1. SITUATION ANALYSIS

GTAC was established as an entity that provides technical and advisory services to the National Treasury, centre-of-government departments and other organs of state. Legally, it operates within the general guidance provided by the Minister of Finance and its Founding Notice (No. 261 of 2012). The Founding Notice prohibits GTAC from providing services in competition with the private sector or from participating in tender or supply chain operations open to private sector service providers. Finally, subject to the National Treasury’s agreement and authority under law, GTAC may perform functions outside the Republic.

In developing its strategic plan over the medium term, GTAC sought and received confirmation from the Minister of Finance that its central objective is that of assisting organs of state to build their capacity for efficient, effective and transparent financial management. He instructed that to this end, GTAC should focus on the following priorities within its available resources:

- Supporting inclusive growth, consistent with a broad-based development strategy that stimulates employment and income-generating opportunities
- Enhancing private sector participation in infrastructure investment, job creation and financing development
- Strengthening institutional governance, planning and resource management to achieve value for money and sound public administration
- Promoting effective stakeholder partnerships in city development, education, social services and economic development
- Advancing policy analysis, public economics and evidence-based public finance advice to promote broader public understanding.
GTAC’s establishment and founding Notice raise three institutional challenges:

1. The supply chain management system has to be fit for purpose and responsive to the nature of GTAC’s business. The system must be capable of deploying long- and short-term specialist advisory expertise quickly and flexibly. The supply chain management process must therefore function within the prescripts of the Public Finance Management Act, while retaining its unique ability to respond appropriately, optimally and quickly.

2. The management system must be reorganised to develop the processes needed for an effective project management and delivery model, which include improved quality assurance, strong risk management and efficient reporting systems.

3. Partnerships with research, academic and international development agencies provide the intellectual foundation for building a rigorous information base for shared learning and knowledge management. However, clear and informed parameters are needed for defining the nature, scope and implementation of these relationships.

Institutional reform at this scale will take time, given the resource and organisational changes needed. GTAC is committed to prioritising this major shift while continuing to deliver on its mandate. During this reporting period, GTAC started to review and assess its business processes, drafted its strategy, and focused on delivery modalities to improve its service offering in the next reporting period.

1.1 PROGRAMME 8 CONTEXT

GTAC is one of five programmes in the National Treasury’s Programme 8: Technical Support and Development Finance. During 2016/17, GTAC provided administrative coordination for compiling the report on Programme 8 subcomponents on behalf of the National Treasury.

Figure 1: Programme 8 organisational structure
1.2. GTAC ORGANISATIONAL STRUCTURE

GTAC’s organisational structure will be revised to reflect its business process in line with its strategic plan. In October 2015, GTAC took full responsibility for its human resource management function, and the transfer of 90 staff members was concluded. In this reporting period, GTAC reorganised its structure to consolidate the management and support services team. This team now includes finance, supply chain management and strategy, management and communications functions in addition to its human resources functions.

Operationally, business units include the activities of the Technical Consulting Services unit, the advisory functions of the Transaction Advisory Services and PPP unit, the infrastructure advisory work of the Capital Projects Appraisal unit, and the analysis and reviews of the Performance Expenditure and Policy Analysis unit. GTAC also provides administrative programme management support to the Jobs Fund and the Municipal Finance Improvement Programme on behalf of the National Treasury and the Office of the Accountant-General respectively. Finally, the grant funding for the Neighbourhood Development Programme, which reports through the Intergovernmental Relations Division, is administered through GTAC.

1.3. GOVERNANCE AND OPERATING MODEL

In the year under review, GTAC has made significant progress in finalising its strategy and annual performance plan. The strategy has been signed off by the Minister of Finance and has been tabled in Parliament. GTAC will prioritise the finalisation of its operating procedures in the coming financial year.

GTAC’s operating model ensures that projects are undertaken in response to requests from departments and/or organs of state. It functions within the framework of an overarching memorandum of agreement, which outlines the broad parameters of operations, governance, financing modalities and partnerships.

The business model, which will be refined as GTAC’s business evolves, relies on a core team of technical and management staff working closely with long-term advisory consultants and a panel of short-term consultants, as needed. Long-term advisors are contracted on a five-year, annually renewable basis. The current team of long-term advisors has been in place since January 2016 and remains a critical part of the GTAC resource model. The short-term panel has been in place since 2011 and will be refreshed in 2017/18, in line with business priorities.

GTAC’s multi-disciplinary project teams are selected at a project committee meeting, chaired by the head of GTAC, where projects are approved and staff and funding resources allocated. Other governance committees include the quarterly review committee, the management committee, the donor committee, and the risk, audit, quality assurance and diversity compliance committees. GTAC will also establish a technical advisory committee to provide strategic oversight of its programme priorities, business focus and the effectiveness of its delivery.
1.4 STRATEGIC OUTCOME-ORIENTED GOALS

STRATEGIC OUTCOME 1

GTAC is recognised as a centre of excellence in utilising strategic partnerships to deliver shared learning opportunities and develop public economics and public policy capabilities.

STRATEGIC OUTCOME 2

Advisory and technical support services are requested for improved public sector governance, analyses and capacity building.

GTAC’s advisory and technical support activities are organised as follows:

• Transaction advisory services and PPPs
• Capital projects appraisal
• Technical consulting services
• Public expenditure and policy analysis.

STRATEGIC OUTCOME 3

GTAC enables efficient functioning of project management units.

GTAC’s programme and project management, administrative and resourcing support creates opportunities for it to facilitate shared learning opportunities in respect of the optimal functioning of project management units. The project management units have very specific governance and financial accountability arrangements, which GTAC helps to establish and manage. Administration costs are reflected in GTAC’s accounts and recovered from the National Treasury.
2. PERFORMANCE INFORMATION PER STRATEGIC OUTCOME

2.1 PROGRAMME 1: MANAGEMENT AND SUPPORT SERVICES

Entering its third year as an agency with dedicated functions, GTAC has made good progress on its strategy, organisational structure, and human resource capacity. By year-end, its staff complement numbered 119, of whom 65% were in non-managerial positions and 62% were female. GTAC has achieved unqualified audit opinions since its establishment, and continues to strengthen its financial management and improve its systems and processes in close collaboration with internal audit and risk management support teams.

GTAC also continues to improve its supply chain management system in response to business needs. Professional services procurement has increased the volume of bid invitations from last year by 60%.

PARTNERSHIP INITIATIVES

GTAC continues to strengthen partnerships with centres of excellence, universities, research institutions and other non-government development agencies, both local and international. These partnerships allow it to expand and improve the quality and reach of its research and policy insights, as well as its knowledge products.

A flagship programme is GTAC’s public economics capacity building initiative. Implemented in collaboration with the Treasury and selected universities, its longer-term aim is to shape the public policy content of public economics academic programmes. It helps to bridge the gap between conceptual learning and policy analysis and practice in order to improve the quality of decision-making in public institutions. The initiative also aims to incentivise young economics graduates to consider a career in the National Treasury, as well as help promote research in public economics.

PUBLICATIONS AND COMMUNICATIONS

The GTAC website is the place to go for all GTAC’s publications, research and information on different capacity building opportunities in the public sector, as well as many training courses and other events. The website is GTAC’s primary communication platform, providing a repository of public finance research and policy analysis. GTAC also uses the site to advertise all professional procurement opportunities and vacancies. Since its launch in August 2015, the website has attracted increasing traffic from a wide range of stakeholders and clients.

Figure 2: GTAC website usage 2016/2017

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Stay connected registrations</td>
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<tr>
<td>Direct source</td>
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<tr>
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</tr>
<tr>
<td>Publications on website</td>
<td>138</td>
</tr>
</tbody>
</table>
Publications on website

The main goal of the website is to make GTAC’s work easily accessible to stakeholders in South Africa and around the world. The audience includes policymakers, researchers, thought leaders, donors, print media and students. The GTAC website has become a powerful tool for influencing and giving voice to public finance opinion.

GTAC produces a variety of publications, including the biweekly GTAC *What’s Up*, bimonthly GTAC newsletters, ad hoc brochures, case studies, and of course the annual report. It also receives media coverage for key events such as the Public Economics Winter School, which was covered in a number of papers. Another function is the editorial and management oversight of the *Development Southern Africa* journal, which continues to enjoy a growing readership and strong academic recognition. These are discussed in turn below.

**WhatsUp**

GTAC published 22 issues of the biweekly *WhatsUp* newsletter during the year. According to the detailed usage reports, the most popular articles were the feedback features on the 2016 Public Economics Winter School, articles on the national minimum wage debate, the focus on employment wage incentives, the higher education debate, and of course the analysis of the Medium-Term Budget Policy Framework in October 2016 and the State of the Nation Address in February 2017. Readers also enjoyed the series of automation articles and the article on the Municipal Money website.

