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## SECTION 1 : DCR SYNTHESIS REPORT

### 1. EXECUTIVE SUMMARY

#### 1.1. The Story Line For DCR II

The story running through this report is simple, strong and self-evident. It echoes the many voices we have heard within the country, and comes from both South Africans and donors. Though nuanced differently depending upon the vantage point of the commentator, the underlying message is consistent and compelling.

Essentially, these views converge around a common call; that is for SA to examine and re-define its approach to ODA with the same freshness and confidence that the country has brought to bear on other aspects of its international relations.

This process of re-visioning needs to begin by re-claiming the authority to direct the debate on ODA, not just, and properly, for the sake of South Africans but also arguably for audiences and actors further afield. SA is uniquely placed to initiate and lead this debate for two fundamental reasons:

- ◆ SA is a paradoxical recipient of ODA. This is a confident, resource rich, middle-income country, straddling many worlds. It is pivotally and influentially located at the strategic heart of a range of international relationships of symbolic and structural importance. The country enjoys exceptional goodwill and moral authority, deservedly built on a record of spirited transformation and enlightened leadership in local and global affairs.
- ◆ ODA commitments<sup>1</sup> now constitute fractionally over 1% of the SA Government's Budget and less than 0.3% of the country's GDP. The relative monetary value of ODA has been declining since 1997 as a proportion of the Government's own resource commitments, and the indications are that this trend is likely to continue in the coming years. The financial value of ODA to the country is thus of marginal significance, leaving the country free to take an open and objective look at the qualitative, strategic value of ODA.

In the circumstances, the country has the freedom, and arguably the responsibility, to look at ODA from first principles and ask itself a fundamental set of questions:

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<sup>1</sup> The proportion for actual disbursements may therefore in fact be less than 1%. The precise figures emerging from the data set compiled in this exercise are: ODA commitments as a proportion of the SA government budget 1.04%, and as a proportion of SA GDP 0.28%. See Chapter 5 for 1994-1999 analyses.

- ◆ Does the country need ODA?
- ◆ Does it want ODA?
- ◆ If so, what kind of ODA?
- ◆ Why?
- ◆ On what terms?
- ◆ And how should it manage and direct this ODA?

While the purpose of DCR II was not to directly address these basic questions, they are fundamental to the underlying policy discourse on which the debate on ODA rests. Our view is that the answers suggest themselves from the findings and themes emerging from this report:

- ◆ The absolute amount of ODA to SA is unlikely to diminish over the next five years, but the proportional value of ODA relative to government expenditure on development is decreasing as a result of the strength of the SA economy and the government's own budgetary commitment to development.
- ◆ While the flows of ODA over the period 94-99 have been broadly aligned with government policy, the lack of a consciously crafted MTEF-derived ODA priority framework informed by, and derived from, an inter-sectoral national development plan and a national poverty elimination policy, mean that ODA has not been as sharply focused in a geographical, sectoral or temporal sense as it could have been.
- ◆ In the case of SA, ODA is not just about development cooperation. It is increasingly only one element of a progressively more complex set of bilateral commercial, geo-political and strategic relationships between SA and particular donor countries and economic blocs.
- ◆ There is no evidence to suggest that ODA has been managed in a dysfunctional manner, but given the high performance SA sets for itself and expects of its public institutions, it is also equally clear that ODA is not optimally managed at present, and should be better managed.
- ◆ SA does not need ODA in the sense that most developing countries do. However, the evidence emerging from the DCR II studies is that it does, and can benefit from certain types of ODA. Particular forms of ODA can make a significant and pivotal contribution to the pace at which SA addresses the legacies of apartheid, and graduates into a genuinely more equitable, higher middle-income country. Technical assistance in the form of knowledge capital is the form of ODA that offers the greatest value to the country as it tackles the challenges of the 'era of implementation' and looks ahead to building domestic capacity to take control of its own destiny.
- ◆ Most ODA coming into this country is broadly aligned to government objectives, but there is a perception that ODA could (and would) be used

more optimally if government recognised the value of particular forms of ODA.

