

PERFORMANCE INFORMATION

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1. PERFORMANCE ENVIRONMENT

1.1 SITUATION ANALYSIS

The Macro Environment

Political uncertainty has resulted in institutional instability, with low growth rates affecting revenue generation and collection. Combined with relatively rapid growth in the public sector wage bill, this economic stress has led to resource constraints across government. In addition the impact of real and perceived levels of corruption has created an uneasy socio-political environment that together with the economic downturn, has made it challenging for government to expand its activities.

GTAC has been affected by these government-wide resource constraints, both directly, as its budget has been constrained, and indirectly, because the budget pressures facing its client departments has hampered their ability to commission work from GTAC.

Internal GTAC constraints

GTAC's business model, which combines a core team of technical and management staff with advisory consultants, brings many advantages. Chief among these is that it allows for the flexible matching of dynamic teams to deliver cost-effective, quality advice to government clients. However, the model can only succeed if institutional, governance and managerial systems of leadership are effective. GTAC has been refining its institutional and governance arrangements, but the delay in finalising the appointment of the head of the institution has affected organisational culture and staff morale.

The question about how to best design an institutional model that is fit-for-purpose, delivering excellence to clients while providing sound governance, is foremost in GTAC's thinking. It is anticipated that the new strategic planning cycle will bring with it the opportunity to clarify institutional arrangements for the most appropriate business model. This will include considering the implications of GTAC's value proposition for the institutional model. An important governance issue to be resolved is the establishment of an Advisory Board to guide and oversee GTAC's business. The Board will be constituted in the next financial year. The oversight will be provided within clearly defined parameters, which include the appropriate use of professional services, the financing model and partnership arrangements.

1.2 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.

GTAC's mandate includes a shared learning approach. The value of shared learning across government improves systemic efficiencies, as well as opportunities for better intergovernmental collaboration. This approach encompasses a focus on developing strategic partnerships, generating external publications, improving communications, and strengthening other knowledge management initiatives to optimise learning across government.

STRATEGIC OUTCOME 2

Advisory and technical support services are focused on 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
- Performance expenditure and policy analysis.

These areas of work are supported by internal professional and administrative staff, as well as long and short term technical expertise, contracted for specific assignments. Strategic partnerships with academic and research institutions contribute to expanding GTAC's knowledge base and are used strengthen its advisory and support interventions as well as generate shared learning opportunities.

STRATEGIC OUTCOME 3

GTAC enables the efficient functioning of project management units, based on requests received by its principal, the National Treasury. GTAC support includes programme and project administrative and resourcing support. An important by-product of this support is the shared learning opportunities available to share across GTAC's business units as well as with client departments as appropriate.

The two project management units currently being managed include the Jobs Fund (JF) and the Municipal Finance Improvement Programme (MFIP). They each have very specific governance and financial accountability arrangements through which their programmatic decisions are made. The Jobs Fund Investment Committee has the responsibility for and authority over the content of the programme, including investment decisions and performance and governance oversight. The Office of the Accountant-General has the responsibility for and authority over the content of the MFIP, its governance arrangements as well as its performance.

GTAC's administration costs are reflected in its accounts and are recovered from the National Treasury. These two programmes form part of Programme 8 on the Treasury vote.

Jobs Fund: This project management unit oversees a portfolio of grant-funded employment facilitation projects, undertaken by a range of private and public sector implementing partners.

Municipal Finance Improvement Programme: This project management unit supports the national and provincial treasuries and targeted municipalities to strengthen municipal financial management.

2. PERFORMANCE INFORMATION PER STRATEGIC OUTCOME

2.1 PROGRAMME 1: MANAGEMENT AND SUPPORT SERVICES

Purpose

To provide proactive leadership that enables effective stakeholder management to optimise opportunities for shared learning and efficient knowledge management.

Outcome Statement

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

Overview

GTAC's mandate includes a shared learning approach. This encompasses a focus on leading in the development and management of strategic partnerships to deliver on its mandate; improving communications, including the generation of publications; and strengthening knowledge management systems for optimal shared learning.

2.1.1 TABLE 1: STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS FOR PROGRAMME 1

PROGRAMME 1 MANAGEMENT AND SUPPORT SERVICES				
#	KEY PERFORMANCE INDICATOR	2017/18 TARGET	2017/18 ACTUAL	REASON FOR DEVIATION
SO1.1	Strengthen strategic partnerships to influence the quality and rigour of public policy advocacy efforts delivered through GTAC			
1.1.1	Develop and implement a public policy capacity building programme	Deliver annual Winter School for public economics	Public economics annual Winter School successfully delivered	n/a
		Manage annual graduate bursary programme	Bursary programme managed	n/a
1.1.2	Develop a guideline for strategic partnerships	Finalise and approve partnership guideline	Partnership guideline finalised and approved	n/a
1.1.3	Implement delivery of a number of key partnerships	Sign 6 MoUs and MoGAs to meet business priorities and targets	4 Signed MoUs to meet business priorities and targets	Agreements are signed to reflect business priorities. The anticipated agreement with Global Affairs Canada was not signed as a no cost extension on the existing agreement was granted
1.1.4	Strategic management of partnerships to improve visibility and reach of GTAC's work	6 Stakeholder engagements with identified partner groups	6 Stakeholder engagements with identified partner groups	n/a

Legends	Definitions	Percentage range
Green	Achieved	100%
Orange	Partially Achieved	50% to 99%
Red	Not Achieved	0% to 49%

2.1.2 PROGRAMME 1 OUTPUTS

Public Economics Building Initiative

GTAC's Public Economics Capacity Building Initiative, has, in partnership with the Treasury, successfully delivered the 2017/18 Annual Young Graduates Public Economics Winter School. The focus of this week-long event is to stimulate the interests of young economists in a career in the public sector, by exposing them to the realities and challenges of public policy decision-making. A range of global and local experts and practitioners convened in July 2017 to discuss, debate and encourage innovative thinking about how to deal with public policy challenges. 80 post-graduate economics students were selected to participate in this event, together with a host of young economists from across government, including the National Treasury, SARS and the SA Reserve Bank.

This year also saw the selection of a second tranche of recipients of a masters' bursary from GTAC. The six successful graduates competed in a rigorous process of selection and were awarded a bursary of R150,000 each for the two years of study. Upon the successful completion of their studies, they will be invited to complete a two year internship programme within the National Treasury and/or GTAC. In February 2018 an intensive two-day on-boarding session was held during which the students were introduced to their mentors, and learnt about the various divisions within the National Treasury. This mentorship programme has been thoughtfully constructed to assist the students on both a professional as well as personal basis, where they have access to individual coaching as part of the programme. A module has been developed which includes a comprehensive approach to the development of the Student mentorship programme. This work will be expanded as the programme grows and is institutionalised.

The Public Economics Capacity Building Programme (PECB) initiative is generously supported by the Government of Canada who are committed to supporting efforts to deal with the challenge of youth unemployment as well as building state capability. This programme forms an important contribution to government's efforts to building a pipeline of young professionals who may be recruited to work in the public sector.