**Newsletters**

During 2016/17, GTAC published six newsletters:

- April 2016: GTAC’s Performance Expenditure Review Programme’s training course for budget analysis
- June 2016: Planning for GTAC’s inaugural Winter School 2016
- September 2015: Reflecting on the first Public Economics Winter School
- November 2017: *The Development Southern Africa* journal
- April 2017: GTAC launches the master’s bursary programme.

**Media coverage of the July 2016 Winter School**

- Business Day reports on Winter School keynote address
- News24 reports on Minister Gordhan’s address to Winter School delegates
- Why agriculture is vital for SA’s economic future | Fin24
- Economists to engage on SA’s public policy issues | Fin24
- How countries are achieving universal health care | Fin24.

**Development Southern Africa journal**

*Development Southern Africa* appointed a new editorial advisory board and ten new associate editors in March 2017. Six issues of the journal were published in 2016/17, including a May 2016 special issue on the South African labour market. (Part F provides details of the board and a list of articles.) The journal is doing well as far as readership is concerned, as shown in Figure 3.
EVENTS

Several brown bags, presentations and seminars were hosted during the year, including case studies of GTAC projects and broader discussions on development and public finance.

**Brown Bags**
- 26 May: Operation Phakisa – Putting the learning into a toolkit, by Robert Clifton and Karen Hague
- 30 June: Looking at rooftop solar PV systems as a feasible power generation technology, by Bruce Dzenga
- 25 August: Public-private partnerships, by James Aiello
- 29 September: Management performance assessment tool (MPAT) for management information for public servants, by Henk Serfontein, Department of Planning, Monitoring and Evaluation
- 26 January: How to publish your research, by Marié Kirsten.

**Seminars**
- 6 April: Five priorities for inclusive growth, presented by McKinsey & Company
- 22 July: Reforming the tax system for the 21st century: The Mirrlees Review, by Sir Richard Blundell
- 6 September: Inequality, investment and growth seminar, with Professor José Gabriel Palma and Dr Kate Philip.
THE PUBLIC ECONOMICS CAPACITY BUILDING INITIATIVE

Soon after GTAC was established, the Director-General of the National Treasury requested it to consider how training and capacity in public economics could be strengthened, in partnership with universities and other centres of expertise. The request reflected not only the National Treasury’s human resource needs, but also the need of provincial treasuries and other government departments for capable, well-qualified economic advisors and analysts. In response, GTAC launched its public economics capacity building initiative in 2016, in partnership with the Treasury.

‘It was agreed that GTAC would launch a Winter School for graduate students and young economists in government, together with a bursary and internship programme for master’s-level students in public economics.’

The initiative started with an exploratory meeting between senior officials and the economics departments of local universities. Thus began a partnership with the universities to strengthen South Africa’s public economics, public finance and policy studies capacity, building on a review of existing programmes, advice from Treasury officials on their needs, and opportunities for learning and work for young graduates and interns. It was agreed that GTAC would launch a Winter School for graduate students and young economists in government, together with a bursary and internship programme for master’s-level students in public economics.

The inaugural Public Economics Winter School was held in July 2016, in partnership with the University of Pretoria, under the academic convenorship of GTAC senior advisor Tania Ajam. The keynote address was delivered by the former chief economist of the African Development Bank, Mthuli Ncube, and leading policy specialists on industrialisation, ICT development, agriculture, urban and spatial development, and universal health coverage participated in the plenary sessions. The Winter School offered three dedicated work streams (tax policy and design, industrial economic competitiveness, and health reform and social security policy), convened by teams from the universities of Stellenbosch and Johannesburg.

The 2016 Winter School was attended by 90 students from 13 universities, in addition to 105 officials, presenters and academics. Participants reported that the programme provided a valuable introduction to public economics in practice, as well as insight into possible careers on the Treasury or the public service.

GTAC also introduced a competitive bursary programme for master’s degrees in economics. Following an exhaustive selection process, seven bursaries were awarded in 2017. This initiative includes a mentorship programme within the Treasury, with the possibility of an internship placement for students within either the Treasury or GTAC upon successful completion of their degrees.

Another element of the initiative is engagement with leading universities on strengthening public finance and public policy studies at both undergraduate and graduate level. This draws in part on the international discourse on the reform of economics curricula and lessons of experience in public economics training. The initiative recognises the need to promote public economics and public financial management as applied disciplines of learning, rooted in the legal and institutional context of South Africa and other African economies.
Several complementary initiatives contribute to this undertaking:

- Cooperation with the Collaborative Africa Budget Reform Initiative (CABRI) brings a regional and international perspective. The aim is to promote and produce publications and learning materials that apply analytical tools in economics and public finance to the full range of public policy issues, social programmes and economic development portfolios.

- Since 2014, GTAC has supported the Graduate School of Development Policy and Practice at the University of Cape Town, which offers a two-year, part-time MPhil programme for mid-career officials, along with a variety of short courses on specialised topics. The partnership includes the development of case studies for teaching and research purposes, and collaboration with city and provincial officials on workshops and courses on public transport issues.

- Through the Research Programme on Employment, Income Distribution and Inclusive Growth (REDI) and the Econ3x3 website, a wide range of policy-relevant research projects were supported, contributing to evidence-based policy and informed debate. The Econ3x3 website offers short, accessible research summaries. In 2016/17, 14 articles were published, including several on labour issues and the minimum wage debate. The site also features a number of articles on microenterprises and an overview of the REDI3X3 conference on “Policies for Inclusive Growth”, held in February 2017. (See Part F for a list of articles.)

- GTAC’s publications programme draws on its own extensive portfolio of advisory and project management case studies, performance and expenditure reviews, and public finance guidelines and communities of practice.

- Partnerships with the World Bank’s Southern African “knowledge hub”, the Development Bank of Southern Africa, the NEPAD Business Foundation, the Public Affairs Research Institute, and other research and advisory centres help to deepen GTAC’s knowledge management, training and advisory capacity.

The public economics capacity building initiative has benefited from financial support from Global Affairs Canada, as part of its broader “Building a Capable State” partnership with GTAC.

THE ECONOMIES OF REGIONS LEARNING NETWORK

The Economies of Regions Learning Network (ERLN) is a community of practice that focuses on economic development activities at the subnational level in South Africa. The ERLN brings together economic development practitioners in all spheres of government in a spirit of enquiry and cooperation to strengthen their agency as leaders in the regional economic development arena. It works at the subnational level, in regions smaller than the provinces but larger than a single metro or municipality. Important issues in regional economic development include how to link rural and urban areas, and the role of cities in economic growth. A regional perspective is critical when considering major infrastructure investments, understanding value chains and clusters, and coordinating opportunities for developing competitiveness and innovation.

Achievements in 2016/17

In 2016/17, the ERLN was shifted into GTAC’s newly formed Strategy, Management and Communications unit to allow it to connect more broadly across GTAC business units for content development, and align it better with GTAC’s vision of being a creative centre of excellence for shared learning in public policy and public finance.

During the year, the ERLN hosted 17 learning events, attended by a total of 624 people. These events included a workshop on youth skills development and employment creation; a seminar on inequality, investment and growth; a training workshop in East London on agricultural value chains and regional economic development; and the ERLN’s second annual conference on “Economies of Regions: Economic Development at the Subnational Level”. At the conference, a regional economic development toolkit developed by the ERLN was introduced to delegates.
The ERLN convenes the Technical Working Group on Metropolitan Economic Development on behalf of the Cities Support Programme. This intergovernmental working group seeks to improve the availability of economic data on key trends in metropolitan and sub-metropolitan markets, sectors and employment, so that government interventions can be evidence-based and optimised both spatially and sectorally.

The ERLN helped the Treasury to implement the Municipal Money portal, which was launched by the Minister of Finance during the October 2016 Mini-Budget Speech. Municipal Money is a web-based tool designed to inform citizens about their local authority’s financial performance, and allows comparisons between municipalities.

The ERLN also launched a Youth Portal in collaboration with the University of Cape Town and Code for South Africa, and generated a new partnership to promote youth issues and influence youth policy.

2.2 PROGRAMME 2: ADVISORY AND TECHNICAL SUPPORT SERVICES

GTAC provided technical and advisory support to 129 projects during 2016/17, including transactional advice on large, new, strategic and complex infrastructure solutions.

