Faculty of Business & Economic Sciences
Managing tomorrow

MASTERS MINI THESIS

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TITTLE OF THESIS

“ANALYSIS OF OFFICIAL DEVELOPMENT ASSISTANCE IN THE EASTERN CAPE PROVINCE”

SUPERVISOR : PROF. R. NCWADI
COURSE CODE : EDS 504
DATE : NOVEMBER 2013
DECLARATION

I, the undersigned, declare that the work contains in this Mini Thesis document is my own original work. It is being submitted for the Degree of Master of Development Studies at the Nelson Mandela Metropolitan University, and to the best of my knowledge this work has not been previously authored and submitted to any institution of higher learning. I further cede the copy rights of this Mini Thesis to Nelson Mandela Metropolitan University.

HLANGA SOTONDOSHE

NOVEMBER 2013
DEDICATION

I dedicate this Mini Thesis to my late father, my mother, my wife and to my kids, Sisipo, Ahlume, Kamva and Inathi for their support and understanding in the course of completing my studies.

I also dedicate this mini thesis to my sisters, my brother Ntsika, nephews and nieces. Thank you very much for believing in me.
ACKNOWLEDGEMENTS

The completion of this Mini Thesis was a monumental task that required commitment, patience, discipline and a great degree of tolerance.
I wish to express my sincere gratitude to the Almighty for providing me with strength, wisdom, guidance and resilience throughout my studies.

Further gratitude goes to my supervisor, Prof. Ronny Ncwadi for his positive attitude, constructive guidance under whom it has been a privilege to work. Your inspiration and believing in me has made it possible to complete these studies. Had it not been for you, I would not be where I am now. Many thanks.

I would like to thank my family who gave me strength and encouragement while I was juggling between work and studies, they are my inspiration and the reason I completed this Mini Thesis. Keep believing.
Special gratitude to those that helped me directly or indirectly with the studies, stay blessed
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<tr>
<th>Acronym</th>
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<tr>
<td>AAA</td>
<td>ACCRA Agenda for Action</td>
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<td>ACs</td>
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<td>CGD</td>
<td>Centre for Global Development</td>
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<td>CDI</td>
<td>Commitment to Development Index</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>GDP</td>
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<td>LED</td>
<td>Local Economic Development</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>PT</td>
<td>Provincial Treasury</td>
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<td>PMUs</td>
<td>Project Management Units</td>
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<td>NTENE</td>
<td>National Treasury Estimates of National Expenditure</td>
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<td>PGDP</td>
<td>Provincial Growth and Development Plan</td>
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<td>RDP</td>
<td>Reconstruction and Development Plan</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>ONS</td>
<td>United Nations</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>NGO</td>
<td>Non-Profit Organisation/Non-Governmental Organization</td>
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<td>NDA</td>
<td>National Development Agency</td>
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<td>MDC</td>
<td>More Developed Countries</td>
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<td>LDC</td>
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<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>US</td>
<td>United States of America</td>
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<td>USAID</td>
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<td>DAC</td>
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<td>SAPS</td>
<td>Structural Adjustment Programmes</td>
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<td>PRSS</td>
<td>Poverty Reduction Strategies</td>
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<td>TICAD</td>
<td>Tokyo International Conference on Africa’s Development</td>
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<td>CBO</td>
<td>Community Based Organisation</td>
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<td>GNP</td>
<td>Growth National Product</td>
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<td>IDCC</td>
<td>International Donor Co-Ordination Committee</td>
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<td>ANC</td>
<td>African National Congress</td>
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<td>International Monetary Fund</td>
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<td>International Development Co-Operation</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>DCR</td>
<td>Development Cooperation Report</td>
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<td>HIV/AIDS</td>
<td>Human Immune Virus/ Acquired Immune Deficiency Syndrome</td>
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<td>DOH</td>
<td>Department Of Health</td>
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<td>CIIDA</td>
<td>Canadian International Development Agency</td>
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<td>OTP</td>
<td>Office of the Premier</td>
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<td>GWME</td>
<td>Government Wide Monitoring and Evaluation</td>
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<td>SASQAF</td>
<td>South African Statistical Quality Assurance Framework</td>
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<td>PGDS</td>
<td>Provincial Growth and Development Strategy</td>
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<td>SURUDEC</td>
<td>Sustainable Rural Development in the Eastern Cape</td>
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<td>RULIV</td>
<td>Rural and Urban Livelihood</td>
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ABSTRACT

In this study Official Development Assistance (ODA) is defined as resource flows from international community in the form of grants, technical assistance, support and financial co-operation. Government is held partially responsible or accountable for the management of these resources but not accountable for utilization of direct support to NGOs and private sector.

According to the National Treasury’s Official Development Assistance (ODA) 2010 Review Report, the Eastern Cape is the second largest recipient of ODA in relation to other provinces. The province of KwaZulu Natal, ranked number one, and the province of Limpopo was recorded as the third largest recipient of ODA. As such it is recorded that European Union is the greatest funder in the provincial government focusing in the areas of Health, Urban renewal and Local Economic Development source (National Treasury ODA 2010 Review Report).

To date, no analysis has been done on ODA in the Eastern Cape. This study seeks to analyse Official Development Assistance in Eastern Cape with a view to identifying constraints and gaps that may be contributing towards the ineffectiveness of ODA in the Eastern Cape.
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CHAPTER ONE

1.1 INTRODUCTION, BACKGROUND AND STRUCTURE OF STUDY

1.1.1 INTRODUCTION AND BACKGROUND

Foreign aid includes all grants and concessional or soft loans that are intended to transfer resources from More Developed Countries (MDCs) to Less Developed Countries (LDCs) with the intention of fostering economic development. Most studies consider concessional loans as those that have a grant element of 25% or more (Whaites, 2003). Foreign aid can be divided into Public Officials Development Assistance and Private Development Assistance (Sana, undated). Private Development Assistance includes private non-governmental organizations (NGOs) such as the Red Cross and Oxfam. Official Development Assistance includes individual government assistance, known as bilateral aid and multilateral donor agencies such as the IMF and World Bank offering multilateral aid (Sana, undated).

Official Development Assistance (ODA) is generally classified into three subcategories: project assistance, programme assistance and technical assistance (Sana, undated). Project assistance refers to a specific investment in the recipient country, such as the building of a road or a dam. Programme assistance is usually a cash transfer as general support for a country’s overall development objectives. Technical assistance represents the transfer of knowledge from the donor to the recipient, either by bringing members of the recipient country to the donor to study or by sending experts from the donor country to the recipient to guide, teach and ultimately transfer skills and technology.
Once the recipient country has passed a development threshold, its development, which is equated with economic growth no economic growth and development are not the same would be self-generating, and aid would no longer be needed (Stokke, 1991). No consensus emerges from the development literature as to which type of assistance is most effective (Dollar & Pritchett, 1998). All three types of assistance, project, programme and technical, have had successes and failures. Generally, if a developing country maintains political and economic policies that are favorable to long-term development, then each type of assistance is likely to be more productive over the long term (Sana, undated). In the absence of such policies or a willingness to create them, all three types of assistance (project, programme and technical) will probably be unproductive. Determining which type of assistance is the most useful for assisting countries to reform their economic policies is difficult. This is so because national development is a complex and complicated process which cannot be ascribed only to a form of donor assistance that a country receives.

Literature on developmental assistance abounds with examples of aid that has failed to stimulate desired development in the LDCs (Brenner, 2002). If aid donors choose to help a developing country carry out policy reforms then some degree of technical assistance is likely to be important in that effort. Many developing countries do not have the same expertise and experience as developed countries particularly in managing an economy. Thus, technical assistance could be highly useful for example, either in training economists or in using economists as advisers to policymakers in developing countries. Programme assistance is growing in importance as donors increasingly recognize that the overall economic policy framework plays an extremely important role in determining whether a recipient will
continue developing over the long term (Dollar & Pritchett, 1998). Needless to say because most major donor entities espouse liberal capitalist economic models of development this could be a serious constraint to a country which aspires pursuing a different economic model. This in some instances could result in major policy and strategic differences between the donor community and the recipient country.

Related to and arising out of the latter political/policy and strategic considerations by donors, a considerable amount of foreign aid is tied aid. In this case the grants or concessionary loans have conditions laid down by the donor country about how the money should be used. Tied aid by source means that the recipient country receiving the aid must spend it on the exports of the donor country. Tied aid by project means that the donor country requires the recipient country to spend it on a specific project such a road or a dam. Often this might be to the commercial or economic benefit of the business firms in the donor country (Elgstrom, 1999).

Foreign aid flows from the Western donor nations to African countries started from the 1970s with a sharp rise to 2006. The 1970 saw a sharp rise in the foreign aid from the international financial institutions such as the World Bank and International Monetary Fund. The year 2005 is significant to the history of foreign aid because during that period there was also a remarkable increase in development assistance (Sana, undated).

1.2 THE DEVELOPMENT OF FOREIGN AID

The idea of foreign aid was developed in the Cold War context; it emerged as a policy tool used to influence the judgement of recipients and presupposes a clear
inequality between donor and recipient. Foreign aid as Hattori (2001) states was a key weapon in the cold war competition for power between the United States and the now defunct Soviet Union. With the extension of the war to the developing countries, the two superpowers were eager for these countries to adopt their respective capitalist or communist doctrines, thereby expanding their spheres of influence. The context in which aid developed may explain why it has been considered a means for rich countries in the United States and Europe to pursue strategic interest.

Foreign aid has been conceptualised as a form of giving that is for the most part is not supposed to be reciprocated (ibid, 2001). This includes economic grants such as disaster relief, healthcare and agricultural projects. Food aid for instance is one of the ways through which wealthy Western nations have been helping poor countries reduce hunger. Ethiopia’s long history of famine and hunger for instance has attracted a considerable amount of development assistance.

1.3 DONORS AND AID FLOWS TO DEVELOPING COUNTRIES

The 1970’s was a sharp rise of aid from the Multilateral organisations such as the World bank from under 10% of all official Development assistance (ODA) offered by members of the Organisation for Economic Cooperation and Development (OECD) in the late 1960’s to 30% by 1975 (UN, 2008). The OECD consisted of the 17 richest industrialised western nations: Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States. Together with the United Nations and the various multilateral organisations, these countries are the main sources of aid (UN, 2008). Hattori (2001) stated that the rise of multilateral organisations meant that ODA to the Third World would function in an
organised fashion one organisational body representing a variety of countries. The implications were two fold. Firstly as a collective practice it obscured the identity of the donors, consequently undermining the presumption of the cold war origins of foreign aid. Secondly the growth of multilateral organisations was seen by foreign aid critics as evidence of World capitalism (ibid. 2001).

According Arnold (1979), on the study of Western contributions to aid in the mid-1970s by the flow of aid in Africa amounted to $3 billion a year with the main donors consisting of France and Britain who at the time had more former colonial territories in Africa than any other Western nations. These countries in fact spent more on foreign direct investment than they spent on development assistance in the Third World countries (Thirlwall, 2006). The annual average flow of aid to Africa from both bilateral and multilateral organisations between 1974 and 1975 amounted to $2 769 5 million and $1 082 4 million respectively totalling to $3 851 9 million (ibid 1979:13). According to Thirlwall, (2006), donor countries and institutions provide aid, loans and investment and the developing countries accept the flows for a mixture of reasons but motives and the wider interests of the developing countries as a whole may not always coincide. The rational and relevance of the financial assistance to developing countries are very much a matter of subjective assessment depending on the meaning and vision of the development process held by protagonists.

The substantial body of opinion on both the right and left of the political spectrum that argues that not only are financial resources transfers unnecessary for development but may even be inimical to development by fostering dependency, weakening the domestic development efforts and leading to a distorted structure of
consumption and production as well as to debt serving problems and profit outflows (Sana, undated). These criticisms are levelled both at official assistance and private investment particularly at the activities of multinational companies.

1.4 MOTIVES FOR OFFICIAL DEVELOPMENT ASSISTANCE

There are several motives that inspire financial assistance from bilateral and multilateral sources on concessionary terms:

ODA has been aimed to assist poor countries and particularly poor people in the poor countries. The same arguments that provide the basis for income redistribution within nations can also be applied at the global level, namely that absolute poverty is morally unacceptable and that if the marginal utility of income diminishes, total welfare will be increased by a redistribution of income from rich to poor. From a moral and welfare point of view, national boundaries are quite artificial constructions. Developing countries accept aid with this in mind not only from a national government and international organisations as part of their regular aid programmes but also from many voluntary and charitable organisations and from emergency and disaster relief funds.

ODA aims at granting assistance to ensure that development is met. A large part of the US aid programme was originally designed as a bulwark against the spread of communism and regional and country distribution of international assistance can still be partly explained in these terms. British and French assistance tended to be concentrated on ex-colonial territories, reflecting strong historical ties and perhaps some recompense for former colonial neglect. Most developing countries are willing
to accept assistance on this basis to assist their development efforts particularly when governments are threatened by hostile forces from within or without (Sagasti, 2005).

