Budget Support in South Africa

Management of Budget Support Programmes
BUDGET SUPPORT IN SOUTH AFRICA

Management of Budget Support Programmes


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 document provides formal guidelines for:

- strategic alignment of Budget support funds with South African priorities and
- management of Budget Support funds within South African public sector management systems.

The reader is also referred to the other Supplements listed above for further information on Budget Support programmes in South Africa.

This document identifies management requirements for aligning Budget Support programmes with South African strategies and programmes, provides guidelines for managing Budget Support funds. It provides guidance for risk management, operational alignment, performance, monitoring and evaluation, reporting and SA-EU interactions in respect of Budget Support funds.

Where other Treasury guidelines or external texts provide deeper and detailed information, these are referred but their content is not replicated.
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<td>Adjusted Estimates of National Expenditure</td>
</tr>
<tr>
<td>AFS</td>
<td>Annual financial statements</td>
</tr>
<tr>
<td>AG</td>
<td>Auditor General</td>
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<tr>
<td>BAS</td>
<td>Basic Accounting System</td>
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<td>BS</td>
<td>Budget Support</td>
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<td>CABRI</td>
<td>Collaborative African Budget Reform Initiative</td>
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<tr>
<td>CEF</td>
<td>Comprehensive Evaluation Framework</td>
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<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
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<td>CSP</td>
<td>Country Strategy Paper</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<tr>
<td>DCI</td>
<td>Development Cooperation Instrument</td>
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<tr>
<td>DCMIS</td>
<td>Development Cooperation Management Information System</td>
</tr>
<tr>
<td>DDG</td>
<td>Deputy Director General</td>
</tr>
<tr>
<td>DG</td>
<td>Director General</td>
</tr>
<tr>
<td>DICO</td>
<td>Department of International Cooperation and Development</td>
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<td>DPME</td>
<td>Department of Monitoring and Evaluation</td>
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<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>ENE</td>
<td>Estimates of National Expenditure</td>
</tr>
<tr>
<td>EPRD</td>
<td>European Programme for Reconstruction and Development</td>
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<td>ESP</td>
<td>European Special Programme</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>EUD</td>
<td>European Union Delegation</td>
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<tr>
<td>Exco</td>
<td>Executive Committee</td>
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<tr>
<td>FA</td>
<td>Financing Agreement</td>
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<tr>
<td>FMPA</td>
<td>Financial Management of Parliament Act</td>
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<tr>
<td>GBS</td>
<td>General Budget Support</td>
</tr>
<tr>
<td>GCC</td>
<td>General Conditions of Contract</td>
</tr>
<tr>
<td>GP</td>
<td>Government programme, as specified in the Financing agreement, supported by the Budget Support programme</td>
</tr>
<tr>
<td>IYM</td>
<td>In-year monitoring</td>
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<tr>
<td>JAP</td>
<td>Joint Action Plan</td>
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<tr>
<td>JCC</td>
<td>Joint Cooperation Committee</td>
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<tr>
<td>LFA</td>
<td>Logical framework analysis</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>MFMA</td>
<td>Municipal Financial Management Act</td>
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<tr>
<td>MIP</td>
<td>Multi-annual Indicative Plan</td>
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<tr>
<td>MoA</td>
<td>Memorandum of Agreement</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>MTEF</td>
<td>Medium-Term expenditure Framework</td>
</tr>
<tr>
<td>NAO</td>
<td>National Authorising Officer</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>NIP</td>
<td>National Indicative Plan</td>
</tr>
<tr>
<td>NT: IDC</td>
<td>National Treasury: International Development Cooperation unit</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<tr>
<td>OVI</td>
<td>Objectively verifiable indicator</td>
</tr>
<tr>
<td>PAF</td>
<td>Performance Assessment Framework</td>
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<tr>
<td>PAS</td>
<td>Public Accountability System</td>
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<tr>
<td>PFM</td>
<td>Public finance management</td>
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<tr>
<td>PFMA</td>
<td>Public finance Management Act (as amended)</td>
</tr>
<tr>
<td>PMG</td>
<td>Paymaster-General</td>
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<tr>
<td>PSP</td>
<td>Policy Support Programme</td>
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<tr>
<td>RCF</td>
<td>Risk Capital Facility</td>
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<tr>
<td>RDP</td>
<td>Reconstruction and Development Programme</td>
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<tr>
<td>ROM</td>
<td>Results Orientated Monitoring</td>
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<tr>
<td>SA</td>
<td>South Africa</td>
</tr>
<tr>
<td>SAI</td>
<td>Supreme Audit Institution</td>
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<tr>
<td>SBS</td>
<td>Sector Budget Support</td>
</tr>
<tr>
<td>SCC</td>
<td>Special Conditions of Contract</td>
</tr>
<tr>
<td>SCOA</td>
<td>Standard Chart of Accounts</td>
</tr>
<tr>
<td>SLA</td>
<td>Service level agreement</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>SP</td>
<td>Sector Programme</td>
</tr>
<tr>
<td>SPSP</td>
<td>Sector Policy Support Programme</td>
</tr>
<tr>
<td>StatsSA</td>
<td>Statistics South Africa</td>
</tr>
<tr>
<td>SWAp</td>
<td>Sector Wide Approach</td>
</tr>
<tr>
<td>SWEEEP</td>
<td>Sector Wide Enterprise, Equity and Employment Programme</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>TAPs</td>
<td>Technical and Administrative Provisions</td>
</tr>
<tr>
<td>TDCA</td>
<td>Trade and Development Cooperation Agreement</td>
</tr>
<tr>
<td>ToR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organisation</td>
</tr>
</tbody>
</table>
1 Strategic and Policy Alignment