Also within the reporting period, Global Affairs Canada provided its commitment to ongoing support by extending the framework agreement with GTAC and Department of Planning, Monitoring and Evaluation until March 2021. This extension provides an excellent opportunity for refining a work programme which more directly meets the priorities of both the South African government as well as those of the Government of Canada. An end of programme review will be undertaken within the current financial year, to assess the impact of the work funded to date, and may inform the design of new priorities within the broad frame of building state capability.

Strategic Partnerships

GTAC developed guidelines to inform planning on how best to leverage off partnerships. The guidelines will be reviewed annually to reflect lessons learnt, capture shifts in partner priorities, and align with GTAC's emerging thinking and business prioritisation.

During the reporting period, GTAC signed four new memoranda of understanding with academic and research organisations to improve client delivery. These include:

- UNU-WIDER
- CSIR Meraka Institute
- The Centre for Affordable Housing Finance (CAHF) and
- The Western Cape Economic Development Partnership.

International Development partners include the Canadian government, the European Union, the Flanders government (piloting outcomes-based budgeting), and the German government (GIZ funding for a public finance project in the Treasury). Possible assistance from the UK Prosperity Fund is under discussion. Development partner agreements and priorities are discussed and agreed with the full participation of the National Treasury's International Development Cooperation directorate.

With the support of the European Union's Capacity Building Programme (CBPEP), GTAC initiated three institutional development projects during the year to build critical capacities: (1) knowledge management, (2) the development of partnering tools, and (3) strengthening its business model. The knowledge management strategy has already been launched. Communication across the organisation has started; this will form an important component of the design of GTAC's new strategy, which will be concluded in the current financial year.

Economies of Regions Learning Network (ERLN)

GTAC manages the Economies of Regions Learning Network, a platform for communities of practice in the regional economic development space that focuses on the inclusive growth agenda. The Network supported the Cities Support Programme on two important programmes over the reporting period. First, it helped convene the 'Innovation in Public Employment in Cities' workshop to explore instruments and tools cities can use to enhance the implementation of the Expanded Public Works Programme. Second, it helped manage a series of policy dialogues on urbanisation. These drew on evidence-based analysis to identify the socio-economic and fiscal costs of the current urban spatial patterns; the challenges facing strategies for housing, transport and industrial development strategies; and their institutional and fiscal dimensions.

Another initiative was the hosting of a business seminar with the Buffalo City Municipal Development Agency on 'Stimulating the Potential of Coastal Cities'. The seminar focused on the opportunities available to coastal cities to enhance economic potential, including using City Improvement Districts as enablers of economic development. The Network also helped develop a Youth Conversations for Action Partnership to promote a basic package of support for youth development. The Universities of Cape Town and Johannesburg and the DG Murray Trust are among the lead partners in this initiative. Finally, the Network designed a programme on 'Innovations in Data' at the request of the Department of Planning, Monitoring and Evaluation in support of the United Nations' first African Monitoring and Evaluation Indaba. It helped identify recommendations on how to harness big data, administrative data and civic technology to inform decision-making by development practitioners.

2.2 PROGRAMME 2: TRANSACTION AND ADVISORY SERVICES

Purpose

To contribute to identified organisational and advisory needs in government to address the broader challenges of public sector governance, analyses and capacity building.

Outcome Statement

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

Overview

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

- Transaction advisory services and PPPs
- Capital projects appraisal
- Technical consulting services
- Performance expenditure and policy analysis.

These areas of work are supported by internal professional and administrative staff, long-term advisors and technical expertise contracted for specific assignments. Strategic partnerships with research institutions and other centres of expertise contribute to the development of advisory and support interventions and systematic management of knowledge and publications.

2.2.1 TABLE 2: STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS FOR PROGRAMME 2

PROGRAMME 2: TRANSACTION AND ADVISORY SERVICES				
#	KEY PERFORMANCE INDICATOR	2017/18 TARGET	2017/18 ACTUAL	REASON FOR DEVIATION
SO 2.1	Provide advisory services to organs of state to plan, contract and execute PPPs in large or complex infrastructure transactions			
2.1.1	Number of transaction advisory projects registered (cumulative)	15	19	Over performance is attributed to increase in user demand for the requests of transaction advisory projects
2.1.2	Number of PPP foundation capacity building events	4	4	n/a
2.1.3	Number of PPP municipal capacity building events biannually	2	2	n/a
2.1.4	Number of codes and rules updated	2	1	The listing requirement for project bonds code and rule was updated. The second code and rule, Tax increment financing code is in the process of being updated but not finalised yet
SO 2.2	Assist the National Treasury in its review and assessment of infrastructure investment proposals and feasibility studies			
2.2.1	Number of capital projects advisory reports completed (cumulative)	5	38	The significant over achievement on the target is largely attributed to work done under the Budget Facility for Infrastructure (BFI), which is a new initiative directed by Cabinet
SO 2.3	Provide advice and support to centre-of-government departments and organs of state to strengthen capacity			
2.3.1	Number of technical advisory projects supported (cumulative)	120	80	In the year under review GTAC selected medium term and more likely impactful projects, whilst building the capacity of client departments, hence the reduced number of projects supported

PROGRAMME 2: TRANSACTION AND ADVISORY SERVICES				
#	KEY PERFORMANCE INDICATOR	2017/18 TARGET	2017/18 ACTUAL	REASON FOR DEVIATION
SO 2.4	Provide analysis and insights into the performance, cost-effectiveness and expenditure trends of selected government programmes			
2.4.1	Number of performance and expenditure reviews completed	10	9	1 review terminated due to the lack of support from the Stakeholder department
2.4.2	Number of personnel expenditure analyses reported	5	5	n/a
2.4.3	Expenditure and performance manual completed	1	1	n/a
2.4.4	A master's level; semester course developed	1	0	No interest was received from the academics in a Masters level semester course GTAC will stimulate the interest by publishing on peer review journals

Legends	Definitions	Percentage range
Green	Achieved	100%
Orange	Partially Achieved	50% to 99%
Red	Not Achieved	0% to 49%

2.2.2 PROGRAMME 2 OUTPUTS

TRANSACTION ADVISORY SERVICES AND PPP UNIT

The Transaction Advisory Services unit provides specialised support for procuring infrastructure through both PPPs and conventional procurement mechanisms. Its support often extends beyond the conclusion of the procurement processes into project implementation. The unit also provides advisory support, on demand, in the planning, contracting and execution of PPPs and other large or complex infrastructure or public service transactions. Transaction support services include advice on regulatory requirements and good practice on a range of national, provincial and local government transactions, including precinct development and government accommodation projects, the implementation of alternative energy technologies, IT services, special economic zones and hospital services. Other service elements include monitoring and advice on project implementation and contract management of existing PPPs. The unit also seeks to improve arrangements for infrastructure financing to enhance the role of the private sector in the social and economic investment aspects of infrastructure procurement.

The unit's capacity building initiative on PPP legislation and regulations has attracted significant interest from foreign governments, including several African countries and the UK. Thus, for the third consecutive year, it held a biannual municipal PPP training event, which was well attended. Within South Africa, the unit continues to provide quarterly training and capacity building in the development and implementation of national and provincial PPPs.