The motives of developed countries to invest in developing countries are not only to raise the growth rate of the developing countries but also to improve their welfare hence international assistance can be mutually profitable. If the rate of interest on loans is higher than the productivity of capital in the developed donor country and lower than productivity of the capital in developing recipient country both parties will gain. If there are underutilised resources in the developed country that could otherwise be activated because of balance of payments constraints, international assistance will be mutually profitable by adding to the resources in the developing country and enabling fuller utilisation of the resources in the developed country. This is the strong Keynesian argument for international assistance and forcefully recommended in the Brandt Report. Developing countries accept these financial flows because most are desperately short of foreign exchange and judge the benefits of the international programmes and the projects that they finance to be greater that the costs of servicing the borrowing and any unfavourable side effects. The donor countries play a crucial in the use of funds they have commercial interests that they promote in receiving countries.
1.5 PROBLEM STATEMENT

There has been considerable debate regarding the impact of ODA on growth and, in general on improvements in the quality of life of people in developing countries (Sagasti, 2005). According to the National Treasury’s Official Development Assistance Review on ODA (2010), the Eastern Cape is the second largest recipient of ODA in relation to other provinces. The province of KwaZulu Natal, ranked number one, and the province of Limpopo was recorded as the third largest recipient of ODA. As such it is recorded that European Union is the greatest funder in the provincial government focusing in the areas of Health, Urban renewal, Local Economic Development (OTP, 2012)

Despite being the second largest recipient of ODA in South Africa, the Eastern Cape remains one of the poorest provinces in the country. The objective of ODA in any region is to facilitate, support and promote development. Contrary to this, the Eastern Cape has been lagging behind in terms of development. Despite having well developed structures and offices in Eastern Cape to spearhead the mandate of ODA, the result from assistance leaves a lot to be desired. The socio-economic state of the province despite ODA assistance raises some concerns as to what is hindering progress of development. To date, no analysis has been done on ODA in the Eastern Cape. This study seeks to analyse Official Development Assistance in Eastern Cape with a view to identifying constraints and gaps that may be contributing towards the ineffectiveness of ODA in the Eastern Cape.
1.6 OBJECTIVES OF THE STUDY

The objectives of this study are as follows:

1. To provide an analysis of ODA in the Eastern Cape
2. To explore monitoring and evaluation structures related to ODA in the Eastern Cape.
3. To provide policy recommendations based on the findings.

1.7 RESEARCH METHODOLOGY

This study makes use of a qualitative research methodology. Qualitative research methodology is defined as research which uses methods such as participant observation or case studies which result in a narrative, descriptive account of a setting or practice (Parkinson and Drislane, 2011). In line with the objectives of the study, this study will mainly focus on the descriptive account of ODA. In this regard this study reviews policy documents and reports relating to ODA in the Eastern Cape.

Documentary research refers to a use of secondary sources to support the viewpoint or argument of an academic work (Scott, 2006). This study provides a critical in-depth analysis of ODA documentation in different provincial districts in the Eastern Cape. The documents that were reviewed and analysed include official reports and statistics on ODA reports from donors, legislation documents on ODA relevant books as well as journal articles and online articles on ODA.
1.8 SIGNIFICANCE OF THE STUDY

No study on the effectiveness of ODA in the Eastern Cape has been conducted. The results of this study will contribute towards policy makers with respect to ODA in all levels of government. The results of this study will also help identify gaps and lessons that can be learnt from the existing ODA structures.

1.9 STRUCTURE OF THE STUDY

Chapter 1: Introduction, Background and Structure of Study
This chapter gives a background of the study. It highlights the objectives, data collection methodology and problem statement of the study. It gives a brief description of the structure of the study.

Chapter 2: Literature review
This chapter gives an outline of the theoretical framework and ODA in South Africa. It reviews the management of ODA in globally and in South Africa.

Chapter 3: An Analysis of ODA Assistance
The chapter discusses ODA and how it perceived. Chapter focuses on players involved in ODA projects and programme. The chapter examines the relationship of ODA process, donor-recipient relationship.

Chapter 4: An analysis of ODA in the Eastern Cape
This chapter discusses ODA in Eastern Cape. It points out the challenges faced by the province concerning ODA.
Chapter 5: Addressing the shortcomings identified in the analysis of ODA and ODA Monitoring and Evaluation structures in the Eastern Cape

This chapter attempts to address the shortcomings identified in the analysis by exploring the Monitoring and Evaluation structures of ODA in the province.

Chapter 6: Summary of the main findings, Conclusion and Recommendations

This chapter gives a summary of the main findings and points out problematic areas. The chapter draws a conclusion on ODA in the province. The chapter then recommends on what can be done improving ODA, the monitoring and evaluation structures and areas of further study in the province on ODA.

1.10 CONCLUSION

Official Development Assistance can be a driving tool for development if proper measures and procedures are taken. The financial input received by the province from different donor countries can make an impact in improving the economic situation of the province. However, currently ODA is just a popular feature which serves no purpose especially considering the economic state of the Eastern Cape Province. It remains to be discovered on what is blocking or delaying the desired mandate of ODA. This study aims at looking at the situation surrounding ODA. Sound policy and good economic management matter more than foreign aid for developing countries (Abuzeid, 2009). Official Development Assistance (ODA) is generally classified into three subcategories: project assistance, programme assistance and technical assistance. The idea of foreign aid was developed in the Cold War context; it emerged as a policy tool used to influence the judgement of recipients and presupposes a clear inequality between donor and recipient. Donors
of ODA have several motives; the main motives are humanitarian, political and security, and economic motives. The study aimed to examine why Eastern Cape despite large inflow of ODA remains one of the poorest provinces in the country. The study explored the problem using the qualitative methodology, using the documentary research method. No study on the effectiveness of ODA in the Eastern Cape has been conducted. The results of this study will contribute towards policy makers with respect to ODA in all levels of government.
CHAPTER TWO

2.1 LITERATURE REVIEW

2.1.1 INTRODUCTION

Official Development Aid is aimed at achieving several goals in different developing countries. According to McGillivary (2005) the many developmental objectives that aid is expected to achieve are premised on the fundamental assumption that aid works in reducing poverty. ODA has played a major role since the end of the Second World War in alleviating poverty and propelling development. The rationale for ODA to developing countries was encapsulated in several theories, notably the donor-oriented theory or international relations theory and supplemental theories of foreign aid (Olaniyan, 1997). This study made use of the donor-oriented theory.

2.2 THEORETICAL FRAMEWORK: DONOR-ORIENTED THEORY

The Donor-Oriented theory is based on the motives of the donor. The main thrust of the donor-oriented theory stipulates that donors have other objectives besides the promotion of economic development in the developing countries (Olaniyan, 1997). According to the theory, donors have political, strategic or economic interests in the disbursement of aid. The Less Developed Countries might be interested in long-term development and political stability with the hope of getting integrated and get strategic position in the world economy, on the principles of comparative advantage. But the More Developed Countries do not see their own motives in these terms. For this reason, commencing with the 1960s foreign aid was thus generally directed at import substitution rather than export promotion. Along with this, there has been unwillingness in the opening up of More Developed Countries markets to the industrial products from the Less Developed Countries. However, there have been
major developments in the political, strategic and commercial interests of the Less Developed Countries in the last three decades. It has become increasingly obvious that these factors may not represent credible and acceptable determinants for the flow of ODA in the face of new global trends characterised by partnerships for international development.

Extensive literature on allocation of Official Development Aid emphasizes that aid from Western donors and multilateral institutions is driven by strategic interests, in addition to development and economic needs in developing countries (Olaniyan, 1998, Alesina and Dollar 2000; McGillivary 2005, Kuziemko and Werker 2006; Dreher et al.2009; Kilby 2009). However, there is ODA that is not tied which is Non-DAC aid. According to a study by Vadlamannati and Fuchs (2012) research on non-DAC aid is still in its infancy. ODA comes in three categories. Vadlamannati and Fuchs (2012) clearly distinguish the three categories; first, aid allocation follows recipient needs. Based on humanitarian motives, altruist countries provide more assistance to poorer countries. An important goal is poverty reduction. Second, aid is allocated based on good policies. Following the idea of merit, countries with good policies and good institutions are supported through increased aid flows. Third, donors’ aid patterns are shaped by political and commercial self-interests.

2.3 ODA FLOW IN SOUTH AFRICA AND EASTERN CAPE PROVINCE

During the apartheid years, development support to South Africa was channelled almost exclusively to NGOs working outside or even in opposition to the government system (OTP 2012). Following the introduction of democracy, development partners proved eager to back up the new government and, in the 1990’s, aid was aimed particularly at supporting policy development at national level. In recent years,
following the successful preparation and adoption of policies and regulatory frameworks, development partner support has been targeted at provincial and local spheres of government, often with the intention of building government capacity for service delivery.

South African politics, economy and government budgets are those of a relatively well managed middle income country with substantial domestic sources available for public finance. At the same time, however, the country still struggles with the historical legacy of a huge divide between a first and a second economy. In South Africa, however, due to the size of the economy, ODA input is relatively limited, amounting to about 1 per cent of the national budget. Its value add in terms of leveraging own resources more effectively and its implications on transfer of knowledge, best practices embedding innovative approaches is quite significant. This fact, combined with addressing the particular development challenges in this country smartly, have significant implications for the implementation of the national strategic priorities of ODA. The true value of ODA in South Africa is, therefore, realised when it is able to provide solutions and means that enable the country to use its own resources more effectively, thereby stimulating development for the most disadvantaged sections of the population. Accordingly, ODA in South Africa is not justified when it is primarily used as an additional source of finance, which, in most cases should be accessible domestically.

ODA in South Africa is, for the most part, used to support new and more effective ways of implementing government policies and priorities tackle poverty alleviation and mitigate vulnerability. These mechanisms could be manifested through the following approaches:
• **Innovation**: developing new and more effective approaches;
• **Piloting and testing**: pioneering new approaches for replication purposes;
• **Risk Mitigation**: Creating an enabling environment thereby attracting investment in SME initiatives (self-employment, which have risks attended to);
• **Catalytic initiatives/best practices**: unlocking domestic resources; and activate potentials
• **Skills-transfer and Address Capacity Gaps**: ensuring that South African institutional capacity is enhanced for sustained, long term implementation.

In South Africa, the *quality* of ODA and its ability to spearhead new and more effective approaches for enhancing service delivery is thus considered much more important than the mere *quantity* of ODA. Hence, ODA must not be used as a ‘gap-filler’ merely replacing South African finance. It is generally recognised that ODA shall be designed and managed in full compliance with the international concepts of aid management that have been agreed to by most development partners and recipient countries. These agreements include the 2005 Paris Declaration on Aid Effectiveness, the ‘plan of action’ of its implementation further elaborated at the High-Level Forum of ‘aid effectiveness’ held in Accra – Ghana, the Accra Agenda for Action (AAA) in 2008.

The international key concepts for ODA effectiveness are encapsulated as:

• **Ownership**: The development agenda are set out by partner countries, which are to exercise effective leadership over their own development policies and strategies, as well as coordinate their own development actions;
• **Alignment:** Development partners base their overall support on partner countries’ national development strategies, priorities, institutions and apply procedures.

• **Harmonisation:** Imply that development partners’ actions are mutually harmonised, transparent and collectively effective.

• **Managing for results:** Underscores the fact that ODA is managed and implemented in a way which increasingly focuses on the desired results and outcomes.

• **Mutual accountability:** Both development partners and partner countries are accountable for results outcomes

South Africa acknowledges that implementation based on the internationally agreed on aid principles can significantly enhance aid effectiveness. Additionally, due to its relatively well-functioning government structures, South Africa may be in better position of being recognised as a best practice model to other countries.

ODA in South Africa is based on a number of core principles which reflect the internationally agreed on concepts of the Paris Declaration on Aid Effectiveness. The most important of these principles is government ownership of ODA, which underscores the fact that the government should set out, lead and coordinate the developmental policies and strategies to which development partners subscribe to. Other key principles that have to be embraced by partners-in-development include alignment to government priorities & procedures, harmonisation, management for results, and mutual accountability.

Nevertheless, while fundamental principles such as government ownership and the reliance on government systems are not for debate, the issue of *how* to apply these
in practice are more nuanced and they are acknowledged for example, that ownership may take many forms. Likewise, other core principles for ODA management such as harmonisation and alignment also need to be translated into practice through more specific guiding principles suitable to the unique South African context. This is done below through a list of core principles for ODA management in South Africa. According to DAC (2000), the checklist can be used to inform the design and management of ODA in South Africa. However, it is stressed that ODA needs to be adapted to suit the specific developmental and organisation context. Therefore, the principles should be applied pragmatically.

- Government ownership and leadership with regard to implementation must be anchored in one of the *three spheres of government* which are free to attract, plan and use ODA, in accordance with their own strategic priorities taking into account the basic tenets of the overall Government policies, plans and priorities.

- ODA must be *aligned to overall national strategic policies*. This means that any ODA intervention must be designed to support the overall government policies as stipulated in the MTSF and should address the Government Programme of Action. These and other policies are at the core of the overall South African planning framework. Any ODA intervention in South Africa should, therefore, be designed to contribute to implementation of these and, where appropriate, other overall national policies and strategies as and when they arise.

- In addition, ODA must be *on plan*. This means that all ODA interventions shall be described and integrated into a specific Government planning framework such as municipal IDPs, provincial government PGDS or line departments’ strategic priorities and actions or business plans. If an ODA intervention is not
firmly anchored in Government plans (budgetary priorities) and subject to the
democratic scrutiny and debate that these plans are exposed to, it is unlikely to
be fully owned by Government.

- The *conceptualisation and design* of ODA shall be a Government responsibility.
  It is recognised that during the design and conceptualisation stage of projects,
programmes and across sector support, dialogue with national officials of
national-provincial departments may be very useful. These discussions will
stimulate the programme design and generate best practices and innovative
ideas incorporated into the formulation of the agreements. When appropriate this
approach could also supplement the Government’s programme capacity gaps &
shortcomings.

- *Institutional and financial sustainability* of the ODA intervention must be planned
at design phase in order to avoid the disintegration of ODA-sponsored activities
after the expiry of funding. Building long term domestic support and
organisational capacity to sustain the activities should include planning and
budgeting for counterpart contributions, staff, recurrent operations and
maintenance expenditure required for the implementation of the intervention.
The importance of this cannot be overstated. If, for example, ODA is used to
pioneer new ways of delivering ARVs (HIV/Aids treatment) to a target group it is
crucially important that these beneficiaries do not lose access to treatment when
foreign finance lapses.

