ◆ Co-ordinating annual consultations and negotiations;
- ◆ Assisting in dealing with problematic areas;
- ◆ Assisting with alignment with government policy;
- ◆ Dealing with government to government agreements; and

- ◆ Mobilisation of international resources.

According to the DoL the IDC has carried out its support function to the department very effectively.

### *6.3 INTERNATIONAL DEVELOPMENT CO-OPERATION UNIT*

According to the IDC its role in the management of ODA is mainly to:

- ◆ Serve as an entry point for donors to the South African government. This facilitates annual consultation meetings with donors to enable them to report to their respective constituents. Facilitate the process of concept papers and relationships with recipient agencies and line ministries. Most importantly manage the administration around all ODA agreements.
- ◆ Develop policies, procedures and donor co-ordination instruments and sharing these with line ministries. A manual covering legislation, processes and procedures for ODA will be published in the next two months. A web page is being designed that will provide general ODA information.
- ◆ Manage the 'money stream', i.e. put in place procedures for disbursement of funds from the central fund to implementing departments.
- ◆ Provide technical support to recipients in the project management cycle. This is achieved through the Technical Assistant Team established in 1999. A database will be available in the second half of this year as a management tool and a quality assurance tool for project proposals.

It is important to note that the IDC does not see donor co-ordination at both line ministry and sectoral levels as its role or 'mandate'. This is because of the policy of financial decentralisation, where the respective Director Generals of each line ministry is responsible.

The database will serve as a monitoring tool that will provide additional support to the existing monitoring strategies of existing projects and programmes. Project and programme evaluation is the responsibility of donors and implementing agencies.

## **7 RECOMMENDATIONS**

The following recommendations emerged from the analysis of the findings:

### 7.1.1 Increased DoL management capacity

TO ENSURE IMPROVED AND INCREASED DoL CAPACITY TO MANAGE AND CO-ORDINATE OVERSEAS DEVELOPMENT ASSISTANCE THE FOLLOWING IS RECOMMENDED:

- Increase the number of DoL staff to carry out the programme effectively. This could be achieved by building personnel costs into the implementation budget of the donor funded projects over the next three

years. Thereafter an assessment can be made on the importance of the personnel to the programme as a whole;

- The increase in support and professional staff , means formal and informal opportunities for skills transfer from technical assistants to DoL staff. Other opportunities could complement the skills transfer such as short courses or appropriate higher education. This will contribute to the improve capacity of DoL officials.

#### 7.1.2 Best use of Technical Assistance

TO MAXIMISE THE UTILISATION OF TECHNICAL ASSISTANCE WITHIN THE DOL, DOL OFFICIALS NEED THE CAPACITY TO UTILISE AND ABSORB THIS. INCREASED PLANNING BETWEEN THE DOL OFFICIALS AND THE TECHNICAL ASSISTANTS COULD DETERMINE THE:

- The type of technical assistance required
- How the assistance will be manifested
- How skills transfer and capacity building of DoL staff will happen.

#### 7.1.3 Reduce staff turn-over

AN ISSUE LINKED TO STAFF CAPACITY IS THE POTENTIAL HIGH STAFF TURNOVER ACROSS THE PROGRAMME. FOR CONTINUITY, EFFECTIVE IMPLEMENTATION AND SUSTAINABILITY OF THE PROGRAMME, IT IS IMPERATIVE THAT THERE IS A STAFF COHORT THAT IS CONSISTENT THROUGH THE CRITICAL PROGRAMME CYCLES. THIS COULD BE DONE BY INCLUDING IN THE PERFORMANCE AGREEMENTS SUCH AS:

- Study awards and grants for DoL staff
- Performance based incentives – study tours, bonuses, paid leave

#### 7.1.4 Flexible management structure

INCREASE FLEXIBILITY WITHIN THE LMSDP MANAGEMENT STRUCTURE FOR GREATER RESPONSIVENESS TO PROJECTS' DAY-TO-DAY MANAGEMENT NEEDS.

#### 7.1.5 Better understanding of the LMSDP

TO ENHANCE THE UNDERSTANDING OF THE LMSDP COLLECTIVELY AND INDIVIDUALLY WITHIN PROJECTS THE FOLLOWING IS RECOMMENDED:

- Project reports to the National Skills Strategy Executive Committee should not be limited to crosscutting issues. A roster could be drawn up where at least two projects per meeting could make presentations on their progress and plans;

- A forum needs to be established for communication across the projects. This would help effective and efficient resource utilisation, capturing of lessons learnt, co-operation between projects and holistic programme monitoring>
- Improve co-operation between projects; and
- Put in place guidelines for arbitration between projects.

#### 7.1.6 More staff for non-EU projects

THE COMPLEXITY AND SCOPE OF THE EU FUNDED PROJECTS MEAN LITTLE TIME IS ALLOCATED TO NON-EU FUNDED PROJECTS. THE PROJECT MANAGEMENT UNIT NEEDS TO ALLOCATE DOL STAFF TO THE NON-EU FUNDED PROJECTS (DANIDA, USAID, AUSAID, ROYAL NETHERLANDS EMBASSY).