During the year, the PPP unit registered 19 transaction advisory projects (against a target of 15), owing to a large increase in the demand for partnership projects. The 19 projects are:

	<p>Sentech Pan African Satellite Dr Kenneth Kaunda: Biogas energy plant Govan Mbeki: Green energy Ilembe District Municipality: ICT/broadband infrastructure</p>
	<p>Northern Link College Polokwane: Student housing programme Establishment of an asylum processing centre in Lebombo Gauteng: Schools project</p>
	<p>Mtubatuba Local Municipality: Office building Limpopo: Legislature complex Limpopo: Commercialisation of provincial reserves</p>
	<p>Limpopo: Vehicle impound Free State provincial treasury: Weigh bridge</p>
	<p>Dr Kenneth Kaunda: Regional meat processing plant</p>
	<p>Free State: Xhariep solar</p>

	South African Revenue Services: Track and trace project
	Witzenburg Municipality: Winelands Agro-port
	Free State: Parys Hospital
	Limpopo: State theatre mixed-used development

The unit also continues to oversee the implementation and contract management of existing infrastructure PPPs. This commonly includes revisions of or adjustments to PPP agreements to accommodate changing needs, sometimes with significant financial consequences. The Transaction Advisory Services unit assists in making the required changes efficiently and in accordance with Treasury Regulation 16. This year, its continuous specialised transaction support included:

- Advisor to the Gautrain Management Agency, providing transaction advisory services on the proposed procurement of 48 additional passenger coaches and the extension of the rapid rail system;
- Assisted the Johannesburg Stock Exchange with developing listing requirements for project bonds as a ring-fenced alternative for financing public services infrastructure (came to fruition in January 2018). The potential for tax increment financing as another alternative financing mechanism for infrastructure projects is also being explored.
- Assisted the Midvaal Local Municipality in undertaking a feasibility study for a competitive tender for the upgrade, rehabilitation and extension of the municipal electricity distribution system.
- Assisted the Department of International Relations and Cooperation in procuring office accommodation for South African representatives to the United Nations..
- Assisted the Department of Higher Education and Training in assessing the potential for acquiring student accommodation through PPP processes.
- Assisted the Department of Higher Education and Training in developing a combined loan/grant university student bursary scheme with 'wrap-around' support from the South African business and financial communities..
- Assisted the Department of Home Affairs in a request for qualifications tender for the redevelopment of six land ports of entry, the granting of a partial exemption from PPP requirements for its smart ID card programme, and the completion of a feasibility study on its Lebombo refugee processing centre.

CAPITAL PROJECTS APPRAISAL UNIT

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. It provides analytical and advisory capacity to facilitate the appraisal of large and complex projects in the energy, transport and water sectors. The demands on the unit are continually growing from various divisions of the National Treasury.

During the year under review, the unit assisted the Treasury in conceptualising a Budget Facility for Infrastructure, as part of the ongoing budget reforms. The facility aims to improve the rigour of technical assessment and budgeting for full lifecycle costs of projects. To institutionalise the facility, an initial call for submissions was made and a total of 38 projects met the submission requirements. The unit assessed 35 project proposals and prepared appraisal reports on them. The outcome of the assessment process highlighted the need for stronger project preparatory support to sponsoring departments.

The unit continued its support on transport sector issues and hosted three Transport Forum sessions; these are seminars on pertinent issues such as project appraisals, policy options and funding considerations of transport infrastructure and services. It completed a financial model of an Integrated Public Transport Network to help the National Treasury assess the rigour of budget applications received for Public Transport Networks Grant support. It also completed an analysing of the elements of the patronage guarantees on the existing phase of the Gautrain project; this was shared with the National Treasury. This work enabled the unit to respond rapidly to Treasury's request for assistance in considering the application for the Gauteng Rapid Rail Integrated Network route extensions.

The unit provided further support on energy matters, focusing on the disruptive potential of renewables. Its report concluded that while renewables have great potential to provide more cost effective energy, the challenge of curtailment and the need for steep ramping of supply during peak periods require further investigation.

IN CONVERSATION WITH BOITUMELO MASHILO ON SUPPORT FOR CAPITAL BUDGETING AND FINANCE REFORM



Boitumelo Mashilo, head of GTAC's Capital Projects Appraisal unit, explains how the unit and the National Treasury collaborate to make decisions about government investment in infrastructure.

GTAC's legislative mandate comes from National Treasury's responsibility to promote transparency and the effective management of public finances and to assist organs of state in building their financial management capacity. Ongoing budget reforms to improve the quality of fiscal spend and build technical capacity to plan, procure and deliver infrastructure efficiently are part of this responsibility.

The Capital Projects Appraisal unit's latest strategic plan emphasises providing support for capital budgeting and financing reform. 'This focus area acknowledges that the way government plans and finances infrastructure must constantly be improved,' says Boitumelo Mashilo, head of the unit, 'and we are mandated to assist the National Treasury to conceptualise possible reforms.' This year, the unit assisted with the Treasury's budget facility for infrastructure. 'On any project we work on we're not just concerned with the fiscal impact, but rather with the broader elements that make infrastructure projects successful – including building financial management capacity in organs of state. Our approach is proactive and designed to build capacity as we engage. We actively engage organs of state; we publish guidelines and methodologies; and we workshop with stakeholders,' Mashilo says. 'But in the current reform initiative our impact is not just happening in the process of our doing business. We're playing an overt role in policy advisory work.'

'We have this interesting relationship with the Treasury, but we're not the Treasury. GTAC was made a separate agency for good reasons.'

TECHNICAL CONSULTING SERVICES UNIT

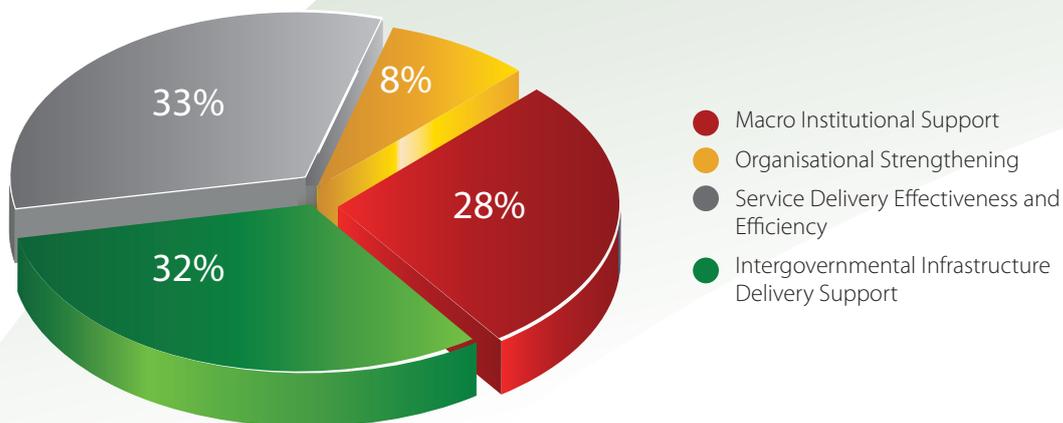
The Technical Consulting Services unit provides advisory support in response to requests from organs of state. The support is adapted to meet their specific requirements and build institutional capacity and accountability. The methodologies include support for strategic planning processes, facilitation, institutional strengthening, and the mapping of implementation modalities against government planning and policy frameworks. The rationale underpinning the selection of methodologies is a focus on outcomes-based planning. Advisory support is holistic and includes leadership guidance and the strengthening of performance management, monitoring and reporting systems.