1.1 Introduction

The “Policy Framework and Procedural Guidelines for the Management of Official Development Assistance” (the ODA Guidelines, 2003) provides insight into the role of ODA in South Africa and the policy objectives of the government, with which all ODA to South Africa must align.

Further, ODA in South Africa must align with the international principles for ODA effectiveness set out in the Paris Declaration and Accra Agenda for Action. This document builds on the ODA Guidelines and provides more detail on management of the special case of EU-funded programmes using the Budget Support modality. Other Supplements provide additional information on Budget Support as a modality.

Apart from the ODA guidelines, the main references applicable to planning within the public sector environment are:

- Framework for Strategic Plans and Annual Performance Plans (issued annually)
- MTEF Guidelines: preparation of expenditure estimates for the 20XX MTEF.

Discussion of the financial reporting and capturing requirements for Budget Support programmes is provided in the supplement “Managing Budget Support funds within the SA Public Accountability System”. However, as “Results Based Management also involves monitoring and reporting on results through the development and provision of integrated financial and non-financial information”, some financial aspects are raised in this section.

This section provides guidance on incorporating the additional funding and performance criteria into the planning of the government programme. The implementation or action plans and the associated medium term budget will be affected.

1.2 Integrating Budget Support in South African Systems

Budget support is a special case of ODA, as it is paid into departmental accounts from the RDP fund, and is expended on a government led programme.

As the donor does not require that the planning and expenditure of Budget Support funds be reported separately from the government programme, National Treasury requires that specific measures be taken to include the Budget Support funds in the public sector planning, accountability and financial management framework. Furthermore, Treasury requires that donor funds, particularly Budget Support funds, be used effectively and efficiently in support of the government’s development objectives and in alignment with the ODA guidelines.

1.3 Legal Basis

In terms of Treasury Regulations issued in terms of the PFMA, national and provincial departments, trading entities and constitutional entities are required to produce and table a range of planning information including a Strategic Plan, an Annual Performance Plan, performance targets and quarterly reporting.

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1 Framework for Strategic Plans and Annual Performance Plans (August 2010)
These institutions are required to “... ensure that there is alignment of reporting between the Strategic Plans, Annual Performance Plans, budget documents and annual and quarterly reports.”

In terms of Treasury Regulations issued in terms of the PFMA, national and provincial departments, trading entities and constitutional entities are required to produce and table a range of planning information including a Strategic Plan, an Annual Performance Plan, performance targets and quarterly reporting. These institutions are required to “... ensure that there is alignment of reporting between the Strategic Plans, Annual Performance Plans, budget documents and annual and quarterly reports.”

These Guidelines are issued by National Treasury in terms of the mandates set out in section 215 and 216 of the Constitution.

1.4 Strategic Planning

Budget support programmes must not introduce additional interventions into the strategic level plans. Strategic Plans relate to “medium to long-term policies and plans that are to be implemented over a five-year planning period”. As Budget Support funds are specifically required to support government policy and strategy, the Medium-Term Strategic Plans should therefore not require adaptation to accommodate funds received from the EU, except insofar as the section on “resources” may need to be adapted to reflect that funding is secured from a donor.

Annual performance plans must reflect Budget Support funding in the annual 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.

- Annual performance plans must reflect Budget Support funding
- The information on Budget Support in the Annual Performance plan is transferred to the “other” schedules in the ENE and MTEF databases.

Where a Financing Agreement has not been signed in time for submission for the annual plans, the annual adjustment process must be used to include planning information on Budget Support funding and interventions.

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.

As allocation of budgets is a function managed by National Treasury in support of Parliament and the Cabinet, Treasury must be consulted on, and must approve, the allocation of Budget Support funds to programmes, and between departments and public entities when programme planning is undertaken. Re-allocation is thereafter subject to Treasury approval.

Allocation of ODA resources to programmes and sub-programmes will be assessed against the five criteria for value addition for ODA, as set out in Section 1 of the Supplement “Context of EU Funded Budget Support in South Africa”.

1.5 Planning and the Estimates of National Expenditure

The strategic overview to be provided by departments, constitutional institutions and public entities in the ENE, encompassing a brief discussion about the outcomes and related outputs to which they contribute as an institution, must include the outputs and outcomes supported by 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 Budget Support funding.

Performance indicators included in any Budget Support Financing Agreement must be included in the ENE performance indicators.

Examples of approaches that have been used to successfully allocate Budget Support funds are:

1. The Department of Trade and Industry (DTI) SWEEEP programme allocated the Budget Support funds to priority activities that could not be funded in the inner years of the MTEF, but had been allocated funding in the outer years. The funds were therefore used to accelerate new projects. The projects supported were innovation projects, thus providing opportunity for the government to support projects with a higher risk profile. Most of the Budget Support funds were provided as grants to other implementing institutions and also to support the programme secretariat. Applications for funding were first evaluated by a technical team, after which all applications were submitted to DTI Exco for decision.

2. Department of Science and Technology (DST) has allocated Budget Support funds to fund more innovation projects than could be funded from own resources. Some projects are supported from both public and donor funds. Projects are proposed for funding by DST officers and through the sector forum. Final decision on projects to be funded is taken at executive level.

3. Department of Water Affairs (DWA) allocated Budget Support funding to development and strengthening of the water sector at Provincial and local levels. The activities funded by the Budget Support can be considered outside the strict mandate of the department, and are not funded from the national fiscus. However, government would not be able to meet its objectives to deliver water services without DWA facilitating the devolution of service delivery through the Masibambane programme. The Budget Support funds were allocated to institutional strengthening, capacity building and supporting a sector-wide approach and an institutional framework for this approach. In addition, the programme provides a list of priority programmes, identified by regional stakeholders and co-ordinated by provinces. A committee of DWA senior management allocated funds, according to priorities and the available budget.
1.6 Risk Management Planning

Although Budget Support funds are typically "secure" in that the European Union has thus far always met the payment commitments where the implementing agency has met the conditions of the Financing Agreement, an assessment should be made of the impact of:

- delayed release of funds
- release of less funds than committed by the EU, particularly under variable tranches and
- withholding of the tranche payment in its entirety.

The government programme must undertake a risk analysis in respect of performance against agreed indicators and timeliness of performance.

The government programme must undertake a risk analysis in respect of likely fund release "scenarios" taking these risks into account and prepare a strategy (contingency plans) to accommodate the identified delays and reductions in support amounts received.

2 Operational and Implementation Management of Budget Support Funds

The requirement of this section should be compiled into a “Programme Operations Manual” for use by officials, setting out the manner of operation of the programme. It is not required that special rules be created for BS programme management, but that the systems and procedures be documented. Where the programme is to be managed using the standard departmental processes and procedures, this can be reflected by a simple reference to these. A useful resource for programme management plan can be found in the documentation on the Implementation Phase of the PPM framework / Tools.2

2.1 Planning and Budgeting

The planning of the department must be adjusted to accommodate the BS funds and requirements before the release of the first tranche payment. Where planning required includes government programme stakeholders outside the department (for example: cluster departments), a process of joint planning must be undertaken and the joint plan approved by the accounting officer of the lead department.

The lead department may therefore need to fund resources to initiate the programme planning and systems development prior to receiving any funding from the donor.

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2 Due to the inclusion of the former Technical Assistance Unit in the Government Technical Advisory Centre (GTAC), readers should contact GTAC to access these tools.
2.2 Management Structure

The RDP Amendment Act (1998) section 6 (b) states that “the accounting officer of a spending agency shall be accountable for the money allocated to that spending agency in terms of section 4 (c)”. In terms of this the successful implementation of the BS programme must be included in the performance contract of the accounting officer. The responsibilities of the accounting officer are as defined in the PFMA for public funds, and are applicable to BS funds.

In terms of the PFMA, the accounting officer must allocate the responsibility for management of the programme and the funds to an official of the department, in writing. A copy of the written delegation of authority must be submitted to National Treasury.

The responsibility for the Budget Support programme may be delegated to a Deputy Director General. Operational management must be allocated to a nominated team at the level of at least Chief Director, covering the areas of financial management, strategic management, operational management and monitoring and evaluation.

2.3 Funding Alignment with Sector, Cluster and Departmental Operations

The government programme operational plans must be adjusted to reflect the activities to be funded and the additional resources required to manage the BS funds. Prior to receiving tranche payment, establishment and preparation actions will need to be undertaken. The government programme must plan for and provide resources:

- for the preparation phase
- to cover the cost of preparing systems for the funding
- to cover the cost of establishing a secretariat or project management / co-ordination unit in the period before the funding is released
- to cover the cost of training in the preparation period and
- for such costs as such as office space, computers, etc. for the government programme.

Activities to implement the Budget Support programme must be included in the performance agreements of management and operational personnel.

2.4 Institutional Arrangements

The government programme lead department must prepare an institutional plan for the management of the programme. The plan will address:

- The institutional location of the programme
- A programme coordination structure for interaction with programme stakeholders, joint planning and review
- A donor interaction framework, including structures, frequency and a framework for content of interactions. Programme co-ordination structures may be used and expanded to include donors. Additional internal management and coordination structures that may be necessary, or alternatively identification of existing structures and systems to be used for the BS programme
• The desirability and need for a unit or team dedicated to the smooth functioning and good governance of the programme and funds (refer also to the Project Management Unit Guideline published on the Treasury Website\(^3\))

• Arrangement for management of multiple reporting lines that may arise where the government programme includes multiple stakeholders

• The need for technical assistance must be evaluated and a technical assistance plan prepared showing the intended functions, reporting lines, capacity transfer plan, counterparts, and broad terms of reference, timelines and budgets. Where the TA budget line is specified as project modality, an agreed application of the funds must be negotiated with the EU

• Training and capacity building of new staff and units (such as secretariats).

2.5 Decision-making Processes

Where the BS funds are to be allocated based on proposals or requests for funding, the decision-making process and structures must be documented. The document must be approved by National Treasury.

Decision-making structures and processes must follow existing departmental processes and structures. Where other stakeholders from the policy area supported are to be involved in the decision-making process:

• additional processes may be developed to accommodate this participation and

• all the decisions must be reviewed and validated by government officials. This may be through the Executive Committee or similar structure.

The above does not apply to allocation of BS funds between parties envisaged in the Financing Agreement as programme partners, such as departments in a cluster or nominated implementation agencies.

2.6 Financial Systems

The financial management prescripts are set out in the supplement “Managing Budget Support Funds within the SA Public Accountability System”. South African public sector procurement procedures and legislation are applicable to BS funds.

A document is to be submitted to Treasury setting out the financial system arrangements for the BS funding, including:

• Accounting measures such as SCOA

• Expenditure approval and authorisations system

• Expenditure control and reporting system

• Systems for accountability

\(^3\) Due to the inclusion of the former Technical Assistance unit of Treasury in the Government Technical Advisory Centre (GTAC), readers should contact GTAC for access to this document.
3 Performance, Monitoring and Evaluation

3.1 Introduction

The government has, over the past five years, increasingly formalised monitoring and evaluation. Performance is now reported in annual reports in all spheres of government, and improvements are progressively introduced. The strongest evidence of the increased focus on monitoring performance and evaluating impact is the focus on to twelve outcomes, and the development of a government wide monitoring and evaluation system.

The GWM&E identifies the National Treasury as the lead institution responsible for Programme Performance Information. In 2007 the National Treasury issued the Framework for Managing Programme Performance Information (FMPPI). In 2011 Treasury issued a Performance Information Handbook, and an online resource on performance management, including Performance Indicator selection & Data Analysis Tools/Templates

A further resource on monitoring and evaluation is the document “Basic Concepts in Monitoring and Evaluation”; Public Service Commission (February 2008).

Monitoring and evaluation is closely linked to planning and budgeting, which forms the basis against which performance is measured. Insight is provided in “Framework for Strategic Plans and Annual Performance Plans”; National Treasury.

3.2 Requirements for the Budget Support Programme Monitoring and Evaluation System

The basis for the government programme M&E system is the Strategic Plan, the Annual Performance Plan, MTEF and Budget Support Programme Financing Agreement. Minimum requirements for the government programme M&E system are:

- monitoring of grant and project funding expenditure and outputs against proposals and contracts
- monitoring of expenditure in terms of amounts, procedural compliance and against planning
- monitoring of progress of activities against planning, including monitoring of actual inputs and outputs against planning
- achievement of outputs and set targets
- monitoring of results (outcomes) against predicted outcomes and
- performance of resources allocated to the programme (e.g.: personnel).
3.3 Integration into Departmental Monitoring and Evaluation System

Monitoring for the Budget Support programme should be undertaken within the departmental monitoring and performance management system, except:

- where additional monitoring requirements are introduced because the BS programme requires additional information
- where programme monitoring falls outside a department and encompasses multiple stakeholders and/or
- as a transition until the departmental system is operating sufficiently effectively to provide the required standard of reporting on performance and indicators.

3.4 Information Sources

It may be necessary to build monitoring studies into the programme to provide accurate information. Sources of information for the government programme M&E system can be drawn from:

- financial records of stakeholders implementing elements of the programme
- public sector performance management instruments for individuals and sections implementing elements of the government programme
- quarterly and annual progress reports on grants and projects funded under the programme
- departmental and institutional progress and annual reports and
- StatsSA (for example: quarterly labour surveys).

4 Reporting for Budget Support Programmes

4.1 General

Reporting on donor funding should be in line with the relevant development cooperation agreements, the provisions of the relevant Finance Management Act (PFMA), MFMA or FMPA (as applicable), and as requested in the ENE, MTEC and DCMIS databases.

Reporting needs for Budget Support should be met as far as possible through existing reporting mechanisms, modified to reflect the additional actions and resources due to the Budget Support funding. These mechanisms include:

- The ENE / Annual MTEF process
- Departmental Annual and Quarterly reports, expanded to include information on European Union funds received, areas of application and value addition
- Annual audits, expanded to cover European Union funds
- The payment tranche application, which includes a section on progress and
- The DCMIS (refer to the ODA Guidelines).
4.2 Reporting System

The reporting requirements and mechanisms must be set out in a formal document, forming part of the programmes operating manual, and covering:

- frequency of reporting
- reporting lines
- report content (financial, technical, achievements against targets, etc.)
- report audiences and
- additional reporting (over and above usual departmental or cluster requirements).

4.3 Reporting to the Donor

For BS programmes the European Union should ideally accept standard government reporting for Budget Support programmes. However, these documents may not address all the information needed by the European Union to satisfy their accountability to their own Parliament.

It is therefore recommended that programme provide an information pack to the European Union annually, preferably before the policy dialogue event. This pack should contain public sector documents, such as reports, minutes and press releases that give an insight into:

- action plan progress and changes
- policy changes
- key personnel changes
- expenditure progress and key revisions
- donor coordination and
- issues affecting progress against indicators.

Where an annual request for release of funds is undertaken, these documents can be included with the payment request submission.

4.4 National Treasury Reporting Requirements for Budget Support

National Treasury requires expanded reporting on Budget Support funding. It requires the submission and review of the following documents before issuing a letter of support for tranche applications:

- A formal advisory on the effect of the additional resources on the strategic plans, MTEF and Annual Performance plan
- Adjustment of the relevant plans and budgets in the next appropriation cycle or adjustment cycle
- The programme annual business plan, including an operations manual covering all projects and activities funded by the BS funds. A business plan template is included as Annexure D to the module “Financial Management of Budget Support within the SA Accountability Framework”
- Financial reporting requirements as specified in the supplement “Managing Budget Support Funds within the SA Public Accountability System”, including the submission of BS expenditure with the quarterly report
• Internal audit reports encompassing the BS funds, and proof that the most recent audit included the BS funds
• Quarterly progress reports for the BS programme for the period under review, including monitoring report covering all projects funded by BS funds and
• Annual review of the BS programme, covering progress, expenditure, learning and proposed adjustments. Treasury must be apprised of any changes to systems, allocation, decision-making mechanisms and responsible officers, which are subject to the approval of Treasury.

All donor funded programmes must be captured on the ENE, DCMIS and MTEF databases.

4.5 Release of Funds

Treasury will not release the first tranche until the documents indicated in section 4.4 are received and approved. The documents must include the names of officers with appointed responsibility for the Budget Support funds with respect to:

• decision-making
• financial management
• strategic management (addressing alignment, monitoring and evaluation)
• operational management and
• donor relations.

Tranches will not be released by Treasury where the ENE reporting on the BS programme has not been submitted in full, and where reporting for the annual budget review and process does not include reporting on BS funds.

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4 A template for quarterly progress reports is provided in Annexure C of the supplement “Managing Budget Support Funds within the SA Public Accountability System”. 

5 Donor Relations

5.1 General

South African relations with the European Union have political, strategic, operational and contractual dimensions. The minimum meetings required are listed in the table below.

Meetings associated with Budget Support programmes

<table>
<thead>
<tr>
<th>Type of interaction</th>
<th>Frequency</th>
<th>Level</th>
<th>Aspects discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting</td>
<td>Ad hoc</td>
<td>Contractual</td>
<td>Changes to Financing Agreement</td>
</tr>
<tr>
<td>Meeting</td>
<td>Quarterly</td>
<td>Operational</td>
<td>Progress and implementation issues</td>
</tr>
<tr>
<td>Meeting</td>
<td>Annually or twice annually</td>
<td>Operational</td>
<td>Progress and planning. May include other donors</td>
</tr>
<tr>
<td>Meeting</td>
<td>Annually</td>
<td>Strategic</td>
<td>Donor coordination and support to strategic plans. May be combined with above meeting.</td>
</tr>
<tr>
<td>Meeting</td>
<td>Annually</td>
<td>Political</td>
<td>Progress towards achievement of policy objectives, learning, possible changes and critical implementation issues</td>
</tr>
</tbody>
</table>

Typically the donor coordinator and EU Delegation project officer would be present at interactions of all the levels, and would be responsible for briefing notes and interaction preparation.

5.2 Information to be Provided to the Donor

Information to be provided to the donor during interactions include information around changes to

- policy: As the Financing Agreement supports a specific government programme and its underlying policy, the funder must be advised, and the agreement between the may need to be modified, if the underlying policy changes
- the government programme of action: Significant changes to the programme of actions should be reported and highlighted, and the implications with respect to the Financing Agreement raised with the funder
- institutional arrangements: The initial assessment of feasibility of supporting the policy area and the government programme to implement the policy=, and the feasibility of using Budget Support as a funding modality, was based on an assessment which included institutional capacity and arrangements. Institutional changes may affect the Financing Agreement validity or implement ability. Significant changes to the institutional arrangements should therefore be reported and highlighted, and the implications with respect to the Financing Agreement raised with the funder
- government programme objectives and outcomes: Budget Support Programmes specify results to be achieved. Any changes to government programme objectives and outcomes, driven by changes in policy and programmes, must lead to a review of the Financing Agreement. Where the agreed outcomes of the Financing Agreement no longer seem achievable, application must be made for relevant changes
- indicators: Indicators form a critical part of the Financing Agreement. Any changes in the indicators in the government programme which would impact the indicators in the Financing Agreement, must be raised with the European Union and changes to the Financing Agreement negotiated.
- targets: Budget Support Programmes specify targets for selected indicators. Changes in policy area targets must lead to changes in indicator targets in the Financing Agreement.

6 Policy Dialogue

6.1 General

Budget Support modality requires regular policy dialogue between the European Union and the partner. The purpose of policy dialogue is:

- to ensure that the European Union is kept up to date on progress of policy implementation and
- for policy evolution.

Where EU procedures are not used, thus giving the EU and insight into the progress and management of a programme, policy dialogue provides the European Commission with information to satisfy their accountability to their own Parliament. National Treasury must be included in policy dialogue events.

6.2 Information Required by the European Union

In such dialogues the EU will require information on various aspects of the programme and policy implementation. The minimum information to be provided includes:

- the progress towards achieving policy objectives
- potential changes in policy or strategy
- significant changes in institutional or management arrangements and
- significant issues impeding delivery or affecting governance.

Examples of policy dialogues that have taken place are:

- A specially arranged meeting to discuss issues raised by the EU
- EU representation at a session of the departmental executive council
- A sector conference or seminar where policy, strategy and performance are discussed
- Donor forums where the agenda includes issues of policy, strategy and performance.

The basis for policy dialogue should always be the achievements of the government programme and progress towards achieving policy objectives. Considerable value can be added to policy dialogue where it is based on, or combined with, seminars on the policy area or policy evaluation reviews.