PURPOSE

GTAC’s advisory and technical support services programme is the core business of the organisation. It supports the National Treasury’s strategic requirements and undertakes initiatives on the request of other organs of state. It aims to provide rigorous, targeted and informed advice, tools and methodologies to support centre-of-government departments and organs of state in improving delivery on government priorities. Its focus is on facilitating better decision-making in support of an inclusive growth agenda, and ensuring the requisite skills and capacity to conceptualise, plan and deliver successfully on mandates. These areas of GTAC’s work are supported by internal professional and administrative staff, long-term advisors and technical experts contracted for specific assignments. Strategic partnerships with research institutions and other centres of expertise contribute to the development of advisory and support interventions and the systematic management of knowledge and publications.

‘Most GTAC projects involve interactions with centre-of-government departments, particularly the Treasury. These interactions ensure that GTAC understands the primary policy direction of a department, and we weave this understanding into the advice we give.’

GTAC provides four support functions:

1. **Transaction advisory services and support for PPPs**: The unit provides advisory services to organs of state to plan, contract and execute PPPs and other large or complex infrastructure or public service transactions. These include improving and diversifying arrangements for infrastructure financing, enhancing the role of the private sector in social and economic investment, and assisting in training and capacity building in the development and implementation of PPPs.

2. **Capital projects appraisal**: The unit assists the Treasury in its review and assessment of infrastructure investment proposals and feasibility studies, to ensure affordability, value for money and efficiency in
infrastructure expenditure and the development of network industry sectors. It assesses the economic and financial viability of proposed large infrastructure projects, so as to provide a deep understanding of the value-for-money prospects of investments and their strategic fit with the country’s National Development Plan and socio-economic objectives, weighed against their cost-effectiveness, wider economic benefits and the likely achievability of their implementation plans.

3. **Technical consulting services:** The unit provides advice and support to centre-of-government departments and organs of state to strengthen their financial management and help deliver on government’s inclusive growth agenda. This includes strengthening skills and capacity to conceptualise, plan and effectively integrate planning across all spheres of government.

4. **Public expenditure and policy analysis:** This unit analyses the performance, cost-effectiveness and expenditure trends of selected government programmes. It assists authorities and stakeholders in assessing the financing and service delivery implications of policies and programme design. It also analyses allocations and spending patterns across all spheres of government, public entities and frontline service delivery sites to provide an in-depth understanding of historical expenditure patterns. This involves scrutinising both expenditure and programme performance data, and quantifies the implications of legislative changes and policy choices.

In the year ahead, GTAC will give attention to:
- Strengthening its links with and implementation support for centre-of-government departments
- Mapping subject matter expertise across all projects
- Formalising, within GTAC, the cross-cutting dimensions that underpin the coherence of its project work and project selection
- Continuing to test the impact of existing projects and refining the impact criteria for selecting projects
- Reviewing the skills and expertise in the long-term advisor pool and extending these in key areas. (The last major addition to the pool was the inclusion of actuarial skills, which have become increasingly important.)

1. TRANSACTION ADVISORY SERVICES AND SUPPORT FOR PPPs

The unit supports major infrastructure procurement projects, PPPs and service delivery improvement programmes, including project conception and registration, transaction process support, and legal and financial advice. It also provides quarterly PPP training, as well as training for foreign governments on request. Such training is provided either in South Africa or as a guest of the requesting government.

**Achievements in 2016/17**

Examples of specialised transaction support provided in 2016/17 include:
- **Gautrain:** Continuing as advisor to the Gautrain Management Agency, and providing transaction advisory services on the proposed procurement of 48 additional passenger coaches and the extension of the rapid rail system. It also participated in the annual lekgotla of the Gautrain Management Agency and the Member of the Executive Council.
- **Project bonds:** Working with the Johannesburg Stock Exchange and representatives from all sectors of the South African financial community to further the development of listing requirements for project bonds as a ring-fenced alternative for financing public services infrastructure; and assessing the potential for tax increment financing as an alternative infrastructure financing mechanism.
- **Municipal electricity distribution:** Assisting the Midvaal Local Municipality with a feasibility study on conducting a competitive tender for the upgrade, rehabilitation and extension of its electricity distribution system.
• **Department of International Relations and Cooperation:** Helping the department procure office accommodation for South Africa’s representatives to the United Nations.

• **Department of Higher Education and Training:** Assisting the department in assessing the potential for acquiring student accommodation through PPP processes.

PPP training was provided to a number of African countries in London for the second year running.

**In 2016/17 the unit prioritised:**

• Issuance by the Johannesburg Stock Exchange of the listing guidelines for project bonds

• Completion of the border post redevelopment feasibility study and proceeding to procurement

• Selection of a preferred bidder for the Gautrain additional rolling stock

• Completion of the Department of International Relations and Cooperation’s project on United Nations office accommodation in New York City

• Achieving TVR I status in the Midvaal electricity distribution project.

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**In conversation with Tumisang Moleke, Head of GTAC’s Transaction Advisory Services and PPP unit**

The Transaction Advisory Services and PPP unit is about supporting departments and municipalities in navigating complex transactions that involve complicated legal, institutional and commercial issues. “Our measure of success each year is deal flow,” says Tumisang Moleke, the head of the unit. “How many deals came to us, and how many have we moved to financial close?” Moleke considers the unit to have done well in 2016/17. “Though we may not have taken any deals to financial close, there are many that we have taken through feasibility and procurement.” The unit’s deals are complex and time consuming, and getting to financial close is mainly a question of time. “There is a lot that is not in our control,” explains Moleke. “The deals are not owned by us: they’re owned by the clients we support. So some of the decision-making is not ours. And we cannot just push past delays that come from the client or from the context of the deal. We are technically oriented, and we can find technical solutions to delays in a deal. But when the delay is political, for instance, we simply have to wait for the issues to settle before we can get back to the technical solutions.”

“Partnerships are an important part of our unit’s work at two levels,” says Moleke. “First, our relationship with the client is a partnership. I see that partnership as GTAC being the reliable government friend to the client. And secondly, in being that friend, we are facilitating another partnership – with the private sector, on a contract basis, over the long term. A transaction results in a partnership between a government entity and a private sector entity.”

Another kind of partnership is institutional, for example between GTAC and the Development Bank of Southern Africa. “We are almost in the same space,” says Moleke. “GTAC advises clients and helps them to prepare their projects; the Development Bank funds projects that have been through the preparation process.” But this partnership is institutional rather than project for project, as is the partnership with the Treasury. “We partner with the

‘Partnerships are an important part of our unit’s work at two levels. First, our relationship with the client is a partnership. And secondly, we are facilitating another partnership – with the private sector, on a contract basis, over the long term.’
Treasury insofar as we support its regulatory framework,” says Moleke. Other government departments can also be seen as GTAC’s long-term partners, such as Public Works and Energy. They have a sectoral focus, and to them GTAC provides sectoral support at various levels: on individual projects, for departmental programmes, and more broadly. Moleke explains: “We might ask ourselves how we can unlock energy efficiency in a PPP space with the Department of Energy. That’s working together at the broadest level. But perhaps the Department of Social Development, for example, may just want assistance with one particular project. Then the partnership will end with the project.”

The unit also partners with the private sector, such as banks. “But these are not contractual partnerships because the work is commercial and potential conflicts of interest need to be managed,” says Moleke.

‘By the time a transaction is concluded, the people who have participated in it have acquired knowledge, skills and the confidence that comes from experience.’

As with GTAC’s other units, capacity building is not formalised in the work of the unit. “It is learning by doing,” says Moleke. “By the time a transaction is concluded, the people who have participated in it have acquired knowledge, skills and the confidence that comes from experience.” While the unit does build ongoing support and monitoring into a project’s contract management, direct capacity building work happens through its highly successful training programmes. “We run six training programmes a year. They explain what PPPs are and how they work, and also what our unit does to support PPPs.” Each programme runs for a day and a half; four are for general interest, and two are specifically for municipalities. But Moleke is clear: “The best capacity building comes from actually working with GTAC on your PPP. You get exposed to the whole project cycle, and participate actively – with GTAC’s support – in the steps within each stage. You come away understanding the big picture as well as the details, and you have had experience making things happen.”

Some clients might need the unit’s support for specific aspects of a PPP process, but can run the rest of the process on their own. “This often happens if we have worked together before,” says Moleke. An example is the Gautrain – the unit assisted with the first Gautrain project, but now the Gautrain Management Agency has been established and can run the Gautrain extension on its own. “Another example is the renewable energy programme, now known as the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP). It started with GTAC’s support but after the first round of projects, the programme could go to the Department of Energy and be run from there. And it is the same with the Parks Board.” The unit can provide temporary capacity where it does not make sense for entities to invest in their own capacity because they do not undertake the work regularly. “They can come to us when they need these specific skills,” says Moleke. But if such transactions become part of an entity’s business, then it is often better to create that capacity in-house. “We might have supported one of their projects, and as a result they have become comfortable with the processes and might not need our support on the next project. They could come to us with a specific technical query on the project, and we will engage in that defined way.” GTAC actively supports this development. “We remain available to clients as colleagues, but they are not dependent on us,” Moleke asserts.

