Department of Provincial and Local Government

EUROPEAN DEVELOPMENT DAYS

Panel Discussion: Local Government and ODA

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1. Introduction and brief background

Good afternoon, my name is LERUMO MORULE from South Africa, and I am a national coordinator for Official Development Assistance (ODA) in the Department of Provincial and Local Government. It would be wrong for me not to thank the EDC2020 project, DIE (in particular Dr. Grimm) and EADI for inviting me to join, share a perspective from the South and learn from my fellow esteemed panel members in this great event, the European Development Days 2008.

I would want to focus my contribution as a practitioner on the successes/failures and challenges that both government and our international development cooperation partners experience in South Africa. The Constitution of the Republic of South Africa, 1996 (Act 106 0f 1996), Chapter 3 (40 and 41) describes South Africa as having a cooperative government "constituted as national, provincial and local spheres which are distinct, interdependent and interrelated" – with each sphere having powers and functions enshrined in the Constitution. In some instances these functions are "exclusive", and some "concurrent" competencies, particularly in the national and provincial spheres. The emphasis here, is that each sphere is "autonomous" in its own right, however, that the national and provincial spheres of government have "supervisory" and "support" authority over the local government.

The other compounding factor is that South Africa also has a "two-tier" sphere of local government, namely "District municipalities" and "Local municipalities". With the District municipalities really geared to play a coordination role within their jurisdiction. Now, imagine a national coordinator that has to ensure effective ODA coordination with nine (9) autonomous provinces with executive and legislative authority and similarly with 283 municipalities, constituted by 6 metropolitan areas (Johannesburg, Cape Town, Durban, Ekurhuleni (are next to Oliver Tambo International Airport), Tshwane (formerly Pretoria), and Port Elizabeth , 231 local municipalities and forty six (46) district municipalities. One major role of the national coordinator is to be able to lead in integrating ODA with identified "development priorities, strategies and delivery systems"; serve as a link through trilateral relationships with the national, sub-national and the international development cooperation agencies (approx, 32 in

South Africa). The international development cooperation community also expect the coordinator to serve as a window through which they can have an overview of the ODA needs, and programmes from the sub-national governments.

2. Decentralisation of ODA, Ownership, Alignment and Harmonisation

The ODA Policy Framework and Guidelines approved by the Cabinet in 2003[1], prescribes that ODA is decentralised. This is due to the fact that, "In the context of a decentralized system of government and the absence of a central decision-making body that determines the allocation of ODA, any department, province, or local authority can legally approach the donor community directly to solicit ODA" (2003: 1). The official definition of ODA (customised from the OECD-DAC definition) is:

"official resource flows from the international donor community to South Africa in the form of grants, technical cooperation and financial cooperation, where the South African Government is held at least partially responsible or accountable for the management of such resources" (2003: Chapter 1: 1).

This is clearly an internally focused definition, which excludes "outward ODA" and only focuses on "government-to-government" development aid. International private funding organisations and funds directed to NGOs fall outside the ambit of ODA definition as well. Outward ODA in supporting necessary interventions in the Continent and regional formations is located within the Department of Foreign Affairs (DFA) namely, the Africa Renaissance Fund (ARF) which is mainly funded from the fiscus.

However, ODA cannot be regarded as "free-for all" approach, despite its decentralised nature. ODA "need to be aligned with South Africa's priorities and "is to be integrated into the normal functioning of government". The "free-for-all" approach

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[1] Policy Framework and Procedural Guidelines for the management of ODA in South Africa (2003). http://www.dcis.gov.za

is viewed as "undermining a coherent coordination and management of ODA" and "ownership" thereof.

The International Development Cooperation (IDC) in the National Treasury is charged with encouraging the international development community to harmonise their activities as per the Paris Declaration. However, this is not always an easy task as one study[2] in 2006 found that international donors "tend to be bound to follow their own country strategies". Worse still, the same study concluded that "the complicated truth is that decentralisation of ODA allows international donors to enter programmes that include sub-national sphere with the national department, but also can go directly to the sub-national sphere. The consequence of this is that coordination is then completely lost"[3]. Colleagues may imagine what the implication of this is to development, fragmentation. In South Africa "donor coordination refers to the process by means of which donors themselves harmonise their efforts". This is distinguished from "a concept of ODA coordination which is a SA responsibility"[4].

3. Macro and Sub- national Organisational Structuring of ODA

The political responsibility of ODA is with the Deputy Minister of Finance, who is referred to as the National Authorising Officer (NAO). The NAO normally signs international agreements on behalf of national executives, as it is a requirement that – "In cases where the implementing agency is a provincial department, a local authority or a parastatal, the relevant Director-General and Minister at national level must also approve the agreement".

The IDC in the National Treasury is mandated to manage the macro/supra sector coordination of ODA throughout government and manage the "overall development cooperation relationships with SA donor partners". All national and provincial departments and state organs and entities, referred to as implementing agencies,

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[2] Beaulieu P., LeBlanc R., (2006). Evaluation of Coordination and Complementarity of European Assistance to Local Government. European Development Cooperation Evaluation, no4, pg.4
[3] Ibid. pg, 74.
[4] National Policy Guidelines for the management of ODA in South Africa (2003). http://www.dcis.gov.za Para, 4.4.5.

ought to effectively manage and coordinate ODA within their own sectors or clusters (Governance and Administration, Social, Economic, International, Peace and Security, etc). The IDC should put the ODA Agenda matters on critical structures such as Chief Financial Officers Forums, Intergovernmental Relations Forums across sphere of government and to the international development community.

Practically, in the past two to three years there is additionally, in place a National Forum for ODA coordinators convened by the IDC, where increasingly most national department converge with representation of some provinces (now a cluster approach is introduced by 3 of 9 provinces) meeting once or twice a year. In turn Provinces (though not all at this stage) through the ODA Coordinating Unit in the Premiers' Offices invite sector departments at a province level, district municipalities in their jurisdiction (participation of course depends on responses). I am yet to see national and provincial ODA coordinators office with a fully fledged 3-5 years ODA Programme; efficient ODA knowledge or information systems; or Monitoring and Evaluation mechanisms of programmes/projects in place. This poses a serious weakness in the ODA management and coordination, as implementing agencies are expected to periodically feed and update the data system at the IDC (i.e. development cooperation information system – http://www.dcis.gov.za)

Individual national departments/ministries also have Strategic ODA fora (e.g. the **dplg**) which at the level of the Director-General (in some departments even the Minister) and the leadership of the department engage and show direction to the international donor community at least once or twice a year, for instance would present specific key strategic priorities (5 years Local Government Strategic Agenda -2006-2011) or broad government Cluster priorities. Of course, the international donor community is welcome to approach government (facilitated through IDC) and jointly develop Country Strategy Papers (CSPs), e.g. SA/EU CSP (2007-2013), SA/UN etc., or even directly with departments in formulating programmes/projects. The same is increasingly replicated at sub-national governments, where development instruments like the Provincial Growth and Development Strategies (PGDSs) and Integrated Development Plans (IDPs) which encapsulates national priorities, may be used.

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From a practitioner' perspective, the challenge from government is that practice is uneven and irregular (sometimes, not existent at all) in each sphere, and not yet integrated at the local government level. This results to an ad-hoc and fragmented approach in soliciting ODA and thus limiting maximum utilisation thereof.

4. Planning, Budgeting in Government and ODA

The financial management system in South Africa is well established in all spheres of government – regardless of the capacity challenges that are often reported. The Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA – governs the national and provincial spheres and other state entities or organs); Municipal Financial Management Act, 2003 (Act 56 of 2003) (MFMA) and the Reconstruction and Development Programme (RDP), 1994 (As Amended by Act 79 of 1998) all are key legislation and regulation governing financial management, including ODA. All ODA from all spheres of government is legally expected to flow into the RDP Fund, which "is a central bank account (at the SA Reserve Bank) created through the RDP Act" and is "simply a funding flow mechanism, instrument or conduit for transferring ODA in the form of grants to SA implementing agencies" – i.e. a central fund where all funding should be located where government is responsible and accountable for the resources. The only exception is that, some international donors provide "contribution in kind" in the form of technical assistance or other. In the latter case, the implementing agency is held responsible for reporting on the value of such ODA "in kind" in its books of account (for financial and audit purposes) and also informs the IDC in the National Treasury. Government and particularly the National Treasury has, in the past had a challenge in ensuring accurate reporting of total ODA as departments would fail to report ODA directly received, in kind or cash.

In view of the challenges that were alluded above, as recent as last year the Budget Office in the National Treasury issued new guidelines to integrate ODA in the strategic planning and budgeting of government. ODA has always been defined as "additional" to the budget. The new approach which will seek to reform the PFMA instructs implementing agencies and other state organs to ensure that "The programming and operational plans of donor funded programmes/projects should,

therefore, be reflected and captured into the national and provincial budgetary planning process and be clearly linked to performance indicators. This will help ensure replicability and sustainability of the interventions beyond the ODA funding"[5]. That is, integration of ODA into the Multi Term Expenditure Framework (MTEF) and expenditure estimates (ENE) of government.

At this point these instructions cover the National and Provincial spheres of government, to which one may correctly infer that the same should be happening with the MFMA governing municipalities.

5. Conclusion

This paper sought to contribute to the discussion through presenting the state of decentralisation of ODA in South Africa from a practitioner's perspective. It is clearly apparent that in the South African case there is a dire need for a coherent and coordinated approach on ODA within and across all spheres of government.

A Commonwealth Conference on funding development for local government held in September in Johannesburg, made a number of important declarations, inter alias, that "there can be unduly bureaucratic, lengthy and resource heavy procedures and other political and practical barriers often remain which prevent local government from accessing development funds effectively…"[6].

It is hoped that neither the international development cooperation mandates nor government's policies, legislative and regulatory environment would serve as a stumbling block in allowing the local government to play its deserved role in contributing towards achieving the MDGs.

I thank you.

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[5] Treasury Guidelines: 2008 MTEF. (June 2007) http://www.treasury.gov.za
[6] Access to development funding for Local Government in Africa (15-17 Sept 2008). http://thecommonwealth.org