

International Development Co-operation



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Budget Support in South Africa

Managing Budget Support Funds within the South African Public Accountability System



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

BUDGET SUPPORT IN SOUTH AFRICA

Managing Budget Support Funds within the South African Public Accountability System

Supplement 7 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 programmes funded by the European Union 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 such 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.

This supplement provides formal guidelines for:

- Procedures for disbursement of Budget Support funds from the RDP Fund
- Financial Management procedures for Budget Support funds
- Accounting for Budget Support funds in the SA government Basic Accounting System
- Financial Reporting on Budget Support funds
- External Audit and oversight of Budget Support funds.

Where other National Treasury guidelines or external texts provide deeper and detailed information, these are referred but their content is not replicated. The reader is also referred to the Supplements “Context for EU Funded Budget Support in South Africa”, “Management of Budget Support Programmes” and “Requesting the Release of Funds” for further information on Budget Support programmes in South Africa. The supplement “Introduction to EU Funding Modalities” is essential prior reading for this supplement, as it explains EU terminology and Budget Support philosophy.

October 2013

Table of Contents

Table of Contents	2
Glossary and Abbreviations	3
1 Introduction.....	4
1.1 Requirement for Improved Accountability for Official Development Assistance	4
1.2 Dimensions of Public Accountability	4
1.3 Aspects of Bringing Budget Support into the Public Accountability System Covered in this Document	5
2 Legal basis for integration of Budget Support funds in South African financial management systems	6
2.1 The Reconstruction and Development Programme Fund Act.....	7
2.2 The Public Finance Management Act	8
2.3 The Municipal Finance Management Act (MFMA).....	10
2.4 The Financial Management of Parliament Act (FMPA).....	11
3 Accountability for Budget Support Funds	13
4 Budget Support 'On Treasury' at the National Level: Disbursement of funds from the Reconstruction and Development Programme Account.....	15
5 Financial Management of Budget Support Funds	18
5.1 Commitment control for Budget Support Funds and Flow of Funds	18
5.2 'On account': Accounting procedures for Budget Support Funds	20
5.3 Procurement using National, Provincial and Municipal Supply Chain Management Systems	21
5.4 Internal Audit.....	21
5.5 Financial and Performance Reporting.....	21
5.6 Oversight.....	22
Annexure A1: Release of funds	23
Annexure A2: Requisition Form for Budget Support Funds.....	24
Annexure B: Letter from the Office of the Accountant General	25
Annexure C: Progress Report (quarterly)	26
Annexure D: Business Plan Template	28

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 Introduction

1.1 Requirement for Improved Accountability for Official Development Assistance

The Development Cooperation Review III of ODA flows to South Africa between 2000 and 2010¹, found that ODA resources are dwarfed by voted funds and the system is focused on the management of voted funds. In consequence poor integration and reflection of ODA in South African financial management systems has negatively affected the effective use of aid, and public officials are often not held sufficiently accountable for the use of ODA within their institution or by Parliament.

1.2 Dimensions of Public Accountability

The Collaborative African Budget Reform Initiative (CABRI)² has developed a framework to describe eight dimensions for the integration of aid with government financial management systems, namely: bringing aid on plan, on budget, on Parliament, on treasury³ (on disbursement and on internal controls), on procurement, on account, on audit and on report. The diagram below illustrates these dimensions in terms of the budget cycle.



Dimensions of integration for ODA in South Africa's budget and financial management Systems⁴

1 Folscher et al; 2010. Undertaken on behalf of the National Treasury International Development Cooperation Unit
 2 A learning network of senior budget and planning officials in Africa constituted in terms of an intergovernmental legal agreement. CABRI undertake research, peer exchange and learning activities in budgeting and public financial management. The CABRI Secretariat is based in the National Treasury in Pretoria. Its Aid on Budget work seeks to identify good practices for improving how aid is delivered in respect of recipient country's own budget and PFM systems. See www.cabri-sbo.org
 3 Note: the term "treasury" used here refers to the treasury function both within departments and in National Treasury, and not to the institution SA National Treasury
 4 Source: Using Country Financial Management Systems: A Practitioner's Guide (OECD/DAC Task Force on PFM); based on CABRI: Putting Aid on Budget Good Practice Note; 2009

1.3 Aspects of Bringing Budget Support into the Public Accountability System Covered in this Document

This supplement sets out the measures required by National Treasury to ensure that Budget Support (BS) is managed accountably by public institutions. Specifically: that Budget Support is brought on treasury⁵, on account, on procurement, on audit and on financial report as shown in the table below.

The primary fiduciary responsibility for Budget Support funds rest with the South African government and its institutions. This section sets out standard procedures for bringing Budget Support into core PFM systems.

on treasury	<p>Ensure funds are on disbursement from National Treasury controlled accounts and on internal control (managed within departments using the systems established by the Accounting Officer in terms of the PFMA, the MFMA and the FMPA).</p> <p>The requirements for bringing funds on treasury includes bringing them into the systems of:</p> <ul style="list-style-type: none"> • Financial and risk management and internal control • Internal audit under the control and direction of an Audit Committee (operating as prescribed by the National Treasury Regulations and • Capital Project Evaluation.
on account	<p>Ensure funds are accounted for using the accounting systems established by the Accounting Officer, within the framework prescribed by the Accountant General</p>
on procurement	<p>Ensure that Budget Support funds are subject to the procurement, legislative and operational requirements</p>
on report	<p>Ensure that financial reporting of Budget Support is integrated with ENE and MTEF financial reporting on voted funds</p>
on audit	<p>Ensuring the Auditing of Budget Support by the Auditor General, using South African audit approaches and frameworks.</p>

Refer to the Supplement “Management of Budget Support Programmes” for the requirements for bringing aid on plan and on budget and for additional requirements for bringing Budget Support on report (performance aspects). This document covers:

- The legal basis for managing Budget Support funding within the South African Public Accountability System
- Procedures for disbursement of Budget Support funds from the RDP Fund
- Financial management procedures for Budget Support funds
- Accounting for Budget Support funds in the BAS
- Risk management and internal audit requirements, under the control and direction of an Audit Committee (operating as prescribed by the National Treasury Regulations)
- Procurement procedures for Budget Support funds
- Integration of financial reporting of Budget Support funds with financial reporting on voted funds
- The auditing of Budget Support by the Auditor General, using South African audit frameworks and
- Oversight of Budget Support funds by various institutions.

⁵ Note: the term “treasury” used here refers to the treasury function within both departments and National Treasury, and not to the institution SA National Treasury

2 Legal basis for integration of Budget Support funds in South African financial management systems

There are a number of provisions within the South African legal framework for public accountability that govern the management of donor funds. This primary legal framework is provided by the:

- The Constitution
- RDP Fund Act (as amended)
- Public Finance Management Act (as amended)
- Municipal Finance Management Act (as amended) and the
- Financial Management of Parliament Act.

Section 216 (1) of the Constitution (elaborated by clauses in the three framework public financial management Acts⁶) makes the National Treasury responsible for promoting and enforcing the transparent and effective management of revenue, expenditure, assets and liabilities of all public institutions.

The RDP Fund Act is clear that Accounting Officers are accountable for all donor funds.

The financial management duties of Accounting Officers are detailed in the Public Financial Management Act (1999, PFMA), the Municipal Finance Management Act (MFMA, 2003) and Financial Management of Parliament Act (2009). These duties are applicable also to donor funds transferred to public department and institutions, municipalities and Parliament, respectively.