PPPs are controversial, not only in South Africa but across the world. “Advocacy is a small part of our work,” says Moleke. “We only work with clients who have bought into PPPs as a vehicle.” It is not GTAC’s mandate to promote PPPs. “Demonstration is the best advocacy,” says Moleke. “We leave the PPP debate to policymakers, journalists and opinion makers.”
2. CAPITAL PROJECTS APPRAISAL

The Capital Projects Appraisal unit assists the National Treasury in its review and assessment of infrastructure investment proposals to ensure value for money, affordability and efficiency in infrastructure expenditure.

Achievements in 2016/17

During the year, the unit continued to assist the Treasury on the energy sector. It assessed the competitiveness of various electricity generation technologies, provided inputs into a review of the 2016 Integrated Energy Plan, and participated in task teams on current electricity challenges. Its research on the cost of power generation technologies in South Africa found that combinations of renewable sources of electricity (e.g. wind and solar with gas) and emerging energy storage technologies are likely to be more competitive in future, given the lower risk profile of such technology options.

The unit assisted with the analysis of transport sector projects, such as the Gautrain and Moloto development corridor projects. It also studied valuation methodologies to estimate the economic costs and benefits of passenger rail projects to promote good practice in project appraisal. Support to the Treasury on assessing the financial sustainability of bus rapid transit systems began during the year; this is expected to continue as more cities introduce these systems. The unit also conducted research on compressed natural gas, an alternative transport fuel. It concluded that there is an economic case for developing a market in compressed natural gas, but this will require some government intervention, particularly during the initial stages.

The focus on private sector funding of infrastructure continued. The unit advanced financial intermediation around renewable energy projects by coordinating industry players, providing technical assistance on new financing instruments, and supporting an initiative on project bonds that can be listed on the Johannesburg Stock Exchange.

In the period ahead, the unit will support the Treasury’s efforts to reform capital budgeting and financing by assisting with capital appraisal methodologies to identify value for money in infrastructure projects. This is key to ensuring that maximum value for money is extracted from investment expenditure, particularly given the constraints on the fiscus. It will also expand its support on transport sector projects to include roads infrastructure.

In conversation with Nicky Prins, Head of Capital Projects Appraisal unit

GTAC’s Capital Projects Appraisal unit is designed to work across Treasury units, specifically Asset and Liability Management, the Budget Office, and the Public Finance division. When a large project, in which several Treasury units have a stake, comes in for appraisal, GTAC can do the necessary in-depth analysis. Individual Treasury units may not have the capacity or the time. “You appraise projects in order to ensure that you’re getting value for money, that you’re allocating resources properly. Can we do more with less? Would doing less be enough?”

While the work of the unit is not directly about stimulating employment, it contributes to this government priority when analysing the claims a project may be making. Is the project likely to deliver on the benefits it promises? For example, can it realistically generate employment at the levels it is claiming? The analysis will also review alternative approaches to achieving such benefits. Can they be achieved for a lower cost? Are there more effective approaches? Can the benefits be increased? Is it realistic to expect a public sector project to generate the promised levels of income and employment? Transport systems, for example, can create and sustain employment.

‘Our focus is infrastructure, and infrastructure is a great enabler of employment and income-generating opportunities.’
GTAC, representing the National Treasury, chairs the Task Team on Private Sector Financing of Infrastructure, formed in June 2013. Other members of the team are the Presidential Infrastructure Coordinating Committee, the Development Bank of Southern Africa, the Financial Sector Charter Council, the Congress of South African Trade Unions, the Association for Savings and Investment for South Africa, the Banking Association of South Africa, the South African Venture Capital and Private Equity Association, and the South African Insurance Association. Different Treasury units also participate in the team. Through the task team, GTAC facilitates an ongoing conversation between the private sector – banks, equity investors and institutional investors – and government. This is especially useful when the private sector wants to finance infrastructure but encounters obstacles, such as problematic regulations. Also, representatives from government programmes present planned projects that benefit from private sector investment. Without the task team, there would be no channel for discussing these issues.

The Capital Projects Appraisal unit builds capacity within the Treasury to appraise submissions to the Budget for funding capital projects. GTAC is working with the Budget Office to design a system that processes these submissions, and is likely to be involved in the running of the system in future. Because an appraisal is done at the planning stage of a project, the engagement with the Treasury ensures that departments plan their projects adequately. GTAC is also involved in designing regulations and guides to help departments prepare their submissions. “The important point here is that GTAC is not doing the planning or preparing the submissions – GTAC is supporting departments to do this themselves.” When a department engages with the Treasury to request funding from the Budget, they acquire capacity in the process. In time, these skills become embedded within the department.

The Capital Projects Appraisal unit produces project reports for the Treasury, which are published on the GTAC website. They provide analytical methodologies for different types of infrastructure, as well as case studies. The reports have international relevance, as they are supported by the unit’s international research while being located in the South African context. GTAC also hosts forums and sends speakers to events on infrastructure investment.

“GTAC’s units support each other, even though each unit’s work is very specific.” We actively collaborate where we can. For example, the Public Expenditure and Policy Analysis unit’s work on the bus rapid transport system provided analytical methodologies for the Capital Projects Appraisal unit’s work in that arena. The Transaction Advisory Services and PPP unit is also on the Task Team on Private Sector Financing of Infrastructure. In 2015/16, two GTAC units worked on the Umzimvubu Dam in Eastern Cape. Technical Consulting Services looked at growth strategies for the province, including the dam, and Capital Projects Appraisal analysed the funding request for the dam. The units shared thinking, reports and contacts, and made joint research trips. However, certain situations require strict boundaries between units. For instance, the Transaction Advisory Services unit may help a client develop PPP projects that will be submitted to the Treasury for approval. But the Capital Projects Appraisal unit processes these submissions with Treasury. GTAC cannot be both player and referee in these situations.

‘As a partnership-driven organisation, GTAC creates a space for conversations between stakeholders – which in itself makes a significant contribution to the capable state.’
3. TECHNICAL CONSULTING SERVICES

GTAC’s Technical Consulting Services is organised into four broad areas or portfolios of work:
- Economic development
- Municipal support and human settlements
- Public management and organisational development
- Social development.

Achievements in 2016/17

During the year, Technical Consulting Services supported 84 projects, as shown in the figures. Highlights of the different portfolios are discussed below.

*Figure 4: Projects supported in 2016/17 per portfolio or work area:*

*Figure 5: Projects supported in 2016/17 per nature of support:*

- Organisational Development: 32%
- Programme and Project Management: 27%
- Diagnostics and Reviews: 19%
- Strategic Planning and Performance Budgeting: 10%
- Facilitation: 7%
- Change management: 4%
- Other: 1%
GTAC supports priority projects that address the challenges of weak growth, a lack of economic inclusivity, high unemployment and extreme inequality. It focuses on strengthening economic institutions to improve the delivery of economic outcomes. To ensure that new businesses can be established and create jobs, several structural rigidities must be tackled, such as electricity and skills shortages, high broadband costs and limited competition. Government initiatives to boost economic growth include encouraging special economic zones with innovative approaches; speeding up spectrum allocation and broadband roll-out; encouraging competition through cohesive trade, competition and regulatory policies, including those governing state-owned companies; and providing focused support for labour-intensive sectors (e.g. agriculture, agro-processing and tourism).

In the year under review, the Economic Development portfolio supported 22 projects. Two of these are discussed in detail below: the first, at provincial level, involved support to the Eastern Cape’s special economic zones. The second, at national level, involved assistance to the Department of Cooperative Governance and Traditional Affairs in scaling up the Community Works Programme.

### Strengthening the Eastern Cape Economy Through Special Economic Zones

In September 2016 GTAC and the Eastern Cape Provincial Treasury entered into a memorandum of agreement for GTAC to review the governance structures and operations of the East London industrial development zone and the Coega Development Corporation, assess their sustainability and propose new arrangements. GTAC would also advise on the transition from an industrial development zone to a special economic zone. A high-level option analysis was submitted in December 2016, suggesting a framework and approach to be followed in the Eastern Cape special economic zone transitional report; this was endorsed by the provincial treasury. The first draft report has been circulated to key provincial role players for comment.