During the year under review, 80 projects were supported. These projects are organised into two main clusters:

- Economic development
- Social development.

Across these clusters, support was provided in four areas: intergovernmental infrastructure delivery, macro institutional support, organisational strengthening services, and service delivery effectiveness and efficiency, as shown in Figure 3.

Figure 3: TCS projects per cluster



Economic Development Cluster

Two of the 39 projects that were supported in this cluster are discussed below:

1. Saldanha Bay industrial development zone: Business case for a free port at the Port of Saldanha Bay (phase 1)

The Saldanha Bay industrial development zone is a strategic government initiative, linked to the broader strategic framework driven by the National Development Plan and the National Growth Path and governed by the Special Economic Zones Act of 2014. Its unique value proposition is based on two characteristics – a sector-specific initial focus on an oil and gas and marine repair cluster, and the demarcation of a free zone (free port), which includes the Port of Saldanha Bay.

This value proposition is being developed via the Ease of Doing Business model. A best-practice benchmark study, the 5x5 Voice of the Customer, was conducted with the industry to define good practice and build a customer-centric model that will attract investment to the zone. The next step is to identify gaps and devise specific action plans to address these gaps across government. This requires understanding the mandate of the respective departments and the vision for the free port; identifying and mitigating associated risks; confirming the fiscal integrity in the model; and identifying how it could contribute to the national goals of job creation and economic growth.

To this end, the Saldanha Bay industrial development zone, supported by GTAC, started developing a business case for a free port in the area. Given the complexity of the project, this is being done in phases. The first phase of GTAC’s support focused on defining the problem and addressing the tax issues around implementing a free

port. GTAC developed a discussion document setting out the free port concept and proposals to facilitate discussions with the South African Revenue Services and the National Treasury. The next phase of the project, which has now started, focuses on the Home Affairs port-of-entry issues.

To begin resolving some of the process bottlenecks, the project team has successfully initiated discussions with the Revenue Services on six areas:

- The global definition of a free port and reasons why the Saldanha Bay industrial development zone requires this definition;
- The content of the formal application and supporting documentation for a customs-controlled area;
- The extent of the customs-controlled area and the required security;
- The registration requirements for people having access to the customs-controlled area, and the requirements of business enterprises located within the area;
- The duties and functions of the special economic zone operator or a customs-controlled area enterprise; and
- The manner of processing goods through the customs-controlled area including potential customs and excise incentives.

II. Western Cape Department of Economic Development and Tourism: Business Case for Special Economic Infrastructure Entity

GTAC supported the Western Cape Department of Economic Development and Tourism in the development of a business case, for submission to the National Treasury, for a Special Economic Infrastructure Entity. The Department identified the need for a specific legal vehicle for project management and ongoing investment management of special infrastructure projects based on its experience in managing complex infrastructure projects (e.g. the Saldanha Bay industrial development zone, the Atlantis special economic zone, the Cape health technology park, and Design Hub). The Western Cape Government wishes to reduce the number of public entities, preferring to house all its economic infrastructure projects in a single umbrella entity. Such an entity could promote cost-efficiency and enhance synergies in the use of resources.

The business case provides a rationale for 'agencification', while taking into account:

- Significantly tighter fiscal constraints, given the reductions to budgets signalled in the 2016 Medium-Term Budget Policy Statement;
- The differences between the Department of Trade and Industry and the National Treasury's Public Entities Oversight unit around the appropriate corporate form for special economic zone entities and, hence, also for a special economic infrastructure agency.

In shaping the final business case, GTAC conducted extensive client engagements in the Western Cape government team to discuss the proposed responsibilities and functions of the entity in relation to the current responsibilities and functions of the various stakeholders.

Project successes include:

- Highlighting the policy differences between the Department of Trade and Industry and the National Treasury's Public Entities Oversight unit on the appropriate corporate form for special economic zone entities. This has highlighted the need to amend the Special Economic Zones Act to ensure alignment with the Treasury's approach to the consolidation of provincial development finance institutions.
- Assisting the Western Cape in its review of its provincial economic development entities, to understand the role of each entity in the regional economic development strategy and programmatic interventions.

Social Development Cluster

Within this cluster, 41 projects were supported. Some highlights include:

I. Support to Aquaculture Development Fund and Interdepartmental Authorisation Committee initiatives with the Department of Agriculture, Forestry and Fisheries

The Department of Agriculture, Forestry and Fisheries requested an investigation into the feasibility of establishing an aquaculture development fund, in support of the Aquaculture Development Fund working group. The working group is an interdepartmental structure set up after the Oceans Economy Phakisa to explore better financing to this sector, as commercial and emerging players alike struggle to secure grant and loan finance.

GTAC conducted a feasibility study, which confirmed that a range of private and public finance agencies are prepared to fund aquaculture ventures. However, it identified several constraints, the key one being the need for fit-for-purpose financing instruments. Different funders are better suited to fund different stages in this value chain, as their risk appetite and return requirements differ. GTAC also drafted an action plan for discussion with the Public Finance team to ensure that affordability and value-for-money considerations feature strongly in the final recommendations. Through this project, GTAC could make a modest contribution to closing the implementation gap, by combining process improvement methodologies with its knowledge and experience of development and public finance.

II. Readiness Assessment for Deeds Registration Modernisation Programme for the Department of Rural Development and Land Reform

GTAC assisted the Deeds Registration Branch of the Department of Rural Development and Land Reform in conducting a readiness assessment for the implementation of the deeds registration modernisation programme. The purpose of the assessment was to understand the current status of and alignment between the Branch's legislative mandate and strategy in relation to the existing service delivery model and the proposed programme. It also made preliminary recommendations for greater alignment and improved functionality in the context of implementing the programme. The in-depth assessment report highlighted the complex environment of the organisation and critically reviewed the draft business case of the programme. It gave a sobering account of the misalignment of existing initiatives and the work that still needs to be done. The analysis was well received, and the comments indicated that its quality and depth exceeded all previous reviews and that it provides useful advice on the way forward.



CLIENTS SPEAK FOR THEMSELVES

'The project was heavily influenced and surrounded by politics and GTAC was successful in dealing with this in a sensitive manner. The consultants smoothed the ground in the dealings when politicians needed to be consulted.'

'The diagnostic was a very comprehensive and detailed report that covered most of the issues that we were both aware and not aware of. Everyone who came across the report has been satisfied with the overall quality of the report.'

'The main lesson learnt was how to do proper project management. The GTAC personnel were very professional in their field and this rubbed off onto us. Initially, we were only concerned about the end product, but GTAC introduced the diagnostic phase which completely changed our perspective. Going forward, we will be applying the same approach to our other projects.'

'GTAC support gave us a clear direction on what to focus on. The support also assisted us with understanding effective controls mechanisms and business process principles. The support also went beyond by giving us a greater understanding of the fiscal environment and fiscal needs that we will need to address going forward.'

PUBLIC EXPENDITURE AND POLICY ANALYSIS

The Public Expenditure and Policy Analysis (PEPA) 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.

