

Evaluation of the Implementation of the Paris Declaration

Country Evaluation

SOUTH AFRICA

Executive Summary

Introduction

This Second Phase evaluation of the South African experiences with implementing the Paris Declaration and the Accra Agenda for Action aims to emphasise the national approach to aid, and its impacts, effects and implications in a middle income country that has a strategic role in the SADC region and on the African continent. South Africa is also engaging in multiple forums which advocate a change in 'international systems for governance.' The evaluation concentrates firstly on the mandatory health sector, where conditions in public health are aimed at addressing massive, inherited backlogs in services and facilities, and where the prevalence of HIV/AIDS is one of the highest in the world. It is complemented by a provincial case study from KwaZulu Natal (KNZ). The second sector covers the interrelated and cross-sectoral issues in development partner support for climate change (across the traditional environment, energy and water sectors and the newly emerging climate change sector). As a signatory to the Kyoto Protocol and the United Nations Framework Convention on Climate Change, South Africa has been influential in representing developing countries in international negotiations, but is also the largest emitter of green house gases on the continent, and one of the world's most carbon intensive economies.

Within South Africa, the National Treasury and its International Development Cooperation Directorate take the major decisions on aid and its management. South Africa has long had strong principles and frameworks ensuring country ownership, established well before the advent of the Paris Declaration, and has a well developed and regularly updated Policy

Framework and Operational Guidelines for ODA Management, and is implementing an Aid Effectiveness Action Plan.

Findings and conclusions

Background

The country context is marked by a strong history of post independence national development planning and strategy development, where it has preferred to determine and have control over its own growth path and development trajectories. The policy commitment throughout four main eras of national planning has been one of 'continuity of change', building on development successes, taking stock of ongoing challenges and developing strategic responses. In effect the country has moved from the initial post independence redistribution imperative, through a neo-liberal phase and now trends towards an indigenous version of a social democratic developmental state.

Since the 2009 election a new structure for national government has been implemented, centred on four inter-connected areas of policy-development, planning, effective implementation and continuous monitoring and evaluation. The country has established 12 priority outcomes derived from a medium term strategic framework. Policy, budgeting and implementation is managed within the framework of the rolling three year Medium-Term Expenditure Framework. Policies, strategies and development plans at the sub-national, decentralised levels give guidance on the countries development priorities.

Given numerous policy challenges, there have unfortunately been some less than optimal delivery performances. Inceas-

ingly this is being recognised by leaders in government. Civil perspectives on 'governance' have varied. There have been recent improvements in confidence and the reversal of a trend of declining confidence in public institutions.

Positive socio-economic trends are seen in the achievement of macro-economic stability and fiscal robustness, a real GDP of ZAR 1,251 billion (US\$ 144 billion) in 2009 with real per capita GDP increasing 20% between 1994 and 2009 to ZAR 26,695 (US\$ 3,075). The recession slowed growth to -1.9% in 2009 but recovery is imminent with GDP per capita growth of 3.6% expected in 2012.

In 2010 the country ranked first of 94 countries in an independent open public budget analyst's annual survey. It has managed to extend its social security net progressively to 14 million of the poor. However, despite good macro economic performance, there has been rising social dissatisfaction and unrest, continued deep poverty and high inequality. The GINI coefficient has widened to 0.66, one of the highest in the world. Despite its status as a middle income country, many of the socio-economic indicators are close to countries characterized as low income.

In contrast to many other African countries, Official Development Assistance (ODA) or 'aid' has played a special role in South Africa. The evaluation begins with tracing the five phases of the national experience, beginning with an early 'pre-independence' phase from 1980 to 1990. The fifth and current phase, from around 2006-2008, has been marked by four distinct, overlapping trends, in a) the 'regionalisation' of traditional development partner support and some changes in established focal areas towards 'global public goods'; b) in the adoption of more trilateral and 'triangular' cooperation relationships in Africa; c) in the growth in the design and development of strong South-South relationships in development assistance, and d) in the consolidation and expansion of South Africa's own role as a development partner in Africa and elsewhere via the precursor to it's soon to be constituted South African Development Partner Agency.

Almost throughout, South Africa has been and remains a paradoxical recipient of aid, as a confident, relatively resource rich country. Proportionally aid constitutes far less than 1% of the budget, but in value terms it is significant. It is not primarily used as an additional source of finance. Its value has been in terms of leveraging own resources more effectively and in its implications for the transfer of knowledge, best practices, leveraging upstream policy change and in embedding innovative approaches. Its value also lies in leveraging strategic partnerships within modes of trilateral and 'triangular' development cooperation for a growing programme of global and African priorities to which the country is committed.