The proposals include strategic actions to support the special economic zone programme nationally, as well as short-term interventions to improve the financial sustainability of the Eastern Cape special economic zones. Emerging findings and proposals are as follows:

- Planning for both transitioning and new zones is complicated by several concerns:
  - There is no clear national strategy on special economic zones to support industrialisation and growth. The Minister of Trade and Industry should, as a matter of urgency, determine the strategy with input from the Advisory Board.
• The exact basket of support measures available to different categories of special economic zones has not been clarified. The National Treasury, in conjunction with the Department of Trade and Industry, could help provide clarity.

• Existing guidelines on special economic zones and general guidance from the department on transitioning industrial development zones appear to, in some cases, contradict the Special Economic Zone Act and associated regulations. If the approach outlined in the guidelines and general guidance is followed, the impact of the Act on transitioning industrial development zones may well be minimal.

• Both the East London industrial development zone and Coega Development Corporation continue to experience budgetary pressures. Their most likely source of capital funding will be the special economic zone fund, although this funding is not guaranteed. Their operational funding is also likely to require significant provincial contributions over the next decade. Cost curtailment measures have been suggested for both organisations.

SCALING UP THE COMMUNITY WORKS PROGRAMME

Following a 2015 meeting with the Treasury, the Department of Cooperative Governance and Traditional Affairs approached GTAC to assist the Community Works Programme in meeting the target of 1 million participants by 2019. While the urgency of scaling up the programme is common cause, the target was set in the context of a five-year time frame. However, the first two years of this Medium-Term Expenditure Framework period have already passed, and the participation rate remains at around 200,000. Part of the institutional support will be to assess how fast the programme can be scaled up in the remaining period without undermining its institutional stability. The project will have five key outputs:

• A review of the functional institutional arrangements for the programme, resulting in a business case for a new institutional model

• A review of the monitoring and evaluation systems, including reporting, participant and invoicing systems

• Capacity support on financial, technical and programme management

• Support to identify and standardise best practice approaches for community participation

• Support to strengthen the quality of work outcomes and their contribution to meeting community needs.

The initial work has identified the procurement of implementing agents as the key risk facing the programme. The GTAC team is assisting the department in procuring implementing agents in the short run. The team will work closely with the Treasury’s Public Finance team and the department to develop the new business and funding model for the programme.

MUNICIPAL SUPPORT AND HUMAN SETTLEMENTS

The understanding of infrastructure delivery processes, systems and frameworks; capacity to deliver; and long-term, integrated planning and budgeting for infrastructure seems weak across all spheres of government. As a result, problems of timing, quality, quantity, cost and ultimately maintenance of infrastructure negatively affect access to services, as is clear from the ongoing service delivery protests. GTAC aims to provide technical assistance to organisations to develop and implement infrastructure policies, including infrastructure and supply chain management reforms. The implementation of these policies includes the organisations’ operations, programmes and projects.

Achievements in 2016/17

During the year, this portfolio supported 18 projects. Mwansa Saidi, the Principal Advisor in the Municipal Support and Human Settlements portfolio, shares highlights from this portfolio and reflects on lessons learned.
In conversation with Mwansa Saidi Principal Advisor in the Municipal Support and Human Settlements programme

Saidi discusses GTAC’s support to the Department of Public Works on its “seven-year turnaround strategy”

GTAC’s project to support the department with the turnaround began in November 2015. Part of the project was to develop a change management framework that would strengthen the department’s capacity to manage change. GTAC does not implement the turnaround programme on behalf of the department, but capacitates the department to implement it. “By doing things with people, you build capacity; you do it together once, and the second time around they do it themselves. Then you review what they’ve done and provide inputs. Ideally, over time the support we give decreases.” For example, in 2016/17, GTAC reviewed the department’s annual performance plan and gave inputs. In 2017/18, GTAC will work with the department on preparing an annual performance plan, to improve the quality of the department’s own plan. GTAC does not do the work of a department; instead, capacity building methodologies are incorporated into project charters. “The first thing we look at is whether certain functions are resourced or not,” says Saidi. “If not, we meet immediately with Human Resources and make a plan to resource that function so that GTAC does not become a replacement for it. Our boundaries are very clear.”

In some cases, after GTAC has developed terms of reference to resolve an identified issue, the department no longer needs GTAC support because they realise that they can do the work described in the terms of reference. In this way, GTAC has an impact without doing the actual work. Its workshop facilitation process also builds capacity. GTAC designs and facilitates the workshop with the department, and discusses reporting requirements up front. “The idea is that if GTAC is not there, they can facilitate their own workshops,” says Saidi. Feedback from the Department of Public Works noted that workshops became more than a place to talk – they were a process in which work got done. “When we finished a workshop, we had deliverables,” says Saidi. Subsequently, GTAC just provided inputs into a number of workshops run by the department.

GTAC can be working towards a particular output and in the course of that work we have a concrete success, such as getting a whole lot of people to agree about something. That’s not the formal output of the project, but it’s a pretty impressive impact.

Every piece of GTAC work is designed for capacity building while delivering an output.

GTAC creates a platform for partnerships within a department. The GTAC platform in a department can help individuals or units to negotiate their spaces while working towards departmental integration. “We facilitate engagements, and help to reduce silos,” says Saidi. “GTAC remains objective. We don’t take sides. We help to resolve the dependencies.” This is supported by an integrative, holistic project design.

A project’s success is highly influenced by stakeholder buy-in. A lack of buy-in can completely stall a project, while meaningful buy-in significantly increases its impact. Says Saidi: “Creating a platform, facilitating negotiations within organisation to come to a common understanding, probably achieves more than the actual technical work. Now, the organisation can move forward as one, and beyond that they may not even need us. They’ve agreed with each other, and now they can do the work.”

A GTAC project always remains dynamic. Every project is reflective, a learning system. These principles are designed into the project, so that when things are not working, the
focus is on learning from the problem, regrouping and moving forward. If a project is not designed to be dynamic, it cannot be responsive. “You can end up closing your project because one thing didn't work,” says Saidi. GTAC’s strategic interventions are partly designed in anticipation and partly arise in response to the situation in the department. Once GTAC leaves, the organisation continues with its learning.

**GTAC’s work almost always has a ripple effect in an organisation.** Saidi explains: “For example, when we start looking at an infrastructure service line, we might notice that the organisation has supply chain management challenges. Perhaps they don’t have the correct procurement policy or good agreements. We help with that, but we’re actually unblocking the infrastructure service line. Perhaps their budgeting and financial management needs help. By helping, we improve other service lines that are directly or indirectly connected to infrastructure.”

**Success attracts success.** As people in an organisation begin to improve performance, others become attracted to working with GTAC. Its impact might have to be limited at first, but as it builds up incrementally at the organisational level, more people want to get involved.

**GTAC’s authority comes from knowledge and expertise that add value.** GTAC often brings confidence into a system because of the quality of its knowledge and expertise. But it has to enable the client to see why certain things must be done in a certain way. Output 5 of GTAC’s work with the Department of Public Works on their seven-year turnaround strategy was advice to the Property Management Trading Entity on becoming a government component. It was clear at the scoping stage that this was not possible, but GTAC had to approach this circumspectly. “With technical support, I’ve learnt that even if you have a full solution, put it in your back pocket, because a system can only digest change bit by bit,” says Saidi. During the first part of the work, the department realised that the entity could not become a government component without meeting certain Treasury requirements. Now the output has changed to advising the entity, rather than advising it to become a government component. Had this been argued at the scoping point, there would not have been any engagement. “We can be working towards something with a department, and you just come to a point where your minds meet, and you start agreeing on the things going forward,” says Saidi. You need to enable the client to see things. “Sometimes, even just getting the different components of a department to see things in the same way is one of the biggest achievements.”

**GTAC SUPPORTS THE LIMOPO DEPARTMENT OF SPORTS ARTS AND CULTURE**

GTAC’s support to the Department of Sports Arts and Culture in Limpopo consisted of two phases, which yielded a number of insights. Mwansa Saidi shares how these insights shed light on the challenges to be addressed and solutions that proved effective.

The operational challenges of the department received the most attention during phase 1. These included:

- Project profiling and developing an action plan to address the immediate project delivery blockages, especially for projects at construction stage
- Improving the department’s management of the implementing agents to ensure that they are held accountable for their programmes and projects
- Improving contract and infrastructure delivery management by establishing a dedicated infrastructure unit
- Improving infrastructure planning over the Medium-Term Expenditure Framework period and ensuring budget alignment.

The second phase focused on institutional capacity building interventions, while transitioning the operational support. This included developing and securing agreement on the service delivery model and integrated infrastructure strategy (including asset management); developing a full infrastructure delivery structure to support the implementation of the strategy; and providing change management interventions and capacity building on various aspects of infrastructure delivery.
A critical point in the implementation was transitioning the Project Steering Committee to the Departmental Infrastructure Coordination Committee (as required by the Infrastructure Delivery Management System). This affirmed the ultimate objective, which is to improve the department’s capacity to effectively and efficiently manage infrastructure delivery on its own.

