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# Annex 2

## *Terms of Reference*

## Annex 2: Terms of Reference

### Background Information

South Africa remains a middle income country with a well diversified economy which is among the most developed in Africa. Since 1994, the country has made tremendous progress in addressing the social inequalities but despite this, it still has a very high Gini Coefficient of 058. One of the major challenges therefore continues to be the issue of addressing the redistribution of wealth and resources in order to reduce the unacceptably high levels of poverty and the low levels of human development among the majority of the population. From 1994, the government adopted the five year Reconstruction and Development Programme (RDP) as the primary development strategy. The goals of the programme were as follows:

- Eliminate poverty and inequalities generated by decades of apartheid
- Raise living standards
- Develop Human Resources
- Address imbalances and structural problems in the economy and labour markets
- End discrimination in business
- Establish a living wage
- Address economic imbalance in Southern Africa and
- Develop a prosperous and balanced regional economy

The RDP was meant to act as catalyst to economic growth through the transformation of public entities and a separate fund was created which is still operational and is controlled by the National Treasury. Following the closure of the RDP Office, operations under RDP were streamlined and incorporated into the day-to-day departmental functions.

In 1996 the government introduced the Growth Employment and Redistribution (GEAR) strategy with the specific objective of rebuilding and restructuring the economy. The GEAR strategy targeted a number of interventions; creating a stable environment for increased private sector investment as well as Foreign Direct Investment (FDI), restructuring public services and government expenditure, renewed emphasis on industrial and infrastructural development, greater labour market flexibility and enhanced human resource development. GEAR was meant to facilitate the development of Small Micro and Medium Enterprises (SMME) with the overall objective of increased participation and involvement of Historically Disadvantaged Individuals (HDIs) in the main stream economy. Job creation and crime prevention were also key expected outcomes of the strategy.

In support of budget reform and to strengthen expenditure of public funds, the government introduced the Medium-term Expenditure Framework (MTEF), a three year rolling expenditure plan. Every year the government issues a Medium-term Budget Policy Statement (MTBPS) which provides a budgeting framework for the national, provincial and local government departments.

During the 2003 Budget Review, the Government outlined nine complimentary medium-term policy priorities, directed at enhancing broad-based development supported by accelerated growth. The priorities outlined are:

- Progressive broadening of the income security net; revitalised health services and targeted poverty reduction initiatives
- A national skills development strategy, focused on productivity enhancement and learning opportunities for the unemployed
- Redistribution and restitution of land, coupled with investment in rural development and agricultural support services
- Public Administration reform, founded on respect for citizens' rights courteous and efficient service delivery modernisation of systems and honest, accountable governance
- Investment in infrastructure, technology advancement and industrial expansion, in partnership with the private sector
- Strengthening the fight against crime and combating corruption
- Widening access to financial services, integration of small businesses into the formal economy and further easing of the tax burden on low and middle-income households
- A sustainable, broad-based and transparent approach to black economic development
- Deepening of democracy, promoting peace and security and expanding investment and trade as principles of international cooperation and the New Partnership for Africa's Development

Various papers, policies, strategies and development plans that have been drawn up at the sub-national level have given guidance on South Africa's development priorities. Such instruments have sought to ensure that donor support is correctly aligned with the country's development agenda. Provincial governments have developed Provincial Growth and Development Strategies (PGDS) that are aligned to national growth and development strategies.

Conscious of the fact that inequalities still persisted in the economy, the government in 2006 launched the Accelerated and Shared Growth Initiative for South Africa (ASGISA). The programme identified a number of constraints to be addressed which were the following:

- The volatility and level of the currency
- The cost, efficiency and capacity of the national logistics system
- Shortage of suitably skilled labour amplified by the cost effects on labour of apartheid spatial patterns
- Barriers to entry, limits to competition and limited new investment opportunities
- Regulatory environment and the burden on small and medium businesses
- Deficiencies in state organisation, capacity and leadership

ASGISA was designed to ensure that the efforts of government and its development partners was focused and complimented ongoing programmes and or projects to spearhead economic growth. It is noted that ASGISA is not a government policy but an initiative operating within the same economic policy framework.

### Development Aid

For the first five years of independence (1994 to 1999), the focus of Development Aid was on developing overall government policies and strategies and subsequently emphasis shifted to building capacity in service delivery. While ODA accounts for 1% to 1.5% of South Africa's annual budget, the government and the development partners fully acknowledges the very important role of this resource in support of reconstruction and development. However, the key issue remains that ODA must be aligned to the development priorities of the country and should compliment Government expenditure and must be managed in a manner that fully supports the country's development agenda and is also in line with the Paris Declaration on Aid Effectiveness.

ODA support has been mainly largely structured around the MBPS, ASGISA and the State of the Nation Address and has mainly targeted interventions addressing the key developmental priorities. Since 1994, the government has, to a large extent, allowed donor countries to enter into partnerships with specific recipients. In October 2003, the government adopted a Policy Framework and Procedural Guidelines for the Management of ODA. The primary objective of the policy framework was to streamline the effective management of ODA in government departments and to ensure that ODA delivered maximum benefits to the recipients and was fully aligned to the country's development and budgetary priorities. The policy framework was also informed by the findings and recommendations of the second Development Cooperation Report (DCR II) for the period 1994 to 1999. ODA guidelines specifically call for piloting, risk taking and capacity building. It is imperative to take stock since the guidelines were developed to establish progress made and the third Development Cooperation Report (DCR III) should highlight progress made from 2003 and the key lessons learnt.

A report published in 2006 entitled "High Level Forum on the Harmonisation for Aid Effectiveness in South Africa" highlighted the good

progress made in the following areas:

- Development and ownership of growth strategies
- Public Financial Management Systems including procurement systems
- Alignment of aid to national priorities
- Predictability of aid
- Low number of Project Implementation Units (PIUs)
- Ensuring mutual accountability

However, the same report noted that there was need to pay extra attention to certain areas where there were gaps to be attended to, among the issues that required improvement were the following:

- Usage of the PFM system by the donors especially the procurement system
- Ensuring that increased volume of aid is untied
- Greater usage of programme-based approach such that donors and departments use common arrangements
- Reduced missions to the field and increased usage of joint missions whenever possible
- Creation of a Monitoring and Evaluation tool and guidelines to assess ODA effectiveness in South Africa as well introduction of a results-based framework to address the weak implementing structures.

The latest Country Strategy Paper (CSP) jointly developed by the South African government and the EC includes some principles that reflect aspirations on development cooperation and these are as follows:

- Facilitating systems development
- Strengthening dialogue and co-operation within South Africa and with Europe
- Providing appropriate long-term funding to support priority investments in infrastructure and promote private sector growth

The OECD/DAC Joint Monitoring Report in 2006 on Aid Effectiveness and progress on implementation of the Paris Declaration found that the South African government has made progress at the National level in ownership, alignment and harmonisation.

The study found that there was a high degree of awareness on aid effectiveness mainly through the efforts of National Treasury in sensitising various stakeholders. Overall quality of financial management systems was found to be very high. However, the key weakness was the weak capacity especially at the sub-national level.

Donors were of the view that most government departments do not have the adequate capacity to implement development programmes. It was noted that progress has been made in mutual accountability through the holding of joint annual consultations. However, the Development Council had not been meeting often. Donor coordination and harmonisation was perceived as weak in South Africa and it had been proposed that a Joint Country Programming Advisory Committee be set up to address the problem of donor coordination.

The EU, as the largest donor to South Africa, has responded to the issue of ODA management through a number of interventions which are described in the next section.

### The EU Response: The Official Development Assistance Programme (ODA-P)

The EU has supported the South African government through various programmes to improve the management and coordination of ODA in the country. Lessons learnt during the implementation of these programmes recommended a consolidated and well coordinated intervention which resulted in the launch of a programme entitled “Official development assistance programme” in support of effective delivery of government initiatives (ODA-P).

The Financing Agreement of the Decentralised Cooperation Programme entered into force on 19th August 2005 and lasts until at 31 March 2012. The overall objective of the programme is to contribute towards the enhanced capacity development in promoting economic development, good governance, social progress and rising living standards in line with the priorities of the South African government. While the programme purpose is to enhance efficient, effective and sustainable management of ODA which will act as catalyst for better management in development and impact strategic development priorities of SA. The programme has five Key Result Areas (KRAs) which are as follows:

- Leveraging the ODA programme to enhance outcome orientated delivery systems in the SA government
- A Study Fund Facility established and implemented
- Promote efficient and effective ODA management and coordination
- Role of SA in global ODA debates and discussions enhanced
- Sound Knowledge Management practices within the ODA environment enhanced and sustained

#### Objective

To conduct an assessment of the effectiveness of ODA during the period 2000-2008 in relation to South Africa’s own development objectives as outlined in the Medium-term Expenditure Framework (MTEF).

#### Scope of Work

The Specific objectives and scope of work is as follows:

- Conduct an analytical assessment of how ODA has been aligned or integrated into the budgetary planning process and the quality of reporting.
- Analyse the reporting of ODA in the financial management system of South Africa including the Estimates of National Expenditure (ENE) and Departmental reports and other reporting mechanisms including the DCIS and the OECD DAC.
- Examine the modality of funding ODA that has been predominantly used by development partners and critically assess the effectiveness and the lessons learnt over the period 2000 to 2008. In particular, establish the split between budget or sector support approach and activity-based project financing and investigate the trend on a yearly basis and illustrate the findings graphically.
- Establish progress made by the country in the implementation of the Paris Declaration especially along the following key issues as defined below:
  - Ownership – Partner countries exercise leadership on development policies and plans.

- Alignment – Donors align on country’s strategies and plans and use country systems.
- Harmonisation – Donors coordinate their activities and minimise transactions costs.
- Managing for development results – Country and donors orient their activities to achieve desired results.
- Mutual accountability – Accountable to each other for managing aid and achieving results.
- Evaluate the impact of ODA to the following clusters:
  - Justice, Crime Prevention and Security;
  - Economic Investment and Employment cluster;
  - Governance and Administration cluster;
  - International Relations, Peace and Security cluster; and
  - Social cluster
- Analyse the provincial distribution/coverage and the impact of ODA for the period 2000-2008 in the following provinces; Eastern Cape, Limpopo and KZN with a view to assessing:
  - Criteria for selection of provinces by the donors;
  - Equitable distribution of ODA, assessed in terms of provincial budgetary allocations, provincial capacity, key poverty indicators;
  - Whether donor expertise has matched provincial needs especially the developmental objectives as reflected in the Provincial Growth Development Strategies and MTEFs.
- The Consultants are to summarise lessons learnt and make recommendations on the future on how the management and delivery of ODA can be strengthened in South Africa.

#### Requested services, including suggested methodology

The evaluation approach should be developed and implemented as presented below.

The evaluation team should be formed by a team of three experts, namely a Team Leader and two other experts, who would be responsible for the overall assessment of the programme, including collecting and analysing relevant data. The evaluation process will be carried out through four phases: a Desk Phase, a Field Phase, a Discussion Phase and Finalisation Phase as described below:

#### Desk Phase

In this phase, the team will review all the documents relevant to ODA, as well as documents shaping the wider strategy/policy framework. These include documents sighted in this TOR (see Annex I), plus any other document considered relevant by the experts. This can be done from the home base of the team and will not entail travel.

The experts should:

- Review systematically the relevant available documents;
- Contact the Task Manager at IDC for an initial briefing about the review;
- Present an indicative methodology and a work plan.

At the end of the desk phase, an inception report shall be prepared and submitted.

**Field phase**

The consultants should:

- Submit a detailed work plan, including an indicative list of people to be interviewed, surveys to be undertaken, dates of visits and itinerary. (This plan has to be applied in a way that is flexible enough to accommodate for any last-minute difficulties in the field. If any significant deviation from the agreed work plan or schedule is perceived as creating a risk for the quality of the evaluation, these should be immediately discussed with the Project Manager at IDC/ODA-P)
- Ensure adequate contact and consultations with, and involvement of the relevant government authorities, in particular with National Treasury as well as other stakeholders including beneficiaries of ODA and donors in South Africa. Use the most reliable and appropriate sources of information and harmonise data from different sources to allow ready interpretation.

The team should summarise its field works at mid-term of the field phase, discuss the reliability and coverage of data collection, report on survey results and present its preliminary findings in a meeting with the IDC Directorate.

**Discussion Phase**

The experts have to present the preliminary report at a workshop to be organised for this purpose. All the expenses for this workshop will be borne under the consultancy. This workshop will check the factual basis of the evaluation; discuss the draft findings, conclusions and recommendations.

This phase is mainly devoted to consolidation and validation of all collected data on the field by the two experts. The experts will make sure that their assessments are objective and balanced, affirmations accurate and verifiable, and recommendations realistic.

**Finalisation Phase**

On the basis of comments made by participants on the preliminary report, the experts will prepare and submit the draft final report. Further comments on the draft final report will be submitted to the experts who will then produce a final report.

**Logistics and Timing**

The input of the Team Leader will consist of 60 person days and that of the other two Experts is 45 person days.

The assignment should start in September 2009 and ideally be concluded in November 2009 with a draft final report delivered. The contract ends when the final report is approved. The experts may choose to split up in order to carry out all the interviews with the relevant stakeholders and field visits.

