



# 2006 Survey on Monitoring The Paris Declaration

## Country Chapters

## SOUTH AFRICA

**T**he 2006 Survey on Monitoring the Paris Declaration was undertaken in 34 countries that receive aid. The results of the survey are presented in two volumes. **Volume 1** provides an overview of key findings across 34 countries. **Volume 2** presents the baseline and key findings in each of the 34 countries that have taken part in the survey. This chapter is based primarily on the data and findings communicated by government and donors to the OECD through the Paris Declaration monitoring process. A more detailed description of this process, how this chapter was drafted and what sources were used is included in Volume 1, Chapter 2.

Both Volume 1 (Overview) and Volume 2 (Country Chapters) of the 2006 Survey on Monitoring the Paris Declaration can be downloaded at the OECD website:

[www.oecd.org/dac/effectiveness/monitoring](http://www.oecd.org/dac/effectiveness/monitoring)

A second round of monitoring will be organised in the first quarter of 2008 and will be an important contribution to the Accra High-Level Forum on Aid Effectiveness in September 2008.

## 29 SOUTH AFRICA

**SOUTH AFRICA'S POPULATION OF 46 MILLION PEOPLE** have an average annual income of USD 3 630 per person (gross national income per capita, 2004). This makes South Africa an upper middle-income country. According to the latest survey, conducted in 2000, 11% of the population lived below the dollar-a-day international poverty line, with 34% falling below the two-dollars-a-day threshold. In 2004, net official development assistance (ODA) to South Africa was USD 617 million, up from USD 505 million in 2002. As a percentage of gross national income (GNI), net ODA in 2004 amounted to only 0.3%, a figure which has been falling as GNI has increased faster than aid. South Africa is one of the least aid-dependent countries taking part in the survey. Nevertheless, aid effectiveness remains an important issue and South Africa has endorsed the Paris Declaration.

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate-Strong	Long-term vision partially translated into action plans with time-bound targets.	Wider use of action plans with time-bound targets.
Alignment	Strong	Some donors remain unable to use country systems.	Explore what can be done to enable more use of country systems.
Harmonisation	Moderate	Limited use made of common procedures.	Step up donor co-ordination of analysis.
Managing for results	Moderate	Lack of a country-level monitoring and evaluation system.	Make information available about South Africa 2015.

**OVERVIEW**  
Box 29.1  
Challenges  
and priority  
actions

### OWNERSHIP

**OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS** and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking. Nor, of course, can it be measured by a single indicator. Country ownership of development plans is an essential building block, without which there will be little alignment of aid with national priorities. Donors will only align their assistance when governments set out clear priorities and operational strategies – which is the main focus of Indicator 1 of the Paris Declaration.

**INDICATOR 1**

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## OPERATIONALISING DEVELOPMENT STRATEGIES

South Africa was not included in the assessment of countries' development strategies in the World Bank's review of the Comprehensive Development Framework. It is, however, included in the World Bank's Aid Effectiveness Review (AER).

The AER reports that "some agreement is emerging among policy makers within and outside government on South Africa's long-term development goals." The Reconstruction and Development Programme that ran from 1994 aimed at boosting production and household income through job creation, productivity and efficiency; improving employment conditions; improving access to basic physical and social services, health care, and education and training; and establishing a social security system and other safety nets to protect poor and other vulnerable groups. In 2003, the government, in consultation with national stakeholders, revised its long-term priorities and singled out job creation, investment, equity and local development as focus areas. These priorities are integrated in the government's annual Programme of Action. South Africa 2015 integrates these priorities, mapping out a development path for the coming years.

Medium-term strategy is set out in a number of policy instruments. The Growth, Employment and Redistribution (GEAR) strategy, established in 1996, remains the overarching strategy, but since 2005 it has been complemented by the Accelerated and Shared Growth Initiative for South Africa. Medium-term strategies and priorities are translated into government action through the annual President's State of the Nation Address, the Government's Programme of Action and the Medium-Term Budget Policy Statement.

Provinces also prepare integrated development plans. A range of sectoral plans – on public works, rural development, urban renewal, crime prevention, HIV/AIDS and industrial policy – are aligned with medium-term strategies and long-term vision. Less positively, as the AER notes, "time-bound targets linked to a sequenced development strategy are yet to be clearly defined."

Since 1998, public expenditures have been managed through a three-year, rolling, Medium-Term Expenditure Framework, and have followed the priorities set out in the Reconstruction and Development Programme and GEAR. The budget for 2007 is designed to correct backlogs in social services and infrastructure. An increasing proportion of financial resources is being transferred to the provincial level, but capacity constraints at this level still need to be addressed.

## OTHER ASPECTS OF OWNERSHIP

Within government, the Directorate for International Development Cooperation is responsible for co-ordinating development assistance, engaging with donors through established mechanisms.

Cross-government participation in policy-making processes is well developed. Beyond government, the National Economic, Development and Labour Council brings together a wide range of stakeholders including civil-society organisations, business, labour and community organisations. Parliament does not approve development plans, but is consulted about the Medium-Term Budget Policy Statement.

## ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national priorities and procedures. Indicators 2 to 8 measure various dimensions of alignment. In South Africa, most of the elements needed to ensure alignment are in place. South Africa has generally reliable country systems, and has the capacity to effectively co-ordinate aid flows.

## BUILDING RELIABLE COUNTRY SYSTEMS

South Africa does not receive a score for the quality of its country systems under the Country Policy and Institutional Assessment (CPIA) framework, because – with a per capita income in excess of USD 1 025 – it is not an International Development Association (IDA) country. The World Bank's AER reports that South Africa's fiduciary systems are generally sound, and that it is working to improve procurement systems. South Africa is ranked among the least corrupt countries in Africa: this should provide donors with the confidence needed to align their aid and to make use of national systems.

INDICATOR 2

## ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The objective of Indicator 3 is to increase the credibility of the budget as a mechanism for governing actual allocation and utilisation of development resources – an important criterion for making alignment a reality rather than a loose principle. To this end, it seeks to encourage a reasonable degree of congruence between how much aid is reported in the budget and how much aid is actually disbursed. In doing so, it recognises that the formulation of the budget is a central feature of the formal policy process. So the degree to which donor financial contributions are fully and accurately reflected in the budget provides a relevant indicator of the degree to which there is a serious effort to align aid with country policies and policy processes, and to be transparent.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator).

## Are government budget estimates comprehensive and realistic?

INDICATOR 3  
Table 29.1

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* c=a/b (%) c=b/a
Australia	--	1	
Austria	--	0	
Belgium	--	6	
Canada	--	0	
Denmark	--	14	
European Commission	--	139	
Finland	--	9	
France	--	1	
Germany	--	21	
Global Fund	--	10	
Ireland	--	8	
Italy	--	3	
Japan	--	15	
Netherlands	--	22	
New Zealand	--	0	
Norway	--	8	
Sweden	--	7	
Switzerland	--	0	
United Kingdom	--	41	
United Nations	--	2	
United States	--	43	
<b>Total</b>	<b>249</b>	<b>351</b>	<b>71%</b>

\* Baseline ratio is  $c = a / b$  except where government's budget estimates are greater than disbursements ( $c = b / a$ ).

INDICATOR 4  
Table 29.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Australia	1	1	87%
Austria	0	1	0%
Belgium	0	5	0%
Canada	12	12	100%
Denmark	13	19	67%
European Commission	50	50	100%
Finland	1	1	100%
France	1	2	42%
Germany	20	20	99%
Global Fund	0	0	--
Ireland	0	0	--
Italy	3	3	100%
Japan	5	5	100%
Netherlands	0	0	--
New Zealand	0	1	0%
Norway	8	8	100%
Sweden	7	7	100%
Switzerland	0	0	88%
United Kingdom	29	29	100%
United Nations	2	2	100%
United States	127	127	100%
<b>Total</b>	<b>279</b>	<b>293</b>	<b>95%</b>

This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in South Africa is 71%. Achieving the target agreed in Paris of 85% (halving the gap) for this indicator will require concerted efforts by donors and government.

#### CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

For many developing countries, capacity constraints play a major role in hindering their development and in preventing the effective use of aid. Technical support, when provided in a co-ordinated manner in support of national priorities, can strengthen capacity substantially. The Paris Declaration commits donors to providing more of their technical assistance so that it is co-ordinated with, and supports, country programmes.

The baseline figure for South Africa is 95%, well in excess of the 2010 target of 50%. Half of the country's donors provide all of their technical assistance so that it is co-ordinated with country programmes. The quality of such technical assistance is not assessed by this indicator.

INDICATOR 5  
Table 29.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e / a
Australia	1	0	0	0	0%	0	20%
Austria	0	0	0	0	--	0	--
Belgium	6	4	4	4	75%	4	75%
Canada	0	0	0	0	100%	0	100%
Denmark	14	0	8	8	37%	10	75%
European Commission	139	58	58	58	42%	58	42%
Finland	9	7	7	7	85%	7	85%
France	1	0	0	0	2%	0	7%
Germany	21	1	15	5	33%	7	33%
Global Fund	10	10	10	0	67%	10	100%
Ireland	8	8	8	8	100%	8	100%
Italy	3	0	0	3	33%	0	0%
Japan	15	0	0	0	0%	0	0%
Netherlands	22	22	22	22	100%	22	100%
New Zealand	0	0	0	0	100%	0	100%
Norway	8	8	8	8	100%	8	100%
Sweden	7	3	3	3	42%	3	42%
Switzerland	0	0	0	0	88%	0	88%
United Kingdom	41	0	0	0	0%	12	29%
United Nations	2	2	2	1	81%	0	0%
United States	43	0	0	0	0%	2	4%
<b>Total</b>	<b>351</b>	<b>126</b>	<b>147</b>	<b>128</b>	<b>38%</b>	<b>153</b>	<b>44%</b>

The South African government intends to further increase the impact of technical assistance, by applying the following tests: Does the respective department have sufficient leadership over the technical co-operation programme (strategy, objectives, activities, decision making)? Is the programme aligned with government programmes to support capacity development or is the technical co-operation programme part of a government-driven programme? Was the programme independently evaluated in order to demonstrate that the outcome of strengthening capacity was achieved?

## USING COUNTRY SYSTEMS

Under the Paris Declaration, donors are committed to make use of country systems where those country systems are of sufficient quality to merit their use. Although South Africa's country systems are not rated under the World Bank's CPIA framework, the AER reports that they are generally sound. However, while some donors rely on the country's systems, the average for all donors averaged across all three systems is only 38% in part because some donors' report that their regulations do not allow them to use country systems.

Some 44% of aid makes use of the country's procurement systems. This again is in part the result of restrictions placed on donors by their own legislatures. With no rating for the country's systems provided, no targets are set for 2010.

## AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIU) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone.

In South Africa, there are currently only 15 parallel PIUs established by donors. Meeting the 2010 target – a two-thirds reduction in the number of parallel PIUs – will entail reducing the number to five. In absolute terms this is a minor reduction, but if the other 10 parallel PIUs are firmly entrenched in the system, then reaching the target may not be an easy task.

INDICATOR 6  
Table 29.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Australia	2
Austria	0
Belgium	0
Canada	0
Denmark	0
European Commission	0
Finland	0
France	0
Germany	0
Global Fund	0
Ireland	1
Italy	0
Japan	0
Netherlands	0
New Zealand	0
Norway	0
Sweden	0
Switzerland	2
United Kingdom	4
United Nations	1
United States	5
<b>Total</b>	<b>15</b>

## PROVIDING MORE PREDICTABLE AID

Improving the predictability of support is a challenge, as is the measurement of performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In South Africa, donors scheduled USD 359 million for disbursement in 2005 and actually disbursed – according to their own records – slightly less than expected (USD 351 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In South Africa, government systems recorded USD 159 million out of the USD 351 million notified as disbursed by donors (45%), indicating that some disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

## Are disbursements on schedule and recorded by government?

INDICATOR 7  
Table 29.5

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b c=b/a
Australia	--	1	1	
Austria	--	0	0	
Belgium	--	6	6	
Canada	--	6	0	
Denmark	--	18	14	
European Commission	--	157	139	
Finland	--	11	9	
France	--	3	1	
Germany	--	19	21	
Global Fund	--	11	10	
Ireland	--	8	8	
Italy	--	4	3	
Japan	--	15	15	
Netherlands	--	34	22	
New Zealand	--	0	0	
Norway	--	10	8	
Sweden	--	10	7	
Switzerland	--	0	0	
United Kingdom	--	41	41	
United Nations	--	4	2	
United States	--	2	43	
<b>Total</b>	<b>159</b>	<b>359</b>	<b>351</b>	<b>45%</b>

\* Baseline ratio is  $c = a / b$  except where disbursements recorded by government are greater than aid scheduled for disbursement ( $c = b / a$ ).

In South Africa, this combined predictability gap amounts to USD 200 million (56% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

## UNTYING AID

According to OECD data covering 63% of 2004 commitments, 97% of aid to South Africa is untied. However, the AER notes that a recent independent study found only 30% of aid to be untied. As such, there is considerable room for improvement.

INDICATOR 8



INDICATOR 9  
Table 29.6

## How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Australia	0	0	0	6	0%
Austria	0	0	0	1	0%
Belgium	0	0	0	14	0%
Canada	0	0	0	12	3%
Denmark	0	14	14	22	61%
European Commission	0	88	88	147	60%
Finland	0	6	6	13	49%
France	0	0	0	35	0%
Germany	0	13	13	23	56%
Global Fund	0	10	10	10	100%
Ireland	0	4	4	13	29%
Italy	0	3	3	3	100%
Japan	0	1	1	16	5%
Netherlands	0	0	0	34	0%
New Zealand	0	0	0	2	23%
Norway	0	0	0	15	0%
Sweden	0	0	0	23	0%
Switzerland	0	0	0	4	1%
United Kingdom	0	12	12	60	20%
United Nations	0	--	--	--	--
United States	0	0	0	128	0%
<b>Total</b>	<b>0</b>	<b>154</b>	<b>154</b>	<b>583</b>	<b>27%</b>

## HARMONISATION

IN SOME CONTRAST to the commendable alignment picture, the aid harmonisation agenda in South Africa requires attention. Donors make little use of common arrangements, and have much to do in terms of co-ordinating missions and analysis.

### USING COMMON ARRANGEMENTS

Over one-quarter (27%) of government-sector aid makes use of programme-based approaches (PBAs) and by that token employs common arrangements. No direct budget support is provided to South Africa, therefore all of the aid making use of PBAs is aid provided as sector support. As the AER notes, external partners mainly provide their assistance in the form of grants and technical assistance through co-ordinated parallel mechanisms. Meeting the target of 66% by 2010 calls for major changes in how donors provide aid to South Africa.

### CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Only 19% of donor missions to South Africa were co-ordinated. As the AER notes, increasing the proportion represents a major undertaking. The government has proposed to donors that they limit and consolidate their own internal missions to South Africa: if donors heed the recommendation, then the 2010 target of 40% ought to be within reach.

However, for country analysis, 75% is co-ordinated and shared among donors, well over the target of 66%.

### How many donor missions are co-ordinated?

INDICATOR 10a  
Table 29.7

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Australia	0	0	--
Austria	0	0	--
Belgium	0	0	--
Canada	0	3	0%
Denmark	0	6	0%
European Commission	2	10	20%
Finland	0	2	0%
France	0	25	0%
Germany	1	9	11%
Global Fund	0	4	0%
Ireland	0	3	0%
Italy	1	1	100%
Japan	0	7	0%
Netherlands	0	3	0%
New Zealand	0	1	0%
Norway	0	5	0%
Sweden	0	12	0%
Switzerland	0	1	0%
United Kingdom	10	37	27%
United Nations	0	0	--
United States	35	40	88%
<b>Total (discounted*)</b>	<b>32</b>	<b>169</b>	<b>19%</b>

\* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

### How much country analysis is co-ordinated?

INDICATOR 10b  
Table 29.8

	Co-ordinated donor analytical work * (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Australia	0	0	--
Austria	0	0	--
Belgium	1	1	100%
Canada	0	0	--
Denmark	1	1	100%
European Commission	3	3	100%
Finland	0	0	--
France	0	0	--
Germany	1	1	100%
Global Fund	0	0	--
Ireland	0	0	--
Italy	0	0	--
Japan	0	0	--
Netherlands	1	1	100%
New Zealand	1	1	100%
Norway	0	0	--
Sweden	0	0	--
Switzerland	0	0	--
United Kingdom	0	0	--
United Nations	0	0	--
United States	1	1	100%
<b>Total (discounted*)</b>	<b>7</b>	<b>9</b>	<b>75%</b>

\* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

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## MANAGING FOR RESULTS

**INDICATOR 11** **THE PARIS DECLARATION** calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 examines one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

South Africa receives no rating from the World Bank for its performance assessment system because it is not an IDA country. However, the AER points out that the country is well advanced in terms of having a quality results-oriented framework. The government has in recent years taken action to strengthen data availability and quality, with Statistics South Africa now able to conduct regular surveys. With the important exception of information about the long-term vision, South Africa 2015, information on government strategies and policies is widely available, including on the Development Co-operation Information System website. The government is working (with the support of UNDP) to build a more effective country-level monitoring and evaluation system.

## MUTUAL ACCOUNTABILITY

**INDICATOR 12** **THE PARIS DECLARATION** calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This requires governments to take steps to improve country accountability systems, and donors to help by being transparent about their own contributions. This indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

Such a mechanism does not yet exist in South Africa, although the Country Strategy Paper provides the basis for mutual assessment. The South African government hosts annual review sessions with donors and government departments to assess strides in reaching development objectives. Future consultations will also explore progress against the indicators on aid effectiveness which are part of the Paris Declaration.

## BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for South Africa. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in South Africa under the aegis of the National Co-ordinator (Elaine Venter).

INDICATORS	2005 BASELINE	2010 TARGET
1 Ownership – Operational PRS	Not available	Not applicable
2a Quality of PFM systems	3.0	3.5
2b Quality procurement systems	Not available	Not applicable
3 Aid reported on budget	71%	85%
4 Co-ordinated capacity development	95%	50%
5a Use of country PFM systems (aid flows)	38%	No target
5b Use of country procurement systems (aid flows)	44%	Not applicable
6 Parallel PIUs	15	5
7 In-year predictability	44%	72%
8 Untied aid	97%	More than 97%
9 Use of programme-based approaches	27%	66%
10a Co-ordinated missions	19%	40%
10b Co-ordinated country analytical work	75%	66%
11 Sound performance assessment framework	Not available	Not applicable
12 Reviews of mutual accountability	No	Yes

Table 29.9  
Baselines  
and targets

## ACRONYMS

AER	Aid Effectiveness Review
CPIA	Country Policy and Institutional Assessment
GEAR	Growth, Employment and Redistribution
GNI	gross national income
IDA	International Development Association
ODA	official development assistance
PBA	programme-based approach
PIU	project implementation unit