**Some of the critical steps taken during the project include:**

- Addressing the ongoing blockages on infrastructure projects, which increased the traction for institutional capacity building
- Establishing the Project Steering Committee (later the Departmental Infrastructure Coordination Committee)
- Establishing and capacitating the infrastructure unit with qualified built environment professionals
- Continuously managing implementing agents and developing a guideline to support the process
- Ensuring that the management of the infrastructure programme was based on the Medium-Term Expenditure Framework period.

The outcomes of the project include better reporting through the infrastructure reporting model, the use of the province-wide information management system for infrastructure, and the development of a service delivery model and integrated infrastructure strategy and structure (including change management interventions). The department can now motivate for equitable share allocations because it has demonstrated the capacity to spend its infrastructure grants.

There have been unintended consequences, such as budget constraints and challenges with the operational management of library services. These will be addressed under the integrated infrastructure support programme of the Limpopo Provincial Treasury. A case study has been prepared on the project.

**The insights gained from this project informed the design of the Limpopo Provincial Treasury Infrastructure Support Programme.** This programme was initiated in April 2016, and some of its early successes include:

- A programme team and departmental counterparts were inducted, which provided capacity building for the management of consultants.
- A departmental work plan was developed, which enabled support initiatives to be prioritised.
- Infrastructure profiling allowed blockages to be identified and responsive strategies to be developed.
- Implementing these strategies helped to improve the management of infrastructure delivery, reduce some costs and markedly improve expenditure patterns.
- The Standards for Infrastructure Procurement and Delivery Management were implemented through the development of a provincial procurement model policy and standard operating procedures.
- An integrated approach to and terms of reference for conditional assessments were developed to improve portfolio planning.
- Institutional arrangements were set in place to enhance the asset management function and develop service level agreements.
- Stakeholder engagement and management were provided, including coaching support where necessary.
- A programme management approach was piloted and reviewed. Its standardised methodologies can be adapted to other programmes and initiatives.

A case study has been prepared on the programme establishment phase, capturing the details of the achievements and challenges.
Achievements in 2016/17

This portfolio supported 34 projects during the year. It developed business cases for the possible establishment of an Office of the Solicitor-General, an Office of the Military Ombud, and an Office of the Tax Ombud, as well as strengthening the Civilian Secretariat for Police Oversight. A common theme in these projects is the pressure to implement proposed organisational change within the frame of a suitable costing model. Working in close collaboration with the National Treasury and relevant departments and stakeholders, GTAC supports efforts to develop creative solutions to address the cost-benefit tension of implementing such policy mandates.

The portfolio project-managed phase II of the Municipal Finance Improvement Programme. The broad plan for the third phase of the programme (2017–20) has been concluded, and governance documentation and supply chain management processes for instituting the project management unit have been finalised. While the programme’s support over the last two years has been well received by municipalities, they identified a need to ensure continuity. As a result, GTAC has procured senior management positions for the project management unit to improve the oversight, governance and sustainability of the programme.

GTAC facilitated the Operation Phakisa methodology, which was adopted by the Presidency to deliver “big fast results”. It conducted stakeholder consultation sessions for Operation Phakisa on agriculture, rural development and land to determine critical issues facing the sectors. It developed a scoping document and worked with Deloitte to facilitate a lab (an assembly of stakeholders). The lab involved more than 130 participants from government, academia, sector forums and civil society over five consecutive weeks from September to October 2016. Work streams were set up on commodities (grains, horticulture and livestock); producer support; rural development and land reform. Each work stream assessed critical issues and causal factors, and proposed initiatives. These initiatives were presented to steering committees comprising senior officials and political leaders. Subsequently detailed “3ft” plans were produced for each initiative. Delivery units were also designed to coordinate the implementation of the plans.

Projects with the Department of Rural Development and Land Reform were refined through a process of engagements, assessments and interviews, and information from the Agriculture and Land Reform Phakisa was also utilised. A comprehensive diagnostic of the deeds registration modernisation requirements has been completed, as has a diagnostic on the landholding account, which will constitute the basis of further action by the department.

After the Oceans Economy Phakisa, aquaculture ventures have seen faster authorisations. The aquaculture project has its origins in the Phakisa lab, which aimed to unlock the oceans economy in South Africa. The goal is for the oceans economy to contribute at least R129 billion to the gross domestic product and create at least 800,000 jobs by 2033. The lab found that a key challenge for aquaculture was the inadequate coordination of applications for aquaculture-related permits. The application process could take up to 830 days, because of fragmented legislation and the need to obtain authorisations from as many as eight departments. One of the initiatives flowing from the lab was to streamline permit requirements and work towards a “one-stop shop”. GTAC supported the Department of Agriculture, Forestry and Fisheries in mapping current authorisation processes, from planning to operating an aquaculture farm. Such mapping is used to reveal inefficiencies that cause delays and waste. This GTAC-facilitated process allows improvements to be identified for implementation by the relevant department.

‘The Marine Aquaculture Rights team from the Department of Agriculture, Forestry and Fisheries reduced their turnaround time by 64%, from over 70 working days to 26.’
GTAC’s support contributed to better road maintenance in Johannesburg. GTAC, in partnership with the Municipal Infrastructure Support Agent, provides support and advice to municipalities on work process re-engineering to improve the productivity and quality of in-house maintenance teams. The pilot project supports the Johannesburg Road Agency in meeting its maintenance commitments to the City of Johannesburg. Anecdotal evidence suggests that the agency should be able to respond faster and do better quality work on day-to-day activities, such as pothole repairs or providing road markings. The diagnostic review revealed that there is too much focus on reactive maintenance (e.g. from client complaints) rather than on planned maintenance. The three-year support project aims to shift this focus through an evidence-based improvement process with a range of key performance indicators. The idea is to develop a dashboard of key indicators, before and after the improvements, to measure their impact. Lessons learnt from this process will inform maintenance improvement projects in other municipalities.

SOCIAL SERVICES

This work area provides technical and advisory support to social sector departments at national and provincial level, as well as to other state entities. Seven national departments fall within its scope: Basic Education, Higher Education and Training, Health, Social Development, Labour, Sport and Recreation, and Arts and Culture. Its advisory support work focuses on capacity building for organisational development that enhances the departments’ capacity to deliver on their mandates. GTAC continues to apply action learning approaches and document lessons from practice to inform its approach to building capacity in the different sectors, contribute to policy and regulatory development, and drive innovation in the public sector. It also seeks strategic partnerships to promote innovation.

Achievements in 2016/17

The Social Services portfolio supported ten projects during the year, two of which are discussed below.

**GTAC supported education outcomes via the Department of Basic Education and the National Education Collaboration Trust.** The project, which concluded in 2016/17, involved participating in education dialogues, assisting the development of a referral model for psychosocial care for learners, and supporting two case studies. The first case study was on the district education improvement programme, which encourages stakeholder involvement in education. The objectives of the research were to:

- Understand how district steering committees function as a key element of the District Improvement Programme.
- Identify their roles, whether they fulfill their mandate, and where they need support.
- Identify the variables that lead to some committees being particularly successful.
- Assess whether this model could be replicated in other districts.

The case study concluded that these steering committees are an important addition to the district development field.

A second case study reviewed improvements in the National Senior Certificate Examinations since 1994. This examination system was chosen because it is run without glitches, despite being second only to the local government elections in size. This was not the case 20 years ago, when examination papers were often leaked and many schools did not receive their results. The case study attributes this turnaround to the fact that the examination process was standardised and centralised, the ongoing public and political pressure on the system, and the support and lack of interference from top management. More stringent monitoring and reporting requirements also played a role, as did the introduction of technology-based systems.

The case studies were launched at a multi-stakeholder session in early 2017, and are being used to inform policy improvements in other areas of the education system.
GTAC is supporting the Department of Higher Education and Training with the establishment of a skills planning unit. The White Paper on Post-School Education and Training observes that “although South Africa has put in place a range of ambitious measures to improve skills planning, the system has neither produced good information about skills needs, nor increased the quality of provision in areas needed by the economy”. This unit will aim to produce a long-term plan for the post-school education and training system, provide labour market information and intelligence, and support monitoring and strategic planning in the department. GTAC’s support includes producing a map of skills planning activities in the post-school education and training sector, and developing a service delivery model and organisational structure for the unit. The latter has already been completed.

GTAC is also assisting the department with repositioning the National Skills Authority as a centre of excellence in monitoring and evaluating the sector education and training authorities. The aim is to develop a business case to reposition the entity in line with the White Paper in order to improve its effectiveness and strengthen its monitoring and evaluation role. A monitoring and evaluation framework was finalised and discussed at the recent Skills Conference.