**Requirements**

The evaluation will be carried out by a team of three experts comprising one expert of Category I namely the Team Leader, and two experts of Category II. The team should have the following profiles and qualifications.

**Key Experts:****Category I: Team Leader - 60 days**

Minimum requirements:

- Post Graduate degree in economics, social sciences or any other field relevant to the evaluation
- Minimum 15 years professional experience in the fields relevant to the evaluation
- English: written and spoken fluency

Evaluation criteria:

- Specific professional experience in conducting evaluations of development programmes
- Experience about South Africa's government systems and procedures
- Knowledge of the principles and working methods of Official Development Assistance as well as aid delivery methods
- Specific professional experience in projects and programmes in developing countries

**Category II: Experts - 45 days**

Minimum requirements:

- Degree in economics, social sciences or any other field relevant to the evaluation
- Minimum 5 years professional experience in the area of Official Development Assistance
- English: spoken and written fluency

Evaluation criteria:

- Professional experience in conducting project/programme/sectoral evaluations
- Familiarity with South Africa's national and sectoral development priorities
- Knowledge of aid delivery methods
- Previous working experience in South Africa is an asset

**Non-Key Experts:**

There will be no non-experts required for the assignment.

**Reports**

The experts will submit the following reports in English:

- Inception report of maximum 12 pages to be submitted at the beginning of the field phase.
- Draft the preliminary report (of maximum 40 pages) to be submitted during the discussion phase. The report should summarise the findings and recommendations developed during the field phase and stimulate discussions and comments from stakeholders.
- Draft final report (of maximum 40 pages) taking due account of comments received from the participants in the workshop and besides answering the evaluation questions, the draft final report should also synthesise all findings and conclusions into an overall assessment of the programme. This draft final report should specifically summarise lessons learnt and make recommendations on the future of ODA management in South Africa.
- Final report with the same specifications as mentioned above,

incorporating any comments received from the concerned parties on the draft final report. The final report to be presented within 14 days of the receipt of these comments.

All the reports will be sent to the IDC Directorate in paper (5 copies) and electronic versions (2 CDs). The report is to be disseminated under the full responsibility of the IDC.

The reports must match quality standards. The text of the report should be illustrated, as appropriate, with graphs and tables.

#### **Monitoring and Evaluation**

- Reports - Inception report, Draft Reports, and Final Report

### **KEY DOCUMENTS FOR THE EVALUATION**

- Altair Asesores and Ecorys, (2008) "Determining Management of ODA Within the South African Budgetary Planning Processes"
- Aid Effectiveness in South Africa-Final Report (April 2006)
- CABRI document, "Group A-Country Report for South Africa"
- CABRI report, (2008) "Budget Practices and Procedures in Africa"
- Consultancy to Review, Advice and Update the Policy Framework and Operational Guidelines for the Management of Official Development Assistance Lot 7: 2006/125408 ODA Policy Framework and Guidelines 2007
- DCR I report
- DCR II report 1994-1999
- Draft ODA Policy Framework and Guidelines ("ODA Guidelines")
- IDD and Associates, University of Birmingham, (May 2006), "Evaluation of General Budget Support"
- Lawson A and Booth D, (February 2004), " Evaluation of General Budget Support: Evaluation Framework", ODI
- Lister S and Carter R, "Joint Evaluation of General Budget Support 1994-2004, Overall Findings"
- Fölscher, A. (Draft 29 October 2007), "Putting Aid on Budget. South Africa Case Study."
- National Treasury, Republic of South Africa, (June 2008), "Medium-term Expenditure Framework. Treasury Guidelines 2009 MTEF"
- National Treasury, Republic of South Africa, (2008), "Medium-term Budget Policy Statement"
- OECD/DAC, (20-24 February 2006), "Joint Venture on Monitoring The Paris Declaration on Aid Effectiveness. Report of Consultative Mission to South Africa"
- OECD (2006) "Survey on Monitoring The Paris Declaration-Country Chapters-South Africa"
- Paris Declaration
- PriceWaterhouseCoopers and Associates, (September 2007), "Consolidated Report on The State of On-going EC Financed Projects in South Africa"
- United Nations, "Development Assistance Framework for South Africa 2007-2010"
- World Bank, (November 2006), "Aid Effectiveness Profile"
- World Bank, (May 1999), "South Africa Assistance Strategy Building a Knowledge Partnership."

Note: The experts have to identify and obtain any other document worth analysing, through its interviews with people who are or have been involved in the design, management and supervision of the programme.