We see two distinct paradigms within findings. The first encapsulates the present ODA framework; the second how it should be. The need to shift from the present framework to a new consciously defined paradigm is the essential argument of this report. As a guide to this report we will caricature these models here.

## **The Current Picture**

The government rightly recognises that SA does not need ODA in the sense that most developing countries do, but sees too that departments and provinces do derive benefits from ODA, especially when sourced in the form of technical assistance and grants that can be used for transformational purposes and as additional development capital. Government asks for donors to align their ODA to government priorities as expressed in the MTEF, and seeks to make this happen mainly through bilateral consultations. Overall the management of ODA is mostly reactive. The coordination of ODA is primarily the responsibility of a small unit, IDC in the DoF with a staff of seven (five SA and two TA officers). The unit has no statutory mandate, is generally perceived as being highly stretched, and has yet to have a fully functioning information management system with a comprehensive ODA database and the capacity to track ODA flows dynamically.

Perhaps a touch unfairly the perception of the current picture among many local stakeholders and donors is that government does not properly value ODA. Government's approach to ODA management is characterised by an expectation that donors align their assistance with the MTEF and a degree of passivity to make this happen effectively.

We see this as a relatively *laissez faire* set of arrangements and refer to this as the current 'ODA management framework'.

## **A new SA Management of ODA Paradigm**

We contrast the picture presented above with a new paradigm constructed from the same findings and observations.

In this we argue that if SA engages with ODA, it must do so thoughtfully, selectively and on its own terms. It must proactively and rigorously determine the forms of ODA that add value, and where this ODA is best obtained. It must source ODA on the basis of measured international comparative analyses, and direct and target the ODA it chooses to receive to priority areas. It should define the ultimate sectors of destination for ODA on the basis of policy parameters and priorities established by Cabinet, and derived from a nationally determined inter-sectoral development plan.

Essentially, if SA wants to obtain optimal value from ODA it should build on the empirical evidence gathered over the last five years about the sources and forms of ODA that have made a significant contribution to the transformation and

development of the country and define an explicitly SA-led, SA-centred ODA paradigm. We describe this as the new 'SA Management of ODA' paradigm.

We see in the evidence generated by DCR II, and the by-products of this exercise, a set of conditions conducive to the adoption of this new paradigm. Amongst others these are: the widespread goodwill and natural authority that SA enjoys; the high quality of intellectual and physical resources in the country capable of converting ODA into creative intellectual capital and productive infrastructure; the imminent establishment of a dynamic management information system with an accurate ODA data set, based on the DCR II dataset, which could help guide decision making,

This is the story of DCR II. If it sounds simplistic and self-evident, and appears repetitively through the report it is because the quantitative and qualitative evidence we gathered during the course of the research consistently reinforced the clarity of this simple, radical message. Beyond the simplicity of this vision lies a profound challenge, for donors and government. For donors, to institutionalise the inversion of power that goes so easily and insidiously with ODA, and for government to assume full responsibility for managing and directing ODA within an overarching development policy framework, distilled annually into priorities for ODA.

It is a challenge that needs to be faced by both parties. To do so will enable SA to extract optimal value from the ODA it receives. It will also incidentally probably help other developing nations too, who are likely to learn from the models and practices that emerge from SA. It is a challenge that perhaps can only be framed and met in SA, confirming South Africa's reputation as a place where transformative experiments occur, and in keeping with the country's international stature as a confident and uniquely creative state.

## **1.2. Structure of DCR II Synthesis Report and the DCR II Comprehensive Report**

This DCR II Synthesis Report is divided into three Sections.

Section 1 is entitled the Main Report. This contains ten chapters. It begins with this Chapter: The Executive Summary, and ends with Chapter 10: Change Management.

Section 2 of the Synthesis report contains the executive summaries of the eleven component studies<sup>2</sup> (sectoral and thematic) that provided the qualitative data for DCR II.