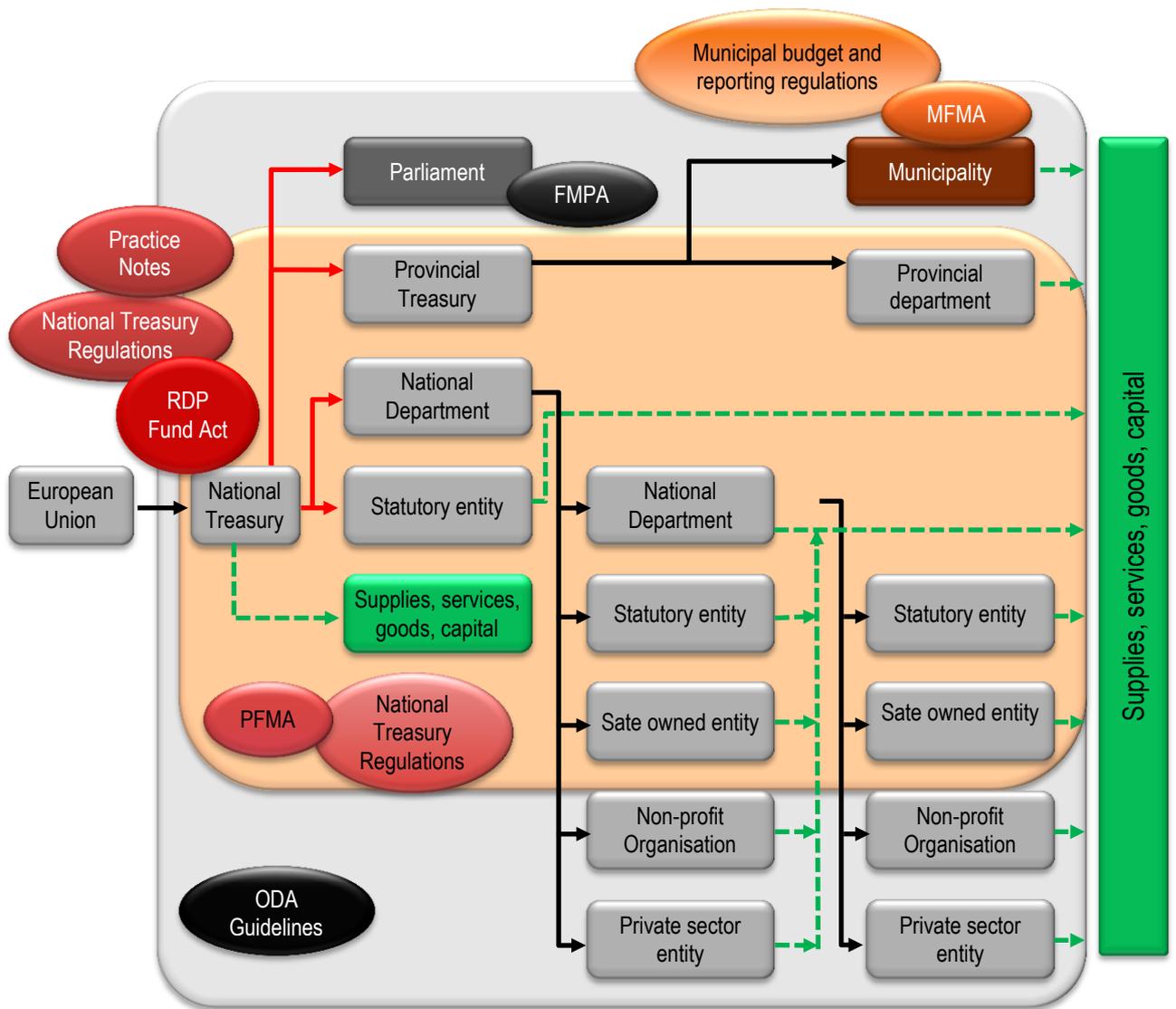
In addition to these Acts, there are secondary legal instruments, namely the:

- ODA Guidelines (2003)⁷, which reflect on the integration of ODA into South African budget processes and systems
- National Treasury Regulations stipulate that donor funding received in terms of the Reconstruction and Development Fund Act (Act 7 of 1994, as amended by Act 79 of 1998), must be dealt with as determined by the National Treasury from time-to-time
- Municipal Budget and Reporting Regulations.

The diagram overleaf shows the potential flow of General and Sector Budget Support funds from the EU, through the RDP account to departments, entities and grant beneficiaries, and the applicability of the primary and secondary legal instruments across the flow of funds.

6 Public Finance Management Act (PFMA), Municipal Finance Management Act (MFMA), and Finance Management of Parliament Act (FMPA).

7 Policy Framework and Procedural Guidelines for the Management of Official Development Assistance (2003)



Application of legal instruments to the flow of funds in Budget Support

2.1 The Reconstruction and Development Programme Fund Act

The RDP Fund Act (as amended), the primary Act regulating the disbursement and use of funds to and from the RDP Fund Account, is the main mechanism used by the state for donor funds disbursed in cash through SA government systems.

The Act states that the Fund may be used to finance projects as authorised by Cabinet. All RDP Fund Technical Assistance agreements have to be approved by Cabinet. Section 3 of the Act states that funds will be used as determined by the Technical Assistance agreement (or Financing Agreement for EU Budget Support).

In Section 6 of the Act, the Accountant General is designated as the accounting officer responsible for the administration of the RDP Fund. Section 6(2) of the Act provides that: “the Accounting Officer of a spending agency (e.g.: a government department) shall be accountable for the money allocated to that spending agency...”

Section 7 of the Act empowers the Minister of Finance to issue regulations regarding any matter that is expedient or necessary to regulate in order to achieve the objectives of the Act. The section also provides explicitly that “the financial records kept by the accounting officer contemplated in S 6 (2) (i.e. the Director General on the relevant department) shall be audited by the Auditor General”.

The Act requires that money disbursed from the fund and not spent by the end of the South African financial year, must be returned to the Fund, unless the technical assistance agreement has a provision to the contrary. The requirement allows effective management of the RDP fund. This requirement is applicable to all Budget Support recipient institutions, notwithstanding the status of the institution. Budget support funds should therefore be requested from the fund only if institutions are sure that they will be utilising the funds within the financial year, as indicated by their forward cash planning.

2.2 The Public Finance Management Act

Budget support funds are not appropriations, therefore these funds are considered to be revenue.

While the PFMA excludes donor funds from national and provincial revenue funds⁸, it requires that all departmental revenue must be included in national and provincial budgets, including the revenue excluded from the national and provincial Revenue Funds⁹. Further, donor funds are deemed public funds, subject to the provisions of the PFMA for public funds, where they are:

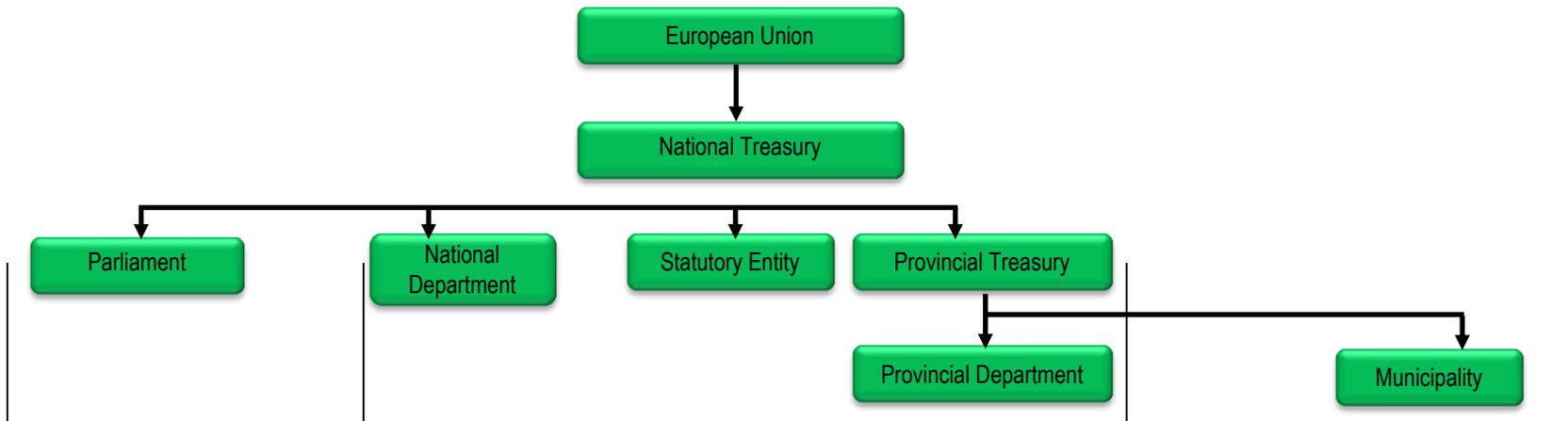
- deposited into the account of a South African public institution and/or
- governed by an agreement including South African public institutions (except where disbursements are undertaken by the donor).

Therefore, exclusion of donor funds from the Revenue Fund does not exclude donor funds from South African public accountability and financial management laws and systems. The funds must therefore be managed in compliance with all provisions regarding revenue, expenditure and the management of assets and liabilities under the relevant financial management framework Acts.

Once deposited into the RDP Fund, donor funds are public funds and subject to the specifications of the PFMA, which was promulgated “to regulate financial management in the National government and Provincial governments”. Similarly, the MFMA applies to Budget Support funds allocated to Municipalities.

⁸ Sections 213 and 226 of the Constitution requires that all money received by national and provincial Government must be paid into the National or Provincial Revenue Funds respectively, unless ‘*reasonably excluded by an Act of Parliament*’. The PFMA (as amended) provides the legal basis for excluding donor funds from the national and provincial Revenue Funds.

⁹ Section 27 (3) of the PFMA



Acts

- RDP Fund Act**
- Primary act regulating the disbursement and use of funds to and from the RDP Fund Account
 - Fund may be used to finance projects authorised by Cabinet
 - Funds used as determined by the technical assistance agreement / Financing Agreement
 - Money disbursed from the fund not spent by the end of the South African financial year, must be returned to the Fund
 - Section 6: the Accountant General is designated as the accounting officer responsible for the administration of the Fund.
 - The RDP Fund Act empowers the Minister of Finance to issue Regulations
 - Section 6(2): the Accounting Officer of the spending agency shall be accountable for the money allocated to that agency
 - Section 7: financial records kept by the accounting officer shall be audited by the Auditor General.