- The *choice of aid modality* such as project, programme or sector budget support
must be carefully considered and tailored to meet the developmental and
organisational requirements & effective application of scarce resources.
Technical Assistance (TA) in the form of short or long term advisors is often an important part of ODA in South Africa when undertaken with a view to transferring best practice skills and improved effective & efficient approaches to Government practices in delivery of services, thus building Government capacity. TA must be carefully managed. Management should ensure that the transfer of technology and skills including mentoring are embedded in the agreements and strictly followed through. It should not be used as a gap filling instrument.

- The Government has a strong preference for the use of government systems and procedures for the management of ODA. This is considered essential to building government capacity thereby ensuring proper government ownership of ODA implementation, contributing to minimizing the confusion and high transaction costs that may result from using many different systems and procedures. Where weaknesses are identified, support to strengthen the system to meet international norms is absolute necessity.

- The management of any ODA intervention must be institutionalised within a Government entity or department as the formal owner and driver of the intervention. It is acknowledged that in the past a number of parallel Project Management Units (PMUs) have been established as ‘add-ons’ to Government entities and have served the purpose of providing management and implementation capacity where this has been scarce. However, a parallel PMU will, in most cases, not lead to optimal government ownership. The preferred ODA management structure is therefore where an implementing government entity integrates the interventions within the organisation’s core activities and takes management responsibility for the development support.
• To enhance ownership and enable proper financial accounting, it is a strong preference that donor funding be channelled through government systems. This entails directing funds through the National Treasury’s RDP Fund account for onward transfers to Implementing Agencies. South African Government financial management systems are generally of an internationally accepted standard and can safely handle development partners’ funds.

• Financial reporting on the usage of ODA should be done in accordance with Government requirements and systems and follow Government formats where applicable, treating ODA a separate below line item, in other words ODA should be on report. Parallel reporting structures add to transaction costs and are not recommended. It is useful that the public at large and the legislature and parliamentary in particular play a proactive oversight and counselling role [project monitoring and evaluation task] to ensure effective utilisation of ODA.

• While funding through the RDP Fund account and financial reporting using government systems are encouraged, ODA shall be considered as additional to Parliamentary appropriations (add on) in the budgeting process for government entities. In the Implementing Agency’s budget submissions, however, ODA funds that are either secured or under negotiation shall be included in the appropriate Implementing Agency or central budget documentation, such as the National Treasury’s Estimates of National Expenditure (NTENE). This will ensure that appropriate information on ODA is tabled in Parliament to ensure transparency and accountability thereby encouraging dialogue on the usage of ODA. South African counterpart contributions and other domestically financed costs, including recurrent expenditure directly related to incoming ODA, shall be
included in the MTEF. It is, therefore, imperative that ODA resource inflows into South Africa are aligned to the sectoral strategic objectives and budgetary priorities.

- **Procurement** should follow government procedures and requirements. Goods and services must be sourced locally and internationally without sources being tied to the development partners’ country of origin. Where weakness of the internal supply-chain management system is identified, a corrective system and capacity building measures should be proposed for revision at appropriate and relevant levels.

- **Monitoring and evaluation** of ODA interventions should be done directly by Government or when appropriate in a collaborative approach. The preferred approach is to undertake the review and evaluation by independent expertise to ensure objectivity of the report.

2.4.1 INSTITUTIONAL FRAMEWORK FOR OVERALL MANAGEMENT OF ODA TO SOUTH AFRICA

In the ODA environment, there are a number of different scenarios in which official development partners may engage with local agencies at regional, national, provincial, municipal levels or, indeed, any combination of the above. ODA patterns in South Africa have progressively shifted from a focus on policy development at a national level, to delivery and implementation at provincial and local levels. Additionally, ODA is now beginning to draw South Africa into tripartite arrangements in the wider region (OTP, 2012). While international agreements involving the flow of funding can only be signed at national level, the overall management of ODA now needs to take into account this larger grouping of implementation agencies.
While national government has overall responsibility for ODA management; provincial and local governments have, in accordance with the constitution, the right to qualify over the affairs specific to their respective areas of jurisdiction, subject to national legislation. In practice, this means that provincial and local governments may, in accordance with their respective interests, establish their own ODA policies and structures and pursue their own ODA practices within the broad national policy framework and guidelines.

While the International Development Cooperation section (IDC) of National Treasury facilitates coordination at macro level, government entities such as National departments, provincial authorities or municipalities are responsible for ensuring appropriate overall donor coordination within their respective areas of jurisdiction. These include, amongst other, ensuring that each development partner intervention is not only fully compliant with Government policy, plans and actions, but is also complementary to those of other development partners. Such efforts seek to prevent duplication and fragmentation of efforts and mitigate risks related to conflicting initiatives.

At national level, the point of entry for ODA takes place either through the IDC or ODA Unit/ personnel situated in national line departments. If planning process takes place outside of National Treasury, and development partners negotiated direct with departments (national/provincial), it is imperative that these new ODA initiatives should be reported to IDC – National Treasury on details of the engagements to ensure that information are synchronised, coherent to budgetary priorities & complementary to other related interventions. In the provincial context, ODA Coordinators placed in the Office of the Premier, should ideally serve as the ODA interlocutors. Similarly, in the case of local municipalities, particularly the metros,
personnel assuming ODA responsibility should ideally be located in the City Manager or Municipal Managers & their respective CEO’s Office. The smaller municipalities may choose to place such personnel in specific units, dealing with local economic development, health or education depending on where they focus their ODA activities.

Chapter Nine Institutions and government Councils are also regular recipients of ODA. These agencies fall under the responsibility of national line departments.

i. Between national and provincial spheres

The key mechanisms used to facilitate ODA coordination are:

- **IDC – National Treasury Regular overall ODA coordination meetings between development partners and Government at macro level**: This serves as a platform for discussing broad strategic, policy and planning matters covering, *inter alia*, the overall division of labour between development partners and between government and development partners. Such vehicles include the forum for ODA coordinators at national and provincial level and the forum for development counsellors and heads of development partner agencies.

- **Annual [regular] Consultations (AC) on development cooperation**: undertaken between a particular development partner and the Government typically represented by the National Treasury, Department of International Relations & Cooperation and ODA Co-ordinators from line departments; and

- **Joint (Government- development partner) management and planning activities**: including joint planning, monitoring and evaluation.
missions, mid-term and programme review meetings, joint analytical work, exchange of donor coordination experiences between Implementing Agencies, whenever feasible.


ii. Coordination Between Provincial and Local Spheres

The most important coordination mechanism at this level is the **Provincial ODA Coordinating Forum** managed by the provincial ODA Co-ordinators in the Premier’s Offices. Ideally, this forum should bring together all personnel dealing with ODA management, including those based in provincial line departments and district, metro and other local government structures. It is here that meaningful consultation around ODA needs and management should take place, ensuring that there is a coordinated and coherent approach to ODA engagement in the provincial and local spheres. Without this level of coordinator, there is the risk of fragmentation, duplication, non-delivery and missed opportunities in respect of ODA.

A number of tools to enhance development partner coordination apply to all spheres of government. These include:

- **Regular coordination of development partner support by sector/sub-sector.** Each Implementing Agency (line departments, provincial and municipal authorities) receiving ODA should ensure that information are well kept (including feeding into the DCMIS information and agency budgeting and accountability processes). This will facilitate the sharing of composite regional and sectoral ODA information between key stakeholders including the IDC;

- **Overall coordination of development partner at national level:** the IDC will take the responsibility of coordinating development partners to address strategic and
generic issues emanating from both development partners and sector beneficiary institutions. This coordination could be enhanced by compiling data information through the DCMIS inputs from sectors and make consolidated overviews available through the IDC homepage;

- **Regular coordination meetings between Government and development partner at cluster-sector or within geographical areas:** This will typically involve overall policy and planning meetings for the given sector or area as well as technical working meetings between key Government and development partner stakeholders; and

- **Greater ODA coordination functions within & amongst Government sector agencies:** A more proactive coordination amongst sectors in a cluster is useful to ensure complementarity and free flow of information. Government Implementation Agencies receiving ODA are also encouraged to consider establishing ODA units or appoint personnel, (whether full- or part-time) to take responsibility for proactive ODA coordination. Implementing Agencies receiving ODA should aim to have in place ODA management personnel at least for the duration of the ODA intervention in question. The ODA Unit should have a clearly defined mandate with role, responsibilities and accountability.

The IDC will ensure that they reach agreement with development partner and national stakeholders regarding overall plans and coordination mechanisms at macro level. It will further facilitate this within the various sectors and geographical areas under the leadership of other Government agencies.
As part of its regular reporting on the implementation of the Paris Declaration on aid effectiveness principles, the IDC will draft an annual summary report covering ODA matters.

2.4.3 SETTING UP AN ODA UNIT

The presence of an ODA Unit situated in an Implementing Agency is likely to enhance the success of ODA interventions. This is because dedicated personnel who has specialist skills and knowledge on ODA is able to manage what is often a complex and potentially difficult interface between the development partner and recipient institutions. If not managed appropriately this interaction could have negative spin-offs for the intervention itself.

The mandate of the ODA Unit derives from the Office of the Director-General in the line department or Premier’s Office, or, ideally, from the Office of the City Manager or local municipality CEO. Such a mandate typically has the following elements:

• Effective and efficient management and coordination of ODA ensuring that such resources are optimally utilised to address the department’s strategic objectives and priorities;
• Development and implementation of ODA management and coordination systems with a view to improving intra- and inter-governmental ODA coordination;
• Integration of ODA with Implementing Agency planning, budgeting and reporting processes and the appropriate reflection of ODA information in relevant Implementing Agency documentation;
• Facilitation of co-operative relationships with development partners and other government implementing agencies that receive ODA;
• Adoption of appropriate management approaches to ODA with a view to facilitating the effectiveness, impact and sustainability of ODA interventions; and
• Provide advice and support to the Implementing Agency in respect of ODA management and coordination.

Depending on the importance attached to ODA at national institutions, existing units tend to be positioned within finance departments, international relations units or in the Office of the Director General or Minister of a line department. Ideally, the choice of location for the ODA Unit should be determined by the issue of access to senior management which will enable it to play a more effective role in supporting clusters, municipalities, regional offices, provincial departments in respect of ODA interventions. The following considerations should be taken into account when considering the establishment of ODA Units:

• The frequency with which ODA agreements are entered into by the Implementing Agency;
• The desirability of attracting new ODA to the Implementing Agency;
• The challenges of properly integrating ODA with Agency planning, budgeting, financial management and reporting processes;
• The importance attached to inter-governmental relations, coordination and cooperation in the particular sectoral or cluster context and the challenges faced by the institution in coordinating and managing ODA resources (cash or in-kind).

Similarly, the level at which ODA staff are positioned is also vital. It may be appropriate to situate ODA coordinators at management level (depending on the significance of ODA in the department) within implementing agencies in order to
facilitate access to key decision makers. The text box below includes essential competencies and job descriptions pertaining to ODA staff. These elements should form part of the criteria for both the appointment and performance management of ODA personnel.

2.5 CONCLUSION

Official Development Aid is fundamental centred at achieving several goals in different developing countries. Central to ODA has been alleviating and assisting with development in Less Developed countries. The rationale for ODA to developing countries was encapsulated in several theories, notably the donor-oriented theory or international relations theory and supplemental theories of foreign aid (Olaniyan, 1997). This study makes use of the donor-oriented theory. The theory states that donors have other objectives besides the promotion of economic development in the developing countries. The theory points out that donors have political, strategic or economic interests for the ODA they provide. ODA is either provide with certain condition or without any tie. The non-DAC aid is in its infants meaning most of the aid received by developing countries is driven by various interests. There has been a transition in the distribution of ODA in South Africa in the post-independence era. In South Africa, however, due to the size of the economy, ODA input is relatively limited, amounting to about 1 per cent of the national budget. Its value add in terms of leveraging own resources more effectively and its implications on transfer of knowledge, best practices embedding innovative approaches is quite significant. This fact, combined with addressing the particular development challenges in this country smartly, have significant implications for the implementation of the national strategic priorities of ODA. The true value of ODA in South Africa is, therefore, realised when it is able to provide solutions and means that enable the country to
use its own resources more effectively, thereby stimulating development for the most disadvantaged sections of the population. ODA is now beginning to draw South Africa into tripartite arrangements in the wider region
CHAPTER THREE

3.1 OFFICIAL DEVELOPMENT ASSISTANCE AT A MACRO-LEVEL

3.1.2 INTRODUCTION

Official Development Assistance (ODA) is a term which was coined by the Development Assistance Committee (DAC) (of the OECD), following the success of the Marshall Plan (Fuhrer, 1996). Official Development Assistance is defined as the flow of official financing to the developing world that is concessional in character, namely grants and loans with at least a 25 percent grant component (World Bank, 1998). ODA is generally administered with the objective of promoting the economic development and welfare of developing countries, and comprises both bilateral aid that flows directly from donor to recipient governments and multilateral aid that is channelled through an intermediary lending institution like the World Bank (Abuzeid, 2009).

ODA was established to enhance economic development in globally marginalized areas in the developing countries. The aid that is given to developing countries is directed at spearheading economic development in order to alleviate poverty. The aim of this chapter is to present a descriptive analysis of ODA both in South Africa and abroad. The chapter begins by providing a historical background of ODA. This is followed by a discussion on the impact of ODA globally. The chapter looked into ODA in South Africa and the impact it has on development. Then chapter narrows down the exploration of ODA to Eastern Cape. Then the chapter examined the challenges of ODA in general.
3.2 ORIGINS AND BACKGROUND OF ODA

The Marshall plan resulted in several European countries progressing well economically. Development cooperation emerged over five decades ago against the backdrop of the Marshall Plan's success in re-building post-war Europe (Sagasti, 2005). The sudden boom in most economies in developed countries created a favourable environment for ODA to take off. The prevailing view at the time was simple and optimistic: development would come quickly to the poorer areas of the world through the provision by a few countries of capital, supplemented by the judicious provision of technical know-how (Sagasti, 2005). This success of the Marshall Plan led to the conception that providing aid to developing countries will assist in economic development. The prevailing view at the time was that development would come quickly to the poorer areas of the world through provision of capital, supplemented by the judicious provision of technical know-how from developed countries (Sagasti, 2005). In 1960, the Development Assistance Group (DAG) was formed. It was formed as a forum for consultations among aid donors on assistance to underdeveloped countries.