Section 3 comprises, the slide presentation of the Draft Final DCR II report, the workshop report, key points from the written responses from the stakeholders, and our response to the issues raised. This section also contains a revised table

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<sup>2</sup> Section 2 contains the executive summaries of the following component studies: Capacity Building, Democracy & Governance, Education, Environment, Gender, Health, Infrastructure, Land, Labour Skills, Small Medium & Micro Enterprises and Water & Sanitation.

of the global data set of ODA for the period 94-99 received after the deadline for the initial data collection process.<sup>3</sup>

The DCR II Comprehensive Report is in three parts

Part 1 is the Synthesis Report.

Part 2 is the full interactive ODA Data-set. This is an Excel document.

Part 3 contains the eleven component studies in full.

In the remainder of this chapter, we highlight the themes covered in each chapter and the principal findings and the main recommendations contained in that chapter.

### **1.3. Themes and Recommendations**

#### **1.3.1 Chapter 2 - Overview**

This chapter introduces the rationale and central themes of DCR II, developed more fully in subsequent chapters.

It introduces the ideas of alignment, particularly with the MTEF, noting the corollary that 'ODA alignment with MTEF priorities equals optimum impact', and acknowledges that the impact of aligned ODA is critically dependent on government machinery and own macro policy objectives.

The Chapter highlights SA ownership of the DCR II process, and distinguishes this from the key original and emergent thesis of this report, of SA ownership and control of ODA.

It interrogates the motives behind donor engagement and posits the uniqueness of a multi-faceted partnership with SA within which knowledge-based ODA is located. It explores the value of ODA to SA and donors, and says that, given the marginal monetary value of ODA to SA, the primary justification for the presence of ODA is if it offers knowledge capital.

Finally, it looks at the crucial contribution of accurate quantitative data of ODA for informed decision-making and accountability.

The twin tracks of this report, the imperative of SA ownership and control of ODA and a discerning, rigorous approach to the sourcing of knowledge based ODA on the basis of the comparative advantage of individual donors, are laid in this chapter.

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<sup>3</sup> However, given the point at which this information was received, this revised data set was not subjected to the same iterative verification process as the data set presented in Chapter 5

## Recommendations:

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

### 1.3.2 Chapter 3 - Consultancy Approach

This chapter outlines the innovative consultancy approach adopted in this study,

It illustrates how DCR II differs radically from other DCRs in that it was conceptualised and undertaken by SA itself, involved a highly process-oriented style, and combined both a quantitative and qualitative research approach.

It refers to the ToRs and the logframe, both of which are separately included in the Appendices and details the original phased and multi-method research methodology, with its strong emphasis on stakeholder consultation and validation.

The main themes highlighted in this chapter are: monitoring and evaluation of ODA and its integration with the scrutiny mechanisms of the government's own mainstream activity; the driving of the DCR II process by local stakeholders rather than donors; the breadth and scope of the analyses building on a sequence of international comparative studies of DCRs, donor evaluation studies, quantitative data collection and qualitative component studies; the concurrence of Phases 2 and 3 of DCR II which denied the quantitative data to component studies.

The chapter comments on the limitations and importance of the definition of ODA concepts and tools in terms of capturing ODA flows, and SA's success in defining the concepts and definitions relating to ODA on its own terms. However, it notes that as yet the country does not have the information management tools to capture data on the basis of its own models. Hence the reliance on the OECD DACS typology for the purposes of capturing quantitative data for DCR II.

**Recommendations:**

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

**1.3.3 Chapter 4 – Historical and Contextual Framework**

This chapter summarises the main characteristics of the macro economic framework within which ODA to SA is located, and the historical trends pertaining to ODA. It begins by outlining the shift from the Reconstruction and Development Programme (RDP) to the Growth, Employment and Redistribution Strategy (GEAR), highlights the critical absence of an explicit poverty elimination policy framework and summarises the purpose and broad objectives of the Medium Term Expenditure Framework (MTEF).

It looks at the historical and current trends in ODA by considering three distinct periods – 1980 to 1990; 1990 to 1994; and the post 1994 period. It looks at the rationale for, and the current trends in, ODA in the context of the apparent contradictions in the developmental status of SA.