Over thirty traditional development partners, signatories to the PD, work in South Africa while the country now hosts a range of 'non-traditional' development partners from the 'east'

and 'south', not all of whom are signatories to the Declaration. Total ODA committed was about \$8 billion over the period 2000-2008 of which about \$6.2 billion (77% of committed) was actually disbursed. Top development partners by gross ODA disbursed are the United States, the European Commission, the United Kingdom, Germany, France, the Global Fund, Netherlands, Ireland, Denmark and the Global Environment Facility. Most ODA (63%) flowed through the public sector, 10% went through NGOs and Civil Society, the balance between the Multilateral Organisations and a Public Private Partnership channel. Annually over US\$ 700 million in aid is officially disbursed by development partners to public, private and non government organisations in the health sector. By 2009, up to US\$ 2 billion was annually available or disbursed into the interrelated climate change sectors in the forms of grants, and predominantly loans. South Africa also has significant own resources of development finance, leveraged and managed through the Development Bank of South Africa (ZAR 8.25 billion in 2010) and the Industrial Development Corporation's Agency Development Support Unit (ZAR 30 million annually), both active regionally.

Interestingly, social giving by South Africans alone, to people in poverty and for development far surpasses the annual value of aid for the health sector by a factor of 10.

South Africa is now taking a stronger role in development affairs and forums globally, and has committed to a wide range of compacts, including those in support of South-South relationships. Its geo-political and strategic position globally and in Africa, coupled with it's proximity to major global concerns have strong implications for the overall aid environment. Regionalisation of aid agencies is occurring rapidly, with South Africa generally a focal country, and within a range of new trilateral modes of cooperation, where traditional development partner to recipient relationships are being replaced by equal partner roles and responsibilities.

In its growing membership of Asian and African forums for development, South Africa takes a lead in promoting country ownership. In 2010 it hosted, in conjunction with the European Union and the New Partnership for African Development, the Africa Regional Meeting on Aid Effectiveness.

There is strong, ongoing application of country ownership principles, where South Africa continually seeks to maintain its independence from development partners, and where recent restructuring around sector priorities in order to better 'deliver' aid has occurred. South Africa does not have a formal agreement for the implementation of the PD, but has an AID Effectiveness Action Plan.

Alignment can create tensions in the 'multilaterals' efforts to commit to global compacts and agreements while also committing to country priorities and strategies which are not necessarily fully aligned. Differences occur concerning priorities and how these should be met and by whom. For some of the

'bilaterals', alignment is only as good as the benefits accruing to 'own interests' in the application of the specific instruments used to achieve this principle, and there are country views that the differences in the expectations of the respective parties regarding the use of conditional loans and concessional grants coupled with grant finance, can lead to tensions. Nevertheless, there is growing progress with alignment against the PD indicators, and increasing use of sector budget support instruments (this is however qualified in the study), with one 'sticking point' being Indicator 5a), the use of country public financial management systems. The recent 2011 adoption of the 'second level' and sectoral Aid Effectiveness Framework for Health further promotes these first two principles, as well as harmonisation.

Here there have been some impressive achievements in the water sector. In health there is harmonisation mainly as a result of the efforts of the European Commission's EU+ Working Group (including global funds such as PEPFAR and USAID). In the climate change sector, 2008 efforts to harmonise partners initiated a strong donor mapping exercise to assess where 'everybody was at' and what was their relationship to government priorities and actions. This fell away due to staff transfers out of the country, highlighting issues in institutional memory. Further harmonisation is taking place here and is likely to be formalised into an EU working Group during 2011.

Turning to the provincial case study, and to development outcomes, we found a range of sometimes contradictory outcomes. There are instances where both voluntary sector and government initiatives targeting the poorest have been strengthened, but also instances where the delivery of a better and wider range of services to support the achievement of the Millennium Development Goals have been neglected, and where a dependency syndrome may have been created through the inadvertent targeting of a limited part of the HIV/AIDS communities. In the climate change sector overall there is evidence of some differences over what constitutes policy coherence, and also confusion over the optimal institutional location and associated arrangements for a more focused and better targeted set of interrelated investments to address both mitigation and adaptation challenges. These are both very substantial and highly significant in light of the country hosting the 2011 UNFCCC Conference of Parties (COP 17).

Overall conclusions

As a middle income country the relevance and effectiveness of the PD principles could be strengthened by the crafting of a multiparty agreement or 'charter' containing platforms and arrangements similar to those in the Windhoek Declaration and Indonesia's Jakarta Commitment. Of the PD principles – effective country ownership, along with good alignment and harmonisation can make the strongest contribution to aid effectiveness and development results, but can be constrained by different and competing interests. There is wide variance evidenced in the sectors regarding the significance and sustainability of aid via the principles, but the overall view

of the team is that these investments have been extensive and significant, in relation to the needs and demands of a middle income country like South Africa. Significant potential exists in improving aid effectiveness due to unfilled demand, in growing regional collaboration and in assisting countries to meet their growing suite of international agreements. In health, aid application could be widened to better meet the health MDG's. In climate change the potential lies in supporting appropriate institutional alignment for implementation, attaining policy coherence and cohesion over time, and in implementation. Aid effectiveness is thus a matter of better targeting of structural anomalies, gaps and omissions in cross-sectoral progression.

Key lessons (on common questions)

In the health sector, post 2008, strategic interaction among development partners, foundations, global funds and government has promoted and supported effective new policies and programmes. New partnerships are emerging, along with the Aid Effectiveness Framework, aligned to a National Service Delivery Agreement. While there are some limits evidenced both nationally and in the KZN case study, the progression is an important achievement across a complex sector. There will continue to be much learning, especially around the role of the voluntary sector, the targeting to HIV/AIDS, and some potential aid dependency. If aid is to be more effective in complex sectors, it must be better organised around the PD principles, and government must strongly commit their support. This is increasingly occurring.

In the cross cutting climate change sector, evidence of the implementation of the PD principles has been less pronounced. Some significant new investments and much innovation has been driven by development partners. Past and recent national policy development and some practice, especially in research, has been supported sectorally on a bilateral basis, and multilaterals are engaged with two major instruments for the funding of climate change activities. However, the 'nexus' of country ownership, alignment and harmonisation is not well managed. There is no 'Aid Effectiveness Plan' for the overarching sector. The twin challenges in the sector are the achievement of a national institutional platform for cross-sectoral investments and an effective arrangement which promotes country ownership, alignment and harmonisation, leading to better targeting across key areas of demand cross-sectorally, and therefore improved aid effectiveness and better development outcomes.

Key recommendations (on common questions)

Global, regional and local development challenges for South Africa are compounding and increasing exponentially. Meeting the MDG targets will be more than challenging. Most of these development challenges are cross-sectoral, often 'transboundary' and frequently transnational. Both traditional and non-traditional development partners should therefore continue

to widen the scope of their activities. Aid still has a major role to play, bringing innovation and learning from other regions, promoting upstream policy change, supporting better service delivery and the search for indigenous solutions to local issues, while promoting national and regional development.

The organisation and implementation of the PD and AAA principles should be strengthened through the adoption of a platform and arrangements similar to those in the Windhoek Declaration and the Jakarta Commitment. The former assigns specific development partners to coordinate support into nine 'Thematic Areas' determined by the SADC Secretariat, which are in line with its regional, transnational development planning and related SADC member country sectoral development. The latter Commitment clearly integrates traditional and non-traditional south-south partners into a common platform, which is linked to its regional roles. A recommendation in relation to the Busan Fourth High Level Forum on Aid Effectiveness is that such a revised South African 'charter', (which could align partners into coordinating support into the countries 12 priority outcomes), could be negotiated with its provisions and principles also conforming with those in the emerging African Declaration, supported by the Nepad Secretariat, which will also inform the Busan Forum.

In light of study findings and these development challenges in the further design of a more appropriate architecture of aid, consideration should be given to a comparative, collaborative assessment of similar middle income countries (Columbia, Vietnam, the Philippines and Indonesia). It should look at the respective responses to the use and management of aid, its effectiveness and development outcomes and also assess the respective organisation and outputs in regional roles and responsibilities, and the coordination of traditional and non-traditional development partners.

Global commitments, regional cooperation and South-South cooperation mean that resources and capacity need to be strengthened to enhance South Africa's aid effectiveness agenda, and its role in Africa as a 'new' development partner. Consideration should be given to the enhancement of capacity, knowledge and resources in promoting complementary between IDC and the future South African Development Partner Agency in managing both inbound and outbound development support. While the current government view is that this is not for discussion, consideration could be given in the future to merging the two units and significantly increasing the capacity of the resulting unit.