Status of funds

Financial Management of Parliament Act	Public Finance Management Act	Municipal Finance Management Act
Excludes donor funds from being on Parliament, but requires funds to be reflected on budget	<ul style="list-style-type: none"> • Excludes donor funds from the national and provincial Revenue Funds • Once deposited into the RDP Fund, donor funds are public funds and subject to the specifications of the PFMA. 	All money received by the municipality must be paid into its bank account or accounts and expenditure must be approved by Council through the Municipal Budget

Accountability

The Accounting Officer is accountable for the management of all Parliament's funds Requires specific treatment for un-authorised expenditure of donor funds	<ul style="list-style-type: none"> • RDP Fund Act is explicit on the accountability of accounting officers for RDP Funds • The PFMA provisions on the duties of Accounting Officers for public financial management apply to donor funds, including the provisions of Sections 38, 40 and 41 of the PFMA • National and provincial Treasuries responsible for promoting and enforcing the transparent and effective management of revenue 	The Accounting Officer of the Municipality is accountable to the Council for all Municipal accounts
--	--	---

It is required that Budget Support funds be reflected accurately in National departments' Estimates of National Expenditure (ENE) chapters, and in Provincial budget documentation.

Therefore, the provisions of the PFMA on the duties of Accounting Officers for public financial management apply to donor funds, including the provisions of Sections 38, 40 and 41 of the PFMA. The PFMA indicates the duties of the Accounting Officer, summarised in the table below.

Duties of the Accounting Officer in respect of Budget Support Funds as defined in the PFMA

Section of PFMA	Content
All provisions of Section 38 Section 38.1(b)	Accounting officers of departments, trading entities and Constitutional institutions and the accounting authorities of public entities are responsible “for the effective, efficient economical and transparent use of the resources of the department, trading entity or Constitutional institution”.
Section 38.1(f)	Accounting officers must take into account all financial considerations (propriety, regularity and value for money) when policy proposals affecting the accounting officer’s (or accounting authority’s) responsibilities are considered.
Section 40	Accounting Officers must keep full record of the financial affairs of the department, entity or Constitutional institution in line with prescribed norms and standards and must provide annual financial statements to the National or relevant Provincial treasury.
Section 41	Accounting Officers must submit to the relevant National or Provincial Treasury or the Auditor General such information, returns, documents, explanations and motivations as may be prescribed by the National Treasury or the Auditor General.
Sections 6, 28 and 273	Specific reporting requirements applying to Budget Support authorised under the PFMA and include: <ul style="list-style-type: none"> • Submissions to the Medium-Term Expenditure Framework and Estimates of National Expenditure databases • Reporting to relevant Parliamentary Portfolio Committees • Reporting in Departments’ Annual Reports and • Any additional information requests from the National Treasury or Provincial Treasuries.

2.3 The Municipal Finance Management Act (MFMA)

The Municipal Finance Management Act regulates how Municipalities must manage all funds, including that all money received by the municipality must be paid into its bank account or accounts (Section 10). Donor funds expended through South African Government systems must therefore be paid into the municipal bank account and managed in terms of the requirements of the MFMA. Specific attention is drawn to the application to donor funds of following requirements of the MFMA:

Municipalities may spend money from its accounts only with due authorisation by the Municipal Council and in line with the MFMA provisions (Section 11 and Section 12 (4)). This means Budget support funds, allocated to the municipal level must be 'on council'.

The MFMA provisions on the duties of Accounting Officers for municipal financial management apply to donor funds. The MFMA indicates the duties of the Accounting Officer as is summarised in the table below. The Municipal Budget and Reporting Regulations prescribe budget formats in their budget documentation for Municipalities to report on other revenue by source, on contributions to capital expenditure and on contributed assets. For Budget Support programmes therefore, the contribution would be recorded in the municipal financial report Tables A4 and SA1¹⁰ (by source).

Duties of the Accounting Officer in respect of Budget Support Funds as defined in the MFMA

Section of MFMA	Content
Section 10	The Accounting Officer of the Municipality is accountable to the Council for all Municipal accounts.
Sections 61 1a and 95a	Accounting officers of Municipalities and Municipal Entities are accountable for the effective and efficient use of resources.
Sections 61 1b and 95b	Accounting officers of Municipalities and Municipal Entities are accountable for keeping full and proper records.
Sections 61 1c and 95c	Accounting officers of Municipalities and Municipal Entities are accountable for providing systems of effective internal control and audit.
Sections 61 1d and 95d	Accounting officers of Municipalities and Municipal Entities are accountable for preventing unauthorised, irregular or fruitless expenditure.
Sections 74 and 104	Accounting Officers of Municipalities and Municipal Entities must submit to the National Treasury, the Provincial Treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

2.4 The Financial Management of Parliament Act (FMPA)

The general provisions in the FMPA that sets out procedures for managing Parliamentary revenue, expenditure and assets and liabilities apply to the use of Budget Support funds. This includes the provisions of the Act in following section and chapters of the Act:

- Section 7: Responsibilities of the accounting officer
- section 11: Responsibilities of all officials
- section 12: Fiduciary responsibilities of the accounting officer and all officials
- section 24: Cash management
- section 25: Bank accounts
- section 30: Revenue management
- section 33: Expenditure management
- section 35: Transfers

¹⁰ As defined in Municipal Budget and Reporting Regulations

- section 36: Budget implementation
- section 37: Executive directives with financial implications
- section 38: Impending shortfalls and overspending
- chapter 6: Supply chain management
- chapter 7: Internal audit
- chapter 8: Reporting and auditing and
- chapter 10: Financial misconduct.

The Act includes specific provisions on donor funds, particularly with regard to the reflection of donor funds on budget, their approval by Parliament, unauthorised use of donor funds, and reporting on donor funds. These provisions are detailed in the table below.

Specific provisions for the management of donor funds in the FMPA

Section of FMPA	Content
Coverage of Budget Support funds in Parliament’s annual performance plan	Section 15 (e) requires details on Parliament’s donor funded projects to be set out in the plan, including on: <ul style="list-style-type: none"> (i) the donors and the amounts being given (ii) the purposes of the projects and (iii) performance measures and indicators for assessing Parliament’s performance in achieving the purposes of the projects.
The coverage of Budget Support funds in Parliament’s annual budget	Section 16 excludes donor funds from being identified on budget as part of Parliament’s own funds, but requires a schedule of planned expenditure under Parliament’s donor funded projects. This, in effect, means that expenditure using donor funds are not approved by Parliament in the same way as expenditure using funds from the National Revenue Fund or other own funds of Parliament.
The treatment of unauthorised expenditure using donor funds	Unauthorised expenditure of donor funds is defined as any use of donor funds for a purpose not specified in the agreement with the donor. Section 21 in effect specifies that donor fund expenditure that is not approved in terms of a Financing Agreement can be approved by Parliament after the fact, in which case it becomes a charge against Parliament’s own funds. If it is not approved by Parliament, the official responsible for the expenditure becomes liable.
Withdrawing money from Parliament’s bank account(s)	Section 27 stipulates when funds may be withdrawn from Parliament’s bank accounts. It allows for the withdrawal of funds for expenditure under a donor project.
Particulars of unauthorised donor expenditure in financial statements	Section 56 requires that unauthorised expenditure of donor funds must be detailed in Parliament’s financial statements.

Within the provisions it is useful for the purposes of this supplement to note that:

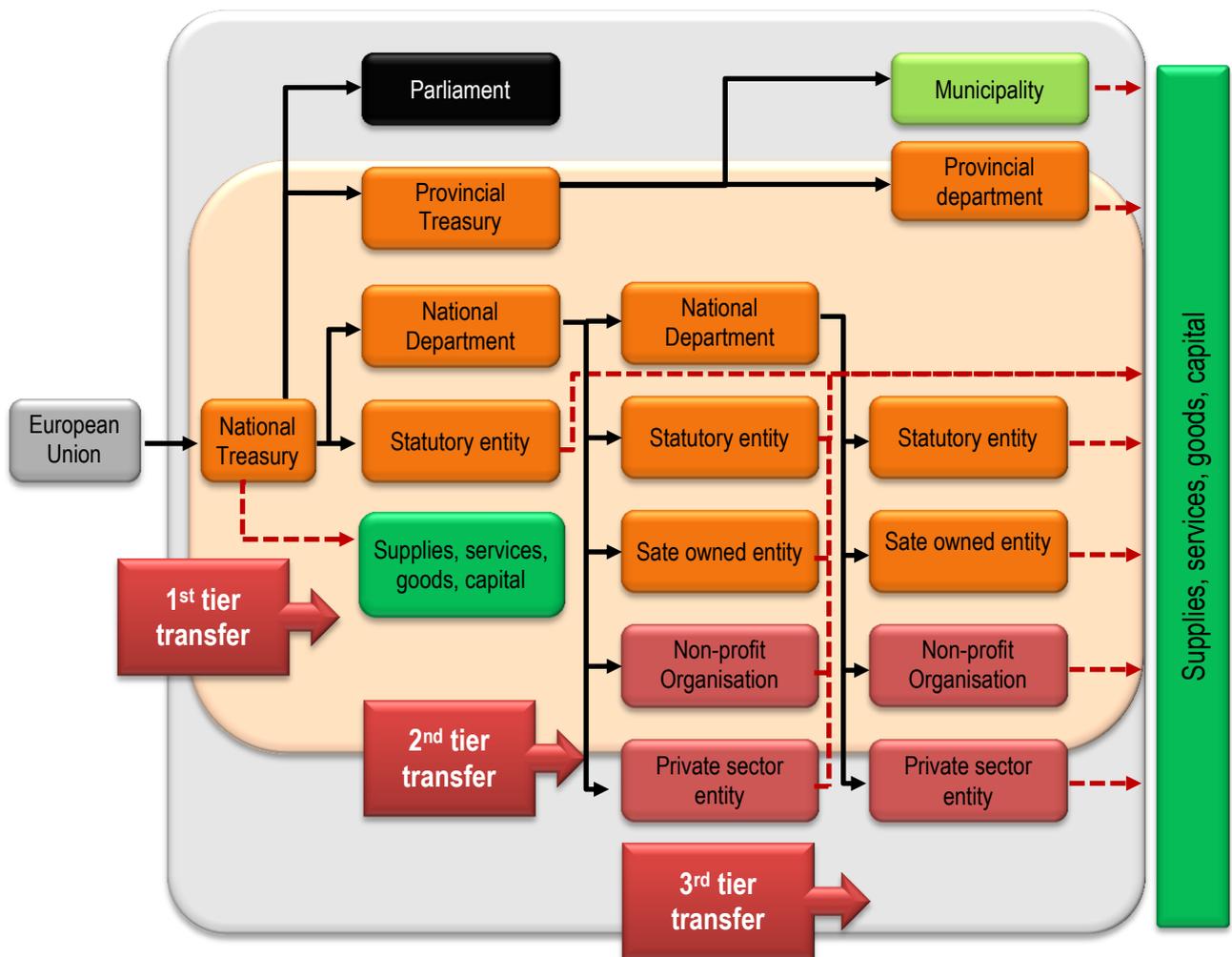
- As Budget support is Parliamentary revenue, Parliament must report on its use to the Parliamentary Executive Authority (the Speakers of the National Assembly and the Council of Provinces jointly) and the National Treasury (Section 51)

- The provisions of Section 23 that allow Parliament to retain unspent allocations from the National Revenue Fund as own revenue, do not apply to donor funds, as donor funds are not allocated under the National Revenue Fund. The provision in the RDP Fund Act that requires that donor funds are returned to the RDP Fund if unused at the end of the financial year in which they were disbursed, unless the technical assistance agreement specifies otherwise, applies.

3 Accountability for Budget Support Funds

The diagram shows the flow of funds for Budget Support, commencing with the transfer from the EU to the RDP Account. The diagram shows the possible devolutions of funding from the RDP account to the government programme lead department (first tier transfer), which can in turn transfer funds for approved projects to other parties (second tier transfer), including:

- other departments and/or state entities or statutory bodies
- provincial departments and/or entities
- municipalities and/or municipal entities and
- non-profit organisations and/or private companies.



Potential flow of Budget Support funds

Departments and other institutions receiving Budget Support funds from the programme lead department can, in turn, transfer the funds to a similar range of departments and entities (third tier transfer). Second and third tier transfers are subject to:

- the approval by National Treasury of a business plan¹¹ which provides and motivates for second and third tier transfers and
- the provisions regulating such transfers in the legal framework applicable to the recipient institution. In this respect refer to the National Treasury Regulations for departments, Constitutional institutions and public entities issued in terms of the Public Finance Management Act.

Budget support funds must be reflected on departmental plans and budgets for national and provincial Departments, as set out in the Supplement “Management of Budget Support Programmes“ Section 1, which details the integration of planning and budgeting for Budget Support funds in the Strategic Plan, Annual Performance Plan and MTEF and ENE submissions to the National Treasury (or Provincial Treasuries).

- General Budget Support funds are approved for use in the designated projects in the recipient department through the South African Budget process and indicated on the annual letters sent to departments, by National Treasury, indicating their fiscal budget allocations.
- For Municipalities, all Budget Support Funds must be aligned with municipal Integrated Development Plans, planned for through the Service Delivery and Budget Implementation Plans of Municipalities, and approved through Municipal Budget process.
- For Parliament, all Budget Support funds must be reflected in the Annual Performance Plan, in an annex (refer also to the table in section 2.4 of this document).

¹¹ Refer to Annexure D for a template for the business plan

4 Budget Support 'On Treasury' at the National Level: Disbursement of funds from the Reconstruction and Development Programme Account

Budget support funds are deposited into the RDP Account at the Reserve Bank by Brussels, National Treasury IDC unit is informed of the amount transferred, and will identify the programme for which the funds are intended, and inform the relevant department.

The Financial Management of the Budget Support funds in the South African system is anchored in the integration of the funds into government planning mechanisms. However, National Treasury is not able to provide adequate oversight over Budget Support donor funds¹² from standard departmental and municipal reporting given that:

- the relatively small amount of the funds against departmental budgets results in transactions frequently being below the limit of materiality in standardised reporting
- the focus of the PFM system is on disbursements from the national and provincial Revenue Funds
- at the municipal level: while a holistic view on planning and budgeting information for Budget Support funds are contained in municipal level documents, reporting to the National Treasury is less comprehensive and
- monthly reporting on the revenue and expenditure of Parliament to the National Treasury does not show detail on the use of donor funds.

The National Treasury therefore requires that each request for tranche payments from the RDP Fund be backed by:

- a business plan¹³ of how the funds will be expended and
- reports of progress¹⁴ on the use of previous fund releases, as set out in the letter from the Office of the Accountant General, 25 October of 2012 (Annexure B).

The process for release of funds from the RDP account to the lead department or beneficiary entity is detailed in the table and diagram overleaf.

Budget Support funding is released by the EU after submission of "payment files" that include an analysis of the extent to which the conditions of funding have been met, and an overview of progress. The request is prepared by the lead department or municipality, endorsed by National Treasury, assessed by the local Delegation and submitted to the European Commission in Brussels for approval.

Refer to the supplement "Requesting the Release of Funds"

¹² For voted funds national and provincial departments submit monthly reports to the National Treasury in terms of the PFMA (Section 40 (4)), which are consolidated into the PFMA Section 32: Reports; published by the National Treasury and submitted to Parliament. Municipalities report in terms of Section 74 of the MFMA and Parliament in terms of Section 51 of the FMPA.

¹³ A template for the business plan can be found in Annexure of this document

¹⁴ A template for the progress report can be found in Annexure C of this document

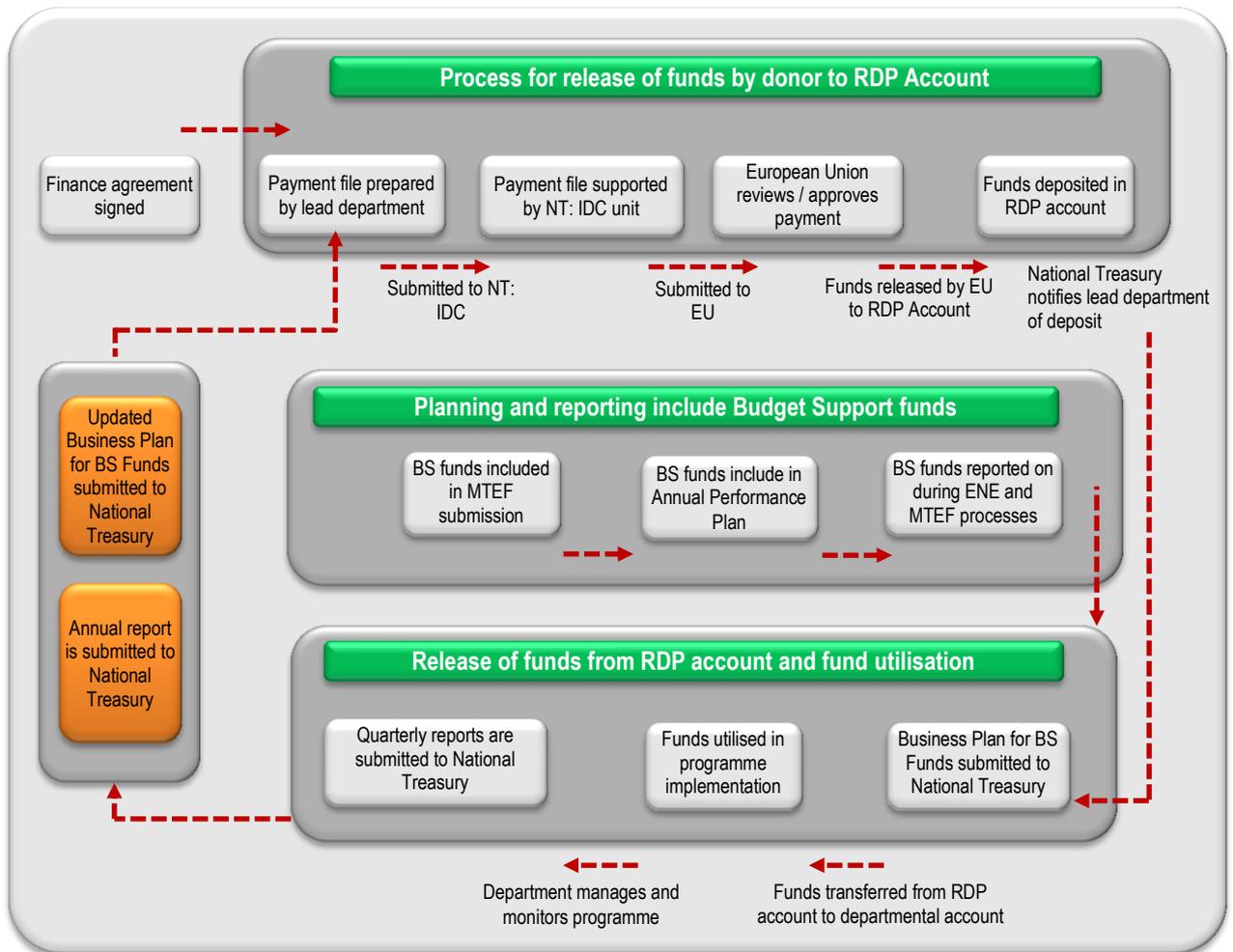
The request from the Chief Financial Officer for a RDP Fund release must comprise:

- The **standard RDP Fund Requisition Form** for release of the funds. This form is provided in Annexure A
- A **progress report on expenditure of the BS funds** since the previous release to date. The report must detail:
 - aggregate spending to date on the project and a
 - detailed spending for the financial year to date by sub-programme and economic classification of expenditure.

The report also provides for updating the budget, cash use, disbursement and milestone schedules of the Business Plan (see Annexure D).

Process for drawing down Budget Support funds from the RDP account

Description	
Step 1	<p>National Departments: Budget support funds are included in departmental medium-term planning and information is submitted to National Treasury with MTEF submissions.</p> <p>Provincial Departments: Budget support funds are included in medium-term planning and information is submitted to Provincial Treasuries.</p> <p>Municipalities: Budget support funds are included in municipal planning documents.</p> <p>Parliament: Budget support funds are included in Parliament’s strategic planning.</p>
Step 2	<p>Budget support funds are included in:</p> <ul style="list-style-type: none"> • departmental Annual Performance Plan and information is submitted to National Treasury with ENE submissions • Service Delivery and Budget Implementation Plans and Budgets for Municipalities and • the Parliamentary Annual Performance Plan as an annex.
Step 3	<p>At the beginning of each year, drawing on the above planning and submissions the Department / Municipality must provide to the IDC unit of National Treasury expected cash use, disbursement and milestone schedules for Budget Support funds for the fiscal year (and an adjusted Business Plan, if necessary). A template for this business plan is provided (see Annexure D), but institutions can use their own formats provided that information on the background, planned use of funds and rationale, methodology of the programme, and implementing partners is submitted.</p>
Step 4	<p>A report documenting progress against the business plan of the previous year is submitted to National Treasury. A template for this report is included as Annexure C.</p>
Step 5	<p>National Treasury uses the information provided in the Budget Support business plans and progress reports to:</p> <ul style="list-style-type: none"> • Assess the value addition of programmes against ODA policy throughout programme implementation • Fulfil its fiduciary and ODA oversight responsibilities in terms of the PFMA and the RDP Fund Act and • Incorporate quality information on the implementation of Budget Support programmes into its reporting to Parliament.
Step 6	<p>A report documenting progress against the business plan, cumulative for the quarters to date, is submitted to National Treasury.</p>
Step 7	<p>On request of the Chief Financial Officer of the relevant Department or Municipality, disbursements will be made against the cash use projection and disbursement schedule, provided that progress is satisfactory.</p>



Process for release of funds from the RDP Fund for National departments

5 Financial Management of Budget Support Funds

5.1 Commitment control for Budget Support Funds and Flow of Funds

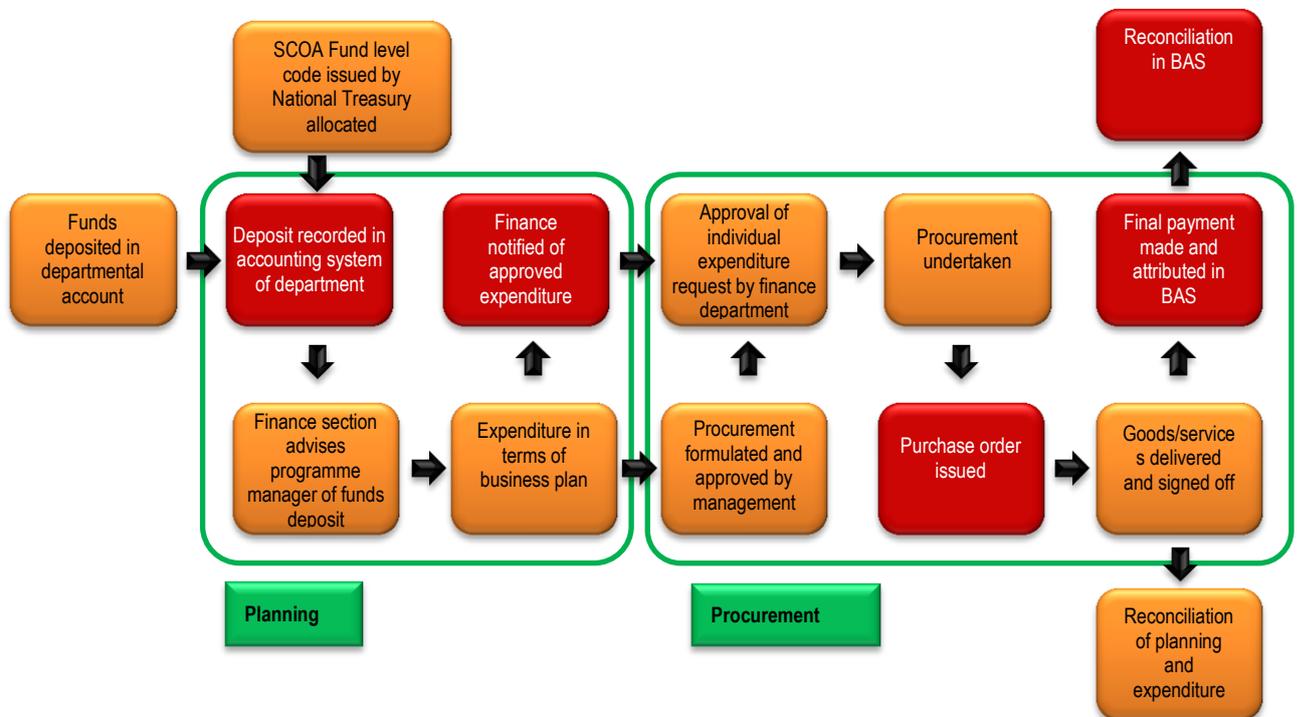
Fund management within the department/municipalities responsible for the Budget Support funds depends on the use of the funds. Recipients either utilise the funds themselves using their own systems for procurement; or they grant funds to an implementing agent (which may be another department, a public entity, a state-owned enterprise, a non-governmental organisation or other private sector institution).

Where funds are granted to an implementing agent, the funds:

- are made available for spending in advance, or
- are transferred based on compliance with agreed achievements as articulated in the agreement between the department and the implementing agent and
- are subject to the legal framework governing transfers for both allocating and recipient institutions.