Performance and expenditure reviews (PERs) are widely used internationally to assess the cost-effectiveness of public policy and spending in order to facilitate improvement. PERs are also sometimes used to cost the implications of legislative changes and policy choices.

This year, for the first time, the unit conducted a series of PERs on issues that fall under the constitutional authority of the provinces, providing a platform for testing the methodology beyond the national sphere of government. The focus on provincial functions has helped crystallise concerns about the degree of coordination across spheres of government and the lack of consistency across provinces with regard to institutional configurations, implementation models, reporting systems, and the collection, availability and quality of data.

By year-end, eight provincial PERs and one national PER had been conducted, analysing the organisational and institutional logic of the delivery of a range of services. The unit did not achieve its target of completing ten PERs, as an intended analysis of disaster management across the spheres of government (with a focus on local government) was discontinued because of a lack of support from the Department of Cooperative Governance.

The key findings of the completed reviews were made available to the Treasury to initiate processes of policy reform with the appropriate departments. The following reviews were completed in the year:

- Comparative spending review of catering, laundry and security services at provincial and district hospitals.
- Provincial health services revenue generation
- Cost implications of funding non-governmental organisations based on the National Association of Welfare Organisations and Non-Governmental Organisations (NAWONGO) court judgment
- Comparative spending review of provincial government office rental accommodation
- Cost of management of provincial protected areas and possible cost recovery mechanisms
- Comparative spending review of provincial road expenditure
- Expenditure analysis of provincial fleet management
- Comparative spending review of provincial government housing rental stock
- Review of the funding systems, mechanisms, and instruments adopted by government in funding research, development and innovation, including an international benchmark analysis..

The unit also compiled an expenditure and performance manual during the year. This manual provides methods and techniques for assessing baseline budgets by accurately costing programmes and policies relative to their actual or promised performance. While it has been tailored to the South African public sector, the approach is broadly applicable to any government programme. The manual provides a step-by-step guide for analysing baseline programme spending and performance, as well as for analysing options for implementing a new programme based on a new or revised policy. As with every policy problem, the resulting implementation programme(s) and the specific process of allocating public resources to address the problem are unique. Many examples are given to illustrate how the methodology can be used in different contexts.

PEPA produced a range of reports on personnel spending in government, with analyses for four specific sectors – police, defence, education, and health – as well as an overarching analysis of trends in the public service as a whole. The latter assisted the Budget Office during the latest round of wage negotiations and was also used in the 2017 Medium-Term Budget Policy Statement (where a summary appeared as an annexure) and the 2018 Budget.

The analyses identified areas of rapid expenditure growth by reviewing trends in remuneration expenditure, the number of personnel, and expenditure per person. The key drivers of expenditure growth were above-inflation increases to salaries through annual cost-of-living adjustments; the introduction of occupation-specific dispensations for teachers, nurses, police officers and others; the introduction of a new salary grading system in 2009 for public servants not receiving such dispensations; other human resource policies that contributed to an upward drift in the distribution of personnel across pay levels; and better conditions of service, including negotiated benefits, allowances and overtime.

PEPA supported the development of the Vulekamali online budget data portal. As part of the commitment to Open Government Partnerships, transparency and budget participation reforms, the National Treasury is working with Imali Yethu, an umbrella body representing citizen-based organisations, in developing the portal. While the Treasury already publishes extensive budgetary information, the portal makes the data available in a more user-friendly format to facilitate information sharing, analyses and research, and to enhance the involvement of civil society and the public in the budget process. The online budget portal, vulekamali.gov.za was launched by the Minister of Finance on the day before the 2018 Budget Speech.

IN CONVERSATION WITH RONETTE ENGELA ON A SPECIALISED, RELIABLE METHODOLOGY FOR COSTING SUSTAINABLE SERVICE DELIVERY



Over the past four years, PEPA has published around 40 groundbreaking PERs, which analyse spending and performance in a range of government institutions and programmes. Apart from the illuminating results, the intensive, iterative process of doing the reviews has delivered a refined methodology, honed for use in developing countries. “We’ve pioneered the methodology,” says Ronette Engela, head of PEPA. “We’re now satisfied that it is highly effective not only for assessing baselines but also for costing new policies.”

PEPA’s focus for 2018/19 will be on institutionalising performance and expenditure reviews in government. “It’s time for us to step back from doing the work,” Engela says. “The methodology has been thoroughly tested and refined. We can now offer comprehensive training on the techniques. And the true data of government spending is available through Vulekamali.”

‘Any department now has access to learning how to do performance and expenditure reviews.’

Civil society organisations have also expressed an interest in the methodology. PERs are labour-intensive and require technical skills along with active, repeated engagements with people and data. What they deliver, however, is very powerful for cost-efficient, effecting planning and budgeting: the concrete cost implications of policy choices.

The power of a PER

A recent PER revealed that a small property portfolio of government housing rental stock is costing government nearly R1 billion. The stock originates from housing complexes in former homeland cities such as Mafikeng. About 80% of the units have been sold, but for the remaining 5 000 units, mostly residential flats, the average rental is R600 per month, while the costs to government are close to R2 000 per unit per month. This means that tenants get an unintended subsidy of R1 500 per year. To make matters worse, the average rental collection rate is only 43%. This is the kind of information a PER can deliver, at any scale and in any sector.

‘You will be empowered to explore options and consequences before you push ahead with a policy.’

To support making the reviews part of government’s financial management machinery, PEPA has developed a comprehensive training course. In 2015/16, it was delivered to selected budget analysts in the National Treasury. Two years later, there is evidence that components of the methodology have embedded themselves in several directorates. ‘Public finance training in South African universities is not geared to provide students of economics with these skills,’ Engela explains. ‘And the perspective is not established in the Treasury yet. PEPA’s training can augment the skills that Treasury officials have.’ This fits in with GTAC’s overarching goal of contributing to public finance education and training that can meet South Africa’s particular needs, as demonstrated in its annual Winter Schools and bursary programme for master’s students. In 2018/19, PEPA will be offering the PER training course to provincial treasuries. In time, PEPA will look at mechanisms to roll out the methodology in SADC and the rest of Africa.

Given the complex and technical nature of PERs, communicating the findings can be difficult. PEPA is experimenting with one-page, infographics-based summaries to highlight the findings of a PER.

2.3 PROGRAMME 3: PROGRAMME MANAGEMENT SERVICES

Purpose

To support the establishment and operations of project management units.

Outcome Statement

GTAC enables efficient functioning of PMUs.

Overview

GTAC support comprises programme and project management, administrative, technical advisory and resourcing support. An important component of this support is the facilitation of the shared learning opportunities across PMUs, other GTAC business units, and government more broadly. The PMUs have very specific governance and financial accountability arrangements through which programmatic decisions are made. Administration costs are reflected in GTAC's accounts and are recovered from the National Treasury.

Jobs Fund Project Management Unit: This PMU oversees a portfolio of innovative grant-funded employment facilitation projects, undertaken by private, public and not-for-profit implementing partners. The Jobs Fund Investment Committee has the responsibility for and authority over the

Municipal Finance Improvement Programme: This PMU supports the national and provincial treasuries and targeted municipalities in strengthening municipal financial management. These programmes form part of Programme 8 on the Treasury vote. The Office of the Accountant-General has the responsibility for and authority over the content of the programme and its performance.

2.3.1 TABLE 3: STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS FOR PROGRAMME 3

PROGRAMME 3: PROGRAMME MANAGEMENT SERVICES				
#	KEY PERFORMANCE INDICATOR	2017/18 TARGET	2017/18 ACTUAL	REASON FOR DEVIATION
SO 3.1	Provide administrative support to PMUs to meet their objectives			
3.1.1	Meeting the resourcing criteria as a percentage	100%	100%	n/a
3.1.2	Administer 100% of approved payments on time	100%	100%	n/a
SO 3.2	Utilise opportunities for collaboration learning and knowledge sharing support to PMUs			
3.2.1	Number of learning initiatives supported per annum	2	2	n/a

Legends	Definitions	Percentage range
Green	Achieved	100%
Orange	Partially Achieved	50% to 99%
Red	Not Achieved	0% to 49%

2.3.2 PROGRAMME 3 OUTPUTS

Professional Services Procurement and Financial Management continued to support the establishment and operations of the project management units. The support included successfully processing their procurement requests and processing payments within the prescribed norm of 30 days.

MUNICIPAL FINANCE IMPROVEMENT PROGRAMME (MFIP)

The MFIP aims to co-operatively assist and support all three spheres of government in terms of Chapter 3 (section 41) of the RSA Constitution, 1996 (Act 108 of 1996) and the applicable provisions of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) to effectively perform their responsibilities regarding local government financial management support, monitoring and oversight. In this manner, the MFIP contributes to the building of a capable state in terms of Chapter 13 of the National Development Plan (NDP) and supports Outcome 9 of Government's Medium Term Strategic Framework (MTSF) in advancing a responsive, accountable, effective and efficient developmental local government system as it relates to sound financial management.

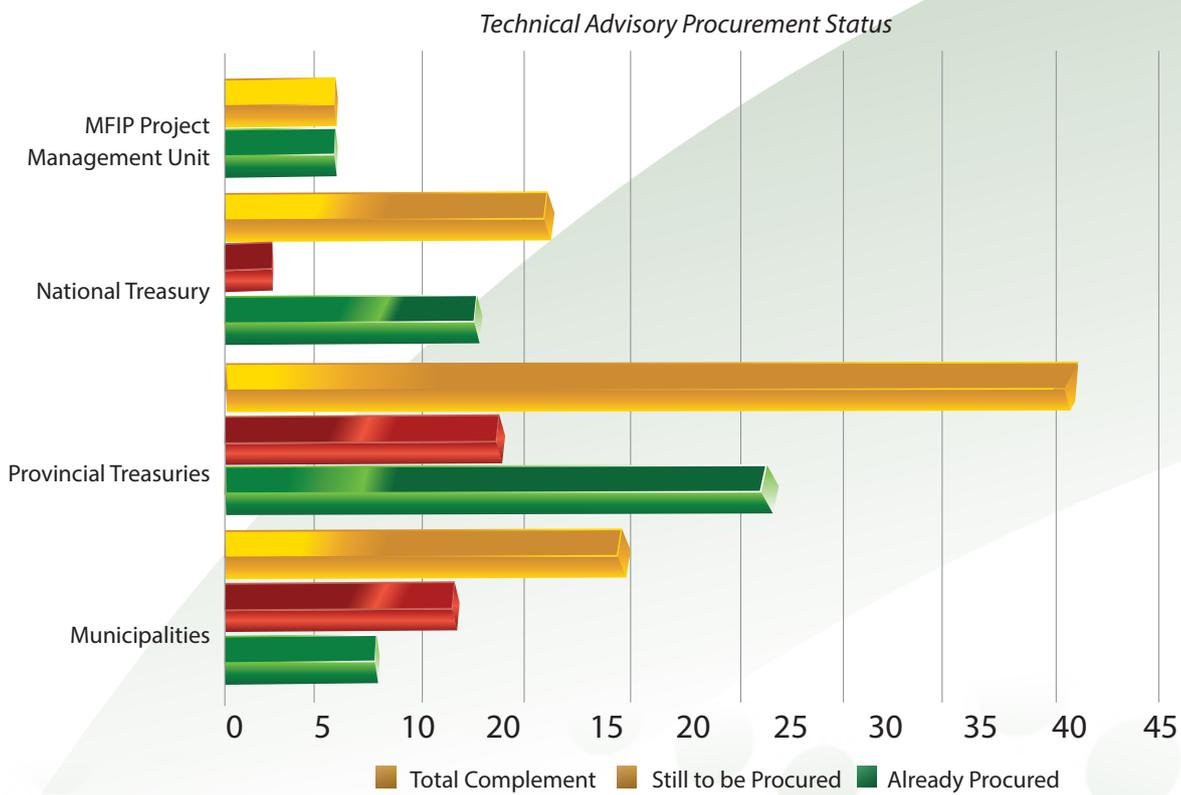
The overall strategic goals of the MFIP are to facilitate improved local government financial management capacity, enhanced budget and financial management practices and improved audit outcomes through the provision of direct technical capacity support. Accordingly, the MFIP is a strategically-driven programme of technical assistance aligned to the six LGFM game changers (funded budgets, revenue management, asset management, supply chain management, mSCOA and audit outcomes), designed to build the institutional and technical financial management capacity of NT, Provincial Treasuries (PTs) and Municipalities.

The current three-year phase of the Municipal Finance Improvement Programme (MFIP III) commenced on 1 April 2017 and is due for completion at the end of March 2020. Albeit the first batch of advisors was only placed at NT, PTs and municipalities during June 2017 which resulted in an effective implementation period of approximately only nine months for certain work streams in the first year of the programme.

Furthermore, several modifications have been made to the operating modalities of the MFIP during this phase intended to bolster the programme's overall effectiveness and efficiency. The said changes included elevating the strategic focus of the programme in line with the six adopted LGFM game changers, further embedding the institutionalisation of the MFIP within the Office of the Accountant-General (OAG), creating a permanent staff structure for the MFIP Programme Management Unit (PMU) against the GTAC post establishment to improve programme sustainability and continuity, and further fortifying the programme governance arrangements through the adoption of a comprehensive Programme Charter.

Deployment of MFIP technical advisors

The MFIP procured and deployed 59 technical advisors during 2017/18 to provide support in the functional areas discussed above and to enhance programme management in the project management unit. However, five technical advisors exited the programme during the year.



As at 31 March 2018, the programme was providing support in the following areas:

- Direct capacity support to municipal in general financial management areas: eight (8) advisors were deployed in municipalities, with an eventual target of supporting 20 municipalities across the nine (9) provinces by the end of the next financial year.
- Direct capacity support to the Municipal Finance Units of Provincial Treasuries (PTs): 27 technical advisors were placed at the nine PTs providing general PT support (8); specialist SCM support (8); mSCOA support (6); specialist asset management support (3); and specialist revenue management support (2). It is envisaged that a total number of 41 technical advisors will be placed at the PTs by the end of the next financial year.
- Direct capacity support to two NT CDs, namely Local Government Budget Analysis and MFMA Implementation: 13 technical advisors were placed in the two CDs providing specialist support in FMCMM (2); Audit outcomes (1); mSCOA (3); Budgeting and Reporting (1); MFRS (5); and Revenue Management (1). An additional three (3) specialists for MFRS and mSCOA must still be procured in the next financial year which will increase the number of technical advisors placed at NT CDs to 16.
- The full complement of six (6) technical advisors were procured to provide programme and project management capacity support to the officials in the MFIP PMU.

