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ANNEX

of the Commission Implementing Decision amending Commission Implementing Decision C(2018) 7351 of 29.10.2018 on the financing of the Annual Action Programme in favour of the Republic of South Africa for 2018

Action Document for the "Programme to Support the Transformation of the Wines and Spirits Sector in South Africa (SA) – Including Marketing and Distribution in Priority Markets Outside the EU"

MULTIANNUAL PROGRAMME

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation and action programme in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Programme to Support the Transformation of the Wines and Spirits Sector in South Africa (SA) – Including Marketing and Distribution in Priority Markets Outside the EU CRIS number: DCI/AFS/2018/040-854 financed under the Development Cooperation Instrument	
2. Zone benefiting from the action/location	Southern Africa, Republic of South Africa The action shall be carried out at the following location: South Africa	
3. Programming document	Multi-annual Indicative Programme "MIP" between the Republic of South Africa and the European Union for the period 2014-2020	
4. Sustainable Development Goals (SDGs)	Main SDGs: Goal 1 – End poverty in all its forms everywhere, and Goal 10 – Reduce inequality within and among the countries Other significant SDGs: Goal 2 – End hunger, achieve food security and improved nutrition and promote sustainable agriculture; Goal 6 – Ensure availability and sustainable management of water and sanitation for all; Goal 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; and Goal 17 – Strengthen the means of implementation and revitalise the global partnership for sustainable development	
5. Sector of intervention/ thematic area	Wine and spirits – development of new entrants to market and transformation of the industry	DEV. Assistance: YES
6. Amounts concerned	Total estimated cost: EUR 15 000 000 Total amount of EU budget contribution: EUR 15 000 000	

	(EUR 10 000 000 from 2018 and EUR 5 000 000 from 2019) of which EUR 15 000 000 for budget support.
7. Aid modality(ies) and implementation modality(ies)	Budget Support **Direct management** through: - Budget Support: Sector Reform Performance Contract
8 a) DAC code(s)	32130– SME development – 60 % 32161 – Agro-industries – 100 % 250 – Business & Other Services – 30 %: 25010 – Business Support Services & Institutions – 30 %.
b) Main Delivery Channel	10000 Public Sector Institution [1]
10. Global Public Goods and Challenges (GPGC) thematic flagships	N/A

9. Markers (from CRIS DAC form)

General policy objective	**Not targeted**	**Significant objective**	**Principal objective**
Participation development/good governance	☐	x	☐
Aid to environment	☐	x	☐
Gender equality and Women's and Girl's Empowerment	☐	x	☐
Trade Development	☐	☐	x
Reproductive, Maternal, New born and child health	x	☐	☐
Disaster Risk Reduction	x	☐	☐
Inclusion of persons with disabilities	x	☐	☐
Nutrition	x	☐	☐
RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
Biological diversity	x	☐	☐
Combat desertification	x	☐	☐
Climate change mitigation	x	☐	☐
Climate change adaptation	x	☐	☐

SUMMARY

The main objective of the 'Support Programme to the transformation of the Wine and Spirits Sector in South Africa – including Marketing and Distribution in Priority Market Outside the EU' is to address the transformation of the wines and spirits industry where the direct beneficiaries are farm workers, black farm owners and black-owned brands. The issues in the industry revolve around the lack of a shared vision by stakeholders and role players. The industry is racially skewed and primarily benefits a specific population group as a legacy,

[1] http://www.oecd.org/dac/stats/annex2.htm

remnant of the colonial and apartheid era. Among farm workers, social pathologies remain, such as poor health, alcohol abuse, poor housing and living conditions, unemployment, illiteracy and lack of specialised skills.

The priority areas for support under this action to ensure a sustainable transformation strategy include: (i) more equitable access to land; (ii) education, training and development; (iii) socio-economic development; and (iv) ensure sustainable marketing and distribution of South African wines and spirits, particularly black-owned brands, in priority third country markets (i.e., outside the EU). A set of broad actions that will contribute to overall transformation include: increasing the percentage of land used for wines and spirits related farming that is black-owned – infrastructural issues to be tackled here; a more efficient utilisation of training resources through industry centralisation and management in order to prevent duplication and ensure better coordination of efforts; designing a needs analysis outcome identifying the correct training needs of beneficiaries that allows the progression of workers; facilitating the participation of beneficiaries in local and international trade by arming them with skills to: successfully become exporters, build their brands, comply with production and sustainability standards, carry out market research to understand target markets, and ensure continuous improvement of working and environmental conditions; and resulting from the aforementioned actions - because applicants for funding will be required to indicate how their project will contribute to address farm workers' socio-economic development issues - positive reform in society, for instance, farms and cellars participating in alcohol abuse programmes; as well as increasing the number of registered crèches on wine farms.

This programme will be implemented through budget support. The choice of budget support takes into account the fact that the fundamental values, macroeconomic policy, Public Finance Management and budget transparency and oversight have been assessed and found to be satisfactory. In addition, appropriate government institutions and policies are in place to allow for positive uptake of the programme. The Department of Agriculture, Land Reform and Rural Development (DALRRD) aims to advance food security and agrarian transformation in the agricultural sector through innovative, inclusive and sustainable policies and programmes. Working to transform the agricultural sector in South Africa by providing sustainable financing to emerging farmers, the implementing agent, Land Bank, is involved in the adjudication and approvals of applications for funding. The National Agricultural Marketing Council (NAMC) is a statutory body reporting to DALRRD. The entity is tasked with increasing market access for all market participants; promoting the efficiency of the marketing of agricultural products; optimising export earnings from agricultural products; and enhancing the viability of the agricultural sector.

A Programme Steering Committee will be established comprising of government, the private sector, the EU and cooperating partners to provide strategic guidance and oversight of the programme's implementation.

1 CONTEXT ANALYSIS

1.1 Context Description

South Africa currently is the 12th largest wine producer in the world. The wine industry contributes approximately ZAR 36 billion (about EUR 2 500 000 000) to the South African economy and contributes 3 % of the total world wine production through 3 300 wine grape producers and 560 wine cellars. The wine value chain contributes roughly 2.2 % to the annual total gross domestic product (GDP) of South Africa. Primary agriculture output valued at ZAR 4 820 million was beneficiated and added in value downstream to the amount of ZAR 26 359 million, i.e. just above 5 times the initial value of the raw material inputs. Another ZAR 5 972 million was generated indirectly through wine tourism. It is significant to note that the initial value of raw materials only makes up 16 % of the eventual contribution to GDP after beneficiation. This illustrates the exceptional ability of the wine value chain to contribute to the economy through not only primary agriculture but also downstream activities. Fifty-four percent of the GDP created by the wine value chain stays in the Western Cape Province.

The industry is further responsible for roughly 8.8 % of total employment in the Western Cape and 2.2 % for the country - creating 289 151 employment opportunities in the value chain. Of these, 55.6 % are unskilled, 29.3 % semi-skilled and 15 % skilled.

Although South Africa is a major wine producing country, local demand has not been able to match increased supply. The local industry therefore has increasingly focused on the export market. Wine exports, as percentage of local production increased from 38.3 % in 2003 to 57.4 % in 2013. Despite fluctuations in the Rand exchange rate over this period, its general trend was downwards, it has helped to maintain export profitability[2]. Though local demand for wine may be low, the wine industry provides considerable developmental opportunities for people, both directly and indirectly.

In recent years, the wine and spirits industry has taken the initiative to chart a comprehensive strategy to effect transformation and sustainable growth, while ensuring that all relative stakeholders are engaged in the process. The Wine Industry Strategic Exercise (WISE) is a recently crafted, thorough, market-focused industry situation analysis, aimed at building a sustainable growth strategy for the wine and spirits industry of SA. Identified WISE focus areas and actions, in turn, feed into the Wine Industry Value Chain Round Table (WIVCRT), a multi-stakeholder advisory committee initiated in 2016, comprising of government, wine industry and labour and civil society groups, which seeks to meet the same end.

1.2 **Policy Framework (Global, EU)**

The Southern African Development Community (SADC) - EU Economic Partnership Agreement (Protocol 3) refers to the EU commitment to provide assistance of EUR 15 000 000 for the restructuring of the South African wines and spirits industry and for the marketing and distribution of the country's wines and spirits products. This commitment originates in the SA-EU Trade, Development and Cooperation Agreement (TDCA) - more specifically under the Agreement on Trade in Wines and Spirits under geographical indications negotiations - and is captured in its Annex X. To date, the South African wines and spirits industry has phased out the use of geographical and non-geographical denominations originating in the EU in both the local and international markets as per the Agreement.

[2] Conningarth Economists for SAWIS, 'Impact of the Wine Industry on the South African Economy (also with reference to the Impacts on the Western Cape)' 30 January 2015 available at: http://www.sawis.co.za/info/download/Macro-economic_impact_study_-_Final_Report_Version_4_30Jan2015-corrected.pdf accessed 25/10/2016

1.3 Public Policy Analysis of the partner country

The proposed intervention is consistent with a number of government policies including the National Development Plan (NDP); the Broad-Based Black Economic Empowerment (B-BBEE) Act and its Codes of Good Practice; the New Growth Path (NGP); the Delivery Agreements under the government's Outcomes-Based Approach; the Medium Term Strategic Framework (MTSF); the Integrated Growth and Development Plan (IGDP); and the Agricultural Policy Action Plan (APAP). The relevant objectives of some of these policy documents are set out below.

The NDP articulates a vision of an economy that is inclusive, equitable and fast growing. Vision 2030 of the NDP calls for an inclusive rural economy and speaks of the inclusivity and integration of rural areas, through successful land reform, job creation and poverty alleviation, and places agriculture as the driving force behind this vision.

The B-BBEE Act intends, among other things, to increase the number of black people that manage, own and control enterprises and productive assets, facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises; human resources and skills development; promoting preferential procurement, which involves the purchase of goods and services from enterprises that are owned or managed by black people. The B-BBEE Codes of Good Practice provide a framework within which private companies are assisted to comply with B-BBEE throughout the chain of supply, from first-tier suppliers to government downwards.

The APAP aligns itself to the NGP, the NDP, and the MTSF in respect of Outcomes 4, 7 and 10 (to protect and enhance our environmental assets and natural resources) and is also aligned to the Industrial Policy Action Plan. It seeks to assist in the achievement of Outcome 4, Decent Employment through Inclusive Growth, and that of Outcome 7, Comprehensive Rural Development and Food Security. According to the APAP's broad context, the wine industry in SA is an important export industry and wine exports, in particular, have skyrocketed since the deregulation of SA markets.

1.4 Stakeholder analysis

The final beneficiaries of the programme will be the people of South Africa who will benefit from a reduction in poverty and improved standards of living, through economic growth and a more equitable distribution of wealth. The direct beneficiaries of the programme will be farm workers, black farm owners and black-owned brands in the wines and spirits industry. The wine industry will benefit from capacity building and enhanced access to markets, appropriate financing and an improved administrative and regulatory environment, while the relevant government departments and local authorities will be able to access resources necessary to assist with the implementation of their policies in this area.

Meeting on a quarterly basis, the WIVCRT is tasked by government to effect government policies, infrastructure development, patterns of black business ownership, market access, mobilisation of resources and employee wellness. The overall objective of the body is to transform the industry to better reflect the ideals of a liberated South Africa where black people realise the opportunity of shared ownership and improved livelihoods while fostering an inclusive growth strategy researched in the WISE process.

Under the coordination of National Treasury (NT), the main relevant South Africa government departments which are expected to be key partners in implementation were identified and consulted during formulation i.e. Agriculture, Fisheries and Forestry, and Trade and Industry. Land Bank, a government-owned finance institution, was also identified and consulted as one of the key implementing partners. During formulation, consultations with a number of private sector actors (e.g. wine industry role players and WIVCRT participants and representatives) were carried out to solicit their views and inputs to the programme. The NAMC, a statutory body reporting to the DALRRD, was identified as a key implementing partner as regards marketing and distribution. The NAMC was officially established by and to administer the Marketing of Agricultural Product (MAP) Act and aims to, amongst others: increase market access for all market participants; promote the efficiency of the marketing of agricultural products; optimise export earnings from agricultural products; and enhance the viability of the agricultural sector. One major goal of the NAMC is to provide agricultural marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system.

1.5 **Problem analysis / priority areas for support**

The specific problem statement on transformation from the perspective of the WIVCRT Transformation Work stream is that there is a lack of a shared vision by stakeholders and role players in the wine industry. The economy of the wine industry is racially skewed and primarily benefits a specific population group as a legacy, remnant of the colonial and apartheid era. At the same time, among farm workers, the social pathologies such as poor health and alcohol abuse remain, as well as poor housing and living conditions, unemployment, illiteracy and lack of specialised skills. Moreover, black wine producers do not own any wine producing facilities, they rent these from established wine producers.

There are resources available to assist in addressing the problems identified above but they are currently not sufficient. Funding for transformation is available from the levies collected by industry and overseen by the NAMC. Of the total levies, 20 % is earmarked for transformation and 70 % on functions such as research, consumer education, export promotion and information. At present this amounts to approximately ZAR 20 million (about EUR 1 400 000) per year. The SA Wine Industry Transformation Unit (WITU) has the responsibility to ensure that the levies are used in line with the guidance from the NAMC. There is also funding available for transformation activities in the agriculture sector as a whole under DALRRD's Agriculture Broad-Based Black Economic Empowerment Fund.

The priority areas for support under this action to ensure a sustainable transformation strategy are as follows:

1. More equitable access to land, adequate infrastructure and other resources: This can involve the leveraging of funding from other sources that provide financing for the purchase of land, acting as a catalyst for private sector and government participation in terms of additional funding. Access to land can involve creative or more progressive ownership options, which will be encouraged such as shareholder schemes, cooperatives, leasing arrangements and partnerships or worker-owned farms with commercial entities in the industry. This will allow for the establishment of black-owned vineyards and cellars, the building of production facilities and warehouses and industrial development throughout the supply chain, which involves access to technology and equipment. Increasing the adoption of environmental sustainability practices will be encouraged in particular regarding sustainable production methods, climate-smart irrigation and planting.

This could also involve ensuring that beneficiaries, particularly for those that do not own any of the production processes (previously disadvantaged owned brands, black-owned brands and black farmers) have access to appropriate trade finance to facilitate domestic and international trade, and credit insurance to mitigate short-term trade risk (i.e. non-payments, losses, other credit risks, etc.) and catalyse growth.

2. Education, training and development: The wines and spirits industry has a strategy to coordinate training within the WIVCRT Transformation and Research and Development Initiative work streams. This expands to programmes by the Department of Higher Education and Training including an accredited training programme, already available in some areas. Support in this area will ensure development of learner management systems by industry, transformation related education, training and development in line with Farm Workers Rights Charter and requirements for ethical trade accreditation of enterprises. This refers to training on ethical codes for workers in cellars and on farms, as well as capacity-building in applying Good Agricultural Practices and environmental compliance ; understanding compulsory production standards requirements and sustainability standards that refer to social and environmental concerns necessary for trade; .enterprise development; brand building; and market development.

3. Socio-economic development: This will be a result of the aforementioned priority areas in that applicants for funding will be required to indicate how their project will contribute to the socio-economic improvement of employees, farm workers and related beneficiaries in the industry. Socio-economic development refers to worker wellness, housing, gender objectives and ensuring that social sustainability standards are met that will lead to continued transformation if the practices implemented are sustainable.

   Social sustainability issues affecting workers such as access to healthcare and facilities that address alcohol and substance abuse should be supported to see transformative change. This also includes having life skills programmes and awareness campaigns on legislative requirements such as Extension of Security Tenure dealing with human rights regarding land tenure and Know your Rights. Also, implementation of an Action Plan for Employee Worker Wellness is necessary.

   The aforementioned should be specified by ethical codes such as the Wine and Agricultural Ethical Trade Association (WIETA) which is aligned to the Global Social Compliance Code.

1.6 **Other areas of assessment**

1.6.1 *Fundamental values*

South Africa has a strong framework for adherence to the fundamental values of democracy, human rights, and the rule of law. It has also ratified all the main international human rights conventions. With respect to democracy, peaceful periodic democratic elections are held in respect of national laws and international standards. Constitutional/democratic institutions function well and checks and balances are in place. A strong civil society and media significantly contribute to pluralism, oversight and accountability.

With respect to the rule of law, the Constitution provides for the separation of powers, the Judiciary is independent and impartial, and the Bill of Rights (Chapter 2 of the Constitution) is widely regarded as one of the most progressive in the world and includes all civil and political rights as well as justiciable socio-economic rights.

The European Commission's overall assessment of the fundamental values is positive despite some inherent problems linked to young democracies. The political debate at all levels and amongst all strata of the society on the underlying principles, while at times chaotic, remains open and free.

1.6.2 *Macroeconomic policy*

South Africa's macroeconomic policies are framed in the New Growth Plan[3] and the National Development Plan 2030[4]. Actually, the 2018 budget[5] prioritises actions to address inequalities and boost economic growth. Funding priorities will be given to programmes that create jobs, eliminate poverty and narrow the inequality gap. Efforts will be made to mobilise private and public investment in social and economic infrastructure, new technologies and activities that help build a diversified economy. New opportunities for access to market will be promoted and cartels and oligopolies will be confronted. Improved connectivity and corridors between rural and urban areas will be promoted.

The South African economy is forecast to grow by 1.5 % in 2018 and by 1.8 % in 2019, albeit significantly lower than the 5 percent anticipated in the NDP.

The resignation of former President Jacob Zuma in February 2018, the nomination of Cyril Ramaphosa as President as well as the appointment of a new economic team have substantially contributed to create a renewed sense of optimism and confidence amongst the population, civil society, economic actors and likely investors. The inaugural speech of President Ramaphosa emphasised on completing policy and structural reforms, acting decisively against corruption, and improving corporate governance and operational failures of state-owned companies (SOCs). Meanwhile, political uncertainties will remain challenging in the run up to the Presidential election in 2019. Likewise, further deterioration in the finances of SOCs will continue to pose a risk for the fiscus and the short term economic outlook.

The 2018 budget strikes a balance between spending commitments and long-term stability of public finances. Although it has no intention to support "austerity" measures that would harm service delivery, delay economic recovery and compromise tax revenue collection, expenditure ceilings will remain the rule of thumb. Rating agencies will continue to scrutinise macro and fiscal indicators and will not hesitate to further downgrade South Africa's credit rating (long-term local and foreign currency debt).

As mentioned in the Budget Speech 2018, the government will be required to raise an additional ZAR 28 billion (about EUR 2 000 000 000) in tax revenue and reduce spending by ZAR 26 billion (about EUR 1 800 000 000) over the next two years. For the fiscal year 2017/2018, the fiscal deficit stands at ZAR 149 billion (about EUR 10 000 000 000) (3.1 % of GDP), while government debt now stands at ZAR 2.2 trillion (about EUR 150 000 000 000) (50.7 % of GDP) and the debt service amounts to ZAR 169 billion (about EUR 12 000 000 000) (the fastest growing expenditure).

The service sector was the main contributor to growth in 2016, providing an additional 120 000 job opportunities. The performance of the mining industry continued to be subdued (mining and manufacturing employment declined by 80 000 jobs in 2016), whereas the petrochemicals, the beverage and food industry and the automotive industry were the main positive contributors to manufacturing output. Annual consumer price inflation was 4.4 % in

3 https://www.brandsouthafrica.com/investments-immigration/business/trends/global/newgrowthpath
4 https://www.brandsouthafrica.com/governance/ndp/the-national-development-plan-a-vision-for-2030
5 2018 budget speech –www.treasury.gov.za/documents/national %20budget/2018/speech/speech.pdf

January 2018, down from 4.7 % in December 2017. The consumer price index increased by 0.3 % month-on-month in January 2018, the lowest rate since December 2015. Considering the full year 2016, the trade deficit shrank to ZAR 3 billion (about EUR 200 000 000) compared to ZAR 52 billion (about EUR 3 500 000 000) in 2015, as exports went up 5.8 % and imports grew at a much slower 1 %. Weak business confidence and low levels of profitability have weighted on investment across all sectors of the economy.

In 2017, the National Treasury (NT) was betting on higher growth based on a number of positive trends: higher international commodity prices; appreciation of the exchange rate that bodes well for capital inflows, inflation, business and consumer confidence; drought conditions that had abated in most of the country; less tense industrial and labour relations and more stable energy supplies.

To promote investment in the short term, government needs to urgently undertake a series of measures such as finalising land reform and mining development legislation; transitioning from analogue to digital communication channels and release of broadband services; continuing the Independent Power Producer Programme both in renewable and gas technologies; streamlining investment approval processes; production-friendly industrial relations and rapid resolution of disputes; creating an enabling environment for small, medium and micro-sized enterprises and public-private partnerships; focusing on labour intensive sectors (agriculture, agro processing, tourism); and expanding regional and trade links.

The unemployment rate remains critically high at 26.7 % (with a marginal improvement of 0.2 % year on year). In the fourth quarter of 2017, the 'not economically active population' increased by 503 000 (total 154 740) of which 103 000 were discouraged work-seekers.

Despite certain risks for this eligibility condition[6], the country is expected to remain within acceptable macroeconomic and fiscal boundaries and therefore be eligible for budget support.

1.6.3 *Public Financial Management (PFM)*

The National Treasury (NT) is responsible for managing South Africa’s national government finances. Supporting efficient and sustainable public financial management is fundamental to the promotion of economic development, good governance, social progress and a rising standard of living for all South Africans. The Constitution of the Republic (Chapter 13) mandates the NT to ensure transparency, accountability and sound financial controls in the management of public finances.

The NT’s legislative mandate is also described in the PFM Act (Chapter 2). The NT is mandated to promote government’s fiscal policy framework; to coordinate macroeconomic policy and intergovernmental financial relations; to manage the budget preparation process; to facilitate the Division of Revenue Act, which provides for an equitable distribution of nationally raised revenue between national, provincial and local government; and to monitor the implementation of provincial budgets.

Over the next 10 years NT priorities include increasing investment in infrastructure and industrial capital; improving education and skills development to raise productivity; improving the regulation of markets and public entities; and fighting poverty and inequality through efficient public service delivery, expanded employment levels, income support and empowerment.

[6] Risk Management Framework 2017

With the appointment of a new Minister and Deputy Minister in February 2018, the NT will continue pursuing critical reforms such as the Public Procurement and Supply Chain Management, the implementation of the municipal standard chart of accounts (mSCOA), the Integrated Financial Management and Information System (IFMIS), and the change in the accounting system (from cash based to accrual accounting at national level). Capacity building will remain crucial to enable the sustainability of the reform process. The NT, in close cooperation with the Department of Public Enterprises led by Minister Pravin Gordhan (ex-Minister of Finance) will coordinate efforts to improve the balance sheets of SOCs and reduce the risks for the fiscus caused by the ever increasing contingent liabilities.

The latest PFM assessments include:

***The National Public Expenditure and Financial Accountability Assessment (PEFA) 2014*:** Overall, PEFA 2014 scored slightly better than PEFA 2008 with some slippages related to budget credibility (Performance indicator PI-4) and to predictability and control in budget execution (PI-2110). On the positive side, comprehensiveness and transparency and policy based budgeting have both improved with better scores for PI-9: Oversight of aggregate fiscal risk from other public sector entities and PI-11: Orderliness and participation in the annual budget process. Discussions are on-going with the NT and development partners to carry out a PEFA in 2019 based on the new framework.

The Provincial PEFAs 2015: Overall, the nine provincial PEFAs indicate that provincial governments perform reasonably well, generally mirroring the strengths and weaknesses in PFM systems and processes at national level. Within the 'Public Financial Management Capacity Programme for Improved Service Delivery' that will be implemented as from 2018, a provision has been made for an update of the 2015 Provincial PEFAs.

Auditor-General South Africa: PFMA audit outcomes (2016-2017*)*. For the 2016/2017 financial year, 422 departments and public entities with a total budget of ZAR 1.2 trillion were audited. National and provincial governments have recorded much-improved audit results, although the AG highlighted the slowness of the auditees in addressing audit recommendations aimed at improving internal control systems, eliminating governance risks and other concerns[7].

In conclusion, the current PFM system in the country and approach to further improvements is not only relevant but coherent with the identified weaknesses. A major challenge remains capacity building in the public service, support for which is included in the AAP 2017 with a new PFM project focussing on Financial Management at local level with a focus on improved service delivery.

1.6.4 *Transparency and oversight of the budget*

In the very latest survey (2017), South Africa has been ranked first, alongside New Zealand, with a score of 89 out of 100 for 'Transparency'; an improvement of 3 points compared to the 2015 survey. In general terms, South Africa provides the public with "extensive" budget information. Meanwhile Open Budget Index (OBI) made two recommendations to further improve transparency: (1) increase the information provided in the Executive’s Budget Proposal by including more data on the financial position of the government and (2) increase the information provided in the Year-End Report by including more information on the

[7] Overall, the Auditor General required Auditees to perform the following basics properly and consistently: (i) implementing plans to address deficiencies in financial control, (ii) providing effective leadership and monitoring achievement of performance targets and (iii) reviewing and monitoring compliance with key laws and legislation over financial matters.

comparisons between planned revenues and actual outcomes and comparisons between the original macroeconomic forecast and the actual outcome.

'Public Participation' in the budget process remains as in many other countries the most problematic issue. OBI considers that South Africa provides few opportunities for the public to engage in the budget process with a score of 24/100 (New Zealand scored 59/100). While this score appears to be low, it is twice as high than the global average and the highest in the region.

OBI recommends to pilot mechanisms for members of the public and executive branch officials to exchange views on national budget matters during the monitoring of the national budget’s implementation but also to hold legislative hearings on the formulation of the annual budget, during which any members of the public or civil society organisations can testify and to establish formal mechanisms for the public to assist the supreme audit institution in formulating its audit programme and to participate in relevant audit investigations.

The budget oversight (Legislature and Auditor General South Africa) provides adequate oversight of the budget during the budget cycle (formulation and implementation) with a global score of 85/100. Nonetheless with this high score, OBI recommends to ensure the Executive’s Budget Proposal is provided to legislators at least two months before the start of the budget year and to ensure a legislative committee publishes a report on the Audit Report on their website.

<u>In conclusion,</u> the budget transparency and oversight of the budget eligibility condition for the budget support programme is met.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Lack of coordination with other transformation funds.	L	The Programme Steering Committee will include representatives of the WITU and Comprehensive Agriculture Support Programme (Commodity Project Allocation Committee[8]) to provide oversight. The objectives of the project will be clearly specified to avoid any unnecessary overlap of mandate.
Lack of cooperation between government departments on implementation of projects.	M	The application process to be used by the Land Bank for the disbursement of funds to the industry will be designed to provide early warning of potential requirements from other government agencies and oversight of implementation of projects.
Lack of participation and buy-in from certain stakeholders.	L	Extensive consultations with industry, labour, black-owned brands, sector organisations and government were undertaken in the development of the Action Document. The PSC will include a broad representation of stakeholders.
Projects that are implemented are not sustainable, including due to credit risks.	M	Ensuring that resources are applied adequately to the projects. Sound adjudication of applications, provision of mentoring to successful applicants. Leveraging of additional finances is envisaged from other long-term sources.
Onerous and time consuming process to access funding.	M	Streamlining of application forms and processes to ensure efficient access by beneficiaries.
Lack of skills among some beneficiaries to prepare applications, including required business plans.	L	Support available to provide training in this area.
Some activities are interlinked and are reliant on completion of milestones to move to next stages.	M	Strategic planning, close monitoring of progress as well as working closely with all stakeholders to ensure there is awareness of activities and that results are achieved in time.
The necessary legislative and policy frameworks are delayed or not approved.	L	The design of the activities has considered national policies processes that are already underway and there will be continuous monitoring.
Private standards are dynamic	L	Training on standards may need to be adaptable to changing standards; provisions should be made for this.
Changing diplomatic relationships between key export markets	M	Export market diversification
Assumptions		
• The Land Bank has the capacity and commitment to manage the funding on behalf of DALRRD. • NAMC has the capacity and commitment to manage the funding on behalf of DALRRD. • Information about the programme will be communicated effectively to the beneficiaries. • There is a strong commitment by the wines and spirits industry to transformation objectives. • The necessary legislative and policy frameworks are in place.		

[8] Funds from the Comprehensive Agriculture Support Programme are allocated through Commodity Project Allocation Committees

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

Some of the important lessons learnt from previous cooperation programmes such as the 'Risk Capital Facility', 'Innovation for Poverty Alleviation Programme', 'Employment Creation Programme', the 'Local Economic Development Programmes', the 'National Development Policy Support Programme' and other grant funded projects are: (i) to enhance sustainability of the project, developing links with various relevant government departments is strongly encouraged; however, the programme structure and governance has proven to be crucial for implementation purposes, with for instance the Risk Capital Facility structure having proven to be very effective with implementation through a specialised entity but linked to the SA government; (ii) job creation can be enhanced through innovation, utilisation of research results and better access to technology; (iii) having a partnership with private sector actors in the project usually increases a project's chances to be successful and sustainable; and (iv) the relevance of targeting quality indicators in addition to quantitative ones.

It is important going forward to work with strong, credible partners. There is strong competency within the wines and spirits industry to manage the delivery of such projects. There are also lessons identified from other transformation initiatives in the agriculture space. These include lessons taken from the South African Wine Industry Trust, Commodity Project Allocation Committees[9], Commodity Project Allocation Committee, Agricultural Workers' Empowerment Trade Union Council (AWETUC) and WITU.

The consensus of all role-players and stakeholders consulted was that: (1) An open competitive application process needs to be implemented for all funding opportunities. (2) There is an important role for industry experts to play in project adjudication. (3) Clearly communicated selection criteria are essential and need to be transparent. (4) A project oversight provision needs to be made in order to mitigate risks of fronting, corruption and mismanagement both of implementation and at beneficiary level. The 'Comprehensive Agriculture Support Programme'[10] ensures the involvement of industry organisations, black farmer associations, government and their implementing agents. (5) Government entities responsible for various aspects (such as water licensing and liquor licensing) need to be well coordinated. (6) The ability to mobilise the support of communities can assist in ensuring the sustainability of projects but is particularly effort intensive.

3.2 Complementarity, synergy and donor coordination

There are no donors providing direct support to the wines and spirits industry in South Africa. However, there is synergy with the *Employment Promotion through Small, Medium and Micro-sized Enterprises (SMME) Support Programme* as foreseen activities include: (i) Increasing access to finance for SMMEs; (ii) Provision of Business Development Services support to SMMEs in targeted value chains; and (iii) Analysis and development of agri-business value chains.

[9] Established in 2004 by the Western Cape Government Department of Agriculture to adjudicate over applications for government seed capital for black farmers and farm worker shareholders.

[10] Came into effect in 2004. Provides funding targeted at supporting emerging farmers. Decisions are taken on an annual disbursement basis, in line with government sanctioned terms of reference. To date R53 million (about 3.6 million) has been disbursed through nearly 100 applications for granted items such as irrigation systems, wine cellars, farming inputs, movable assets and technical consultants.

There is also synergy with the *SWITCH Africa Green Programme* and its *Green Business Development Programme;* particularly the *Waste to Wing - Greening African Aviation Project*, which promotes the use of agricultural residuals to convert biomass to aviation fuel, as this could provide an environmentally safe way to manage the highly polluting vinasse[11]. Moreover, the programme is targeting sustainable supply chain management in the agricultural sector. Lessons learnt from promotion and training in Good Agricultural Practices, and Sustainable Consumption and Production in primary food and beverages production, food processing, etc. could be relevant to this action.

There is complementarity between this action and the *Right Fora for a Right Change* under the *Socio-Economic Justice for All Programme* which targets vulnerable children from townships and rural areas of Cape Winelands. The *Community Systems Strengthening for Health* project, the objective of which is to contribute to the improved access to health and social services for the poor and marginalised including for communities in Western Cape including regions with wineries.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The **Overall Objective** of the action is to assist the government of South Africa to ensure a sustainable transformation of the wines and spirits industry of South Africa.

The wines and spirits sector has set out a number of broad objectives for the overall transformation, the marketing and distribution of the industry. This intervention will address the following **Specific objectives**:

<u>SO1: To promote a more equitable access to land and adequate infrastructure in the wine and spirit sector. Under this specific objective, the specific outputs are:</u>

- Facilitated access to land for farm workers, black farmers and black-owned brands.
- Facilitated access to wine producing facilities ownership for black wine producers.
- A strong, core, women empowerment grouping of entrepreneurs in the wines and spirits industry is supported, including through support to at least 20 black female-owned brands.
- The development of black-owned farms including fitting out the land, for storage, bottling and training facilities is facilitated.

<u>SO2: To facilitate the provision of education, training and capacity development of farm workers, black farmers, black-owned brands and other related beneficiaries such as women and youth in the sector. Under this specific objective, the specific outputs are:</u>

- 100 % of black brands, participating black farmers and related beneficiaries capacitated and supported to comply with the minimum legal requirements, to do and develop their businesses, to build their brands and to develop their markets.
- Increased listing of black-owned brands by national and international retailers
- Youth that live on farms are fast tracked into the work place through promotion activities and training across the industry value chain.
- Increased productivity of farming, black farmers and farm workers through training.

[11] Wastewater from distilleries.

- Improved training and building of decent career paths for workers within the farming sector and in their communities.
- Strengthened capacity in applying Good Agricultural Practices and environmental compliance, meeting production, social and environmental standards requirements and sustainability standards necessary for trade.

SO3: To facilitate the provision of comprehensive interventions to address Socio-economic development issues in the wine sector, addressing worker wellness, housing, gender objectives and ensuring that social sustainability standards are met. Under this SO, specific outputs are:

- Plans to address the socio-economic improvement of employees, farm workers and related beneficiaries in the industry are embedded in the projects proposals and supported.
- Improved worker wellness and social sustainability standards.
- Training on life skills programmes and awareness campaigns on legislative requirements such as Extension of Security Tenure dealing with human rights regarding land tenure and know your rights are implemented.
- Black-owned farms and cellars encouraged to get WIETA accreditation through the application and selection process (applicants provide commitment to effect such accreditation).
- Black-owned farms encouraged to adhere to Freedom of Association.

Priority areas of indicative type of activities expected to be supported:

More equitable access to land and adequate infrastructure:

- Support the development and implementation of new ideas on ownership, access to land, creative models for shareholding and access to infrastructure to allow sustainable structural and transformative change especially for farm workers, black farmers and black-owned brand owners.
- Support engagement between private sector and key government entities to forge market solutions and opportunities to leverage funding.
- Promote and support environmental sustainability to ensure sustainable land practices, which can be incentivised with favourable financial support available due to complying to environmental sustainable practices.
- Ensure the availability of appropriate trade finance and credit insurance, to support marketing opportunities and to mitigate short-term trade risk.
- Support the identification of appropriate sources of funding for farmers, black-owned brands, black farm owners and other beneficiaries to participate in local and international trade

Education, training and development:

- Design a needs analysis of education, training and development requirements to be used as part of the assessment of projects. The aim is to ensure that training empowers workers to become managers, farmers and owners and co-owners with stipulated career progression paths.
- Foster the mentoring of black-owned brands and other black-owned businesses in the wine industry.

- Increase skills development, employment of and ownership by women, along with improved access to upliftment opportunities for women and youth in the industry.
- Continue strengthening of existing industry training projects and of mentoring provided to black-owned enterprises, including brand-building, international readiness, trade and participation.
- Inculcate the application of Good Agricultural Practices and environmental compliance by beneficiaries as well as compulsory production standards requirements necessary for trade by providing them with relevant training from inception.
- Support market research in target export countries outside the EU.

Socio-economic development:

(Applicants will be required to indicate how their project will contribute to the socio-economic improvement of employees, farm workers and related beneficiaries in the industry).

- Review beneficiaries' compliance to the ethical code of the WIETA to ensure auditing requirements are met, which ensure social sustainability measures are in place.
- Place a specific focus on alcohol abuse prevention and foetal alcohol syndrome in order to prioritise 'harm reduction' in initiatives in the wine industry, which includes responsible use of alcohol and interventions that get to the root causes of alcohol abuse.
- Support and assess worker wellness programmes that focus on access to healthcare, creating an Action Plan for employees in this regard.

4.2 Intervention Logic

The wine industry is racially predisposed, limiting any advances of previously disadvantaged individuals, a remnant of the colonial and apartheid era. The social pathologies such as poor health and alcohol abuse, poor housing, unemployment, and substandard worker living conditions, illiteracy and lack of specialised skills are still common. In agriculture, redressing and deracialising the sector while at the same time redressing social justice are the biggest challenges. The activities mentioned above will aid in addressing these imbalances and lead to the stipulated objectives and more.

More equitable access to land and the transformation of primary production, in general, are crucial and hence new ideas of access to land are imperative. Improving infrastructure that pertains to primary production, will allow beneficiaries to have more control of their value chain process and become more independent in their production capabilities. This would set the stage for transformation within the industry creating opportunities for black-owned brands to source from black-owned farms; business expansion of mostly women-owned black-owned brands; creation of a strong core group of empowered women entrepreneurs; as well as their contribution to immediate economies leading to the generation of employment and training opportunities. In addition, access to land would entail opportunities to leverage funding, including through other Land Bank facilities, and create possibilities for additional funding essentially contributing to the development of black- owned farms through sustainable land practices, fitting out the land, and building of storage, bottling and training facilities, etc.

Designing a needs analysis of the education, training and development requirements for the assessment of projects will ensure that training - along with ongoing mentoring and creating awareness of rights for beneficiaries - leads to the empowerment of direct beneficiaries, for them to advance in their specific roles and lead to possible career progression. This will lead to increased productivity that is respectful to the environment and natural resources, as well as increased employment opportunities, including among women and youth. It will also foster a continued effort to sustain support for existing industry training projects and mentoring of black-owned enterprises.

Moreover, arming beneficiaries with the right skills and knowledge (including an understanding of geographical indication) will enable them to upgrade their businesses, to meet their market objectives in target countries, and have successful market entry. Also, support in the form of export promotions and the identification of opportunities for development will increase the chances of success in international trade.

For socio-economic transformation[12] to take effect, a review of compliance to the WIETA ethical code to ensure auditing requirements are met is vital. Creation of an action plan in this regard will emphasise support for wellness programmes that deal with issues and would encourage black-owned farms and cellars to get WIETA accreditation through the application and selection process. This will assist in solving a number of worker wellness issues linked to housing and alcoholism, and ultimately contribute to poverty reduction.

The wines and spirits industry is extremely competitive. It is vital for wine brands to ensure that they have the brand equity required to rise above the competition and get their products bought by their target consumers. To ensure that black-owned brands are successful in this regard, support will be provided from product development until the wine is sold on the domestic or international market. Support will also be provided in the form of market research, market differentiation, in-store promotions and distribution – all of which vital to brand building - as well as assistance to adhere to (social, environmental and production) standards, regulations or certification that ensures access to export markets and that non-tariff barriers do not hinder trade.

4.3 Mainstreaming

The following cross-cutting issues will be brought into the mainstream of this programme:

- *Gender equality and women's empowerment*. The action will focus on supporting women-owned enterprises to promote their access to employment, and skills development, as appropriate. The wines and spirits industry has mainstreamed gender throughout its transformation agenda. It is planning an audit of the number of women in managerial positions within the sector. There will be specific activities under this action targeted at women workers and black women-owned brands. The application process for the funding will include criteria that provide preferential consideration for projects with female beneficiaries indicated.
- *Environment / climate change.* Special attention will be paid to mainstreaming environment and climate change related issues, through encouraging growth and job creation in the wine industry's activities in the green economy, and by ensuring that wine industry production activities do not negatively affect the environment and apply Good Agricultural Practices as well as low-carbon choices. The programme will also focus on sustainable trade i.e. compliance with environmental private standards and ethical trade requirements.
- *Youth development and participation.* The industry has adopted capacity building initiatives that target unemployed youth, such as the South African Wine Industry Trust

[12] Applicants for funding will be required to indicate how their project will contribute to the socio-economic development in the sector.

learnerships for small business development. Preferential criteria can be established for beneficiaries that target training for this group under this action.

4.4 Contribution to Sustainable Development Goals (SDGs)

This intervention is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG(s): Goal 1 (End poverty in all its forms everywhere); and Goal 10 (Reduce inequality within and among the countries). It also contributes to Goal 2 (End hunger, achieve food security and improved nutrition and promote sustainable agriculture); Goal 6 (Ensure availability and sustainable management of water and sanitation for all); Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all); and Goal 17 (Strengthen the means of implementation and revitalise the global partnership for sustainable development).

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation of the budget support component

5.3.1 *Rationale for the amounts allocated to budget support*

The amount allocated for the budget support component is EUR 15 000 000. This amount is based on a broad qualitative assessment of the following elements:

- **Financing needs** based on the policy supported and the use of official development assistance funding for piloting new promising initiatives not otherwise feasible with voted budget due to lack of sufficient track record or perceived risk.
- **Management capacity**: The NT issued a document[13] reflecting the commitment of the overall management capacity of the government to ensure proper application of Budget Support funds in South Africa.
- **Ownership**: Wine industry companies receiving support from this programme must reflect their allocations in their annual performance plan and budget overview.
- **Transparency**: The funds are released to the South African government, through the Reconstruction and Development Programme Account, when the agreed conditions set out in the Financing Agreement have been met. The Auditor-General of South Africa audits the financial statements.

[13] Supplement 9 to the Policy Framework and Procedural Guidelines for the Management of Official Development Assistance (2003)

- **Monitoring and Evaluation**: South African's systems of monitoring and evaluation are used to assess the performance of activities funded under the programme.

5.3.2 *Criteria for disbursement of budget support*

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Department of Agriculture, Land Reform and Rural Development (DALRRD) Strategic Plan 2015-2019, Agricultural Policy Action Plan 2015-2019 and continued credibility and relevance thereof;
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances;
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches are the following:
N/A (no variable tranches)

The chosen performance indicators and targets to be used for disbursements will apply for the duration of the action. However, in duly justified circumstances, DALRRD may submit a request to the Commission for the targets and indicators to be changed.

Note that any change to the targets should be agreed ex-ante at the latest by the end of the first quarter of the assessed year. The agreed changes to the targets and indicators shall be agreed in advance and may be authorised in writing (either through a formal amendment to the financing agreement or an exchange of letters).

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 *Budget support details*

The indicative timetable for disbursements will be as follows:

	Fiscal year 2019/20				**Fiscal year 2020/2021**				**Fiscal year 2021/2022**				**Total**
	Quarters				**Quarters**				**Quarters**				
Type tranche	1	2	3	4	1	2	3	4	1	2	3	4	
Fixed				5				5				5	15
Total				5				5				5	15

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into South African Rands will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities for complementary support to budget support

N/A

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, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility 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

	EU contribution (amount in EUR)
5.3 Budget support	15 000 000
Totals	15 000 000

5.7 Organisational set-up and responsibilities

The transformation aspect of the programme will be managed under a memorandum of understanding (MoU) between DALRRD, Land Bank, while marketing and distribution will be managed under a MoU between DALRRD and NAMC. This is to ensure accountability of the SA government for the funding. It will be based on others that exist between DALRRD and the two state entities (i.e., Land Bank and NAMC) as well as this Action Document.

The programme will be supported by a Programme Steering Committee (PSC) chaired by the DALRRD (Sector Transformation, and Marketing), and including, as members, Department of Trade and Industry, Land Bank (Project Facilitation), NAMC and mandated representatives of the WIVCRT. The NT:IDC (National Treasury: International Development Cooperation) and the EU will sit as observers. The role of the PSC will be, among others, to provide strategic guidance and direction for the programme. The PSC will have an oversight role but not an approval role, so as not to interfere with Land Bank and NAMC processes. It will meet three times per year. The terms of reference and membership will be developed following the agreement of the MoUs.

The Land Bank will develop the criteria for the use of the programme funding in line with the MoU. The bank has provisions for management of funds due to its structured internal processes. This includes a pre-assessment phase to screen the applicant and evaluate that they meet the bank's mandate and financial support criteria, to cater for the stated beneficiaries. The pre-assessment, which is aligned to the bank's development impact strategy, will address issues relating to the support of women and youth. The pre-assessment is a swift process, leaving the Deal Forum Unit of the bank to advance the due diligence phase and assess the readiness of the project being applied for/business case. The Land Bank's Project Facilitation Unit can assist with ensuring a project is ready to receive the requested funding. This would entail engaging physically with beneficiaries or deploying technical experts to assist, especially with emerging beneficiaries. Therefore, the Land Bank has capacity to service beneficiaries in the wines and spirits industry by using technical experts, contracted via service level agreements. What follows is an internal approval process by the credit committees with mandates up to certain amounts. The Credit Risk and Management Committee[14] manages this role in a similar way to all other loan applications. The size of transaction is the differential point within the process as it treats both lending and grant financing identically, regarding credit checking. This ensures traceability and transparency of their processes, a motivating factor for their provision of services.

Land Bank has a monitoring team that will undertake monthly monitoring of projects if required, which will be sent to DALRRD for review including, comprehensive quarterly reports. Land Bank will operate with a separate open bank account for this fund, where drawdowns and balances can be made available to specific parties, and can be reflected under the MoU. This will ensure a transparent financial process throughout.

There are also opportunities for the Land Bank to further combine EU grant aid with non-grant resources, a methodology that is emphasised by DALRRD and Land Bank. As grant funding increases the bankability of projects, blending provides an opportunity for leverage and may increase the developmental impact. These two may advance the success of projects.

Land Bank, in addition, has branches in the wine producing areas, which can assist with visibility of the programme and provide assistance/information to applicants. They use technical partners such as investors, off-take holders on many projects, who can be encouraged to assist in the preparation of applications; the bank also has recommended service providers. This highlights that the Land Bank's capacity extends beyond its internal processes and allows for a holistic offering which is necessary.

The NAMC will also develop the criteria for the use of the programme funding in line with the MoU and this agreement. The body's Agribusiness Development Division (ADD) was established in 2006 to collaborate with various national and international institutions in designing and implementing development schemes and programmes that are aimed at uplifting, increasing market access, encouraging new business development and integration into the commercial mainstream, and capacity building of historically disadvantaged enterprises. The schemes are demand driven and guided by the developmental impact as well as feasibility studies. NAMC through ADD will engage with farmers, using existing structures and processes and report back to the PSC.

5.8 **Performance and Results 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 the implementing partner's responsibilities. To this aim, the 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

[14] Approves all applications between ZAR 20 million (about EUR 1 200 000) and ZAR 250 million (about EUR 16 000 000).

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 partner's strategy, policy or reform action plan list.

Reports 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, a final evaluation will not be carried out for this action or its components.

In case an evaluation is not foreseen, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

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.

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.

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.

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 Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

Comments:

1. The articulation of expected results needs some work. Alternatives for the OO and SO have been provided to better reflect the programme objectives.

   Concerning the two levels of outputs, we included some guidelines about the definitions of induced outputs and direct outputs in a BS programme, to be adapted to this programme.

2. Once the results chain has been revised, the list of indicators may be reviewed according to their relevance to each expected result.

3. For each indicator, a related baseline / target and a specific Source of verification should be provided.

Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
The Overall Objective of the action is to assist the government of South Africa to ensure a sustainable transformation of the wines and spirits industry of South Africa.	• Number of projects where there is black ownership. • Hectares under vine where there is black ownership. • Tonnage produced where there is black ownership.	Actual number to be defined at inception stage at the latest.	Actual number to be defined at inception stage at the latest.	VinPro Statistics Reports

Specific objective(s): Outcome(s)	SO.1. To ensure a more equitable access to land, specifically for farm workers, black farmers and black-owned brands.	• Number of subsistence and smallholder producers supported per year (disaggregated by sex). • Number of hectares in underutilised areas cultivated in communal areas per year. • Number of land reform projects supported. • Number of joint ventures between commercial and emerging farmers. • Percentage of black-owned land used for wine farming.	Actual number to be defined at inception stage at the latest. 2.5 % of land used for wine farming is black-owned.	Actual number to be defined at inception stage at the latest. 20 % of land used for wine farming is black-owned by 2025.	Department of Agriculture, Land Reform and Rural Development • Annual Reports • Annual Performance Plans Land Bank • Annual Reports National Agricultural Marketing Council • Annual Reports

Specific objective(s): Outcome(s)	SO.2. To improve and increase education, training and development opportunities for black farmers.	• Percentage of black brands, black farmers and related beneficiaries supported to comply with the minimum legal requirements to do business. • Number of youth entering the workplace post training across the wine industry value chain. • Number of women trained as well as provided with upliftment opportunities in the wines and spirits sector. • Number of beneficiaries trained in the application of Good Agricultural Practices (GAP) and environmental compliance. • Number of beneficiaries applying GAP and environmental compliance. • Number of black industrialists entering the wines and spirits sector. • Black farmers' and farm workers' productivity. • Number of new listing of black owned brands at national or international retailers outside the EU.	Actual number to be defined at inception stage at the latest.	Actual number to be defined at inception stage at the latest.	Department of Agriculture, Land Reform and Rural Development • Annual Reports • Annual Performance Plans Land Bank • Annual Reports National Agricultural Marketing Council • Annual Reports VinPro • Reports

Specific objective(s): Outcome(s)	SO.3. 3. To promote a socio-economic development, especially improvement of employees, farm workers and related beneficiaries in the industry	• Number of farms and cellars participating in alcohol abuse programmes. • Number of registered crèches on wine farms as percentage of total crèches on wine farms. • Number of Wine and Agricultural Ethical Trading Association (WIETA) accredited black-owned farms and cellars. • Number of black-owned farms adhering to Freedom of Association.	• 101 farms were participating in alcohol abuse programmes in 2014. • 40.3 % of crèches on wine farms were registered in 2014. • Zero • Zero	• 250 farms participating in alcohol abuse programmes by 2020. • 60 % of crèches on wine farms registered by 2020. • 100 % black-owned farms WIETA accredited. • 100 % black-owned farms adhere to Freedom of Association	WIETA • Annual Report • Audit Report
Induced outputs	Increased capacity of agro-processing entrepreneurs of the wine industry in processing norms and standards Enhanced access to markets and appropriate financing Improved administrative and regulatory environment	• Number of agro-processing entrepreneurs trained in processing norms and standards per year. • Volume of wine sold (incl. to priority export markets outside the EU) by black farmers and black-owned brands. • Number of agro-processing projects financed through development finance institutions. • Number of projects assisted post government's red tape reduction programme.	Actual number to be defined at inception stage at the latest.	Actual number to be defined at inception stage at the latest.	Departments of Agriculture, Land Reform and Rural Development; Trade and Industry; and possibly Small Business Development • Annual Reports • Annual Performance Plans

Direct output	Increased size and share of the government budget available for discretionary spending; Increased predictability of the disbursements of external funds; Improved policy dialogues and more effective (disbursement) conditions through better coordination, more consistency with the government priorities and stronger incentives for effective implementation of government strategies.	• Amount for government's discretionary spending. • Amount for disbursement of external funds. • Number of policy dialogues as well as number of government priorities implemented.	Actual number to be defined at inception stage at the latest.	Actual number to be defined at inception stage at the latest.	President's Budget Vote Speech. National Treasury and Reserve Bank • Annual Reports