#### 7.1.7 Strategy post 2002

A WELL PLANNED AND DOCUMENTED STRATEGY IS NEEDED FOR THE PERIOD AFTER 2002 TO STRENGTHEN THE SUSTAINABILITY OF THE PROGRAMME.

#### 7.1.8 Director level for PMU

UPGRADE PMU TO DIRECTOR LEVEL WITHIN THE DOL STRUCTURE.

#### 7.1.9 Review structure and increase local consultants

MONITORING AND EVALUATION FRAMEWORK SHOULD INCLUDE REVIEW OF THE STRUCTURE.

INCREASE LOCAL CONSULTANTS IN RELATION TO FOREIGN CONSULTANTS.

#### 7.1.10 Use of donor logos

MANAGE THE USE OF DONOR LOGOS AND SYMBOLS SENSITIVELY IN PUBLIC AND STAKEHOLDER COMMUNICATION.

#### 7.1.11 Flexible financial agreements

ALLOW FLEXIBILITY IN FINANCIAL AGREEMENTS TO FACILITATE ANY CHANGES DURING THE IMPLEMENTATION PHASE IN RECOGNITION OF TIME LAGS BETWEEN NEGOTIATIONS AND IMPLEMENTATION.



## **8 CONCLUSION**

Technical assistance to the DoL, particularly to the LMSDP is driven by policy imperatives. The ESDS Chief Directorate responsible for the implementation of the LMSDP has been proactive in the finalising of financial agreements with international donors and involved in negotiating with companies contracted for technical assistants. A clear strategy, programme and necessary structures and processes constructed by the DoL enabled it to take on this leadership role. These structures and processes were not limited to managing and co-ordination of ODA but also facilitated co-ordination of DoL's social partners.

Although the structure and processes put in place by the DoL have enabled it to manage all its stakeholder including donors, the complexity requires high levels of administrative co-ordination, financial co-ordination and competent professional staff. The structure requires time and is not very responsive to the needs of individual projects. It is a unique model to the needs of the LMSDP and cannot be replicated in other Chief Directorates within the DoL and other line ministries.

In the first year of implementing the LMSDP only R3 million was expended. The challenge of spending approximately R300 million of EU funds, coupled with understaffing, high staff turnover, low success in the transfer of skills between technical assistants and DoL staff, rigid DoL structures and time required for stakeholder participation make the implementation phase of the LMSDP demanding.



## **9 REFERENCES**

Department of Labour, *Labour Market Skills Development Programme*, July 1999

Department of Labour: Chief Directorate-International Relations, *Policy Guidelines on the Co-ordination, Accessing and Management of Technical Assistance and Co-operation*.

Department of Finance: Chief Directorate-International Development Co-operation, *Business Plan March 1999 to March 2000*, March 1999.

Labour Market Skills Development Programme, *EU Bi-Annual Report for Period: June 1999 – December 1999*.

Ministry of Labour, *Fifteen Point Programme of Action,- 1999 – 2000*.

Chief Directorate: ESDS, *Draft Chief Directorate Performance Agreement*, April 2000

USAID, *Workforce Concept Paper*.

Department of Labour, *Request to the European Community for the Department of Labour, South Africa*.

Department of Labour – PMU, *A Framework for Monitoring and Evaluation: Labour Market Skills Development Programme*, 25 March 2000



## 10 APPENDIX 1: WORK PLAN

The table below combines the list of people interviewed during the study and the work plan for the study.

### Itinerary for study

OUTPUTS	ACTIVITY	DATE
Briefing meeting		17 April 2000
Design interview schedules		17 April 2000
Setting up interviews		19 April 2000
Fieldwork	Ms. J Polly (Royal Netherlands Embassy)	18 April 2000
	Ms. T MacDonald (Ireland Aid)	19 April 2000
	Ms. J Davis (European Union)	25 April 2000
	Mr. A Meyne (Technical Assistant – DoL)	25 April 2000
	Ms. M Hedlund (DANIDA)	26 April 2000
	Mr. P Fine (USAID)	28 April 2000
	Ms. A. Bird (DoL)	28 April 2000
	Mr. M Hansan (Technical Assistant DoL)	03 May 2000
	Mr. K Gargon (Technical Assistant DoL)	03 May 2000
	Mr. P Mathabane (DoL)	04 May 2000
	Ms. A Solomons (DoL)	04 May 2000
	Mr. Deasy (Technical Assistant DoL)	04 May 2000
	Project Management Committee (Focus Group Discussion)	05 May 2000
	Mr. R Schiavaro (Technical Assistant DoL)	05 May 2000
	Mr. Jurgen Kenti & Ms. M Hagenaars	08 May 2000
	Mr. A Saelart (Technical Assistant DoF)	10 May 2000
Analysis of data		8 to 10 May 2000
Report writing		11 to 16 May 2000

## 11 APPENDIX 2: INSTRUMENTS

### *INTERVIEW SCHEDULE WITH THE DEPARTMENT OF LABOUR OFFICIALS*

Name of Directorate in DoL: \_\_\_\_\_  
 Name of Interviewee: \_\_\_\_\_  
 Designation of Interviewee: \_\_\_\_\_  
 Date of interview: \_\_\_\_\_  
 Name of interviewer: \_\_\_\_\_

#### Alignment of ODA to Sa Government Priorities

What are the priorities for the Department of Labour in terms of skills development in South Africa?

