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5. COLLECTION AND ANALYSIS OF DCR II QUANTITATIVE DATA-SET

PART ONE: RESEARCH METHODOLOGY

5.1 Introduction

This Chapter is divided into two parts. Part One is a detailed discussion of the research methodological approach we used to assemble the quantitative ODA data set for the period under review. Part Two presents a summary of the analyses of quantitative data collected.

The full data set will be made available to stakeholders as part of the final comprehensive DCR II report that will be released on CD Rom.

We devote a considerable proportion of this Chapter to a discussion of methodological issues for two reasons:

Firstly, the quality and validity of the base dataset at the heart of DCRII is of obvious importance. Secondly, we wish to highlight the difficulties in data collection that the Department of Finance is likely to face when it attempts to institutionalise this process on an annual basis if and when it seeks to routinise these processes as part of its attempts to play a central role in the management and co-ordination of ODA.

As we stated earlier (see Chapters 2 & 3), the compilation of a comprehensive quantitative data set was not the only expectation of this aspect of DCR II. Rather there was the deeper challenge of designing enduring methodological processes and instruments, and a database that could conform to the Project Management System of the IDC. Further, the final database was expected to be compatible with the generic UNDP DCR format to enable comparability conducted in other countries.

The implications of these methodological imperatives on the contents of this Chapter are:

- Given that the primary product of the data collection aspect is the development of a comprehensive database, this chapter focuses on relevant aspects of research methodology and data validation, and the extent to which these impact on the overall utility and integrity of the database.

- The data-set should provide a global picture of ODA to SA as well as disaggregated analyses, and should complement the qualitative assessments presented in the component studies.

- This Chapter also highlight methodological issues that impact either directly or indirectly on the capability of the IDC to effectively undertake the intended level of management and co-ordination of ODA to South Africa.

5.2 Methodological issues

5.2.1 Data collection

A critical shortcoming of DCR I was the extent to which the quantitative information representing the flow of ODA from individual donors to South Africa was widely contested by stakeholders reviewing the DCR I report.

To avoid this problem, we began from first principles, and assumed that there is at present no single location that holds authoritative information on ODA flows to South Africa. Two choices faced us at this point: seek information from the dispersed range of recipients (sectors of destination of ODA); or alternatively, ask individual donors. The latter offered a less complex and potentially more rigorous route, in that we could safely assume that donors needed to maintain accurate accounts of their ODA disbursements in order to satisfy internal reporting requirements to their own governments.

We consequently undertook to collect the data directly from the source, i.e., from the representatives of the donor countries and that of the multi-lateral donor agencies. The collection of all ODA data from its source was intended to not only eliminate the errors inherent in second hand data, but also to ensure that donor organisations themselves assumed responsibility for determining the validity of the data applicable to them.

This process of data collection, while stronger than using second hand sources, nevertheless has its own problems:

- **The rate of response.** Numerous DCRs have highlighted the problem of a poor response rate from donor organisations. In some cases the rate of non-response has been estimated to be as high as 50%, and while a second iteration of the data collection process usually improves this figure, there still remains an average non-response rate of between 10% and 15%[26].

  The problem is exacerbated by the fact that it is extremely difficult, if not impossible, to accurately estimate the quantity of ODA that is attributable to those donor agencies that do not respond.

- **Errors at the inputting stage of data processing and record keeping**. Apart from validity checks at the time of data processing (which will be addressed later in this Chapter) a critical stage of validation occurs at the point at which data is entered into the format required for its transmission to the research team. The validity of the data may be compromised at this point by a number of factors.

[26] IOD-SA *Comparison of Development Cooperation Reviews*, October 1999

Firstly, it may be compromised by the actual data entry, in that errors are made in the entry of the information. Secondly, the data source itself (in the form of records) may be incomplete. For instance, the local office might not maintain comprehensive records, so that whatever data is provided (no matter how correctly it is entered), is still not an entire accurate record of the transactions between the donor and the recipients. This can easily occur when the donor organisation is not in possession of a proper accounting or project management system.

- **Incompatibility of data formats.** A third problem relates to the variety of formats by which data is classified and stored by different donor organisations. The formatting of data usually impacts at three levels.

  Firstly, it refers to the fields and categories that are used to store the data by the donor organisations. While some donors use fields detailing information at the level of individual projects, others may only have information relevant to the sectors. These differences make it impossible to collect data in a consistent manner across all donors.

  Secondly, the donor organisations subscribe to a number of taxonomies for the classification of their projects, implying, for instance, that a project placed within a particular sector by one donor using the DAC sectors may easily fall within another sector if classified according to another donor, or if one were using the UNDP sector categories. The problem of the classification of projects, particularly in terms of the sector of destination, the type of ODA, and the designated recipients is especially pronounced if there are, as is the case with SA, a large number of donor agencies operating in the country.

  Thirdly, donor organisations use different software for the storage of their data, and not all of these software packages are compatible. In this case there can be severe (and sometimes intractable) complication in terms of the collation and processing of master datasets from individual donor submissions.

To address these (potential) problems, the DCR II undertook a series of initiatives, discussed below.

5.3 Development of a data collection instrument and user manual

We began with a questionnaire that had been developed in consultation with a donor representatives' focus group. The objective of the focus group was to establish the fields of information that would be most critical for the review, and, equally importantly, to arrive at an acceptable compromise between what was required by DCR II and what could realistically be provided by the donor organisations.

This questionnaire was subjected to second round of critiquing, and revised on the basis of feedback a wider circle of stakeholders. The principal objective of this round of consultations was to ensure that there was broad consensus among the stakeholders on the type of information the questionnaire would seek to obtain.

Following this exercise, the questionnaire was translated into a software- based data collection instrument. The software programme was developed in Delphi, and designed in a form that would enable it to be transmitted to respondents on a single diskette. A working version of the programme was developed and presented to the donor organisations at a second focus group session to test for user friendliness and adequacy of data requirements.

Following this workshop, at which donor representatives gave their approval of the instrument, the programme was further refined and tested before a final version was developed for distribution to the donors. The final version included numerous internal checks to assist the data entry process by highlighting, *inter alia*, possible contradictions in coding, errors in summation, and incomplete and/or empty data fields.

In sum, the data collection programme was intended to achieve the following:

- To ensure that all donors responded by providing the data in the same format, in order to streamline and guarantee proper collation and processing of individual datasets into a single, master dataset.

- To ensure that donors would themselves assume responsibility for the validity of their data, by checking it against that which was present in their records, but also by utilising the checks built into the programme itself.

- To ensure, overall, that the data collection process was made as user friendly as was possible so as the increase the probability of receiving the data from the donors.

Additionally, it emerged from the various meetings with the donors that many of them did not feel entirely confident about reporting in considerable detail on all six years of the review period (from 1994 to 1999). It was therefore agreed that the data would be collected in two ways:

- Detailed, project level information for the most recent years (1998-1999),

- Annualised summary information for the earlier years (1994-1997).

However, donors were encouraged, where possible, to provide data at the smallest level of detail (project level) as this would increase the statistical and analytic power of the information and consequently the capability of the database.

To further facilitate the collection of valid data, the team developed a comprehensive user manual to accompany the software programme. [See Appendix 5] The manual not only covered aspects of the operation and functioning of the programme itself, but also included detailed descriptions and guides to the definition of key concepts and the classification of projects by

sector, recipient, etc. The manual, together with the software programme, was provided to all donors by way of courier, and all donors were provided with the opportunity to return the data in whatever mode was most convenient to them. In most instances, this comprised returns by email, though many also returned the diskette by courier.

Finally, as an additional measure to ensure minimal problems with the process, the team made available to all donors - by way of a protocol team - expertise in both the software programme and research and sampling methodology. The brief of the protocol team was to provide all necessary assistance to the donors for the successful collection of the data. The team was used extensively by the donor agencies, and it also ensured regular follow-ups with all agencies.

A database was developed by the DCR II team to detail all of the face-to-face, telephonic and electronic interactions between this team and each donor (effectively an audit trail of the data collection process which reflects the extent and immediacy of cooperation received by the data collection team). This record is available for public scrutiny.

5.4 Data validity assessment

As indicated earlier, the principal objective of both the data collection programme and the methodology by which it was developed and utilised was to ensure that the process of data collection was robust, and that the data collected was of the highest possible validity. In this section, we comment on the extent to which these objectives were achieved.

5.4.1 Defining a common measuring system

The main obstacle to the formulation of a standardised data collection instrument was the taxonomy to be used for the determination of the sectors of destination. This is understandable given that donor agencies typically adhere to the formats that are standard for the donor systems with which they are most closely identified. Hence donors aligned with the UN system are likely to use the UNDP DCAS taxonomy, while those associated with OECD would employ the DAC taxonomy. Further some donors have their own unique taxonomy developed by their home offices.

To achieve consistency in the taxonomy of sectors of destination, the DCR II team investigated the nature of current classification systems used by SA based donors as well as the extent of use of these systems. Based on this analysis, as well as an acknowledgement of the requirements of the DCR process, it was decided that the DAC system (Table 5: DAC Statistical Reporting Directives[27], a copy of this is contained in Appendix 3) would be the most equitable system for this study. Notwithstanding concerns expressed by some donors, the majority were in agreement that the DAC system was

[27] DAC, *Statistical Reporting Directives*, Revised Draft, March 2000

probably the most impartial, and approximated closely to the format required of the DCR II.

Once the DAC model was adopted, donors were quick to reach agreement on the other aspects of the measuring system, most notably the categories for the determination of the terms of assistance (grants, loans, credit guarantees, etc.), type of recipient (government, NGOs, Parastatals, etc.) and institutional level of (government) recipients (national, provincial and local). A copy of the data fields contained in the data collection programme can be found in Appendix 4.

Definitions of both the DAC categories and the additional categories mentioned above were provided in the user manual. Further, given that many donors would have retrospectively reclassified their projects into the DAC sectors, the user manual also provided direction to assist with this task. The guidance provided was obtained from the DAC Statistical Reporting Directives manual.

In sum, then, the use of iterative, stakeholder consultation processes to develop the data collection instrument substantially increased the probability of ensuring that data collected, at least by way of methodology and design, would be both valid and submitted in a common format. The eventual results were highly satisfactory, with the majority of donors willingly conforming to both the classification system as well as the required data format. The exceptions to this are discussed in the following section.

5.4.2 Responses from donors

In conjunction with the donor agencies, the team developed a formal timeframe for the data collection process. The timeframe set dates for the distribution of the programme, the entry of data by the donors, and finally, the return of the data to the DCR II team.

The responses from the donor organisations to the data collection may be described along two axes:

- *Participation: Supply of data to the DCR II team*
- *Co-operation: Compliance with the data entry formats specified by the DCR II team, and, using these two axes, classified into three categories:*

- **Participation with full co-operation** – reassuringly, the majority of the donors fell into this category. These included the largest bilateral and multilateral agencies.
- **Participation with no co-operation** – this category refers to donor organisations that provided the data but did not do so in the format specified by the DCR II team. In essence, these donors merely provided the data in whatever format they currently stored it, with little or no regard for the presence of the critical fields and variables.

The particular instances of this were the responses from Australia and Austria, the former submitted its response to the DAC survey and the latter merely providing its own records. In both instances, significant effort was expended to ensure that the format of the data was modified to resemble that of the DCR II data collection programme. This was done without editing or modifying the actual data itself. The translation proved only moderately successful, and apart from the year of commitment and sector of destination, little else in these two datasets resembles the fields contained in the datasets of the donors from the first category.

Both these datasets were, however, included in the master dataset to ensure, at the very least, that this quantum of ODA is represented in the macro-level analysis.

- **Non-participation** – this category refers to those donors who did not submit any data to the DCR team, despite repeated reminders. In all such instances the IDC was requested to facilitate the collection of the data from these donor organisations, but to no avail.

  It is particularly discomforting to note the lack of active cooperation on the part of some donors, which necessitated the DCR II team making repeated appeals for compliance via the IDC. Given that of one the main objectives of DCR II is to facilitate greater SA ownership and alignment of donor activities with Government priorities, the irony will not be lost on readers.

5.4.3 Currency conversions

Another criticism of DCR I was the lack of clarity over the exchange rate **c**onversions, from foreign currencies to Rands. The point at issue is a when conversion is assumed to have taken place. Given the steady devaluation of the Rand against major currencies, the point at which a conversion is calculated obviously has a significant bearing on the local currency figures for ODA in terms i.e. in ODA as expressed in South African Rands (ZAR).

Given the downward movement of the ZAR between 1994 and 1999 against a basket of the major foreign currencies, using conversion rates closer to 1994 levels can notionally reduce the monetary value of ODA by as much as 20% to 25%. Using a conversion rate closer to 1999 levels would have the opposite effect.

In the absence of a commonly agreed conversion process, these circumstances lend themselves open to donors using conversion rates that would reflect more positively on themselves. To eliminate the possibility of this happening the DCR II data team worked on the basis of the following conditions:

- Donors were asked to provide the necessary data in the currency of their choice i.e., in the currency of operation used at source. The DCR II team would then undertake conversions to ZAR.

- Currency conversions would be calculated according to the year in which the original commitment was made. This was considered to be a fair reflection of the commitment value of the ODA 'put on the table', which all parties had in mind when the annual negotiations were conducted and the quantity of ODA was determined.

- That the conversion would be effected using an annualised average rate for each of the foreign currencies against the ZAR for the particular year in question.

- That the currency conversion rates would be obtained from the South African Reserve Bank, as it represented the most authoritative and impeccable source for this information.

This methodology for the conversion of foreign currencies was discussed with the donors to ensure acceptance on their part.

5.4.4 Validity checks

Finally, and notwithstanding the various methodological safeguards employed to ensure minimal corruption of the data, a series of validity checks were conducted during the data processing stage. The purpose of this exercise was to measure the degree of validity achieved by the methodology and the data collection instrument, and to ensure that data that did pass these validity checks was not corrupted in other ways. The validity of each dataset set was therefore further assessed using the following procedures:

- **Test for user and system-missing values**. User values refer to values defined by the users (the donor organisations) as missing (not available at the time of data entry) while system-missing values refer to data that might be missing because of a failure to populate certain fields in the data collection instrument.

  As discussed before, the instrument was designed to avert such omissions, but there was no guarantee that every omission would be covered. So, this first validity check was run to determine if values provided were legitimate. For example, does a zero value for a data field imply a real value i.e. does it mean 'no disbursement' took place? Or does it mean that the field was overlooked in the data inputting stage?

  In general, this level of validity was found to be high, due to the robustness of the data collection instrument. However, there were still problems with some of the datasets, and these indicated that missing data had more to do with a poor response by the donors than the actual omission of data. A good example of this was the figures for disbursement. While most of the records in the master dataset contained valid figures (be they zero or otherwise) for disbursement, some donors declined to provide these figures.

Of the over 1300 records, about 15% have no disbursement figures, and this was due entirely (as was communicated to the DCR team) to the donor's unwillingness/inability to furnish this information. It is for this reason that the disbursement figures cannot be used in the overall analyses. In the circumstances we were compelled to use commitment figures as a basis for our analyses.

- **Test for out of range values.** This test sought to determine if inappropriate (unacceptable) values might have been inadvertently entered into the data collection programme. The check revealed several potentially invalid entries, including one that indicated a budget for a single project of 1,300 trillion US dollars, and another that indicated a disbursement for a single project of over 2 billion US dollars.

  In all instances, the data was referred to the donor organisation for correction and subsequently returned for collation into the master dataset. It must be acknowledged, however, that this test would only have identified extremely invalid values, and might easily have overlooked values which were invalid by not extreme. This issue, *the extent to which the data accurately reflected the actual records of the donor, could not be addressed except by insisting that donors ensure the highest standard of probity in the data entry phase*. For our part, to ensure accuracy, figures were returned to donors for reconfirmation. We are not in a position to know whether this second check occurred at the donor end.

- **Tests for anomalies.** The last validity check tested for anomalies that could not have been defined beforehand but which might have been evident in the data. Given that the study spanned the transition from 1999 to 2000, one of the critical factors flagged for attention was the possibility of anomalies that might arise from donors data systems not being Y2K compliant.

  Although the data collection programme was intended to eliminate this possibility, the submission of datasets by some donors in their original format did reflect this problem. Of the three datasets submitted in original format, only one (Austria) was found to contain problems as a result of Y2K non-compliance. In this instance, start and end dates for projects had incorrectly reset themselves to the year 1900. The relevant calendar fields were flagged for attention in the master dataset, with a caution issued on their use for future analyses.

In general, and notwithstanding the abovementioned problems the data compiled was found to contain very few inconsistencies or anomalies. We attribute this success primarily to the use of a standardised, customised data collection programme.

Concluding remarks

The checks introduced into the methodology were motivated by the experiences of DCRs elsewhere and the scepticism over the accuracy of figures associated with DCR I.

The motive for investing time, in methodological innovations and iterative consultative processes, was to ensure that the ODA data set at the heart of the analyses that follows is of as high an order of accuracy as possible, and relatively free from data corruption and distortion. There is little doubt if these figures are accepted as largely free from error they will be used and quoted for some time to come (until a similarly rigorous process is used to up-date them)

We now look at aspects of ODA flows to South Africa in the period 1994 to 1999.

PART TWO: ANALYSES OF QUANTITATIVE DATA SET

5.5 Analyses of ODA commitments from 1994 to 1999

The analyses presented in this chapter will seek to answer a set of simple questions in order to provide an overall description of ODA flows to South Africa at the most aggregated level. In this sense it must be considered as only a foreword to the more thorough and rigorous analyses that may be undertaken using the compiled master dataset.

The following constitute the core questions on which this analyses is based:

- What is the total volume of ODA to South Africa, aggregated over the review period and disaggregated by year?
- How does the total volume of ODA compare when viewed against the SA budget expenditure and SA GDP over the same period?
- What are the allocations by donors to the different sectors of destination, which are the major donors in the most funded sectors, and how do these levels of funding compare to the priorities identified by the SA government?
- What is the level of support provided to different institutions in South Africa?
- What are the allocations by donors to provinces, and how do these compare to levels of need within each of these provinces?
- And finally, what do the trends in ODA commitments during the review period indicate about possible trends in future ODA commitments?

5.5.1 Annual ODA commitments to South Africa

The total volume of ODA offered to South Africa from 1994 to 1999 was determined from this exercise to be R17.57 billion. Before proceeding onto an analysis of the year on year funding, it is necessary to comment briefly on the extent to which the total ODA reflected in this sample is an underestimate of the actual amount of ODA offered to the country. Although every attempt was made to obtain the relevant data, the final dataset is incomplete for the following reasons:

- Some agencies, which do offer donor assistance to South Africa, were not included in the list provided by the IDC to the DCR II data collection team. The notable omissions are India and Portugal.
- A number of donors submitted annual total figures for some of the financial years between 94 and 99, but not for every year. So for 94, seven donors submitted no detailed figures; for 95 there was an absence

of data from six donors; for 96 there were no submissions from four donors; for 97 no figures are available for four donors; for 98 no figures are available for four donors; and finally, the global total for 99 shows the greatest gap in that no figures were available from 9 donors.

- One agency that was approached but did not submit any data at all, viz. WHO.

- Two agencies submitted data too late for it to be included in this report, though it has now been received and integrated into the master dataset that accompanies this report. These are CIDA and KFW.

Assessments of the volume of ODA attributable to these particular donors would range between R850m and R1 000m over the six-year period. This would indicate that the figure of R17.57b obtained from this sample may underestimate actual ODA by between 4% and 6%, and that the actual ODA may amount to approximately R18.5b, which would indicate an average of around R3.0b per year for the six year review period, a figure consistent with many previous (though informal) estimates.

The global totals available at the time of publication of this report are:

Total Commitments (in ZAR 000S)

1994	R2,513,171
1995	R2,830,303
1996	R3,032,671
1997	R3,934,431
1998	R2,973,359
1999	R2,286,043
Total	**R17,569,978**

Figure 1 graphically illustrates the annual amounts of ODA commitments to South Africa for the each of the years in the six-year review period.

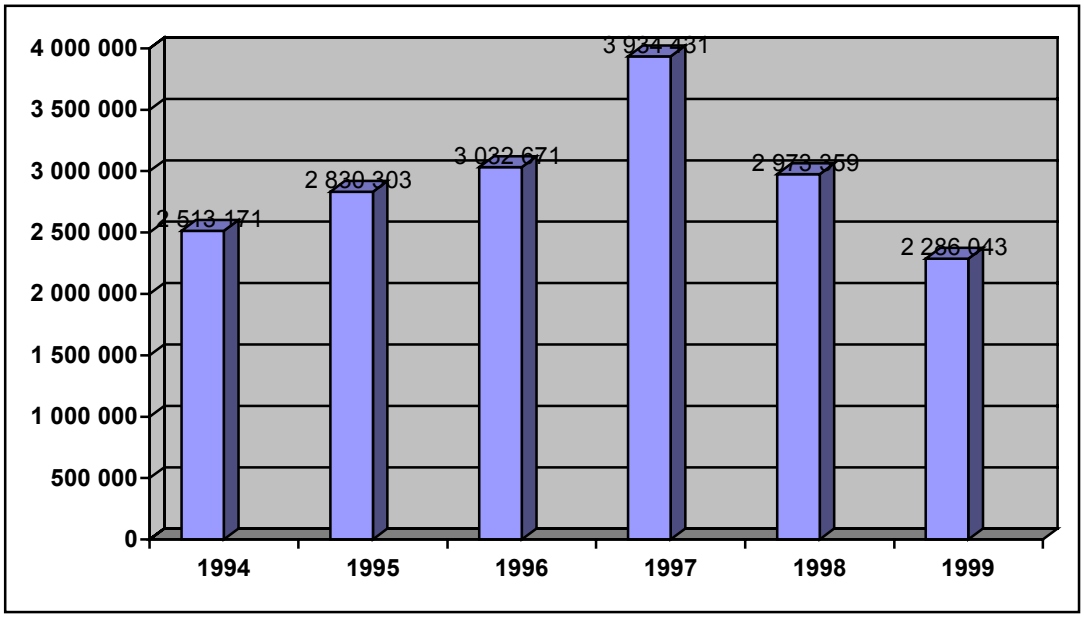

Figure 1: Total ODA commitments to South Africa (ZAR 000s)

As is evident from Figure 1, the allocation of ODA to SA shows a distinctive trend over the period 1994 to 1997, with a steady year on year increase in ODA until a peak is reached in 1997. Two likely factors to explain this upward trend are:

- SA government led drive to increase the number of bilateral and multilateral agreements, as the newly elected democratic administration of 1994 established formal links with donor countries and agencies during the first few years of its rule.

- Donors' own decision to shift ODA from civil society to government in recognition of the moral legitimacy, development aspirations and penetrative capacity of government structures.

The second ostensibly linear downward trend from 1997 to 1999 is less conclusive given the number donors who were unable to submit figures for 99 because they had not yet completed accounting for this year. Nevertheless two observations are possible:

- The first is that 1997 reflects the (natural) peaking of multi year ODA agreements that were negotiated in 94-97 that can be characterised as a time of generous affirmation for the first fully democratic government of SA.

- The second is that, having concluded agreements for the post 1994 period, especially to help boost government's policy formulation and development capacity, donors moved to a mixture of routine institutionalised systems of programming and the inherent caution in aid circles associated with electoral cycles, waiting to see the outcome of the second democratic elections in 1999. This may explain the somewhat sharp decline between 1997 and 1998. The resurgence in commitments,

leading to a relative stabilisation in projected ODA from 2000 onwards, reflected in Chapter 8, would seem to confirm this view.

5.5.2 ODA commitments as a proportion of the SA budget expenditure and GDP

To provide further context for the analyses of total ODA commitments, it is useful to consider the volume of ODA as:

- A percentage of the consolidated (national and provincial) expenditure of the South African government; and,
- A percentage of the South African GDP (at current prices).

Figure 2 provides an indication of this assessment using the budget and GDP figures derived from the 1998, 1999 and 2000 Budget Reviews published by the Department of Finance (the figures for 1994 are not available). All budget figures reflect actual (revised) expenditure[28] [29] [30].

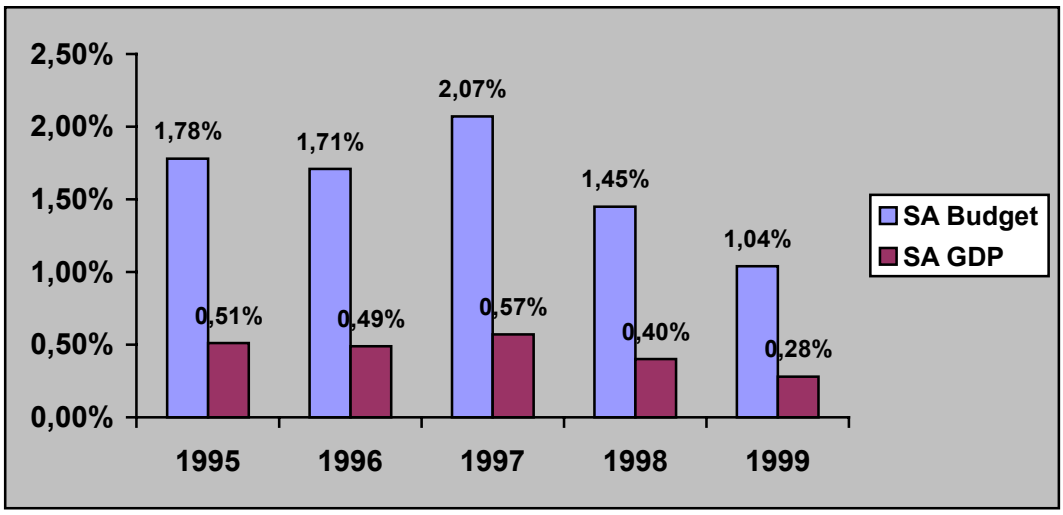

Figure 2: ODA Commitments as a Proportion of the SA Budget Expenditure and GDP

The assessment of ODA commitments against the national budget of the South African government confirms the overall trend in ODA commitments identified earlier, with 1997 signalling the peak of donor assistance and thereafter donor assistance entering a downward trend. Significantly, the downward trend between 1997 and 1999 is that much more dramatic when seen against the national budget than when viewed on its own. As we have stated earlier this is

[28] Department of Finance, *Budget Review 1998*

[29] Department of Finance, *Budget Review 1999*

[30] Department of Finance, *Budget Review 2000*

a consequence of a combination of a decrease in the absolute amount of ODA set against a concomitant increase in the Government's self-generated revenue, and own expenditure commitments.

On the basis of data we collected, ODA commitments amounted to 1.04 % of the SA Government's 1999 budget.

These analyses lead us to one of the fundamental qualitative issues pertaining to the nature of ODA and at the heart of this report. What is the most effective use of this rounded 1%?

There are three lines of argument emerging from the DCR II qualitatively focused component studies as possible answers to this question:

- ODA in the form of knowledge banking i.e. acquiring good practice models and leading edge knowledge in a particular technical field, that can help build South Africa's own capacity and accelerate the country's development processes.

- ODA as risk capital to finance innovations or test 'pilots' of potential wider benefit, or in technical or geographical areas where private finance or public-private partnerships may not be keen to finance development ventures.

- ODA for gap filling. Use ODA to meet urgent emerging needs for which adequate resources have not be anticipated and budgeted. The emphasis here is on using ODA sparingly and opportunistically to meet unexpected development needs and, not to fill gaps left behind by poor planning and budgeting processes.

All three points of points of view are premised on a common assumption that the main and critical constraint to development in SA is not a lack of government financing, but rather the lack of expertise and capacity to properly plan, channel and utilise these finances and other resources to areas of greatest need and in ways that ensure maximum effectiveness.

These arguments have been given credence in some quarters by recent debates in Parliament on claims of under spending, budget rollovers, financial mismanagement and generally poor planning and programme implementation by key government departments, and ironically in some cases money being allocated late by DoF. According to the Department of Finance, six departments collectively failed to spend poverty alleviation funds amounting to R455.9m for the 1999/2000 financial year. The affected departments include key agencies such as Welfare, Health, Public Works and Housing.

Further, recent hearings by a number of Portfolio committees in Parliament have highlighted the severe shortage of skills in planning, management, and implementation in many national departments. These problems have prompted many departmental director-generals to ask for urgent assistance for the development of appropriate managerial and technical capacity in their institutions.

The coexistence of these conditions lead some stakeholders to argue that the foremost use of ODA should be to build the country's knowledge capital base. Two key areas within government are suggested in this regard: establishing effective management systems, and broadening and sharpening the critical skills base.

5.5.3 ODA commitments by individual donors

Table 3 details the total commitments for each donor from 1994 to 1999.

Table 3: ODA commitments by donor (ZAR 000s)

DONOR	1994	1995	1996	1997	1998	1999	Total
Australia	5,571	75,832	9,740	67,635	20,324	*	**179,102**
Austria	150	7,922	8,107	8,129	*	*	**24,308**
Belgium	5,078	44,632	3,476	34,646	6,336	2,892	**97,060**
China	*	*	*	*	137,137	*	**137,137**
Denmark	118,054	84,859	167,060	115,608	11,647	110,000	**607,228**
DFID**	82,524	93,017	113,504	183,715	245,886	**	**718,646**
EIB	209,819	210,872	299,305	1,035,380	828,729	649,283	**3,233,388**
EU	428,650	577,862	690,599	663,372	791,744	831,160	**3,983,387**
Finland	*	9,547	62,006	18,274	*	*	**89,827**
Flanders	390	2,874	2,723	3,218	4,094	2,422	**15,721**
France	*	245,010	89,573	*	*	*	**334,583**
GTZ***	22,873	70,518	382,273	29,150	208,463	117,361	**830,638**
IDRC	10,037	10,523	6,439	19,655	18,829	11,981	**77,464**
ILO	60	*	*	*	166	440	**666**
Ireland	10,040	6,684	6,306	52,714	5,549	12,824	**94,117**
Italy	6,221	4,940	3,615	85,298	3,227	1,895	**105,196**
Japan	9,808	16,341	324,236	320,539	68,594	49,725	**789,243**
New Zealand	1,116	*	72	7,307	3,659	3,246	**15,400**
Norway	139,432	49,659	21,590	88,410	83,760	29,723	**412,574**
Netherlands	9,858	94,240	124,691	96,993	132,228	102,202	**560,212**
Spain	*	8,082	1,002	6,709	8,451	12,294	**36,538**
SDC	26,925	19,957	74,403	58,008	60,064	20,933	**260,290**
SIDA	88,071	259,696	58,533	242,268	181,757	271,938	**1,102,263**
UNDP	1,913	63,177	9,054	57,000	28,703	25,144	**184,991**
UNESCO	*	*	728	2,334	*	*	**3,062**
UNFPA	*	3,445	6,870	9,761	677	*	**20,753**
UNICEF	*	*	*	22,140	19,029	24,284	**65,453**
USAID	1,333,920	870,614	566,766	706,168	102,331	*	**3,579,799**
WB	2,661	*	*	*	1,975	6,296	**10,932**
TOTAL	**2,513,171**	**2,830,303**	**3,032,671**	**3,934,431**	**2,973,359**	**2,286,043**	**17,569,978**

* Data not provided by Donor

** Donor indicated that data was not yet available because of very recent closure of financial year

*** GTZ is not a donor but an implementing agency for the German ODA programme, responsible for providing ODA in the form of technical assistance and grants. To build a picture of the full extent of German ODA to South Africa, it is necessary to take into account ODA in the form of loans channeled via KFW. Unfortunately, these figures were not available at the time of going to publication.

**** The DFID figures do not reflect all the ODA made available by the U.K. government. Data presented above does not include export credits and funds dispersed by the British High Commission and Consulate offices. They also do not include funds spent in S.A. by DFID HQ Africa-wide programs and international programs.

As Table 3 reveals, the five largest donors were the European Union, followed by USAID, the European Investment Bank, Sweden, and finally, German Development Co-operation. Collectively, these five donors account for R12,729m or 73% of the total ODA committed over the six year period. A breakdown of this majority portion according to the terms of assistance (loans and grants) and is captured in the Figure 3.

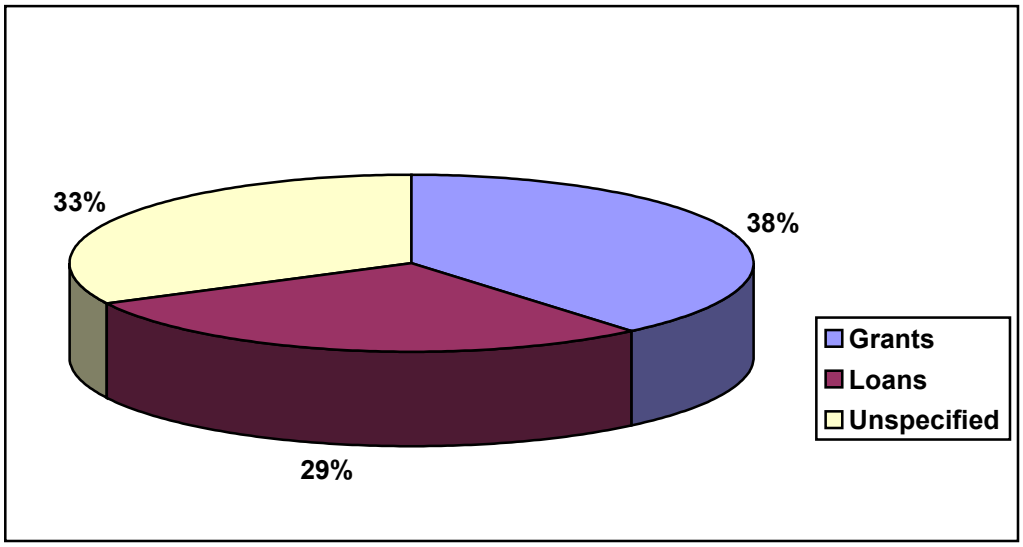

Figure 3: Terms of Assistance for Five Largest Donors

The biggest volume of grants amongst the five largest donors came from the European Union, followed by USAID, which together account for 82% of all grants provided amongst these five donors, while the biggest volume of loans comes from the European Investment Bank (89%), followed by KFW (11%), with the remaining three donors not providing any loans at all.

On the basis of data we have assembled at this point[31] the top ten Donors are:

[31] Note the gaps in data pertaining to USAID and DFID.

Table 4: The ten leading donors.

DONOR	1994	1995	1996	1997	1998	1999	Total
EU	428,650	577,862	690,599	663,372	791,744	831,160	**3,983,387**
USAID	1,333,920	870,614	566,766	706,168	102,331	*	**3,579,799**
EIB	209,819	210,872	299,305	1,035,380	828,729	649,283	**3,233,388**
SIDA	88,071	259,696	58,533	242,268	181,757	271,938	**1,102,263**
GTZ	22,873	70,518	382,273	29,150	208,463	117,361	**830,638**
Japan	9,808	16,341	324,236	320,539	68,594	49,725	**789,243**
DFID	82,524	93,017	113,504	183,715	245,886	**	**718,646**
Denmark	118,054	84,859	167,060	115,608	11,647	110,000	**607,228**
Netherlands	9,858	94,240	124,691	96,993	132,228	102,202	**560,212**
Norway	139,432	49,659	21,590	88,410	83,760	29,723	**412,574**

* Data not provided by Donor

** Donor indicated that data was not yet available because of very recent closure of financial year

5.5.4 ODA commitments by donor system

An alternative way of looking at individual donors share of the total ODA is by use of the UNDP[32] DCAS method for assessing External Assistance Trends, which divides all donors into the following categories:

- Bilateral donors – this covers all individual countries (hereinafter the Bilateral Cluster).
- UN System – this covers all the UN agencies such as UNDP, UNICEF, World Bank, etc. (hereinafter the UN Cluster)
- Non-UN Multilateral donors – this covers multilateral donors such as the EU and EIB (hereinafter the Multilateral Cluster).
- Non-governmental Organisations – this covers all international NGOs such as World Vision, Oxfam, etc. (This category does not apply to this study as NGO donors were not surveyed by this DCR II.)

This research determined the ODA commitments for the Bilateral, UN and Multilateral donor clusters in terms of grants, loans and unspecified as follows:

[32] The UNDP method presents itself as a much more politically neutral and therefore less controversial way of assessing the portions of ODA attributable to different donors or clusters of donors.

	Bilateral Cluster	UN Cluster	Multilateral Cluster	Total
Grants	4,265,248	242,846	2,145,714	6,653,808
Loans	398,453	0	3,233,388	3,631,841
Unspecified	5,404,310	42,344	1,837,675	7,284,329
Total	10,068,011	285,190	7,216,777	17,569,978

(All figures in ZAR 000s)

Figure 4 presents this information graphically in order to convey the relative weight of each of the three donor clusters.

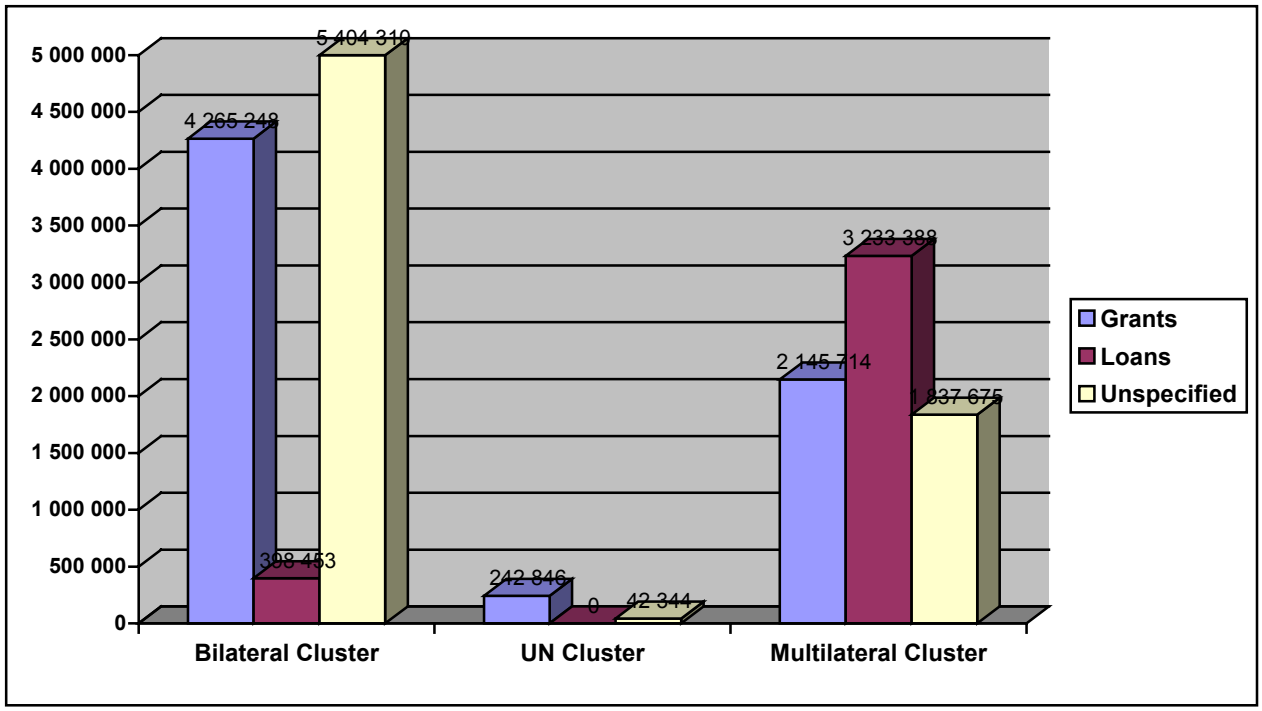

Figure 4: Terms of Assistance for the Three Donor Clusters (ZAR 000s)

Once again, it is clear that the bulk of the loans arise from the Multilateral cluster, while the bulk of grants comes from the Bilateral Cluster. Significantly, the UN cluster accounts for only 1.6% of the total ODA committed to South Africa, principally one assumes because of the absence of large loans from the World Bank, while the Multilateral cluster system, accounts for 41%% and the Bilateral cluster makes up the remaining 57.4%.

5.5.5 ODA commitments by sector

Table 5 indicates the overall commitments to the DAC sectors of destination, rank ordered from highest to lowest.

Table 5: Sector commitments from 1994 to 1999 (ZAR 000s)

SECTOR	COMMITMENT
Education	3,823,281
Government and Civil Society	3,248,561
Other Social Infrastructure & Services	2,279,141
Water Supply and Sanitation	1,925,401
Business and Other Services	1,829,875
Health	1,132,588
Energy Generation and Supply	923,637
Banking and Financial Services	513,852
General Environment Protection	457,110
Other Multi-sector	372,618
Transport and Storage	239,054
Unspecified/Unallocated	221,250
Agriculture, Forestry and Fishing	200,872
Trade and Tourism	122,659
Population Policies, Programmes & Reproductive Health	108,374
Communications	103,323
Industry, Mining & Construction	38,195
Women in Development	30,187
TOTAL	17,569,978

As Table 5 reveals, the largest commitments were made to the Education sector (21.76%), followed by Government and Civil Society (18.49%), Other Social Infrastructure and Services (12.97%), Water Supply and Sanitation (10.96%), Business and Other Services (10.41%), and finally, Health (6.45%). Collectively, these six sectors account for over four fifths (81.1% or R14.24b) of total ODA commitments.

Comparison of the most funded sectors with the sectors identified by the South African government as priority areas reveals that most donors appear to have employed the RDP as a framework for sectoral allocations. The provision of social services in education, health, water and sanitation and safety and security (captured in the DAC category Other Social services and Infrastructure) receives three-fifths of all ODA commitments, with just under one-fifth (18.5%) being allocated to supporting government and for civil society organisations[33] (DAC sector Government and Civil Society), and the remaining one-fifth being distributed amongst the remaining sectors.

Taken together, these figures indicate that donors have largely followed the social development priorities originally set out in the RDP and reflected in the redistributive aspects of GEAR and the MTEF. As the figures above show and

[33] Most of this support is for Government and for Government's assistance to Civil Society

our component studies reveal, a significant proportion of ODA has gone on crafting the governance frameworks and institutional systems to implement the government's social development programmes (a large part of the 18.5% referred to above, and a high proportion on policy reform and management systems from within discrete social service sectors)

However, even this is only a superficial analysis of ODA flows. A detailed and textured picture of the nature of ODA, based on further disaggregated examination of the forms of ODA provided and the nature of the projects funded in these critical sectors is necessary, if SA is to construct a deeper understanding of the value of ODA in relation to the its development priorities. We return to this issue in Chapter 8.

5.5.6 Sector commitments: Donors and the SA Government

Arguably one way of assessing the alignment of ODA with government priorities is to compare ODA commitments per sector (as a proportion of total ODA commitments) with the national and provincial expenditure by the South African Government for the same or equivalent sectors (as a proportion of the total budget expenditure). While the DAC sector definitions do not overlap completely with SA government categories (notable exceptions are Safety and Security, Housing and Welfare), it is useful to look at those sectors that are equivalent and thus allow for some degree of comparison. These sectors are identified from the Budget Review as follows (DAC Sectors in parenthesis): Education (Education), Health (Health), Water Schemes and Related Services (Water Supply and Sanitation), Agriculture, Forestry and Fishing (Agriculture, Forestry and Fishing), and Transport and Communications (Transport and Storage, and Communications).

Figure 5 compares ODA commitments for each of the sectors (as a percentage of total ODA commitments) against the expenditure by the SA government for these sectors (as a percentage of total budget expenditure) over the period from 1994 to 1999.

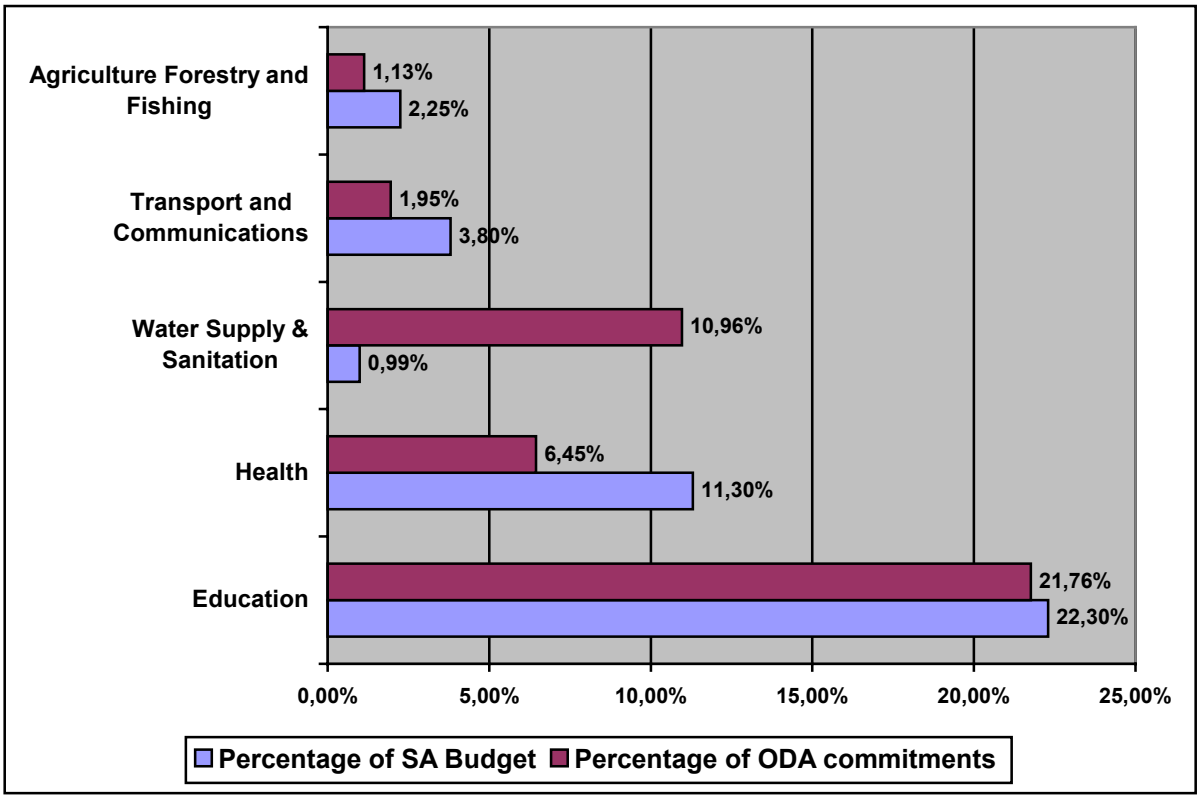

Figure 5: ODA Commitments Per Sector Against SA Budget Allocations per Sector for 1994 to 1999

While one cannot make too much of this comparison as the SA government is a single entity while the donor field is occupied by over thirty agencies, each subject to their own priorities, the picture does reveal some interesting detail:

- Firstly, given the potentially devastating impact of the HIV / AIDS pandemic on the development of South Africa (and Southern Africa) the relatively low level of ODA support for this sector is remarkable, both in terms of the absolute amount of ODA going to this sector, and in comparison with government's own level of budgetary commitment. These figures suggest that this issue needs to be probed further. Why hasn't a sector dealing with possibly the single most important development issue of our times, attracted more ODA? Shouldn't the alignment be better than it is?

- Prima facie, the Education Sector presents a very different picture, with the respective allocation percentages (of government and donors total budgets) surprisingly similar. Closer inspection of the data reveals differences of focus with the sector between government and donor priorities. A significant portion of the ODA commitments in education were to tertiary level institutions (principally from USAID), while the principal allocation in the SA budget was for primary and high school education, the strata of the educational system considered by government to be the greatest area of need following years of institutional neglect in the apartheid period. However, seen generally, the sizeable donor commitment for education and

training could be viewed as a continuation of the historical inclination of donor interest in this sector.

- Thirdly, and perhaps most interestingly, the allocation of donors to Water Supply and Sanitation far outstrips that made to this sector by the SA government. Two related hypotheses have been advanced for this, which are worth reflecting on:

    - '*ODA follows efficiency, not necessarily priorities'*. The argument here is that ODA flows are not simply a consequence of needs-based rational planning processes. One of the critical factors affecting donors' decisions to invest resources in a particular sector is the perceived quality of the leadership of that sector. In particular the level of political commitment is seen as a key dimension. Proponents of this view argue that the perceived efficiency and political vitality that marked the Department of Water Affairs and Forestry in the 94-99 administration was responsible for flow of ODA to this sector, as donors eagerly sought to cement partnerships with a department where their investment would not just be safe, but be cemented in effective partnerships yielding visible returns.

    - '*Departments have to sell their vision and attract ODA entrepreneurially'.* The contention here is that departments need to proactively put in place a set of conditions – which then become a virtuous circle - to draw ODA resources. Among these are: sound policy frameworks, clear leadership, departmental systems that offer the absorptive capacity to channel ODA and translate it swiftly to discernable outputs, multi-stakeholder compacts, especially with civil society partners (when operating in a social development sector).

Again, the perception is that DWAF, recognising that it faced a severe backlog in terms of providing communities with clean water and sanitation services put these conditions in place. It then made concrete efforts to actively solicit additional resources from donors, and put in place systems to ensure effective dialogue and co-ordination with and amongst donors.

5.5.7 Trends in funding for six largest sectors

The trends in year on year funding for the six largest sectors is revealed in Figure 6.

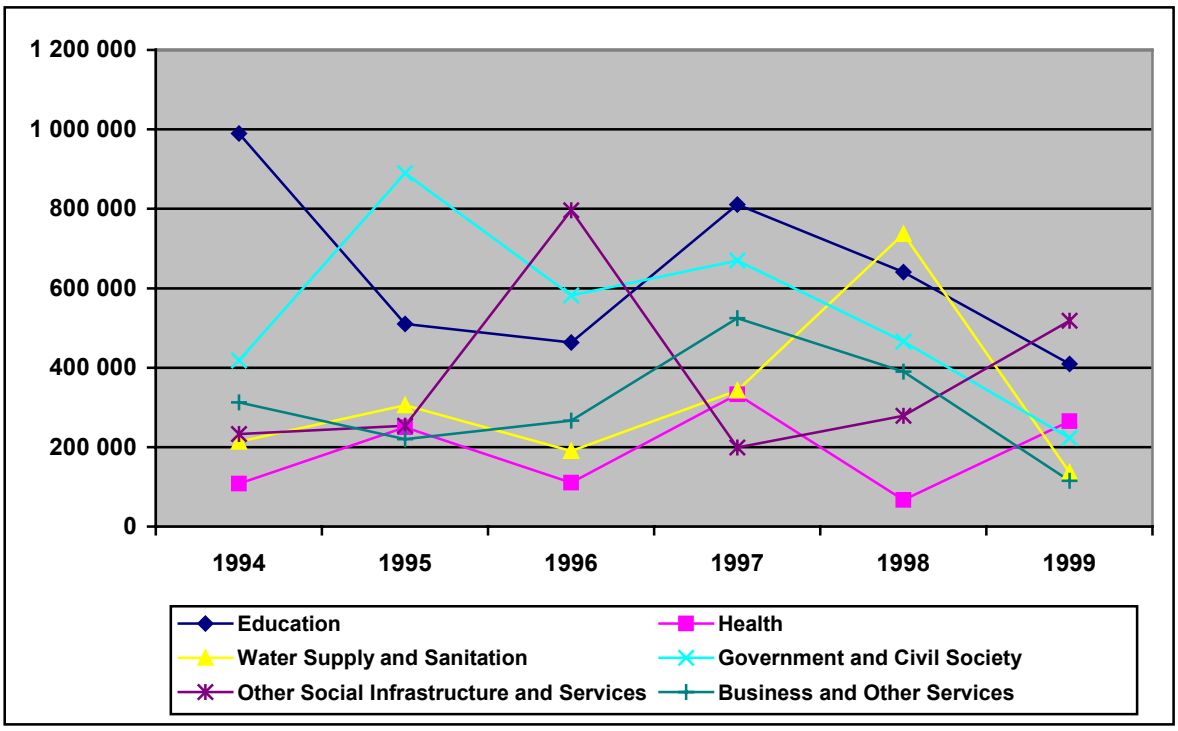

Figure 6: Trends in ODA Commitments for the Six Most Funded Sectors

As Figure 6 demonstrates, whereas overall analyses of ODA commitments revealed a clear upward trend from 1994 to 1997 and thereafter a downward trend from 1997 to 1999, the trends for individual sectors are much more variable over the review period. However, some overall patterns are discernible.

The first of these is that there appears to be a decline in funding for four of the sectors (Education, Water Supply and Sanitation, Business and Other Services and Government and Civil Society) in line with the overall decline in ODA commitments – though this must be read in the context of the previous discussions on possible trends in ODA funding hereafter. More significant is the upward trend in commitments for Health and Other Social Infrastructure and Services from 1998 to 1999, a pattern that contradicts the overall ODA trend. Once again, though, the data does not allow for a full trend analyses, and the import of this increase can only be properly assessed with figures for the year 2000 and onwards. (In view of the point made above under 5.6.6 (1) above we note that the ODA figures for the Health Sector for 1999 are still marginally below those for 1997, suggesting that the case to probe the low level of ODA to the health Sector remains valid.)

5.5.8 ODA Commitments to national and provincial administrations

A breakdown of the ODA allocations to national government and provincial administrations indicates that, for a total of R11.463 m for which data is available, the majority of the funds were committed to the national government (R10.187 m or 88.9%), with the remaining funds being allocated amongst the nine provinces.

However, it must be noted that these figures do not provide an entirely accurate picture of provincial allocations as the national commitments include a significant component that is received by the national government and then transferred to the provinces[34]. Also, the figures presented here do not represent the total value of R17.57 b ODA, but rather a subset of the data for which the relevant variables are available. Nevertheless, and excluding the indirect (via national government) commitments, it is useful to look at the ODA commitments that were made directly to the provinces. The total figure available for this analysis is R1.28b. Figure 7 details the allocation of this amount to the nine Provincial Administrations.

According to the DoF the nine provinces may be divided into three categories in terms of the level and extent of poverty within each of them. Beginning with the poorest cluster, in the first category is Eastern Cape, Free State, Northern Province and Kwa-Zulu Natal. The second level comprises North West, Mpumalanga and Northern Cape. The third category (the lowest poverty levels) contains Gauteng and Western Cape.

[34] Department of Finance, Intergovernmental Fiscal Review, 1999

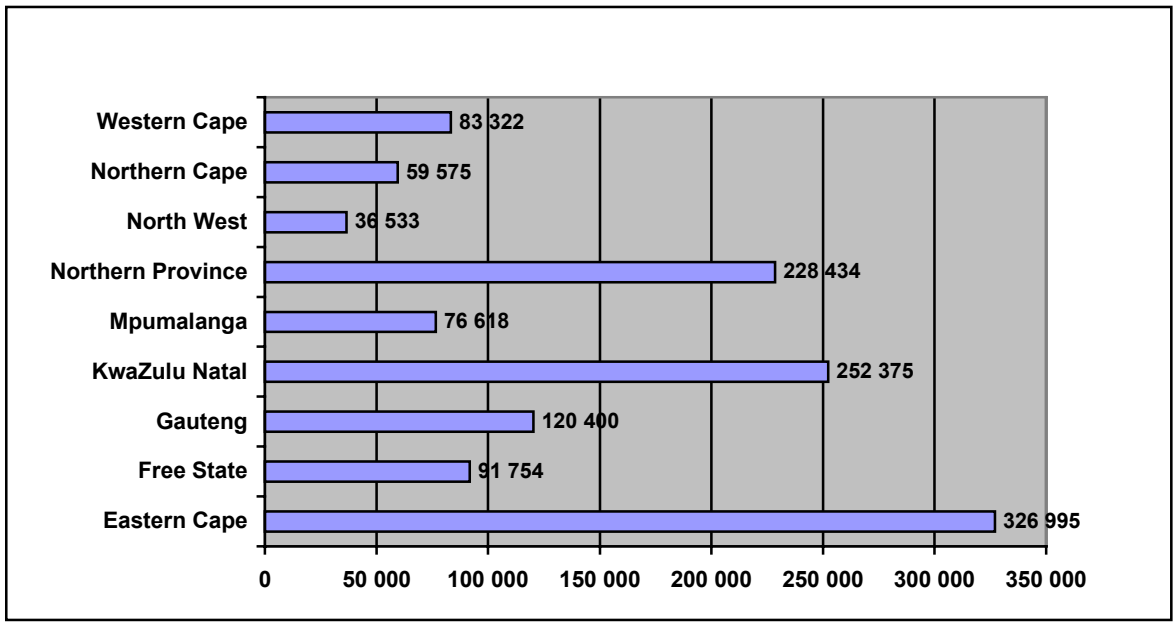

Figure 7: ODA Direct Commitments to Province (ZAR 000s)

The largest direct commitments were made to the Eastern Cape (R327m), followed by KwaZulu-Natal (R252m) and then Northern Province (R228m), with the North-West and Northern Cape receiving the lowest commitments.

There are three observations worthy of comment:

Firstly, while the largest proportion of ODA does goes to the category containing the poorest provinces, note that three of the four (Eastern Cape, KwaZulu Natal and Northern provinces) are the principal beneficiaries. The Free State actually fares worse than one of the provinces with the lowest levels of poverty i.e. Gauteng.

Secondly, Western Cape and Gauteng both fare better than the middle cluster of Mpumalanga, North West and Northern Cape, provinces that in terms of the DoF classification, are considered to be poorer.

Finally, that the North West is a remarkable loser in this ODA league.

5.5.9 ODA commitments to institutional recipients

Analysis of ODA commitments according to institutional recipients reveals that of the total sum of R9.805m for which this data is available, just over half was allocated in agreements with government (R4.980m or 50.8%), followed by parastatals (R2.611 or 26.6%), then non governmental organisations and other organisations located in civil society (R1.434m or 14.6%), and finally, institutions in the private sector (R780m or 8%). A further breakdown of these ODA commitments on an annual basis reveals the trends evident in Figure 8.

As Figure 8 demonstrates, commitments to government, while variable from year to year, nevertheless indicate a general upward trend peaking in 1998,

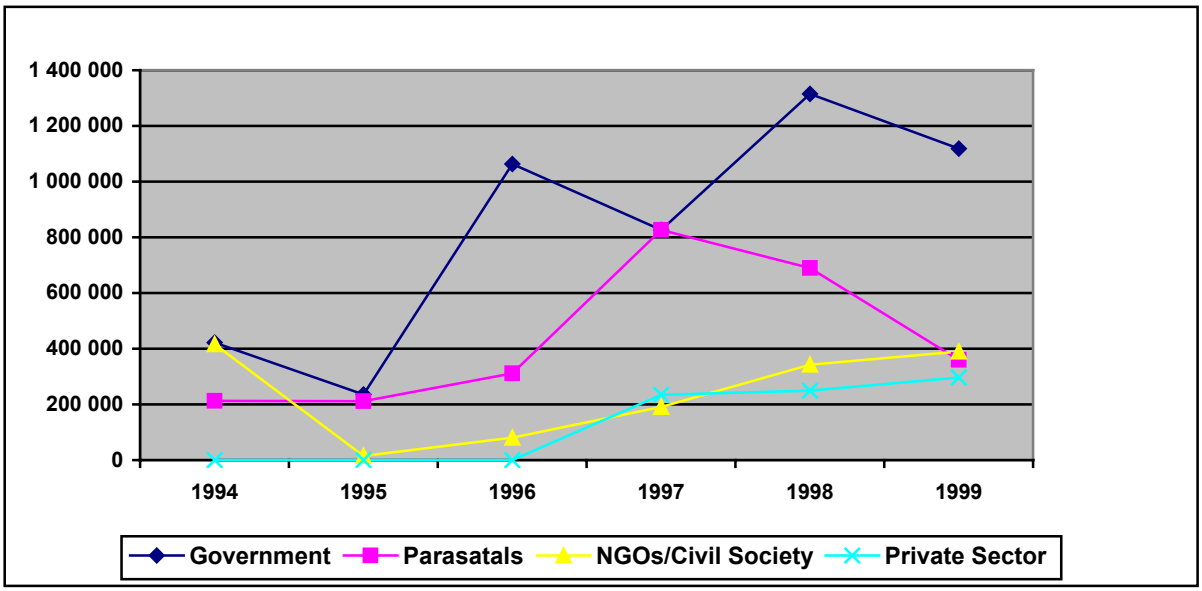

Figure 8: ODA Commitments by Institutional Recipients

with, interestingly, a slight dip in 1997, the year in which the largest volume of ODA was committed.

Commitments to parastatals however, reflect a simpler parabolic, up and then down pattern, with the peak in 1997 and thereafter a steady to decline to 1999.

Commitments to civil society organisations mirror an inverted parabola – in this case dropping swiftly from a peak in 94 (the first point of the analysis) to a bottom point in 95 and thereafter rising steadily, annually to a level in 99 which is only marginally less than the initial figure in 94. The sharp drop between 94 and 95 probably reflects the switch in ODA from anti-apartheid civil society organisations in favour of support to the new democratic government.

Curiously, however, the trend for funding to government also shows a decline between 1994 and 1995, although close examination of the data shows that a large chunk of the 1994 allocation is from one project, which actually began in 1990 and ended in 94. Hence the 1994 figure for government is somewhat inflated. When this anomaly is taken account, it would appear that the decline in civil sector organisation funding is largely accounted for by an increase in allocations to government.

Finally, the trend for the private sector indicates a steady increase from 1994 to the present, but more especially between 1996 and 1999.

The individual trends for these four types of institutional recipients indicates that the biggest proportion of the decline in total ODA commitments between 1997/8 and 1999 is due to significantly reduced funding for government itself and for state owned institutions.

This might be accounted for by the earlier argument that donors had indeed adopted a wait and see attitude in the run up to the second democratic elections, choosing to restrict funding to the state while, if anything, marginally increasing support for the non-State actors.

Further, more detailed analysis of the ODA to institutional recipients indicates that, of the R8.54b for which data is available, R3.63b was provided in loans and R4.91b in grant form.

Of the grants total, the major share went to government (75%) and virtually all of the rest to civil society organisations (22%).

In the case of loans, the major proportion went to parastatals (68%) followed by the private sector (21%).

Figure 9 details the terms of assistance according to the type of institutional recipient.

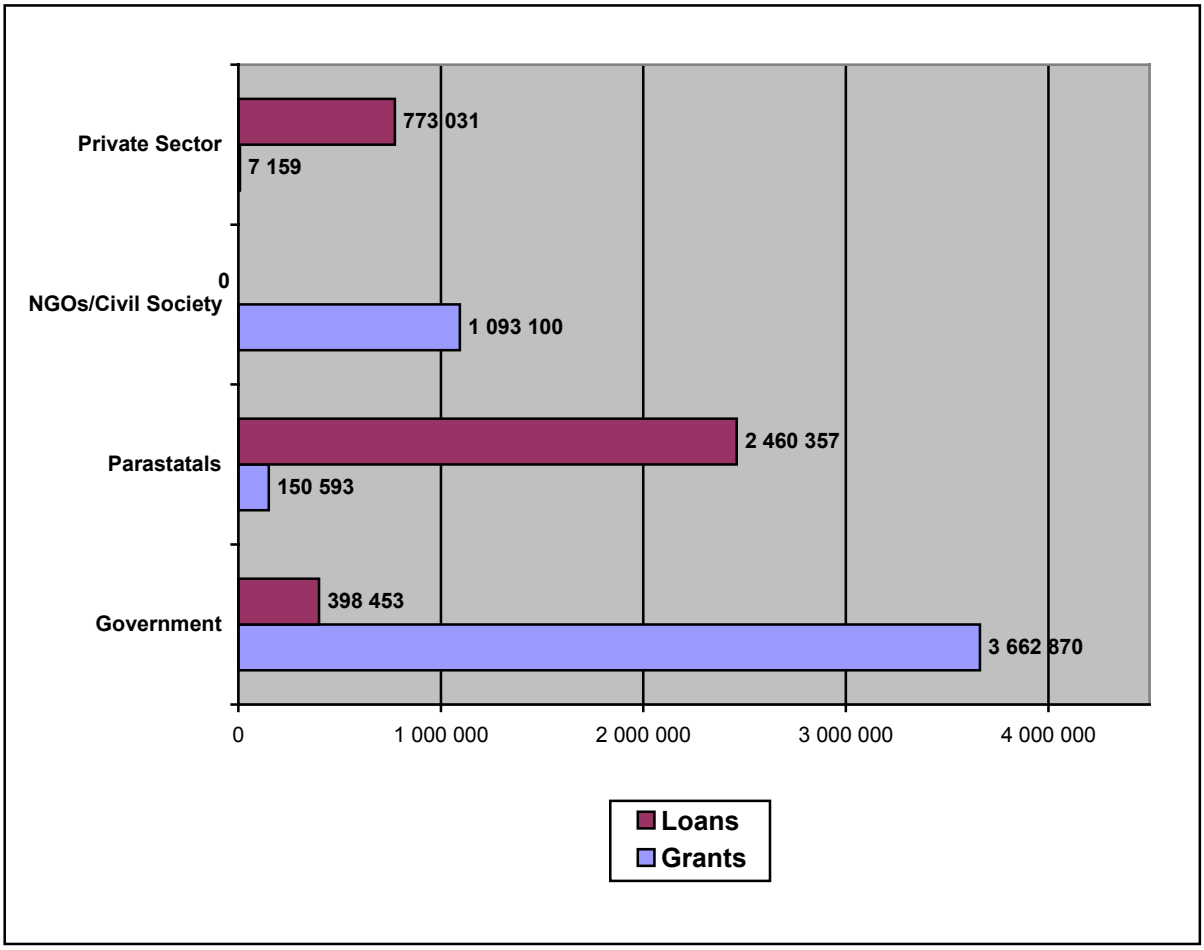

Figure 9: Terms of Assistance Provided to Institutional Recipients (ZAR 000s)

5.5.10 Conclusions and recommendations

Differentiating and directing donors

Directing the major proportion of ODA: Influence the handful of large donors who dominate the ODA landscape. A small number of donors (out of over thirty agencies operating in SA) dominate the ODA landscape in the country.

The small number of significant donors potentially has both positive and negative implications for SA led management of ODA, and effective donor coordination. Essentially, changes in the policy frameworks and programming approaches in these few institutions would have widespread consequences on the management of ODA in SA.

If DoF can come to an understanding over its MTEF based ODA priorities with these principal donors, and establish effective co-ordination between these agencies, the it will have set the direction and conditions governing the bulk of ODA to SA.

Getting value from the smaller donors: channel to a niche and ensure complementarity. The fact that a few donors play a major role in the donor landscape does diminish the actual and potential value of the smaller donors, many of whom appear to have chosen to devote most of their ODA to selected sectors, rather than trying to achieve an even but thin spread across many sectors. DANCED as a specialist environmental agency and Japan in Transport and Storage, provide two types of examples of a smaller donors filling a particular niche, wither within a sector or within the broad development arena.

This approach should be fostered and directed by SA on the basis of the 'comparative advantage' ideas we have presented in this report.

ODA to South Africa: Present and future

Sharpening alignment. Analysis of the sectoral allocations of ODA indicates that most ODA is well aligned with the six broad priority areas in the MTEF. However, allocations to critical issues and themes within the broad sectoral areas need to be better focused. This confirms the need for an explicit prioritised MTEF derived social development and poverty alleviation strategy to direct ODA. The need to direct more resources to HIV / AIDS in the Health Sector is a case in point.

Replicating good practice. The relative success of DWAF in attracting a significantly high proportion of ODA for Water and Sanitation and sanitation programmes offers obvious lessons for other departments, in particular, the tendency of ODA to chase success, and the importance of policy and institutional frameworks which can swiftly absorb ODA and translate this into visible outputs.

Monitoring and directing ODA to provinces. On the basis of the admittedly partial data available for analysis the indications are that the distribution of ODA across provinces does not align neatly with government priorities. More disaggregated and detailed data is obviously required to build an accurate picture, but if this initial observation is confirmed, it points to the need for DoF to construct a more rigorous strategic framework to ensure that the proportion of ODA reaching provinces is consistent with the government's own budgetary allocations to provinces and based on their relative development needs.

No conclusive evidence of declining ODA. The overall trends in ODA flows from 1994 to 1999 do not provide conclusive evidence that ODA to South Africa is on the decline. Although the data set shows a dip in ODA flows between 1997 and 1999, there are indications that this was not a precursor to a general downward trend, but more likely a programming pause related to the electoral cycle and donors own institutional reflections. (We look at this issue further in Chapter 8 'Future Flows of ODA'.

Changing Nature of ODA. While the level of donor support to South Africa will probably remain stable for the foreseeable future (or even marginally increase), it is neither desirable nor likely that the nature of the support should continue to be the same as in the period 94 to 99. (We look at this issue further from the perspective of ensuring SA ownership and management of ODA, in Chapters 7 & 8).

Along with the quantitative pledges of continued support from the large donors have also come indications of an anticipated qualitative shift in the purpose of ODA over the coming years. 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.

The latter is of course an explicit government priority and as such offers a basis for framing and leading the process of re-defining the forms of ODA needed by the country.

Recommendations pertaining to information collection, sharing, management and utilisation.

Finally returning to methodological issues, the DCR II experience leads us to make the following observations:

SA Government to lead on information management. This data gathering exercise has generated customised tools as well as suggesting useful processes that could form the basis of institutional mechanisms for the co-ordination and management of ODA. Our foremost recommendation is for the need for the SA government to consolidate these developments and assume clear leadership in directing the information management function.

Expanding the classification system for sectors of destination. DCR II employed the DAC Table 5 as its classification system since this presented an ideal compromise between the sector categories of importance to the IDC and a classification system acceptable to the diversity of donors.

The use of the DAC classification has, however, not been without its problems. Principal amongst these is its exclusion of a specific category for Safety and Security, arguably one of the critical factors for SA. Further, while the DAC system included two important cross cutting sectors – Women in Development and General Environmental Protection – it does not contain others that equally important, such as poverty alleviation and job creation. (The UNDP DCAS system also has shortcomings).

DCR II has shown the need to refine and/or expand existing classification systems in a manner that would ensure greater relevance for both donors and recipient countries alike. In our view, at the very least, poverty alleviation and job creation need to be included as cross cutting categories, as these issues are at the forefront of the agendas of developing countries.

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 South Africa 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.
- The foremost recommendation is for the need for the SA government to consolidate these developments 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.