The DAG reviewed incentives for private investment in developing countries and asked the World Bank to do a study on possible multilateral investment guarantee systems. The early 1960s saw the formation of the Organization for Economic Co-operation and Development (OECD). Upon the inception of the OECD, Development Assistance Group became constituted as Development Assistance Committee (DAC). According to Fuhrer (1996) the DAC had a mandate to:

- Consult on the methods for making national resources available to developing countries;
• Acquire the functions, characteristics and membership possessed by the Development Assistance Group at the inception of the Organisation.

• Select its chairman, make periodic reports to the Council and its own Members, receive assistance from the Secretariat as agreed with the Secretary-General, have power to make recommendations on matters within its competence to countries on the Committee and to the Council, and invite representatives of other countries and international organisations to take part in particular discussions as necessary.

• Act on behalf of the Organisation only with the approval of the Council.

The establishment of DAG/DAC in 1960 was part of an extraordinary upsurge of related institutional developments concentrated in the early 1960s which laid the foundation of the current aid system (Fuhrer, 1996). The Development Assistance Committee from its establishment sort out the problems and challenges that were tied to the procurement of aid. Some DAC members feared misuse of aid to gain commercial advantage and reduced development effectiveness (Fuhrer, 1996). The motives and expectations of the donors have always been different especially in relation to the recipient countries. This created a number of challenges for ODA. For example, all donors including the International Financial Institutions (IFIs) focus on governance. However, this focus on governance is interpreted in different ways. Donors, who consider strengthening their national security as a legitimate use of ODA, tend to be more prescriptive about what governance entails (e.g. forming an alliance with the donor countries against the donor’s perceived enemies as a condition for aid). On the other hand donors who consider aid as a development/poverty alleviation tool see governance in terms of human rights and transparency. The irony is that while ‘good governance’ is a condition for aid, the
practice of good governance (in the sense of rooting out corruption and wastage, and putting in place efficient tax systems) could render aid unnecessary.

The Reality of Aid report (2004) shows that globally, aid continues to go to projects that have much to do with export promotion and winning geopolitical influence and latterly military-based security rather than focusing on poverty alleviation. This of course depends greatly on the motives of the individual donors and on their relationship with recipient governments. USAID is up-front about its motives; it describes itself as ‘an independent federal government agency’ whose mandate is to give ‘foreign assistance and humanitarian aid to advance the political and economic interests of the United States’ (World Bank, (1998). Other donors claim to be acting from humanitarian motives but their aid allocations indicate political imperatives (Reality of Aid, 2004).

A further challenge in foreign aid besides the vagueness of its purpose is that foreign aid hardly reaches the intended beneficiaries. According to the Reality of Aid Report (2004) approximately 40% of ODA was reaching the intended beneficiaries while the rest benefited consultants or foreign companies, or was lost on excessive bureaucracy.

While aid volumes and shares can be indicators of the commitment of donors to poverty relief and development, the way that aid is targeted and managed, and the conditions attached to it, gives a fuller picture of ODA contributions and influence. The Center for Global Development (CGD) and Foreign Policy(FP) in 2003 created the Commitment to Development Index (CDI); a ranking of rich nations not just by
how much aid they give but according to how their policies help or hinder social and
economic development in poor countries. The countries ranked in the CDI are all
democracies that preach concern for human dignity and economic opportunity within
their own borders. The index measures whether their policies promote these same
values in the rest of the world.

The CDI considers the quality and not just the quantity of aid. For example, it
discounts ‘tied aid’, which can raise the costs of a development project by 15-30% by
preventing recipients from ‘shopping around’ for the best deal (World Bank, 1998).
The index also subtracts all debt payments received from developing countries on
aid loans, and rewards donors that forgive poor countries’ debts. The CDI penalizes
onerous reporting requirements and countless ‘mission’ visits from foreign aid
officials. For example, Mozambique attracted 1,413 new aid project commitments
between 2000 and 2002 more than South Africa (1,050) and around the same as
India (1,339 new projects) but with only a fraction of the staff to manage reporting.
Center for Global Development (CGD) (2003) notes that in 2003 Tanzania felt
compelled to declare a four-month ‘mission holiday’, during which it received only the
most urgent donor visits.

Many official donors cite perpetual ‘natural’ disasters and humanitarian crises
(arising from political conflict, mismanagement, economic collapse or other causes)
as grounds for sustaining or increasing aid to Africa but in practice pledge only a
fraction of what the United Nations and other aid agencies say is needed and deliver
even less (Reality of Aid, 2004). Coupled with the inadequate and erratic response of
donors are foreign and economic policies (e.g. sanctions, trade barriers, debt, patent
protection) that undermine African (and more broadly, southern) governments’ ability to develop their economies and deliver basic services. Often donor, especially International Financial Institution (IFI), solutions require ‘beneficiary’ governments to structurally adjust their economies in ways that secure the interests of donors (e.g. by prioritizing debt repayments) before those of developing country citizens. While the World Bank has weaned itself off Structural Adjustment Programmes (SAPs) onto the more sophisticated Poverty Reduction Strategies (PRSs, which are SAPs supposedly ‘owned’ by the developing country government), the cycle of debt and dependency has led several commentators to ask whether the continent would be better off without ‘aid’ (Reality of Aid, 2004).

Many countries, notably Japan tie their aid to the purchase of goods and services from their own country. UN Secretary General Kofi Annan told the Tokyo International Conference on African Development (TICAD) III all in September 2003 the principle of African ownership is still too often compromised by tied aid (High Beam, 2003). Moreover the aid developed countries give is often undercut by their trade policies particularly by agricultural subsidies. These hinder Africa’s ability to export its way out of poverty and dependence.

3.3 THE IMPACT OF GLOBAL OFFICIAL DEVELOPMENT ASSISTANCE

There has been considerable debate regarding the impact of ODA on growth and, in general on improvements in the quality of life of people in developing countries (Radelet, Clemens and Bhavnani, 2005). Critics have charged that aid only discourages developing country initiatives, supports bloated bureaucracies, keeps in power corrupt and authoritarian regimes, enriches those in power, and also that it is
ineffective, wasteful, distorts relative prices and should be thoroughly reformed or eliminated (Sagasti, 2005). This paints a picture that ODA is often useless.

Notwithstanding the above statements about the impact of ODA, the contribution of ODA in poverty-stricken developing areas cannot be undermined. The proponents of ODA argue that, “while there have been some disappointments with regard to ODA, ODA has helped to lift millions of people out of poverty and improved health and education, enhanced economic performance in many developing countries and also succeeded in tackling many challenges such as green revolution, oral rehydration therapy, to mention a few (Sagasti, 2005). By assisting developing countries especially during times of outbreak of epidemics, droughts, floods, wars and many other calamities, makes it difficult to undermine the role and contribution of ODA.

During the late 1950s ODA was mainly for strategic and political purposes. Foreign development aid since the end of World War II has increased in significance within international relations as a way of developing strategic interests and improving the international environment (Fan and Yuehua, 2013). The process was led by the US, with about half of its bilateral assistance in the 1950s and 1960s going to the Republic of Korea, Taiwan Province of China and South Viet Nambeing the largest recipient (CBO, 1997; Radelet, 2003). To spread its political hegemony after the Second World War, the US was using the distribution for aid to advance its political interest. Foreign aid has thus been principally a tool of “statecraft”, employed to encourage or reward politically desirable behavior on the part of the recipients (Lancaster, 1999). While this is not necessarily inconsistent with broader
development goals, the politicization of aid has often been associated with a “softening” of state structures that have perpetuated or worsened highly inegalitarian economic and social structures in the recipient countries (Myrdal, 1970). Primarily though international foreign aid has been intended to assist developing countries to speed up the process of development, it has been used at times as a tool for political “manipulation”, economic hegemony and other benefits (Sagasti, 2005).

Donor countries initially had a target to contribute 0.7% of the donor’s national income which then rose to 1%. Sweden became the first country to meet the target in 1974, although on revised GNP figures, the achievement was postponed to 1975, by which year it was joined by the Netherlands (DAC, 2002). A few DAC countries have not been able to reach the target which include Norway and Denmark in 1976 and 1978, Finland once in 1991 and Luxembourg in 2000 and continues to do so. As the DAC journal (2002) reported no other DAC country has met the target since it was established, and the weighted average of DAC members' ODA has never exceeded 0.4% of GNP.

At the turn of the millennium, there was a revitalized interest in assisting developing countries with aid. A number of forums have been held in order to try and assess on how best foreign can be made effective. The Monterrey Consensus in 2002, The High Level Forum on Harmonization of Aid in 2003 and the famous Paris Declaration on Aid Effectiveness in 2005 were the major meetings that have shaped ODA (OECD, 2008). Each of these forums were aimed at improving the handling of ODA and getting results out of ODA. At the Monterrey Consensus it was pointed out that money alone was not enough, for aid to be effective it had to assist in the attainment
of the Millennium Development Goals (MDGs). At the High Level Forum on Harmonization of Aid held in 2005, it was agreed to better coordinate country level activities between donors and developing countries (OECD, 2008). This forum had a major impact in shaping the ODA practice and thinking and culminated in the Paris Declaration on Aid Effectiveness. Paris Declaration on Aid Effectiveness adopted five principles which are globally accepted (OECD, 2008). These principles are discussed in the following section:

(i) Ownership
Developing countries are supposed to set their own development strategies, improve their institutions and tackle corruption.

(ii) Alignment
Donor countries and organizations must bring their support in line with these strategies and use local systems.

(iii) Harmonization
Donor countries and organizations should co-ordinate their actions, simplify procedures and share information to avoid duplication.

(iv) Managing for Results
Developing countries and donors must focus on producing –and measuring – results.

(v) Mutual Accountability
Donors and developing countries must be accountable for development results.

The OECD report (2008) state that countries and organizations which follow these principles are able to get breakthroughs in improving aid effectiveness, tackling issues that have hampered development for decades. The next section presents a
discussion on how aid in Africa has been used and whether or not such aid has been effective of ineffective.

3.4 ODA IN AFRICA

In the past fifty years, over US$1 trillion in development-aid has been transferred from rich countries to Africa (Moyo, 2009). Despite such huge amounts of development-aid Africa remains the poorest continent in the world. Moyo (2009) mentions that Africa’s real per capita income is lower than during the 1970s, leaving many African countries at least as poor as they were forty years ago. Several countries in Africa are seeking sustainable solutions to curb persistent challenges of poverty. The capacity to deal with their own problems within many states seems to be beyond the reach of many African countries. Many factors such as political instability, natural disasters and economic institutions among others, contribute to this continued plight of poverty faced by the continent. This makes ODA vital for most countries in the continent. With ODA being continually injected into the continent annually, it is alarming that ODA seems to be making minimal impact in assisting African countries to progress.

Sub-Saharan Africa has attracted substantial amounts of foreign aid over the years (Abuzeid, 2009). ODA flows to the continent currently are more than US$80 billion per annum and the figure is expected to continue rising (Abuzeid, 2009). Despite such large investment the expected growth has not occurred. In fact most of the GDP per capita in Africa actually registered a marked decline (Abuzeid, 2009). With only a few exceptions, actual GDP per capita figures also declined across most of Sub-Saharan Africa (Abuzeid, 2009). A study by Brautigam and Shank (2004)
indicate a high level of aid dependence over a period of time in Sub-Saharan Africa. This prolonged high level of aid has a retarding effect on growth and development in Sub-Saharan Africa due to harmful effects on the overarching governance structure and institutional quality of the recipient country (Abuzeid, 2009).

3.5 ODA IN SOUTH AFRICA

The South African Government became a recipient of Official Development Assistance (ODA) in 1994, after the country’s first democratic elections. In the absence of an established framework for the management of ODA, it was decided that ODA should be utilised primarily for purposes of implementing the Government’s five-year Reconstruction and Development Programme (RDP) (OTP, 2012). The RDP funding mechanism was created as a conduit for channelling ODA grants to government spending agencies. ODA to South Africa was therefore managed mainly in a centralised manner, through the International Donor Co-ordination Committee (IDCC), the RDP Programme Steering Committee (RDP PSC) and the Special Cabinet Committee on the RDP (OTP, 2012).

South Africa only started receiving official aid through the state during the transitional and post-apartheid era (from 1993). Some official donors who had channeled aid directly to civil society organizations switched to bilateral support for the new democratic government and other donors started giving to the government (OTP, 2012). South Africa receives ODA from Organization for Economic Cooperation and Development (OECD) donors except Austria and Portugal. In addition it receives aid from China/Taiwan, Flanders, Greece and Kuwait, and from the multilateral donors (OECD, 2006).
South Africa has been receiving foreign aid for a long time, and a large number of its population remains living in abject poverty, the concern is whether foreign aid has any impact on the per capita GDP of the country as one of the measures of economic growth and development. In 1995, South Africa was the second largest African country, after Egypt, to receive US aid (OECD, 1997). Despite the considerable development assistance received compared with many developing countries, foreign aid was about 1% of the state budget and 0.3% of the GDP (CMI, 2003).

3.6 ODA IN THE PROVINCE

Like many provinces in South Africa that have received donor funding, the Eastern Cape has been receiving large amounts of donor funding since 1994. Much of the funding comes from European based donors. European Union (EU) is currently the biggest contributor of ODA in the province (OTP, 2012). According to a study in OTP Report 2012, the most active donor in the province is the EU, accounting for almost 94% of the total ODA funds received during the 2005-2012 amounting to R304 880 126 (OTP, 2012). The majority of the ODA funds were directed at the economic development sectors like Agriculture Department, Eastern Cape Development Corporation (ECDC), Local Economic Development projects. The donor contributing the second largest amount is Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (R6 215 884 in the period 2009-2012) and Swedish International Development Co-operation Agency (SIDA) being the third (R5 463 916 in the period from 2005 to 2009). Large amounts of investments are channeled to different sectors which are meant to contribute towards the province’s economic development.
ODA in the province was initially mainly aimed at implementing the Government’s Five-year of Reconstruction and Development Programme (RDP). Following the closure of the RDP office and the integration of the RDP interdepartmental budgets, the management and co-ordination of ODA was transferred to the Chief Directorate: International Development Co-operation (IDC), in the National Treasury. Several departments and sectors, which are national and provincial departments and local authorities, have been handed the responsibility and accountability mandate for the implementation of ODA-supported projects and programmes and received funding.

According to the OTP Report of 2012, only five provincial departments and two metro municipalities; within the Eastern Cape; appear to have received ODA support. According to the review done at the Office of the Premier (OTP, 2012) for the period from 2005-2009, ODA support received in the Eastern Cape Province is presented in their descending order of ODA value below:

- Eastern Cape Department of Health (6 projects) – R71 027 057;
- Nelson Mandela Bay Metro (5 projects) – R64 833 185;
- Buffalo City Metro (6 projects) – R64 743 777;
- Eastern Cape Office of the Premier (13 projects) – R23 302 884;
- Eastern Cape Local Government and Traditional Affairs (31 projects) – R11 174 212; and
- Eastern Cape Department of Human Settlements (3 projects - R1 725 000).

(OTP, 2012)

Basically funding is generally distributed across three main clusters and sector. These sectors are:

- Economic Growth and Infrastructure Cluster received R124 264 301 (OTP 2012)
- Governance and Administration Cluster received R113 090 088 (OTP, 2012)
- Social Cluster R78 180 806 (OTP, 2012)

Initially ODA partnership in the province focused primarily on technical assistance towards institutional development (ODA Report, 2012). Lately ODA has been spread across different sectors like skills development, research, health, agricultural sector and cultural exchange. This diversification has been aimed at creating more opportunities of investment and development in the province. As mentioned in the Big Push model, investment must be spread to different sectors such that industrialization continues to occur thus creating more labour opportunities.

The Eastern Cape however makes use of the investment using national guidelines on ODA. Even though the province has its own guidelines these are mainly formulated under global ODA guidelines. According to the Provincial Procedural Guidelines (2012) the management and co-ordination of ODA in the province takes place in the global ODA environment that is characterised by certain core issues and trends that require policy responses by ODA role players globally, namely:

- increasing global inequality, with the income gap having doubled over the past 40 years and almost half the world’s population living on less than $2 per day, despite unprecedented global economic prosperity;
- poor progress in the attainment of the agreed Millennium Development Goals (MDGs), despite the increased emphasis on development outcomes, particularly the MDGs;
• declining ODA, on average amounting to around 0.24% of GDP, despite repeated commitments by donor countries to meet the accepted target of 0.7% of GDP.

According to the Strategy for the Management of ODA in the Province of the Eastern Cape (2010), the Provincial ODA agenda must focus on strengthening in the institutional mechanisms for the management of ODA, this includes inter alia; the development of policies, procedures, guidelines and collective inter-sphere planning initiatives. In as much as different departments and sectors from the province, the role of national treasury and the donor countries and organisation remain crucial. Different stakeholders play different roles in ensuring that the ODA guidelines and mandate are realized. The stakeholders have different expectations and motives and conditionalities. This is very vital how projects and process of development formulate and progress.

3.7 ODA CHALLENGES

The lack of a comprehensive framework to monitor ODA up to 2003 poses problems in terms of quantifying the development assistance received since 1994. The absence of an integrated or holistic approach to managing ODA in South Africa also remains a challenge. The RDP Fund is one of the main tools for managing ODA but it does not cover all funding from all the donors. The agreements between individual donors and some recipients, e.g. direct funding to non-governmental organizations do not involve and are not monitored by government. The National Development Agency (NDA), set up in 2001, could have provided both a conduit for official funding to the non-profit sector and a mechanism for monitoring ODA flows to nongovernment organizations but had not delivered either at time of writing. The Development Cooperation Report (DCR) II for South Africa found numerous
problems trying to quantify ODA including inaccurate data capturing problems emanating from currency conversion poor responses from donor organizations.

The data on the flow of ODA from individual donors to South Africa were initially derived from a database compiled by the International Development Cooperation (IDC) Directorate of the Department of Finance however their accuracy and validity were strongly contested and they were eventually rejected by the donors. DRC II found there was no single organization with authoritative knowledge of the total volume of ODA to South Africa. DCR II tried to collect data from individual donor organizations which presented its own problems and pitfalls not least the poor response from donors.

Daya and Govender (2000) argued that it was extremely difficult if not impossible to estimate the quantity of ODA attributable to donors that did not provide data. The increasing influx of donor funding for HIV/AIDS has further complicated the picture. The national Department of Health (DOH) has developed a Donor Matrix to monitor funding for health services listing donor funds in terms of commitments, disbursements, objectives, activities and implementing bodies. This is based on financial commitments not allocations or disbursements and figures cover different periods so it is difficult to track and compare donor and government spending reliably. The bulk of donor funding for HIV/AIDS still comes from ODA (G7 and Europe) despite the increase in private funding flows most notably the Gates Foundation.
Seven donors (Danida, CIDA, AUSAID, the US, the Global Fund, DFID) in its study on Aid Effectiveness, the World Bank (2000) argues that there are major changes under way in international development cooperation. Freed from the political and strategic demands of the Cold War and also from the commercial imperatives that bedeviled aid allocations (although none of these conditionalities are totally eliminated) it asserts that there is now a greater sense of purpose in that development aid is focused on the poor. The aim is the eradication of global poverty in recent years the donor community has strongly emphasized the establishment of partnerships. The Organization of Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) has particularly been central in defining this partnership and in overseeing its implementation by various donor entities (Mosely, 1987). The donor-recipient type of development aid relationship is being replaced at least conceptually by a focus on developing partnerships to implement agreed tasks. The objective is to stimulate a more equal relationship between donors and recipients and also a greater sense of ownership of the activities undertaken through development aid.

The implications of this approach to traditional modes of aid delivery and implementation have not yet been fully explored (World Bank, 2000). Nevertheless, foreign development assistance leads to dilemmas because not everyone can have everything at once and choices must be made. Not everyone agrees on the meaning and purpose of development and certainly not on the objectives of development aid (Garson, 2001). One of the concerns that have been raised is that there are many assumptions about the nature of the transition towards development by poor countries particularly on the part of foreign donors (Riddell, 1988). The consequence
of some of these assumptions is that sometimes donors lose sight of some of the less romantic dimensions of development transformation. Recent OECD (2000) studies on the effect of donor aid have drawn some generaliseable lessons which South Africa and its partner donors may want to note. These lessons of successful donor assistance also provide guidance about donor behaviour. The studies conclude that aid is more effective when donor agencies focus on long-term reform not on unsustainable quick-fix solutions donors themselves work in partnership rather than in competition in order to avoid programme duplication, resource wastage and contradictory policies studies of aid have long pointed to the proliferation of donors in some countries and lack of co-ordination among them (OECD, 2000). Well-managed countries insist on the co-ordination of donors but in weak environments donors are often said to be running amok (Mizrahi, 2000).

3.8 CONCLUSION

The formation of Official Development Assistance lies in economic development. The development targeted by ODA is mainly driven towards achieving MDGs. ODA was formed to help with economic development in developing countries but it has now formed an essential part of the external source of finance in these developing countries. The need to manage and coordinate ODA globally led to the formation of the Development Assistance Committee. The mandate of the DAC can be capped as assessing regularly the structures of ODA in developing countries as well as monitoring results. It has been complicated for the DAC to achieve its mandate, even though large amounts of foreign aid have been distributed globally, ODA has not produced expected results, especially in Africa.
Central to this study, the Eastern Cape Province as a poor province has struggled to benefit from the provision of ODA. Speculations on ODA worsening economies than improving them is an on-going debate which has proved true in some instances but has been flashed as futile in some cases. The challenges faced by each country that receives ODA varies same as the challenges that are faced by provinces within a country. The differences are largely due to governance, management and coordination of ODA. The channels for ODA also play an important role as it has a large say on who benefits from the ODA. Hence in the study is set to look at how the province has utilized ODA and what challenges are hindering the province from obtaining results required. The Paris Declaration on Aid Effectiveness outlined the principles that are pivotal in obtaining results which are ownership, alignment, harmonization, managing for results and mutual accountability. It remains to be examined if the province is following the principles and how this has brought results in the province.
CHAPTER FOUR

4.1 AN ANALYSIS OF ODA IN THE EASTERN CAPE

4.1.1 INTRODUCTION: BACKGROUND OF ODA IN EASTERN CAPE

The distribution and management of ODA in the post-independence era was placed in government sectors. It was decided that ODA should be primarily be utilized for purposes of implementing the government five year Reconstruction and Development Programme (RDP). The closure of the RDP office and the integration of the RDP interdepartmental budgets saw the management and coordination being transferred to the Chief Directorate: International Development Co-operation (IDC), in the National Treasury. The government has delegated responsibility and accountability of ODA supported programmes and projects to the implementing agencies, which are the national, provincial and local departments and sectors within provinces.

Prior to 1994, ODA donors funded South African non-governmental organizations directly or supported exiles and anti-apartheid organizations outside of the country rather than deal with the apartheid government. After 1994, the democratically elected government became the chief recipient of ODA, although major donors (e.g. USAID, the EU, DFID, and GTZ) still direct some funding directly to civil society. The allocation of ODA to South Africa shows three distinct trends since 1994: high levels and a steady year-on-year increase in the years 1994-1997, as South Africa’s first democratic government reached bilateral and multilateral agreements with most donors; a downward movement from 1997-1999, which the IDC attributed to the
initial high flows having achieved their objective of concretizing support to the new government but which also coincided with the Asian Crisis; and then a dramatic recovery and increase in aid flows from 2000.

Even though the capacity of the government to manage ODA has been a concern, in the post-independence era, a lot of donors have shifted their support from the non-profit sector to the state. Funding the state sector emerged with the demise of apartheid because this seemed both the logical and ideologically correct way to support large-scale development. Donors assumed that the new government had the knowledge, the infrastructure and the personnel to manage monitor and report on this channel of funding. However, lack of capacity coupled with the failure of donors to report adequately, accurately and on time on their disbursements against commitments and the disbursement problems of the NDA made some donors rethink the policy and revert to channeling some aid through NGOs. A change of focus in terms of giving is noticeable through the period 1998 to 2004, which marked a shift from transition to economic and political stability. New development cooperation strategies emerged reflecting emergent donor priorities: more funding was earmarked for HIV/AIDS and there was a slight shift from ‘aid’ to ‘trade’. From 1994 to 1999, many of the smaller and medium-sized donors planned their aid on a year-to-year basis.

Since 2000, many official donors have changed their cooperation strategies and prefer to contribute a fixed amount for a fixed period of time. New agreements have emerged as South Africa moves towards ‘graduating’ from an aid recipient to a trading ‘partner’. However, many donors remain committed to using ODA to help
redress the apartheid legacy of poverty and inequality as well as developing marginalized areas while improving trade links with South Africa.

4.2 EASTERN CAPE AND ODA

The Eastern Cape Province is located in the south-eastern part of South Africa. The province is home to 6.7 million people, equivalent to 12.8 % of the national population. The province has plenty resources that include natural resources like the coastline, forestry and labour. However, the province remains as one of the less developed provinces in South Africa. The province is faced with different challenges namely, high levels of poverty, income inequality, food insecurity and unemployment. Unemployment rate in the province is staggering 30.9 and majority of the unemployed are the youth that consist 55% (Statistics SA, 2013). The unemployment rate in the first quarter of 2013 in the province is now 1.9% higher than it was in the same period last year (Statistics SA, 2013). Food insecurity deepens with the increase of unemployment in the region as most of people depend on social grants and wage earnings. Agricultural production for households in the province is dismal it cannot ensure food availability for the population which is mostly rural. The growing challenges and number of people in poverty in the province has necessitated the need for investment of Official Development Assistance in the province.

The many developmental objectives that aid is expected to achieve are premised on the fundamental assumption that aid works in reducing poverty (McGillivary, undated). The province has received ODA to reduce the high poverty levels in the province. Like other provinces in South Africa, the province started receiving ODA in
1994. The province has received varied funding for different developmental projects but most of the partnerships entered into by the Eastern Cape administration primarily focused on technical assistance towards institutional development. However, of late, the nature of ODA projects has diversified to include other areas of assistance such as health care, skills development, cultural exchanges and agrarian related issues. The aim is to address the developmental issues in the province but despite a fair share of ODA distribution, the province is still remains as one of the most underdeveloped provinces in the country. There are no concrete results of what ODA is contributing to the province currently.

From the recent reports on ODA there is an indication that ODA and funders for different projects decreased in the province. The findings of the Office of the Premier (OTP) report (2012) found that there has been a significant decrease in ODA in the province. The OTP study found that in the financial year of 2010/11, ODA received amounted to ZAR 635 million whereas in the year 2011/12 the amount of ODA was ZAR 326 million which was decrease by 49%. This is line with a study by McGivillary (2003) who noted that ODA in Sub-Saharan countries has been decreasing. The decrease of ODA in the province is of concern as to which areas have now been disadvantaged. The decrease can be attributed to recent global crises that have marred the ability of many institutions to fund developmental projects which explains the decrease in ODA figures throughout the region. On the other hand, the decrease can be attributed to lack of confidence that international donors now have in the ability of government departments to deliver, as in the case of Eastern Cape which has received funding since 1994.
The amount of ODA received usually counts for the projects implemented. The OTP Report (2012) shows that different sectors that have received ODA. The Provincial Treasury which has received R89 787 204 in ODA implemented 53 projects to date, Department of Local and Traditional Affairs received R11 174 212 and implemented 31 projects, the Office of the Premier received R23 302 884 implemented 13 projects, Eastern Cape Department of Health received R71 027 057 implemented 6, Buffalo City Metro received R64 743 777 and implemented 6 projects, Nelson Mandela Bay Metro R64 833 185 implemented 5 projects and Eastern Cape Department of Human Settlements received R1 725 000 and implemented 3 projects (OTP, 2012). The figures presented in the report show a wide range of inconsistencies among the departments which leaves a lot of gaps as to how those differences are occurring. While other departments received a lot of money and implemented a good number of projects, other departments and municipalities received large sums of ODA but have implemented less than average projects compared to the money they received. This can be attributed to management and coordination of ODA in these different departments and municipalities which has always been scrutinized. The monitoring and evaluation can be attributed as the other contributor of such inconsistency.

The advent of the Provincial Growth and Plan in 2004 within the framework of the MDGs provided a focused planning framework for which the province developed clearer sectoral planning. Similarly the introduction of improved planning tool as the local sphere through integrated development plans also allowed more locally based planning responsive mechanisms in meeting the needs of the people of the Eastern Cape. In this context, ODA has played a varying supporting role in the province. A
lot of projects have been started and implemented; there are successes, duplications and failures due to a variety of challenges that range from institutional configurations, alignment issues and donor/receipted harmonisation.

The Eastern Cape has received large portion of ODA in the preceding years. The Development Cooperation Report (DCR) II for South Africa found numerous problems in trying to quantify ODA, including inaccurate data capturing, problems emanating from currency conversion, poor responses from donor organisations (Ewing and Guliwe, 2004). This is a concern on data management in nationally and provincial. There is inconsistence and incompatibility that is picked up from the figures that are received and the accounted figures. The Audit Report (2009) shows that there were unspent grants of R309m in AFS included interest earned of R36.7m which was allocated from accum surplus even though amount recognised as revenue. Such large amounts are unused yet the province is depleted of resources and the data management of such funds especially in such case is ill managed as such funds are not allocated it is usually directed to various unaccounted for projects. The findings on data management from the OTP report (2012) are consistent with this finding which states that an important consequence of poor data management practices is that there is poor institutional knowledge and memory of ODA projects.

There seems to poor alignment of ODA with national and institutional obligations. Evidence from the inconsistence in figures and projects implemented shows without exception, that present ODA provincial projects are not properly aligned with national obligations. The coordination and management of ODA again comes under scrutiny
as to where could the faulty alignment be. From the drafted ODA Guideline for province (2009) the ODA has a mandate of identifying projects that could be supported by donors, targeting donors that are/could become active in the sector for support, prioritise these projects on the basis of criteria, projects must be a significant priority for the government, and specifically for the for the sector, by means of integration into the relevant implementing agency’s medium term strategic framework, Attempts should be made to identify projects that would ensure the optimal utilisation of scarce ODA resources. The provincial ODA agenda must focus on strengthening the institutional mechanisms for the management of ODA, this includes inter alia; the development of policies, procedures, guidelines and collective inter-sphere planning initiatives.

The monitoring and evaluation has been another area of concern for ODA. The Provincial Treasury is responsible for the monitoring and reporting of the Province’s financial activity. ODA has become an integral part of the provincial budget such that the monitoring and evaluation should be precisely done to get more results. ODA forms part of the resources that flow into the provinces budget, as such provincial treasury is expected to track the disbursement and use of these funds. Given this role, the Provincial Treasury is expected to support the functions of the Office of the Premier in the monitoring and reporting on ODA activity in the Province. This includes collective work with Office of the Premier in ensuring that annual performance plans as well as annual reports from the province clearly stipulate reporting on the various categories of ODA.
ODA co-ordination is a core function in the management of ODA to the Eastern Cape, and involves the process of ensuring integration of ODA management to the fullest extent possible with the Province’s development priorities, strategies and delivery systems. ODA co-ordination system refers to structures/institutional arrangements, mechanisms, processes and roles and responsibilities for the management of ODA to the Eastern Cape, with specific reference to grants and technical co-operation. The requirements for effective and efficient ODA co-ordination include the following sufficient capacity at the OTP and sector departments/implementing agency level for ODA co-ordination, strong institutional linkages between the IDC: National Treasury and the OTP, integration of ODA co-ordination units at sector departments/implementing agency level with core government operations, particularly core line functions, financial management sections and senior management structures, integration of ODA planning, prioritisation and programming with the development planning and prioritisation processes of government, sound ODA information management, operational integration of ODA-supported interventions with normal government development delivery operations.

Official Development Aid faces many challenges. The most problematic is mainly related to achieve the Millennium Developments Goals (MDGs). The principal MDG target - reducing the proportion of people living in extreme poverty to half the 1990 level by 2015 - on current trends will not be achieved in sub-Saharan Africa (McGivilllary, 2003). The aim to achieve MDG targets in sub-Saharan Africa by 2015 is dismal. Accordingly there are widespread calls to double official world aid from its current level, to approximately $US120 billion per year (McGivilllary, 2003). But the
challenge is not isolated to governments alone. The donors expect ODA to help achieve many other objectives, including the promotion of international peace and security. In the Eastern Cape, the peace and security is not a centre of focus but the improvement of health facilities, literacy and creation of employment to curb poverty in the province. The achievement of this task has been cumbersome due to poor management in provincial sectors, donor alignment and national legislation guidelines.

Donor countries and organization have their role to play in the achievement of results in the province. The role is to share technical cooperation such that donors align with the capacity development objectives and strategies of partner countries. Technical cooperation used to be notoriously poorly managed, with considerable waste resulting from overlap among donors on its provision. Many aid recipient countries have tried to reduce this waste by coordinating technical cooperation, but they need the cooperation of aid providers to do this well. Under the Paris Declaration countries committed to improve technical cooperation by increasing their cooperation with partner countries.

ODA is mandated to achieve reduction in poverty. Yet the effectiveness of aid in reducing poverty and achieving other related developmental outcomes, including pre-conditions for poverty reduction, has been questioned for many decades. Some sceptics have labelled aid as harmful, a failure or as ineffective in terms of producing results. There is evidence from the reviewed documents that the impact of ODA on growth is conditional on the policies of the recipient departments or municipalities, especially in cases where aid money is made available without much conditionality.
Therefore, municipalities within the province with better policies and management structures and low or no level of corruption experience a positive impact of aid on their economy. The 2009 case of European Union (EU) supported Urban Renewal Programme in Nelson Mandela Bay Municipality serves as a landmark success example of ODA for other municipalities and departments. The EU Report (2011) depicts that the Nelson Mandela Bay Municipality has been a low spending municipality but achieving results. The other municipality which was part of the same program in the same timeframe under the same sponsorship of EU has not performed well due to in-house management instabilities. It is therefore acceptable to presume that development of the province lies in the proper management and eradication of misappropriation of finances.

4.3 THE ROLE OF THE OFFICE OF THE PREMIER

The OTP is responsible for ODA co-ordination at a macro level, and assisting in ODA co-ordination at sector/ implementing agency level as required. As such, it is responsible to co-ordinate the overall development co-operation relationships with Eastern Cape’s donor partners, develop procedural guidelines for the management of ODA in the Province, and ensuring alignment of operational ODA management mechanisms, procedures and processes in implementing agencies to these guidelines, co-ordinate the overall processes of interaction between the Eastern Cape and the donor community (macro co-ordination workshops, annual consultations, midterm and programme review meetings); consolidating and articulating the core development priority framework for the programming of ODA, on the basis of overall government prioritisation and medium term expenditure planning at sector/implementing agency level. Ensuring the overall alignment of ODA to the
Province’s core development priorities and establishment of a provincial forum where issues on ODA can be discussed. The OTP is also responsible for negotiating/signing overall development co-operation strategies and framework agreements and overall ODA monitoring and evaluation.

The office also has to manage centralised ODA information. The office has to deliver on institutional capacity-building for ODA management at sector/implementing agency level. The Eastern Cape Office of the Premier as a coordinating department has been used as a conduit for some ODA and to some extent received ODA to complement its programmes. The OTP received a large chunk of ODA from the European Union wherein it plays the role of being the conduit and Ruliv became the implementing agent of this funding through the SURUDEC program. The other funding support received was from the Swedish through the SIDA programme to intensify efforts in fighting the scourge of HIV/AIDS. The OTP has been hands on when it comes to handling ODA in province it should be within its mandate to make sure that accountability from every sector has been followed through.

4.4 ROLE OF THE PROVINCIAL TREASURY

The Provincial Treasury is responsible for ODA co-ordination and assisting in ODA co-ordination at sector/implementing agency level as required. The Provincial Treasury is responsible for the monitoring and reporting of the Province’s financial activity. ODA forms part of the resources that flow into the provinces budget, as such provincial treasury is expected to track the disbursement and use of these funds. Given this role, the Provincial Treasury is expected to support the functions of the Office of the Premier in the monitoring and reporting on ODA activity in the Province. This includes collective work with Office of the Premier in ensuring that
annual performance plans as well as annual reports from the province clearly stipulate reporting on the various categories of ODA.

Critical to the Provincial Treasury’s office is the monitoring and evaluation. The structure of monitoring and evaluation should be perfectly aligned with the national guidelines. The failure of ODA to be effective is largely influenced by how the projects are monitored and evaluated. The current monitoring and evaluation tool has neglected certain areas with regards to the beneficiaries and the donor. The accountability is mainly on the recipient department or sector. The monitoring structure should be more inclusive and allow more input from other stakeholders. The role of accountability should be distributed to the departments, donors and targeted beneficiaries. This will allow more transparent process and might reap results for the province.

4.5 CONCLUSION

ODA in the Eastern Cape has been faced with many challenges and it has not been able to make so much impact especially with regards to poverty reduction which is one the MDGs. The poor performance by ODA can mainly be attributed to coordination, management, poor data management systems, poor monitoring and evaluation structures, lack of proper alignment between the ODA and the provincial and national institutions, donor liabilities and alignment with the main priorities of the government. The Office of the Premier and the Provincial Treasury department have a huge role to play in fixing this problem of lack of results in the province. The two have a mandate of coordinating and managing ODA in the province and country. The monitoring and evaluation mechanism stands as the bridge gap tool that can assist in getting results such that ODA is effective in the province. The next section
will analyse the ODA monitoring and evaluation structures in the province to draw a conclusion and recommend on the way forward for the province.
CHAPTER FIVE

5.1 AN ANALYSIS OF MONITORING AND EVALUATION OF ODA IN THE EASTERN CAPE

5.1.1 INTRODUCTION: MONITORING AND EVALUATION STRUCTURES OF ODA

Monitoring and evaluation (M&E) mechanisms are important as they enhance the effectiveness of ODA by establishing clear links between past, present and future interventions and results. Effective monitoring and evaluation is critical in obtaining results for ODA. The monitoring and evaluation structures are able to map out from the past and on-going project, relevant information and strategies that can be used as the basis of progressing or realigning and planning projects. The absence of monitoring and evaluation means that it is difficult to judge whether a project is in the right direction, whether progress and success can be achieved, and how future efforts can be improved. Analysis of ODA in the province has identified inconsistency in fund allocation and projects completed, faulty institutional configurations, poor data management, mismanagement and poor coordination mechanisms as the main negative factors that are barring the full effectiveness of ODA. These negative factors are related and dependent on the monitoring and evaluation structures used by the province. It is therefore critical to explore monitoring and evaluation structures related to ODA in the province. Against this background, the examination of monitoring and evaluation structures is necessary, as the structures play a major role in addressing the problem of lack of results.
5.1.2 DEFINITIONS OF MONITORING AND EVALUATION

Monitoring is “defined as a continuing function that aims primarily to provide the management and main stakeholders of an ongoing intervention with early indications of progress, or lack thereof, in the achievement of results. An ongoing intervention might be a project, programme or other kind of support to an outcome” (UNDP Handbook, 2002).

Evaluation is a “selective exercise that attempts to systematically and objectively assess progress towards and the achievement of an outcome. Evaluation is not a one-time event, but an exercise involving assessments of differing scope and depth carried out at several points in time in response to evolving needs for evaluative knowledge and learning during the effort to achieve an outcome. All evaluations—even project evaluations that assess relevance, performance and other criteria—need to be linked to outcomes as opposed to only implementation or immediate outputs” (UNDP Handbook, 2002).

Reporting is integral to monitoring and evaluation. Reporting refers to the systematic and timely provision of essential information at periodic intervals (UNDP Handbook, 2002). According to the OTP Report (2012) in the Eastern Cape reports are submitted directly to the donor concerned and not routinely shared with either Provincial Treasury or with Office of the Premier (OTP) which explains why there are gaps in OTP and Provincial Treasury’s knowledge of ODA. Monitoring and evaluation aims at producing results at two distinct but closely related levels, which are outputs and outcomes. Outputs being specific products and services that surface from the dispensation of inputs through programme, project and other activities such as through ad hoc soft assistance delivered outside of programmes and projects. On
the other hand, outcomes are changes in development conditions that are aimed at achieving ODA results through projects and programs. Outputs and outcomes serve as indicators of progress of ODA. This is illustrated by Table 1 below.

**Table 1. The Results Chain**

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Outputs</th>
<th>Outcomes</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Experts</td>
<td>• Studies completed</td>
<td>• Income increased</td>
<td>• Health conditions improved</td>
</tr>
<tr>
<td>• Equipments</td>
<td>• People trained</td>
<td>• Jobs created</td>
<td>• Longevity increased</td>
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**5.1.3 PURPOSE OF MONITORING AND EVALUATION**

Monitoring and evaluation’s overall purpose is to measure performance in order to more effectively manage the outcomes and outputs known as development results (UNDP Handbook, 2002). Monitoring and evaluation aims at improving performance and achieving results. In this case, improved performance being the desired progress that brings about achievement of results. Evaluation is done to improve future aid policies, programmes and projects through feedback of lessons learned. Evaluation also provides a basis for accountability including the provision of information in reports. Evaluation must measure relevance, effectiveness, efficiency, impact and sustainability. On the other hand monitoring is done to regularly collect and analyze information related to a project, programme or intervention. Progress is often monitored in relation to the goal, objectives and activities of the project, programme or intervention. Performance monitoring is monitoring programme
progress against standards, such as targets or benchmarks which should assess the impact of the programme (Department of Basic Education and MIET Africa, 2010). Monitoring and evaluation is tantamount to the delivery of ODA results. Surprisingly, there is scant information available on the monitoring and evaluation mechanisms in the province on ODA. It remains debateable if the mandate of monitoring and evaluation should lie in the hands of the recipient and/or the donor and/or independent technical consultancies. The role of the beneficiaries in monitoring and evaluation seems to be neglected and unclear. The onus of monitoring and evaluation in the province is given to the Office of the Premier together with Provincial Treasury.

5.2.1 ROLE OF THE OFFICE OF THE PREMIER AND PROVINCIAL TREASURY IN MONITORING AND EVALUATION

The Office of the Premier (OTP) plays a crucial role in providing coherent strategic leadership and coordination in provincial policy formulation and review, planning and overseeing service delivery, as well as planning and implementing support of provincial and national agendas, priorities and plans. The office takes a central in formulating the monitoring and evaluation mechanisms in the province, as the office has a mandate of overall monitoring and evaluation of ODA in the province. Effective monitoring and evaluation of ODA thereof, contributes significantly to the achievement of results in the province. Well-functioning monitoring and evaluation systems are a must for OTP as they are indispensable for ensuring the smooth functioning of the ODA in a way that policy aims and objectives are achieved.

The Provincial Treasury (PT) is also mandated to direct monitoring and evaluation in the province. Much of the work on monitoring and evaluation is divided between the
two offices OTP and Provincial Treasury. The Provincial Treasury is responsible for the monitoring and reporting of the Province’s financial activity. ODA forms part of the resources that flow into the provinces budget, as such Provincial Treasury is expected to track the disbursement and use of these funds. The Provincial Treasury mainly handles the financial aspect of ODA by helping to draw up monitoring systems, ensuring that annual performance plans as well as annual reports from the province clearly stipulate reporting on the various categories of ODA.

5.2.2 MONITORING AND EVALUATION IN EASTERN CAPE

According to a study by Gopane (2012), the EC province showed positive feedback in setting up a basis for M&E. However, analysis of the M&E shows that the province lacks a comprehensive framework for monitoring and evaluation of ODA. The OTP Report (2012) suggests that monitoring and evaluation of ODA activities in the EC province needs to be greatly enhanced. In 2007, the Presidency published its Policy Framework for Government-wide Monitoring and Evaluation (GWM&E) from which the monitoring and evaluation framework of the province was formulated. The GWM&E is supported by National Treasury’s Framework for Managing Programme Performance Information and Statistics South Africa’s South African Statistical Quality Assurance Framework (SASQAF). The premiers’ offices in the nine province in South Africa are supposed to structure their monitoring and evaluation around the GWM&E and SASQAF. The major problem with this is that not much guidance has been given on the Premier’s Office role in monitoring and evaluation. Consequently, as pointed by Presidency (2008), a wide variety of practices and conventions have emerged in the nine provinces which are at various stages in institutionalising monitoring and evaluation.
The pivotal instrument for planning and M&E across all provinces is the Provincial Growth and Development Strategy (PGDS). The province has set certain benchmark pointers on structuring monitoring and evaluation mechanisms in the province. According to the ODA Guideline (2009), monitoring and evaluation structures should address the following:

- The project or programme activities should be executed according to plan
- Outputs and objectives should be achieved in accordance with indicators
- The project or programme should stay within budget, according to cash flow forecasts
- The beneficiaries of the project should receive the assistance foreseen
- Cross-cutting issues, such as capacity-building, gender and the environment, should be addressed according to plan
- Sustainability of the project should be monitored
- Updated project information should continuously be available

The achievement of including all of these pointers in any of monitoring and evaluation mechanism forges a way for effective monitoring and evaluation system. However, the evaluation and monitoring mechanisms have encountered challenges that are resulting in the lack of outputs and outcomes in the province.

5.2.3 CHALLENGES OF MONITORING AND EVALUATION IN THE EASTERN CAPE

The role of different players in ODA funded projects makes it difficult for monitoring and evaluation to be implemented effectively especially if the ODA funded project or program run for a long period. The onus of monitoring and evaluation is shared between two offices (OTP and PT), and other independent agencies and donors play a part in the monitoring and evaluation of projects in the province. Sometimes ODA
is not channelled into government institutions but to non-governmental organizations (NGOs). Some projects sometimes can continue long periods after the initial donor has stopped funding the project or program. The different sources that continue with funding at times include the government results in multiple funding of a project. Ewing and Guliwe, (2004) noted that most of the projects were scheduled over several years so the amount of ODA contributed does not necessarily reflect the donor’s overall contribution. For example, for the Masibambane programme, EU set a precondition that 25% of funding should go to NGOs via the programme. In such cases, it becomes complicated as to which player must be responsible for the monitoring and evaluation. Accountability and transparency are compromised such that evaluation will not give accurate measures of the benefits of the project or program.

Poor data management impacts on monitoring and evaluation. Omitted, exaggerated or misrepresented data results in false monitoring and evaluation results. Evaluation is supposed to measure relevance, effectiveness, efficiency, impact and sustainability and any misrepresentation of data reduces the effectiveness of evaluation. Monitoring collects and analyzes data and omitted and exaggerated information results in poor outcomes and output. If the data management systems are properly managed, monitoring and evaluation structures are able to effectively assess the performance levels of programmes or projects. However the province lacks resources and capacity to properly manage data systems. The turning effects are noticeable in problems such as duplication of reports, omissions in auditing, funds being used unaccounted for or remaining unused for long periods. A finding by the OTP Report (2012) states that poor data management practices is resulting in
poor institutional knowledge and memory of ODA projects. Due to poor data management availability and access to sources of information on ODA evaluation and monitoring remain scarce.

Most of the ODA in South Africa comes in the form of technical co-operation and grants. Technical co-operation proves to be a major challenge for monitoring and evaluation especially in the province. A case of the Buffalo City storm-water project, a significant amount of budget assistance was in the form of technical assistance from Leiden and for travel and accommodation of both Leiden and Buffalo City officials. The monitoring and evaluation of such projects is laden by lack of transparency. The evaluation in such case takes into account a lot of off-project activities. According to the study by Ramkolowan and Stern (2009) Buffalo City Municipality was also required to counter-fund a substantial amount for the procurement of consulting services relating to the project, with this counter-funding amount believed to be substantially more than the financial contribution by ODA donor (VNG). Accountability in such scenarios is compromised hence it is difficult to monitor and follow such processes.

The monitoring and evaluation strategy should link to the GWM&E Policy Framework and the supporting frameworks and should clearly indicate where the central data will be lodged and stored (Mouton, 2010). Alignment, harmonisation and co-ordination are necessary to create the link between GWM&E policy framework and provincial frameworks. The provincial monitoring and evaluation unit has faced challenge in coordinating and aligning to create a link with the GWM&E. Lack of technical expertise and resources has been the major stumbling that has stopped
the establishment of that link. The major striking problem regarding the management of ODA is the lack of centralised mechanisms for managing ODA funding and projects. The harmonisation of the main framework and the provincial framework becomes difficult due to the lack of centralised mechanisms for managing ODA funding and projects.

Monitoring and evaluation is handicapped by mismanagement and technical issues at times. The effectiveness of monitoring and evaluation depends on technical implementation and proper presentation of findings which largely rely on transparency, accountability and credibility of management. According to the proponents of the market approach, the way to ensure delivery in this environment is to promote individual agency accountability for specific tasks where the real challenge is to find interventions that work and to keep them going with the right incentives, whether through the independent evaluation of projects, more feedback from intended beneficiaries, or the prompt withdrawal of funding for delivery failure (UN, 2006). For example, the study by Albertyn (2008) on a SIDA project found out that the management and coordination of the project was difficult due to accountability, ownership, transparency and credibility. Effective monitoring and evaluation tools were not implemented as they were persistent management challenges. It is difficult for monitoring and evaluation to be exercised when there is little transparency, credibility and accountability.

Tied aid makes monitoring and evaluation complicated. With exception of a few countries like Netherlands, most of the donor countries including conditions to aid. At times the conditionality includes monitoring and evaluation to be done by the donor
country per se. Conditionality by donors might have an indirect consequence on the monitoring and evaluation mechanisms of the recipient. One type of conditionality which has been mainly identified by Martens (2004) as input conditionality, restricts the recipient’s discretion in the spending of the resources and ties it to procurement conditions, be it geographical (procurement of goods and services in the donor country) or procedural (specific procurement and spending procedures agreed with the donor). The fact that recipient is directed on how to use the ODA means that the monitoring and evaluation is mainly directed by the donor. This weakens the monitoring and evaluation mechanisms as the accountability and transparency is compromised by this. In the province some of the main donors have been directing with spending agencies of ODA, together with local government sectors and local departments, the monitoring and evaluations mechanisms are weakened if and when they are run by outside sources that are not fully aware of the development on the ground. These will have to rely on reports and feedbacks from the different sectors.

5.3 CONCLUSION

Cloete’s (2009) assessment of the GWM&ES concludes that the system has several loopholes and should be reassessed by government in order for it to be mended. The loopholes in the GWM&ES have resulted in challenges and faulty frameworks in different provinces. Eastern Cape is one of the provinces that has had monitoring and evaluation system with challenges in formulation and implementation resulting in inefficiency. The Eastern Cape province monitoring and evaluation system needs attention as recommended by the OTP Report (2012). Reviewing and realigning the monitoring and evaluation mechanisms could contribute largely to the production of results. The role of multiple players in ODA funded projects makes it difficult for monitoring and evaluation to be implemented effectively especially if the ODA funded
project or program run for a long period. Poor data management has had negative impacts on monitoring and evaluation. Technical co-operation also has been a major challenge for monitoring and evaluation especially in the province. Monitoring and evaluation has also been handicapped by mismanagement and technical issues at times. Tied aid makes monitoring and evaluation complicated as autonomy on implementation of programmes in recipient countries is reduced by the conditions attached to the aid. Overall, a lot has to be done to the monitoring and evaluation mechanisms in the province that have made little impact in ensuring that ODA produces results.
CHAPTER SIX

6.1 SUMMARY OF MAIN FINDINGS

Chapter one findings: Official Development Assistance (ODA) can be a driving tool for development if proper measures and procedures are taken. The study finds that Official Development Assistance is generally classified into three subcategories: project assistance, programme assistance and technical assistance. For any development project, the financial aid received by the project sound management and policy enable the aid to be effective. The study pointed that most of ODA is tied aid. The conditionality of ODA from donor countries reduces autonomy from recipient countries. The Eastern Cape is one of the provinces that is receiving since 1994. Official Development Assistance which has been received by the Eastern Cape Province from different donor countries can make an impact in improving the economic situation and propel development of the province.

However, despite being second largest recipient of ODA in South Africa, Eastern Cape has been lagging behind in terms of development. The socio-economic state of the province despite ODA assistance raises some concerns as to what is hindering progress of development. To date, no analysis has been done on ODA in the Eastern Cape. This study sought to analyse ODA in the Eastern Cape with a view to identifying constraints and gaps that may be contributing towards the ineffectiveness of ODA in the Eastern Cape. The objectives of the study therefore were to provide an analysis of ODA in the Eastern Cape, to explore the monitoring and evaluation structures related to ODA in the Eastern Cape and to provide policy recommendations based on the findings. To achieve these objectives the study
utilized a qualitative methodology of data collection. The research used documentary research which analysed the documents on ODA. Since no study on the effectiveness of ODA in the Eastern Cape has been conducted, the results of this study will contribute towards policy makers with respect to ODA in all levels of government. Results of this study helped identify gaps and lessons that can be learnt from the existing ODA structures.

Chapter 2 findings: Official Development Aid is fundamental centred at achieving several goals in different developing countries. Central to ODA has been alleviating and assisting with development in Less Developed countries. The rationale for ODA to developing countries was encapsulated in several theories, notably the donor-oriented theory or international relations theory and supplemental theories of foreign aid (Olaniyan, 1997). This study makes use of the donor-oriented theory. The theory states that donors have other objectives besides the promotion of economic development in the developing countries. The theory points out that donors have political, strategic or economic interests for the ODA they provide. ODA is either provide with certain condition or without any tie. The non-DAC aid is in its infants meaning most of the aid received by developing countries is driven by various interests. There has been a transition in the distribution of ODA in South Africa in the post-independence era. In South Africa, however, due to the size of the economy, ODA input is relatively limited, amounting to about 1 per cent of the national budget. Its value add in terms of leveraging own resources more effectively and its implications on transfer of knowledge, best practices embedding innovative approaches is quite significant. This fact, combined with addressing the particular development challenges in this country smartly, have significant implications for the
implementation of the national strategic priorities of ODA. The true value of ODA in South Africa is, therefore, realised when it is able to provide solutions and means that enable the country to use its own resources more effectively, thereby stimulating development for the most disadvantaged sections of the population. ODA is now beginning to draw South Africa into tripartite arrangements in the wider region.

