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## ANNEX

### of the Commission Implementing Decision modifying the Decision C(2011) 8205 on the Annual Action Programme 2011 and 2012 part 1, in favour of the Republic of South Africa to be financed under Article 21-060200 of the general budget of the Union

Simplified Action Document for the "National Development Policy Support Programme (NDPSP)

#### 1. IDENTIFICATION

<b>Title/Number</b>	National Development Policy Support Programme (NDPSP) CRIS n° DCI-AFS/2010/022-802		
<b>Total cost</b>	<b>Total amount of EU Contribution : EUR 251 950 000</b> <ul style="list-style-type: none"><li>• 2011 Budget: EUR 125 549 527</li><li>• 2012 Budget: EUR 124 450 473</li><li>• <b>2017 DfID Contribution: EUR 1 950 000</b></li></ul> Administrative fees: EUR 250 000		
<b>Aid method management mode</b>	General Budget Support: <b>direct</b> centralised <b>management</b> Complementary Support: <ul style="list-style-type: none"><li>• <b>Support to Civil Society: direct centralised management</b></li><li>• <b>Capacity Building for Public Finance Management: indirect management (partially decentralised management)</b></li><li>• Support to Pro-poor Policy Development II: indirect management (partially decentralised management)</li></ul>		
<b>DAC code</b>	51010	<b>Sector</b>	General Budget Support

The main purpose of the revision is to increase the European Union's financial contribution by EUR 1 950 000 in favour of component "2.2 Capacity Building for Public Finance Management" by integrating a contribution from UK-AID - Department for International Development (DfID) through a Transfer Agreement amounting to EUR 2 200 000, out of which EUR 250 000 will be allocated to cover European Commission's administrative costs. Contingencies are reallocated from component 2.1 to component 2.2 for an amount of EUR 200 000.

#### 2. RATIONALE AND COUNTRY CONTEXT

1) *The last sentence in the first paragraph is modified as follows:*

"To meet these objectives support will be given in the form of two components: Component 1 being General Budget Support (GBS) (EUR 200 000 000) and Component 2 being complementary support in the following areas: (i) civil society organisations (EUR 19 800 000); (ii) capacity building for public financial management (**EUR 22 150 000**); and (iii) support to the Presidency in the area of evidence-based pro-poor policy development (EUR 10 000 000)"

##### 2.1 Country Context and National Policy and Strategy

*This section remains unchanged*

##### 2.2. Eligibility for budget support

*This section remains unchanged*

## 2.3 Sector Policies

*This section remains unchanged*

## 2.4 Lessons learnt

*This sub-section remains the same*

## 2.5 Complementary actions

*This section remains unchanged*

## 2.6 Donor Coordination

*This section remains unchanged*

# 3. DESCRIPTION

## 3.1 Objectives

*This section remains unchanged*

## 3.2 Expected results and main activities

2) *The last paragraph of this section is modified as follows:*

"Inputs will consist of annual financial support through budget support up to a total of EUR 200 000 000 (approximately 0.07% of the South African consolidated budget framework for the MTEF period 2011-2014)<sup>1</sup>. **Complementary support will amount to EUR 51 950 000, including the Transfer Agreement that will be signed with Dfid.**"

## 3.3. Stakeholders

*This section remain unchanged*

## 3.4. Risks and assumptions

*This section remain unchanged*

## 3.5 Cross-cutting issues

*This section remains unchanged*

# 4. IMPLEMENTATION ISSUES

## 4.1. Budget and calendar

3) *This section is modified as follows:*

"The total budget is **EUR 251 950 000**. The budget reserved for budget support (Component 1) amounts to EUR 200 000 000 and a total amount of **EUR 51 950 000** will be allocated for complementary support (Component 2) in three sub-components, namely (i) Support to Civil Society (EUR 19 800 000), (ii) Capacity Building for Public Finance Management (**EUR 22 150 000**) and (iii)

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<sup>1</sup> This amounts to 2% of South Africa's Gross International Reserves, but it is foreseen that it will contribute  $\pm 5\%$  to GoSA's contingency and policy reserve, which represents the discretionary budget. Although the amounts are small in relation to South Africa's resources, the focus on key priorities and objectives will ensure "value added". The programme budget has been established on the basis of: (i) the Government's track record, especially regarding proposed complementary support, where performance of the National Treasury Chief Directorate for PFM Capacity Building and the two Departments in the Presidency justifies the allocations for Components 2.2 and 2.3; (ii) the allocation to Component 2.1 – civil society – is justified by the need to support a sufficient number of actions by CSOs to fully contribute to the MTSF objectives and outcomes approach; (iii) enhancing the degree of coordination needed with regards to areas cutting across Government functions (relevant to Components 1 and 2), justifies an allocation to complement ongoing sector programmes; (iv) the need to enhance dialogue on a broad range of aspects within existing structures.

the second phase of the Programme to Support Pro-Poor Policy Development (EUR 10 000 000). The operational implementation phase will be **72 months**<sup>2</sup> as from the signature of the Financing Agreement. One Financing Agreement will be signed with the Government of South Africa for the programme incorporating both Components 1 and 2.

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<sup>2</sup> The operational implementation phase was extended from 60 to 72 months through a previous technical amendment dated 3.2.2015.

**Table 2 – Table Budget breakdown for Components 1 and 2 (EUR)**

Component	1. Budget Support	2.1 Support to Civil Society (direct)	2.2 Capacity Building for Public Finance Management (ex-ante indirect <sup>3</sup> )	2.3 Programme to Support Pro-Poor Policy Development II (ex-ante indirect)	Total
Budget Support	200 000 000	-	-	-	200 000 000
Technical Assistance / Services ( <i>Incl Information sessions, Training, Workshops, Conferences, Seminars</i> )	-	600 000	<b>17 194 798</b>	4 700 000	<b>22 494 798</b>
Calls for Proposals / Grants <sup>4</sup>	-	18 400 000	-	2 100 000	20 500 000
Supplies / Equipment	-	-	<b>263 595</b>	50 000	<b>313 595</b>
Operating costs <sup>5</sup>	-	-	<b>3 700 000</b>	2 400 000	<b>6 100 000</b>
Audits and evaluations	-	300 000	300 000	250 000	<b>850 000</b>
Visibility	-	<b>500 000</b>	<b>21 151</b>	100 000	<b>621 151</b>
Contingency <sup>(*)</sup>	-	<b>0</b>	<b>670 456</b>	400 000	<b>1 070 456</b>
<b>Total</b>	<b>200 000 000</b>	<b>19 800 000</b>	<b>22 150 000</b>	<b>10 000 000</b>	<b>251 950 000</b>

**Table 3 - Indicative disbursement amount and calendar for Component 1: Budget Support**

Amount (million EUR)	Year 1	Year 2	Year 3	Year 4	% of total
Fixed tranche	42.0	34.0	30.0	28.0	67.0
Variable tranche	-	20.0	22.0	24.0	33.0
<b>Total</b>	<b>42.0</b>	<b>54.0</b>	<b>52.0</b>	<b>52.0</b>	<b>100.0</b>

### **Implementation of Complementary Support (Component 2):**

#### **(i) Support to Civil Society (Component 2.1)**

- *Method of implementation:* Direct management following the signature of the above-mentioned financing agreement with the Government of South Africa in accordance with Articles 184(2)(b) of the Regulation(EU, Euratom) n° 966/2012.
- *Budget and calendar:* The total budget will be **EUR 19 800 000** as indicated in Table 2.
- Preparations for the procurement of the services will commence upon signature of the FA. Priorities of the Calls will be determined through a comprehensive consultative process with Government, civil society and other stakeholders. The first Calls for Proposals will be launched within 1 year of the signature of the Financing Agreement.

#### **(ii) Capacity Building for Public Finance Management (Component 2.2) and (iii) Programme to Support Pro-Poor Policy Development II (Component 2.3)**

<sup>3</sup> These figures include the previous modifications finalized in a reallocation on 11/5/2015.

<sup>4</sup> For the PSPPD component grant beneficiaries will include, amongst others, research institutions and universities. It is also foreseen to award grants of up to 10,000 EUR to local universities and research organisations. For the Support to Civil Society Component, grant beneficiaries will include civil society organisations in South Africa, including non-governmental organisations; think tanks; research and academic institutions; and independent foundations.

<sup>5</sup> Including the ordinary operating costs (excluding equipment) of the structure in charge of the management of the project or programme: ordinary operating costs cover only local staff, utilities (water, gas, electricity etc.), rental of premises, consumables, maintenance, short term missions and fuel for vehicles; they do not cover the purchase of vehicles and other equipment or any operational activity.

<sup>(\*)</sup> The European Union's contribution to the "Contingencies" heading may be used only with prior agreement of the Commission.

- *Method of implementation:* indirect management through the signature of the above-mentioned financing agreement with the Government of South Africa in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. The Commission controls ex ante all the procurement procedures except in cases where programme estimates (direct decentralised operations) are applied, under which the Commission applies ex ante control for procurement contracts > 50,000 EUR and may apply ex post for procurement contracts ≤ 50,000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts. The National Treasury will be the Contracting Authority for Component 2.2 and the **Department of Planning, Monitoring and Evaluation for Component 2.3.**<sup>6</sup>
- **With regards to Component 2.2: Capacity Building for Public Finance Management Programme, the Commission will be entrusted with the responsibility of managing the contribution for an amount of EUR 1 950 000<sup>7</sup> by DFID after the signature of the corresponding transfer agreement, in accordance with the procedures applicable to the expenditure of the European Union, in particular the EU budget. This contribution will be implemented in partially indirect management under the TA part of this Component. The Contracting Authority will be the National Treasury.**
- The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, international organisation or delegated body under, respectively, decentralised, joint or indirect centralised management.
- *Payments* are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below. The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

<b>Works</b>	<b>Supplies</b>	<b>Services</b>	<b>Grants</b>
< 300,000 EUR	< 150,000 EUR	< 200,000 EUR	≤ 100,000 EUR

- Budget and calendar: For (ii) Capacity Building for Public Finance Management, the total budget will be **EUR 22 150 000**. For (iii) Programme to Support Pro-Poor Policy Development II, the total budget will be EUR 10 000 000. This is indicated in Table 2.

Indicatively, one Technical Assistance Team (TAT) will be appointed for Component 2.2 that will assist the Programme Management Unit, including the provision of technical expertise; programme management; capacity building aimed at the involved staff; coordination of activities related to the result areas identified for this action, and implementation monitoring, as well as administrative and ancillary tasks. One TAT is foreseen for Component 2.3 provision of capacity building for policy makers and researchers; organisation of training courses; organisation and implementation of study tours, conferences and international workshops, as well as knowledge management activities and administrative and ancillary tasks. Audits and evaluations will be contracted through direct centralised procedures. Preparations for the launch of relevant tender procedures and calls for proposals will start immediately upon decision by the Commission. Calls for proposals will be preceded by consultative processes."

<sup>6</sup> This modification reproduces the provisions of the non-substantial amendment finalised on 23/5/2015.

<sup>7</sup> In addition, DFID will pay to the European Commission EUR 250 000 of administrative fee.

#### **4.2 Budget support modalities (Component 1)**

*This section remains unchanged*

#### **4.3 Procurement and grants award procedures/ programme estimates (Component 2)**

*This section remains unchanged*

#### **4.4 Performance monitoring and criteria for disbursement for the Budget Support Component (Component 1)**

*This section remains unchanged*

#### **4.5 Evaluation and audit**

*This section remains unchanged*

#### **4.6 Communication and visibility**

*This section remains unchanged*