

International Development Co-operation



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Department
National Treasury
REPUBLIC OF SOUTH AFRICA

Budget Support in South Africa

Management of Grants Provided under the General Budget Support Programme



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

This document has been prepared as a supplement to the National Treasury “Policy Framework and Procedural Guidelines for the Management of Official Development Assistance (2003)” with information specific to projects funded by grants provided under the Budget Support component of the EU funded National Development Policy Support Programme (the GBS programme). It forms part of a set of documents with information specific to programmes funded by the European Commission using the Budget Support modality. These Supplements reflect the commitment of the Government to ensure proper application of Budget Support funds in the South African developmental context. There are nine Supplements with more in depth information on EU funding modalities and Budget Support management. The nine Supplements are:

- Context for EU Funded Budget Support in South Africa
- Introduction to EU Funding Modalities
- Guidelines for Formulation of the Financing Agreement
- Financing Agreement Contractual Clauses
- Management of Budget Support Programmes
- Requesting the Release of Funds
- Evaluation of Budget Support Programmes
- Managing Budget Support Funds within the SA Public Accountability System
- Management of Grants Provided under the General Budget Support Programme.

The document provides guidelines for managing grants received from the GBS programme. It covers:

- Overview of the GBS programme
- Allocation processes for GBS-funded grants
- Project and fund Management requirements.

Financial management of grants from the GBS programme is aligned with the South African Public Accountability System and follows the guidelines provided in the supplement “Managing Budget Support Funds within the South African Public Accountability System”. The reader is also referred to the first two Supplements listed above for further information on Budget Support programmes in South Africa.

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List of resources documents

All our reference documents can be downloaded by following the URLs provided.

1. The Policy Framework and Procedural Guidelines for the Management of Official Development Assistance; National Treasury; 2003. <http://www.dcis.gov.za/Documents/ODAGUIDELINES1stEDITION.pdf>
2. Delivery Agreement for Outcome 4: Decent employment through inclusive growth. <http://www.info.gov.za/view/DownloadFileAction?id=135380>
3. Delivery Agreement for outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship. <http://www.info.gov.za/view/DownloadFileAction?id=135370>

Glossary and Abbreviations

AENE	Adjusted Estimates of National Expenditure	MoA	Memorandum of Agreement
AFS	Annual financial statements	MoU	Memorandum of Understanding
AG	Auditor General	MTEF	Medium-Term expenditure Framework
BAS	Basic Accounting System	NAO	National Authorising Officer
BS	Budget Support	NGO	Non-Governmental Organisation
CABRI	Collaborative African Budget Reform Initiative	NIP	National Indicative Plan
CEF	Comprehensive Evaluation Framework	NT: IDC	National Treasury: International Development Cooperation unit
CFO	Chief Financial Officer	ODA	Official Development Assistance
CSP	Country Strategy Paper	OECD	Organisation for Economic Cooperation and Development
DAC	Development Assistance Committee	OVI	Objectively verifiable indicator
DCI	Development Cooperation Instrument	PAF	Performance Assessment Framework
DCMIS	Development Cooperation Management Information System	PAS	Public Accountability System
DDG	Deputy Director General	PFM	Public finance management
DG	Director General	PFMA	Public finance Management Act (as amended)
DIRCO	Department of International Cooperation and Development	PMG	Paymaster-General
DPME	Department of Monitoring and Evaluation	PSP	Policy Support Programme
DTI	Department of Trade and Industry	RCF	Risk Capital Facility
EC	European Commission	RDP	Reconstruction and Development Programme
ENE	Estimates of National Expenditure	ROM	Results Orientated Monitoring
EPRD	European Programme for Reconstruction and Development	SA	South Africa
ESP	European Special Programme	SAI	Supreme Audit Institution
EU	European Union	SBS	Sector Budget Support
EUD	European Union Delegation	SCC	Special Conditions of Contract
FA	Financing Agreement	SCOA	Standard Chart of Accounts
FMPA	Financial Management of Parliament Act	SLA	Service level agreement
GBS	General Budget Support	SME	Small and Medium Enterprise
GCC	General Conditions of Contract	SP	Sector Programme
GP	Government programme, as specified in the Financing Agreement, supported by the Budget Support programme	SPSP	Sector Policy Support Programme
IYM	In-year monitoring	SWAp	Sector Wide Approach
JAP	Joint Action Plan	SWEEEP	Sector Wide Enterprise, Equity and Employment Programme
JCC	Joint Cooperation Committee	TA	Technical Assistance
LFA	Logical framework analysis	TAPs	Technical and Administrative Provisions
M&E	Monitoring and Evaluation	TDCA	Trade and Development Cooperation Agreement
MFMA	Municipal Financial Management Act	ToR	Terms of Reference
MIP	Multi-annual Indicative Plan	UNESCO	United Nations Educational, Scientific and Cultural Organisation