4. PUBLIC EXPENDITURE AND POLICY ANALYSIS (PEPA)

PURPOSE

The purpose of this subprogramme is twofold:

• To provide analysis of and insights into the performance, cost-effectiveness and expenditure trends of selected government programmes

• To assist responsible authorities and stakeholders in assessing the financing and service delivery implications of policies and programme design, for both current and new areas of service delivery.

OVERVIEW

Performance and expenditure reviews are widely used internationally to quantify, assess and improve the cost-effectiveness of public policy and spending. They involve scrutinising both expenditure and programme performance data, and are also used to assess the cost implications of legislative changes and policy choices. These reviews analyse allocation and spending patterns across all spheres of government, public entities and frontline service delivery sites, and provide an in-depth understanding of historical expenditure patterns. While they primarily generate proposals for improving budget allocations over the medium term, they also examine the links between policy intent and programme design, based on rigorous analysis of the underlying causal relationships. They offer a detailed assessment of the implementation logic of policy initiatives, which allows critical performance measures to be developed across all aspects and geographical locations.

1. National Student Financial Aid Scheme: Total loan book of R21.5 billion, with a (conservatively calculated) return of 2%. Dropout rate among students on the scheme is 64%.

2. Border management: R3.8 billion present expenditure, of which 80% is on salaries.

3. Social housing: Private sector not getting involved as the perceived risks are too high. About 2,600 units per year being built.

4. Technical and vocational education and training: Only 3–7% of students graduate within the required timelines, which exponentially increases the cost. Meeting the targets of the National Development Plan at the current rate of graduation would cost R31 billion.
The production of technical reports and costing or expenditure models is often the first step in a longer process of reform. Considerable consultation is frequently required as stakeholders process the implications of the reviews. Within the National Treasury, intensive training on the methodologies of the review process has been initiated to improve the capacity for budget analysis. The publication of the performance and expenditure reviews has stimulated interest in and understanding of the challenges of policy implementation and expenditure management.

The strategic plan for this subprogramme includes the following initiatives:

**Focus on provincial expenditure reviews:** The 2017 performance and expenditure reviews will cover identified areas of provincial expenditure. This will allow new, topical areas to be identified and expose provincial staff to the analytical rigour of the review methodology. The reviews should help to strengthen public accountability, develop and benchmark impact, and influence policy decisions to improve development targets and outcomes.

**In-depth review of personnel expenditure:** In 2015, an analysis of personnel expenditure trends (using PERSAL datasets) was initiated on behalf of the Budget Office, beginning with a set of central administration departments. This analysis will proceed per sector, in collaboration with provinces and relevant departments.

**Capacity building in policy analysis and expenditure reviews:** In the planning period, GTAC aims to:
- Provide training on the expenditure review methodology within the National Treasury.
- Promote public expenditure and policy analysis as a research and postgraduate focus area.
- Probe new areas of analysis using administrative data sets along with conceptual mapping of government systems and service delivery models to improve policy decision-making and implementation.
- Collaborate on the development of a data portal to systematise government’s expenditure information and make it more accessible.

*In conversation with Ronette Engela, Head of GTAC’s Public Expenditure and Policy Analysis unit*

Since 2013, 31 performance and expenditure reviews have been produced, initially as a joint project with the Department of Planning, Monitoring and Evaluation and since 2015 as GTAC. In 2016/17, the unit focused on preparing these reviews for publication (including drafting summaries and going to Parliament), conducting personnel expenditure reviews (called “remuneration analysis and modelling”), and reviewing the higher education sector. The performance and expenditure reviews are highly technical documents, which provide powerful information for in-house discussions. They are used in the Treasury’s Budget discussions, its interdepartmental discussions, and in its interactions with the Presidency, for example. The summaries prepared during the year make these reviews widely accessible. The audience we want to reach includes practitioners, government officials, activist non-governmental organisations, researchers, journalists, and the oversight and accountability components of government. The full reviews, as well as the summaries, are on the GTAC website.

A performance and expenditure review is triggered when somebody somewhere identifies that there is something important they don’t know. What they do know is that GTAC is the right institution to come to. We’ll have a set of discussions, and then make the decision whether to do the review. Internationally, it is remarkable that we have developed a methodology that allows us to do a full review in ten months when the norm is about two years. GTAC’s methodology is much faster but maintains the rigour. The Treasury’s Budget group are our core

‘People are always saying: “We don’t know enough. We want to know more.” They know they can come to GTAC for answers, because they’ve seen what we’ve done.’
clients: Intergovernmental Relations, Budget Office and Public Finance. We use Treasury structures to interface with the rest of government. GTAC’s partnership with the Treasury is important, because it brings us a certain authority. We’re not speaking on behalf of the Treasury, but we have their stamp of approval. Because GTAC is close to the Treasury, we are aware of and understand the fiscal pressures government is working within.

No one institution or person can do everything, which is why the GTAC model is based on partnerships with a range of institutions, functional units in GTAC, a cadre of long-term advisors, and a panel of short-term service providers. We configure the best team for a particular project. The team dissolves when the project is done, and we create a different team for the next project.

“In the decision-making components of the machinery of government, the performance and expenditure reviews immediately provide important information.”

In 2016/17, we developed and ran a training course on GTAC’s performance and expenditure review methodology for selected Treasury budget officials. We are in the process of producing a training manual, and there is interest from some of our partner research institutions in incorporating our training into their courses. The methodology is spreading in various ways. In 2016/17, GTAC brought this methodology into a Phakisa lab, and it has strengthened the Phakisa methodology.

Many of the impacts of the reviews take two or three years to become evident: these are budget shifts, the redesign of policy parameters, and so on. For example, the early housing expenditure reviews raised some concerns about the housing budget structures in various provinces. GTAC made housing departments aware of these concerns and suggested possible reforms, which were then driven by both the Treasury and the national housing department. The reforms now allow for a clearer understanding of the costs associated with housing.

“GTAC has constituted itself as an intellectual space. GTAC holds and shares knowledge. We cultivate curiosity.”

We’ve been doing the remuneration analysis and modelling sector by sector. We had a first phase of analysis, but we could not get the level of detail we wanted. In January 2016, we got enhanced processing capacity in the form of the powerful new server. A new long-term advisor joined us in May and started phase 2, which is delivering much better information. For example, we picked up that a certain sector had a net loss of 15,000 employees – which they

In 2016/17, we published many of our remuneration analysis and modelling reviews, which aim to understand the fiscal pressures around government employment. The trigger for this work was not a client request, but an analytical, methodological trigger. We had gone into government’s basic accounting system data, and we wanted to see if we could apply our methodologies to Persal, government’s integrated human resources, personnel and salaries system. This is a new offering, developed by GTAC. It is part of how GTAC is shaping itself as a centre that analyses large data sets. GTAC also has to cultivate a demand for this kind of analysis, which is our advocacy role.

GTAC does not simply fulfil its technical functions and move on. It is a thinking, creative space. We reflect and we adapt and we reuse. GTAC is becoming the hub for knowledge and best practice in the public sector. It has its own knowledge products, years of experience, and a fantastic network of informed partners.
didn’t know. Many departments don’t have access to the data and information they need. Their systems don’t pick everything up.

2016/17 was also largely taken up with the higher education spending review. We did a comprehensive study of spending on post-school education and training, and developed an extensive model that helps people understand the sector.

The purpose of GTAC’s spending reviews is to provide insights into how policy design and implementation can be improved. The reviews provide reliable numbers on the fiscal impact of decisions. Without those numbers, huge decisions are made with inadequate information. So GTAC’s work augments the Treasury’s understanding of the fiscal implications of policy and implementation decisions.

Themes and lessons from the performance expenditure reviews

Policies are sometimes designed and implemented with unrealistic expectations of the availability of funding. Several performance expenditure reviews identified affordability challenges, sometimes related to the mechanisms and sometimes because policy commitments or time frames were too ambitious relative to the scale of need. A related problem is that short-term measures adopted to address a policy goal often have unanticipated medium- and long-term budgetary implications, leading to new sources of budget pressure.

Policies that require the realignment and/or redesign of government structures are often unable to achieve this. Programme implementation sometimes involves an implicit reframing of objectives and functions beyond the capacity of existing government structures or perhaps the scope of current law, creating accountability and oversight challenges. One manifestation of this is that expenditure on corporate services by some government agencies has expanded beyond reasonable limits. Intergovernmental cooperation poses special challenges and makes a commitment to effective performance monitoring and evaluation even more important. Policies and programmes that require collaboration, cooperation and integration among multiple departments, spheres of government and state-owned entities, and that require funds to flow between them, are especially challenging to design, implement and reform.