How do these priorities converge with those of your donor partners?

What are the processes engaged in to align donor priorities with the Department of Labour?

How are the agreed priorities translated into operational activities?

What is the role of ODA in the Department of Labour's implementation strategy?

How does your organisational structure deal with duplication of different funders?

Does the current structure have mechanisms to ensure interdepartmental/sectoral co-ordination?

Describe the projects funded by donor agencies:

PROJECT/PROGRAMME	DONOR/S	TOTAL AMOUNT	AMOUNT EXPENDED

#### Increasing South African Ownership

Please describe the mechanisms put in place by the Department of Labour to increase South African ownership of ODA in terms of.

Systems:

Processes:

Structures:

Are these mechanism similar to those established by your donor partners (Please describe similarities and differences)?

What in your opinion are the strengths and weaknesses of the current systems and mechanisms to increase South African ownership of ODA?

Weaknesses:

Strengths:

What is the framework of agreement between the department and the donor in terms of ODA?

Who determines the allocation of funds to programmes?

Who is responsible for the management of donor funding?  
What mechanisms are in place for the implementation of donor funded projects/programmes?  
Who is ultimately responsible for the continuation/suspension or cancellation of donor funded projects/programmes?

### Issues of efficiency

Describe the mechanisms in place for:  
Securing funds:  
Disbursing funds:  
Through-put flow process of funding:  
What are the strengths and weaknesses of the current system?  
Strengths:  
Weaknesses:  
Are there instances where more than one donor provides assistance in the same priority area?  
How is donor assistance from two or more donors co-ordinated?  
Are there any instances where more than one department is engaged in similar donor funded project that has been identified as a priority?  
In case of the above, is there current or potential duplication of effort in terms of resources deployment?  
What mechanisms are in place for the management of:  
Inter-sectoral co-ordination:  
Donor-Donor co-ordination:  
Describe the management model that is used to manage the LMSDP:  
What are the strengths and weaknesses of the model:  
Strengths:  
Weaknesses:  
What other models are in place that are different or complementary?  
How do you see your model in terms of enabling roll-out?  
What are the possible challenges for the model during implementation?  
What systems are in place to track the performance of the model?

### Issues of Sustainability

Describe the kinds of assistance the department gets from donors:  
What is the duration of the assistance?  
What mechanism does the Department of Labour have in place for the sustainability of current projects/programmes in terms of:  
Policies:  
Strategies:  
Systems:  
Are there any future donor project?

### Role of International Development Co-operation unit

What is the role of the IDC?  
In your opinion how effective is the IDC?  
What other roles, if any, do you think the IDC could strategically play with regard to ODA?  
What recommendations can you suggest that would enhance the role of the IDC?

## INTERVIEW SCHEDULE WITH INTERNATIONAL DONORS

Name of Donor Agency: \_\_\_\_\_  
Name of Interviewee: \_\_\_\_\_  
Date of interview: \_\_\_\_\_  
Name of interviewer: \_\_\_\_\_

### Increasing South African Ownership

Please describe the mechanisms put in place by your organisation to increase South African ownership of ODA.

Are these mechanism similar to those established by your South African counterparts (Please describe similarities and differences)?

What in your opinion are the strengths and weaknesses of the current systems and mechanisms to increase South African ownership of ODA?

Weaknesses:

Strengths:

Who determines the allocation of ODA funds to programmes?

Who is responsible for the implementation of donor funded programmes?

Who is responsible for the continuation/suspension or cancellation of the donor funded projects?

### Alignment of ODA to Sa Government Priorities

What are the priorities for your organisation in terms of skills development in South Africa?

How do these priorities converge with those of the South African Department of Labour?

What are the processes engaged in to align priorities with the Department of Labour?

How are the agreed priorities translated into operational activities?

Describe the projects funded by donor agencies:

PROJECT/PROGRAMME	DONOR/S	TOTAL AMOUNT	AMOUNT EXPENDED
-------------------	---------	--------------	-----------------

Describe the kinds of assistance provided to the Department of Labour:

What is the duration of the assistance?

Describe any future potential projects with the Department of Labour:

### Issues of efficiency

Describe the mechanisms in place for:

Securing partnership with the Department of Labour:

Disbursing funds:

Through-put flow process of funding:

What are the strengths and weaknesses of the current system?

Strengths:

Weaknesses:

### Issues of Sustainability

What mechanism does your organisation have in place for the sustainability of current projects/programmes in terms of:

Policies:

Strategies:

Systems:

Are there any programmes that are interdepartmental?

What mechanisms are in place to co-ordinate inter-departmental projects?

Role of International Development Co-operation unit

What is the role of the IDC?

In your opinion how effective is the IDC?

What other roles, if any, do you think the IDC could strategically play with regard to ODA?

What recommendations can you suggest that would enhance the role of the IDC: