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This action is funded by the European Union

## ANNEX 3

of the Commission Implementing Decision on the Annual Action Programme 2017 in favour of the Republic of South Africa to be financed from the general budget of the Union

### **Action Document for Public Financial Management Capacity Development Programme for Improved Service Delivery**

#### INFORMATION FOR POTENTIAL GRANT APPLICANTS

##### WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning grants awarded directly without a call for proposals: 5.4.1

<b>1. Title/basic act/ CRIS number</b>	<b>Public Financial Management Capacity Development Programme for Improved Service Delivery.</b> CRIS number: DCI-AFS/040-048 financed under the Development Cooperation Instrument (DCI)	
<b>2. Zone benefiting from the action/location</b>	Southern Africa, Republic of South Africa The action shall be carried out at the following location: Republic of South Africa	
<b>3. Programming document</b>	Multi-annual Indicative Programme (MIP) between the Republic of south Africa and the European Union for the period 2014-2020	
<b>4. Sector of concentration/ thematic area</b>	MIP Focal Sector 3 : Building a capable and developmental state	DEV. Aid: YES <sup>1</sup>
<b>5. Amounts concerned</b>	Total estimated cost: EUR 15 162 500 Total EU Budget contribution: EUR 15 000 000 This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 162 500.	
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality: Indirect management with partner country (programme estimates and procurement of services) Direct management - grant: direct award	
<b>7 a) DAC code(s)</b>	15111 – Public Finance Management 15112 – Decentralisation and support to sub-national government	
<b>b) Main Delivery Channel</b>	10000 – Public Sector Institutions 12000 – Recipient Government	

<sup>1</sup> Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<b>X</b>
	Aid to environment	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Trade Development	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
9. GPGC thematic flagships	NA			
10. SDGs	SDG 1: No poverty; SDG 6: Clean water and sanitation; SDG 11: Sustainable cities and communities; SDG 12: Responsible consumption and production (Promote public procurement practices that are sustainable, in accordance with national policies and priorities); SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels			

## SUMMARY

The current programme builds on significant European Union (EU) support to public finance management (PFM) in South Africa over a number of years (1998). This new intervention represents a fundamental shift compared to the first three iterations of the programme (Financial Management Improvement Programme I; II and III) for two main reasons (i); the focus is clearly on the sub-national level, in particular municipalities and (ii) the National Treasury wants to move from outputs to outcomes, from development of regulations, guidelines and standard operating protocols to actual implementation, from learning to practice.

The **overall objective** of this action is "to increase access to socio-economic rights and services for all"<sup>2</sup> in line with the Constitution, National Development Plan, Medium Term Strategic Framework and all relevant PFM legislation and policy.. The **specific objective** is to improve public finance management and participatory decision-making within all three spheres of government – national, provincial and local – with a particular focus on the local government level.

To contribute to the achievement of these objectives, the programme aims to improve the government's performance, professionalism and delivery of critical services, especially at local government level, by strengthening PFM capacity and governance to increase access to socio-economic rights and services, enhance the quality of service delivery, obtain greater value for money in public spending, reduce poverty and combat corruption.

<sup>2</sup> The phrase 'increased access to' is based on the formulation of the socio-economic rights in the Constitution, which guarantee access to housing, access to education etc.

As the institution with overall responsibility for building PFM capacity across government, support is provided under **Key Result Areas (KRA) 1 – 3** to the National Treasury, and particularly the Chief Directorate for Capacity Development, to implement its ten-year Public Finance Management Capacity Development Strategy to address the multitude of PFM challenges facing all three spheres of government, but with a particular focus on local government.

Activities under **KRA 1** will ensure public finance management is increasingly professionalised within all spheres of government (national, provincial and local) with a specific focus on local government.

Activities under **KRA 2** aim to build the capacity of Provincial Treasuries to perform their roles with respect to provincial departments and municipalities.

Activities under **KRA 3** aim to improve the capacity of municipalities to manage public funds and deliver services.

**KRA 4** aims to increase the ability of citizens to participate in budget formulation and monitor implementation at the local government level under a grant to the South African chapter of International Budget Partnership (IBP), an international non-governmental organisation (NGO) that aims to promote transparent and inclusive government budget processes and whose local chapter was established in 2014 to promote transparent and inclusive government budget processes at municipal level as a means to improve governance, service delivery and development. Under this programme, IBP will also further develop the Open Budget Index (OBI) at sub-national level.

## **1 CONTEXT**

### **1.1 Sector context area**

South Africa is an upper middle-income country that, amidst underperforming growth, maintains good fiscal health through a sound macro-economic policy, which has resulted in a relatively stable economy albeit with modest growth expected for 2017 at between 0.6% and 1% of gross domestic product (GDP). Although South Africa is competitive in a number of areas, the legacy of apartheid continues to run deep and it continues to be a dual economy with one of the highest inequality rates in the world (Gini Coefficient of 0.69), high levels of unemployment (27.7%), and significant problems in service delivery and access to socio-economic rights and development, particularly at local government level and particularly for women and marginalised groups.

Pursuant to the Constitution and relevant legislation and policy since 1994, local government in South Africa is expected to be the primary vehicle for the delivery of services and socio-economic rights to the population. While tremendous progress has been made in delivering basic services such as housing, water and sanitation, various studies show that financial management within all three spheres of government (national, provincial and local) is weak, especially at local government level. This situation leads to high levels of unauthorised and wasteful expenditure that negatively impacts on the ability of municipalities to deliver on their constitutional and legislative mandates.

While the National Treasury (NT) has taken steps to address this, Provincial Treasuries have limited capacity to adequately assist in building the capacity of municipalities to better manage public funds. At the same time, there is very little public participation in setting or monitoring budgets at local government level. In the circumstances, it is clear that much more needs to be done to improve public finance management in all three spheres of government to create safe, healthy and economically sustainable areas to fully achieve the Government's transformation agenda.

#### **1.1.1 Public Policy Assessment and EU Policy Framework**

The government's policy commitments for public administration and service delivery are defined in a range of laws and policies. Chapter 10 of the **Constitution** sets out the basic values and principles to govern public administration within the national, provincial and local spheres of government while Chapter 13 requires national legislation be put in place to

establish a National Treasury. Chapter 7 of the Constitution establishes local government (in Chapter 7) as a highly decentralised, independent and autonomous sphere of government with significant powers to govern its affairs.

The Constitution requires municipalities to structure and manage their administration, planning and budgeting processes, to prioritise the basic needs and development of the communities they serve, ensure the provision of services to communities in a sustainable manner, promote social and economic development and a safe and healthy environment, and to encourage the involvement of communities and community organisations in matters of local government.

The Constitution also requires all three spheres of government to cooperate with each other and to support and assist one another<sup>3</sup> and gives the NT a mandate to ensure that transparency and expenditure controls are in place in all spheres of government<sup>4</sup>. The **National Development Plan (NDP) Vision 2030**<sup>5</sup> is South Africa's main macroeconomic and social policy and aims to address poverty and exclusion and nurture economic growth by creating a virtuous cycle of expanding opportunities, building capabilities, reducing poverty, and involving communities in their own development, all leading to rising living standards.

One of the priorities of the NDP is to build a developmental state, which entails the professionalization of the public service. As set out in Chapter 13 of the NDP, staff at all levels must have the authority, experience and support they need to do their jobs, while relations between national, provincial and local government must be improved through a more proactive approach to managing the intergovernmental system.

The **Medium Term Strategic Framework (MTSF)**<sup>6</sup> is the government's action plan for 2014 - 2019. It prioritises public administration and sets out the government's actions and implementation plan for the first 5 years of the NDP and outlines the actions required to create a responsive, accountable, effective and efficient developmental local government system (Outcome 9) while outcome 12 set outs the actions required for an efficient, effective and development-oriented public service to build a capable developmental state.

The key legislation governing public finance management (PFM) is the **Public Finance Management Act (1999)** covering national and provincial government and the **Municipal Finance Management Act (2003)** covering local government. The key policy for local government is the **White Paper on Local Government** (1998) that establishes the basis for a new developmental local government system, committed to working with citizens, groups and communities to create sustainable human settlements, which provide for a decent quality of life and meet the social, economic and material needs of communities in a holistic way. As with all spheres of government, municipalities are also bound by all national PFM legislation and regulations, policies, instructions, practice notes and guidelines developed by the NT as well as relevant provincial PFM legislation and policy. In addition, all government departments are required to comply with the South African National Policy Framework for Women's Empowerment and Gender Equality (adopted by Cabinet in 2000) and the various agreements contained in sub-regional, regional and international gender instruments to which South Africa is a party.

The current project is aligned to the overall EU framework, which has the ultimate long term goal of eradicating poverty, fostering sustainable economic growth and promoting good governance with the relevant partner country through various sector objectives<sup>7</sup>, and with the *new* European Consensus on Development<sup>8</sup> (June 2017) that calls the Union's development policy to be aligned with the UN 2030 Agenda for Sustainable Development and that requires the EU and its Member States to promote effective multi-level governance through partnerships between national, sub-national and local governments and to support processes to

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<sup>3</sup> Chapter 3 (Co-operative Governance): Section 41 (1) (h) (ii).

<sup>4</sup> Section 216.

<sup>5</sup> <http://www.gov.za/issues/national-development-plan-2030>

<sup>6</sup> [http://www.gov.za/sites/www.gov.za/files/MTSF\\_2014-2019.pdf](http://www.gov.za/sites/www.gov.za/files/MTSF_2014-2019.pdf)

<sup>7</sup> South Africa Multiannual Indicative Programme (MIP) 2014 -2020

<sup>8</sup> COM(2016) 740 Final.

help people to interact effectively with local government during policy planning and implementation. It also takes into account the recommendations and conclusions of the EU Communication "Empowering Local Authorities in Partner Countries for enhanced governance and more affective development outcomes"<sup>9</sup> that highlights the importance of Local Authorities for development. The projects will also contribute to Priorities 3 and 4 of the Joint Staff Working Document "Gender equality and women's empowerment: transforming the lives of girls and women through EU external relations 2016-2020"<sup>10</sup>. It will also contribute to realisation of the right to take part in the conduct of public affairs (Art 25 of the International Covenant on Civil and Political Rights) and Article 2 of the International Covenant on Economic, Social and Cultural Rights<sup>11</sup>.

### 1.1.2 Stakeholder analysis

The primary beneficiary/stakeholder for the programme is all **three spheres of government (national, provincial and local), with a particular focus on local government** (municipalities). There are currently 257 municipalities in South Africa<sup>12</sup>, all with different levels of capacity and challenges, with smaller and rural based municipalities in particular facing critical capacity gaps in the areas of revenue management, risk management, supply chain management (SCM), asset/infrastructure management and capacity building; and revenue management<sup>13</sup> which result in high levels of irregular and unauthorised expenditure that impacts negatively on municipalities' ability to deliver on their Constitutional mandate. Similar problems are found within all three spheres of government though<sup>14</sup> and further efforts need to be made to professionalise the public sector workforce in all spheres of government to increase service delivery.

The **National Treasury (NT)** and, in particular, the Chief Directorates for Capacity Development and Municipal Finance Management Act Implementation under the Office of the Accountant General, the Intergovernmental Relations Chief Directorate (IGR) and Provincial Treasuries will be directly involved in implementation. The NT bears overall responsibility for building PFM capacity across all three spheres of government and in 2012 drafted a ten-year Public Finance Management Capacity Development Strategy. The goal of the Capacity Development Strategy is to overcome a complex array of challenges to transform public financial management. It supports the provision of a long-term systematic, integrated and coordinated approach to PFM capacity development, addressing constraints and the need for change at all levels of government guided by key legislation such as the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA), amongst others.

In this regard, the NT is supported by **Provincial Treasuries** that are created by Chapter 3 of the PFMA and, together with the NT, are expected to play a key role in building the PFM capacity of municipalities. Provincial Treasuries themselves have capacity gaps when it comes to their support role for municipalities that the project will aim to address.

**Other stakeholders** that will assist in identifying municipalities to be targeted, coordinating efforts and providing capacity building, include the Department of Co-operative Governance and Traditional Affairs (CoGTA), which is responsible for implementation of the Back to Basics (B2B) programme<sup>15</sup>, the South African Local Government Association, the National

<sup>9</sup> Com (2013) 280 of 13.03.2013

<sup>10</sup> SWD(2015)182 final. Notably objectives 15 "Equal access by women to financial services, productive resources including land, trade and entrepreneurship.", 16 "Equal access and control over clean water, energy, transport infrastructure, and equitable engagement in their management, enjoyed by girls and women" and 17 "Equal rights and ability for women to participate in policy and governance processes at all levels"

<sup>11</sup> Which obliges government to "take steps, [...] to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant [...], without discrimination of any kind [...]"

<sup>12</sup> Eight metropolitan, 44 district and 205 local municipalities

<sup>13</sup> Auditor General South Africa, 2014-15 MFMA: Consolidated General Report on the Audit Outcomes of Local Governments.

<sup>14</sup> For example, according to the Auditor-General South Africa's PFMA

<sup>15</sup> The B2B programme aims to increase access to basic services, good governance, public participation, sound financial management, and to build capable institutions and administrations

School of Government, and sector specific departments to be involved in implementation activities. In addition, stakeholders working with women's rights (such as the Department of Women, and gender focal points/or desks within Provincial Treasuries and municipalities where these exist) will be invited to participate in engagements foreseen under the programme, including policy dialogues, professional roundtables, and civil society organisations (CSOs) discussions.

To increase the role of citizens in participating in budget formulation and oversight and increase transparency and accountability at local government level, the project also includes a grant to the South African Chapter of the **International Budget Partnership (IBP-SA)**, which was established in 2014 and aims to promote transparent and inclusive government budget processes (Open Budget Index) at municipal level as a means to improve governance, service delivery and development in South Africa. To this end, IBP-SA provides accessible budget information (popular guides to budget analysis, social audits and monitoring procurement) and works with and builds the capacity and advocacy skills of a range of smaller NGOs to empower citizens to participate in budget planning and monitoring processes.

### *1.1.3 Priority areas for support/problem analysis*

Sound public finance management is critical if South Africa is to develop. However, despite significant support to PFM, problems persist within all three spheres of government that lead to high levels of wasteful and unauthorised expenditure, which in turn diminishes the levels of public finances available (fiscal space) for service delivery, realisation of socio-economic rights, and access to key services, especially for the poor. At the local level, municipalities have a key role to play when it comes to the delivery of basic services and promoting social and economic development and a safe and healthy environment. Yet despite their critical role, significant numbers of municipalities are beset with PFM challenges that impact on their overall performance and their ability to deliver key services to the communities they serve.

In addition to the findings of the Auditor-General detailed above<sup>16</sup>, a desktop review of South Africa's then 278 municipalities conducted by the Department for Cooperative Governance and Traditional Affairs (CoGTA) in 2015 revealed that critical intervention is needed to address the low rate of revenue collection; slow service delivery; inadequate public participation; social distance between officials and communities; insufficient institutional capacity; and unskilled or incorrect personnel. Combined, these problems and challenges have led to a slow rate of service delivery and high levels of public discontent and protest<sup>17</sup>.

As evidenced by the fact that so many municipalities and provincial departments continue to struggle to comply with PFM legislation and policy, Provincial Treasuries lack the necessary capacity and skills to fulfil their role in building the PFM capacity of municipalities and provincial department. Based on the findings of the Auditor-General and financial and managerial performance assessments carried out by the NT, the priority financial focus areas for interventions for the next five years of the Capacity Development Strategy implementation will include supply chain management (procurement), revenue management, asset management, infrastructure management, risk management, internal audit and financial accounting. In addition, most budget information in the public domain is highly technical, poorly disaggregated, and hard for members of the public to engage with. It is also released late in the process when opportunities for the public to participate in determining the budget for local municipalities have already passed.

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<sup>16</sup> Forty five percent of municipalities that reported unauthorised, irregular and fruitless and wasteful expenditure in the previous year had not investigated these transgressions as required by the MFMA.

<sup>17</sup> SA Police Service reports indicate that so-called 'service delivery protests' increased to more than 1,740 in 2014/2015, 2,300 of which turned violent with destruction of public infrastructure (schools, health facilities, public buildings, roads, etc.)

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Lack of sufficient stakeholder commitment and ownership.	M	A stakeholder relationship management plan and dialogue will be drafted and encouraged respectively to address specific stakeholder requirements and ownership of initiatives at the start of the programme. Initiatives will also not be undertaken without ownership being identified and agreed upon upfront. The setup of project governance structures will contribute to commitment.
High vacancy and staff turn-over rates at municipal level undermining capacity building initiatives impact and progress.	M	Organisation structures and systems for the programme will be streamlined to minimise the risk and impact of staff turn-over. Key learning and capacity building programmes developed under the project and support to Provincial Treasuries will also ensure that new staff are able to be trained and supported even when changes occur.
Inadequate Monitoring and Evaluation (M&E), Change Management and Knowledge Management.	L	Change management plans, M&E plans together with enhanced knowledge sharing will be embedded in the proposed action with proper tracking and reporting on the progress. More appropriate types of indicators will be used for tracking and reporting.
Lack of gender sensitive approach impedes success and the sustainability of the intervention.	Medium	A gender analysis of the sector and the domain of intervention will be conducted, including an assessment and inclusion of gender desegregated data. Amendments will be made as necessary and appropriate mechanism put in place to encourage women's participation in the intervention.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>There will be no major changes in government priorities. The Republic of South Africa will remain stable, with no major political and economic changes occurring during the implementation of the proposed programme.</li> <li>The quality and availability of short and medium-term technical assistance will be adequate to contribute to changing the lives of ordinary South Africans.</li> </ul>		

## 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

Lessons from previous EU Financial Management Improvement Programmes (FMIP I, II, now III) and non-EU funded capacity building programmes in the PFM space include: support should move away from frameworks and focus on practical tools and build on cross-functional tools; sustainability can only be ensured by relevant NT regulatory and policy owners; projects must be managed inside NT or Provincial Treasuries (PT's) where applicable; communication and visibility (information, communication and technology (ICT) tools) must be enhanced; the NT's own analytical, research and development capability and capacity should be increased. According to the EU Consultations with Local Authorities in 2013 and Civil Society in 2017, the core of service delivery is not only human capacity issues but critical governance issues that need to be addressed. The Strengthening Community Based Participation Programme (EU funded 2007-2012) pointed out that there are weaknesses in the public participation system

and that there is a need to involve civil society in the business of local government to increase oversight, strengthen accountability, and end impunity.

### **3.1 Complementarity, synergy and donor coordination**

The EU has been the key Development Partner (DP) supporting PFM capacity building in South Africa and has been a significant contributor over the years to achieving the CDS through previous Financial Management Improvement Programmes (FMIP) I, II and now III ending in May 2018. There will be complementarity between the current project and the new EU Support Programme to the National System of Innovation (2018-2021) that includes a specific focus on the development and implementation of appropriate innovative technology solutions for municipalities to improve access to and quality of basic services at local government level.

In the area of support to civil society, community participation and services delivery, the proposed action will complement the on-going Development Cooperation Instrument's Thematic Programme on Civil Society organisations and Local Authorities, the ongoing grants to CSOs under the Socio-Economic Rights for All programme (where some of the actions are aimed at improving policy participation, budget analysis and tracking on socio-economic rights), the "Enhancing CSO participation in Legislature's oversight and participation processes" (aimed at strengthening oversight by civil society in provincial legislatures), and EU assistance to the Department of Justice and Constitutional Development to draft a National Policy Framework for Promoting Active Citizen Participation and participatory democracy at both national and local levels, in order to streamline public participation across government. Other DPs currently supporting PFM at various levels of government include:

- The Swiss Economic Cooperation and Development (SECO) in collaboration with the World Bank are currently implementing a Financial Sector Development and Reform Programme (2014-18; budget USD 4.2 million) to strengthen financial stability and improving financial inclusion<sup>18</sup>; and the Cities Support Program (2015-19; budget USD 9 million) that focuses on eight metropolitan municipalities to create a supportive environment for businesses; improve public financial management (USD 3 million of the total budget); enhance sustainable infrastructure financing; improve land management & urban regeneration; and strengthen integrated urban transport planning. SECO also provides support to the iLembe district through a local economic development programme. The PFM component (CHF 1.9 million, 2017-2022) focuses on four areas: (1) Strengthening policy oversight and audit; (2) Addressing system weaknesses and low human capacity in revenue management; (3) Capacity for capital investments and asset maintenance management, and treasury functions; and (4) Strengthened procurement units. SECO's regional approach to PFM is represented through various programmes including the International Monetary Fund (IMF) Regional Technical Assistance Centre South (AFRITAC South - in partnership with IMF)<sup>19</sup>, the Collaborative Africa Budget Reform Initiative (in partnership with the German development agency GIZ)<sup>20</sup> and support (CHF 0.9M, 2017-2021) to African Tax Administration Forum (ATAF).

SECO are currently formulating their new PFM support programme – while the process is still underway, initial discussions indicate that the programme will include support to the implementation of public procurement that will create a synergy with the current EU programme which will focus on education, training and development in this area. To ensure that there is no overlap between SECO and EU support, a joint programme steering committee will be established.

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<sup>18</sup> The programme builds on two main pillars: 1) financial sector regulation and stability and 2) financial inclusion. For each of the pillars, a combination of analytical and diagnostic work, policy advice, and technical assistance is envisaged.

<sup>19</sup> AFRITAC South is a regional technical assistance centre assisting member countries in public financial management, tax and customs administration, mobilisation of domestic resources, real sector statistics, monetary policy and the development of the financial sector.

<sup>20</sup> The main aim of the programme is to strengthen PFM systems and capacities across the African continent mainly through peer-to-peer learning.



- The German government, through GIZ, completed their Governance Support Programme (GSP I: 2013-17: budget EUR 22.9 million) in early 2017. GSP I was implemented in partnership with various South African departments: the Department of Public Service and Administration, the Department for Cooperative Governance and Traditional Affairs, The Department of Performance, Monitoring and Evaluation, the National Treasury. It aimed to improve service delivery through strengthening the capacity of state institutions and their cooperation with private sector and civil society. GIZ are currently formulating a follow up programme – GSP II - that will run from October 2017 to September 2020 with a budget of EUR 10 million that might be increased with additional support from the United Kingdom (EUR 3.4 million) and USAID (EUR 0.5 million). The programme will have an increased focus on support to municipalities in two partner provinces (Mpumalanga and Eastern Cape) under three core focus areas: enhancing management capacity for service delivery; improving public financial management of and procurement for service delivery; and improving oversight and accountability for service delivery. Although there is the potential for overlap in the two provinces on which GSP II will focus, the need for assistance in all provinces is so great that no one DP can address them and efforts will be coordinated as part of the donor coordination process.
- The African Development Bank (AfDB) is funding Public Financial Management Capacity Building in Local Government (2017-18) to increase capacities when it comes to assessment of government property rates in select municipalities, verifying pension and provident schemes supporting local government, and development of training programmes.

In addition, the Government of South Africa contributes a substantial amount of its own funding towards capacity building including, *inter alia*, Municipal Finance Improvement Programme (MFIP) that provide technical advisory support to municipalities resulting in various Municipal Support Plans. A new phase of the programme, building on previous support, has commenced in April 2017 and includes support to Provincial Treasuries in all nine provinces<sup>21</sup> to build the capacity of municipalities in the areas of revenue management, asset management, the Municipal Standard Chart of Accounts (a new regulation to standardise reporting), supply chain management, budgeting, and municipal financial recovery services. The current project has been designed to complement the MFIP. The Office of the Accountant General will chair both of the Programme Steering Committees, additional links will be created through project teams, and the service provider appointed to implement the current programme will be required to closely and continuously liaise with the implementers of the MFIP.

**Donor coordination:** the NT's Office of the Accountant General coordinates a bi-annual Donor Coordination Forum (DCF) to identify potential development partners (DPs) to partner with in fulfilling the Capacity Development Strategy and will ensure complementarity across all DP-funded programmes. In addition, the very active "Governance Sector Coordination Group" gathers EU bilateral agencies, USAID, Canadian International Development Agency (CIDA), SECO, African Development Bank, World Bank, AFRITAC and the Japan International Cooperation Agency (JICA) and regularly invites academics, universities, CSOs and Government officials to participate and share views and opinions on specific governance issues.

### 3.2 Cross-cutting issues

Although there has been a steady increase in the number of women councillors at local government level, women remain underrepresented in the area of PFM generally. To increase *gender equality and women's empowerment*, support to capacity development will focus on increasing women's access to skills development, training and mentoring to ensure that they are adequately represented across all spheres in government and heard in public participation mechanisms. Capacity building interventions will also be required to ensure as many women as

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<sup>21</sup> Western Cape is excluded from the list since the Provincial Treasury has already appointed a technical adviser to assist them.

possible are included, which in turn will increase their opportunities for promotion within the public service or for employment within the private sector. Women make up the majority of the poor in the country. Support to increase service delivery and access to socio-economic rights is aimed at reducing poverty and municipalities will be encouraged and supported under the project to apply and/or increase their focus on gender budgeting while International Budget Partnership (IBP) will focus on increasing women's participation in budget preparation and monitoring processes (including through training to CSOs to ensure gender-sensitive budgeting).

The project has a strong focus on the *rights based approach* and will aim to address non-discrimination and barriers of access to socio-economic rights and services, increase access to accessible and relevant budget information through budget literacy initiatives, enhance participation and voice in budgeting process, as well as building the capacity of municipalities to better manage public finances and increase access to socio-economic rights and services.

The project also includes a strong focus on reducing discrimination and increasing inclusion of women in budgeting (and gender budgeting) processes. The project has no direct focus on *climate change and environment* but, in line with the rights based approach, implementers will be required to ensure that none of the support provided leads to any damage or negative consequences for the environment.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

The programme is relevant for the United Nations 2030 Agenda for Sustainable Development.. It contributes primarily to the progressive achievement of SDG Goal 11 "Make cities and human settlements inclusive, safe, resilient and sustainable" and Goal 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels", but also promotes progress towards Goals 1, 6 and 12. This does not imply a commitment by the Republic of South Africa.

The **Overall Objective** of this action is to increase access to socio-economic rights and services for all. The **Specific Objective** is to improve public finance management and participatory decision-making within all three spheres of government – national, provincial and local – with a particular focus on the local government level. This will be achieved through addressing three interlinked key result areas:

- **KRA 1** - Public finance management within all spheres of government (national, provincial and local) increasingly professionalised.
- **KRA 2** - Capacity of Provincial Treasuries to perform their roles with respect to provincial departments and municipalities enhanced.
- **KRA 3** - Capacity of municipalities to manage public funds and deliver services improved.
- **KRA 4** - Ability of citizens and CSOs to participate in budget formulation and monitor implementation increased.

## 4.2 Main activities

### **KRA 1 (with/in support of National Treasury) Public finance management within all spheres of government (national, provincial and local) increasingly professionalised.**

The following, non-exhaustive, list of activities includes activities that will target / benefit all or some of the following: national/provincial departments, Provincial Treasuries, and notably Municipalities:

- Financial Accounting Professionalisation: review of the Standard Chart of Accounts (SCOA) and Municipal SCOA and roll-out; Public Sector Financial Accounting; development of new/review and alignment of existing learner programmes and qualifications.
- Supply Chain Management (SCM) Professionalisation: Develop and roll out skills development, accredited learning and academic programmes for PFM managers, officials, Bid Committees etc.
- Asset management: Develop and pilot training programmes based on International Standards.
- Internal Audit Professionalisation: Develop, pilot and roll-out Internal Audit training programmes for both management and practitioners.
- Enterprise Risk Management Professionalisation: Develop public sector formal qualification with university and develop the Office of the Accountant General (OAG) Portal.
- Coaching and leadership development for PFM.
- Knowledge management institutionalisation.
- Treasury Regulation roll-out and compliance.

### **KRA 2 (with/in support of National Treasury) Capacity of Provincial Treasuries to perform their roles with respect to provincial departments and municipalities enhanced.**

The following, non-exhaustive, list of activities includes activities that will target/benefit Provincial Treasuries (9) to increase their capacity to perform their functions in relation to both provincial departments and municipalities:

- Training on Provincial Public Expenditure and Financial Accountability (PEFA) and organising PEFA conferences.
- Develop and roll out Revenue Management Guidelines.
- PFM training for Provincial Members of Executive Councils and Heads of Department.
- Policy research, financial/budget analysis and impact assessment of government programmes, including on gender responsive analysis and assessment.
- ICT, E-government, Open Data, Big data Revolution and Analytics to improve planning and service delivery in the public sector.

### **KRA 3 (with/in support of National Treasury) Capacity of municipalities to manage public funds and deliver services improved.**

The following, non-exhaustive, list of activities includes activities that will target/benefit municipalities particularly:

- Technical Advisers (TA) to Municipalities: (approximately) nine TA including Lead TA to support municipalities in the implementation of the Municipal Finance Management Act: i.e. i). financial maturity capability maturity model support, ii). Audit outcomes, iii). financial recovery plans.
- Support to any of the PFM disciplines identified by the NT based on the need of the municipality: i.e. i) Management accounting (planning and budgeting); ii) Revenue management; iii) Expenditure management; iv) Asset management (movable and immovable); v) Financial accounting; vi) Supply Chain Management; vii) Internal control; viii) Enterprise risk management; and ix) Internal audit.
- Infrastructure Management: Implementation of the Infrastructure Development Management System (IDMS) Toolkit, provision of (approximately) four advisers placed in Provincial Treasuries to support municipalities.
- Roll-out of the Minimum Competence Regulations in Municipalities.

- Implementation/roll-out of the Budget and Treasury Office (BTO) structures for municipalities.
- Enterprise Risk Management (ERM): i.e. develop and pilot ERM professional courses and revise current ERM eLearning programmes for local government.

**KRA 4 (direct award to International Budget Partnership-South Africa) Ability of citizens and CSOs to participate in budget formulation and monitor implementation increased.**

The main activities under KRA 4 will aim to:

- Build the capacity of civil society organisations to conduct budget analysis (including gender-sensitive budgeting analysis) and to engage government during budgeting process and to monitor implementation of budgets.
- Increase public access to accessible and relevant budget information and possibly develop an Open Budget Index for the eight metropolitan councils.

**Note: inception phase (6 months)**

During the first six months after their appointment, the TA to the NT will be responsible for:

- Conducting an analysis to determine what has changed between design and implementation. Should changes be required, these will be presented to the Project Steering Committee and EU for approval.
- Sequencing of activities and producing the first annual work plan, budget and programme estimate.
- Finalisation of the draft log frame including identification of baselines, revision of indicators, and determination of realistic targets.

### **4.3 Intervention logic**

Given the large number of municipalities and the multiple challenges among them that differ from one municipality to the next, and given the vast resources required in obtaining nationwide solutions, the project aims to contribute to the Government of South Africa's efforts to build a capable developmental state by focusing where external support will have the best potential catalytic/added value effect to improve the lives of the most disadvantaged (and in women in particular) whose well-being most relies on local public services - PFM reforms to improve management and governance of resources and delivery of public services at local level.

Support will seek firstly to capacitate the NT and Provincial Treasuries with the necessary PFM technical capabilities to allow them to support municipalities. In so doing, the four main pillars of the NT's Capacity Development Strategy will be further strengthened to improve municipalities' ability to increase sustainable public services delivery<sup>22</sup>. A differentiated approach will be applied to each beneficiary institution, depending on their individual capacity development needs and will target, in particular, fruitless and wasteful expenditure and poor governance and implementing financial controls.

The expected change by implementing the proposed programme is to transform and strengthen organisations, individuals and stakeholders on good PFM practices. Although the primary focus is on building the PFM capacity of municipalities by working through Provincial Treasuries, PFM challenges exist at all levels of government.

Most if not all of the capacity building activities and education, training and development programmes aimed at municipalities will also be highly relevant for national and provincial departments, as well as state owned companies and enterprises and others. Support provided under the current programme will therefore also be provided to allow the NT to roll out such

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<sup>22</sup> By i. creating an enabling environment that supports the development of high performing organisations with adequate PFM and HR policies, norms, standards, compliance toolkits and guidelines; ii. capacitating organisations with sound PFM systems, performance management measures and HR systems and equipped with learning and knowledge-based culture; iii. capacitating well performing professional individuals that will form sustainable corps of competent and committed employees within the public service.

capacity building interventions to PFM implementers within both national and provincial departments to address the most pressing issues facing these.

To increase public participation (and women's participation) in budget formulation, implementation and monitoring at local government level, and to increase transparency and accountability in the use of public funds that, in turn, will lead to increased access to socio-economic rights and services, support is also provided to increasing public access to accessible and relevant budget information and building the capacity of CSOs to represent their constituencies in budget planning and implementation and monitoring. The results of this will be fed back to National Treasury to feed into any future policy revision by government.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2) (b) of Regulation (EU, Euratom) No 966/2012.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3 N.A.**

### **5.4 Implementation modalities**

#### **5.4.1 Grant: direct award: "Deepening public engagement in metropolitan government budget processes" (direct management)**

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The objective of the grant under Result 4 is to provide core funding to the International Budget Partnership (IBP) to deliver on its mandate and programmes, particularly when it comes to assistance to civil society organisations (CSOs) and the public in budget development, implementation and monitoring. The grant aims at ensuring that budget processes increase access to socio-economic rights and services for all (including women and vulnerable groups), particularly in relation to the eight metropolitan municipalities that, in turn, provide services to approximately 55% of the entire population. The key result to be achieved is increased oversight over municipal performance and governance to enhance transparency and accountability and improve service delivery and public finance management.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer, the grant may be awarded without a call for proposals to the IBP. Under the responsibility of the Commission's authorising officer, the recourse to an award of a grant without a call for proposals is justified because IBP is the only organisation providing assistance to CSOs to increase public participation and access to budgeting information in the country and thus enjoys de facto monopoly (Article 190(1)(c) RAP) in this critical area. In addition, the planned support to an open budget index for the eight metropolitan councils will provide key data to the EU Delegation for policy dialogue and will complement a similar process at national level that the Delegation already relies on as part of its assessment of the PFM sector.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80% of the eligible costs of the action.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement: Second trimester of 2018.

**5.4.2 Indirect management with partner country**

A part of this action with the objective of building the PFM capacity of local government (Result 1, 2 and 3) may be implemented in indirect management with the Government of South Africa in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100 000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts below EUR 300,000 for procurement and up to EUR 300,000 for grants.

The financial contribution covers the ordinary operating costs incurred under the programme estimates

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, will be laid down in the financing agreement concluded with the partner country.

**5.5 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

## 5.6 Indicative budget

CATEGORY WITH ACTIVITIES	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
<b>5.4.1 – Direct Grant (direct management) - Key Result Area 4</b>	650 000	162 500
<b>5.4.2 – Indirect management with the partner country - Key Result Area 1-3</b>		
<b>Programme Estimates:</b>	<b>6 550 000</b>	N.A.
Operating Costs of the Programme Coordinating Unit	2 500 000	
Equipment and supplies	150 000	
Communication and visibility	300 000	
Procurement of services (by the PCU)	3 400 000	
Contingencies	200 000	
<b>Procurement of Services (Technical assistance)</b>	<b>7 600 000</b>	
<b>5.9 Evaluations and 5.10 Audit</b>	200 000	
<b>Totals</b>	<b>15 000 000</b>	<b>162 500</b>

## 5.7 Organisational set-up and responsibilities (Governance structure)

### *Quarterly Programme Steering Committee*

The Programme Steering Committee also known as the National Treasury Capacity Building Steering Committee (NTCBSC) is the coordinating committee for PFM programme/project. This committee was constituted by the NT Director-General, and comprises of all the key business units in NT, as well as a non-voting representative from the European Union Delegation but also Development Agencies involved with PFM capacity development (Swiss - SECO, African Bank for Development, UK Department for International Development (DfID), etc.) to South Africa. Its main purpose is to approve and supervise the overall approach and strategy of programme/project. The NTCBSC meet on a quarterly basis. The NTCBSC will also be used by IBP-SA as a venue and platform to brief the National Treasury (in particular the Intergovernmental Relations Chief Directorate (IGR)) and partners on the implementation and advancement (constraints and achievements) of the project.

### *Monthly Project Committee and role of the Programme Coordination Unit (PCU)*

A Project Committee will be established to maintain an on-going dialogue between the PCU, the services provider consultants and the various National Treasury Directorates involved in the implementation of the programme to discuss operational progress and issues of the programme. The EU is systematically invited to attend this meeting.

The PCU is a unit consisting of 8-10 staff headed by the Chief Director of the Capacity Building Unit of the Office of the Account General<sup>23</sup>, seconded by a Project Director<sup>24</sup> and 6-8 project (contract) staff including a project coordinator, senior financial analyst, project administrators and PFM specialists. The role of the PCU is twofold:

<sup>23</sup> The National Treasury consists of 10 General Directorates: (1) Corporate Services, (2) Asset and Liability Management, (3) Chief Procurement Officer, (4) Public Finance, (5) Budget Office, (6) Intergovernmental Relations, (7) Tax and Financial Sector Policy, (8) International and Regional Economic Policy, (9) Economic Policy and (10) Office of the Accountant General.

<sup>24</sup> The Chief Director and the Project Director are both public servants and therefore there are not paid by the programme.

#### (1) Supervision, Monitoring, Evaluation and Knowledge Management

The PCU will supervise, monitor (financially and technically) and evaluate all the activities and interventions that will be generated by this programme at all levels (national, provincial and municipal) including the activities implemented by the International Service Provider.

#### (2) Procurement of services

The PCU will also be responsible for procuring services within the framework of the programme estimates. The PCU will be assisted by an international service provider. The service provider will provide technical assistance services (key short and long term technical advisors with experience in capacity building and various PFM fields) and assist the PCU with the implementation of the programme.

#### *Sub-Committees*

Sub-committee meetings are formulated on an on-going basis with the key stakeholders of each project including a representative of the EU Delegation. These committees take place as per the individual project needs and are on-going.

#### *Donor Coordination Forum*

The Office of the Accountant General Directorate hosts quarterly or bi-annually Donor Coordination Forum (DCF) meetings, aimed at enhancing, coordinating and harmonizing the PFM capacity building collaborations between National Treasury and the various international donor institutions in South Africa. Furthermore, it provides a platform for knowledge sharing and problem solving, especially about topical PFM capacity development matters.

### **5.8 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of each of the implementing partner's responsibilities (National Treasury for Results 1 – 3 and IBP for Result 4). To this aim, each implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation. The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

### **5.9 Evaluation**

Having regard to the nature of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission. The mid-term evaluation will be carried out for problem solving and realignment of activities to address any changes that have occurred. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision) and to consider the possibilities of a further phase.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.



Indicatively, two contracts for evaluation services shall be concluded under a framework contract: the first in 2020 and the second in the final year of the programme.

#### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. Indicatively, one contract for audit services shall be concluded under a framework contract in the final year of the programme.

#### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above, and that will include at minimum:

- A launch of the programme in 2018 (to be coordinated by the NT).
- Regular press conferences on programme implementation (to be coordinated by the NT).
- Joint activities organised by the EU Delegation to publicise and raise awareness of all ongoing projects and programmes, to which the NT will contribute and at which they will participate.
- Clear marking of all learning programmes, materials, learning portals/websites etc. with the phrase "this project is funded by the European Union" and inclusion of the EU logo.
- A Publication to market and increase visibility of the programme.
- Professional Round Tables.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. Visibility actions may cover all priority area of the Multi annual indicative programme in force at the time of execution of this project and of relevance to the project components.

The communication and visibility budget of this Financing Agreement may be pooled with the respective budgets of other Financing Agreements in the context of a larger communication programme.

## APPENDIX - INDICATIVE LOGFRAME MATRIX <sup>25</sup>

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of Verification	Assumptions
<b>Overall Objective (Impact)</b>	To assist the Government of South Africa in building a capable development state resulting in inclusive growth and socio-economic transformation by 2030.	GoSA's Outcomes Approach 'Medium Term Strategic Framework' <sup>26</sup> : 1. *Outcome 9: Responsive, accountable, effective and efficient local government system 2. *Outcome 12: An efficient, effective and development oriented public service.	1. Increase in the level of public trust and confidence in local government: 2012: 51% 2. % of municipalities receiving unqualified audits: 2016: 59% <sup>27</sup>	1. 2019: 65% 2. 2019: 75%	1. Performance Agreements and Annual Performance Reports (APR) of those departments in charge of the achievement of Outcome 9 and 12 and new MTSF (once developed) 2. Auditor General Reports	
<b>Specific Objective (Outcome)</b>	To improve government's performance in its functional areas and increase access to socio-economic rights and services by strengthening public finance management capacity and governance	1. ** % of municipalities with adverse or disclaimed audit opinions. 2. ** % of municipalities with qualified audit opinions. 3. *** The level of irregular expenditure (municipalities). 4. *** The level of fruitless and wasteful expenditure	1. 2016: 10% 2. 2016: 28% 3. 2016: ZAR 14.75 Bn 4. 2016: ZAR 1.3 Bn	1. 2019: 0 2. 2019: 25% 3. TBD 4. TBD	Indicators 1 – 6: <ul style="list-style-type: none"><li>Auditor General MFMA / PFMA Audit outcomes annual reports.</li><li>Back to Basics Report</li><li>COGTA Annual Plans and Reports</li></ul>	Strict adherence by local government and municipalities to the implementation of the Municipal Financial Management Act (MFMA - National Treasury) and Municipal System Act (MSA –

<sup>25</sup> Mark indicators aligned with the relevant programming document mark with '\*' and indicators aligned to the EU Results Framework with '\*\*\*'.

<sup>26</sup> Each outcome has a set of outcome indicators, baselines and targets based on the period covered by the current MTSF: 2014-19. A selection of these has been included that may be amended by implementers during the inception period. All baselines and targets will be updated when the new MTSF is published.

<sup>27</sup> Audits are classified by the Auditor General as: (1) Clean audit: The financial statements of the auditees are free of material errors or omissions (financially unqualified audit opinion) and there are no material findings on reporting by them on their performance objectives or compliance with laws and regulations; (2) Financially unqualified with findings: The financial statements contain no material misstatements. This classification of audit outcome means that findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both; (3) Qualified audit opinion: The financial statements contain material misstatements in specific amounts or there is insufficient evidence for the AG to conclude that identified amounts included in the financial statements are not materially overstated or understated; (4) Adverse audit opinion: The financial statements contain misstatements that are not confined to specific amounts or the misstatements represent a substantial portion of the financial statements.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of Verification	Assumptions
		(municipalities). 5. <del>**</del> —The number of provincial departments receiving clean audits. 6. ** % of national departments receiving clean audits. 7. ** The level of access to / satisfaction with services disaggregated by province / municipality and gender.	5. 2016: 40  6. 2016: 26%  7. 2017: TBD <sup>28</sup>	5. TBD  6. TBD  7. TBD	<ul style="list-style-type: none"> <li>Project Reports</li> </ul> Indicator 7: STATS SA General Household Survey	GoGTA) South Africa will maintain sufficient levels of growth to ensure access to services.
<b>Outputs: Result 1</b>	Public finance management within all spheres of government (national, provincial and local) increasingly professionalised	1. No. of PFM officials trained / targeted through Education, Training and Development activities disaggregated by type of activity, financial focus area <sup>29</sup> , gender, and national, provincial and local government spheres. 1. % of relevant staff trained amongst core target group on Financial Accounting, SCM, Asset Management, Revenue Management, Internal Audit and Risk Management. 2. No. of new academic, accredited, and non-accredited short learning programmes. 3. No. of existing PFM Learning Programmes and Qualifications revised and/or rolled out. 4. No. of relevant staff reached through coaching and leadership development.	TBD in the inception period <sup>30</sup> .	TBD in the inception period	All indicators: <ul style="list-style-type: none"> <li>National Treasury Annual Reports</li> <li>Reports of Chief Directorates for Capacity Development</li> <li>Project reports</li> <li>Reports of Technical Advisers</li> <li>Training / workshop and similar reports.</li> <li>Training / workshop and other CD intervention attendance lists.</li> <li>Data from Central Knowledge Management platform.</li> <li>Course and learning programme materials.</li> </ul>	Factors outside project management's control that may impact on the output-outcome linkage: Sufficient human and financial resources are available. Cooperation from all stakeholders secured. Project management protocols and processes in place are adequate. Number of women occupying PFM positions targeted by the project.

<sup>28</sup> The STATS SA General Household Survey measures satisfaction with access to basic services including access to sanitation, water, electricity and refuse removal. Relevant baselines and targets based on the 2017 Annual Survey will be added during the inception phase.

<sup>29</sup> Priority financial focus areas are Financial Accounting, Supply Chain Management, Asset Management, Revenue management, Internal Audit and Risk Management.

<sup>30</sup> Including an assessment of previous support provided by the EU, SECO, World Bank and others to determine what baselines can be extracted from these.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of Verification	Assumptions
		5. % of Provincial Treasuries and municipalities complying with Treasury regulations.			<ul style="list-style-type: none"> <li>Course evaluation sheets.</li> </ul>	
<b>Outputs: Result 2</b>	<u>Capacity of Provincial Treasuries to perform their roles with respect to provincial departments and municipalities enhanced.</u>	1. No. of Provincial Treasury staff trained on PEFA disaggregated by gender. 2. No. of Provincial Treasury staff trained on PFM disaggregated by topic, province and gender. 3. No. of Provincial Government members (MECs and HODs) targeted / reached through PFM Capacity Support activities.	TBD in the inception period <sup>31</sup> .	TBD in the inception period	All indicators: <ul style="list-style-type: none"> <li>National Treasury Annual Reports</li> <li>Reports of Chief Directorates for Capacity Development</li> <li>Project reports</li> <li>Reports of Technical Advisers</li> <li>Training / workshop and similar reports.</li> <li>Training / workshop and other CD intervention attendance lists.</li> <li>Data from Central Knowledge Management platform.</li> <li>Course and learning programme materials.</li> <li>Course evaluation sheets.</li> </ul>	Factors outside project management's control that may impact on the output-outcome linkage: Sufficient human and financial resources are available. Cooperation from all stakeholders secured. Project management protocols and processes in place are adequate. Number of women occupying PFM positions targeted by the project.

<sup>31</sup> Including an assessment of previous support provided by the EU, SECO, World Bank and others to determine what baselines can be extracted from these.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of Verification	Assumptions
<b>Outputs: Result 3</b>		1. The status of SCM Certificate for Local Government. 2. No. of TA, guides, products etc. developed for SCM at Local Government level. 3. No. of Enterprise Risk Management (ERM) practitioner and professional courses developed. 4. Status of ERM eLearning programmes for local government. 5. No. of relevant staff in municipalities trained, disaggregated by topic, province and gender. 6. % of municipalities reached through project activities disaggregated by province.	TBD in the inception period <sup>32</sup> .	TBD in the inception period	All indicators: <ul style="list-style-type: none"> <li>• National Treasury Annual Reports</li> <li>• Reports of Chief Directorates for Capacity Development</li> <li>• Project reports</li> <li>• Reports of Technical Advisers</li> <li>• Training / workshop and similar reports.</li> <li>• Training / workshop and other CD intervention attendance lists.</li> <li>• Data from Central Knowledge Management platform.</li> <li>• Course and learning programme materials.</li> <li>• Course evaluation sheets.</li> </ul>	Factors outside project management's control that may impact on the output-outcome linkage: Sufficient human and financial resources are available. Cooperation from all stakeholders secured. Project management protocols and processes in place are adequate. Number of women occupying PFM positions targeted by the project.

<sup>32</sup> Including an assessment of previous support provided by the EU, SECO, World Bank and others to determine what baselines can be extracted from these.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of Verification	Assumptions
<b>Outputs: Result 4</b>	Increased oversight over municipal performance and governance to enhance transparency and accountability and to improve service delivery and public finance management.	1. No. of CSOs / CSO staff trained to conduct budget analysis and monitoring disaggregated by province and gender. 2. No. of CSOs / CSO staff trained on gender-sensitive budgeting disaggregated by province and gender. 3. No. of messages / comments to municipalities from trained CSOs. 4. Number of municipalities / communities able to access accessible and relevant budget information. 5. Number of community members reached by CSO community-based activities, disaggregated by gender. 6. Number of metropolitan councils for which Open Budget Indices developed.	1. 2017: TBD 2. 2017: TBD 3. 2017: TBD 4. 2017: TBD 5. 2017: TBD 6. 2017: 0	1. 2021: TBD 2. 2021: TBD 3. 2021: TBD 4. 2021: TBD 5. 2021: TBD 6. 2021: 8	All indicators: • IBP-SA Annual Reports. • IBP-SA Project Reports • Workshop reports. • Workshop evaluation sheets.  Indicator 3: • Copies of messages / comments submitted  Indicator 6: • Copies of OBIs	Factors outside project management's control that may impact on the output-outcome linkage: IBP-SA able to secure sufficient funds from IBP and other DPs to implement activities. Availability of timeous budget information in targeted municipalities. Willingness of municipalities to allow participation of CSOs / public in budget development and monitoring processes. Willingness of metropolitan municipalities to participate in developing OBIs