2.3. PROGRAMME 3: PROGRAMME MANAGEMENT SERVICES

In 2011, the National Treasury established a project management unit for the Employment Creation Facilitation programme (the Jobs Fund). The Jobs Fund is a multi-year, R9 billion partnership programme to support innovative employment initiatives. It is a subprogramme within the Treasury’s Programme 8, and its activities are recorded under Employment Creation Facilitation. GTAC’s programme management services unit is responsible for implementing the programme on behalf of the Treasury. In view of the success of this initiative, the Office of the Accountant-General and the Treasury’s Intergovernmental Relations Division requested GTAC to manage the administration and procurement of the Treasury’s Municipal Finance Improvement Programme.

As GTAC begins to refine its business strategy and operations, it sees a strong business case for providing administrative management support for the establishment of programme management units. The GTAC strategy and organogram therefore provide scope for supporting the procurement, finance and administrative requirements of project management units on a demand-led basis.

Achievements in 2016/17

In the year under review, GTAC established the project management unit for the Municipal Finance Improvement Programme and continued to provide administrative management of the Jobs Fund project management unit.
Costs for administering the Jobs Fund are reflected in GTAC’s accounts and are recovered from the Treasury. The project management unit manages disbursements to Jobs Fund partners and maintains a disbursement account through which these payments are administered on behalf of the Treasury. It also oversees the REDI project, based at the South African Labour and Development Research Unit at the University of Cape Town, and the associated Econ3x3 website.

On behalf of the Office of the Accountant-General, GTAC has established a project management unit for the Municipal Finance Improvement Programme, and contracts advisors to municipalities and the national and provincial treasuries as part of this initiative. The programme supports reforms in municipal financial reporting and the implementation of sound financial management in municipalities. It reports to a steering committee chaired by the Accountant-General.

**JOBS FUND MANAGEMENT UNIT**

Through the Jobs Fund, the Employment Creation Facilitation programme supports innovative partnership-based approaches to sustainable employment creation; it also supports research into employment, income distribution and inclusive growth. The Jobs Fund operates on challenge fund principles and allocates matching grants through a competitive, open and transparent application process. Project allocations are made by an independent investment committee. To date, seven calls for proposals have been issued. The objective is to support initiatives that innovatively catalyse new employment creation models that can be replicated and scaled up. The Fund offers one-off grants in the areas of enterprise development, infrastructure, support for job seekers and institutional capacity building.

The Fund has made steady progress against its targets and exceeded several of these, including the matched funding leveraged indicator and the placement of job seekers in vacant permanent positions. Since inception, 140 projects have been approved against a target of 130; 15 withdrew before contracting (leaving 125 on the approved portfolio) and 106 are currently in implementation. The quality of proposals submitted largely determines the number of projects approved. It is anticipated that the Fund will reach the targeted number of projects approved upon finalisation of the seventh call for proposals.

In 2016/17 the sixth call for proposals, which focused on catalysing innovative job creation models, was concluded. Many of these projects are in full implementation. The fund received 262 concept note applications for this round, with 21 projects finally being approved. A total of R1.09 billion has been allocated for these projects, which are expected to create 20,108 permanent jobs and 9,928 placements in vacant positions over their implementation period.

A particular focus of the Jobs Fund is reducing unemployment among women and young people. About 60% of the permanent jobs created to date have gone to women and young people, while previously disadvantaged individuals account for 98% of the permanent jobs in the portfolio. In support of youth employment, the Fund is supporting job creation initiatives that address the mismatch between skills, labour supply and labour demand.

A mid-term evaluation indicates that the Jobs Fund presents good value for money in terms of economy, efficiency, potential for sustainability, and equity. Since inception the Fund has supported several impact-maximising projects, one of which is the Trust for Urban Housing Finance (TUHF) Jobs Fund Leveraging Project. TUHF is a specialist inner-city commercial property financier that provides funding to small, medium and microenterprises. The R200 million grant funding allocated to it during the Jobs Fund’s third call for proposals (infrastructure) is being used to implement a R1 billion funding structure for new and existing entrepreneurs, especially previously disadvantaged individuals, to purchase and construct about 200 residential buildings. The project has thus far leveraged R1.06 billion against the grant. Not only has it increased access to finance for previously excluded entrepreneurs, it has also created direct permanent jobs in both the construction and the management phases of the developments and many more indirect jobs in the inner city. “Rapid urbanisation presents opportunities for inner city investment”, says TUHF co-founder and chief executive, Paul Jackson. “The concentration of economic activity provides for diverse entrepreneurial and employment prospects,” he adds.
MUNICIPAL FINANCE IMPROVEMENT PROGRAMME MANAGEMENT UNIT

Phase II of the Municipal Finance Improvement Programme was a hands-on capacity building programme to improve the management of local government’s financial affairs. The programme placed technical advisors in municipalities’ budget and treasury offices and in provincial treasuries’ municipal finance management units to help them implement the National Treasury’s local government budget and financial management reform agenda. The second phase was concluded on 31 March 2017.

The programme supported municipalities and provincial treasuries in two ways. The first was institutional – helping them capacitate their budget and treasury offices by appointing officials who could ensure compliance with the Municipal Finance Management Act (No. 56 of 2003). It also built the capacity of staff through training and development. The second was technical – assisting these officials in ensuring compliance with the municipal accountability cycle (e.g. strategic planning, budgeting, in-year implementation and compilation, annual financial statements, annual reporting, internal auditing, oversight and supply chain management).

In addition, the programme assisted targeted municipalities with the implementation of the Municipal Standard Chart of Accounts (mSCOA), which was promulgated in 2014 with a legislated compliance date of 1 July 2017. It also supported targeted municipalities in addressing priority outcomes from the 2015 financial management capability maturity model assessments, as well as issues raised by the Auditor-General in its consolidated outcome reports in terms of the Municipal Finance Management Act (e.g. risk management, asset management, billing and revenue management, and audit outcomes).

By year-end, the programme was providing support in the following areas:

• General financial management: 38 municipalities, with an eventual target of supporting 49 municipalities.
• Improving the capacity of provincial treasuries to monitor, oversee and support local government: four provincial treasuries; only two completed the programme following the resignation of their advisors.
• Integrated infrastructure and asset management system, including accounting and audit support: 20 municipalities.
• Implementation of the mSCOA regulations in municipalities: six provincial treasuries.
• Improving local government financial management (e.g. revenue, budgeting, assets, audit and the financial management capability maturity model): support provided by five specialists.

In 2016/17, 37 municipalities were supported through the placement of long-term advisors. A further eight advisors were based in the National Treasury, providing specialist assistance to municipalities and provincial treasuries in key financial management disciplines, while seven advisors provided programme management services within the project management unit.

A total of 7,378 training sessions were completed and 1,063 officials were trained during phase II. In 2016/17, municipalities received 3,937 training sessions from resident advisors (up from 2,553 in the previous year). This increase is mainly due to the larger number of municipalities supported during the year under review.
The programme steering committee for phase II approved the launch of an integrated infrastructure and asset management project in nine pilot municipalities identified by the respective provincial treasuries. The overall results were positive. By the time the asset management project was officially concluded on 31 January 2017, it had supported 24 municipalities through three service providers from 2014/15 to 2016/17. The number of audit queries on municipal assets has fallen significantly. Fourteen municipalities obtained unqualified audits in respect of assets, while ten indicated audit concerns (e.g. on valuations and insufficient supporting documentation). The challenge was a failure by municipalities to pass audit findings on asset-related issues to the appointed service providers. Meetings to discuss asset management project close-out reports were arranged with all affected sites and close-out reports have been sent to the municipal management.

Contract management support was provided to 43 municipalities in KwaZulu-Natal for the development of contract registers, filing methods, contract reviews, standardised contract management and a provincial contract management framework. Over 3,000 contracts were captured and filed. Other activities included on-the-job training, the identification of potential irregular expenditure, and the selection of a sample of contracts for financial and legal reviews. Almost 500 contracts were reviewed.

Over the lifespan of the project, 5,821 officials and stakeholders have received mSCOA-related training by 31 March 2017. Towards the end of the project, a strategic partnership was concluded to outsource project-related training (both accredited and non-accredited) through a strategic partnership with the Certified Institute of Government Finance Audit and Risk Officers, in cooperation with the South African Local Government Association, with effect from 1 December 2016.
‘The aim of a performance and expenditure review is to identify options for greater value for money in public expenditure, and in the context of South Africa’s fiscal consolidation and the need to find savings, the tools of GTAC’s PER methodology become especially useful.’

(GTAC News Edition 8/April 2016)