higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

POLICY ON OFFICIAL DEVELOPMENT ASSISTANCE AND PARTNERSHIPS

VERSION	01
BRANCH	OFFICE OF THE CHIEF FINANCIAL OFFICER
DIRECTORATE	DEVELOPMENT SUPPORT
AUTHOR	MAAKA-TLOKANA G
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1. INTRODUCTION AND PURPOSE

The policy is designed to provide guidelines on the management of Official Donor Assistance and partnerships in the Department of Higher Education and Training.

2. POLICY STATEMENT

The policy is developed with an aim of assisting on the processes of prioritisation, coordination and management of Official Development Assistance and partnerships in the Department of Higher Education and Training. The policy will assist in outlining procedures and roles amongst all role players in order to ensure organisational efficiency, productivity and cohesion in soliciting development resources.

3. LEGISLATIVE FRAMEWORK AND APPLICABLE PRESCRIPTS

The policy shall be read in conjunction with the RDP Fund Amendment Act, 1998 (Act No. 79 of 1998), the Policy Framework and operational guidelines for the management of Official Development Assistance (ODA) as well as the Public Finance Management Act and Treasury Regulations. Official Donor Assistance shall be designed and managed in full compliance with the international concepts of aid management including the 2005 Paris Declaration on Aid Effectiveness.

4. SCOPE OF APPLICABILITY

The policy applies to all staff, role players and organisations that will engage in Official Donor Assistance or partnerships with the Department.

LEGISLATIVE FRAMEWORK THAT GOVERNS DONOR FUNDING

- The Reconstruction and Development Programme (RDP) Fund has been established for domestic and foreign grants.
    - The Accountant-General in National Treasury is the accounting officer responsible for the administration of the Fund;
    - The accounting officer of the Department is accountable for the money allocated to the Department;
    - Transfers are made to a department in accordance with the relevant technical assistance agreement; and
    - Unspent money at the end of each financial year must be returned to the RDP fund.

5. GLOSARY OF TERMS

Accountability: Refers to both financial and accountability-answerable/ liability for the management and control of resources, and for project management.

Accounting Officer: Head/CEO of a South African implementing agency, or person to whom accountability is delegated in accordance with the PFMA, other relevant legislation and technical cooperation agreements.

Aid Modality: The way aid agency support is channeled to the activities to be funded. A basic distinction can be made between: budget support, (which is integrated into the national budget of the recipient country and used according to national public expenditure management rules and procedures);

Parallel support, (which is kept separate from the general resources in the national budget, but still be reflected in the national budget, and which is used according to rules and procedures that may be more or less in conformity with those laid down in the national public expenditure management system); and

In-kind support (which enters the recipient country in the form of goods or services). The term "aid modality" is often used interchangeably with "aid instrument".

Counterpart Contributions: Complementary contributions in cash or kind made by recipients of ODA to those of their development partners. This is important for proof of importance/ relative priority and longer term sustainability of donor-supported interventions.

Development Cooperation: The process of ODA (see Official Development Assistance). The term is used increasingly to reflect the concept of partnership between recipients and their development partners.

Framework Agreement: Other terms used are overall agreement, general agreement and umbrella agreement. These agreements are also technical assistance agreement as defined in the RDP Fund Amendment Act. They are used to set out the broad parameters/conditions for development cooperation between South Africa and particular development partners.

General Budget Support: Financial support from a donor that is channeled into the general treasury account of a recipient country where, as an integral part of the resources herein, it co-funds the national budget. The support is thus not earmarked, and it is used according to the national public expenditure management rules and procedures.

ODA Coordination: The process of ensuring integration of ODA management with South Africa's development priorities, strategies and delivery systems. ODA coordination is a South African Government responsibility and, as such, should be distinguished from development partner coordination.

Official Development Assistance (ODA): Resource flows to developing countries and multilateral institutions provided by official agencies, including state and local government, or by their executive agencies, each transaction of which meets the following test: a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective, and b) it is concessional in character and contains a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent). In this document, the concept ODA is used in a more restricted sense, referring to:

Official resource flows from the international donor community to South Africa in the form of grants, technical cooporation, where the South African Government is held at least partially responsible or accountable for the management of such resources.

1. In terms of section 13 (1) (e) of the PFMA donor funds received in terms of an agreement with the donor must be paid into the RDP Fund and are therefore excluded from being deposited in the National Revenue Fund (NRF) .

2. The rationale for the above arrangements is that the donor agreement provides the regulatory and accountability framework for the funds so received.

3. In terms of Treasury Regulation 21.2, accounting officers may approve the acceptance of any gift, donation or sponsorship to the state, whether such gift, donation or sponsorship are in cash or in kind. It furthermore stipulates that all cash gifts, donations or sponsorships received during the course of a financial year, must be disclosed as a note to the annual financial statements of the Department for that financial year.

4. In terms of Treasury Regulation 21.2.2 all cash gifts, donations or sponsorships other than those received in terms of an agreement to be paid into the RDP Fund, must be paid into the NRF. This is mainly applicable to donor funds received from a local agency and the refunding of travel and accommodation cost covered and refunded by a foreign agency.

Reasoning for coordinating donor funding

5. It is important that all funding sources available to the Department are directed to the strategic mission. Coordination is necessary to achieve the objectives required, and to ensure that procedures are followed.

6. There are many potential short and long-term implications of financing the Department's core activities through donor funding. It is therefore important that Senior Management monitors developments in this area and consciously evaluates their implications.

7. In view of the above, Senior Management, consisting of the Director-General and the Deputy Directors-General, has been charged with the responsibility of monitoring the flow of donor funds in an attempt to streamline financial management within the Department. The Chief Financial Officer (CFO) should lead initiatives in this regard.

8. The management responsibility of any ODA intervention must be institutionalised within the Department as the formal owner and driver of the intervention.

9. In terms of section 38 of the PFMA and Treasury Regulation 8.1 the accounting officer must ensure that internal procedures and internal control measures are in place to ensure the effective, efficient, economic and transparent use of resources of the Department. These include not only State funds, but also donor funds and other resources. The following procedure is, therefore, implemented in respect of donor funds, sponsorships and gifts with immediate effect.

6. PROCEDURES

10. The decision to obtain donor funding to underpin a programme(s) is a competency that rests with the relevant Deputy Director-General of the branch where the programme(s) is located, having solicited such approval from Senior Management.

11. A written request, signed by the Deputy Director-General concerned, soliciting international donor funding shall be forwarded to the Chief Directorate: International Relations.

12. The Chief Directorate: International Relations is responsible for establishing contact, liaising, negotiating and coordinating interaction with international donor agencies on behalf of the Department with the express aim of ultimately concluding agreements.

13. All processes prior to the conclusion of agreements between international donors and the Department i.e. preparation for and the actual writing of grant proposals shall be coordinated by the Directorate: Development Support.

14. The Directorate: Development Support will facilitate the development of capacity within the Department as well as in institutions to prepare grant proposals for sourcing donor funding.

15. Once agreements with international donors have been concluded a copy of the signed agreement should be lodged with the Directorates: Development Support and Financial Services. The Directorate: Finance will obtain the approval for the acceptance of the funding can be solicited from the Director-General.

16. The Director-General must approve in writing all donor funding, grants (in kind) or gifts received by the Department.

17. Accessing donor funding requires compiling a business plan that accords with the conventions of the Department or donor modalities.

    Programme implementation

18. The modus operandi that shall be followed will entail:

    The Directorate: Development Support will facilitate the development of business plans by providing technical assistance to project beneficiaries (project managers), whose responsibility is to draft the business plans.

    All business plans developed by project beneficiaries must be approved by the Deputy Director-General of the relevant branch before submission to Directorate: Development Support for appraisal.

    Successfully appraised business plans shall be recommended for approval by the Director-General.

    Where business plans are found wanting in any respect and are consequently returned, the Directorate: Development Support shall provide technical assistance to the project beneficiaries concerned, so as to facilitate the development of plausible business plans.

    Once the Director-General approves business plans, the Directorate: Development Support will alert the Directorate: Financial Services to establish responsibility codes to ensure that project managers have access to funding.

    Project Steering Committee(s) and/ or Project Coordination Team(s) will subsequently be established and coordinated by the Directorate: Development Support, with the approval of the Director-General.

    Should a need arise for deviation from the business plan, the request must be forwarded to the CFO in order to allow the Directorate: Development Support to negotiate with the donors for the reprogramming of funds.

A. PROGRAMME MONITORING, EVALUATION AND REPORTING IN TERMS OF THE FINANCIAL AGREEMENT

Implementation, monitoring and evaluation of the programme are the responsibilities of the beneficiary directorate.

The Directorate: Development Support is responsible for more intrusive monitoring and evaluation of donor-funded programmes with particular bias towards assessing compliance as captured in financing agreement that regulate donor funding.

In execution of this task the Directorate: Development Support will carry out on-site visits, mid-term reviews of the programme, requesting and receiving progress reports pertinent to determining progress in relation to programme output indicators as well as commissioning a full-scale financial and performance audit of the programme in collaboration with the donor.

The Directorate: Development Support has the responsibility of ensuring appropriate intervention for corrective measures where deviations are identified.

Project managers are liable for the submission of monthly, quarterly and annual reports signed by the relevant Deputy Director-General. The Directorate: Development Support will analyse, consolidate and collate the reports for submission to the Director-General.

The Directorate: Development Support will coordinate reporting on donor funding to the Department, National Treasury and donors in line with the *Policy Framework and Operational Guidelines for ODA* 1st Edition, 2011.

The Directorate: Development Support and the donor will collaboratively develop a programme closure report.

B. PROCEDURE IN RESPECT OF LOCAL DONORS

Coordination of partnerships/and negotiation with local donors/international companies

19. The Directorate: Development Support is responsible for all liaison with international companies (see par 22) local donors including initiating, facilitating and coordinating interaction with local donor agencies on behalf of the Department.

20. Branch Heads will first approve all requests (proposal) soliciting local donor funding.

21. All negotiations with international companies/local donor agencies up to the moment when the Memoranda of Agreement are concluded is the responsibility of the Directorate: Development Support coordinating the Department's response to any Corporate Social Responsibility or individual of largesse to education.

Programme implementation

22. Once a Memorandum of Agreement with a local donor has been concluded with the Department, the Directorate: Development Support will manage the evolving relationship as well as coordinate the implementation of programmes underpinned by local donor funding.

The modus operandi will entail: Facilitating the development of business/project plans based on the Memorandum of Agreement signed by the Deputy Director-General in the branch where the beneficiary directorate is located.

Appraise the business/ project plan and solicit the Director-General's approval for business plans that conform to the standards of the Department in line with section 19 of the policy.

Once the Director-General has approved a business plan the project will be managed in line with financial and procurement modalities approved by both parties. Donor modalities could also be followed.

Project Steering Committee(s) and or Project Coordination Team PCT(s) will be subsequently established where necessary, based on the stipulations of the Memorandum of Agreement.

If during implementation there is a need for a deviation from the business plan and agreement, Directorate: Development Support should be informed, so that the amendment may be negotiated with the donor.

C. PROCEDURE TO OBTAIN APPROVAL FOR THE ACCEPTANCE OF GIFTS, DONATIONS OR SPONSORSHIPS (IN CASH OR IN KIND)

23. There should be a contract/project financing agreement between the Department and the donor for every donation.

24. When submitting the agreement with the donor for approval to the DG, approval could also be obtained from the DG for the acceptance of the donation. The submission must please refer to Treasury Regulation 21.2.1. The agreement should be submitted to the DG via Legal Services and the CFO.

25. A copy of the signed agreements should be submitted to the Directorate: Financial Services.

26. The agreement should address the following issues:

    Interest accruing from the investment (where it is not specified, the interest must be returned to the donor);

    Progress reports and financial statements to be submitted (when/how/format); and

    Tender and personnel procurement procedures to be followed. Either the South African State Tender Board procedures or the tender procedures of the donor will need to be adhered to as per *ODA guidelines* of 2003.

27. If DG approval has not been obtained with the signing of the agreement, the Directorate: Development Support should submit the following documents to the Directorate: Financial Services, to enable them to obtain the Director-General's approval for the acceptance of the donation:

    - A copy of the signed agreement/contract.
    - The total value of the donation.
    - A list of projects that will be funded in terms of the agreement.
    - The budget per project per standard item.
    - Cash flow projections per month for the withdrawal of the funds.

28. The submission to the Director-General should address the following issues:

    - Executive summary;
    - Need and mandate;
    - Design, monitoring, reporting and evaluation;
    - Organisational arrangements;

- Funding;
- Assumptions and risks; and
- Any recurrent expenditure or counterpart contributions that will emanate from the donation and will need to be covered by the Department in the same or in future financial years. It is important to note that the project manager in the Department should make provision for this expenditure. The submission needs to explain how provision has been made or how it will be arranged. If it will have an influence on the budgets of provincial education departments, the project manager should also indicate that and explain the steps in that regard.

29. The above information and documents will enable the Directorate: Financial Services to also compile the annual financial statement in respect of all gifts, donations or sponsorships received during the course of a financial year.

30. Director: Financial Services will obtain approval from National Treasury in the case of donations in cash to be exempted from Treasury Regulations 21.2.2. The project manager will be informed as soon as approval has been obtained.

D. FINANCING PROCEDURE FOR GRANTS IN CASH

31. National Treasury will notify the Department as soon as funds have been received in the RDP Fund. A separate portfolio is opened for each donation with the Public Investment Commissioner (PIC), where interest is earned on the funds until requested by the Department.

32. In terms of section 11(2) (q) of the Value-Added Tax Act, 1991 (Act No. 89 of 1991) as amended in the Revenue Laws Amendments Act No 31 of 2005 foreign donor funds are zero-rated for VAT. Therefore, Directorate: Finance needs to claim all VAT paid in respect of foreign donor funds from the South African Revenue Services (SARS).

33. Directorate: Finance needs the following information about projects that will be donor funded:
    - Name of the project manager;
    - Name of the project; and
    - Cash flow projections for the project (per month) signed by the project manager.

34. As soon as the above information has been obtained, allocation codes will be created by the Directorate: Finance. The project manager will be notified of the particular codes to access funds.

35. Please note that funds that remain in the RDP Fund, earn interest. As soon as it is transferred to the Paymaster-General Account of the Department, interest does not accrue for the Department.

36. Therefore, the Directorate: Finance will withdraw the funds according to the cash flow projections received from the project manager and should be informed if the expenditure will deviate materially from the projections. Directorate: Finance will send a letter to National Treasury concerning the amount to be withdrawn. National Treasury will arrange for the transfer of the funds to the Department's PMG account. Payments will then be made in the usual way.

37. State tender procedures need to be followed for the acquisition of goods and services. The request for payment should be submitted through Provisioning. Payments should also include VAT. The responsibility manager should ensure that the correct codes are used, also in terms of VAT.

38. Directorate: Finance will claim VAT paid on these projects from SARS and will reconcile these accounts on a monthly base.

39. Project managers should submit monthly progress reports to Directorate: Finance which will inform the Minister in the monthly cash flow report of progress made on every donation received by the Department. Project managers will also be provided with separate monthly cash flow statements and should check these statements to ensure that expenditure is allocated correctly.

40. Quarterly and annual reports to be directed to the Directorate: Development Support.

41. Expenditure of donor funds should be managed according to the State Tender Board Prescriptions, the Treasury Regulations and the Public Finance Management Act. However, where the Department has opted for a fund-holder, expenditure should be managed according to the agreement entered into by the Department, the donor and the fund-holder.

42. Fund holders should submit monthly, quarterly and annual reports to the Directorate: Development Support regarding projects under their auspices.

7. CONCLUSION

43. This policy is a product of a consultative process between directorates involved in the coordination of donor funds and partnerships, and seeks to assist in the alignment of support provided by various donors to avoid areas of overlap and duplication.

Signed at PRETORIA **on this** 28th **day of** MARCH **20**12.

MR GF QONDE
DIRECTOR-GENERAL: HIGHER EDUCATION AND TRAINING
DATE: 28/03/2012