Chapter 3 findings: Official Development Assistance is a term which was coined by the Development Assistance Committee (DAC) (of the OECD), following the success of the Marshall Plan (Fuhrer, 1996). ODA is generally administered with the objective of promoting the economic development and welfare of developing countries. The need to manage and coordinate ODA globally led to the formation of the Development Assistance Committee. The mandate of the DAC can be capped as assessing regularly the structures of ODA in developing countries as well as monitoring results. It has been complicated for the DAC to achieve its mandate, even though large amounts of foreign aid have been distributed globally, ODA has not produced expected results, especially in Africa. The study also finds that the motives and expectations of the donors have always been different especially in relation to the recipient countries. This created a number of challenges for ODA. The impact of ODA on growth and improvements in quality of life of people in developing countries in general has been debated.

Central to this study, the Eastern Cape Province as a poor province has struggled to benefit from the provision of ODA. Speculations on ODA worsening economies than improving them is an on-going debate which has proved true in some instances but has been flashed as futile in some cases. The challenges faced by each country that receives ODA varies, same as the challenges that are faced by provinces within a
country. The differences are largely due to governance, management and coordination of ODA. The channels for ODA also play an important role as it has a large say on who benefits from the ODA. Hence in the study looked at how the province has utilized ODA and what challenges are hindering the province from obtaining results required. The Paris Declaration on Aid Effectiveness outlined the principles that are pivotal in obtaining results which are ownership, alignment, harmonization, managing for results and mutual accountability. The study examined if the province is following the principles and how this has brought results in the province.

Chapter Four findings: The study finds that ODA in the Eastern Cape has been faced with many challenges and it has not been able to make so much impact especially with regards to poverty reduction which is one the MDGs. The poor performance by ODA can mainly be attributed to coordination, management, poor data management systems, poor monitoring and evaluation structures, lack of proper alignment between the ODA and the provincial and national institutions, donor liabilities and alignment with the main priorities of the government. The Office of the Premier and the Provincial Treasury department have a huge role to play in fixing this problem of lack of results in the province. The two have a mandate of coordinating and managing ODA in the province. The monitoring and evaluation mechanism stands as the bridge gap tool that can assist in getting results such that ODA is effective in the province.

Chapter Five findings: The study finds that the loopholes in the GWM&ES have resulted in challenges and faulty frameworks in different provinces. Eastern Cape is
one of the provinces that has had monitoring and evaluation system with challenges in formulation and implementation resulting in inefficiency. The Eastern Cape province monitoring and evaluation system needs attention as recommended by the EC ODA Report (2012). Reviewing and realigning the monitoring and evaluation mechanisms could contribute largely to the production of results. The role of multiple players in ODA funded projects makes it difficult for monitoring and evaluation to be implemented effectively especially if the ODA funded project or program run for a long period. Poor data management has had negative impacts on monitoring and evaluation. Technical co-operation also has been a major challenge for monitoring and evaluation especially in the province. Monitoring and evaluation has also been handicapped by mismanagement and technical issues at times. Tied aid makes monitoring and evaluation complicated as autonomy on implementation of programmes in recipient countries is reduced by the conditions attached to the aid. Overall, a lot has to be done to the monitoring and evaluation mechanisms in the province that have made little impact in ensuring that ODA produces results.

6.2 CONCLUSION
The reason for the negative production of results could be that, although the intention of foreign aid is to correct for inequalities in global income and promote development, ODA used in targeting poverty particularly in South Africa during the first few years after apartheid has poor coordination, management, poor data management systems, poor monitoring and evaluation structures, lack of proper alignment between the ODA and the provincial and national institutions, donor liabilities and alignment with the main priorities of the government. From the study it is evident that the impact of ODA on growth and development is more affected by the policies of the recipient, especially in cases where the aid money is not targeted
towards specific goals. Therefore, better policies and management and low or no level of corruption experience, restructuring of monitoring and evaluation mechanisms could have a positive impact of aid on their economy. Although South Africa and the Eastern Cape is not known for high levels of corruption, there is mismanagement of ODA in some departments as reviewed by findings of this study.

This study therefore concludes that the ODA received in South Africa and especially in Eastern Cape has not been channelled to individual needs especially of the poor, and hence its effectiveness has been minimal. ODA ineffectiveness in some areas is due to mismanagement, poor coordination, poor data management systems, poor monitoring and evaluation structures, lack of proper alignment between the ODA and the provincial and national institutions, donor liabilities and alignment with the main priorities of the government. Another reason why ODA could be failing, is that the monitoring and evaluation structures in South Africa and its provinces is not properly structured as such foreign aid has gradually declined and the country has further experienced a rise in poverty.

6.3 RECOMMENDATIONS ON ODA IN THE EASTERN CAPE

South Africa has embraced the international principles of aid effectiveness as enunciated in the Paris Declaration and the AAA. This by default binds the Province of the Eastern Cape to abide by the provisions of these international aid effectiveness principles. The ODA management strategy for the Province needs to reflect that these principles are being applied albeit in a manner that is within the Province’s development ethos.
One of the matters raised in the assessment of the PGDP as an impediment to the attainment of the programme targets is lack of adequate funding and inadequate technical resources. This provides a platform for the Province to explore the opportunities that may arise from funding and technical support that comes with ODA. The focal points for directing the funding are provided for under the six revised focus areas for the PGDP and the eight strategic priorities that are identified in the Provincial Strategic Framework 2009 -2014.

The strategy for the management of ODA should be based on the following principles:

a) The Province of the Eastern Cape needs to have ownership and leadership of the ODA management processes.

b) All ODA management programmes should be targeted at attaining the strategic goals, and the priorities of the PDGP which are aimed at reducing poverty and improving the lives of the people of the Province of the Eastern Cape.

c) All ODA management programmes should be predictable and aligned with Provincial budget cycles, financial systems and provincial monitoring and evaluation systems.

d) All ODA programmes should include, where needed, a provision on capacity development of the programme or project implementing institution(s) of the Province.

e) All ODA programmes should make appropriate use of Provincial institutional mechanisms, delivery systems, and human resources. This will ensure that these activities are embedded in the relevant Provincial programmes and plans.
f) The preferred cooperation modality with development partners should be focussed on sector/thematic and/or program-based approaches in programming activities rather than the project approach. This will be in line with the cluster approach adopted in Provincial planning framework and will also ensure that the development challenges that are being faced in the Province are addressed in a holistic manner.

g) Development partners should ensure that their practices do not create excessive burden on Provincial administrative and management systems. They should give high priority to harmonising and simplifying their practices and procedures.

h) The Province of the Eastern Cape shall ensure that its institutional systems, mechanisms, and procedures do facilitate efficiency and effectiveness of development cooperation activities.

i) The Province for the Eastern Cape will undertake the following activities to ensure the smooth operation of the ODA management process:

   i. Contribute to policy dialogue relating to all matters to do with ODA management in the Province;

   ii. Prepare reports on ODA Management for the National Treasury;

   iii. Build partnerships with all development partners and stakeholders to enhance aid effectiveness; and

   iv. Preparing reports on monitoring progress on the implementation of international aid effective initiatives such as the Paris Declaration and the Accra Agenda for Action.

j) A clearly defined exit strategy should be formulated to ensure sustainability of ODA Programmes.
The following matters need to be clearly articulated to ensure that the ODA management process is focused:

a) The current situation and recent initiatives of the Province of the Eastern Cape and the international community to strengthen development cooperation:

b) This will provide the current baseline situation and provide pointers to the areas where there are low hanging fruits that can be harvested for the Province to already start reaping the benefits of ODA. The baseline will also provide a basis for working out medium strategic plan for ODA management.

c) The roles and responsibilities of the Province of the Eastern Cape’s focal point for resource mobilization and aid coordination functions: This will be key in identifying the responsible institutions and staff within the Provincial structures that will be directly responsible for ODA management and coordination.

d) Their terms of reference have to be clearly defined and for the staff involved, the performance management system has to ensure that ODA management is one of their Key Performance Areas.

Roles and responsibilities for the roll-out and operation of the M&E system must be clearly identified, including reporting lines and accountability relationships. The mandate of monitoring and evaluation in the province should be left to one office, however with input from the other office that is stripped off the responsibility of monitoring and evaluation, spending agencies, consultancies, donors and the beneficiaries. Presidency (2008) has recommended that there is a need for M&E
strategy of the province to be linked to the provincial growth and development strategy, and these should be supported by annual operational plans for monitoring and evaluation. Indicator frameworks need to be developed to track progress against these plans and strategies (Presidency, 2008). Data sources for these indicators should be identified, and information systems put in place to yield up-to-date, credible information. To enable this, quality standards need to be implemented and enforced. It is important that the Premiers’ Offices avoid running parallel data-gathering systems (Presidency, 2008). Instead they need to be able access the information already being collected by provincial departments for their own management purposes, and concentrate on the analysis of this information.

Further studies could consider the input of foreign aid beneficiaries after projects or during implementation. The role of the beneficiaries could be important in monitoring and evaluation mechanisms. Further studies should be conducted in order to draw comparison on monitoring and evaluation structures in the province and outside the province. Further studies can also analyse non-linearity of aid and time lags as factors that can also be considered for in testing the effect of aid on growth.
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Ibid.


Sana, A. (Undated). “Foreign Aid: A Third World Dilemma”


ATTACHMENTS

Attachment 01

Doc 10

INTENTION TO SUBMIT

To: Manager: Faculty Administration

Please fax completed form to the relevant Manager:
2nd Avenue programmes Mr A Smith 041-5049804
South Campus programmes Mrs T Jonono 041-5042120

Deadline for submission: 02 September 2013

Regulation G4.6.1 When the treatisedissertation/thesis nears completion, the candidate must inform the relevant Manager: Faculty Administration in writing of his/her intention to submit it for examination. Such notice must be given at least 2 months before the prospective date of submission Please note: The Intention to Submit Form will not be accepted and processed without the signature of the supervisor should you intend submitting your research paper / project for examination purposes.

PERSONAL DETAILS OF STUDENT

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<td>MA Development Studies</td>
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Code:5601

TITLE OF RESEARCH PROJECT (please clear this with your supervisor)

“Analysis of Official Development Assistance (ODA) in the Eastern Provincial government”

DETAILS OF SUPERVISOR

Name and Surname: Prof Ronnie Ncwadi
Telephone: 082 6822287

E-mail: mncwadi@ufh.ac.za Signature of Supervisor

Please indicate with an X in the relevant box

This is to inform you of my intention to submit my Research Project for examination purposes for graduation in 2013.

Non-submission for this cycle

Student signature

Date
PERMISSION TO SUBMIT A TREATISE/DISSERTATION/THESIS 
FOR EXAMINATION

Please type or complete in black ink

FACULTY: Economics and Management Sciences

SCHOOL/DEPARTMENT: Development Studies

1. (Surname and initials of supervisor/promoter) Ronald A. Newcomb

and (Surname and initials of co-supervisor/co-promoter) 

The supervisor/promoter and co-supervisor/co-promoter respectively for (Surname and initials of candidate) Sandoroshe T. H.

(Student number) 211237742 a candidate for the (full description of qualification)

MA Development Studies


Analysis of official development assistance in the Eastern Cape Province

It is hereby certified that permission is granted to the candidate to submit his/her treatise/dissertation/thesis for examination.

Supervisor / Promoter

And/or

Co-supervisor / Co-promoter

DATE

6/12/2013

DATE
DEPARTMENT OF ACADEMIC ADMINISTRATION
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SUMMERSTANDARD NORTH CAMPUS
PO Box 77000
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Port Elizabeth
6013

Enquiries: Postgraduate Examination Officer

DECLARATION BY CANDIDATE

NAME: TULBERT HLANGANILE SOTOMOESHE

STUDENT NUMBER: 211257745

QUALIFICATION: MA DEVELOPMENT STUDIES

TITLE OF PROJECT: "Analysis of official development assistance in the Eastern Cape"

DECLARATION:

In accordance with Rule G4 6.3, I hereby declare that the above-mentioned treatise/dissertation/thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

SIGNATURE: [Signature]

DATE: 27 November 2018
**ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES**

*Please type or complete in black ink*

**FACULTY:** Economics and Management Sciences

**SCHOOL/DEPARTMENT:** Development Studies

I. (surname and initials of supervisor) **Prof Ronnie Ncwadi**

the supervisor for (surname and initials of candidate) **Sotondoshe TH** (student number) **211257745**

a candidate for the degree of **Masters in Development Studies**


"**Analysis of Official Development Assistance (ODA) in the province of the Eastern Cape**"

considered the following ethics criteria *(please tick the appropriate block):*

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Note:
- If your questionnaire **DOES NOT** request respondents’ identification, is distributed electronically and you request respondents to return it manually (print out and deliver/mail); **AND** respondent anonymity can be guaranteed, your answer will be **NO**.
- If your questionnaire **DOES NOT** request respondents’ identification, is distributed via an email link and works through a web response system (e.g. the university survey system); **AND** respondent anonymity can be guaranteed, your answer will be **NO**.

Please note that if **ANY** of the questions above have been answered in the affirmative (**YES**) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.

**SUPERVISOR(S)**

**DATE**

**HEAD OF DEPARTMENT**

**DATE**

Tolbert Hlanganisile Sotondoshe

03 November 2013

**STUDENT(S)**

**DATE**

Please ensure that the research methodology section from the proposal is attached to this form.