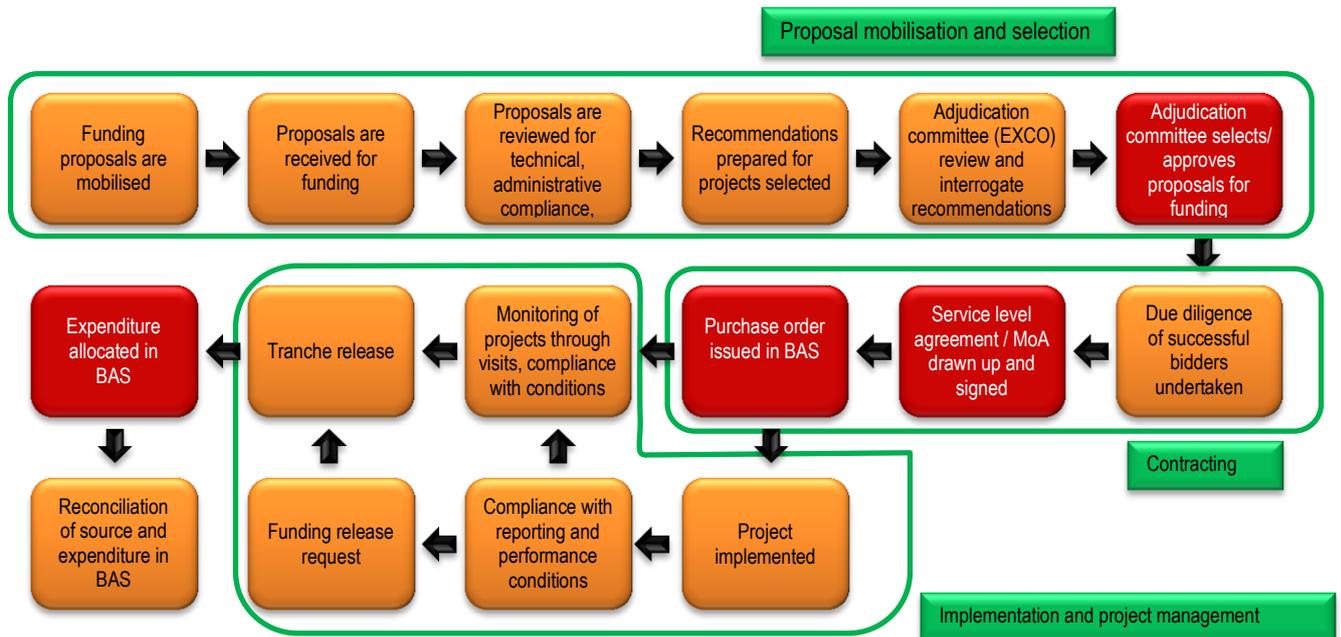
Funds utilised by public entities must follow all internal control procedures required outside of the BAS commitment controls. These are established by the Accounting Officer for the Department in terms Section 39 and 40 of the PFMA and of the National Treasury Regulations (and in terms of the MFMA Section 62 for Municipalities).

The diagram illustrates the procedural steps and flow of funds when funds are utilised by the department itself at the national and provincial level. In municipalities and Parliament the scenario would be similar, but subject to the municipality's or Parliament's own supply chain management system, as developed in terms of the MFMA and FMPA respectively.



Funds utilised directly by the implementing department

The diagram below illustrates the procedures followed in the DTI for releasing funds to grantees under its SWEEP programme. Note that the Purchase Order should reflect the SCOA Fund level coding and the SCOA expenditure classification.



Funds granted by implementing department to external implementers

Budget support recipient institutions that make grants to other institutions, utilising Budget Support funds, must put in place financial controls that will apply to all grants. The controls must be the same or more stringent than the internal control framework for transfer payments established by the Accounting Officer for the Department, Municipality or Parliament. For example, as set out in the National Treasury Regulations, for national and provincial departments the accounting officer of the entity making the transfer is responsible for ensuring the funds are used for their intended purpose and that transfers and expenditure complies with the relevant Acts.

Provision of the National Treasury Regulations

An accounting officer of a department must maintain appropriate measures to ensure that transfers and subsidies to entities are applied for their intended purposes. Such measures may include:

- regular reporting procedures
- and external audit requirements and, where appropriate, submission of audited statements
- regular monitoring procedures
- scheduled or unscheduled inspection visits or reviews of performance and
- any other control measures deemed necessary.

All transfers from the institution receiving of Budget Support funds from the RDP account must be governed by a Memorandum of Agreement or Service Level Agreement between the recipient institution and the implementing agency.

This MoA / SLA must:

- specify the documentation required for release of funds
- include limitations on advance payments
- provide that that progress payments are subject to the submission of a satisfactory progress report (including financial reports)
- articulate clear conditions and documentation requirements for reimbursements
- articulate clear conditions and processes for recovery of grant funds (for example: when there is ineligible expenditure or fraud) and
- require the submission of annual audited financial statements within a reasonable period after the organisation’s financial year-end.

These specifications must also be included in the ‘Programme Operations Manual’ for the Budget Support programme¹⁵.

5.2 ‘On account’: Accounting procedures for Budget Support Funds

All donor funds are recorded through Standard Chart of Accounts (SCOA) coding. There are five fund level codes for all funds, as shown below. These apply to donor funds to identify the source of funds for any procurement. Level 4 is provided for cases where a donor country has more than one agency providing support to South Africa. Where the donor country does not have different agencies providing support, this code is the same as that of level 3.



SCOA Fund level codes for donor funding

¹⁵ As required in terms of the supplement “Management of Budget Support Programmes”

The National Treasury is in control of issuing new fund level codes and description for projects. Every department receiving Budget Support funds must use the standardised code for the EU Budget Support project as issued by the National Treasury, or apply for one if not yet issued. Together with the Vote/Fund Structure code, this forms the fund level code for the project, which allows consolidated monitoring and reporting of the project. The standard expenditure classifications are used within the project for recording the objectives/responsibilities/items of expenditure releases is used for donor funds, since the differentiation at fund level allows extraction of information on expenditure against the project.

Municipalities manage Budget Support funds in line with their municipal chart of accounts, identifying for each expense the source of funds. Similarly, in Parliament the Parliamentary chart of accounts would apply, again distinguishing expenditure by the source of funds.

5.3 Procurement using National, Provincial and Municipal Supply Chain Management Systems

Budget support funds utilises the procurement systems of South African public institutions, as determined by the relevant legal framework (PFMA, MFMA, FMPA and associated regulations). Procurement will also be subject to the provisions of the Preferential Procurement Policy Framework Act (2005 as amended) and regulations. For funds that are subject to second and third tier transfers, the procurement framework of the second or third tier recipient would apply, unless specified differently under the MoA/SLA between the parties to the transfer. Where transfers are made to private sector institutions, civil society organisations or other non-governmental institutions, the department making the transfer must undertake a due diligence exercise to establish whether the recipient institution has appropriate procurement and financial management procedures.

5.4 Internal Audit

The governance, internal audit and risk management of Budget Support funds are subject to internal audit activities and review by Audit Committees. (Under Section 76 and 77 of the PFMA for national and provincial departments, Section 165 and 166 of the MFMA for Municipalities and Section 47 to 50 of the FMPA for Parliament). The National Treasury Internal Audit Framework elaborates further on internal audit systems.

5.5 Financial and Performance Reporting

Budget Support funds and programmes are subject to monitoring of both performance and financial management. Monitoring requires the preparation of quarterly reports to the NT: IDC on programme implementation, within 30 days of the end of the quarter. A template for these progress reports is provided as Annexure C. Recipient institutions can also submit progress reports using the format that they use internally if these reports cover the information requirements set out in the attached template.

The Supplement “Management of Budget Support Programmes” sets out the requirement for departments to include Budget Support in their quarterly performance reports, and provide progress updates on the implementation of Budget Support in terms of the institution’s Annual Performance Plan. Delivery must be indicated against quarterly performance targets.

The Annual Report provides information on the performance of the institution in the preceding financial year for the purposes of oversight. Annual Reports must include comprehensive and useful information on Budget Support programmes, providing a detailed statement on the funds used and targets achieved against the Department’s budget structure and classifications. The Annual Report, including the audited financial statements, is submitted by the relevant department to Parliament or the Provincial legislature every year, as set out in the PFMA and the National Treasury Regulations, and by municipalities to their councils.

5.6 Oversight

External Auditing

The RDP Fund Act and the Public Audit Act provides the mandate to the Auditor General to audit the use of Budget Support funds, including the audit of both financial statements and of performance information.

National Treasury

The National Treasury is mandated by the Constitution and the PFMA to monitor financial management in the public sector. For this purpose it will draw monthly reports on the BAS system to monitor Budget Support implementation in National departments, and use the progress reports submitted by municipalities and Parliament. The information from this monitoring will be relevant to the National Treasury endorsing requests for payments of Budget Support funds.

The National Treasury Cross Function Working Group (formerly the ODA Budget Committee), constituted as a standing MTEC Committee, will periodically review implementation of Budget Support programmes.

Parliament

The National Treasury will highlight the allocation and use of Budget Support funds in the quarterly financial reports, reviewed by the Appropriations Committees of the National Assembly and the National Council of Provinces. At the Provincial level, Provincial Treasuries/Offices of the Premier will mirror these National arrangements. At Municipal level, the use of Budget Support funds is included in reporting frameworks as these funds are fully ‘on budget’ and ‘on council’).

In addition, National Assembly Portfolio Committees and Provincial Legislature sector committees are required to have oversight of the use of Budget Support funds, through the inclusion of Budget Support in the Strategic Plan, Annual Performance Plan, ENE chapter and booklet and the extended coverage in Annual Reports.