1 National Development Policy Support Programme

1.1 Background

General Budget Support is a modality used within the National Development Policy Support Programme (NDPSP), an EU-funded programme. The NDPSP covers number of component programmes of which €200 million is managed using the Budget Support modality. This component is referred to as “the GBS” programme throughout this document because the term “General Budget Support” was current when it was formulated¹. The GBS component of the NDPSP supports the South African National Development Policy and Plan.

The GBS component of the NDPSP is managed by National Treasury. It has a particular focus of support on government outcome 4 (Decent employment through inclusive growth) and outcome¹² (An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship).

1.2 Operation of the Programme

The GBS funds are released to the South African government, through the RDP Account, when the agreed conditions set out in the Financing Agreement have been met. As for all Budget Support programmes, a fixed value tranche² is released where the general conditions are met. The general conditions are:

- Satisfactory progress in implementation of the government programme. In the case of the GBS programme the government programme is the Medium Term Strategic Framework and outcomes approach
- Maintenance of macro-economic stability
- Satisfactory progress in the implementation of the programme to improve public financial management.

A variable value tranche is released if the South African government programmes perform satisfactorily against agreed indicators.

Fixed and variable tranches are released together after submission of a comprehensive “payment file” to the EU (submitted annually). The “payment file” is a monitoring instrument reporting on progress against the fixed and variable tranche conditions. It draws supporting evidence on progress from agreed South African monitoring instruments. Refer to the Supplements “Guidelines for Formulation of the Financing Agreement” and “Requesting the Release of Funds” for more information on payment conditions and payment files.

These tranches are released by the donor into the RDP Fund Account. After receipt of the tranche payment, National Treasury releases funds as grants to approved projects in national and provincial departments. SA Government systems are used for allocation, planning, implementation, procurement, accounting, reporting, monitoring and evaluation of GBS funds.

The payment file does not report on progress of projects funded by grants from the GBS programme. These projects are monitored using South African monitoring instruments (refer to section 4 of this document and the supplement “Management of Budget Support Programmes”).

¹ In more recent EU terminology it is a Good Governance and Development programme.

² Instalment

2 Allocation of General Budget Support Funds to South African Government Projects

Budget support under the NDPSP is allocated as grants to South African government projects that support the achievements of Outcomes 4 and 12. Proposals for projects to be funded from the GBS programme are mobilised through a formal “Call for Proposals” which is published with the annual MTEF guidelines. Each Call for Proposals includes guidelines for the submission of proposals and for the use of the funding. Allocations are made to projects based on merit.

The General Budget Support is therefore a special case of ODA in that:

- National Treasury allocates the funds as a grant to appropriate projects proposed by government departments and
- The GBS grant is paid into departmental accounts from the RDP fund. It is expended on a government project and not on a programme designed by the donor.

To ensure alignment with SA budget processes, the GBS funding proposals are submitted to National Treasury and assessed at the same time as the annual budget submissions for voted funds. The inclusion of the proposals for GBS funding in the budget process ensures alignment of projects with national policy and strategy as well as departmental mandates.

Projects funded by grants from the GBS programme must align with Outcomes 4 and 12 as well as with the 2003 Treasury Guidelines for use of ODA in South Africa, which specify that ODA must add value, by supporting:

- *Innovation*: developing new and more effective approaches
- *Piloting and testing*: pioneering new approaches for replication purposes
- *Risk mitigation*: creating an enabling environment for SME development
- *Catalytic initiatives/best practices*: unlocking or leveraging domestic resources and
- *Skills transfer and addressing of capacity gaps*: ensuring that South African institutional capacity is enhanced for sustained, long-term implementation.

Projects that have been allocated GBS funding are informed through the annual letter issued to departments, by National Treasury, indicating their fiscal budget allocations.

3 Management of grants received from the General Budget Support Programme

National Treasury requires that specific measures be taken to include the Budget Support grant funds in the public sector planning, accountability and financial management framework. Furthermore, National Treasury requires that donor funds be used effectively and efficiently in support of the government's development objectives and in alignment with the ODA guidelines.

3.1 GBS Grant and Planning

The requirements for inclusion of the Budget Support allocations in departmental planning are set out in the Supplement "Management of Budget Support Programmes".

Annual performance plans must reflect General Budget Support funding in Overview of 20XX budget and MTEF estimates. As donor funding is allocated separately from appropriated funds, additional information must be added to reflect the expected tranche payments under the budget section. The information on budget in sections A and B of the Annual Performance plan are transferred to the "other" schedules in the ENE and MTEF databases.

The Medium-Term Expenditure Framework must reflect the donor funding allocation to specific programmes. This information must be captured in the MTEF database submissions as specified in the annual MTEF Guidelines issued by National Treasury.

The GBS funding must specifically be reflected in:

- **The strategic overview** to be provided by departments, Constitutional institutions and public entities in the ENE. This encompasses a brief discussion about the outcomes and related outputs to which they contribute as an institution and must include the outputs and outcomes supported by General Budget Support funding
- Departments are required to provide, for the ENE, information on the key functions of each programme and sub-programme, including programmes and sub-programmes supported by a GBS grant
- The planning of the department must reflect the General Budget Support grant funds before the release of funds to the project.

The department is required to update their business plan prior to the release of the tranches³ of the GBS grant. The template for the business plan is included as Annexure D in the Supplement "Managing Budget Support Funds within the SA Public Accountability System".

3.2 Management Structure

Management requirements for the project are set out in the Supplement "Management of Budget Support Programmes".

³ A tranche is an instalment

3.3 Financial Management

GBS projects must be managed in terms of the South African Public Accountability System. The financial management prescripts are set out in the supplement “Managing Budget Support Funds within the SA Public Accountability System”. The South African public sector procurement procedures and legislation are applicable to expenditure undertaken with grants from the GBS programme.

3.4 Release of Funds

Release of funds from National Treasury to GBS projects uses the same procedures as used by Sector Budget Support programmes. These procedures are detailed in the supplement. - “Managing Budget Support funds within the South African Public Accountability System”.

For each year of receiving funds, before the start of the fiscal year, the Implementing Agency must provide the National Treasury: IDC with a revised quarterly cash use projection and disbursement schedule for the fiscal year the accompanying templates of the Budget Support Business plan, which is included as Annexure D to the Supplement “Managing Budget Support Funds within the SA Public Accountability System”).

4 Performance, Monitoring and Evaluation

4.1 Requirements

South African systems of monitoring and evaluation are used to assess the performance of the projects funded under the programme. Refer also section 3 of to the supplement “Management of Budget Support Programmes”.

The basis for monitoring and evaluation of projects funded with grants from the GBS programme is the Business plan and its subsequent annual revisions. Minimum requirements for the Monitoring and Evaluation of GBS grant projects are:

- monitoring of grant expenditure in terms of amounts, procedural compliance and outputs against the business plan
- monitoring of progress of activities against planning, including monitoring of actual inputs and outputs against planning and
- monitoring of results (outcomes) against predicted outcomes.

4.2 Reporting for Projects Funded under the General Budget Support Programme

Reporting on GBS grant funds should be in line with the provisions of the Public Finance Management Act (PFMA) and as requested in the ENE, MTEC and DCMIS databases. Refer to the supplement “Management of Budget Support Programmes”. Reporting needs for the GBS grant funds should be met as far as possible through existing reporting mechanisms, modified to reflect the additional actions and resources due to the GBS grant funding. These mechanisms include:

- The ENE/Annual MTEF process
- Annual audits, expanded to cover GBS grant funds.

Quarterly progress reports on the GBS grant-funded project. Reports are submitted to the National Treasury IDC Unit. The format for the quarterly reports is included as Annexure C in the supplement “Managing Budget Support Funds within the SA Public Accountability System”.

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