BCOP EXECUTIVE COMMITTEE STUDY VISIT:
PUBLIC FINANCE AND PEER LEARNING REFORMS OF SOUTH AFRICA
10-13 MARCH, 2015

SUMMARY REPORT

Report prepared and coordinated by
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1. INTRODUCTION

1.1.   **The purpose of this report is to capture the key discussions, learnings and results of the PEMPAL[1] Study Visit to South Africa from 10 to 13 March 2015, held in Pretoria.** This report will be posted on the PEMPAL public website (www.pempal.org) and will also be shared with all members of the Budget Community of Practice (BCOP). The study visit was initially planned in a meeting of PEMPAL members on fiscal transparency and accountability on May 27-29, 2014 attended by 19 countries, where the PFM reforms of South Africa were illustrated given their significant reform program and achievements in the Open Budget Index.

1.2.   **The BCOP Executive Committee, comprising representatives from member countries from Albania, Belarus, Bosnia and Herzegovina, Croatia, Kyrgyz Republic, Russian Federation and Turkey attended the visit to the National Treasury of South Africa.** Specific areas of interest included budget formulation reforms (budget calendar, institutions involved, budget instructions format and content, how plans are linked with budgets), program budgeting and performance management reforms, monitoring and evaluation, and budget transparency reforms (including citizen engagement approaches and the role of CSOs in the budget process).

1.3.   **The BCOP Executive Committee also sought to exchange peer learning approaches with the Collaborative Africa Budget Reform Initiative** (CABRI), given the Committee's role in the strategic and operational oversight of the PEMPAL network and CABRI's role in a similar network operating in Africa.

1.4.   **The agenda and list of participants is attached.** The agenda was prepared by National Treasury colleagues, in response to areas of interest articulated by the BCOP Executive Committee.   All administrative and logistics were undertaken by the PEMPAL Secretariat in collaboration with National Treasury. The event report was prepared by the Strategic Adviser to PEMPAL, in consultation with participants and National Treasury/CABRI colleagues. Lessons learnt were provided from the member countries and were gained during the roundtable held as part of the agenda and later supplemented through online exchange of information.

1.5.   **Participants were very grateful to the National Treasury and CABRI for sharing their experiences and lessons learnt with them**. The BCOP Executive Committee would particularly like to thank Lungisa Fuzile, Director-General of the National Treasury for taking the time to meet them and in particular Dr Kay Brown, Daleen Marais, Boitumelo Makgabo, and Phumza Macanda from National Treasury for assistance with the preparations for the visit. They would also like to thank the presenters from National Treasury and the Department of Planning, Monitoring and Evaluation for sharing their expertise and knowledge with them. From CABRI, the Committee would like to thank Neil Cole, Ashani Singh and Joana Bento for their time and preparations. The BCOP Executive Committee hope the government's strong vision and passion for PFM reform will assist the country in addressing some of its key challenges and wish them all ongoing success.

2. MEETING OBJECTIVES

2.1.   **The objective of the study visit was to discuss and exchange information on public finance reforms and peer learning approaches** with representatives from the National Treasury[2] and CABRI. From the results of the post-event survey, these objectives were met with participants rating the study visit on average 4.9 out of 5, and were particularly impressed with the quality of presenters, the willingness to share tools, documents, approaches and lessons learnt, and the warmth and hospitality of

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[1] The Public Expenditure Management Peer Assisted Learning network (PEMPAL) was established over nine years ago in 2006.It currently has active participation of public finance professionals from 22 of the 30 World Bank classified Europe and Central Asia countries and provides learning events, workshops, study tours and resource materials in accordance with member driven action plans in the thematic areas of budget, treasury and internal audit. Refer to www.pempal.org for more information

[2] The National Treasury in South Africa is the Central Budget Authority, similar to Ministry of Finance in PEMPAL countries.

the people of South Africa. The evaluation report can be accessed here http://www.pempal.org/event/read/137

3. PUBLIC FINANCE REFORMS – NATIONAL TREASURY

3.1.   **National Treasury provided comprehensive presentations** covering budget reforms, budget planning and preparations, budget calendar and process, legislative and policy framework, and performance monitoring and evaluation. Additional guidelines, tools and budget documentation were also provided during the visit. Where possible, links to this additional information has been provided throughout the summary and also posted on the BCOP wiki.

3.2.   **South Africa is the 25th-largest country in the world by land area, and with close to 53 million people**. South Africa is a multiethnic society with the constitution's recognition of 11 official languages, which is among the highest number of any country in the world. All ethnic and linguistic groups have political representation in the country's constitutional democracy, which comprises a parliamentary republic with three levels of Government: National, nine Provinces, and almost 300 municipalities, since the end of apartheid some 20 years ago.

3.3.   **Currently the consolidated government expenditure is 1.35 trillion Rand (112.4 billion USD), with approximately 48 percent spent at the national level, 43 percent transferred to provinces and 9 percent transferred to local government**.[3] A budget deficit of 3.9 percent of GDP is expected for 2014-15, narrowing to 2.5 percent in 2017-18. Debt stock as percentage of GDP is expected to stabilize at 43.7 percent in 2017-18.[4] Principles of counter cyclicality, debt sustainability and intergenerational fairness continue to guide fiscal policy in South Africa. The 2015 Budget implements government's commitments to narrow the budget deficit, stabilize debt and begin to rebuild fiscal space. Economic growth has been revised down for the fifth consecutive year and is likely to remain below 3 percent over the next two years. Despite the implementation of a spending ceiling, weak economic growth has produced a persistently large budget deficit. Further fiscal reforms introduced in the 2015 Budget include reductions in expenditure ceilings, increasing personal income tax rates and the general fuel levy, strengthening budget preparation and expenditure controls, and withdrawing funding for posts that have been vacant for prolonged periods of time.[5]

3.4.   **The technical role of the National Treasury in South Africa is outlined below**:

- Provide the overall Fiscal Framework based on the macroeconomic forecast;
- Propose the Division of Revenue between the 3 spheres based on the above, and decisions made at a political level on priorities;
- Provide technical guidelines for budget submissions submitted by departments (i.e. line ministries);
- Evaluate budget submissions and ensure that they reflect key government priorities;
- Maintain on going communication with other central government departments;
- Make recommendations to the Medium Term Expenditure Committee, Budget Council and Ministers' Committee on the Budget (who in turn make recommendations to Cabinet and Extended Cabinet);
- Prepare and table budget documentation; and
- Brief Parliamentary Committees in respect of budget documentation tabled.[6]

3.5.   **Budget reform began in 1994, with the election of South Africa's first democratically elected government.** The new government committed itself to improving the quality and coverage of public

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[3] Provinces do not have much power to raise own source revenues, only for e.g. motor vehicle licenses, gambling taxes that represent around 10 percent of their total revenues, the remainder being transferred from central level. Whereas, municipalities operate largely from their own source revenues with contribution from the national government of only around 3 percent.
[4] Source: Budget 2015 Highlights, brochure distributed as background materials at PEMPAL study visit.
[5] Source: Dr Mampho Modise, 'The budget framework in South Africa' presented to PEMPAL,10 March, 2015
[6] Source: Raquel Ferreira, 'Budget Process and Documentation' presented to PEMPAL, 11 March, 2015

finances. The budget tools and system were inadequate to stabilize fiscal balances and manage the required policy shifts thus a process of reform was initiated.[7] This led to major reforms such as introduction of a rolling three year Medium Term Expenditure Framework (MTEF), programme budgeting approach and the Value for Money Agenda. This agenda was a successful initiative that involved the development of the Public Finance Management Act (PFMA) which included performance management. The PFMA gave departments (which are equivalent to ministries within the PEMPAL region), responsibility to spend within approved budgets and against policy and performance commitments. The requirement to report on performance gave a larger scrutiny role to parliament, the public and the media. The rationale behind this approach was that accountability should not be a financial management issue, given it is a political issue.[8]

Performance Budgeting

3.6.　　**A new function approach to budgeting was established, which gave effect to closer cooperation and coordination among public institutions towards the attainment of government outcomes.** Function budgeting groups government activities according to broad purpose or type of expenditure. The approach was linked to the IMF's Classification of the Functions of Government (COFOG) but has been modified for the South African context. The slide below presents these 14 government outcomes and the lead department which must coordinate other departments within the outcome, to report against them.[9]
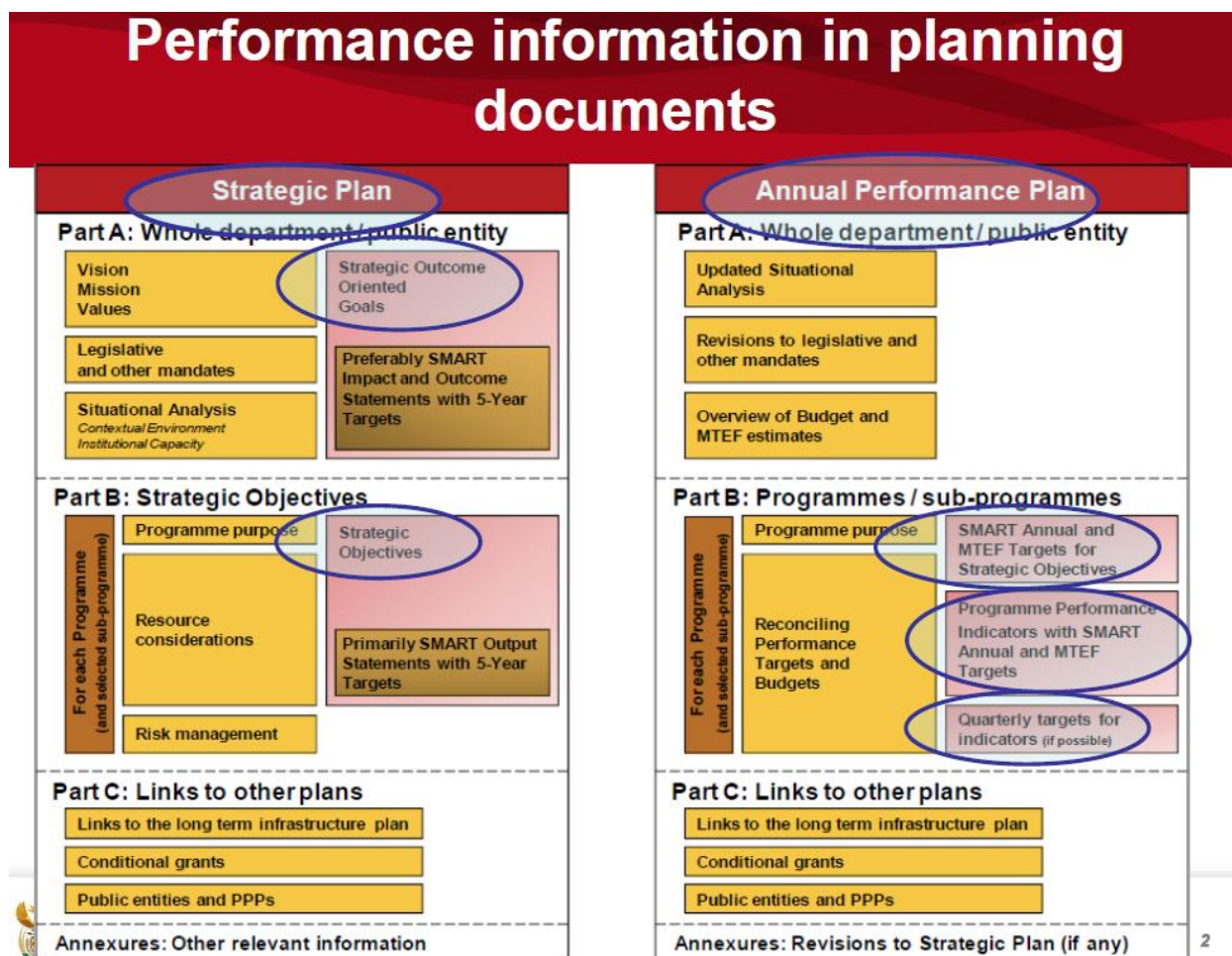
Government's outcomes approach

Outcome number	Medium Term Strategic Framework outcomes	Coordinating department/s
1	Quality basic education	Basic Education
2	A long and healthy life for all South Africans	Health
3	All people in South Africa are and feel safe	Defence
4	Decent employment through inclusive economic growth	Trade and Industry
5	A skilled and capable workforce to support an inclusive growth path	Higher Education and Training
6	An efficient, competitive and responsive economic infrastructure network	Transport, and Public Enterprises
7	Comprehensive rural development and land reform	Rural Development and Land Reform
8	Sustainable human settlements and improved quality of household life	Human Settlements
9	A responsive, accountable, effective and efficient developmental local government	Cooperative Governance and Traditional Affairs
10	Protect and enhance our environmental assets and natural resources	Environmental Affairs
11	Create a better South Africa, a better Africa and a better world	International Relations and Cooperation, and Trade and Industry
12	An efficient, effective and development oriented public service	Public Service and Administration
13	An inclusive and responsive social protection system	Social Development
14	Nation building and social cohesion	Arts and Culture

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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[7] Source: Dr Kay Brown, 'Budget Reform Phases – Successes and Challenges of some of our reforms' presented to PEMPAL, 10 March, 2015
[8] Ibid
[9] Source: Slide 5 from Prudence Cele, 'Planning and Budgeting – The Link' presented to PEMPAL, 10 March, 2015, 2015

3.7.   **The Government's Outcome Approach aims to improve service delivery** by enhancing the strategic focus of government and making more efficient and effective use of limited resources. The approach also includes systematic monitoring and evaluation;   identifying suitable indicators and regularly measuring and monitoring them; and carrying out periodic evaluations of the impact of government programmes on society and using this analysis to inform government decisions, improve government programmes and to promote evidence-based policy making.[10] The Government's outcomes approach also led to the development of Performance Agreements between the President and Ministers.

3.8.   **The Outcomes Approach is supported by a strong planning framework.** In 2010 a National Planning Commission was appointed to draft a national development plan (NDP). The NDP, Vision 2030 was released in 2012. The Medium Term Strategic Framework is a 5 year planning document, which links to the focus areas identified in the NDP. The MTSF is prepared by the Department of Planning, Monitoring and Evaluation (within the Presidency) in consultation with sector departments and the National Treasury. The MTSF provides a framework for the other planning documents in the different spheres of government. Information is reported for a 7 year period (i.e. 3 year history, current year and MTEF period). Each Department must produce a Strategic (5 year) plan and Annual Performance Plans which are tabled in Parliament at the beginning of the calendar year. Quarterly performance reports are submitted to Department of Planning, Monitoring and Evaluation and the National Treasury. The way performance information is linked within these planning documents is illustrated in the slide below:[11]
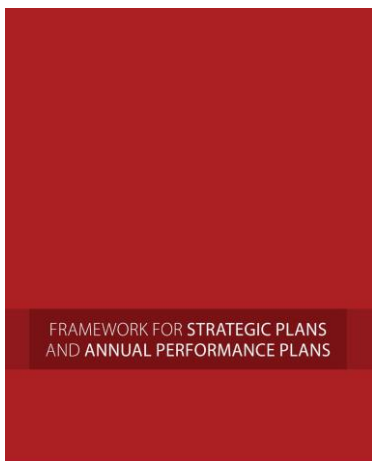

3.9.   **The performance information framework was established in 2008** with a concept document that specified what sort of decision making structures, systems and processes needed to be in place to manage performance including standardizing terminology on performance information. This concept document - Framework for Managing Program Performance Information - was key in assisting institutions to understand important concepts relating to programme performance information. It assisted them to craft measurable indicators. This concept document can be accessed here or clicking on the hyperlink in the picture of the document to the right: http://www.thepresidency-dpme.gov.za/publications/Policy%20Framework/Framework%20for%20M anaging%20Programme%20Performance%20Information.pdf. Shortly after the release of this document, Budget Programme Structure guidelines, and Strategic Plan and Annual Performance Planning guidelines were issued in 2009 and 2010 respectively.[12] This was followed in 2011 by the Performance Information Handbook. In 2009 a separate Department, the Department of Performance Monitoring and Evaluation, within the Presidency, was also established.

3.10.   **The Framework for Strategic Plans and Annual Performance Plans provides guidance on short to medium term planning, with a specific focus on performance information** and the alignment between planning, budgeting, monitoring and repor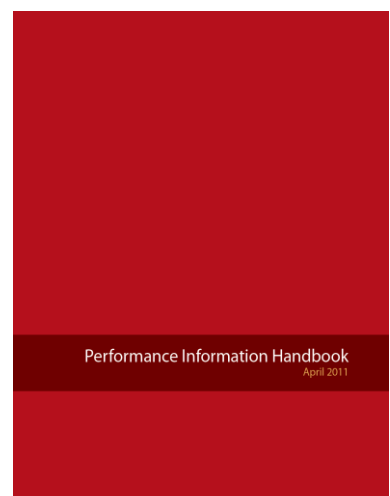ting. You can access this document here or through the hyperlink in the document below: http://www.treasury.gov.za/publications/guidelines/2011-12/SP%20APP%20Framework.pdf

3.11.   **Performance information is included in strategic plans, annual performance plans, quarterly reporting, reporting in budget publications, and in annual reports**. The main tool for within year monitoring of non-financial results is through quarterly and annual performance reports. National departments must submit a copy of their quarterly performance reports to National Treasury within 60 days after the end of each quarter. Departments and entities also report on selected performance indicators and targets in annual and mid-year budget publications (i.e. Estimates of National Expenditure and Estimates of Provincial Revenue and Expenditure; and Adjusted Estimates of National Expenditure). The Annual Report is the ultimate accountability document and includes both financial and non-financial performance information and is used by the legislatures to exercise proper oversight.[13]The Parliament scrutinize departments over indicators, not National Treasury. National Treasury does play a role as their budget analysts get draft strategic and annual plans for comment each August, but are not in a position to verify all indicators. Dialogue mechanisms on performance against indicators have been established but are still maturing.

3.12.   **The Performance Information Handbook provides steps to develop measurable and credible performance indicators** and was issued to operationalize the Framework for Managing Programme Performance Information.[14] It provides descriptions of approaches and

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[13] Source: Prudence Cele, 'Performance Monitoring and Evaluation', presentation to PEMPAL, 12 March, 2015
[14] Source: Prudence Cele, 'Performance Monitoring and Evaluation', presentation to PEMPAL, 12 March, 2015.

tools institutions can use to manage programme performance information. You can access this document   here: http://www.treasury.gov.za/publications/other/performance/Performance%20Information%20Handbook%20-%20web.pdf

3.13.   **An EXCEL tool was also developed to assist departments develop performance indicators**. The effective application of this 'Performance Information Tool' requires an organization to understand its functions and structures; customize it to fit organization's specific requirements; and leave out steps that are not applicable to its specific environment. The EXCEL tool assists programme and unit managers in line ministries to gather performance indicators (sourced from strategic plans, annual performance plans, delivery agreements, policy documents and estimates of national expenditure publications); sort, filter and select the best indicators that would measure performance; provides a scoring and rating method to help decide whether a specific indicator should be used, or needs to be developed further; determines whether an indicator is SMART (specific, measurable, achievable, realistic and time bound), and if the indicator is good, average or poor; and rates selected indicators through the use of a weighted PI index.[15] You can access the EXCEL tool here:

Performance Information Tool.xls

3.14.   **The performance information selected by departments depends largely on the types of programmes. There are three types of budget programmes – support service, enabling, and service delivery**. Support service programmes are 'administration' and represent groups of activities that provide support services to all programmes within the department (i.e. ministry). They are not directly involved in delivering services to the public e.g. Human resources, IT, or other common services. Enabling programmes perform functions that support other programmes to provide services e.g. providing policy guidance, regulatory functions, training, legislation drafting etc. Service delivery programmes are involved with direct service delivery to the public.

Evaluation Framework

3.15.   **Before the formal evaluation framework was established, there was a lack of policy and strategic direction around evaluation.** Monitoring and Evaluation units were focused more on monitoring only. There was also confusion with the terminology and what evaluation meant. There was also inadequate use of evaluation, and lack of coordination between organizations, leading to a fragmentation of approaches. If evaluations were conducted, there were incentives to hide results if they were bad. Thus the culture had to be changed to move away from that of compliance to that of using evaluations to promote learning. Also it was important that evaluations not only happen at the end of a programme but periodically through its life. Many evaluation interventions were also failing as the original design of the programme was weak (i.e. program logic, log frame, indicators).

THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA
DEPARTMENT: PERFORMANCE MONITORING AND EVALUATION

NATIONAL EVALUATION POLICY FRAMEWORK

23 November 2011 (FINAL)

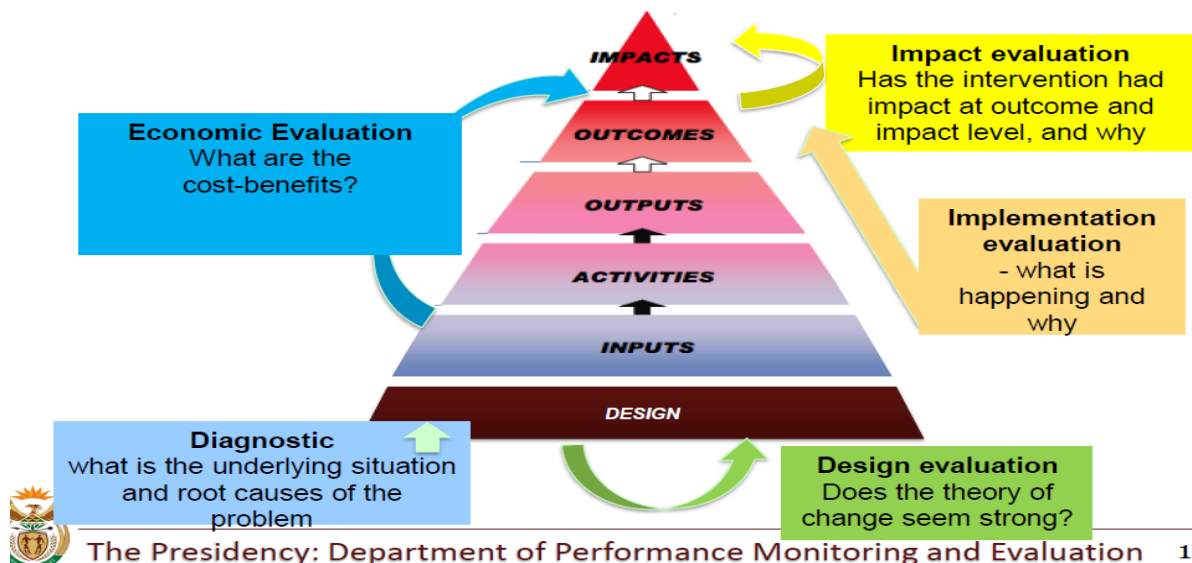[15] Source: Prudence Cele, 'Performance Monitoring and Evaluation', presentation to PEMPAL, 12 March, 2015

3.16. **The process of developing an evaluation policy included a study tour to Mexico, Colombia, and the United States** in June-July 2011 to examine evaluation approaches and draft a policy framework. A task team did this chaired by the Department of Performance, Monitoring and Evaluation (now the Department of Planning, Monitoring and Evaluation) which partnered with local associations, as part of an extensive consultation process. Six hundred officials were trained (outsourced to provider 'CLEAR') and onsite capacity building was undertaken through learning networks that met every quarter, with ongoing technical support being provided to provinces.[16] It was necessary to distinguish between 'monitoring' and 'evaluation'. Monitoring is necessary but not sufficient given it only asks whether we are doing what we planned to do. In order to assess whether or not plans are resulting in their intended outcomes and impacts, and the reasons for this, evaluations are needed. Evaluations involve deep analysis of issues such as causality, relevance, effectiveness, efficiency, value for money and sustainability.

3.17. **The first evaluation started in October 2011 just before Cabinet approved the National Evaluation Policy Framework in November 2011.[17]** A copy can be accessed at this link http://www.thepresidency-dpme.gov.za/publications/Reports%20and%20Other%20Information%20Products/Evaluation_Policy_Framework%20approved%2011%2011%2023.pdf or through the hyperlink in the document above. A Steering Committee was established to review programmes for evaluation. An evaluation programme is now issued annually and evaluation reports tabled in Parliament and published on the website of DPME http://www.thepresidency-dpme.gov.za/keyfocusareas/evaluationsSite/Pages/default.aspx Expenditure reviews are headed by the DPME and performance dialogues are held between departments (i.e. ministries), DPME and National Treasury with the objective to discuss select key performance indicators as included in the Estimates of National Expenditure budget documentation (although this part of the reform process is still under development and experiencing mixed success). The scope of the evaluations is Government wide (only departments not public entities), and the focus is on policies, plans, implementation programmes, projects and systems. Evaluations are co-funded – 50 percent by the DPME and 50 percent by the department being evaluated. A total of 39 evaluations have been completed and departments are using evaluation results to inform policy, planning and budgeting. Four courses and standards have been developed for evaluations and competences. An evaluation repository has been created where 83 evaluations have been quality assessed, with 70 passed and posted on the DPME website (http://evaluations.dpme.gov.za/sites/EvaluationsHome/SitePages/Home.aspx). A feasibility study is currently underway on professionalizing evaluation in South Africa.

3.18. **Various guidelines have been developed on evaluation and are accessible on the Presidency's website.** For example guidelines exist for how to develop a TOR for an evaluation Steering Committee, how to design a programme using log frame tool, and guidelines for the different types of evaluations. The slide below shows these different types of evaluations as they relate to questions around the outcome model.[18] These guidelines can be found at this link: http://www.thepresidency-dpme.gov.za/keyfocusareas/evaluationsSite/Pages/Guidelines.aspx and have also been posted on the BCOP wiki.

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[16] Source: Jabu Mathe, 'South Africa's National Evaluation Policy Framework', Presidency, DPME, presented to PEMPAL, 12 March 2015
[17] The Evaluation Policy Framework can be accessed here http://www.thepresidency-dpme.gov.za/publications/Reports%20and%20Other%20Information%20Products/Evaluation_Policy_Framework%20approved%2011%2011%2023.pdf or by clicking on the title page within the document.
[18] Source: Slide 10, Jabu Mathe, 'South Africa's National Evaluation Policy Framework', Presidency, DPME, presented to PEMPAL, 12 March 2015

Different types of evaluations related to questions around the outcome model

The Presidency: Department of Performance Monitoring and Evaluation

3.19. **The National Evaluation Plan, which is different from Provincial and Departmental Plans, provides an annual plan of strategic evaluations of important government programmes.** Three plans have been implemented to date with the first plan approved in 2012-13. Criteria for such evaluations are the size of programme must be large over R500 million (41 million USD) or covering a large proportion of the population; it must not have had a major evaluation for 5 years; it must be linked to the 14 outcomes and particularly the top 5; it must be of strategic importance, and for which it is important that it succeed; it must be innovative from which learnings are needed; and it must be of significant public interest e.g. key front-line services.[19]

3.20. **To strengthen the use of evaluation results, rules and guidelines were established.** A 1/5/25 page rule was established whereby as well as the normal 100 page report being produced, a 1 page policy summary for the President and Ministers, 5 page executive summary, and 25 page report are produced aimed at different audiences. The results are to be presented at clusters, and portfolio committees. A management response (which is a formal response from the department that was evaluated) along with an improvement plan must be developed and posted on the department and DPME website along with the evaluation report. The management response must provide a record of agreement or disagreement and document any reasons for disagreement. [20]

Budget Execution and Performance Management

3.21. **Financial Audits are conducted by the Auditor General with some elements of performance audits undertaken**. The Auditor General has started with auditing of predetermined objectives, with the intention of avoiding unintended consequences of negative audit results. Rather than focus on using results in a punitive way, results are used collectively to assist departments to improve the quality of non-financial information to reflect core functions of government. Internal auditors also advise departments on compliance with relevant guidance, regulations and legislation.

3.22. **Delivery Agreements for the priority outcomes have been established between the President and Ministers** and can be found at this link http://www.thepresidency.gov.za/pebble.asp?relid=2456 All Ministers sign these Service Delivery Agreements which informs strategy of their departments. These agreements are based on the Medium Term Strategic Framework for the current electoral term (2014-

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[19] Source: Jabu Mathe, 'South Africa's National Evaluation Policy Framework', Presidency, DPME, presented to PEMPAL, 12 March 2015
[20] Source: Jabu Mathe, 'South Africa's National Evaluation Policy Framework', Presidency, DPME, presented to PEMPAL, 12 March 2015

19). Quarterly 'Programme of Action' (POA) monitoring reports are submitted to Cabinet using a 'traffic light' approach, highlighting progress made, challenges encountered and measures to address them. POA reports also form the basis for performance monitoring meetings between the President and the relevant Minister in his/her outcome coordinating or supporting role.[21] Refer to www.poa.gov.za for more information.

3.23.   **Another initiative is being piloted that aims to fast track key major programmes**. The President went to Malaysia in 2013, to examine the Big Fast Results Methodology used by the Malaysian government which had achieved significant government and economic transformation within a very short time. Using this approach, Malaysia addressed national key priority areas such as poverty, crime and unemployment. With the support of the Malaysian government, the Big Fast Results approach was adapted to the South African context. To highlight the urgency of delivery, the approach was renamed Operation Phakisa ("phakisa" meaning "hurry up" in Sesotho). Operation Phakisa is a results-driven approach, involving setting clear plans and targets, on-going monitoring of progress and making these results public. The methodology consists of eight sequential steps. It focusses on bringing key stakeholders from the public and private sectors, academia as well as civil society organizations together to collaborate in detailed problem analysis, priority setting, intervention planning and delivery. These collaboration sessions are called laboratories (labs), which are proving successful although it is a very costly approach. The results of the labs are detailed plans with ambitious targets as well as public commitment on the implementation of the plans by all stakeholders. The implementation of the plans are rigorously monitored and reported on. Implementation challenges are actively managed for effective and efficient resolution. Operation Phakisa have been piloted initially in two sectors, the ocean economy and health.[22]

3.24.   **A Socio-Economic Impact Assessment System (SEIAS) has also been established to address blockages to consistent implementation in cross-cutting national priorities**. A Chief Directorate is being created to carry out impact assessment of new and existing legislation and regulations to ensure alignment with the NDP and to reduce risk of unintended consequences. The role of DPME will be to develop capacity across departments and provide expertise and quality control. The Cabinet Office will ensure that all Bills and regulations have gone through SEIAS and all proposals, draft bills, regulations have a socio-economic impact assessment statement. The DPME will work through a Steering Committee comprising the DPME, the National Treasury, the Cabinet Office and others. The DPME will manage the training of officials to utilize SEIAS approach and will establish a panel of experts trained in the approach that can be used by government departments.[23]

3.25.   **Expenditure and Performance Reviews are also periodically undertaken by consultants on a tight timeframe with the objective of finding why some policies are not being implemented adequately.** This is a joint project between National Treasury and DPME with topics determined by the NDP, Ministerial Committee on the Budget, MTSF and senior officials. The Government Technical Advisory Centre undertakes these reviews. These reviews take a historical view, with a 3-5 year horizon and the results feed into decision-making in the future, including budget hearing discussions. Key conclusions have been that although government policy is strong, there is disconnects between policy and implementation, particularly in regards to inadequate understanding of costs and unrealistic expenditure expectations. In the future the methodology used for these reviews will be revised in cooperation with the OECD.[24]

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[21] Source: Joy Rathebe, 'Outcomes Monitoring and Evaluation', DPME, presented to PEMPAL, March 12, 2015
[22] Source: Joy Rathebe, 'Outcomes Monitoring and Evaluation', DPME, presented to PEMPAL, March 12, 2015 and www.operationphakisa.gov.za
[23] Source: Joy Rathebe, 'Outcomes Monitoring and Evaluation', DPME, presented to PEMPAL, March 12, 2015
[24] Source: Ronette Engela, 'Expenditure and Performance Reviews', National Treasury, presented to PEMPAL, March12, 2015

**Chief Financial Officers
Handbook
for Departments**

National Treasury
(1st Edition)

3.26. **As for performance management in the Executive, four manuals have been established which outline the responsibilities and accountabilities of key positions.** For example what is expected under the Public Finance Management Act (e.g. delegations, roles). Induction Manuals have been developed for Departments of Finance in the provinces, and for provincial Treasuries. The government appointed a consultant who interviewed all stakeholders to develop these manuals. The manuals needed to reflect the policy, legislative and procedural framework for the budget process, and were updated in 2009. An example of one of these manuals is provided here and can be accessed through the hyperlink in the document to the left or at

http://oag.treasury.gov.za/Publications/14.%20Handbooks/Chief%20Financial%20Officers%20Handbook%20-%20Departments.pdf

The Budget Process

3.27. **The budget calendar runs from April to March for national and provincial government and July to June for local government.** The national and provincial governments present their budgets on a cash basis and the local government on an accrual basis. Despite these differences, South Africa presents a consolidated budget.

3.28. **In South Africa the forecasting is done within an Economic Modelling and Forecasting unit within the National Treasury**, whereas in many of the PEMPAL member countries this function is done outside the Ministry of Finance, often in a Ministry of Economy. In South Africa, a Quarterly Forecasting Model (demand-side econometric model) is used which consists of 279 variables, of which 139 are determined endogenously by the model, and 21 are determined by behavioral equations. The model is used to create a framework within a consistent story. While the model drives the forecast, there are other inputs to present the overall story.[25] The macroeconomic forecasts are revisited with each release of the Reserve's Bank quarterly bulletin (i.e. four times a year).

3.29. **The revenue envelope is determined by the revenue analysis working committee who meets regularly to discuss and debate revenue projections for the MTEF.** The committee is comprised of representatives from the National Treasury, the South Africa Revenue Services and the South Africa Reserve Bank. The expenditure ceiling is established well in advance of the start of budget preparation. It is an independent decision on the maximum level of government expenditure, and is used as an instrument to enforce aggregate expenditure discipline.

3.30. **Also as part of the annual budget process, National Treasury issue annual guidelines – 'Medium Term Expenditure Guidelines' - in June** which contain government priorities, budget calendar, and the framework along with a budget submission template for financial and non-financial information. These guidelines apply to national and provincial departments and entities, including constitutional institutions. The National Treasury issued guidelines contain essential

**MTEF TECHNICAL
GUIDELINES**

FOR THE PREPARATION OF EXPENDITURE ESTIMATES FOR THE
2015 MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

National Treasury
June 2014

1 | Technical guidelines for the 2015 MTEF

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[25] Source: Konstantin Makrelov, 'Macroeconomic forecasting for South Africa' presented to PEMPAL on March 10, 2015

information for institutions to prepare estimates of expenditure for the medium term expenditure framework by:

- Providing an indication of government's priorities over the medium term;
- Noting how to examine baselines and reprioritise expenditure;
- Requiring a discussion of performance against targets, including projected outputs;
- Requiring details of all information to be provided when submitting expenditure estimates;
- Providing specific additional instructions to public entities and provincial departments; and
- Providing guidance on budget submissions that relate to infrastructure, capital projects, donor funding, own sources of revenue and co-funding.

The budget submission must align with the MTEF, National Development Plans, and departmental strategic plans. Performance indicators contained in submissions must be aligned to those reflected in strategic and annual performance plans as informed by the MTSF and National Development Plan. A copy of the 2015 guidelines can be accessed here:

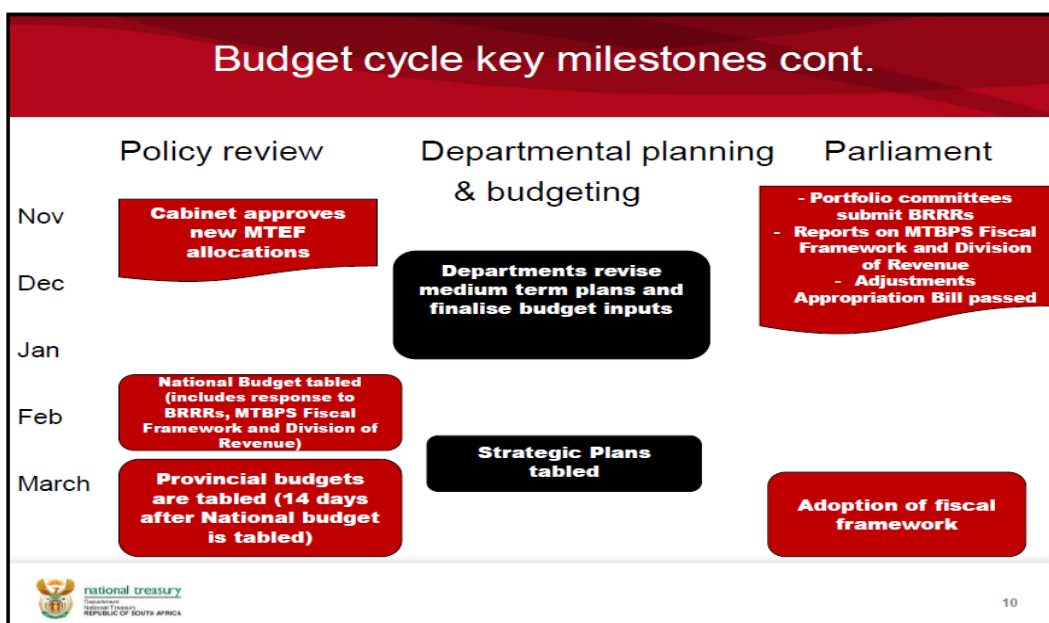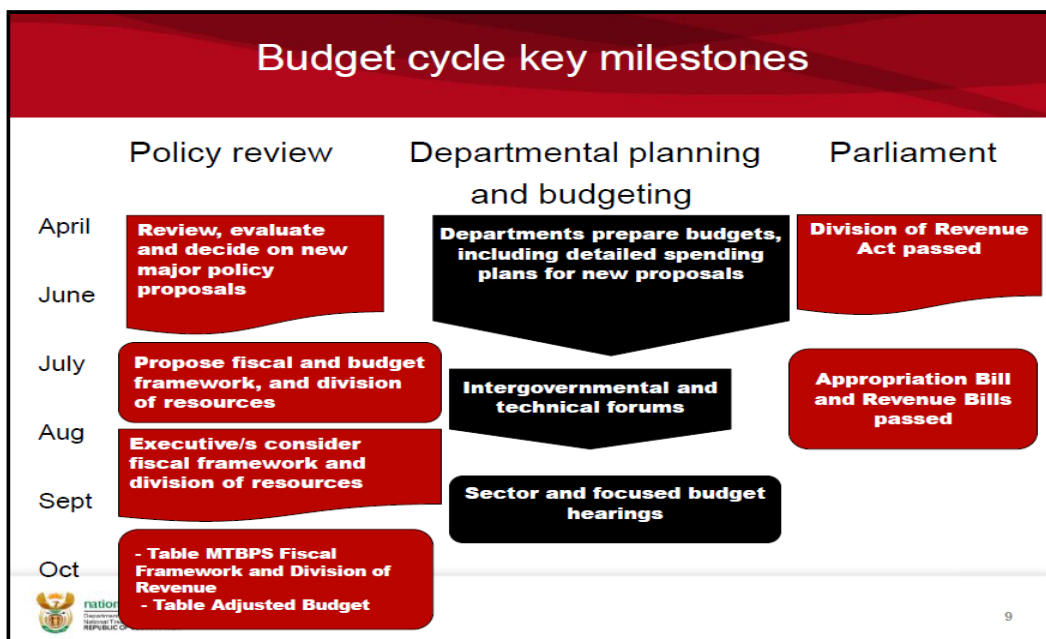http://www.treasury.gov.za/publications/guidelines/2015-16/2015%20MTEF%20Guidelines.pdf

3.31.	**Budget bilaterals are held which comprise meetings convened between National Treasury and senior finance and programme officials in each institution**. Budget groups are another technical structure which comprises representatives from the institutions represented within a particular function. For example in 2015 there were 8 function groups i.e. social protection, basic education, health, etc. and within these functions, there were 17 budget groups. Heads of the entities within these groups are brought together to discuss how they are going to achieve the outcomes assigned e.g. The function Defense, Public Order and Safety has three budget groups: Defense and State Security; Police Services; and Law Courts and Prisons who discuss how to achieve the outcome 'All people in South Africa are and feel safe'.[26] Function meetings bring together the budget groups contained in a function. In the case of concurrent functions, 10x10 meetings are held which bring together the nine provincial departments (e.g. for health) with the National Health Department, the National Treasury, and the nine provincial Treasury Departments.

3.32.	**The Medium Term Expenditure Committee considers the allocation of funds in respect of each function in line with the Outcomes Approach.** The MTEC is an interdepartmental committee comprising of representatives from National Treasury, Department of Public Service and Administration, Department of Planning, Monitoring and Evaluation and the Department of Cooperative Governance. MTEC considers the recommendations put forward by function groups and then makes recommendations to 'Minister's Committee on the Budget'. Recommendations endorsed by the Ministers' Committee on the Budget are then taken to Cabinet.[27]

3.33.	**In October the Medium Term Budget Policy Statement (MTBPS) is tabled in Parliament.** The MTBPS sets out key priorities, size of the spending envelope, division between the three spheres of government, and allocations to major conditional grants. Reports are issued by Parliament on the MTBPS and division of revenue. Parliamentary Committees also issue 'Budgetary Review and Recommendation Reports' (BRRR) in respect of each line department before the Executive finalizes the budget.

3.34.	**From November to February the budget documentation is prepared.** Once detailed allocations are approved by Cabinet, allocation letters are sent out, including the earmarking and / or conditionalizing certain amounts. Budget documents are then prepared on the basis of these allocations. In February the Budget is tabled. The budget is considered by standing committees on finance and appropriations comprising members of both houses (through consideration of the Fiscal Framework which is approved or amended; then the Division of Revenue and followed then by the Appropriation Bill). Individual portfolio committees of Parliament consider the budget for each department. Legislation

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[26] Raquel Ferreira, 'Budget Process and Documentation' presented to PEMPAL, 11 March, 2015
[27] Ibid

provides for public hearings in respect of the passing of all money bills. Parliament must approve the Appropriation Bill within 4 months of the start of the financial year, with or without amendments. If there are amendments proposed, the Minister of Finance must be given an opportunity to comment on the proposed amendments. Any amendments must be in line with the two approved Acts – Division of Revenue Act and the Fiscal Framework Act. Before the Appropriation Bill is enacted, there is a provision of the PFMA which allows departments to access 45 percent of last year's appropriation within the first 4 months of the start of the financial year. These key stages of the budget process are illustrated in the slides below. [28]

3.35.　　　**All budget documentation is available on** www.treasury.gov.za. Additional information is also available on the internet such as the Estimates of National Expenditure e-publications per vote and detailed Microsoft excel files. Monthly execution reports are also published on the website and every quarter, reports are tabled with Parliament.

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[28] Source: Slides 9 and 10 Raquel Ferreira, 'Budget Process and Documentation' presented to PEMPAL, 11 March, 2015

Legislative Framework

3.36.   **Various laws exist that regulate budgets of national, provincial and local government.**[29] Within the Constitution, it requires that national, provincial and municipal budgets and budgetary processes must promote transparency, accountability and effective financial management of economy, debt and public sector. The Constitution sets out different procedures to be followed in Parliament for different types of Bills (e.g. constitutional amendment bills; money Bills).

PUBLIC FINANCE MANAGEMENT ACT
NO. 1 OF 1999

[ASSENTED TO 2 MARCH, 1999]
[DATE OF COMMENCEMENT: 1 APRIL, 2000]

(Unless otherwise indicated)

(English text signed by the President)

NATIONAL TREASURY

This Act has been updated to *Government Gazette* 33059 dated 1 April, 2010.

as amended by

Public Finance Management Amendment Act, No. 29 of 1999

Local Government: Municipal Systems Act, No. 32 of 2000

Judicial Officers (Amendment of Conditions of Service) Act, No. 28 of 2003
[with effect from 1 November, 2003]

Public Audit Act, No. 25 of 2004

Broadband Infraco Act, No. 33 of 2007

South African Express Act, No. 34 of 2007

Public Service Amendment Act, No. 30 of 2007
[with effect from 1 April, 2008]

South African Airways Act, No. 5 of 2007
[with effect from 13 July, 2009]

Financial Management of Parliament Act, No. 10 of 2009

ACT

To regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith.

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3.37.   ***The Public Finance Management Act 1999***[30] **is applicable to the national and provincial spheres of government** and provides that Parliament and each provincial legislature must appropriate money for each financial year; enables expenditure before annual budget is passed; and requires that National Treasury publish monthly statement of actual revenue and expenditure with regard to the National Revenue Fund. It can be accessed at http://www.treasury.gov.za/legislation/PFMA/act.pdf or through the hyperlink in the document to the left.

3.38.   ***The Municipal Finance Management Act 2003*** **regulates in detail, budgets of local government and municipalities**. *The Intergovernmental Fiscal Relations Act, 1997* promotes co-operation between national, provincial and local spheres on fiscal budgetary and financial matters. The law provides for a Budget Council which comprises the Minister of Finance and provincial Ministers for Finance. It also establishes a Local Government Budget Forum that comprises the Minister of Finance, provincial Ministers for Finance, five representatives of national organizations representing local government, and one

representative of each provincial organization representing local government in a province.[31] The Division of Revenue Bill sets out the Financial and Fiscal Commissions role (a Constitutional body that makes recommendations and advises on financial and fiscal matters); timeframes for submission of the Commission's recommendations to Parliament and Minister of Finance; consultation with the Commission before tabling of Division of Revenue Bill; content of the memorandum accompanying the Bill (i.e. how constitutional criteria and Commission's recommendations were taken into account in the Bill); and the process for determination of equitable share raised nationally. The equitable share formula is updated every year with data from Statistics South Africa (e.g. number of people in each province, health and education demographics are key drivers).

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[29] Adv Empire van Schoor, 'Legislation on budget process', presentation to PEMPAL, March 2015
[30]   Source: PFMA   can   be   accessed   by   clicking   on   cover   page   or   alternatively   accessed   here http://www.treasury.gov.za/legislation/PFMA/act.pdf
[31] Source: Adv Empie, 'Legislation on budget process', presentation to PEMPAL, March 2015

Public Participation and Citizen Engagement

3.39.   **Recent improvements in public participation have been achieved through a number of initiatives** including establishing a budget outreach programme to universities; having stronger ties with civil society organizations through the CSO coalition (who did a people's guide to the mid-year adjustments budget); becoming a steward of the Global Initiative on Fiscal Transparency (GIFT); and involvement with the budgeting assessment design changes in such tools as PEFA, IMF code etc. Some of the challenges in improving public participation has come from lack of cohesion in the CSO sector and their lack of analytical rigor and genuine agendas with some evidence of institutional capture in some CSOs; general misunderstandings about the National Treasury's powers in government; and the need to maintain budget process confidentiality (to ensure all stakeholders get information at the same time to reduce opportunities for gaming and political gain).

3.40.   **Citizen participation was and still is particularly important as government needs the public and media to contest ministry policies and budgets, if it wants to achieve democracy and value for money**. National Treasury now consults through formal structures with major civil society organizations and other institutions.   Public consultations also exist through policy and budget road shows; social media; and local government engagements on development of plans. Numerous policies and laws that promote public involvement and the right to access information also exist, within the three pillars of the State i.e. Executive, Judiciary and the Legislature. National Treasury also produces a citizen's guide to the budget[32] and was rated second in the world in the Open Budget Index of 2012. (You can access the People's Guide if you click on the hyperlink on the guide's front page above).

3.41.   **The Department of Planning, Monitoring and Evaluation is piloting an approach to get systematic feedback from citizens on the performance of frontline services** – e.g. police stations, clinics etc. This pilot is being undertaken in partnership with the South African Police Service, Department of Health, Department of Social Development and the South African Social Security Agency. The approach being piloted starts with developing simple survey tools to collect feedback from both partners: citizens will give feedback on their experience of the service facilities and frontline staff will give feedback on how well the senior department managers support and enable them to perform well. Such feedback can provide reliable evidence of how citizens and frontline staff assess the quality of services at the facility and higher up in the management structure of the department. The feedback is then analyzed and 'performance reports' are created that the facility and senior management can use to affirm good practice, identify improvements needed and take action to implement them. The reports can also be discussed with stakeholders in a way that helps to build trust, manage expectations, and agree on how each group can best contribute to better service quality. When included into the formal performance management systems of the department, this can give citizens a real voice in how facilities are managed.

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[32]   A copy of the people's guide to the budget for South Africa can be accessed here: http://www.treasury.gov.za/documents/national%20budget/2015/guides/2015%20People's%20Guide%20-%20English.pdf

If successful, these tools and guidelines can be adapted to other government service departments, and training and support programs put in place to build capacity of government to do this well. The pilot is running from October 2013 to mid-2015, and then expanding to pilot sites in all nine provinces. The pilot will be implemented in the police stations, health facilities and relevant offices in each site.[33]

3.42.   **A Presidential Hotline also exists to provide a mechanism to enable citizens to report unresolved service delivery problems.** The principle that guides the Presidential Hotline is that every caller should be listened to and their issue should be recorded and resolved if possible. In addition to the primary function of resolving problems, the Presidential Hotline provides valuable monitoring data and insights into the concerns of citizens and the information collected is used to improve service delivery. Improvement in citizen satisfaction is an output in the Outcome 12 delivery agreement and improving the Presidential Hotline case resolution rate is a priority initiative in the Forum for South African Directors General plan for improving the way government works.[34] The Presidential Hotline – which is housed within the DPME in The Presidency – receives a wide range of complaints and queries from citizens. Citizens use the toll-free number to reach the call center, and can also communicate through letters, emails and fax. It is open for use as a mechanism of last resort by ordinary citizens and entities that have received poor service from the public service. There are 15 call agents taking calls between 06h00 and 22h00 (Mondays to Fridays) and callers have the option of speaking to a call agent in a language of their choice. All calls are logged on an automated information system, a reference number is assigned to each case and each case is assigned to a specific government department or agency to investigate and resolve. Every department and province is expected to review its hotline cases daily and to record the outcome of the investigation against each case. The DPME in the Presidency has a directorate dedicated to managing the Presidential Hotline. This team also receives correspondence-based cases from citizens (faxes, letters, and emails) and ensures that these cases are also recorded and assigned for investigation. This team works closely with all departments and provinces to ensure that they are following up on the cases assigned to them. Where required, the Presidency team facilitates the creation of task teams from different departments to address complex cases. Regular analysis is done of the types of complaints received and the responsiveness of departments in solving the complaints. These issues are reported to Cabinet at least twice a year. Citizens get feedback on their complaints, either directly from the departments to whom the case was assigned, or through contacting the call center. Since October 2012, satisfaction surveys have also been conducted to assess the level of satisfaction with the service callers have.

Key Learnings from the Reforms

3.43.   **Key learnings of National Treasury from their PFM reforms include the following**:   the importance of strong political buy-in with the reforms being championed by the Minister of Finance, who carried broad political support; emulating good international practices, but customizing them to suit the South African context (i.e. reforms were self-determined not driven by external parties); use simple frameworks but some Departments will be better equipped than others to implement new reforms and it is easier to introduce reforms in Departments than Public Entities as they differ in size and function; pilot approach should be used were relevant before full implementation; despite comprehensive implementation, some of the challenges can only be identified during implementation and the impact of some of the reforms can only be realized over the long term; and it is important to consult widely with relevant stakeholders when reforms are introduced.[35]

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[33] Citizen surveys were briefly mentioned by Ronette Engela in her presentation but given the interest by BCOP Executive Committee in such surveys, further information was gained at http://www.thepresidency-dpme.gov.za/ using search words 'Citizen Surveys' if PEMPAL participants would like more information and/or follow progress of the pilot.
[34] Source: http://www.thepresidency-dpme.gov.za/keyfocusareas/cbmSite/Pages/CBMPilot.aspx
[35] Dr Kay Brown, 'Budget Reform Phases – Successes and Challenges of some of our reforms' presented to PEMPAL on 10 March, 2015

4. PEER LEARNING REFORMS – CABRI

Vision, Mission and Philosophy

4.1.	**The Collaborative Africa Budget Reform Initiative (CABRI) is a network of senior budget officials of African Ministries of Finance from 12 countries, launched in 2004.**[36] Involvement in the network, however, includes 36 countries of the possible 50+ countries in Africa. CABRI's vision and mission is outlined in the slide below. The network seeks to: support senior budget officials in the management of public finance systems by developing appropriate approaches, procedures and practices; advance the development of member states by building capacity and promoting training and research in the field of public finance management, in particular from a practitioner's perspective; and develop and promote common African positions on budget related issues of interest to Africa. CABRI is also guided by an agreed philosophy which has a focus on transparency, value for money, accountability, practices and procedures that work, a functioning Ministry of Finance, and an affordable budget that is executed.

PEMPAL Study Tour - Sharing Experiences   1

4.2.	**CABRI developed through a number of phases beginning with its inception as an informal network to becoming a legal entity and recognized international organization**. Through its interventions and technical work, it was able to gain a good reputation, and proactively establish a broader agenda to deepen influence at the country-level. From a staff of 12, CABRI aims at expanding the Secretariat to 15 people between 2015 and 2018 thus taking on more projects. CABRI's strategic plan for this period reinforces its mission to become a reference and center of expertise and leadership on PFM reforms.

Programmes

4.3.	**CABRI has four key programmes for which it organizes its work**. They are:

- **Fiscal and Budget Policy** with focus to date on value for money in financing the health sector; fiscal policy and revenue management in the extractive industry sector; and fiscal decentralization and
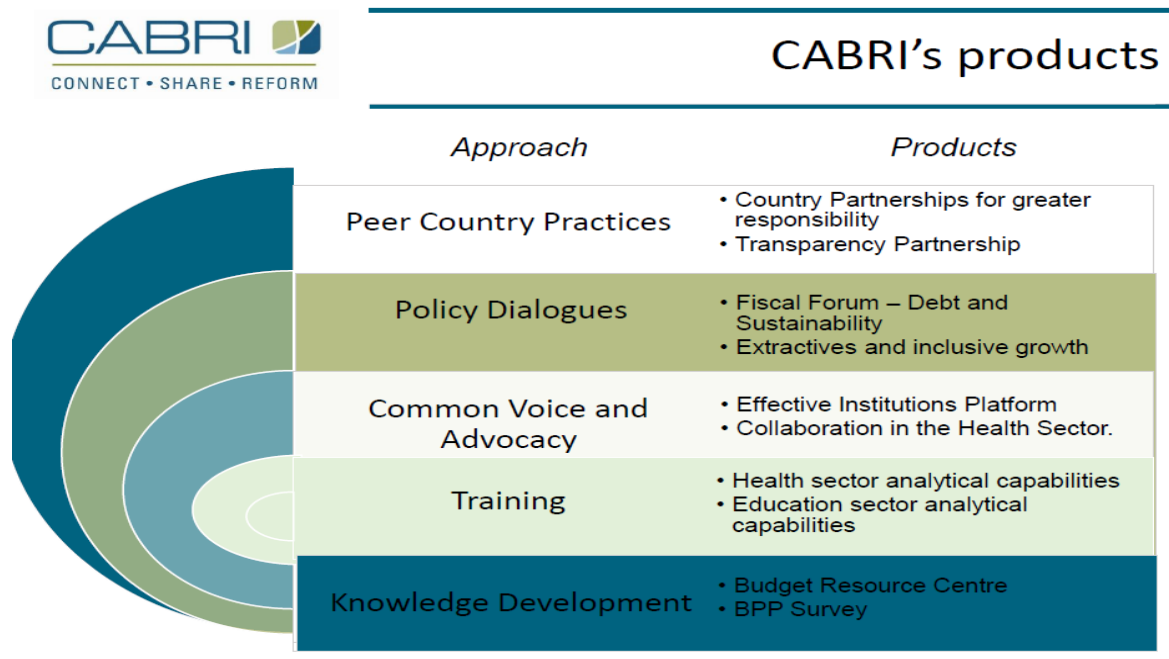
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[36] Source: All information related to CABRI is sourced from Neil Cole, Executive Secretary of CABRI and his presentation to PEMPAL, 'Sharing Experiences', March 13, 2015

service delivery. The objective of this Programme is to support African countries to design and implement appropriate and sustainable fiscal and budget policy.

- **Budget Transparency and Accountability** building on work on how to establish stronger links between budget transparency and accountability including promoting aid transparency and use of country systems. The objective of this Programme is to strengthen transparency and accountability in budget planning, allocation and execution.

- **Network Governance**

- **Budget Credibility and Institutional Capabilities** with a focus on placing the right people in the right positions, including optimum MOF structure and capacity to ensure professionalism. The objective of this Programme is strengthened capabilities of finance ministries to improve budget credibility. It is examining theory and evidence, current sector analytical capabilities and organizational and implementation capabilities. This will be a focus over the next Strategic Plan period 2015 to 2018, given the plan includes a goal of more functional MoFs with effective practices and procedures.

Products

4.4.   **CABRI has developed a number of products which includes knowledge development and training** as outlined in the slide below.

4.5.   **'Peer country practices' builds on the success of assisting countries in interrogating specific problems through Joint Country Case Studies and reviews**. CABRI is placing greater emphasis on the application of peer learning by focusing on peer country practices. CABRI is supporting the budget team, and the Ministry of Finance more broadly, to examine a specific PFM issue or set of issues within a country with the intention of improving the policy space for reform. The increased space will place the budget team in the driving seat to identify and define feasible solutions given the country context and the nature of the problem. Different perspectives provided by peers from within the country and objective perspectives provided by peers from outside the country add richness to the discussions. An example of a Country Partnership is where a group of 3-4 peer country members and also Civil Society Organization representatives that work on budget transparency, went to Kenya to examine the reasons why Kenya has been unable to make progress on its 54 percent score in the Open Budget Index. These peers conducted interviews with national, provincial and local government, and then they made recommendations on improvements.

4.6.   **'Policy dialogues' has traditionally been the main focus of CABRI as a means of bringing peers around a table to share, learn and exchange experiences on policy challenges** affecting a range of countries. The network continues to see this as an important platform for peer learning. The dialogues now cover a broader range of topics and use a variety of formats. They are typically targeted at decision-makers in the areas of sector budgeting, financing, planning and management, but also encourage active participation from a range of other stakeholders.

4.7.   **'Advocacy and common voice' is an important approach.** The network believes that it has an important role to play in representing a common voice and advocating for African finance ministries at regional and global fora on aid modalities and the post-2015 development agenda, amongst other issues.

4.8.   **'Training' is being introduced by CABRI as a focused endeavour to build up the expertise of individuals in specific areas**. The training element in the next three-year period will narrowly target budget examiners in two sectors in order to build up their analytical capabilities. The network will also use opportunities provided through existing training programmes to share valuable findings from CABRI research. Furthermore, CABRI will continue to develop Masterclasses that expose senior budget officials to new tools and techniques, alongside policy dialogues and peer country practices. However, CABRI's core business is not to be a training or technical assistance provider, and it will continue to find ways to complement and use existing technical assistance and training mechanisms operating in many of its member and participating countries.

4.9.   **'Knowledge development' and exchange is central to every aspect of the network's work**. High quality research and analysis by PFM specialists and experts feeds into policy dialogues, peer country practices, training and common voice and advocacy, and provides a basis for the exchange of ideas and experiences between peers. Through these, CABRI further builds up its evidence base, and the continuous feedback loop of research, exchange, learning and application places CABRI at an advantageous position of understanding and promoting change where it is most needed.

4.10.   **The governance of CABRI is comprised a General Assembly, a Management Committee, and Secretariat.** The General Assembly comprise members who have ratified the international agreement and represents the highest body within CABRI. It is responsible for the overall policy decision of CABRI and meets annually to ratify the annual work plan and budget, and to adopt audited accounts. The Management Committee consists of seven members, is elected on a two year basis, and is appointed by the General Assembly. It oversees the implementation of CABRI's agreement and Secretariat, and also provides strategic advice. The Secretariat has a staff of 12 and provides the technical advice and support. It facilitates seminars, dialogues, research and strategic documents and disseminates information. The Secretariat also assists the General Assembly and Management Committee. There are plans underway to try and de-concentrate work away from the Secretariat, and encourage more member driven work and collaborations.

Achievements within each Strategic Plan period

4.11.   **Many achievements were made between 2004 and 2006 including a Memorandum of Understanding being signed by 12 countries** and 3 annual seminars being held. The first CABRI Management Committee was also elected. Negotiations were also initiated on an international agreement to progress CABRI becoming an international organization.

4.12.   **Achievements between 2007 and 2011 included a study on 'Putting Aid on Budget' that informed aid management strategies in many countries and was used in the thinking on aid effectiveness in the Accra and Busan agendas**. Collaboration with OECD on their budget practices and procedures survey in 2008 also led to ten additional questions related to aid management being added to the survey. Sector Dialogues were introduced whereby discussions were held regarding value for money within a certain sector such as health, education and infrastructure. The first Joint Country Case Study was conducted which examined financing of malaria in Zanzibar, Mauritius, whereby senior budget officials and line ministries met to identify and address issues and come up with
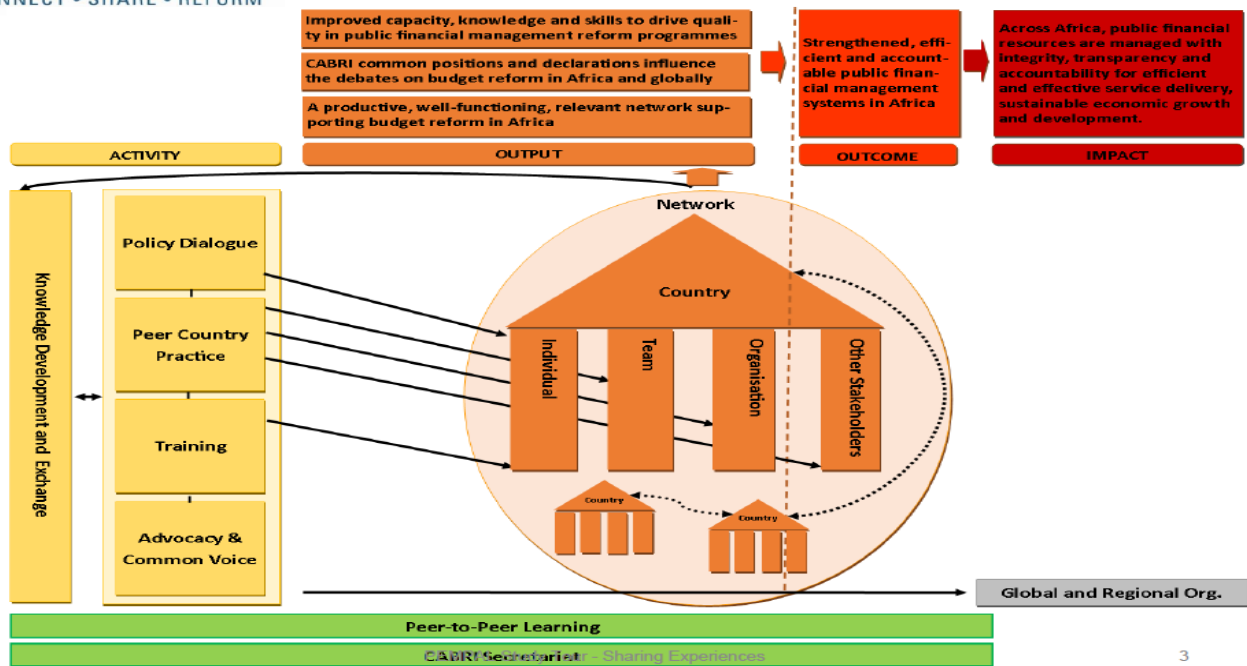
recommendations on how the programme budget could be improved. CABRI also published its Declaration on Aid Transparency and Good Financial Governance as a step towards Africa's common voice and advocacy. Work was also undertaken with sister networks based in South Africa on tax and external audit. On 3 December 2009, CABRI became an international organization, which included a host country agreement with the South African government. This gave CABRI the status of an Embassy with associated diplomatic immunity and tax exemptions, and the ability to implement fees for its products and services.

4.13. **Achievements between 2012 and 2015 including increasing the focus on in-country work and sector work.** In country work was conducted on performance and programme-based budgeting and transparency and sector work on education and agriculture. The use of country systems was promoted, and CABRI was represented at several global forums on donor harmonization, which gave Africa a voice. The Secretariat and its staff also gained independence with changed requirements to reporting regarding use of funds channeled to the Management Committee and General Assembly, rather than directly to donors. CABRI is still required to report however, on the use of in-kind support to its several bilateral and multilateral partners. CABRI also organized a total of 20 events from 2012 to 2015, with a Secretariat of 9 staff. Studies on the use of country systems were also undertaken in the budget process.

Peer Learning Approach

4.14. **Peer learning is an important part of all CABRI's activities**. Although it is more dominant in some, such as policy dialogues, and less extensive in others, such as trainings, it always remains an important feature of the CABRI approach. This peer learning process is facilitated by CABRI's Secretariat that has had years of experience and accumulated evidence in the area of PFM. In addition to managing the operational activities of CABRI, the Secretariat also acts as a platform for collaboration and exchange between members, and ensures that peer learning is based on research and evidence. Through CABRI and formal interactions within the network, member countries also build informal connections that they can use, for example, to seek advice from peers in specific issues or organise study tours to peer countries without the formal involvement of the Secretariat. These activities, and formal and informal connections will lead to 1) improved capacity, knowledge and skills among senior budget officials to drive quality in public financial management reform programmes; 2) CABRI common positions and declarations influencing the debates on budget reform in Africa and globally; and 3) a productive, well-functioning, relevant network supporting budget reform in Africa. These together will contribute to strengthened, efficient and accountable public financial management systems in Africa, which will in turn contribute towards public financial resources being managed with integrity, transparency and accountability for efficient and effective service delivery, sustainable economic growth and development across Africa.

CABRI's Theory of Change

4.15. **CABRI is identifying strategies to strengthen peer driven learning**. Most of the interactions in CABRI are still being done through the Secretariat. However, CABRI is identifying peers that want to continue a relationship outside of CABRI events on a specific topic, and the Secretariat will then facilitate the connection. It is also drawing on recommendations of a recent study done by Matt Andrews of Harvard Kennedy School and Nick Manning formerly of the World Bank, on how to form 'learning alliances' to experiment, adapt and improve processes and practices. It is also getting members to use **'learning journals'**, a tool used by Princeton University. During a roundtable of learnings as part of every event, each member is to document their key learnings together what actions they are going to take within a week, a month and longer. This journal is then monitored with the results of any actions recorded. These journals are revisited at future events, and also provide a source of success stories for CABRI**.**

4.16. **CABRI also uses learning modalities suited to adults such as the fishbowl approach.** This approach involves an inner circle sharing views which are observed by an outer circle when discussing a specific problem. This approach has been effectively used for study visit and interventions involving smaller scale engagements. For example where five countries focus on the problems being experienced by one country, in say developing an effective MTEF. CABRI is also reducing the number of meetings it has where it draws all its stakeholders together (ie 36 member and participant countries). It will now only have such meetings every two years, and move to smaller format meetings with a problem solving focus.

Strategic Planning, Monitoring and Evaluation Framework

4.17. **CABRI'S strategic planning process is a three year iterative process that involves members and development partners.** An initial draft is developed that identifies relevant work to member countries and general areas of priority focus. The content is member-driven and is presented at the annual meeting. A quarter of the content is about what CABRI is and how it goes about its activities. Three quarters of the plan outlines specific products to be delivered. The plan identifies CABRI's competitive

advantages, and puts its products in the context of other products delivered by technical assistance providers (i.e. products are not seen as a replacement for IMF, World Bank products for example as CABRI cannot compete with the resources available to these organizations but CABRI uses its peer learning approach to solve specific problems, and aims to be complementary to existing assistance being provided in countries and leverage off work currently being undertaken where feasible). The plan also includes how it will be implemented and outlines strategies within the theory of change model outlined in the slide above. The strategic planning process also includes discussions with development partners to determine which areas of work they would financially support.

4.18.   **CABRI's monitoring and evaluation framework is assessed at different levels: output, outcome and impact:**

- The output (at the project level) represents the direct impact that CABRI has during events and workshops – an improvement in knowledge and skill. This measurement is done through training surveys, course reports and workshop evaluations done at every event that CABRI organizes.

- The outcome (at the programme level) represents the indirect impact that CABRI can achieve, through its combined activities and projects on a specific/targeted issue of PFM. Thus measurement assesses targeted policy and/or transparency outcomes of a given programme. They are measured through PFM and transparency indicators as well as national policy assessments, CABRI's M&E survey and CABRI's direct research.

- CABRI's overall impact, embodies its vision: *Across Africa, public financial resources are managed with integrity, transparency and accountability for efficient and effective service delivery, sustainable economic growth and development.* Thus it impacts broad PFM and transparency practices. This impact is measured through broad PFM and transparency indicators.

Policy Development Process

4.19.   **CABRI's policy development process is backed by research, think tanks and consultation with members and key stakeholders.** An example of the process is when Germany was President of the G8, and invited five Ministers of Finance from Africa to contribute to principles that would establish good financial governance. It was decided that CABRI should develop such principles and draw on its membership across Africa. Thus CABRI initiated three areas of research to determine the status of the following reforms in Africa: MTEFs, program and performance budgeting, budget credibility (with a budget execution focus), extent to which African countries recognized accountability, and internal audit. The results of the research were shared with think tanks in Africa which developed bold statements and principles on fiscal transparency that would underpin reforms in these areas. Six principles went to the annual meeting of National Development Banks that Ministers of Finance attend. Fifty-four African Ministers of Finance informally endorsed the principles that would establish good financial governance, in an African context. Such declarations give Africa a unified voice and can feed into international debates and discussions.

Process of Becoming an International Organization

4.20.   **Transforming into an international organization resulted in many opportunities and challenges.** On 3 December 2009, CABRI became an international organization. [37] There was a demand from members for the network to have legal status. Thus an international expert was engaged to develop a standard international agreement with country members. Initially a pilot of six founding member countries was established, to negotiate the international agreement. These were chosen in different regions of Africa to maximize the learnings from the process (I.e. two West African Francophile countries, two East African countries that followed the Anglo-Saxon model, one Central African country

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[37] There were also different models investigated on how CABRI should be formed to ensure its independence and autonomy. It did not want to be linked to any specific Ministry of Finance or become subsidiary to an existing organization, in case its work would be lost.

and South Africa).   This process proved very time-consuming given the different legal frameworks and the need to have the agreement approved by each member countries' Parliament. Different institutional structures also had to be navigated with some countries also requiring approval from their President.

4.21.   **The agreement included a three tier subscription approach with annual subscriptions assigned of either (in USD) 15,000, 25,000 or 50,000 depending on the annual GDP of the country**.   These amounts are nominal fees and currently cover about 20 percent of the costs of participation. The 13 formal members have voting rights, but CABRI are sensitive to the other participating countries, and at this stage the non-members do not feel they are excluded although once membership gets to around 20, the distinction between members – who are represented on the General Assembly – and non-members may become more stark. Currently one membership gets one vote, irrespective of financial contribution so no weightings are applied. However this has not proved to be a problem as network members and participants are not representing a country position or view and are there to learn and help their country solve problems. Reforms are also currently underway on changing the subscription approach to be more based on what a country buys in terms of products, which presents the challenge of how to cost goods and services, for purchase.

Donors and other Development Partners

4.22.   **Donors to CABRI include the Gates Foundation, GIZ, and DFID.** SECO has also expressed an interest to be involved and negotiations are currently in train. This may increase cooperation between the networks given they are also a donor to PEMPAL. There is no formal affiliation with the World Bank, IMF or the OECD although these institutions are sometimes involved in initiatives. CABRI has a close affiliation with the Overseas Development Institute and also the Harvard Kennedy School. CABRI also directly deliver PFM related teaching at PFM training institutes (eg Harvard). CABRI are happy to present experiences at future PEMPAL events and are happy to invite PEMPAL to their events. It is also currently cooperating with the Public Expenditure Management Network in Asia, PEMNA.

Future Focus

4.23.   **For the new strategic plan period, there is a changing focus from 'form' to 'function'.** CABRI has now entered the phase of focusing on how countries are implementing recommendations made through involvement in the network. This involves going back after two to three years, and seeing how PFM systems have changed and how new tools and knowledge are being used. This will enable learnings on how the 'form' should be designed, to ensure that the learnings, advice and recommendations are absorbed by participants in a way, that they become 'function' and are leading to participants making changes that are impacting positively on country PFM systems.

5. STATUS OF REFORMS AND LESSONS LEARNT BY PARTICIPANTS

Please note the section below reflects documentation of a roundtable discussion on learnings held by participants during their study visit to South Africa.

Albania

Albania[38] and South Africa have many similarities and Albania has also adopted a system broadly based on that used in Australia, New Zealand and the United Kingdom. In particular Albania has implemented an integrated strategic planning framework and have introduced signed contracts between the Prime Minister and ministries as part of a comprehensive monitoring and evaluation framework. The budget documentation of South Africa however, has a much better format and structure to that of Albania so recommendations will be made for improvement based on the documentation provided during the study visit. In Albania there are also induction manuals for the Director General level, but not for sub levels so the examples for the accounting officer levels will also be useful. The approach used by South Africa for

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[38] Input for Albania provided by Gelardina Prodani, General Secretary, Ministry of Finance

its citizens' budget will also be valuable including approaches on how the government communicates with its citizens. Although Albania has implemented programme budgeting, it does not present the programme budget to Parliament like South Africa does, and Albania will consider how to make their budget more open and present such information to Parliament and citizens.

Belarus

Belarus[39] left with very positive impressions of the reform progress and initiatives of South Africa. Belarus still does annual budgeting but are in the process of moving towards medium term budgeting so the reforms made by South Africa in this area will be useful. The budget in South Africa is also very open and the budget documentation very comprehensive. In Belarus, the budget is delivered within one book of around 300 pages. Some of the tools shared during the study visit will also be very useful to progress current reforms (e.g. in programme budgeting, the EXCEL tool on performance indicators will be useful to share with line ministries).

Croatia

Croatia[40] and the South African Republic share a lot of similarities and differences. Similarities give us a confirmation that we are on the right pathway because we see others do similar things as we do. As our Head of the Treasury mentioned, development in Croatia is manly based on enthusiasm and ideals of people working on the reforms. In Croatia, the budgetary calendar is similar to that of South Africa, apart from the fact that in our case the budgetary year coincides with the calendar year. We also have municipalities but they cannot finance themselves, and they depend entirely on the state budget funds. Key differences are as follows:

- We do not have a Committee for Public Sector Accounting Standards. In our case, the methodology is stipulated by the same sector that preforms monitoring of budgetary users' financial reports and produces financial report and state budget execution report, which is not a good thing.
- We have to strengthen the role of budget analysts. In South Africa, analysts often hold meetings at the lower level. Similar meetings should be introduced in Croatia as well. The analysts should be well informed on the Ministries they monitor.
- We have a single accounting and budgetary framework for the whole country, interconnection of budgetary economic classification and accounting plan.
- In Croatia, lower government levels submit to the Ministry of Finance their budgets and reports on budgetary execution (obligation envisaged by the Budget Law provisions).
- In Croatia, citizens' participation in budgetary process is not common. We are preparing citizens' guide however. Parliament sessions are held public, and they are broadcasted via national television. We also have a problem with misunderstanding of Treasury's role. At the level of some municipalities, citizens' participation is higher and draft budgets are being forwarded to the public for debate.
- Lower government levels have increased their level of independence. There is no annual division of revenue as in South Africa. Laws prescribe what kind of revenues belong to respective lower levels of government.
- South Africa publishes Excel tables for all who want to use data. Croatia publish all data in Pdf format, and have questioners available for data that could be worked on. I think it would be a good idea to publish those data as well.
- The South African Parliament receives quarterly expenditure reports, while in Croatia, the Budget Law prescribes submission to the National Parliament of a semiannual and an annual report on state budget execution. Croatia publish those reports on the web pages, and a somewhat shorter version in the national official gazette. Lower government levels also publish those kind of reports on their websites and in the national official gazette. This obligation is also stipulated by the Budget Law. With

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[39] Input for Belarus provided by Mikhail Prokhorik, Deputy Head of Consolidated Budget, Ministry of Finance.

[40] Input for Croatia provided by Mladenka Karačić, Head of State Accounting Division in State Budget Execution Sector, Ministry of Finance.

the latest amendments made to the Budget Law, an obligation referring to the publishing of all budgetary users' financial reports on their websites is being introduced (the first reports that are published refer to year 2014). The Directorate for Macroeconomic Analyses and Forecasts (in Croatia this institution is not a part of the State Treasury) publishes monthly statistical reports, while the State Accounting Office, which is a part of the State Treasury, publishes monthly data on state budget execution process (data from the ledger book). Those reports are shortened, and they do not contain all data envisaged by the Budget Law's provisions referring to semiannual and annual reporting obligation.

- In Croatia, we have a document called Statement on Fiscal Responsibility, which is signed by all heads. With that, they confirm (or not) legal and effective public funds spending and functioning of internal controls system. For now, there are no penalties involved, just political responsibility.

- Corruption in the area of major infrastructural projects is present in our case as well. Currently, there are several ongoing court processes, and even our former Prime Minister is convicted, as well as several city Majors.

- In Croatia, Treasury has FMIS (SAP) in which we have planning, liabilities, ledger book and state budget execution component. We have reporting module (data warehouse, BW). The Ministries have separate accounting systems connected with the Treasury system, developed with the World Bank's project assistance. A new project is ongoing, also financed via World Bank's grant, and is related to the enabling making connection of a third level budget users (universities, state hospitals, cultural institutions), whose own revenues are included into state budget. The Ministries and Agencies (second level budget users) have access to State Treasury SAP system where they enter their draft plans (the Treasury enters limits that cannot be exceeded), liabilities and invoices that are converted into requests for payment. Financial plans rationales and financial plans executions with indicators are entered via web application. Also entered via web application is the form on the estimate of a fiscal efficiency, prepared as a segment of government's draft laws, decrees and decisions.

- The Treasury used OECD and World Bank experts as advocates in the Parliament when we have been introducing programmatic budgeting. Still, alongside programmes, we are enacting budget as per economic classification, but we have raised level of budget adoption (the Budget Law).

- In South Africa, the Parliament votes several times, while in Croatia only once for the overall budget.

- In South Africa, laws are pretty constant. The Constitution has not been amended for a long time. The Law on Local Self Government's Financial Management has never been amended. The Law on Division of Revenue is annual, as per its nature. State Treasury's regulations also are not frequently changed. In Croatia, laws related to the public finances are frequently amended. Maybe that is not such a bad case, because in that way we are reacting to the altered conditions.

- A Guidebook for the new staff is something that should definitely be prepared in Croatia as well.

- The Directorate for Macroeconomic Analyses and Forecasts is a part of the Ministry of Finance, but not of the State Treasury so comments on similarities and differences is not easy.

- Croatia has introduced indicators several years ago, but many are not effective. At the local level, strategic planning and indicators are only currently being introduced. Also, budget analysts are not sufficiently trained for monitoring operations as is management so information presented by South Africa on performance information was very useful. I especially liked a tool (EXCEL table) used for developing performance indicators and ranking them. I believe that that is a very useful tool for the Ministries. I am also interested in the Guidebook on Performance Information, and I will certainly look for it on the web. We are publishing strategic plans and reports on performance on individual Ministries web pages (envisaged by the Budget Law provisions). We also have programmes that should be cancelled. We have worked on redefining of such programmes. We still do not use indicators as a base for budget preparation. Ministries in Croatia do not sign agreements. In South Africa there are forms that citizens fill, and via which express their opinion on the public service delivery level. This instrument would also be a good thing to be introduced in Croatia. For those interested to know more about the reforms in Croatia, a PowerPoint presentation has also been prepared and translated and is posted on the PEMPAL website with the other study visit materials.

Kyrgyz Republic

Kyrgyz Republic[41] is still in the midst of many reforms so the achievements of South Africa were particularly of interest particularly those related to medium term budgeting, monitoring and evaluation and transparency. For example Kyrgyz Republic do use MTEFs as a tool but there is a poor link between it and the budget. There is also a weak link between planning and budgeting and South Africa's integrated approach to planning and performance was impressive. Kyrgyz Republic is in the process of introducing program budgeting, including identifying goals, objective and key performance indicators, but have yet gotten to the stage of developing a monitoring and evaluation framework. Kyrgyz Republic is also in the process of strengthening its Public Financial Management Act, so a copy of the budget law of South Africa would be of interest.

Russia Federation

The study visit to South Africa was the most interactive and open meeting ever attended. The Russian Federation[42] was particularly impressed with how South African colleagues were happy to share all the materials. There are some similarities in the systems of the Russian Federation and South Africa, with the Russian Federation having state programmes, with interdepartmental relations needed to report performance, although the way these relationships are structured are different. (E.g. South Africa is based on portfolio of ministries whereas in Russia they are based within ministries). Interesting issues were raised about intergovernmental relations and the materials provided by South Africa will be useful (e.g. Acts that regulate intergovernmental relations). The Public Financial Management Act in South Africa is much simpler than that of the Russian Federation and it has not been amended since its enactment in South Africa in 1999. Russian Federation's is very complex and has been amended many times. The PFM framework appears to be more conceptual and principle driven with details negotiated outside the legislative framework through guidelines etc. While in Russia and other CIS countries such activities are strictly regulated and legislated giving little flexibility and making it difficult to implement reforms.

The budget documentation of South Africa was very clear and easy to understand. While the budget documentation is smaller in the Russian Federation, it is very difficult to understand although recommendations have been made on how to improve the documentation and a citizen budget has been developed. Budget literacy is also a priority with a new unit established and work being initiated on developing programmes within schools and developing other promotional and awareness initiatives.

The openness of the South African budget and the formats and different presentations such as the People's Guide are impressive. In the Russian Federation, the Ministry of Finance preforms a lot of functions for line ministries. However in South Africa the line ministries have this responsibility. The annual budget instructions to line ministries would be of interest in this regard. The induction manuals for General-Directors was also of interest and the Russian Federation would like to implement something similar.

Turkey

Although Turkey[43] has a different constitutional set up (e.g. it does not have a President), there are many similarities between the PFM system of South Africa and Turkey with many fundamentals the same. South Africa, however, produces more budget documentation including a stronger strategic planning process. Further Turkey does not amend its budget within year, and does not have a formal, systematic process established to do so, without parliamentary approval. The monitoring and evaluation framework

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[41] Input for Kyrgyz Republic provided by Kanat Asangulov, Head of Budget Policy Department, Ministry of Finance

[42] Input for the Russian Federation provided by Anna Belenchuk, Head of the Unit for Budget Transparency and Nicolay Begchin, Deputy Director of Budget Policy Department, Ministry of Finance of the Russian Federation

[43] Input for Turkey provided by Hakan Ay, Deputy General Director for Budget and Fiscal Control, Ministry of Finance

of South Africa was particularly impressive, with the system of quarterly performance reports and more focus on systematic, in-depth evaluations.

6. CONCLUSIONS

6.1.   **The Committee plan to share the learnings gained from the study visit with other members of the BCOP**, who are currently represented by 21 member countries in the Europe and Central Asia region. They also intend to use the materials to further some of their reform processes as outlined above. The information shared during CABRI's session will also be useful input to the current mid-term review of the PEMPAL Strategy 2012-17.

6.2.   **The presentations from the study visit have been posted on the PEMPAL website in the three official languages of PEMPAL** at http://www.pempal.org/event/read/137. Additional materials and tools were also requested during the visit, and links to some have been provided within this report. The full set of documents can be found on the BCOP wiki for the benefit of members (in English only). The EXCEL performance indicator tool and the PFMA Act will be translated and consideration will be given to other documents being translated, subject to level of demand and cost considerations.

PEMPAL STUDY TOUR TO THE NATIONAL TREASURY

40 Church Square, Budget Council Room

AGENDA 10-13 MARCH 2015

Objective: To meet with representatives from the Department of National Treasury[44] and the Collaborative Africa Budget Reform Initiative (CABRI) with the objective to discuss and exchange information on public finance reforms and peer learning approaches.

DAY 0: 9 MARCH 2015 (MONDAY)

19:00 - Arrival and Welcome Cocktail at the Protea Hotel Capital, 390 Ngoyi Street
(**National Treasury and CABRI representatives invited**)

DAY 1: MARCH 10 2015 (TUESDAY)

Topic	Time	Presenter
Welcome, introduction and background • Overview of the National Treasury • Short review of the country's economy	09:00 – 09:30	**Michael Sachs** Head: Budget Office
Setting the scene – PEMPAL BCOP Approach and Reform Priorities	09:30 – 10:00	**Gelardina Prodani** Deputy Chair BCOP Executive Committee, Ministry of Finance of Albania
Questions & Answers (Q&A)	10:00 – 10:15	
TEA	**10:15 – 10:30**	
Reforming the Budget • History of budget reforms in South Africa *including budget transparency and citizen/CSO engagement reforms* • Successes and challenges in implementing reforms and lessons learnt on how to manage the reform processes	10:30 – 11:30	**Kay Brown** Chief Director: Expenditure Planning
Q&A	11:30 – 11:45	
Macroeconomic forecasting for South Africa • Overview of South Africa's Macroeconomic strategy • Preparation of Macro analysis and projections	11:45 -12:45	**Konstantin Makrelov** Chief Director: Economic Policy
Q&A	12:45 – 13:00	
LUNCH	**13:00 -14:00**	
The Budget Framework in South Africa • The link between the revenue envelope and ceilings • Expenditure ceilings • Medium Term Budget Policy Statement document • Contingency reserve	14:00 – 15:00	**Mampho Modise** Director: Fiscal Policy
Q&A	15:00 – 15:15	
Budget Planning and Preparations • Government's medium term planning • Strategic planning • Linking budget with planning • Monitoring and Evaluation - M & E Tool	15:15 -16:15	**Prudence Cele** Budget Analyst: Public Finance

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[44] The National Treasury in South Africa is the Central Budget Authority, similar to Ministry of Finance in PEMPAL countries.

• Budget programme structures		
Q&A	16:15 – 16:30	
DINNER HOSTED BY NATIONAL TREASURY	18:30 for 19:00	

DAY 2: MARCH 11 2015 (WEDNESDAY)

Topic	**Time**	**Presenter**
Opening and reviewing previous day	08:45 – 09:00	
Budget calendar and process: • Overview of transition from traditional to programme-oriented budgeting • Budget Process • Approval of Budget • Budget Documentation	09:00 – 10:00	**Raquel Ferreira** Director: Expenditure Planning
Q&A	10:00 – 10:15	
Legislation on the budget process: • What is the legislative basis for the budget process? • What role does Parliament play and how does it interact with line ministries and Treasury?	10:15 – 11:15	**Empie van Schoor** Chief Director: Legislation
Q&A	11:15 – 11:30	
LUNCH	**11:30 – 12:00**	
Cultural Tour departing from Hotel at 13.00: RIETVLEI NATURE RESERVE followed by dinner at the reserve and a "braai" under the African skies		
DINNER PROVIDED BY PEMPAL (AT THE NATURE RESERVE) (National Treasury and CABRI representatives invited)	19.00-21.00	

DAY 3: MARCH 12 2015 (THURSDAY)

Topic	**Time**	**Presenter**
Performance Monitoring and Evaluation: • Guidelines on performance information and Toolkit Handbooks	08:45 – 09:00	**Prudence Cele** Budget Analyst: Public Finance
Q&A	09:00 – 09:15	
Performance Monitoring and Evaluation: • Expenditure and performance reviews	09:15 – 10:15	**Ronette Engela** Head of Unit: Technical Assistance Unit
Q&A	10:15 – 10:45	

Performance Monitoring and Evaluation: • Performance and delivery agreements	10:45 – 11:45	**Nolwazi Gasa** Department of Performance Monitoring & Evaluation
Q&A	11:45 – 12:00	
Performance Monitoring and Evaluation: • The National Evaluation Policy Framework	12:00 – 13:00	**Jabu Mathe** Department of Performance Monitoring & Evaluation
Q&A	13:00 – 13:15	
LUNCH	**13:15 – 14:15**	
Roundtable to identify learnings (PEMPAL Study Visit Participants).	14.15-16.15	**PEMPAL only**
DINNER (IN THE HOTEL)	19.00-	**PEMPAL only**

DAY 4: MARCH 13 2015 (FRIDAY)

Topic	Time	Presenter
CABRI: Led by Neil Cole , Executive Secretary, CABRI Sharing experiences PEMPAL Overview BCOP Approach and Reform Priorities *(At the National Treasury premises)*	9:00 – 11:30	Deanna Aubrey, Strategic Adviser to PEMPAL, World Bank Gelardina Prodani – Deputy Chair of PEMPAL BCOP Executive Committee, Ministry of Finance of Albania
LUNCH (HOTEL) AND DEPARTURES	12.00-	

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