Annexure A1: Release of funds

1. For Budget Support projects disbursements will be made, up to the maximum amount per year stipulated in the relevant Allocation letter, on a bi-annual basis against the cash use projection and disbursement schedule provided with the Business Plan, on request from the Chief Financial Officer of the Implementing Agency.
2. Disbursements will only be made if all of the following conditions are met:
 - 2.1. **The standard Budget Support requisition form (see Annexure A2) must be filled out as stipulated below:**
 - 2.1.1. The requisition form must be signed off and dated by the Implementing Agency's Chief Financial Officer. If the requisition form is signed by an Acting Chief Financial Officer, a copy of his/her appointment letter must accompany it.
 - 2.1.2. It should be noted that reference to a portfolio number appears on the requisition form. This is the form that must be completed to initiate the transfer of donor money from the RDP Fund to spending agencies. Spending agencies are not required to fill in the portfolio number on the form. This would be done by the Account General's office.
 - 2.1.3. For first time tranche releases out of the RDP fund, the requisition form and a copy of the relevant agreement must be forwarded to the Process Manager: NT: IDC for registration, who will then, in turn, deliver it to the Office of the Accountant General for processing. No faxes or emailed requisition forms will be accepted as authorisation for the processing of transfer payments.
 - 2.2. **For GBS projects: a copy of the Allocation letter must be attached to the requisition form** detailing the Budget Support Allocation to the Implementing Agency for the fiscal year.
 - 2.3. **A financial report on expenditure in previous quarters and the current quarter to date must be attached to the requisition.** The report must detail aggregate spending to date on the project, and detail spending for the financial year to date by sub-programme and economic classification of expenditure (See Annexure C).
 - 2.4. **A revised cash use projection and disbursement schedule must be attached to the requisition form**, if the schedule submitted in the Business Plan is no longer valid.
3. Audit requirements do not permit mistakes on forms. Should the information contained be found to be incorrect forms will be returned for resubmission.
4. All relevant documentation must be submitted 30 days prior to the start of the subsequent disbursement period for the funds to be disbursed on time.
5. Funds will not be released unless the previous quarter's report and an updated report for the current quarter have been submitted.

Annexure A2: Requisition Form for Budget Support Funds¹⁶

TO: NATIONAL TREASURY
 ATTENTION: DIRECTORATE: NRF & ASB
 DEPARTMENT: _____
 PROGRAMME/PROJECT: _____
 PORTFOLIO NUMBER: _____
 PMG/ PROVINCIAL EXCHEQUER/MUNICIPALITY account details are as follows:
 Bank: _____
 Branch: _____
 Account No: _____

Please credit our PMG/PROVINCIAL EXCHEQUER/MUNICIPALITY account with the amount indicated in the table below:

Date	Donor	Amount deposited (R)	Paid to date (R)	Available (R)	Amount Requested (R)

	SPENDING AGENCY		NATIONAL TREASURY Approved by	
	Requested by	Approved by (CFO of Department)		
Name				
Rank				
Signature				
Date				
Contact number				
E-mail				
PREVIOUSLY SUBMITTED			YES	NO
Technical Assistance Agreement attached			DATE	
In accordance with the agreement, if project is not completed at financial year end should outstanding funds be surrendered to RDP Fund?				
If "no", please indicate the applicable clause in the technical agreement.				
If "yes", I hereby undertake to reflect the amount of unspent funds in the AFS as a payable.			Signature:	
			CFO of Department Date	

¹⁶ Note that audit requirements do not permit mistakes on forms. Should the information contained be found to be incorrect forms will be returned for resubmission.

Annexure B: Letter from the Office of the Accountant General



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001

Enq: Andile Kuzwayo

Ref: FP29-/2/11

Tel: 012 315 5039

Fax: 012 324 2456

Email: Andile.Kuzwayo@treasury.gov.za

25 October 2012

Dear Colleagues

OFFICIAL DEVELOPMENT ASSISTANCE ACCOUNTABILITY IN TERMS OF THE RECONSTRUCTION DEVELOPMENT PROGRAMME ACT AND OTHER APPLICABLE LAWS

In light of the increasing number of qualified audit opinions on the accounting records of Official Development Assistance (ODA) funds and the reputational financial losses to the Government of the Republic of South Africa arising from the manner in which such accounting records are managed; the National Treasury would like to ensure increased accountability and ownership of Official Development Assistance (ODA) funds in terms of the Reconstruction Development Programme Fund Act No 7 of 1994 as amended by (Act No. 79 of 1998); the Public Finance Management Act Section 40 (1a) and the Municipal Finance Management Act Section 62(2). Further, the letter intends to ensure that recipients of ODA funds provide the National Treasury with reports.

In terms of Section 6 of the Reconstruction Development Programme Fund Act (RDP Act) "The Accountant-General shall be the accounting officer responsible for the administration of the fund". In addition, Section 4 (c) of the RDP Fund of 1998 stipulates that the accounting officer of a spending agency shall be accountable for the money allocated to that spending agency.

Over the years, the National Treasury has encountered challenges from recipients of ODA with regard to the:

- Monitoring and management of expenditure including reporting on donor assistance programmes;
- Accountability for ODA funds (reports); and
- Irregular utilization of ODA funds which has resulted in qualified audit opinions.

National Treasury has been scrutinizing the audit reports of the RDP Fund and it has become apparent that spending agencies do not comply with the RDP Act specifically around reporting, accounting and ownership of ODA funds.

In light of the provisions of the RDP Act in particular the provisions of Section 6 (2) of the Act and the fact that there has been repeated concerns expressed that the various spending agencies are not providing appropriate financial records of the resources allocated to their departments from the fund, it is my duty, as the Accounting Officer of the Fund to bring to the attention of accounting officers and spending agencies certain obligations stipulated by the Act.

Section 7 of the RDP Act provides that "... the financial records kept by the accounting officer shall be audited by the Auditor General". Thus it is an obligation on each Accounting Officer of a spending agency to ensure that accurate and complete financial records are kept to avoid any qualified audit opinion by the Auditor General in respect of amongst others, the incompetence of accounting controls over the Fund.

The accounting responsibilities placed on the spending agency's accounting officer are, repeated in amongst others Section 40 (1a) of the PFMA and Section 62(2) MFMA. It needs to be emphasised that failure to comply with the provisions of the RDP Fund Act, PFMA and MFMA obligations placed on spending agency accounting officers in terms of, amongst others, Sections 38, 40, 41, of PFMA and Section 62(2) of the MFMA may constitute an act of financial misconduct.

The National Treasury requires all accounting officers of spending agencies to adhere to the reporting requirements in terms of the management of Official Development Assistance. This includes disclosure of all funds received (grants and in kind assistance) through the following:

- Annual Reports;
- MTEF and ENE databases;
- Reporting to relevant Parliamentary Portfolio Committees;
- Quarterly financial and project reports; and
- The provision of any additional information as may be required.

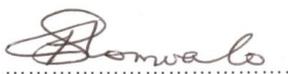
All requests for tranche payments and transfers of ODA (sector budget support and or other programmes) must be accompanied by a full work plan of how the funds will be utilized. A report of past progress, if the programme is already in implementation, must also be submitted.

I trust that this letter will serve as a reminder of the obligations placed on the spending agencies accounting officers and chief financial officers to ensure that we spend our development partners funds in an efficient and fruitful manner. We also should derive optimum value for the projects implemented as we do the same for our own resources. In turn, this ensures that no adverse audit findings will be directed at the accounting officer of any spending agency.

It would be greatly appreciated if the contents of this letter would be brought to the attention of all relevant officials within your department or agency.

Please accept my most sincere appreciation for your commitment to co-operate with the National Treasury in ensuring an effective control environment and accountability in respect of ODA funds in accordance with the RDP Act and other applicable laws.

Yours sincerely



FREEMAN NOMVALO
ACCOUNTANT GENERAL: NATIONAL TREASURY

DATE: 9 November 2012

Annexure C: Progress Report (quarterly)

Sector and General Budget Support

QUARTERLY PROGRESS REPORT

To be submitted to the National Treasury IDC on a quarterly basis.

1. PROJECT DESCRIPTION

1.1	Name of implementing agency	
1.2	Project name	
1.3	BAS project fund code	
1.4	For the quarter ended	
1.5	Project manager	
1.6	CFO	
1.7	Contact number	
1.8	E-mail address	
1.9	Total project amount awarded	

2. DISBURSEMENT SUMMARY (Total from Start of Project)

2.1	Disbursed from the start of the project	
2.2	As a percentage of total award amount	

3. DISBURSEMENT HISTORY FOR FINANCIAL YEAR

3.1	Amount in allocation letter	
3.2	Transferred by National Treasury in previous quarters	
3.3	Transfer request for quarter	
3.4	Spent by implementing agency in previous quarters (please attach table setting out spending by sub-programme and economic item of expenditure)	
3.5	Spent by implementing agency to date in this quarter	
3.6	Total funds transferred and not spent by the implementing agency	
3.7	Funds transferred as a percentage of allocated funds	

4. PROJECT PROGRESS FOR THIS QUARTER

- 4.1 Has there been any major delays on milestones or milestones not achieved during the quarter this far?
- 4.2 Have all milestones missed in previous quarters been achieved?
- 4.3 Is a revised Business Plan / Cash Use Projection Schedule being submitted?