Five main areas of focus are identified as emerging from the component studies: formulation of policy and legislative frameworks; institutional development to deliver the content of the policy frameworks; capacity building and transformation in line with the principles of representivity; improvement in the implementation of service delivery; and the declining support for civil society organisations.

The chapter includes a table summarising the main strategic focus areas for donors in terms of geographical and sectoral focus.

**Recommendations:**

- ◆ The broad range of objectives of the MTEF, even if deemed essential for domestic purposes, should not prevent the government from interpreting the MTEF more narrowly and specifically in order to direct ODA flows more selectively.
- ◆ An 'MTEF for ODA' priority analysis would enable the government to use ODA more strategically and effectively and prevent the flow of ODA actively switching away from the poor.



- ◆ There is a need for an explicit poverty elimination framework to properly direct donor commitment to poverty alleviation which lies at the heart of the RDP framework

#### 1.3.4 Chapter 5 – Quantitative Data-Set

This chapter summarises the main quantitative findings of DCR II.

It discusses in detail the customised tools and rigorous research methodology used to collect and verify the data set for the period 1994 to 1999.

Summary analyses of the full quantitative data set collected by DCR II are presented here. The data presented in this report is based on information received from donors and refers to commitment rather than disbursement figures. We suggest later in the report that future data should be based on disbursement rather than commitment figures.

Among the key findings are that the global totals of ODA commitments for the period under review at the time of publication of this report were ZAR17.5 billion. ODA commitments, as a proportion of the SA budget expenditure and GDP, peaked in 1997 at 2.07% and 0.57% respectively, and in 1999 stood at 1.04% and 0.28%, partly as a result of the expanding SA economy.

ODA commitments are analysed through a number of lenses: annual absolute figures; individual donors; donor system; by sectors including the six largest; by provinces; and institutional recipients.

The full data set is available as Part II of the final DCR II Comprehensive Report on CD Rom.

#### Conclusions and recommendations:

- ◆ Establishing clear priorities for the small number of donors who dominate the ODA landscape will set the direction for the bulk of ODA in SA.
- ◆ Value can be maximised from smaller donors by channelling their efforts to selected sectors on the basis of 'comparative advantage'.
- ◆ The need for an explicit, prioritised MTEF derived social development and poverty alleviation strategy to direct ODA, e.g. directing resources for HIV/AIDS in the Health Sector, is underlined by the findings of the data-set team.
- ◆ Departments should have clear policies and institutional frameworks capable of directing and swiftly absorbing ODA and translating them into visible outputs. This can be illustrated by the relative success in DWAF in attracting significantly high proportions of ODA.
- ◆ DoF should construct a more rigorous strategic framework to ensure that the proportion of ODA reaching provinces is consistent with the government's

own budgetary allocations and is based on their relative development needs.

- ◆ There is no conclusive evidence that ODA to SA is on the decline.
- ◆ Two closely related strands are visible in the emerging donor approach: the emphasis on 'knowledge capital' and a shift away from support for policy development towards support for implementation and the enhancement of service delivery.
- ◆ DoF should consolidate developments relating to ODA MIS and assume clear leadership in directing the information management function.
- ◆ There is a need to refine and/or expand existing data classification systems - poverty alleviation and job creation need to be included as cross cutting categories.
- ◆ The ODA MIS system should be used to generate a regular stream of information supplied to Parliament and Provincial Legislatures in order to generate a demand for data and strengthen public processes of scrutiny of ODA.

### **1.3.5 Chapter 6 – Synopses of Component Studies**

This chapter provides a synopsis of the 11 component studies, comprising 8 sector studies:

- ◆ Democracy and Governance
- ◆ Health
- ◆ Education
- ◆ Infrastructure
- ◆ Labour Skills Development
- ◆ Land Reform
- ◆ Small, Medium and Micro Enterprise (SMME) Development
- ◆ Water and Sanitation

And 3 cross-cutting thematic studies:

- ◆ Capacity Building
- ◆ Environment
- ◆ Gender

The main findings and recommendations of each study have been extracted and are followed by a discussion of common issues raised in these studies.

The chapter closes with the identification of cross-cutting themes that were not the subject of this review but should be included in future reviews, such as the mainstreaming of HIV/AIDS policy and awareness, safety and security issues, and mechanisms to prevent corruption in ODA.

Full Executive Summaries of these individual component studies are found in Section Two of this Synthesis Report. The component studies themselves are published in full and included in the Final DCR II Comprehensive Report.

The common **conclusions** emerging from these component studies, which point to a generic set of recommendations confirm the need for:

- ◆ A more sharply focused strategic framework to direct and manage ODA, clearly based on SA leadership.
- ◆ Improved coordination and consultation among the SA institutional stakeholders responsible for shaping and implementing ODA supported programmes, particularly in provincial and local government.
- ◆ Better information management within both government and donors to retain knowledge and learning to guide future ODA. This was generally assumed to be a function of central government and should be located in IDC.
- ◆ A more successful integration of the crosscutting themes of capacity building, environment and gender into all ODA programmes. (See Section 2 of this report for more specific recommendations from each thematic area on how this should be done).
- ◆ A deeper debate on the role of, and the relationship of ODA to, civil society, particularly in relation to its advocacy and watchdog functions and also as part of effective decentralised development.
- ◆ A recognition of the value of knowledge banking balanced with the need for a critical and probing questioning of its application.

### 1.3.6 Chapter 7 - Content and Forms of ODA

This chapter looks in detail at the three principal forms of ODA: Technical Assistance (TA), Grants and Concessionary Loan Finance.

TA emerges as a dominant form of ODA to SA and hence particular emphasis is given to an assessment of knowledge banking which provides the basis of most forms of TA. The interrogation of the notion of knowledge banking raises the questions of: What does SA want? Where is the best source of what SA wants?

The main issues relating to TA explored in this chapter are: TA as a two-edged sword; a critique of different types of TA; the benefits and risks of TA; and the key principles for the management of TA.

The Chapter then considers types of grant support. The discussion on Concessional Loan Finance looks at ODA project loans, i.e., loans taken up directly by government, and then reflects on ODA loans to parastatals and the private sector. It highlights the absence of a national integrated development plan to enable the Department of Finance to make informed decisions on loan finance.

The central argument of this chapter, in common with the rest of the report, is the need for SA ownership and control over different forms of ODA flowing into the country. Related themes covered in this chapter include: local ownership and the lack of control over the TA process as a whole; the need to be alert to the processes which skew the donor-recipient power differential in favour of donors in terms of the management of meaning; DoF's success in establishing mechanisms to assess the comparative advantages of different loan providers; and government's wisdom in avoiding debilitating debt dressed up as development aid.

The chapter also introduces the notion of a 'reverse Comprehensive Development Framework' (CDF), i.e., inverting the World Bank notion of a CDF and applying a similar methodology to assess the relative strengths of donors, technically and commercially.

**Recommendations:**

- ◆ The need for SA to stamp its intellectual authority on the overarching development paradigm within which these knowledge transfers take place and for the Department of Finance, through IDC, to mediate this process across all spheres of government.
- ◆ A 'reverse Comprehensive Development Framework' should be undertaken, with a similar analytic logic applied to donor resource bases as is applied by donors to the needs of recipients.
- ◆ The capacity of government departments should be strengthened to enable them to manage ODA more effectively from a SA perspective. This should minimise the risks associated with all forms of ODA, ensuring control over, for example, conceptual frameworks, Terms of Reference and outputs, institutional arrangements relating to funding mechanisms, and recruitment processes. See recommendations in Chapter 9 relating to training and capacity building.
- ◆ IDC should be given a strengthened role in, to cover among other functions, the analyses of donor resources, disseminating ideas to government departments, and anticipating the implications of managing knowledge transfers.
- ◆ Government and donors should consider the possibility of allocating a proportion of ODA monies that go into the RDP fund, say 2%, for the purposes of information management and research to enable government to make more informed decisions on the source and nature of ODA.

### 1.3.7 Chapter 8 – Future Flows of ODA

This chapter examines two common assumptions: firstly, that ODA is likely to shift away from SA and go towards regional initiatives, and, secondly, the possibility of the departure of donors from SA altogether. The concept of regional initiatives is subjected to greater scrutiny by suggesting a typology of different approaches that go under the regional label.

This typology consists of:

**Common regional issues**, which are defined as development challenges occurring distinctly within different states, but common to all these states, and hence shared as a regionally common experience

**Distributed regional issues**, defined as development problems and aspirations where the potential solutions are distributed across two or more countries; and

**Common, distributed and shared issues**, where the problem and the solution are present within each country and also in neighbouring states.

The chapter goes on to interrogate the need for, and status of, present regional institutions as possible interlocutors of ODA, and concludes that there is insufficient capacity to process ODA in any substantial volume.

The main argument presented here is that, while donors will increasingly locate their ODA programmes within the context of a regional conceptual analysis, ODA is likely to continue to flow largely through bilateral channels for the foreseeable future.

The chapter includes a draft table detailing donor commitments from 1994 to 1999 and new donor pledges from 1999 to 2006. On the information available at this point there is no indication of sharp changes in the flow of ODA in any direction and certainly no basis for suggesting a significant downward trend over the next five years.

### 1.3.8 Chapter 9 - Management of ODA & Institutional Arrangements

Essentially, this chapter builds on the argument presented throughout this report, that SA needs to authoritatively lead the process of managing ODA, consciously and discerningly dictating the nature, source, form and content of ODA in order to ensure that ODA makes a significant contribution to the country's development, does not divert the development process and, at the very least, does not wastefully and ironically consume SA's own resources in the process of managing ODA. It identifies trends and principles that have informed the evolution of these arrangements over the review period and which point towards the conscious creation of a new SA led and SA centred management paradigm.

**Part 1** begins by presenting a contextual and historical overview focusing on issues of the direction, alignment and oversight of ODA, through the macro-structural frameworks of legislation, policy and bilateral agreements.

Two lessons that have emerged over this period are: firstly, the frustration of

implementing agencies and, to some extent, the donors to work through seemingly superfluous layers of bureaucracy; and, secondly, the understandable resistance on the part of strong national departments responsible for service delivery to be managerially accountable to another line department.

The government's response has covered two broad areas: simplification of the structural arrangements and improvement in the efficiency of ODA resource and information flows. Alongside these, is the increasingly clarity on the part of government of the importance of directing, aligning and mainstreaming ODA with reference to the MTEF.

**Part 2** looks at the national coordination mechanisms responsible for mediating and managing the ODA relationship between SA stakeholders and donors. The primary focus is on the central and critical role played by DoF's IDC. The strengths and weaknesses of IDC are considered along with options for relocating and restructuring the unit.

The chapter reveals and affirms the consensus that IDC's role should be consolidated and strengthened. Two issues are explored: the imperative to enhance IDC's leadership role; and the possibility of internally reorganising the Directorate along sectoral lines rather than its current donor focus.

The key role of information management in the coordination of ODA and the need for role clarity between IDC, PMS and TAT are considered. Finally, current and potential consultative and coordination fora, such as an annual MTEF based ODA conference, are assessed.

**Part 3** looks at implementation agencies and considers the conditions that inhibit optimal performance by the national and provincial stakeholders responsible for implementing ODA programmes and projects, suggesting changes to promote efficiency, but, more importantly, effectiveness from a SA perspective and SA ownership and control SA.

**Part 4** examines the funding channels and scrutiny mechanisms relating to ODA with a view to suggesting ways of speeding up the flow of ODA funds from donors to sectors of destination, but within a framework that ideally should be an integral part of the government's own administrative machinery, so as to minimise duplication and ensure sustainability.

Two options are considered: firstly, to channel ODA to an implementing agency (IA) either directly or through a managing agent; secondly, through the government machinery using the RDP fund.

Recommendations, not appearing elsewhere:

- ◆ Departments and provinces should develop ODA specific strategic plans based on the national MTEF derived ODA framework and their own business plans. These plans should provide the basis of a proactive and entrepreneurial engagement with donors.
- ◆ DoF should encourage donors to develop transparent processes resulting in explicitly SA focused ODA plans, such as, Country Strategy Papers based on the MTEF derived ODA framework.

- ◆ The central management and coordination role of IDC should be formalised and consolidated, ideally with a statutory mandate or administrative instrument that legitimates its authority and defines its roles and responsibilities.
- ◆ The internal capacity and structural arrangements of IDC should be reviewed with a view to redesigning the Directorate based on the principles of technical and sectoral focus (as opposed to the current donor focused model); and the enhancement of information management capacity.
- ◆ DoF, through IDC, should organise and conduct an annual donor conference to articulate government's current MTEF derived priorities for ODA and give clear direction to donors.
- ◆ DoF, through IDC, should undertake a 'reverse CDF', distil learning and experiences of SA implementing agencies, and draw on lessons from other countries operating in a similar ODA context as part of the process of drawing up the MTEF derived ODA framework and directing the annual ODA donor conference.
- ◆ The 'Draft Policy Framework and Procedural Guidelines for ODA Management', drafted by IDC, should be formalised and a mandated IDC should promote and support their implementation.
- ◆ IDC should encourage donors to use mainstream government systems for the reporting, monitoring and evaluation, and financial scrutiny of their ODA programmes and, at the very least, to adopt standard project management tools across all ODA supported programmes.
- ◆ A fully functional, centralised management information system and website for ODA should be established, including an up-to-date database detailing commitments and disbursements of ODA flows.
- ◆ IDC to draw up a curriculum and coordinate the training on the management of ODA for personnel from all spheres of government responsible for ODA and donor liaison.
- ◆ IDC to develop systems to engage SA stakeholders, especially departments and provinces, in a more methodical manner prior to participation in the various bilateral consultative and coordinating fora (see Table 6 – Critique of ODA Coordination Mechanisms).
- ◆ The role and function of ODA management units in IAs should be formalised and strengthened through closer linkages with their own political and executive decision-makers and with IDC.
- ◆ DoF should encourage all donors to use the RDP Fund as the preferred option for transferring ODA to IAs.
- ◆ IDC should broker a meeting between the SA Revenue Service, the Accountant General's Office and the Department of Foreign Affairs to

resolve the issue of the application of VAT to ODA related goods and services.

### 1.3.9 Chapter 10 – Change Management

This Chapter looks at the findings and recommendations of DCR II from an Organisation Development (OD) perspective, i.e. with a view to defining a way of practically taking these ideas forward to fruition. The change strategy offered is based on a model that divides change into two categories<sup>4</sup>:

- ◆ *Morphogenic change*, that is higher-order, transformational changes required to define a new SA-led management of ODA paradigm;
- ◆ *Morphostatic change*, that is the sequencing and implementation of those lower-order transactional changes required to make the management of ODA more effective and efficient within this new paradigm.

The change management model proposed assumes three main drivers of change with a hierarchy of responsibilities: the Presidency and Cabinet, responsible for morphogenic change; DoF, responsible for bridging the conceptual divide between morphogenic and morphostatic change; and IDC for coordinating morphostatic change.

#### Recommendations

- ◆ The Presidency and Cabinet should define the principles and policy parameters for the MTEF-derived ODA framework to ensure that ODA flows are based on development priorities established by Cabinet and not budget driven by DoF.
- ◆ DoF should construct the SA management of ODA framework and its main policy instrument, the MTEF-derived ODA policy framework on the basis of guidelines from Cabinet.
- ◆ The DoF constitutes an ODA strategic change management team drawing participants from invited stakeholder groups to workshop the DCR II report and define the content, process, oversight mechanisms and schedule for the morphogenic and morphostatic change agendas.
- ◆ IDC should be responsible for translating the SA management of ODA framework into a change programme covering administrative and procedural measures, and driving these through all spheres of government.

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<sup>4</sup> For a fuller discussion of the concepts of morphogenic and morphostatic change see *E. Schein Organisational Culture and Leadership - Jossey Bass (1994)*