MFIP Capacity Building²

The capacity building training initiatives under the MFIP are essentially focused on supporting the various institutional and financial management functional areas identified in terms of the MFMA and the NT local government reform agenda. The number of initiatives undertaken reflects the emphasis that the programme places on building the technical financial management capacity in both PTs and municipalities. Whilst the MFIP capacity building training interventions are mostly informal and non-accredited it does however contribute to the ongoing development of practical on-the-job skills of officials involved in municipal financial management at PTs and municipalities.

The programme has been directly responsible for providing support in several MFMA functional areas in the PTs and municipalities during the 2017/18 financial year. A total of 404 capacity building sessions were completed since the placement of advisors in June 2017, with 1 008 officials participating including municipal councilors, financial management interns, municipal internal audit forum participants and attendees at various municipal CFO forums.

During the period under review, MFIP municipal advisors conducted 224 capacity building training sessions reaching 304 officials across the eight municipalities. A breakdown of the capacity building sessions per municipal financial management functional area is depicted in below.

In addition, PT advisors conducted 180 capacity building sessions involving 704 officials from both provincial treasuries and municipalities. A breakdown of the capacity building sessions organised per municipal financial management functional area is depicted below.

During the period under review, significant progress has been made with the implementation of measures to improve the overall effectiveness and efficiency of the programme. These processes included implementing the MFIP Knowledge and Information Management strategy and model to ensure increased efficiency in programme administration and enhance knowledge sharing and collaborative learning across the MFIP project work streams.

² Capacity building statistics highlighted and in the two graphs must still be updated with the Q4 figures

These critical initiatives will continue in the 2018/19 financial year to ensure that the expected return on the MFIP investment by the National Treasury is substantively realised. This will be complimented by a comprehensive mid-term programme evaluation that will assist in developing proposals for the further institutionalisation of the MFIP beyond the current phase ending in March 2020.

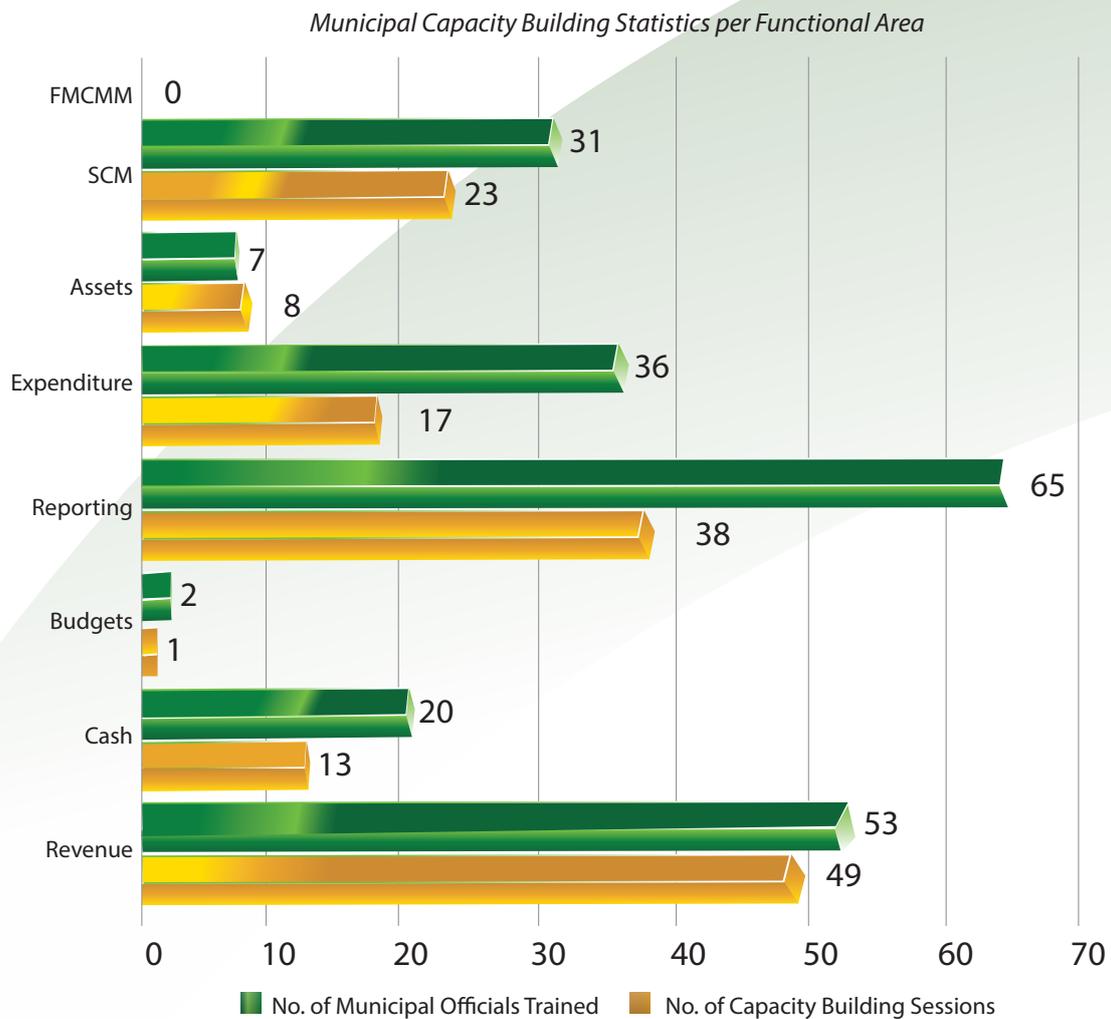


Figure 8: Municipal Capacity Building Statistics per Functional Area

In addition, PT advisors conducted 180 capacity building sessions involving 704 officials from both provincial treasuries and municipalities. A breakdown of the capacity building sessions organised per municipal financial management functional area is depicted in figure 9.

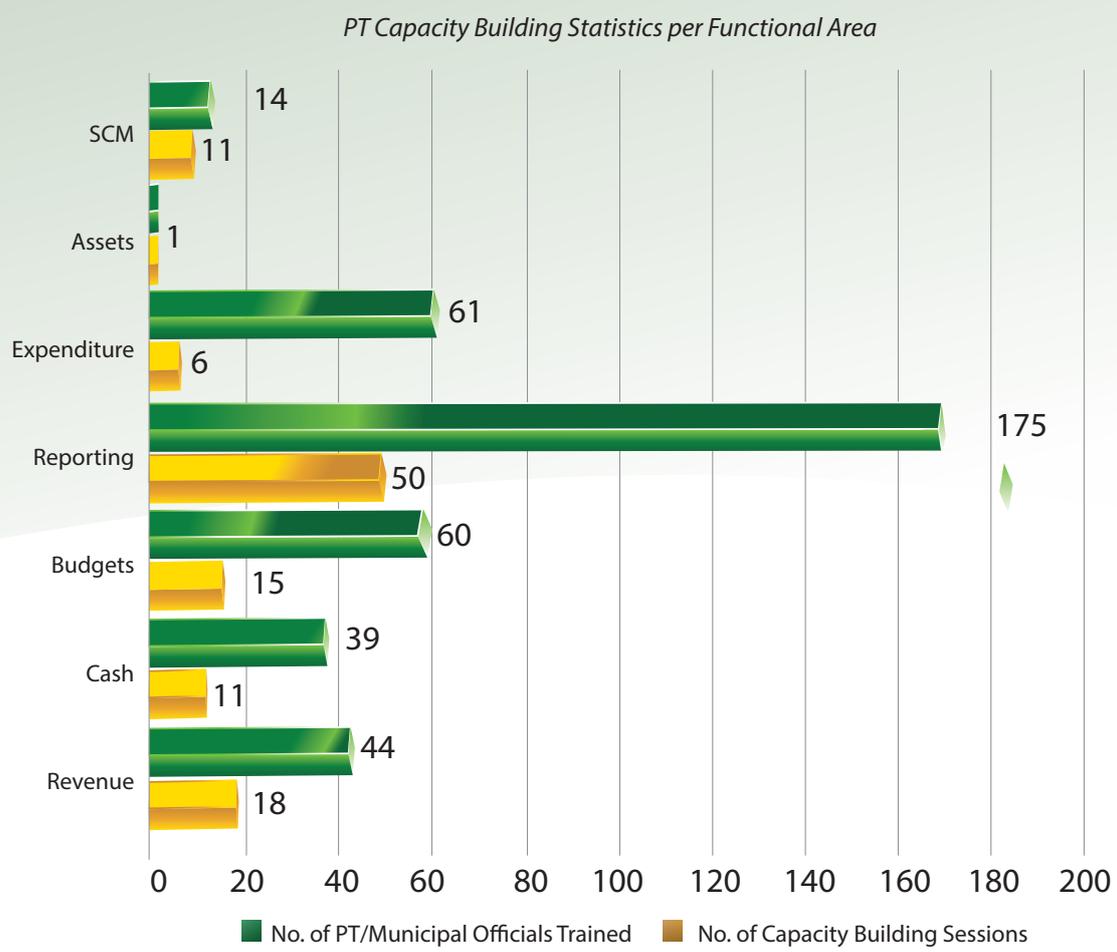


Figure 9: PT Capacity Building Statistics per Functional Area

During the period under review, significant progress has been made with the implementation of a range of measures to improve the overall effectiveness and efficiency of the programme. These processes included strengthening the institutionalisation of the modified MFIP business model; ongoing elucidation and advocacy of the revised governance and management arrangements with programme stakeholders; the appointment of PMU officials to further bolster programme accountability and sustainability; sourcing of the full complement of technical advisors to implement the entire spectrum of MFIP technical capacity support to programme beneficiaries; and implementing the MFIP Knowledge and Information Management strategy and model to ensure increased efficiency in programme administration and enhance knowledge sharing and collaborative learning across the MFIP project work streams.

These critical initiatives will continue in the 2018/19 financial year to ensure that the expected return on the MFIP investment by the National Treasury is substantively realised. This will be complimented by a comprehensive mid-term programme evaluation that will assist in developing proposals for the further institutionalisation of the MFIP beyond the current phase ending in March 2020.

JOBS FUND MANAGEMENT PROGRAMME

The Jobs Fund is a sub-programme within the National Treasury's Programme 8: Technical Support and Development Finance; its activities are recorded under Employment Creation Facilitation. A programme management unit has been established within GTAC to implement the programme on behalf of the National Treasury. Through the Jobs Fund, Employment Creation Facilitation 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 following a competitive, open and transparent application process. Project allocations are made by an independent investment committee. To date, eight calls for proposals have been issued for initiatives that innovatively catalyse new employment creation models that can be replicated and scaled. The Fund offers once-off grants in the areas of enterprise development, infrastructure, support for work seekers, and institutional capacity building.

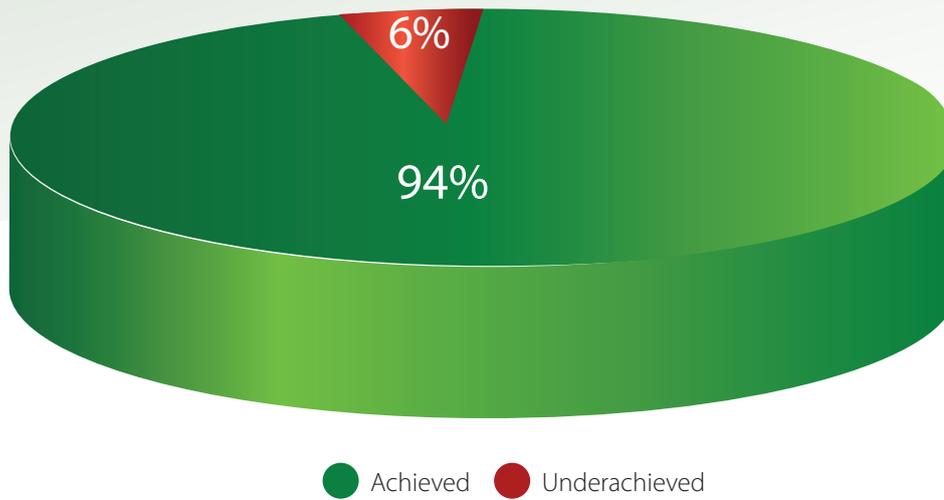
Since inception, 152 projects have been approved against a target of 130; 25 withdrew before contracting, leaving 127 on the approved portfolio. Of these, 116 are currently in implementation. The main determinant of the number of project approvals is the quality of proposals submitted.

In 2017/18, the seventh call for proposals, Industry Change for Scaling Inclusive Job Creation Models, was concluded. Three of these projects have been contracted and have started implementation. The Fund received 201 'concept note' applications for this round, with a total of 12 projects finally being approved; one withdrew afterwards. A total of R698.27 million has been allocated towards these projects, which has leveraged an additional R1.314 billion, to create 3 761 new permanent jobs and 5 248 placements in vacant positions over the project implementation period.

The Jobs Fund emphasises projects that address unemployment among women and youth. Job creation initiatives that improve the quality of labour supply by facilitating rapid access to work-related training and employment are a particular focus area. One such project is the CCI South Africa – Careerbox initiative, which provides an innovative value chain solution for youth skills development and employment in business process operations and other service-based industries. The business process operations industry has developed into a key job creator in South Africa but is challenged by a lack of skilled human resources. The availability of labour is a key determining factor for companies deciding on an offshore and outsourcing destination. The delivery model of this project enables it to source, recruit, train, and place large groups of candidates into employment within two to six weeks. Since its inception in October 2016, the project has created 1 409 new permanent jobs and placed 811 beneficiaries in vacant permanent positions with project partners. Another 2 974 beneficiaries completed training, which includes both contact centre and product-specific training.

2.4 OVERALL PERFORMANCE OVERVIEW FOR GTAC

Figure 10: GTAC 2017/18 Overall Performance Information



GTAC's overall performance measure for 2017/18 was 94%, with 16 out of 17 indicators achieved.