Yes	No	
Yes	No	

- 4.4 Please provide a short narrative providing reasons for Milestones missed and outstanding / changes to the Cash Use Projection Schedule provided in the Business Plan.

Include the RDP Fund Requisition Form with the quarterly submission

Annexure D: Business Plan Template

BUSINESS PLAN TITLE

Programme Name

Date:	
Author:	
Tel no:	
Cell no:	
E-mail:	

TABLE OF CONTENTS

Annexure D: Business Plan Template 28

1 Summary project description 30

2 Executive Summary 30

3 Main text 30

 3.1 Programme Description 30

 3.2 Rationale & Objectives 30

 3.3 Project Specification 31

 3.4 Budget and Financial management 32

Appendices to Business Plan 33

Appendix 1: Results Framework 33

Appendix 2: Component budget input tables 34

Appendix 3: Cash use projection and Requested Disbursement Schedule 35

Appendix 4: Quarterly milestone table as per template 36

1 Summary project description

Name Of Implementing Agency:	
Project Name:	
BAS Project Fund Code:	
Implementation Period of the Project:	
CFO:	
Contact Number:	
E-Mail Address:	
Total Project Amount Awarded:	

2 Executive Summary

- Supply a high-level overview and include:
 - Brief description of the Programme and/or its Projects
 - The rationale
 - Role-players
 - Cost and
 - Timing implications.

3 Main text

3.1 Programme Description

Provide a brief description of:

- What is to be done in the project (e.g. what kind of activities)?
- Who are the project role players: who will be involved and what is the extent of that involvement?
- The accountable agency, and lead division within the agency.
- Other partners.

3.2 Rationale & Objectives

Specify the objective of the programme:

- What does the project hope to achieve?

Supply information on the rationale and motivation for the project including:

- Provide reasons for the project: what is the problem or situation the project is responding to? How is the project responding to the issue at hand?
- Explain how the project relates to Outcomes 4 or 12.

3.3 Project Specification

The Project specification provides a narrative summary of the Project Results Framework, which must be attached as an appendix (see Appendix 1: Budget Support Results Framework template)

Provide the following:

- Specify expected project outcomes:
 - What outcomes do you expect to achieve?
 - Briefly describe the logic of each of the components of the project.
 - What intermediate outcomes do you expect in the component? An Intermediate Outcome specifies a result proximate to an intended final outcome, but likely more measurable and achievable in the lifetime of a project to the intended final outcome, and more attributable to project activities. Example: Teachers use the new teaching methods (output/intermediate outcome) to improve learning among students (final outcome).
 - What outputs and activities are you planning to achieve the intermediate outcomes?
 - Provide key performance indicators for the project: How will you know that you have achieved the project objectives?
 - The performance indicators specified should illustrate the achievement of project intermediate outcomes and outputs.
 - Discuss the key project milestones over the duration of the project (see Tab 3 under the Budget Support planning and budgeting template)
 - The milestones will relate to project outputs and activities and should indicate the financial year quarter in which the project expects to deliver outputs or undertake activities. The selected milestones can be summarised in the main body of the text.
 - Describe project management and accountability.
 - Where does the project sit in the Department?
 - Who will make decisions? Who manages the project?
 - What is the procurement strategy for the project?
 - Who will oversee the implementation of the project?
 - How is coordination with other units, departments or non-state organisations/actors ensured?
 - What is the project monitoring and reporting plan? Is data available for the selected indicators? How will data be collected? How frequently will the project be reported internally? What are plans for reviewing the project?
 - Identify pre-conditions and project risks and strategies
 - What partnership plans should be in place for the project to start?
 - What other pre-conditions should be in place?
 - What are the project risks and how will they be mitigated?

The Results Framework must be supplied as Annex 1

The Quarterly Milestones Table must be supplied as Annex 4

3.4 Budget and Financial management

1) Provide the budget summary table (See template on Tab 1 in the Budget Support planning and budgeting excel template for the component input tables)

EXPECTED PROJECT REVENUE FLOWS

	FY1	FY2	FY3
Budget Support Project award			
Other funds			
Specify source			
Specify source			
Specify source			
TOTAL FUNDS AVAILABLE			

PROPOSED USE OF BUDGET SUPPORT FUNDS

	FY1	FY2	FY3	Total available
Total use of Budget Support funds by year				Must correspond with total funds awarded
BY COMPONENT				
Component 1				
Component 2				
Component 3				
Component 4				
BY ECONOMIC CLASSIFICATION (Budget Support)				
Component 1				
Component 2				
Component 3				
Component 4				

- Provide notes to the budget as required
 - Explain sources and use of additional funding to implement the project, if any.

The input tables for each component as per the provided template must be supplied as Annex 2.

- Provide a table setting expected cash use by quarter, coupled with the requested 6 monthly disbursements (April and October of each year).

The expected cash use and requested disbursement tables as per the provided template must be supplied as Annex 3.

Appendices to Business Plan

Appendix 1: Results Framework

Project name and objective

Project Name:	Specify the project name
Project Objectives:	<p>The Project Objective describes the intended benefits to be realised through the project. The intended benefits should be measurable and specific. By reading a project objective, one should be able to determine what is being targeted directly by the project and who (a community, group of people, institutions) will benefit.</p> <p>The project objective and rationale should describe the expected contribution of the project to the achievement of Outcomes 4 or 12.</p>
Project Outcome:	The Project Outcome is the uptake, adoption or use of project outputs by the project beneficiaries.
Project Components:	If applicable, please specify the project components. The project outcomes, outputs, activities and inputs for each component must be described.

Component results framework (one for each component)

Component name	Specify Component Name		
<p>Project Intermediate Outcomes (by component): List the intermediate outcomes expected from the component.</p> <p><i>An Intermediate Outcome specifies a result proximate to an intended final outcome, but likely more measurable and achievable in the lifetime of a project to an intended final outcome. Example: Teachers use the new teaching methods (output/intermediate outcome) to improve learning among students (final outcome).</i></p>	<p>Project Outputs (by component): List project outputs over the life of the project.</p> <p><i>Outputs are the supply-side deliverables, including the events, products, capital goods or services that result from a development intervention (e.g., construction of a school).</i></p> <p><i>The key distinction between an output (a specific good or service) and an outcome is that an output is typically a change in the supply of goods and services (supply side), while an outcome reflects changes in the utilisation of goods and services (demand side).</i></p>	<p>Activities: List main project activities over the life of the project.</p> <p><i>An Activity is an action taken or work performed by which inputs are converted into specific outputs. Activities, such as providing training, constructing a facility, etc. are designed to deliver outputs.</i></p>	<p>Inputs: List main expected inputs over the life of the project.</p> <p><i>Inputs are the financial, human, and other resources mobilised to support activities undertaken by a project. Examples would include staff, travel, and accommodation.</i></p>
<p>Outcome Indicators (by component): Provide indicators for the outcome listed: how will you know that you have achieved the intermediate outcome?</p> <p>Baseline: Target: <i>An Indicator is a measure that can be used to monitor or evaluate an intervention. Indicators can be qualitative (in which case they usually entail verbal feedback from beneficiaries) or quantitative (derived from measurements of the intervention).</i></p>	<p>Output Indicators (by component): Provide indicators for the outputs listed. How will you demonstrate that you have achieved an output?</p> <p>Baseline: Target: <i>An Indicator is a measure that can be used to monitor or evaluate an intervention. Indicators can be qualitative (in which case they usually entail verbal feedback from beneficiaries) or quantitative (derived from measurements of the intervention).</i></p>		

Appendix 3: Cash use projection and Requested Disbursement Schedule

EXPECTED USE OF CASH												
	FY1				FY2				FY3			
COMPONENT	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Current Payments												
Compensation of employees												
Goods and Services												
Transfers and Subsidies												
Payments for Financial Assets												
Capital Payments												
Machinery and Equipment												
TOTAL												
Total by FY												

Appendix 4: Quarterly milestone table as per template

EXPECTED MILESTONES by COMPONENT													
Component 1													
Output Milestones (to correspond with activities in Results Framework)													
Milestone Number	Milestone Description	Achieved by (indicate quarter with an X)											
		FY1				FY2				FY3			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Output 1												
1.1	Break output down into sub-outputs or units of outputs by year, if useful.												

Activity milestones (to correspond with activities in Results Framework)													
Milestone Number	Milestone Description	Planned to take place during (indicate quarter with an X)											
		FY1				FY2				FY3			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Activity 1												
1.1	Break down activity milestones, for example, appointment of staff, purchasing of equipment, obtaining permissions, tendering work												

Disclaimer: This publication has been produced with the kind assistance of the German Cooperation. The contents of this publication are the sole responsibility of the IDC and can in no way be taken to reflect the views of German Cooperation.



**german
cooperation**

DEUTSCHE ZUSAMMENARBEIT

Implemented by

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH