Sida Evaluation 2008:12

Financial Management Cooperation Project in the Eastern Cape Provincial Administration through Support from the Swedish National Financial Management Authority (ESV)

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Department for Africa

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Preface

This report has been produced by independent consultant Chris Albertyn. Interviews were conducted with officials of the Swedish International Development Cooperation Agency (in Stockholm and Pretoria), with all Long-Term Advisors associated with the project, staff of the Swedish National Financial Management Ministry (ESV – in Stockholm) and senior managers of the Eastern Cape Provincial Treasury (in Bisho). Drafts of this report were circulated to all stakeholders for comment. Following the comment period a seminar was held in Stockholm with all stakeholder representatives during September 2007.I gratefully acknowledge the time and assistance of all those who participated in this process. *Appendix 3: List of People Interviewed.*

This evaluation is tasked with "reflecting and learning from the experiences … and to identify obstacles and challenges encountered during the project implementation and how these challenges came to affect the project outcomes". This requires an exploration of issues that were often difficult for partners to formally engage each other on. It must be emphasised that the difficulties and challenges explored in this report are understood to be a product of a co-evolving set of relationships among stakeholders. It is not the intention of the reviewer to apportion "blame" to any one party, but rather to distil lessons learned through seeking to understand how the interaction of these conditions led to the difficulties experienced and the limited results achieved.

In addition to interviews with key stakeholders, an extensive body of literature, reports, reviews and correspondence was studied, including all project reports, all project documents, key correspondence, and minutes of meetings where these were available. *Appendix 4: References Consulted.* I have endeavoured to describe the project developments accurately, and have relied on triangulation of information in forming my analyses and conclusions. I accept responsibility for all views expressed.

September 2007

Chris Albertyn

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Acronyms and Abbreviations

ANC	African National Congress
AU	African Union
CBO	Community-based Organisation
CFO	Chief Financial Officer
CFTC	Contract-Financed Technical Cooperation (KTS in Swedish)
DFID	UK Department for International Development
DPLG	Department of Provincial and Local Government
EC	European Commission
ECPA	Eastern Cape Provincial Administration
ESV	Swedish National Financial Management Authority
EU	European Union
IDC	International Development Co-operation Chief Directorate,
IPFA	Institute for Public Finance and Auditing
ITP	International Training Programme (Sida)
LTA	Long-Term Advisor
MDG	Millenium Development Goals
MEC	Member of Executive Committee (Provincial 'Minister')
MFA	Ministry for Foreign Affairs
MfDR	Managing for Development Results
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD DAC	Organisation for Economic Co-operation and Development, Development Assistance Committee
PFMA	Public Finance Management Act
PFSA	Public Finances Services Agency (Eastern Cape)
PGD	Policy for Global Development (Sweden)
PT	Provincial Treasury (Eastern Cape)
RRV	Swedish National Audit Office
SEK	Swedish Krona
Sida	Swedish International Development Cooperation Agency
STIC	Short-term international consultant
TA	Technical Assistance
ZAR	South African Rand

Executive Summary

This document is an external evaluation report commissioned by the Pretoria Office of the Swedish International Development Cooperation Agency (Sida). This process evaluation assesses a six and a half-year-old project terminated by Sida in December 2006. This project was part of a broader (ongoing) programme of support to the Eastern Cape Provincial Administration (ECPA). The project was conceptualised as an institutional cooperation twinning arrangement between the ECPA, Provincial Treasury (PT) and the Swedish National Financial Management Authority (ESV). Located within the Provincial Treasury (PT), the project ran from mid 1999 until closure in December 2006.

The main objectives of the project from 1999 to 2004 were to "improve competence" in financial management, support the establishment of a functional treasury, strengthen implementation and conduct a skills and needs survey. The second phase had one objective; "to assist the Eastern Cape Provincial Administration in the implementation of the Public Finance Management Act (PFMA) (Act number 1 of 1999) and the Provincial Growth and Development Plan (PGDP)." (Signed contract agreements between the Governments of Sweden and South Africa). The project was designed primarily to provide technical assistance through Long-Term Advisors and Short-Term International and local consultants.

Figure One: Project phases, service providers and budget (SEK)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Project Names	Human Resource and Financial Management Cooperation Programme		Cooperation with Eastern Cape Provincial Administration				Financial Management Cooperation Programme		
Agreement Period (Sida – SA Govt)	1 July 1998 –30 Sept 1999	Extension	**Phase One** Extension			Extension	**Phase Two** 1 April 2004 –31 December 2006		
Service Provider	RRV/ESV	SIPU	ESV						
LTA Presence	Financial management assessment, mapping and pilot study	SIPU STLC		ESV LTA 1 Sept 2000–Feb 2002	LTA 2 July 2002–June 2003	LTA 3 – Sept 2002–December 2006	LTA 4 – May 2004–June 2006		
Budget SEK			7,8 m		9,6m	7,2m	7m	9m	9m[1]
Expenditure			63%		47%	76%	71%	72%	50%

The differing emphasis on the objectives stated in the two government-to-government agreements illustrates some of the ambiguity and differences experienced in understanding whether this was a project with a "transactional" emphasis (fill gaps to get things done) or of a "transformational" nature (provide assistance towards developing the institutional capacity of PT). A further interesting 'grey area' characterising this project concerns the challenge of ESV using externally procured long-term advisors in implementing a project that also sought to promote a mutually beneficial and sustained twinning relationship between ESV and the ECPA.

1 The budget details for 2006 include expenditure up until the end of November 2006. The final figure is expected to be somewhat higher.

While the LTA's ideally saw themselves as advisors (suggesting an institutional capacity development role), the PT saw them as additional pairs of skilled hands that could be deployed where and when the need was greatest.

While this evaluation focuses more on phase two of the project, understanding the genesis of challenges and bottlenecks that limited the achievement of planned results also requires an outline of key developments and dynamics from phase one.

It is also recognised that all partners entered into phase two of this collaboration realising that the conditions for a successful twinning project were not optimal – some risks were being taken in the hope that these conditions would improve.

A combination of variables has resulted in a project with successes far more limited than all partners hoped for. While this evaluation explores challenges in a twinning relationship that was unable to achieve its stated ambitions, it is recognised that there are other successful and mutually beneficial partnerships between South African and Swedish government institutions.

Changing context of ODA to South Africa

Official development assistance to South Africa is relatively small and is estimated at 0.3% of GDP. The total donor contribution to the South African government budget is estimated at 1.3%[2]

> *"The real value provided by aid (to South Africa) is not the finance itself but what comes with it: best practice, innovation, risk-taking, pilot programmes, systems development, capacity building, and above all skills and knowledge.*[3]

The international trend indicates a number of bilateral donors decreasing or withdrawing their support and/or changing their approach in South Africa. Future development cooperation possibilities for South African government departments may increasingly entail partnerships in which there are mutual contributions and benefits in implementing activities towards achieving a shared goal of poverty reduction.

For institutional relationships to develop and prosper the incentives for both sides have to be clear, attractive, shared, and be motivated by substantively more than receiving additional development assistance finances from a third party.

Target audience of this evaluation

The question must then be asked; which audience might have most use for an evaluation such as this?

In the context of a relatively small proportion of ODA compared to the South African Government's own budgets, the Eastern Cape Provincial Administration (ECPA) is unlikely to have large future engagements in development cooperation processes. In the relatively few instances that South African Government departments do, it is increasingly possible that they may well be navigating new kinds of relationships with partners in other African countries.

ESV, on the other hand, is already engaged in other twinning relationships in countries as diverse as the Czech Republic and Mozambique. Such types of engagements do remain a relatively small aspect of the important mandate that ESV is required to fulfil in Sweden. Sweden's Policy for Global Development is an expression of the will of the people of Sweden to contribute towards creating conditions for lifting people out of poverty. This policy provides Swedish Government institutions with the challenge to engage and make a contribution towards this process.

[2] European Union – South Africa: Joint Country Strategy Paper for South Africa 2007–2013
[3] European Union – South Africa: Joint Country Strategy Paper for South Africa 2007–2013

Sida's very reason for existence is the promotion and management of successful development cooperation. As a learning organisation Sida seeks to reflect, understand and adjust from its experiences. The dynamics and experiences described in this report will be familiar to Sida staff as having been similarly played out in other contexts. Much of what is described is captured and recognised in the body of good-practice and evaluation literature produced by Sida and other similar institutions. Recognition of these 'lessons' does not always easily translate into changed practise. "Lessons learned" are often not complex and new insights, but reminders of issues we recognise and find difficult to change in complex institutional settings. What is noteworthy is that these circumstances are often repeated, despite previous "lessons learned" – a pattern which highlights a) the complexity of making practical changes to development management approaches within big institutions; b) the power of political push and pull from both sides in fast-tracking some processes which require more time than they are given; and c) the lessons learned by other organisations in similar situations are available but will not be noticed without dedicating resources to seeking them out.

Since 1998 the European Commission has implemented more than 1200 twinning projects. An evaluation conducted in 2000 of twinning projects implemented with European Commission support reveals the same key challenges that this project was faced with throughout its lifespan.

Aid effectiveness

Partnership agreements with clearly defined obligations on all sides, having clearly defined project results and activities, do not in themselves guarantee successful project outcomes. Development effectiveness is also determined by the will of those partners and their leaders in maintaining a common understanding of the agreements and adhering to them. When it becomes apparent that the letter and spirit of the original agreement is not being met, it is critical that leaders in the partnership have the conditions to enable collective consideration of the challenges and then agree on unambiguous adjustments that better meet their mutual needs.

The opportunity cost of maintaining a results-focussed partnership is inversely related to the value of project outcomes for each partner. Positive or negative mutually reinforcing spirals can emerge – the lower the perceived value of the cooperation, the less the partner is prepared to invest in making it work. Highly valued outcomes lead to increased efforts to resolve any threats to that ongoing value.

While this evaluation explores various obstacles and challenges faced by the project in its lifetime, a fundamental challenge has been the persistent absence of conditions in which a common understanding of project purpose was held, and where challenges experienced could be monitored, discussed and collectively responded to.

Key characteristics of the evaluated project

The evaluated project (across both phases) is characterised by:

- A challenging and turbulent implementation context with disabling staffing and capacity deficits;
- Over the three years of phase two the Provincial Treasury (PT) has had four different Superintendent Generals (The Head Official). Counting suspensions of top management on disciplinary charges in a conflictual context, and those that resigned, nine of the eighteen senior PT management represented in the March 2005 annual report left the department during 2005 – including all of the key PT managers designated to sit on the project management team (PMT) and project steering committee (PSC) in the period 2004–2006. *The PMT met once in three years. The PSC never met;*
  - Limited experience from staff in PT of development assistance projects generally, and no common understanding of the vision and longer-term rationale of the intended project;
  - Limited experience of most ESV-procured staff of working in the role of LTAs in a culturally different development context – and difficult relationships with key PT staff;

- Three of the four ESV LTAs either resigning or unexpectedly not renewing their contracts, contributing to delays and capacity gaps in project implementation. A long-standing legal dispute over working conditions between ESV and a local consultant highly valued by ECPA had a negative impact on partner relations, trust and project morale;
- While ESV has a political mandate to provide services in support of development cooperation, it does not receive a meaningful Swedish government budget appropriation towards this purpose (in 2005 it received SEK470,000). ESV has to fund its international operations through charging fees via contracts for services provided (income of SEK 11,582,000 in 2005), and as such has limited resources from which to develop the core staff and institutional capacity to adequately respond to these demands;

- The existence of a legislative foundation and political will on the part of ECPA to improve its performance and capacity, but no experience on negotiating and managing development cooperation partnerships;
- A failure to learn from key findings and recommendations on project management contained in the 2002 project review;
- Limited diagnostic work and inadequate integration of available insights to adapt to the institutional context in the process of formulating project documents;
- Project documents without clearly stated objectives, vaguely defined results and no clear monitoring or quality assurance mechanisms;
- Alignment of desired project results to a wide range PT's priorities, to the extent that the project document was a loosely defined and unachievable "shopping list" of 18 result areas;
- The failure of the 2004 project document to adequately provide for management structures and describe mutual obligations of the partners in the twinning project;
- A project fund flow and management structure which further prevented local ownership and integration of the project into the implementation context;
- Very low levels of joint management and implementation of project resources;
- Close to an absence of ownership of the project by PT in phase two, in a large part due to discontinuity of management staff in the department;
- Challenges in strategically positioning the project to effectively use the added value the Swedish resource base could bring, resulting (in some cases) in cost inefficiencies in delivering services that could have been procured more cheaply locally and with local money;
- Low levels of use of locally available consultants – while there is no evidence to suggest this, there is a risk that ESV's reliance on consultancy income to fund its international operations may create a perverse incentive for ESV to prioritise its own staff for short-term consultancies when there may be cheaper and better informed local consultants to provide such services;
- Some transactional capacity support in the development of technically competent documents and a comprehensive Accounting Handbook, Provincial Budget Guidelines and a Budget Training Manual, but uncertainty as to their future use and impact in PT. A follow-up interview with PT in May 2007 reveals that the training manuals were developed and produced in the absence of a training strategy, and there are currently no plans for their use in ECPA or PT. It was reported that the content was good and accessible, and it was possible that Institute for Public Finance and Auditing (IPFA) and Public Finance Services Agency (PFSA) may cut and paste some of this content into their own training manuals.

- Two study tours (2005 and 2006) by PT staff to ESV in Sweden;
- Some learning experiences for individual staff through interaction with LTAs,
- No discernible transformational impact – with no sustained project impact on the organisation building of PT, and no future institutional relations expected with ESV – unless both parties are supported by additional external finances;
- Ongoing "gap-filling"[4] tasks where there were no counterparts, and production of documents and concept papers without buy-in from new PT managers, or any certainty on how they would add value or be used;
- An ESV focus on exporting financial management expertise without the accompanying capacity to address the developmental, managerial and change management context that prevented the effective use of this expertise;
- ESV did not have the resources, or internal policies, needed to ensure adequate preparation, orientation and back-up of the externally procured LTAs that it had hired;
- No terms of reference for the LTAs, except to implement the project document that they themselves had formulated;
- Mistrust and strained relationships between project partners;
- Inadequate and almost absent platforms for institutionalised dialogue, monitoring and project management – the Sida four-monthly review meetings for the entire provincial support programme became the only formal and common stakeholder venue, but even then PT participation was not assured;
- The frame agreement between Sida and ESV enabled ESV to submit reports, plans, budgets and invoices without involvement, approval or sign-off of the PT;
- While the project-specific agreement between Sida and ESV indicated that ESV should consult with ECPA in the development and re-direction of project budgets (all controlled and administered by ESV), this did not happen often – though the LTAs report trying to ensure that this did happen;
- Low result cost-effectiveness compared to the more than SEK 32 million spent.

This review starts in recognising, as a foundation, that the serious capacity challenges in the ECPA and PT dictated a baseline limit to what could be achieved. European donors and the South African Government have found consensus in their experience that:

> *While capacity in national departments is relatively good (although it varies greatly between departments), it is less so at provincial and even less at municipal levels. In general, the more an administration outside central government needs financial assistance (from domestic and foreign sources) the less able it is to absorb these funds. (EU-South Africa Joint Country Strategy Paper 2007–2012).*

The Eastern Cape is certainly one of those provinces with the greatest need for assistance, but with the least capacity to absorb assistance available. This provides a challenge to designing and managing the way in which assistance is made available.

[4] "Gap-filling per se is not framed as a negative activity – such support can play very important and helpful roles in getting partners through crises, and building social capital in the project. The most helpful gap-filling interventions usually have a time-limit.

Working from that baseline recognition of incapacity, it then follows that those who offer assistance also have a shared responsibility to provide and manage that assistance in ways that are most helpful to the recipient partner. ESV and RRV conducted an extensive needs assessment exercise at the PT prior to commencement of this project – there was early recognition of the challenges, prior to project formulation.

Reviews and assessments during the project's life have found a stated recognition by the partners of the contextual challenges, and regular assurances from both sides that the found conditions were improving and showed promise. There were periods in which new leadership in PT renewed and made new commitments, but these could not be sustained.

The December 2002 project review recommended:

> *"A new agreement could cover a three-year period but should be subject to termination after one year if clearly specified project structures and project follow-up procedures have not been established."*

For its part Sida Pretoria had longstanding concerns over the value and effectiveness of the project as designed, and discussed the possibility of earlier termination with partners at a number of stages. In the face of crippling staff shortages as a result of resignations and suspensions in PT, the argument could be made that the project's ongoing presence and support was most critical at that stage. In the light of renewed commitments by new political and administrative leadership it again did not make sense to cut support at a time when there were signs of hope. This has been a major challenge for a project – which by its nature – requires a long-term commitment, flexibility and a certain amount of "gap-filling" in order to develop deeper understanding and trusting relationships.

Despite the 2002 review recommendations for focus and structure, the phase two project again developed an unfocussed and wide-ranging set of outputs. These outputs did however closely align and effectively mirrored stated PT priorities. The design vision was for PT senior management to lead on implementing the outputs with technical support and strategic advice from the LTAs, and from other ESV staff. The project structure, fund flows and management were not capable of adapting and adjusting to the chaotic and changing environment in which it was immersed. Of the eighteen outputs approved in the 2004 project document, only two were successfully achieved (production of an Accounting Handbook, and the Budget Guidelines and Training Manuals – all printed in January 2007 after project closure), two partially achieved, and in two others there were some activities whose impact remains to be seen. *Table Two: Outcomes of proposed Activities and Outputs 2004–2006.* These manuals were however developed and produced without the existence of a broader training strategy. In its six-and a half-year lifespan the project has had limited transactional impact and no discernible transformational impact.

Much of the current literature highlights the need for greater attention to be paid to the diagnostic phase in which rigorous organisational and institutional analysis provides an important foundation for formulating a design that fits the found context (DFID, 2006, NORAD/Sida, 2006). Key to the design process is a focus on:

- Ownership and a shared vision among key stakeholders;
- A clear statement of objectives and provision of a monitoring framework that enables assessment of progress against these objectives;
- Proactive leadership provided with clearly defined management structures which enable a shared response and adaptation to found problems.

While there is shared responsibility for the failure of the project to achieve its intended outputs, this must be understood in the context of difficulties experienced at PT specifically and ECPA generally.

During the focus period of 2004–2006 the Provincial MEC responsible for finance was relieved of his duties soon after the President appointed a new Provincial Premier. The appointment of a new Premier was widely interpreted as a move to stabilise tensions in a province experiencing debilitating political divisions in the ruling party. The Superintendent-General (Head Official), his successor, and two of the four Senior General Managers were subsequently suspended and were not re-employed. Counting others who resigned, nine of the eighteen senior PT management represented in the March 2005 annual report left the department during 2005. The PT has had four head officials over this three-year focus period.

While the PT made significant steps in replenishing its staff complement in 2006, the staff shortages severely limited opportunities for ESV to engage counterparts and co-manage the project. It is reported that the LTA's tried to involve the ECPA leadership in developing plans and managing the project – and were to some extent successful in phase one. It appears that at some stage, without external support to effect the desired management changes, the LTAs accepted they would work largely 'on their own'. The project increasingly took on a life of its own. Effectively isolated from any substantial access to senior managers, ESV staff continued to work with an "open door policy" trying to provide assistance to whoever came to ask for it. In phase two there was no effective consultation or approval of project work plans, budgets and expenditure by PT.

Throughout its life the project has experienced differences in expectations on the roles and responsibilities of the LTAs – with ECPA requiring gap-filling in an ongoing situation of crisis management, while the LTAs voiced frustration in not being able to play the advisory role they believe they were hired to perform. The LTAs felt blocked in not getting their suggested longer-term institutional capacity development activities approved, or if they were approved, failing to get line-function managers' buy-in to get them implemented.

While conditions in the ECPA remain challenging, a key element that contributed to the limited success has been the repeated failure of stated and agreed intentions to establish and/or maintain management structures. See *Figure Two: Approved Project Management and Stakeholders – 2004–2006* and also; *Figure Three: Actual Project Management – 2004–2006.*

The approved phase two project document provided an inadequate sketch of project management, and even this was never implemented. In the course of the last three years there was one Project Management Team (PMT) meeting and no Project Steering Committee (PSC) meeting. For its part, Sida in Pretoria monitored developments closely, visiting the province seven times in 2005. The Ambassador discussed the project with the Premier; Sida discussed the project with the new MEC; Sida raised concerns in two of the three programme review meetings with the Director-General in the Office of the Premier, and also tabled these concerns at the annual government to government consultations in Pretoria.

The institutional capacity of ESV to take up the demanding project management challenges is questioned. In this case the structuring and monitoring of contractual relationships between Sida and other Swedish Government institutions provides learning opportunities for further strengthening future twinning arrangements in the context of broader cooperation specifically, and the Policy for Global Development more generally.

A lesson worth further discussion in the Swedish system concerns that of unfunded mandates to Government institutions with respect to development cooperation. Further attention is required in considering how best Swedish Public Agencies can develop and retain development management competencies beyond their own specific technical field of expertise. A related consideration is how these agencies can be encouraged to make use of the vast store of development management experience and training facilities that Sida has at its disposal.

For its part, ESV has been unable to create conditions conducive to developing sustained institutional relations – hiring four outside consultants some of whom were not best suited to the context into which they were immersed, without preparation, job descriptions, or ESV policies to guide them on working in developing countries. To date ESV does not have policies or procedures to guide the preparation, induction and management of staff or outsourced LTAs in development cooperation projects. With the exception of the longest-serving LTA, the others recruited were not experienced in development assistance work as LTAs in public sector developing country contexts. ESV itself did not have the resources to negotiate and manage the cultural differences, conflicts, change management and external strategic considerations that frustrated their perceived role of "transferring financial management know-how". Three of the four LTAs resigned or unexpectedly did not renew their contracts. All indicated disappointment in not receiving the support and back-up they felt was needed from ESV.

The emerging literature on technical cooperation indicates that: "The quality and appropriateness of skills for the role administered by the (LTA) … are critical, with interpersonal skills being particularly important" as a determinant of success (DFID, 2006). In this context, a *further lesson with respect to hiring staff* could be to consider developing key professional competence criteria and possibly utilising professional psychometric services in helping to assess the suitability of short-listed candidates.

An important lesson is for the need to pay meticulous attention in clearly defining, and having shared agreements with all parties on the roles, responsibilities and approaches of the LTAs and short-term consultants. Clear terms of reference should be part of the contract between ESV and its hired consultants. It would also strengthen project implementation if the twinning institutions and related stakeholders could sign memoranda of understanding outlining the vision, purpose and management modalities of the project.

There is evidently no prospect of a sustained institutional relationship resulting from the twinning arrangement, and the overall value of the project to ESV as an institution is questionable, especially as none of the four LTAs recruited were subsequently employed to work within ESV.

A further learning concerns the nature of the framework agreement and project-specific agreements between Sida and other Swedish Government agencies in twinning arrangements. While it is recognised that there have been a number of successful institutional twinning arrangements between Sweden and South Africa (for example: police services and tax services), contractual contingencies for unexpected difficulties should be made.

While Sida contracts with private sector service providers are generally more specific and, for example, require development partners to sign off on plans, invoices and payments, as a Swedish government agency ESV's framework agreement and contract was broader and did not contain such details. During 2005 and 2006 ESV has been submitting project work plans, budgets and invoices for payment without any formal approval or sign-off from the partner.

In responding to political imperatives and requests from within Sweden (twinning) and from development partners (request from Deputy Finance Minister for assistance) Sida might strengthen its interventions through requiring more rigorous initial appraisal of the capacity needs and will of both the identified twinning partners to respond to the stated political vision. *The capacity needs of either partner in the proposed twinning relationship could well be different, but both need careful analysis, recognition and support.*

Lessons Learned and Questions Posed

1. The first lesson is that *most of the following lessons are not new* – they are familiar and yet the circumstances appear to repeat themselves. This highlights a) the complexity of making practical changes to development management practises within and across big and dispersed institutions; b) the power of political push and pull from both sides in causing the fast-tracking of some processes which require more time than they are given in ensuring the correct foundations;

2. A lesson associated with the need for sufficient time in establishing foundations is that those designing the project should ideally be *independent* from the 'political' forces from either side and should have *knowledge and experience* of objectives-oriented *project design* in a development assistance context.

3. While *twinning with the purpose of* providing highly focussed specialist technical assistance is a legitimate *aid modality*, careful consideration needs to be given as to the optimal and minimum requirements for such an approach to be effective. Either the institution providing the technical assistance should also have the development and change management skills needed, and be prepared to work at the partners' pace; or twinning of this nature should be directed at partners in a position to absorb it, possibly in short-term doses. Either way, the importance of an initial full contextual analysis is highlighted.

4. The fourth lesson concerns the need for *clarification of the developmental role of Swedish line function agencies* in twinning processes as part of development cooperation. If agencies with a financial management mandate and expertise, such as ESV, are expected to also have broader developmental and change management competencies, two important steps are required:
   a. Agencies such as ESV need to develop a long-term plan for creating and retaining this capacity, including institutional development through formulating appropriate policies, guidelines, procedures, incentives and career paths;
   b. *The financial resources to provide this competence need to be secured.* The current situation of unfunded mandates to Government institutions with respect to development cooperation in twinning requires resolution. It appears there is a temporary tension between the stated will of the Swedish Government through the Policy for Global Development and the inability to provide these government agencies with the budget appropriations necessary to carry-out this developmental mandate. Providing a specific budget appropriation could serve to undercut the competitiveness of the provision of similar (more experienced) services through Sweden's private sector resource base. In the current circumstances institutions like ESV are expected to allocate capacity development resources from the fees charged for consultancy services – which has not happened. Whatever the resolution, mechanisms for assuring delivery of appropriate competencies and quality assurance are needed.

5. A lesson with respect to *hiring staff* could be for ESV and other twinning agencies to consider developing key professional competence criteria and possibly utilising professional psychometric services in helping to assess the suitability of short-listed candidates to work in the assessed context.

6. An important lesson is for the need to pay meticulous attention in *clearly defining*, and having shared agreements with all parties on the *roles, responsibilities* and approaches of the LTAs and short-term consultants. Clear terms of reference should be part of the contract between ESV and its hired consultants. It would also strengthen project implementation if the twinning institutions and related stakeholders could sign memoranda of understanding outlining the vision, purpose and management modalities of the project. It should go without saying that formal project management structures, and their regular use, should be part of such agreements.

7. A further learning concerns the nature of the *framework agreement* and project-specific agreements between *Sida and other Swedish Government agencies* in twinning arrangements. Given the horizontal relations between Sida and other government agencies in Sweden, contracts should incorporate lessons learned, and also provide for independent review mechanisms.

Introduction

This process evaluation assesses a six and a half-year-old project terminated by Sida in December 2006. The purpose of this evaluation is not for decision-making but for conceptual use, contributing to organisational learning and future practice.[5] While the Swedish and South African governmental institutions engaged in the twinning recognise the significant challenges and relatively limited success of the project in achieving its original intentions, both parties have indicated their disappointment at the closure decision.

As a "reality test" this evaluation has found a range of perceptions amongst differently located stakeholders on the nature of the challenges, impact and value of the intervention. While there is agreement among role-players with respect to some key variables that hindered progress in this intervention, there is a diversity of opinion on the value of the outcomes. This evaluation is not a quantitative accounting exercise whose numbers can not be disputed, but focuses more on an exploration of the "softer" issues, the experience, perception and interpretation of which are shaped by the background and institutional location of the participant.

The terms of reference focus this evaluation less on a quantitative account of measurable results and more on a qualitative reflection on lessons learnt. *"The overall purpose of this end-of-project evaluation is therefore to identify and document the lessons learnt from this programme"*. While a "broad picture" of achievements is painted, the *"aim is also to identify and analyse obstacles and challenges encountered during the project implementation and how these challenges came to affect the project outcomes"* (Terms of Reference).

A key challenge throughout the life of this project has been a difficulty in creating a "safe and manageable" space for key role-players to discuss and arrive at a mutually agreed understanding of the demanding strategic context they were working in, and thereby set agreed, appropriate and achievable goals. This evaluation is asked to delve into these often unspoken (and less often recorded in writing) challenges and obstacles.

Every effort – within the timeframes available – has been made to ensuring impartiality and objectivity in analysis. This evaluation has been systematic in structuring the process of gathering and triangulating information (and perceptions) and drawing conclusions. Every effort has been made during the interviews to be open and transparent, testing hypotheses and general conclusions with interviewees during and after interviews. No analysis or conclusion is based on information provided by one informant or source only.

Testing a "reality" requires a systematic approach with credible and accepted points of reference against which 'reality' is measured, analyses are constructed and conclusions drawn. Some key external points of reference employed include:

- The emerging global agenda on Managing for Development Results (MfDR) as developed by the Multi-lateral Development Banks and the OECD/DAC together with development partners. The universally accepted objective of this agenda is aid effectiveness, with joint management and implementation of aid/resources focussed on achieving desired results, and to use information to improve decision-making. Key documents include:

[5] In addition to considering some of the challenges that can emerge in an institutional twinning approach, a further use of the evaluation and its process might be to assist in facilitating ongoing dialogue between Sida and the Swedish National Financial Management Authority (ESV) on the matter of Sida-supported institutional cooperation in the context of Sweden's Policy for Global Development; and, the possible future opportunities for broader cooperation modalities within countries such as South Africa.

- The core principles of MfDR as endorsed and included in the Joint Marrakech Memorandum in 2004, which is the foundation for building a global consensus on how best to support partner countries' efforts to manage for results which aim at sustainable improvements in the lives of poor people. See http://www.mfdr.org
- The Paris Declaration on Aid Effectiveness (2005) committing all development partners to alignment, harmonization, mutual accountability and a focus on results. See http://oecd.org/dac/effectiveness/parisdeclaration

• In addition to being guided by the Sida Evaluation Manual (Looking Back, Moving Forward) in conducting this evaluation, a number of reports and best practice documents provide an important conceptual guide. These include:
  - Sida/Norad (November 2003). *Best Practice in Building African Capacity for Public Financial Management*. Report to the Task Team on Financial Management and Accountability of the Strategic Partnership with Africa.
  - DAC Network on Governance (2006). *The challenge of capacity development: Working towards good practice.*
  - Sida POM Working Paper (2006:3). *Time for Rethinking: Capacity Development in a changing landscape of Development Cooperation.*
  - The European Commission has developed a body of knowledge and practice on its experience of supporting more than 1200 twinning projects since 1998. http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm

The 'lessons learned' from this evaluation are derived from exploring recognised issues that emerge throughout the phases of the project cycle – from diagnosis, through design and formulation to implementation.

The chapter on "the evaluated intervention" presents key characteristics of the intervention. The following chapter on "findings and evaluative conclusions" draws together the key "facts of the matter" and then proceeds to provide concluding assessments as to the value of the intervention.

The chapter on "lessons learned and recommendations" takes into account the broader capacity development discourse in the context of the Paris Declaration on Aid Effectiveness, and then more specifically on other literature on capacity development in public financial management. Informed by the findings and evaluative conclusions, some recommendations are made on possible responses to the lessons learned.

The Evaluated Intervention

This chapter outlines some main characteristics of the intervention, summarizes key points in its history, describes role-players, and highlights the development of matters relevant to the main evaluation focus period of 2004–2006.

Following Sida's successful support to interventions in the Northern Cape Province of South Africa, the Deputy Minister of Finance requested the Government of Sweden to provide targeted support to the Eastern Cape Province which was identified by national government as having special challenges.[6]

A programme was conceptualized with targeted technical support to human resources management (anchored in the Office of the Premier) and financial support (anchored in Provincial Treasury). In 2004 the programme was expanded to include support to Education and HIV/AIDS. The financial management component was designed as a capacity development intervention through institutional twinning between the Swedish National Financial Management Authority (ESV) and the Eastern Cape Provincial Treasury (PT), located in the provincial capital of Bisho.

Context and History

The first Eastern Cape-focused agreement between the Government of South Africa and the Government of Sweden was for a fifteen-month period from July 1998 to September 1999, for an amount of SEK12,475,000. This agreement was further extended on a no-cost basis (for the financial side) until August 2000. Four of the five main objectives of the agreement focused upon supporting the development of capacity for public financial management. The fifth objective concerned capacity development in human resources management in the province. The finance element was anchored in the provincial treasury, while the human resources element was anchored in the Office of the Premier. Both projects were envisaged to form mutually reinforcing components in one programme that accounted to a programme steering committee.

South Africa's Public Finance Management Act (PFMA) was enacted in 1999.

> *"The aim (of this Act) is to modernise the system of financial management in the public sector. It represents a fundamental break from the past regime of opaqueness, hierarchical systems of government, poor information and accountability…".*

The PFMA Guidelines outline the change management demands of the process.

> *"…it is crucial, that 'change leadership' skills are utilised to drive the process. Both finance and non-finance professionals should be suitably capacitated to implement the reforms. This will require mindset changes by all stakeholders…"*

The financial twinning project was designed with the PFMA as its primary point of reference.

The Human Resources component began in good time with Swedish consulting company SIPU being the contracted service provider. ESV teamed up with RRV in the second half of 1998 to conduct a financial management assessment, mapping and pilot study. ESV was earmarked by Sida as an institutional twinning partner to implement the financial management project. As ESV was not yet in a position to take on responsibilities agreed to with Sida, SIPU took responsibility for implementing the financial management project until June 2000.

[6] Key respondents within the ECPA and the 2002 project review report a perception that this as an externally imposed project (by a national minister) that they never came to own. This project was requested by national government at an unprecedented time when National Treasury had for the first time in history stepped in to take over control of a province's financial management functions due to ongoing uncontrolled budget deficits and poor financial management.

During the time coordinated by SIPU the project produced a budgeting handbook for the province, and worked from treasury with the departments of health and education at district level with the aim of enhancing capacity to perform their financial management responsibilities.

While SIPU support was "aborted" in March 2000 following intervention by ECPA Treasury, the ESV-appointed Long-Term Advisor (LTA) only assumed office at the ECPA in September 2000. The December 2002 Project Review Report indicates that this delay was "partly due to difficulties (between Sida, ESV and ECPA who were all part of the interview team) to agree upon a suitable long-term advisor".

The first ESV phase of this project coincided with a period where National Government, for the first time ever, took control over financial management authority of a province under Section 100 of the Constitution. Restrictions were imposed with the aim of expenditure controls, introducing effective cash flow management techniques, introducing sound budgetary processes and implementing cost containment initiatives.

The 2002 project review found:

> *"A number of circumstances coincided to give the inception of the ECPA/Treasury – Sida cooperation a bad start. Demand for external support from the provincial treasury was more guided by national intervention than provincial initiatives. Actual delivery from the Swedish/Sida side of the cooperation took a long time to materialize."*
>
> (Project Review Report, December 2002).

Within two weeks of arriving in South Africa (and having no experience of South Africa), the ESV-contracted LTA was required to produce a project document and budget in four weeks. Informed by treasury management, and a two-day multi-stakeholder LFA workshop, the proposal changed the earlier project direction away from capacitating financial management in line-function departments and more towards supporting work within the treasury department itself. The proposal was initially submitted to Sida at the end of October 2000. After some adjustments, the final proposal was submitted by ESV to Sida in December 2000. It was approved by Sida in February 2001, allowing the new project to start spending.

In the period 2000–2002, the initial relationship between the LTA and the Director-General was reportedly very positive, with the LTA investing energy in 'firefighting, gap-filling and problem-solving' while waiting for project approval from Sida. It is reported that once funds were released for project implementation, and the LTA expected to assume a more strategic advisory role, tensions over matters of authority and responsibility emerged. In a crisis situation with a shortage of staff, imposed national government oversight and a restructuring of the administration, the LTA was expected to continue to play the role of problem-solving, gap-filling support.

The Superintendent General, in a restructured administration, subsequently delegated responsibility for ECPA management of the project to a senior manager in Provincial Treasury (PT). A number of LTAs report difficult inter-personal and working relations with the designated project liaison person up until the time this person was suspended by a new leadership in the ECPA. Relationships between ESV, as represented by the LTAs, and key PT staff had deteriorated significantly.

In its first phase the project engaged a highly skilled local consultant to assist in providing support to the ECPA. A dispute emerged between the local long-term consultant and ESV with respect to remuneration. The conflict escalated into a legal dispute with the local consultant serving ESV with court papers. ESV reports that the consultant withdrew his claim in 2007. No further local long-term consultants were subsequently engaged by ESV.

"The low level of actual cooperation from this point in time is said to have been further affected by an ESV intervention, based on a discussion concerning fees, to limit and on the medium term terminate service provision from the then local LTA, highly appreciated by the Treasury for his ability of "rapid response" to urgent matters."

(Project Review, December 2002).

The project also entered into a contract with auditing firm KPMG to provide capacity development support to Chief Financial Officers (CFO) in line-function departments. It is reported that bad relationships with the ESV LTA and sensitivity within PT around general procurement and tendering irregularities within the provincial administration led to the ECPA blocking the implementation of a contract that had already been awarded via the ESV project to KPMG.[7]

In February 2002 the first ESV LTA left the project, citing inadequate project management and support structures (on both ECPA and ESV sides) as the biggest challenge to addressing the problems the project was facing.

The Review Report observed:

"Obviously, this reached a point when the expatriate LTA no longer could motivate his continued engagement in the project. From this it is somewhat difficult to understand how this process has been allowed to continue, given the rather close monitoring functions at hand in the project. There is a clear discrepancy between the actual development of events and acting based on the content of quarterly monitoring meeting protocols. The reasons behind this discrepancy should be further discussed to avoid a repetition."

(p. 31). …

…it comes out clearly that the back-up function, planning involvement, plain administrative handling and intervention in conflict matters from the implementing Swedish agency have not been sufficient.

(p.33).

By the time the LTA made his exit in February 2002, Sida was well aware of the difficulties in the project and commissioned a review. In the interim it was agreed that the project would be better served if ESV placed two expatriate advisors at ECPA instead of one. The second and third ESV consultants were recruited (with ECPA and Sida again being part of the selection processes). The second consultant "walked into a trap" in July 2002 without any briefing, preparation or experience of working in a development assistance context. It is not clear why, but both the first and second consultants report that circumstances at the time resulted in ESV not affording them the opportunity to meet each other for hand-over or briefing.

Relations between the second consultant and the ECPA Project Manager and other staff very quickly deteriorated, with the second consultant becoming frustrated in very difficult relations between him and management. A very difficult relational situation was improved with the arrival in September 2002 of the third LTA, an experienced and senior development assistance TA. It was ESV's original intention to send both consultants at once, but logistical circumstances prevented this.

7 An indication of the challenging project implementation environment, and cycle of mistrust, is that while KPMG was given an SEK 800,000 contract in 2001 to provide capacity development support to CFOs in other line function departments, the money was only finally used in 2006 to provide a financial scanning exercise requested by the ECPA. The ECPA subsequently used its own funds in contracting outside consultants to provide support to line-function CFOs.

The December 2002 Project Review Report summarized the overall situation as follows:

> *"Underlying the whole period from the arrival of the long-term advisor is a perception from the Treasury that activities carried out in the project did not represent enough useable dividend on short-term. Project work and possibilities to move ahead were hit hard by the absence of any project management structures at Treasury. … It is apparent that the relationship between the Eastern Cape Treasury and the Swedish consultants have been very strained and normal co-operation between the parties is still lacking".*

In the latter part of 2002 ESV developed a new draft plan of operation. According to some reports the possibility of Sida halting further funding to the project served to galvanize the Provincial Treasury into demonstrating renewed commitment and priority to the project.

On 10 December 2002 Sida Pretoria sent a project extension agreement to National Treasury which extended the March 2000 agreement for financing of project activities until 31 December 2003. An additional amount of SEK 18,5 million was made available for the entire programme of cooperation with the ECPA (including the human resources project) and included a new element of SEK 1,5 million to interventions with respect to HIV/AIDS.

On 11th February 2003 a one-day workshop was held with ECPA, ESV and the LTA's in order to *"to process the drafted plan into a final implementable Operational Plan to be presented to Sida for funding".*

Result areas were agreed but remained widely spread. The minutes do not record any discussion of project structures and management procedures. While the project implementation plan provides outputs, activities, and timeframes; the columns on "organisation" and "responsible officer in treasury" remain blank. In March 2003 Sida approved utilisation of funding for implementing the draft plan as submitted.

The March 2003 quarterly project report (submitted in June) states:

> *"It is essential that the ESV project is well integrated in the ongoing activities related to the implementation of the PFMA. The management has so far not been able to pay the needed attention to the project to make that possible."*

The report goes on to suggest a project steering committee and a project management team structure which meets regularly. The report also outlines key pre-conditions for the working conditions of the LTAs if they are to be successful in their work.

The September 2003 report indicates an improved context and "good foundations for an institutional cooperation between ESV and the Provincial Treasury". A first project management committee meeting was held on 12 May 2003, and weekly team briefings (organised by the LTAs) were reportedly held with the ECPA Project Manager and senior managers in the financial management branch.

The September 2003 report outlines deliverable success in producing a budget guideline chart and document, but indicates some diversion in attending to other issues not in the initial plans:

> *"Therefore LTAs took part in the daily work of the provincial administration to quite a considerable extent. They were participating in regular meetings to solve pressing issues, preparing presentations for workshops and analysing reports from departments and consultants. Consequently, this report contains sections on very different kinds of undertakings. … (with) general contributions to the daily work in the province, which did normally not result in separate reforms or even formal written reports".*

Further on in the same report again highlights the difficult balancing act between sticking to agreed plans and being flexible enough to fit in with more immediate demands of the partner:

"During the course of the project, the position of LTAs has changed very much, both of them naturally being involved in a large number of daily chores at the Treasury. Among these daily chores, there is a large number of meetings to sort out different types of issues."

The Annual 2003 report (submitted in March 2004) indicated that uncertainty over funding resulted in one of the LTAs resigning.

"Project activities were disrupted in June 2003, because decisions on future Sida financing were withheld and, consequently, one of the LTAs resigned from his position when his contract expired.

After one LTA resigned it was not possible to start any new projects in the second half of the year. As 2003 was the final year for the agreement on financial management support to the Province, a new project document for a possible extension had to be produced. The document was presented to Sida by the ECPA in December after extensive inputs and consultations in the organisation."

The Period 2004–2006

On 18 December 2003 Sida made a "Decision on Commission" indicating that the ECPA and Sida have agreed to a second project phase of three years for the human resources project and a new education project. The ESV project was extended for only three months with an additional SEK 1,050,00 in order to give ESV additional time to submit a document acceptable to Sida.A number of proposed versions had been returned by Sida for further elaboration and clarification of management structures and results:

"As for project preparations in regard of the financial management part of the programme, these are slightly delayed and it is therefore deemed necessary to extend the contract with ESV for three months, from 1 January–31 March 2004, in order to carry out the preparations for the second phase … it is proposed that the Head of DESO/DESA is hereby commissioned to extend the contract for ESV for three months …".[8]

On 20th February 2004 a further "Decision on Mandate" was issued by Sida Pretoria concerning assessment of a proposed new phase for the ESV – ECPA Provincial Treasury cooperation. Sida Pretoria records that is was agreed that:

"Sida DESO/DESA shall have the main responsibility for assessing and preparing the second phase of the programme with a maximum amount of SEK 25 000 000 for the period 1 April 2004–31 December 2006. On the basis of that assessment the Embassy will make a decision about of continuation of the project in a second phase."

A month later on 24th March 2004 Sida DESO/DESA submitted an Assessment Memorandum proposing that "Sida continues to support the cooperation between the Provincial Treasury in the Eastern Cape and ESV during 2004–2006" as per the proposal submitted. The memorandum goes on to indicate that Sida "should actively monitor the progress of the cooperation".

Key observations of the assessment include:

- project well in line with provincial and national priorities, and operations grouped into 18 areas;
- the project is relevant in the sense that it focuses upon capacity development and institutional cooperation which is a priority of the Swedish country strategy;

[8] Sida Stockholm (DESO) was responsible for the contract with ESV. Sida Pretoria was responsible for regular engagement and visits to ECPA and the project.

- plan of operations for 2004 are not very detailed, but this desired flexibility is mitigated by an annual planning process that must be approved by ESV, ECPA and Sida;
- it is likely to be effective as provided expertise will not be used to "fill gaps" but rather support Treasury's own efforts to implement reforms
- there is sufficient capacity for the short-term missions to ECPA, and also for contacts within the Swedish agencies to procure additional assistance for ECPA where their needs fell outside of ESV's area of competence.. However there is a limited but increasing experience of institutional cooperation and of support to third world countries among ESV officials. Sida intends to support ESV's capacity building for development cooperation
- while ESV has "limited but increasing experience of institutional cooperation and of support to third world countries" and a shortage of internal staff willing and equipped for the task, Sida has agreed to support development within ESV in this regard;
- a major risk concerns management of the project, with previous coordinating mechanisms having been dysfunctional, resulting in under-utilisation of resources available through the project, frustrations, and ambiguity on roles and expectations – the proposed project management committee should meet frequently to solve issues and coordinate;
- there is no simple solution to the ongoing crisis management mode which prevents proper utilisation of project resources, "but the advisors should continue to support improved management style, planning and discipline";
- a further risk, "which appears to have been a main cause for temporary or permanent failure of two of the long-term advisers to function adequately is connected to communication problems between the advisers and their ECPA counterparts. This may partly have depended on these advisers' limited experience from long-term assignments abroad, cultural differences or differences in the understanding of roles. This risk may be counteracted through improved recruitment procedures …".
- "There is a definite demand from ECPA Treasury for continued support and several of the obstacles during the first phase seem to have been removed or diminished".
- The need for both parties to be open to early discussion of emerging problems.
- The need for ESV to properly prepare candidates for short-term missions – which was a problem in the first phase.
- "Although there are certain risks involved with a continuation of the support, it should be considered worthwhile, provided that Sida closely monitors progress in relation to the objectives and the development of the situation in the Eastern Cape.

Further descriptions of the project context during 2004–2006 are contained in the next sections of this chapter.

The Eastern Cape

The financial management of the Eastern Cape Provincial Administration was in crisis, there was a dire shortage of capacitated staff, and an over-supply of ill-equipped supernumerary staff inherited from two apartheid homeland administrations.[9]

[9] In less than three years in the period from 2004 – 2006 the provincial treasury had four Superintendent Generals. By November 2006 nine of the 18 senior managers listed in the 2005 Annual Departmental Report had either been suspended or had resigned from their posts.

In many respects, many of these challenges remain six years later. There have been highly disruptive processes of significant numbers of senior management staff (more than half) being suspended, fired, or resigning in the evaluation focus period 2004–2006. The Finance MEC and the entire ECPA Treasury management responsible for the project were removed in the second half of 2004.

In the words of the current Superintendent General, capacity and skills in provincial departments for financial management "are very low". Workplace morale and incentives are low. The provincial treasury is "an extremely demanding workplace" that is striving to replace "fear with hope, repression with freedom, and exclusion with inclusiveness" (letter to Sida, 2006). In their respective 2006 speeches to the Provincial Parliament both the Premier and the Finance MEC acknowledged that financial management in the province remained a significant challenge requiring redoubled efforts at developing solutions.

The Eastern Cape remains a complex and contested governance terrain where serial administrative malfunctions result in urgent political demands for control of these crises and immediate implementation of ambitious solutions. The Treasury in ECPA has been unable to retain key senior management and technically skilled staff, with many of these either leaving or being suspended on allegations of misconduct.

ESV

Following the division of one section of the Swedish National Audit Office (RRV), ESV came into being as a Swedish central government financial management authority in July 1998 and has a total staff complement of around 150 people. Their primary purpose is "to ensure that efficient use is made of public taxes" in Sweden. ESV sees itself as setting a "financial management example to be followed by other sectors and other countries" (ESV website). ESV develops accounting rules and issues regulations and general guidance to government agencies in Sweden.

Following Sweden's Policy for Global Development, ESV exports its services "in relation to the political goals laid down by the government, in particular those referring to the development of a good public form of government and democratic public administration traditions." (ESV website).

Sida and the ESV have a framework agreement for procuring ESVs financial expertise to assist development projects that "have the aim of building up institutional capacity" in financial management and accounting. (ESV Annual Report 2005). ESV allocates a very limited budget appropriation for its international activities (SEK 470,000 in 2005) and – ESV reports that Swedish Government regulations require it to finance any such operations through charging fees for its services (income of SEK 11,582,000 in 2005). The fees charged for consultancy services via Sida funding include a provision for ESV to enhance its administration and capacity in development work. In addition to sustaining its international operations through consultancy fees to development projects, the goal of ESV's international cooperation is that "international activities shall create value added for the agency's core activities" (Ibid). ESV understands this added value to be created through:

- capacity development opportunities for ESV members of staff, applying their specialist skills in another culture and improving their language skills;
- developing a comparative understanding of different accounting and financial systems from other countries – adding value through seeing Sweden's own systems from a new angle;
- possibilities of international travel enhancing the attraction of working for ESV.

In addition to the past South African cooperation, ESV is currently participating in twinning projects with institutional capacity development objectives in Mozambique, Russia, the Czech Republic, Slovakia and Romania. ESV has one member of staff who acts as head of international operations.

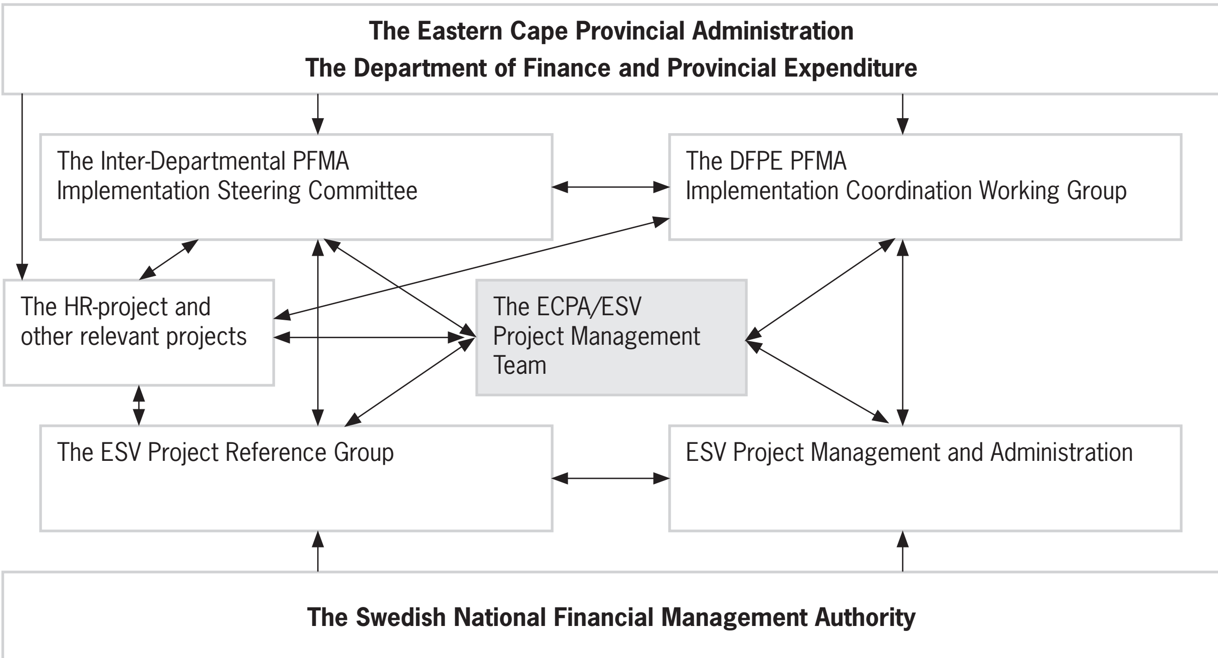
Project Organisation

Though the first government-to-government agreement was signed in July 1998 the project only began to be administered by ESV from mid-2000. It is routine practise in South Africa for Official Development Assistance (ODA) agreements to be signed by the donor country and the Chief Directorate: International Development Cooperation in National Treasury. The agreements signed formally designate Sida and the National Government of South Africa as the competent authorities "responsible for the implementation" of the agreements. Accordingly, Sida did not sign any agreement with PT or ECPA. As far as could be established, there does not appear to be any agreement between the twinning partners themselves – PT and ESV. In effect, Sida and South Africa's National Treasury have delegated implementation authority to ESV and ECPA respectively. Sida holds ESV accountable through a framework agreement, and a project-specific contract, while National Treasury can hold ECPA accountable through various cooperative governance mechanisms, and by inviting ECPA to participate in annual consultations between the governments of Sweden and South Africa.

The project was conceived to finance the provision of financial technical expertise and strategic support through Long-Term Advisors (LTAs) and short-term consultants (locally and internationally).

At the request of ESV the following diagram has been inserted to present the project organisation as proposed in the 2000 project document:

Figure Two: Proposed Project Management and Stakeholders – 2000–2002



The December 2002 project review had the following to say about project management:

> *"Lack of cooperation between the parties and an absence of active project management structures further reduced the effectiveness and impact of the project. (p.32)."*

And recommended:

> *"concerned parties should establish a common platform for a shared vision and a new basis for a co-operative engagement with stated procedures for resolving issues of misunderstanding or divergence of opinions. This can only be achieved through the introduction of new project management structures and a new way to work in everyday operations (p.33). A new agree-*

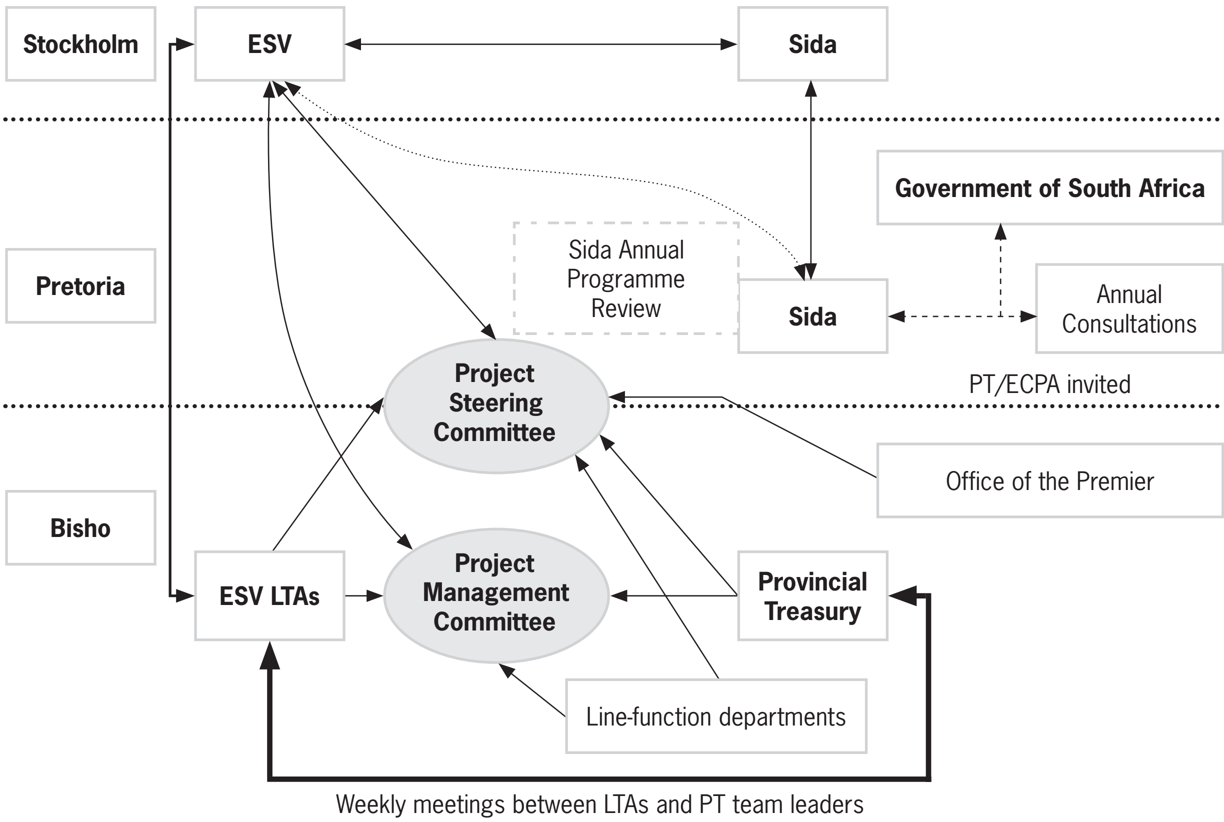
ment could cover a three-year period but should be subject to termination after one year if clearly specified project structures and project follow-up procedures have not been established."

ESV submitted a new project document to Sida in October 2003. Sida requested more details and a clear project management structure. Following some delays in delivering a new document, Sida Pretoria commissioned Sida Stockholm (DESO/DESA) to conduct an assessment of the proposed project.

The DESO/DESA assessment found:

"One of the major risks relates to the management of the project. The coordinating mechanisms designed for the previous phase, such as the project management committee, appear not to have been functioning during most of the period. … The project document proposes a steering committee consisting of high-level representatives of ECPA and ESV. The committee should confirm the project and annual plans of operations. … The project management committee, which is proposed to include the ECPA project manager, the team leader and representatives from involved departments, should meet more frequently to resolve operational issues (p.8)."

Figure Three: Approved Project Management and Stakeholders – 2004–2006



Following the unexpected departure of one of the LTAs in June 2003, a new LTA was recruited and assumed duties in May 2004. A project management committee was held on 10th March 2005 with the purpose of reporting on and giving feedback on activities of 2004, and agreeing on "priorities and project activities for 2005". The minutes of this meeting report:

"For 2004 implementing teams was set up to undertake projects with team leaders from treasury staff and members from some line departments. The teams worked well and detailed work plans was developed for the activities. In the second half of 2004 developments in Treasury made it difficult for the especially the budget staff to commit themselves to the project activities."

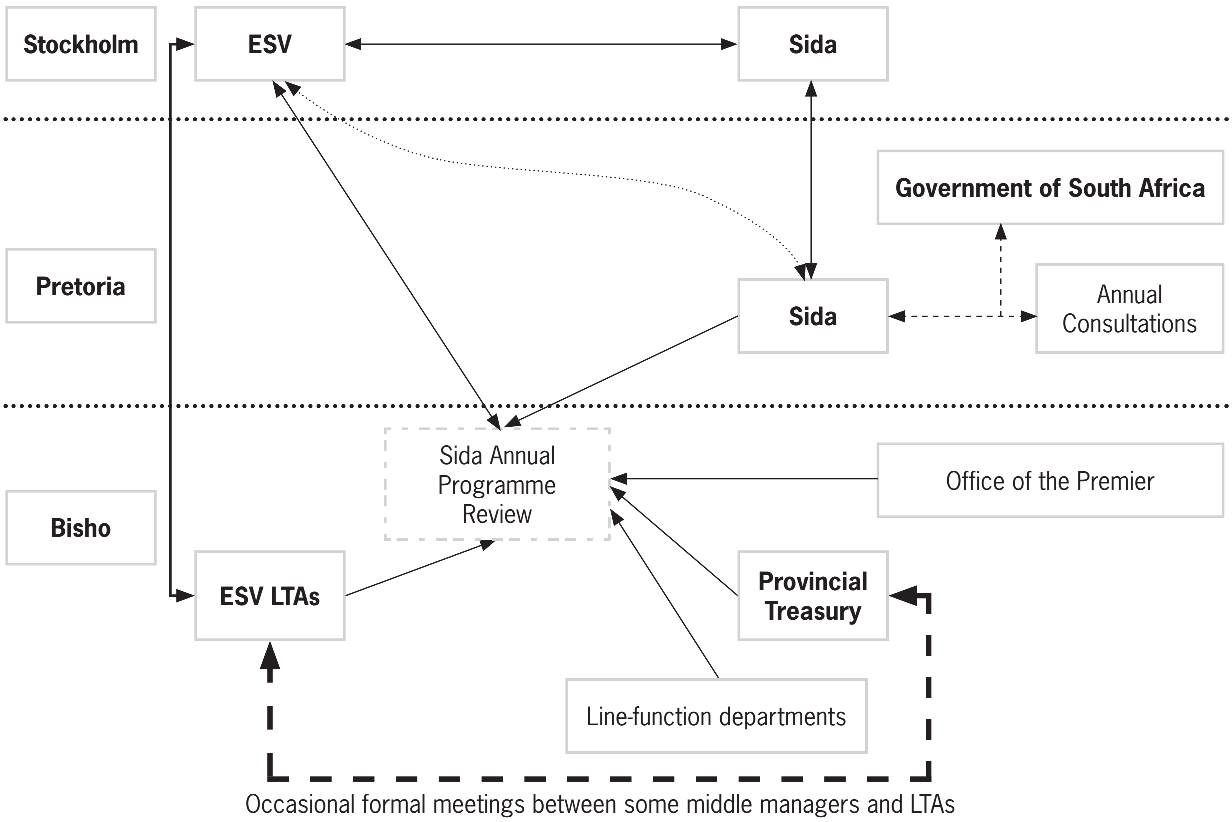
No subsequent management committee meetings were held until the closure of the project in December 2006. In the second half of 2004 the new political leadership in the Eastern Cape replaced the MEC for Finance, and the top three managers (the entire project management team) in PT were put on cautionary suspension and the PT embarked upon organisational restructuring. The new acting head of department too was later suspended. Meetings with implementing teams also ceased.

On 20th June 2005 the LTAs had a meeting with the new MEC of Finance Billy Nel and the new acting head of department (HOD). The meeting resolved:

> *"The role of ESV as strategic advisors to the Provincial Treasury must be elevated to derive maximum benefit from their presence. Key to this elevation would be to ensure that the ESV team provides direct advice assistance to HOD and their physical relocation with contribute thereto." (Record of meeting).*

The eventuality did not occur. The new acting HOD left his post in the latter part of 2005 and the newly appointed HOD assumed duties in January 2006. No further project management meetings were held.

Figure Four: Actual Project Management – 2004–2006

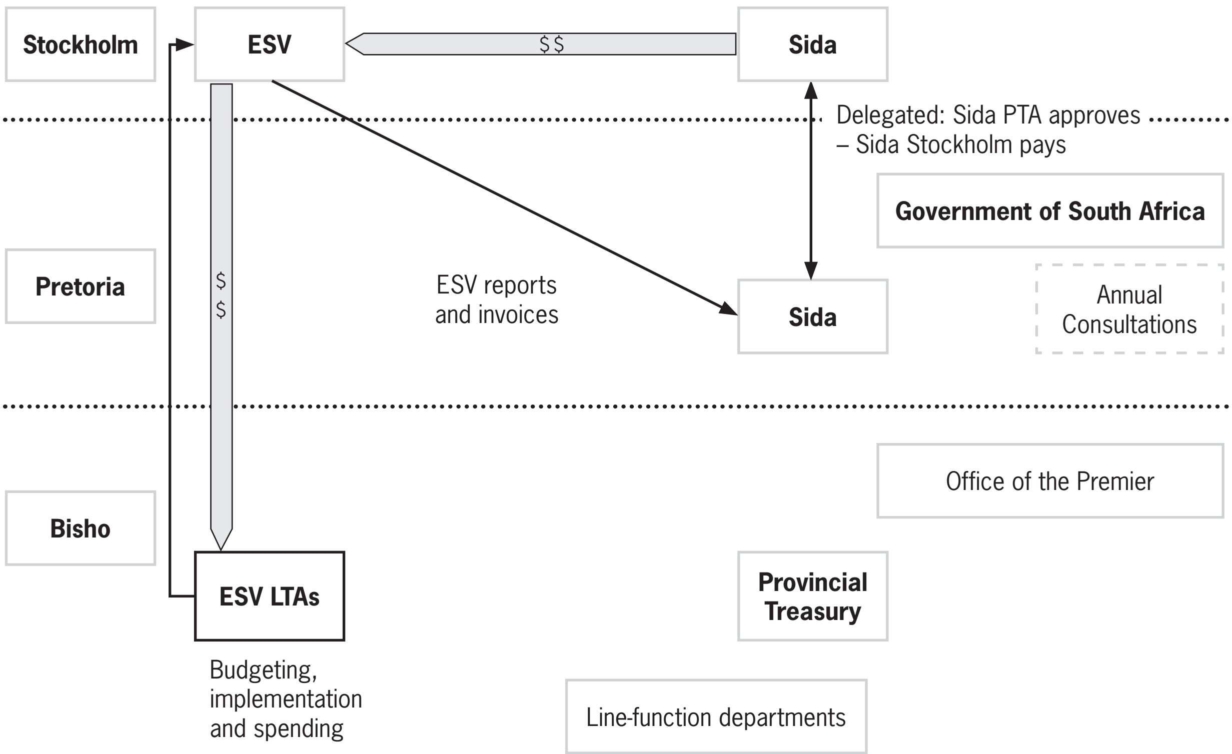


All project finances flowed from Sida through ESV and were controlled by the LTAs present in PT. See *Figure Four: Fund Flows and Project Financial Management.* ESV takes responsibility for developing the project's annual budgets and work-plans in consultation with PT, and submits these to Sida Pretoria on behalf of ESV and the ECPA. In practice, PT was not part of this process in the last phase of the project (two and a half years). Once Sida Pretoria has approved these submissions it instructs Sida Stockholm to make payment to ESV in Stockholm. ESV manages the budget and transfers requisite funds to an account in South Africa which is controlled by the LTAs.

Since ESV assumed the service provider role in 2000, sixty-two percent (SEK 32 million) of the available budget of SEK 52 million was spent. (Figures to end of November 2006):

- 44% on providing four LTAs over 95 person months in seven years
- 37% to ESV for short-term consulting input and management costs, including short-term consultants paid through SIPU in the early phases of the project
- 11% on local consultants
- 6% on workshops, seminars and study tours

Figure Five: Fund Flows and Project Financial Management



Objectives, Outputs and Activities

The first government-to-government agreement, signed in 1998 identifies the main objectives of the cooperation as; "improving competence" of the ECPA in financial management and providing support in establishing a functional institution, the second agreement signed in 2004 tends itself to emphasise a gap-filling role by more narrowly defining the project's main objective as "to *assist* the Eastern Cape Provincial Administration *in the implementation* of the Public Finance Management Act … and the Provincial Growth and Development Plan." (emphasis added).

Neither the 2002 nor the 2004 project documents included a clear statement of project objectives, risks or assumptions.

The 2002 review found:

> *"the result areas (in the project document) represent an undertaking of activities impossible to cover with resources available through the additional Sida support (p. 28). … it would be hard to find that work done followed any kind of co-ordinated or structured idea of what the*

intention was. … This resulted in a spreading the resources thinly over a wide spread of tasks and engagements" (32).

"Project activities, though accurate and of good quality looked upon one by one, became less and less relevant and more and more cost-inefficient as time passed by. … From this, it is somewhat difficult to understand how this process has been allowed to continue, given the rather close monitoring functions at hand in the project."

The review recommended that future identification of activities:

"… "should be limited to few but critical areas with main focus on one aspect of the financial management process" (p.32).

The Sida DESO/DESA assessment of the 2004–2006 project proposal found:

"The project document covers various areas of support and of institutional cooperation between ECPA Treasury and ESV during 2004–2006. It also includes a plan of operations for 2004, which is not very detailed."

The 18 proposed "activity/intervention areas" constitute the proposed results for the project. The Sida assessment found the proposed areas as relevant to the priorities of the PT.

The project document outlined the following activities and outputs to be produced with the assistance of short-term consultants:

Table One: Proposed Activities and Outputs 2004–2006

Activity	Output
1. Review of the strategic planning guidelines to facilitate the operationalisation and costing of PGDP priorities	Reviewed guidelines
2. Review of available output and performance data to be used in the strategic plan	Circular on what data should be presented in the strategic plan.
3. Analysis of multiyear budgeting: conditions, constrains and uncertainties explored.	Pilot Paper
4. The budget process to be aligned to the strategic planning process	Guidelines for strategic planning
5. Development of departmental budget process charts and guidelines. Facilitating budget process seminar	Departmental budget process and guidelines in place in all departments
6. Presentation of and development of alternative options to improve budget calculations	Pilot Paper
7. Analysis of constraints in spending of HIV/AIDS allocations from conditional and equity grants.	Report on findings and recommendations
8. Facilitation of a workshop on forecasting techniques	Report from forecasting seminar and plan of action
9. Development of an accounting handbook, systems and procedures for monitoring of the on-going accounting process	Accounting Handbook
10. Analysis of treasury functions regarding accounting and reporting	Discussion Paper
11. Plan of operation for implementation of accrual accounting and budgeting by linking up with National Treasury plans and regulations.	Implementation plan
12. Development of integrated guidelines for strategic plans and annual reports	Guidelines
13. Workshop on the new format conducted in the province for the implementation	Workshops performed

Activity	Output
14. Organizing the Municipal Finance unit and identification of systems needed	Support to project manager
15. Process for setting of fees levels and revenue targets for internal revenue. Review of collection systems and administration	Support to project manager
16. Review of the internal audit function in departments	Report on findings and recommendations
17. Exchange visits between ECPA and ESV organised	Exchange reports
18. Arranging study visits and exchange visits to institutions	Reports from study visits performed

The 2004 project document identified areas 1;5;8;9;11 and 13 as their focus for 2004. A project work-plan submitted by ESV to Sida in 2005 indicated planned activity in all 18 areas. No project work-plan was produced for 2006.[10]

It is recognised that the LTAs produced or facilitated the production of various other documents and processes that were not part of the approved plans. It is likely that individual middle managers in PT thought the concept papers would be a good idea. See for example: *Appendix 4: Summary of 11 concept papers produced*. The value and future impact of these papers is however questioned.

It is also recognised that in 2006 project funds were used to pay for the conduct of a financial mapping exercise as part of the PT's Financial Management Improvement Programme (FinMIP). In this instance there was little added value from the ESV cooperation as procurement of external services and payment could also have been made by the PT itself.

Findings and Evaluative Conclusions

> *"The principal point of departure for NORAD's and Sida's work in public financial management has been to base any programme of cooperation on the existing capacity and to strengthen that capacity. We are convinced that sustainable capacity improvements take time. A process oriented approach is necessary. Programmes of cooperation have to be flexible and sensitive to shifting needs during the period of support. Past efforts to strengthen capacity have often failed because efforts were too short-term and because donors thought they could simply transfer ready-made solutions that had been tried out elsewhere."*
>
> (Norad/Sida, 2002; foreword).

This chapter outlines findings and provides comment on a number of key bottlenecks and challenges considered to have contributed to the limited achievements. The staffing and implementation climate within the Eastern Cape are taken as a given[11]. The key challenge for project success would have been adapting the project to meet those conditions (which had existed since before ESVconducted its first mapping exercise in 1998), as opposed to designing a project focussed on technical transfer of expertise and waiting for conditions to improve so that the project, as designed, could progress.

[10] In responding to this draft report ESV maintains that "it was agreed that the plan for 2005 should continue during 2006". Sida do recall a verbal representation from the LTA on continuing with the 2005 plan. There was however no written plan made or any evidence of an agreement with the PT.

[11] In responding to the first draft of this report ESV maintains: "The shortcomings of the project is regarded by ESV as a direct result of the climate in the Eastern Cape."

The turbulent nature of ongoing organizational change in the Eastern Cape, and the discontinuous and fragmented character of ESV's assistance to the PT have contributed to the project's limited impact.

From a systems perspective, the ESV project itself increasingly came to have a similar shape (isomorphy) to the challenges experienced by its partner, the PT, for example:

- There was high staff turn-over with three of the four LTAs resigning and resulting in periods of implementation delay and staff shortage;
- There was a long-standing legal dispute between ESV and the STLC on conditions of employment, which impacted negatively on project delivery, morale, trust – as PT particularly wanted the person concerned to continue. Subsequent to this experience ESV and Sida agreed to engage two international LTAs and not engage a local LTA.
- an inability to clearly create workable and agreed management structures and achieve outputs within timeframes of what were always over-ambitious plans.

Project Document Formulation

The 2004 project document submitted by ESV/ECPT and approved by Sida is long on technical analysis of financial management systems, and short on strategic assessment of project context, risks, assumptions and description of agreed management and implementation modalities.

The 2004 document provides no basis for effective management, monitoring and strategic adjustment of the project. The document does not mention the words "risks" or "assumptions" in relation to project design once in the entire document. There is no place in project documents where the objectives of the twinning intervention are stated, and the mutual obligations of the partners outlined.

The 18 project intervention areas are conceived of as 18 projects in themselves and are broadly described in five pages. The work-plan for 2004 is described in one page.

This evaluation concludes that a foundation for project failure was established in the diagnosis and design of the project. A possible consideration would have been for the project (PT and ESV) to procure independent persons experienced in project design and management to facilitate the formulation of a project document. The first project document formulated by SIPU for the project period 1999–2000 provided a good example, describing the strategic context and its challenges, presenting the proposed intervention – with overall objectives, project purpose, identification of beneficiaries, statements of assumptions and critical factors, structure of the project, inception, reporting, timeframes and targets.

Project Organisation and Management

The structuring of project management and its control was perceived by PT to be an outside and parallel intervention that made integration and coordination difficult, and at times conflictual.
The project experienced ongoing difficulties in establishing and maintaining shared management and local ownership in a challenging PT context.

The project organisation is described in the 2004 project document in less than a page, indicating that there will be two structures and naming members. No mention is made of frequency of meetings and the only reference to the purpose and function of these committees are described in the following sentences:

> *"The Steering Committee will confirm the project as such and its main purpose in the province. The Project Management committee will be expected to discuss and confirm the Plan of Opera-*

tions. It would also need to meet in connection with major Sida reviews, and possibly sometimes between those reviews if participants or Project Management feels that a meeting would be helpful."

The new Head of Department reports that when he assumed responsibilities in January 2006 he read documentation given to him and could not make any sense of the project, saying its conceptualisation and design was "fatally flawed", that its positioning destined it to failure. He was unable to identify any impacts or outcomes (except for the accounting handbook and project financing of an outsourced Financial scanning exercise in the first half of 2006). The Head of Department went on to say that he found the lines of accountability and responsibility were blurred and the project was impossible to monitor, and he had no way of redirecting the project and the expenditure controlled by ESV. He saw the project as a "lost opportunity", but given his bigger challenges he could not justify investing the time and effort it would have taken to turn the project around. The Head of Department was absent from government meetings (national and provincial) with Sida during 2006, and from that perspective did not seize the opportunity to take ownership of the project.

The high staff turnover and consequent absence of institutional memory in PT also contributed significantly to the progressive isolation of the project from mainstream operations of PT. The relative inexperience of most of the ESV staff (LTAs and STICs) of working in developing country public sector reform also contributed. The strained relationships and cultural divides reported in the 2002 project review continued throughout the second phase of the project. The longest-serving LTA appears to have played an important mediating and facilitatory role, but on his own there was only a limited amount that could be done. Stronger leadership and support from ESV head-office was needed.

During 2005 Sida Pretoria visited the Eastern Cape seven times, during which concerns over project management and ownership were raised by Sida with provincial leadership. Despite efforts of ESV LTAs, PT was not represented at the Annual Programme Review meeting in the Office of the Premier, on 17th March 2005. Sida tabled its concerns over the apparent absence of ownership by PT of the financial management project to the Director-General of the Province. In March 2005 the Swedish Ambassador mentioned some concerns over the project to the Eastern Cape Premier. At a special programme review meeting at the Office of the Premier in April, similar concerns were raised. At the next formal Sida programme review meeting in June 2005 PT did not attend and Sida again raised concerns with the ECPA. In October at the next Sida programme review meeting PT was again not present, with ESV making presentations on behalf of PT.

While there is evidence of the LTAs and Sida making attempts to constitute project management structures and get greater engagement of PT in the project, LTAs continued with project activities that they thought would be helpful to PT and individual middle management staff.

It is evident that ESV Stockholm was unable to contribute towards formally engaging an overwhelmed PT senior management in finding a solution and relied on Sida Pretoria to take the initiative.[12]

The financial management design and funds flow of the project served to further alienate the PT from ownership of the project, and also enabled the project to continue spending funds without any accountability to the partner and perhaps at a time that further funds should not have been spent.

It is concluded that the management and organisation of the project became increasingly dysfunctional during phase two (2004–2006). It is understood that there were moments over this period when state-

[12] In responding to the first draft of this report ESV indicate that "ESV Stockholm visited PT at least four times a year and always met with the PT and discussed the project shortcoming and other. *No official minutes were noted though.*" Top management persons in PT associated with the project (2004–2006) report that they were aware of these visits but do not recall discussing project problems or management. On some visits more junior departmental staff attended a group meeting to discuss the project, but senior management do not recall any formal representations to address concerns over the project.

ments by the MEC, and new Acting Department Heads gave cause for hope and continuation of the project. However, the absence of clearly spelt out mutual obligations in the project document, and the absence of any contract or MOU between ESV and PT provided limited basis for discussions on minimum requirements for project continuation.

There also appear to be limits of effecting project accountability on the South African side. The Government-to-Government agreement designated Sida Pretoria (Swedish Embassy) and the National Government of South Africa as responsible for project implementation. Concerns over the project were raised by the Swedish Government during annual consultations in 2005. PT and ECPA were invited to these consultations but reportedly did not attend. In commenting upon earlier drafts of this report, ESV Stockholm indicates that they were not aware of these developments.

As concerns overall management of the project by ESV it is concluded that ESV did not have the resources and change management capacity to cope with the strategic management demands. ESV had externally procured a total of four LTAs. All three that resigned indicated that they did not get the ESV support and back-up that was needed to manage the crisis situation they found themselves in. ESV itself did not have the staffing, experience or management capacity to dedicate towards responding in any way to the breakdown. On the ESV side the designated project manager was located in Stockholm. This evaluation is not aware of any letters or minutes of meetings between the ESV project manager and the counterpart responsible in PT.[13]

While project flexibility and a longer-term vision is important, ESV should perhaps have seriously considered, and written to Sida and PT, about the possibility of suspending project operations and activities until PT was in a position to contribute towards a reformulation process. In effect, ESV maintained a positive attitude and provided reports that did not match with the found reality.

In an ESV report to Sida in October 2005, (at the time the entire top management of PT has been suspended) that there were challenges but they considered it worthwhile to continue the project as per normal. The analysis by ESV of the situation (in their October report and in their 2005 Annual Report) is surprising:

> *"The project is however very well integrated in the organization and is able to work with the remaining staff and there is a general consensus on the areas and projects where the support is directed. The project is therefore not totally dependent on high level formal decisions that could be difficult to obtain."*

Six months later, in the ESV six month report to Sida for the period January to June 2006, the above-quoted statement is again cut and pasted verbatim into the paragraph reporting on project challenges.

In describing the "way forward" ESV states in it June 2006 report to Sida:

> *"The project has therefore to limit its activities to what is feasible in this environment. The fundamental changes that are now forthcoming should however make it possible for the program to be used in its full potential."*

The above statement was made, despite ESV not having submitted a project work-plan for 2006. ESV continued to contract short-term ESV consultants to the value of SEK1,123 million (up to November 2006) to work mostly on producing an accounting handbook.

[13] In its comments to the draft evaluation report, ESC has the following response: "ESV Stockholm visited PT at least four times a year and always met with the PT and discussed the project, shortcomings and other. No official minutes were noted, though." A second comment indicates that ESV Stockholm did have "meetings" with the new Superintendent General in 2006.

Objectives, Outputs and Activities

In addition to not clarifying what it meant by capacity development, the 2004 project document did not have a statement of project objectives in relation to proposed activities and outputs. The proposed activities were in effect cherry-picked as 18-standalone products largely aimed at producing technical analysis documents which would somehow then be taken up by the respective line managers within PT to effect change in PT operations. The vaguely proposed activities and outputs in table two below are quoted verbatim from the project document.

Table Two: Outcomes of proposed Activities and Outputs 2004–2006

Activity	Output	Outcome
1. Review of the strategic planning guidelines to facilitate the operationalisation and costing of PGDP priorities	Reviewed guidelines	No progress
2. Review of available output and performance data to be used in the strategic plan	Circular on what data should be presented in the strategic plan.	No activity
3. Analysis of multiyear budgeting: conditions, constrains and uncertainties explored.	Pilot Paper	Concept paper produced
4. The budget process to be aligned to the strategic planning process	Guidelines for strategic planning	Concept paper, but no strategic planning
5. Development of departmental budget process charts and guidelines. Facilitating budget process seminar	Departmental budget process and guidelines in place in all departments	Budget Guidelines and update of Budget Training Manual Published December 2006[14]
6. Budgeting and planning: Presentation of and development of alternative options to improve budget calculations	Pilot Paper	Concept paper on personnel budgeting
7. Analysis of constraints in spending of HIV/AIDS allocations from conditional and equity grants.	Report on findings and recommendations	No activity
8. Facilitation of a workshop on forecasting techniques	Report from forecasting seminar and plan of action	Workshop with Swedish experts conducted and recommendations documented
9. Development of an accounting handbook, systems and procedures for monitoring of the on-going accounting process	Accounting Handbook	Accounting handbook prepared – printed in January 2007 – no procedures for monitoring
10. Analysis of treasury functions regarding accounting and reporting	Discussion Paper	No paper
11. Plan of operation for implementation of accrual accounting and budgeting by linking up with National Treasury plans and regulations.	Implementation plan	Not achieved
12. Development of integrated guidelines for strategic plans and annual reports	Guidelines	No activity
13. Workshop on the new format conducted in the province for the implementation	Workshops performed	One workshop held
14. Organizing the Municipal Finance unit and identification of systems needed	Support to project manager	Support provided but limited impact
15. Process for setting of fees levels and revenue targets for internal revenue. Review of collection systems and administration	Support to project manager	Support provided but no guidelines
16. Review of the internal audit function in departments	Report on findings and recommendations	No activity

[14] In December 2006 ECPA and ESV, in collaboration with PFSA, published 1) Provincial Budget Guidelines Manual; 2) A "Budget Training Manual", which was an update of the one produced by SIPU in 1999. These manuals became available in 2007 and were brought to the attention of this evaluation after publication of the first draft report.

Activity	Output	Outcome
17. Exchange visits between ECPA and ESV organised	Exchange reports	Two study visits of PT staff to ESV Day in Stockholm – 2005 & 2006
18. Arranging study visits and exchange visits to institutions	Reports from study visits performed	

It is apparent that the proposed activities have been designed in response to a technical analysis of the financial systems within PT without any strategic consideration as to if and how these proposed papers and "support" would be internalised and sustained once they had be provided.

In three years the project has been able to provide evidence of having partially achieved five of the eighteen outputs planned. Nine of the proposed outputs were not achieved, while three others were partially addressed through the holding of one workshop and the production of two concept papers. ESV has also produced eleven concept papers on various financial management aspects. These papers are happily accepted by certain members of staff within PT, not necessarily always for their potential impact, but often to enable these staff members to table evidence to senior management of progress in carrying out their line-function responsibilities.

The most significant achievement (output nine) has been the production of a comprehensive accounting handbook aimed at setting "standards for accounting practices in all departments and" a "manual for accounting procedures and the preparation of financial reports". The PT HOD has accepted the handbook as potentially useful but it is not clear how, where and if the manual will be used.

In January 2007 two more products were available from the printers:

1) Provincial Budget Guidelines to assist provincial departments in the development of the MTEF Budget. As of 18 February 2007 these guidelines were not published by the ECPA PT on their website;

2) An update of the Budget Training Manual developed by SIPU in 1999.

A follow-up meeting with PT in May 207 revealed that while the manuals are valued as documents, the PT does not have a training strategy and is not sure how they will be used.

Given many delays in implementing planned project activities, ESV produced a series of concept papers which were:

> *"developed to assist, focus and structure activities where need of support has been identified and requested. In most cases the implementation of the activities has not come about mainly due to the shortage of staff during 2005. The papers are however still valid and can be used once this situation has been addressed and the implementation capacity has improved."*
> See Appendix 4: Summary of 11 concept papers produced

It is beyond the scope and expertise of this evaluation to assess the technical value of these concept papers, but it is possible to conclude from interviews conducted that there is little possibility of them being used in the future.

The PT website has an extensive archive of technical documentation which enables staff to download from twenty-six sub-pages of officially published National Treasury guidelines; regulations; protocols, norms and standards; forms, gazettes; memoranda; reports, circulars etc. The ESV concept papers and documentation are not published amongst these. See: http://www.ectreasury.gov.za/PageDocuments Main.aspx?Filter=TREASURY%20GUIDELINES&ID=95B4E7D5-7767-45B9-B901-3FE957793695

The produced documents should be more useful to broader-based and training institutions such as the Institute for Public Finance and Auditing (IPFA) and Public Finance Services Agency (PFSA) – (founded by the PT and the University of Fort Hare).

Twinning

During the second half of 1998 and first half of 1999 the Swedish National Audit Office (RRV) and ESV undertook two studies in the Eastern Cape: a study on financial control and management functions, and an audit mapping exercise.

It is reported that there was some initially some ambivalence on both sides, and capacity constraints within ESV on taking up the role in South Africa. Sida reports internal ambivalence and concern at ESV's withdrawal from Mozambique and signals received from ESV's top leadership. The decision to pursue the South African twinning with ESV was reported as "more policy pushed than demand driven". These delays resulted in a bridging period where SIPU took responsibility for project start-up and implementation from June 1999 to March 2000. This ambivalence is further reflected by ESV's withdrawal from a similar twinning arrangement in Mozambique during 2000, citing "internal policy reasons" (Norad/Sida 2003; p.39).

Whatever the case, ESV's institutional location and mandate provide it with a different engagement perspective to that of a developmental agency such as Sida, or that a private sector contractor. While possessing high levels of technical expertise in financial management, ESV's capacity, experience, 'internal will' and incentives to undertake the intervention in South Africa were uneven.

ESV was not in a position to allocate any of its own permanent staff to long-term advisory posts. All of the LTAs employed were external to ESV, and none of them continued to work for ESV after completing their LTA assignments – limiting the potential contribution to developing ESV's institutional capacity in this regard. The eventual added value of this engagement for ESV is not clear to see.

It is apparent that ESV itself did not have the scale of resources to dedicate the required management, change management, and support needed to engage in a twinning project in an environment as complex and demanding as the Eastern Cape Provincial Treasury. Three of the four LTAs prematurely resigned their posts, with all of them indicating they did not get the support they needed from ESV in negotiating and managing the project. While delays in recruiting LTAs cannot be attributed entirely to ESV, the high turn-over rate and absence of LTAs in the project did have an adverse effect.

The 2002 review found:

> *… it comes out clearly that the back-up function, planning involvement, plain administrative handling and intervention in conflict matters from the implementing Swedish agency have not been sufficient.* (p.33).

This evaluation finds that the same conclusions can be drawn for the period 2004–2006.

The relationship between Sida Pretoria and ESV was also reported as one which needed improved communications and relations. While Sida Pretoria was responsible for the agreement with the South African Government, and had delegated responsibility for approving fund transfers to ESV, ESV saw itself as contractually answerable to Sida Stockholm. Both Sida Pretoria and ESV were positioned to play an important monitoring and mediating role in taking the project forward.

To date, ESV do not have their own policies, procedures and training for preparing and guiding staff in twinning operations such as this one. For reasons which remain unknown, both the first and second LTAs report that they were prevented by ESV from meeting in order to assist in handover and preparations.

It is concluded that no meaningful institutional links between ESV PT were established in the life of this project. The ownership of the project was largely located with the LTAs employed as ESV staff. While commitment to the project has been expressed by both ESV and PT at various times in its life, the motivations for both parties are believed to be based upon different expectations and understandings of the project and the incentives it provided.

Approach to Capacity Development and Role of Advisors

This project employed the "twinning" approach promoted by Sida for the past ten years. Sida's more recent perspectives and practices have expanded beyond a 1990s perspective of "exporting expertise to develop its counterpart" (knowledge transfer) towards a more nuanced capacity development approach of creating the optimum conditions for knowledge acquisition and capacity development to take place. Such a philosophical shift emphasizes management of the developmental context within which the expertise is provided.

The evolving approach to capacity development recognizes that "one size does not fit all" in the provision of technical expertise. Rather, such interventions must be first designed and then managed to best respond to the local context and thereby optimize the conditions in which maximum benefit can be gained in the partner acquiring the expertise being offered.

Based on the evidence of this project, ESV does not have the experience, resources or capacity to engage in an approach to capacity development which extends much beyond making high levels of financial expertise available.

A key conceptual polarisation characterising this project has been a tension between the ongoing provision of "gap-filling" and "fire-fighting" technical expertise with periodic attempts by the LTAs to develop (and stick to) medium and longer-term interventions aimed at developing institutional capacity.

There were clearly differing approaches to and understanding of the meanings and practicalities of capacity development, and what this meant for the role of the LTA. A financial management scanning process by local consultants in 2006 found that the underlying causes of the problems in PT were as follows:

> *"The study reveals that 89% of the problems are people related, 82% process related and 13% respective 8% technology and infrastructure related. The finding, that the main causes of the problems are people/process related, should have a major impact on the FinMIP way forward as it means that any future intervention has to consider the people/process issues in order to be successful." (ESV report to Sida, June 2006).*

The same ESV report to Sida underlines a narrow focus on transferring technical expertise by suggesting that the provision of technical information and training by the project will address the above identified problems:

> *"The main finding in the desktop study, that most problems in financial management are people and process related. Training and information are one of the measures that need to be undertaken. The manuals that have been developed in the project will be an important contribution to the training and information activities that will be an important component if the FinMIP program." (Ibid).*

A follow-up interview with PT in May 2007 reveals that the training manuals were developed and produced in the absence of a training strategy, and there are currently no plans for their use in ECPA or PT. It was reported that the content was good and accessible, and it was possible that PFSA may cut and paste some of this content into their own training manuals.

The ESV website indicates however that the project needed to go beyond production of papers in creating change through a "tedious process of cultural interaction … to be influence on attitudes and behaviour":

> *"However, the experience is that the implementation of the spirit of the PFMA has not been fulfilled. It is obvious, that this implementation of the spirit will be a long and tedious process of cultural interaction, which cannot be carried out through reports or other documents only.*

Therefore, the basic method of change will continue to be influence on attitudes and behaviour, thereby furthering the implementation of the spirit of the PFMA." http://www.esv.se/internationalactivities/esvsinternationalprojects/easterncapesouthafrica.4.e1666ffde6cee058000464.html (accessed 14th January 2006).

It is concluded that the model or conception of capacity development has had conceptual challenges and tensions in developing its approach to capacity development in a foreign and at times authoritarian administrative climate. Some partners in PT and ESV appear comfortable with a view which assumes:

- good policies and practises can be externally prescribed as opposed to being home-grown;
- capacity development is largely about exporting the right technical information and human resource development through training;
- knowledge can be transferred – as opposed to creating conditions which ensure the provision of knowledge which the partner wishes to acquire (ie. knowledge is acquired);

Other project partners (on both sides) appear to have a more recent developmental view on capacity development.

In its 2005 annual report to Sida, ESV indicates that capacity 'building' through the import of local and international consultants has been put on hold as (correctly) PT was not in a position to absorb and use their inputs:

One of the main objectives for the ECPA/ESV project is to contribute to the needed capacity building in the organization. As LTA:s that can be achieved to a certain extent by working along with the staff in the day to day operations. The use of local or international consultants and experts can however only be justified in case there is sufficient capacity, in the organization to absorb and implement the outcome of their efforts. Even though there has been a great demand for consultancy support. For this reason, the project has been reluctant to engage any short term consultants except for the handbook project.

In an ideal world the project should have the flexibility and vision to adjust its delivery of services to match what is most needed by the partner at the time. The project has been unable to adapt through identifying and creating the conditions for the PT to acquire the knowledge it needed. Rather, when the conditions for the export of one set of technical information were not right, the broad project plan enabled the LTAs to try another area that might be better received. The ESV 2004 report to Sida states:

"Unfortunately little time has been given to effective this coordination and the province has not been able to fully receive the assistance and expertise that the project is able to provide. The activities that started with implementing teams was temporarely suspended and other postponed. During the later part of 2004 other activities based in the plan of operation started that were workable at that point in time. In short the greatest challenge during 2004 has been being able to act as an adviser in this much changing environment."

Impact on Financial Management in the ECPA

The project has had no discernible impact on improving the financial management of the ECPA.

There may have been some impact in providing learning opportunities for individual staff members who engaged with ESV staff. While ESV was able to produce documents, for example budget cycle flow-charts, that they believe have provided significant assistance to the PT, this evaluation was unable to speak to anyone who said they did use them.

In the first half of 2006 the ESV project used local consultants (from a contract awarded in 2001) to produce a financial management scanning exercise, which by accounts of the HOD is of important value to the PT. The added value of ESV to this activity is limited as the scanning exercise could also have been paid for from PT funds. The Accounting Handbook has been produced, and by many accounts is a comprehensive document. If and how it might be used by PT is not yet clear. The Provincial Budget Guidelines, and the updated Budget Training Manual are also documents produced by the project which could be of use, *if these were prioritised and carried forward for use by the PT in the future*. It is likely that PFSA and other training institutions will find these publications as very useful.

Collaboration with Other Programme Components

The Terms of Reference for this evaluation require "an assessment of the extent that the programme has collaborated and supported the overall efforts of synergy with other related components of the ECPA programme, i.e. Human Resources Management including the HIV/AIDS programme and later Education".

It has not been possible for this project to engage in any meaningful way with other aspects of the Sida-supported programme. A large part of the reason for this has been not been possible to coordinate and integrate the project into PTs own activities with other line-function departments. The 2004 project document did describe one activity (a joint pilot paper on budgeting techniques with the HR-project). These activities did not take place.

Lessons Learned

At an abstract level much of what is described in this evaluation is already captured and recognised in the body of best-practice and evaluation literature produced by Sida and other similar institutions. Recognition of these 'lessons' does not always easily translate into changed practise. Most of the time the lessons available are not complex and new insights. What is notable from their repeated appearance in evaluations is that these lessons are clearly difficult to put into practice.

Partnership agreements with clearly defined obligations on all sides, having clearly defined project results and activities, do not in themselves guarantee successful project outcomes. Development effectiveness is also determined by the will of those partners and their leaders in maintaining a common understanding of the agreements and adhering to them. When it becomes apparent that the letter and spirit of the original agreement is not being met, it is critical that partnership leadership have the conditions to enable collective consideration of the challenges and then agree on unambiguous adjustments that better meet their mutual needs.

The opportunity cost of maintaining a results-focussed partnership is inversely related to the value of project outcomes for each partner. Positive or negative mutually reinforcing spirals can emerge – the lower the perceived value of the cooperation, the less the partner is prepared to invest in making it work. Highly valued outcomes lead to increased efforts to resolve any threats to that ongoing value.

While this evaluation has explored various obstacles and challenges faced by the project in its lifetime, a fundamental challenge has been the persistent absence of conditions in which a common understanding of purpose was held, and where challenges experienced could be monitored, discussed and collectively responded to.

While the intervention was broadly aligned with South African strategic priorities of implementation of the Public Finance Management Act, many activities could be classified as being aligned with the intention of supporting the implementation of the Act. What has been more important is that there has not been institutional ownership by PT of the project or the activities it could undertake.

In an ideal world a successful and flexible project of this nature would have been negotiating adapting the project to meet the challenging implementation conditions as they emerged – to be able to procure expertise and assistance which went beyond financial management expertise. Such outcomes assume and require a close working relationship and trust between the two parties. This context did not exist in this project.

The challenging implementation conditions existed since before ESV conducted its first mapping exercise in 1998 – they were the very reason why the Deputy Minister of Finance requested assistance from the Swedish Government.

This project has been a lost opportunity created by the convergence of a number of systemic and design challenges. Instead of the project contributing to positive change in the Eastern Cape, the powerful forces of the Eastern Cape have resulted in the project operating in a manner that is not that different from what needs to change in the Eastern Cape.

The first lesson learned must be not to hurry diagnosis and design in the face of any political pressure from either side. An associated lesson must be that those designing the project should ideally be independent from the 'political' forces from either side and should have knowledge and experience of objectives-oriented project design in development assistance.

The evaluated project was designed with a vision of exporting financial management knowledge and was not able to adjust when there were broader needs that became priority. The project was unable to adjust its focus to the developmental context and respond appropriately. From the project perspective then, lack of implementation becomes an external problem caused by the inability of the receiving partner to absorb the expertise that is waiting to be exported. Delays are 'because the partner is not ready', rather than considering that the project as designed is perhaps not best suited to the partners' needs.

Much of the current literature highlights the need for greater attention to be paid to the diagnostic phase in which rigorous organisational and institutional analysis provides an important foundation for formulating a design that fits the found context (DFID, 2006, NORAD/Sida, 2006). Key to the design process is a focus on:

- Ownership and a shared vision among key stakeholders;
- A clear statement of objectives and provision of a monitoring framework that enables assessment of progress against these objectives;
- Proactive leadership provided with clearly defined management structures which enable a shared response and adaptation to found problems.

While there is shared responsibility for the failure of the project to achieve its intended outputs, this must also be understood in the context of difficulties experienced at PT specifically and ECPA generally. During the focus period of 2004–2006 the Provincial MEC responsible for finance was relieved of his duties soon after the President appointed a new Provincial Premier. The appointment of a new Premier was widely interpreted as a move to stabilise tensions in a province experiencing debilitating political divisions in the ruling party. The Superintendent-General (Head Official), his successor, and two of the four Senior General Managers were subsequently suspended and were not re-employed. Counting others who resigned, nine of the eighteen senior PT management represented in the March

2005 annual report left the department during 2005. The PT has had four head officials over this three-year focus period.

While the PT has made significant steps in replenishing its staff complement in 2006, the staff shortages have severely limited opportunities for ESV to engage counterparts and co-manage the project. It appears that at some stage, without external support to effect the desired changes, the LTAs accepted they would work largely 'on their own'. The project increasingly took on a life of its own. Effectively isolated from any substantial access to senior managers, ESV staff continued to work with an "open door policy" trying to provide assistance to whoever came to ask for it. In phase two there was no effective consultation or approval of project work plans, budgets and expenditure by PT. The latest Head of Department, who assumed duties in January 2006, reports feeling he was not able to have any influence in direction and utilisation of project funds or being able to redirect the project in its choice of priorities.

Throughout its life the project has experienced differences in expectations on the roles and responsibilities of the LTAs – with ECPA requiring gap-filling in an ongoing situation of crisis management, while the LTAs have voiced frustration in not being able to play the advisory role they believe they were hired to perform. The LTAs felt blocked in not getting their suggested longer-term institutional capacity development activities approved, or if they were approved, failing to get line-function managers' buy-in to get them implemented.

While conditions in the ECPA Cape remain challenging, a key element that contributed to the limited success has been the repeated failure of stated and agreed intentions to establish and/or maintain management structures.

The approved phase two project provided a very limited account of the nature and membership of project management structure, but these were never implemented. In the course of the last three years there was only one Project Management Team meeting and no Project Steering Committee meeting. For its part, Sida monitored development closely, visiting the province seven times in 2005. The Ambassador discussed the project with the Premier; Sida discussed the project with the new MEC; Sida raised concerns in two of the three programme review meetings with the Director-General in the Office of the Premier, and also tabled these concerns at the annual government to government consultations in Pretoria.

The institutional capacity of ESV to take up the project management challenges is questioned. In this case the structuring and monitoring of contractual relationships between Sida and other Swedish Government institutions provides learning opportunities for further strengthening future twinning arrangements in the context of broader cooperation specifically, and the Policy for Global Development more generally.

A lesson worth further discussion in the Swedish system concerns that of unfunded mandates to Government institutions with respect to development cooperation. It appears there is a temporary contradiction between the stated will of the Swedish Government through the Policy for Global Development and the inability to provide these government departments with the budget appropriations necessary to carry-out this developmental mandate.

For its part, ESV has been unable to create conditions conducive to sustained institutional relations – hiring four outside consultants who are not always best suited to the context into which they were immersed, without preparation, job descriptions, or ESV policies to guide them on working in developing countries. To date ESV does not have policies or procedures to guide the preparation, induction and management of staff or outsourced LTAs in development cooperation projects. With one exception the LTAs recruited were not experienced in development assistance work in public sector developing country contexts. ESV itself did not have the resources to negotiate and manage the cultural differences, conflicts, change management and external strategic considerations that frustrated their perceived role of "transferring financial management know-how". Three of the four LTAs resigned their posts prematurely, and all indicated disappointment in not receiving the support and back-up they felt was needed from ESV.

The emerging literature on technical cooperation indicates that: "The quality and appropriateness of skills for the role administered by the (LTA) … are critical, with interpersonal skills being particularly important" as a determinant of success (DFID, 2006). In this context, a *further lesson with respect to hiring staff* could be to consider developing key professional competence criteria and possibly utilising professional psychometric services in helping to assess the suitability of short-listed candidates.

An important lesson is for the need to pay meticulous attention in clearly defining, and having shared agreements with all parties on the roles, responsibilities and approaches of the LTAs and short-term consultants. Clear terms of reference should be part of the contract between ESV and its hired consultants. It would also strengthen project implementation if the twinning institutions and related stakeholders could sign memoranda of understanding outlining the vision, purpose and management modalities of the project.

There is evidently no prospect of a sustained institutional relationship resulting from the twinning arrangement, and the overall value of the project to ESV as an institution is questionable, especially as none of the four LTAs recruited continued to work in ESV.

A further learning concerns the nature of the framework agreement and project-specific agreements between Sida and other Swedish Government agencies in twinning arrangements. While it is recognised that there have been a number of successful institutional twinning arrangements between Sweden and South Africa (for example: police services and tax services), contractual contingencies for unexpected difficulties should be made.

While Sida contracts with private sector service providers are generally more specific and, for example, require development partners to sign off on plans, invoices and payments, as a Swedish government agency ESV's framework agreement and contract was broader and did not contain such details. During 2005 and 2006 ESV has been submitting project work plans, budgets and invoices for payment without any formal approval or sign-off from the partner.

In responding to political imperatives and requests from within Sweden (twinning) and from development partners (request from Deputy Finance Minister for assistance) Sida might strengthen its interventions through requiring more rigorous initial appraisal of the capacity needs and will of both the identified twinning partners to respond to the stated political vision. *The capacity needs of either partner in the proposed twinning relationship could well be different, but both need careful analysis, recognition and support.*

Appendix 1 Terms of Reference

Democratic Governance in South Africa:

Terms of Reference for an evaluation of the Swedish support to the Eastern Cape Provincial Administration, Provincial Treasury through the Swedish National Financial Management Authority (ESV)

1. Introduction

Sida has supported the Eastern Cape Provincial Administration (ECPA) since 1999. Initially the programme had two components: The *Human Resources Development* component (today also including an HIV/AIDS workplace programme) where support is provided to the Office of the Premier through SIPU International; and the *Financial Management* component where institutional cooperation takes place between the Provincial Treasury and the Swedish National Financial Management Authority (ESV). A third component was added to the programme in 2004 when *support to the Department of Education* was started through a joint venture of Copenhagen Development Consulting, Denmark and JET Education Services, South Africa.

These terms of reference for an evaluation deal exclusively with the financial management component of the ECPA programme.

The first phase of Swedish support covered the period October 1999 to December 2003 with a total amount of 66,5 million SEK allocated for the two components. In regard of the financial management component, the work was carried out by South African consultants during the first year, but from the last quarter of 2000, ESV had at least one international long-term consultant posted in the province. Total expenditure during the period 1999–2003 amounted to around 16,2 million SEK for the financial management component.

In order for Sida and ECPA to get a second opinion of the work carried out so far and to give advice for the preparations of a possible second phase of the programme, an independent review was undertaken during the second half of 2002. This very ambitious review, which was carried out by a Swedish-South African consultancy team of four specialists, covered both the human resource- and the financial management components of the programme. In regard of the financial management component, the overall conclusion of the review team was that the project had not been able to deliver the expected results as originally envisaged. Amongst the findings by the review team were also the lack of functioning project management structures, the fact that ESVs long-term adviser had become much of a gap-filler and that the project was not well integrated into the line-work of the provincial Treasury. Based on these findings the team's main recommendation for the future was therefore a complete restructuring of the project, including a twinning arrangement between ESV and National Treasury within the field of accrual accounting where the ECPA Treasury would be a pilot site. With higher ambitions, the planning- and budget processes could also be supported in the Eastern Cape Province. Other recommendations concerned improved project management structures and close and frequent monitoring of the project.

For a number of reasons Sida chose not to follow most of the recommendations. One was the opinion that a focus on mainly one area (accrual accounting) was a too narrow approach. In addition there was never a request for support or twinning by National Treasury. Also the new ambitions would have led the project to grossly overspend available funds. Furthermore, a visit to ECPA by one of Sida's financial management experts confirmed that the new long-term advisers proved able to increase trust and cooperation with the Provincial Treasury and had started the work to re-align project activities with the priorities of the province. The conclusion by Sida was that restructuring the project would have jeopardized the achievement that had actually been made.

The financial management component was subsequently prolonged with the addition of 1 million SEK until March 2004 in order for the proposal covering 2004 –2006 to be assessed without any interruption in the activities. The second phase of cooperation covered the period 2004–2006 and a total of 25 million SEK was allocated to the financial management project for this period.

Considering the findings of the review team, the second phase of the financial management project was forward looking rather than based on results of the first phase and in its assessment Sida emphasized the importance of close monitoring and reporting as well as proper project management structures. A completely new plan of operations for the three-year period 2004–2006 was presented which covered operations in 18 areas, grouped under four headings: A. Budgeting and Planning; B. In-year monitoring of expenditures and revenues; C. Financial Accounting; and D. Other areas, the latter including e.g. municipal financial management and support to institutional twinning activities between ECPA Treasury and ESV.

The project has now reached the end of its second and last phase which takes an end on the 31 December 2006. During this phase – particularly at the beginning of the period – a number of activities were carried out according to plans and achievements were made within certain areas. At the same time it is clear that the project has encountered significant and numerous challenges which has resulted in the fact that the high expectations for the second phase have largely not been possible to meet.

These challenges can be attributed to a number of circumstances and there are most likely several, inter-related reasons behind the difficulties encountered in the project implementation. What appears to be one of the main reasons is e.g. the extremely high turn-over of personnel within Provincial Treasury, which has resulted in a lack of counter-parts for ESV's long-term advisers, thus in various ways affecting the possibilities for development work within the organisation. Other relevant dimensions in this context are e.g. issues around ownership and commitment to the project, the general working environment in ECPA and the way that the project management has been functioning.

2. Purpose of the Evaluation

Against the above background and for possible future programmes and projects within this area, it is important to reflect and learn from the experiences in the ECPA/ESV financial management programme.

The overall purpose of this end-of-project evaluation is therefore to identify and document the lessons learnt from this programme. As a basis for drawing these conclusions, the aim is on the one hand to get a broad picture of what has been achieved and what has not been possible to achieve from the programme inception in 1999 up to date, with an emphasis on the second phase of cooperation. On the other hand, the aim is also to identify and analyse obstacles and challenges encountered during the project implementation and how these challenges came to affect the project outcomes.

3. The Assignment (issues to be covered in the evaluation)

The assignment shall focus but not be limited to the following key issues:

1. a broad description and analysis of the overall impact of the project on financial management within ECPA, and to what extent the programme has fulfilled (or not managed to fulfil) the objectives set out in the different project documents, with a particular emphasis on the second project phase;

2. identification and analysis of the obstacles and challenges encountered in the project implementation, and within which context these challenges occurred;

3. an assessment of the extent that the programme has collaborated and supported the overall efforts of synergy with other related components of the ECPA programme, i.e. Human Resources Management including the HIV/AIDS programme and later Education;
4. an assessment of the effectiveness and overall management of the programme including issues in relation to the formal project management structure and the role of ECPA Treasury and ESV respectively, as well as issues connected to the monitoring and follow-up of the project by the different stakeholders;
5. an assessment of the extent that more sustainable institutional links and collaboration have been established between the two cooperating institutions linked to issues around ownership and commitment to the project within these organisations;
6. a concluding analysis of the main lessons that can be learnt from this programme

4. Evaluator, Methodology and Time Schedule

The evaluation will be conducted by an independent South African consultant.

In carrying out the assignment the following tasks should be fulfilled:

– Available documentation regarding the agreement and the programme should be studied before the field work starts;
– Interviews should be carried out in Pretoria, the Eastern Cape Province, Stockholm and possibly other locations with personnel from inter alia ECPA, ESV, Swedish Embassy, Pretoria and Sida/Stockholm who have key knowledge of the project and in one way or another have been/are involved in the institutional cooperation.

In order to carry out the assignment, the Embassy/Pretoria, ESV, ECPA and Sida/Stockholm shall provide the consultant with the necessary support in terms of available documentation and interviews. In this context it should be noted that there are significant limitations regarding sources of information in the Eastern Cape, as most officials who were previously part of the programme have left the provincial Treasury for one reason or the other and will therefore most likely not be possible to interview.

The assignment should be carried out between November 2006 and January 2007. The total time for the assignment should not be more than 18 days, including reading the documentation, interviews, field visits and report writing.

5. Reporting

The consultant shall prepare the report in English and the format and outline shall follow the guidelines in *Sida Evaluation Report – a Standardised Format* (see Annex 1). The final report must be presented in a way that enables publication without further editing. It shall be analytical and react to key issues raised in the terms of reference and clearly state conclusions. Subject to decision by the Embassy, the report will be published in the series *Sida Evaluations*.

A final report should be submitted within two weeks of receiving comments from Sida. An electronic version of the report shall be submitted to the Embassy/Pretoria, Sida/Stockholm, ESV and ECPA.

The evaluation assignment includes the completion of *Sida Evaluations Data Work Sheet* (attached) including an Evaluation Abstract as defined and required by DAC. The completed Data Worksheet shall be submitted to Sida along with the final version of the report.

Appendix 2 List of People Interviewed

Eastern Cape

- Professor Newman Kusi: Superintendant General and Head Official of Provincial Treasury;
- Professor Theo Jordan: Accountant General, Provincial Treasury;
- Mr Qonda Kalimashe, General Manager Provincial Finances;
- Mr Sam Bosire: Chief Information Officer, Provincial Treasury;
- Mr Dominic Qhali: Director Cash Management, Provincial Treasury;
- Mr Magalela: Director Municipal Finance, Provincial Treasury;
- Mr Sean Barrett: Senior Consultant, SIPU
(local consultant responsible for managing SIPU implementation of the project 1999–2000)

ESV

- Mr Bengt Anderson: Deputy Director General;
- Mr Bo Dahlstrom: Head of International Operations;
- Ms Annika Davidson; STIC, ESV;
- Mr Frederik Lennartson: LTA;
- Professor Jan Bergstand: LTA;
- Mr Lennart Ljung: LTA;
- Mr Per Anders Jansson: LTA;

Sida

- Ms Anne Ljung: First Secretary (Development), Embassy of Sweden, Pretoria;
- Mr Dag Sundelin: Counsellor (Development), Embassy of Sweden, Pretoria;
- Mr Thomas Kjellson: Sida Stockholm;

Appendix 3 Key References Consulted

ESV Project Reports to Sida:

Annual Reports 2001; 2002; 2003; 2004; 2005.

Progress reports: June 2001; October 2002; March 2003; September 2003; April 2004; August 2004; November 2004; October 2005; June 2006.

Project Documents, agreements and assessments:

SIPU: (1999). Human Resource and Financial Management Cooperation Programme;
ECPA-ESV Project Document for 2004–2006 and Plan of Operation for 2004.
Plan of operations for 2005.
File of extensive project-related documentation provided by ESV to Provincial Treasury Head of Department in January 2006;

Specific Agreement between the Government of Sweden and the Government of the Republic of South Africa on Support to the Eastern Cape Provincial Administration for the period 1 April 2004–31 December 2006.

Maqubela, N.; Pettersson, M.; Sjolander,S. and Sondiyazi, M. (2002). *The Eastern Cape Provincial Administration and Sida: Cooperation in human resource and financial management: A Review.*

Sida DESO/DESA (March 2004). *Assessment Memorandum: Continued support to the Eastern Cape Provincial Administration, Provincial Treasury, through ESV 2004–06.*

Eastern Cape:

Provincial Treasury Annual Report for the Year Ending 31 March 2005.
Budget speech and policy statement 2006/07. The Honourable Bill Nel, MEC for Finance.
www.ecprov.gov.za
http://www.ectreasury.gov.za/PageMain.aspx
Various correspondence between ECPA and Sida

ESV

ESV (2005). Annual Report 2005.
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General references

Development Assistance Committee (2006). *Harmonising Donor Practices for Effective Aid Delivery: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management.* Volume Two.

Development Assistance Committee (2006). *The Challenge of Capacity Development: Working towards Good Practice.* DAC Network on Governance.

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DFID Synthesis Report EV667. (June 2006). *Developing Capacity? An Evaluation of DFID-funded Technical Cooperation for Economic Management in Sub-Saharan Africa*. Oxford Policy Management.

Dyrssen, H. (2006). *Public Financial Management in Mozambique*. In *Time for Rethinking: Capacity Development in a Changing Landscape of Development Cooperation*. Sida: POM Working Paper 2006:3.

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Sida (2003). *Best Practice in Building African Capacity for Public Financial Management: The experience of NORAD and Sida*.

Sida Evaluation 04/29. McGill, R.; Boulding, P. and Bennett, T. *Mozambique State Financial Management Project (SFMP)*. DESO/DESA.

Sida (1997) *Financial Sector Development*. SIDA3505en.

Appendix 4 Summary of 11 Concept Papers Produced

Budget Book and Data Collection/Compilation

The previous year's compilation of the budget book and work around the budget process has been a struggle for stakeholders involved. Now there was a common interest to improve this for the 2005/2006 budget process. Initiative was taken to look into how other provinces handle their processes. A study trip was made to the Western Cape and the conclusion was that a similar approach can be used in the Eastern Cape.

Department budget process

The purpose of this initiative was to identify needs and challenges in the current budget process, show possible improvements on all levels involved and further to get an overview of the entire budget process. The main focus is personnel budgeting and the importance to carry out this initiative with the support and cooperation from selected departments.

Budget tool

There is a need in improving the budget process within treasury as well as at the various departments to carry out an efficient and effective budget process. It is therefore of great importance that the data is collected, well managed and reported in time. If this is not the case the whole process is weakened.

The purpose of this initiative was to identify needs and challenges in the current process, show possible improvements in budget processes and get an overview of how it can be done with more support and cooperation from the line departments in the province.

Personnel Budgeting – Way forward

The national treasury has developed a new personnel budgeting model. The Personnel model has been developed to assist departments in the budgeting and forecasting of personnel expenditures. Compensation of employees is a major component of each department's budget.

The purpose of this document was to inform the Executive Management about personnel budgeting model.

Concept paper In-Year Monitoring

The In-Year Monitoring System should produce correct information on forecasting and interventions to facilitate sound financial management of the province. In-Year Monitoring-submissions need to be done on time, be properly signed and contain trustworthy information.

This document served as an input in the discussions on how the In Year Monitoring (IYM) process could be managed and improved in the province.

In-Year Monitoring Proposal

The purpose of this memorandum was to inform the executive management of the challenges experienced in the In-Year Monitoring (IYM) within the Eastern Cape provincial departments. It contains the interventions/recommendations that have been made by Provincial Treasury and the Executive Committee (EXCO) to deal with these challenges and makes recommendations on the way forward.

Provincial Budget Committees and Teams

The purpose of this document was to describe the processes, roles and responsibilities of the committees and teams involved in the provincial budget process and propose how the various stakeholders involved in the budget process could interact at national as well as at the provincial level.

Budget Process Seminar

The purpose of this initiative was to identify needs and challenges in the current existing process, show possible improvements on all levels involved and further to get an overview of the existing process. The objective was is to review the existing budget process in order to find what improvements could be made in the 2005/2006 budget process.

Payment Process Challenges

There is a general perception in the province that payments to creditors are not fully in line with above mentioned regulations. In order to address this issue it is important to have relevant and valid information, it also important to separate different reasons for late or non payment. Based on correct information it is possible to verify each challenge and address issues resulting in late or non payment not caused by creditors.

This document underlines the importance that problems are identified and addressed within the existing framework of systems and processes before any changes and new processes and systems are considered.

Asset Management Concept Paper

In the letter and spirit of PFMA the province shall initiate the implementation of "Asset Management". Provincial treasury shall take the leading role by assisting and give support to the departments in the process of implementation. This imitative was to assist the implementation project initiated by provincial treasury.

Instruction for handling Project databases

The rational of a project data base is to collect all relevant project information in one place, where the information can be correct and available for the project members.

This document describes the basic features in a project data base.

Appendix 5 ESV Comments to Albertyn Report

DATE

2008-04-14

OUR REFERENCE

Bengt Anderson

Bo Dahlström

Swedish Embassy in Pretoria

ESV comments to Albertyn report, 2008-04-14

ESV was pleased to have the project reviewed and agrees with many of the points made. However, we should in turn, like to offer some evaluative comments on the evaluation.

Both the embassy in Pretoria and ESV underestimated the difficulties that would arise as consequence of the political turbulence in the Province.

Political turbulence was the most important single factor affecting the outcome of the project. The MEC was dismissed– as were project counterparts; every senior official was replaced. This meant that new relationships had to be established with new officials.

The inevitable result of high staff turnover with consequent loss of institutional memory meant that the project became more and more isolated from mainstream operations. Obviously, outcome/impact would be affected. Other management structures or other imputs from ESV Stockholm would have made little difference.

Two key stakeholders, Mr Monde Tom and Ms Mendoe Dukada, project leaders from 1999 to 2005, were not interviewed. Any evaluative judgements made without the benefit of their unique experience would seem less than reliable.

It is well known that treasury departments by their very nature are difficult to penetrate and to impact; the evaluation might have acknowledged this.

ECPT has requested that the project be prolonged; their evaluation would seem to be positive.

Recent Sida Evaluations

2008:01 United Nations Regional Centre for Peace, Disarmamant and Development in Latin America and the Caribbean (UNLIREC)
William Godnick, Heido Ober, Charlotte Watson
Department for Cooperation with Non-Governmental Organisations, Humanitarian Assistance and Conflict Management

2008:02 Swedish Democracy Promotion through Non-Governmental Organisations in Bolivia, Guatemala, Nicaragua and Peru
Outcome Oriented Evaluation of Diakonia's Latin America Programme
Staffan Löfving, Charlotta Widmark, Roddy Brett, Victor Caballero, Miguel Gonzalez, Cecilia Salazar, Fernanda Soto
Department for Evaluation and Internal Audit

2008:03 Phasing-out Swedish Health Support in Luanda, Angola
A study of the Evolution of Reproductive and Child Health Services, 2006–2007
Kajsa Pehrsson, Kenneth Challis, Tazi Maghema
Department for Democracy and Social Development

2008:04 The Southeast Asian Network for Agroforestry Education (SEANAFE), Phase II Indonesia, Laos, Philippines, Thailand, Vietnam
"Sharing Knowledge on Markets, Landscapes, and Environmental Policies"
Bo Tengnäs, Awang Noor Abd. Ghani, Hendra Yanto
Department for Natural Resources and Environment

2008:05 Apoio Saudável? Um Estudo do Apoio Sueco à Saúde em Angola 1977–2006
Kajsa Pehrsson, Lillemor Andersson-Brolin, Staffan Salmonsson
Department for Democracy and Social Development

2008:06 Organisation for Social Science Research in Eastern and Southern Africa (OSSREA)
David J. Francis, Jim Björkman, James Manor
Department for Research Cooperation

2008:07 Sida's support to Information and Communications Technologies (ICT) for development
Alan Greenberg
Department for Infrastructure and Economic Cooperation

2008:08 Capacity Building for Decentralisation and Local Self-Governance, phase II, Mongolia, 2001–2004
Staffan Engblom, Nicklas Svensson, Peter Westermark
Department for Infrastructure and Economic Cooperation

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Daniel K. B. Inkoom
Department for Africa

2008:10 Sida Funded Initiatives Targeted at Gender Equality in Georgia
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Pierre Frühling, Francesca Jessup
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A complete backlist of earlier evaluation reports may be ordered from:

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