ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2014 of the DCI Pan-African Programme

Action Document for "Pan-African Financial Governance Programme"

1. IDENTIFICATION

Title/Number	Pan-African Financial Governance Programme CRIS number: DCI/PANAF/037-507		
Total cost	Total estimated cost: EUR 10 000 000 Total amount of EU budget contribution: EUR 5 000 000 This action is co-financed in "joint co-financing" by: - German Federal Ministry of Economic Co-operation and Development (BMZ) for an amount of EUR 2 500 000 This action is co-financed in parallel by: - BMZ for an amount of EUR 2 500 000		
Aid method / Management mode and type of financing	Project Approach Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)		
DAC-code	15111	Sector	Public Financial Management

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

This project has the overall objective to assist the Public Financial Management (PFM) stakeholders on the African continent in strengthening and improving good financial governance. More specifically, it will strengthen Network Organisations (NOs) and their members in the areas of public finance management, taxation and oversight to support harmonised approaches and standards of public finance systems. The project will provide support to four NOs that are providing a wide range of support activities to client governments in their respective fields of expertise. These NOs are:

(i) the African Tax Administration Forum (ATAF), in the area of tax policy and administration,
(ii) the African Organisation for Supreme Audit Institutions (AFROSAI), in the area of external financial control and auditing,
(iii) the Collaborative Africa Budget Reform Initiative (CABRI), in the area of budget planning and implementation,
(iv) the African Organisation of Public Accounts Committees (AFROPAC), in the area of legislative financial and budgetary supervision and oversight.

This will be done through the strengthening of the NOs; increasing research, knowledge management and information dissemination capacities; improving technical services and products in public financial management and oversight, developing harmonised approaches and standards in their respective areas of public finance and increasing cooperation and partnerships between NOs and the various stakeholders in the area of public finance, governments and other stakeholders; as well as supporting pilot implementation thereof in member countries. The above does not exclude forming new partnerships with other NOs working on the African continent.

The project will be jointly financed by the German Federal Ministry of Economic Co-operation and Development (BMZ) and the EU and implemented through Indirect Management with the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) over the period 2015-2017. It will be funded through the EU Pan-African Programme (PanAf). The project will be an expansion of the current 'Good Financial Governance in Africa Programme', which is implemented by GIZ and commissioned by BMZ. The project will be signed and managed by the Delegation of the European Union in Pretoria.

2.2. Context

2.2.1. Pan-African context

2.2.1.1. <u>Economic and social situation and poverty analysis</u>

According to the *2014 African Economic Outlook*, Africa showed resilience to regional and global headwinds during 2013 with an economic growth of about 4%, on average, compared to 3% for the global economy. External financial flows and tax revenues continue to be an important contributor to Africa's development and are expected to surpass USD 200 billion in 2014, four times their 2000 level. Foreign investment has now fully recovered from the effects of the crisis and is projected to reach a record USD 80 billion in 2014, with manufacturing and services attracting an increasing share of the continent's greenfield projects. It is expected that, should the current pace of growth be sustained, foreign direct and portfolio investment could soon constitute Africa's main source of financial flows. Foreign direct investment continues to primarily benefit resource-rich countries. However, overall, anaemic economic growth in advanced countries has continued to affect the flow of direct investment and remittances to Africa, with the share from the Organisation for Economic Co-operation and Development (OECD) countries sharply reduced against rising contribution from non-OECD countries.

Official development assistance has continued to increase despite the reduced fiscal space in advanced countries. But its share in total inflows has significantly declined since 2000 as other financial inflows have increased more. Tax revenues in Africa continue to increase, yet challenges for tax authorities remain. Africa's trade performance has improved in recent years. However, Africa's exports remained dominated by primary commodities, and the observed strong performance was fuelled by rising commodity prices. In particular, trade in agriculture goods and trade in services have remained below their potential. Progress has been made towards regional integration with intra-African trade growing especially in manufactured goods.

Regarding the socio-economic context, it is evident that poverty levels are gradually falling, and education and health outcomes are improving. The Human Development Index shows 1.5% annual growth, and 15 countries are now considered to have medium to very high human development. African countries with high and rising levels of human development are well integrated into global markets with diversified exports that create employment. The proportion of people living in extreme poverty (on less than USD 1.25 a day) in the regions of Central, East, Southern and West Africa fell from 56.5% in 1990 to 48.5% in 2010. However, due to the slow pace of poverty reduction, the actual number of people living in extreme poverty in those four regions increased from 289.7 million to 413.8 million over the same two decades. Yet important challenges remain. Exclusion persists, resulting in unequal access to social and economic opportunities which undermines efforts to improve livelihoods and interferes with human rights. Focusing on equitable economic and social transformation, gender equality, youth empowerment, and environmentally sustainable development can help to address people's vulnerability to economic, social and environmental risks. Strengthening political and economic governance in Africa could significantly contribute to narrowing economic and social inequalities.

2.2.1.2. Regional development policy

The main regional development policy relevant to this project is the ***Joint Africa-EU Strategy (JAES),*** which includes as a strategic priority 'Democracy, Good Governance and Human Rights'. As part of that priority, the Roadmap 2014-2017 adopted on 2-3 April 2014 by the 4th Africa-EU Summit states that *'We will enhance our cooperation on democratic governance issues on both continents such as the fight against corruption and money laundering, strengthening the role of public sector institutions, including accountability and transparency, the rule of law and the governance of natural resources, including measures to curb their illegal exploitation'.* As part of the future cooperation on 'Private investment, infrastructure and continental integration', the Roadmap foresees the following: '*We shall deepen our cooperation in international tax matters to broaden domestic revenue mobilisation and tackle illicit financial flows, through increased cooperation in line with the principles of transparency, exchange of information and fair tax competition'.*

The ***Declaration on Good Financial Governance of*** *2011,* by participating African Ministers of Finance and Economy, states conviction that, in Africa, good public financial governance is a prerequisite to mobilising domestic revenues effectively, growing out of aid and providing the public infrastructure, goods and services that are necessary to eradicate poverty, provide opportunity to citizens and engender development and economic growth. Participants committed to (i) improve fiscal transparency; (ii) strengthen oversight institutions (supreme audit institutions, legislatures and other constitutional accountability institutions); (iii) formalise public financial governance practices; (iv) strengthen result-orientation in public financial governance; (v) strengthen tax governance; (vi) strengthen budget preparation, execution and reporting; (vii) manage aid for development; (viii) strengthen the management of public debt and financial assets; (ix) take charge of public finance governance reforms and (x) matching technical reforms with implementation capacity. It should be noted that many of the above challenges and recommendations were also reflected in the 2011 Manila Consensus on Public Financial Management, which helped to shape PFM-related commitments in Busan.

2.2.1.3. Strategies of Networking Organisations

Complementary to country-specific development interventions, the following regional NOs have responded to the above challenges through the provision of specific regional services and products:

African Tax Administration Forum (ATAF) Strategic Plan 2013-2015: Based on the vision of promoting efficient and effective tax administration to improve the living standards of the people of Africa, ATAF has five strategic objectives reflected in its 2013-2015 Strategic Plan:

- *Establishing a well-functioning international organisation*, including the management of organisational development framework, rolled-out cycle of institutional meetings, finance strategy, member engagement strategy, communication, financial framework per international standard (including standard operating procedures)
- *Building capable African Tax Administrations*, focusing on online training, facilitation of trainings, the development of a technical assistance framework, expert database development, guidelines and sharing of best practices, best practice studies and the establishment of an African Tax Academy.

- *Becoming the African voice on tax issues to inform Global Dialogue*, which include components such as establishment of mechanisms for members' inputs and interactive discussions, establishment of the "African Tax Outlook" study, feed-in of needs assessments and products into international debates.
- *Fostering sustainable partnerships*, focusing on multilateral/stakeholder engagement, establishing partnerships with training and research institutions, and establishing a Community of Practice.
- *Improving good governance and accountability between State and citizen*. This includes studies on tax compliance and creating a platform that encourage dialogue and debate.

Collaborative African Budget Reform Initiative (CABRI) Strategic Plan 2012-2015: CABRI currently implements 4 programmes, namely:

- *Budget System Reform*, which include a focus on good public financial governance in Africa, public financial management capacity building, budget transparency promotion and programme-based budgeting
- *Sector Dialogues*, including value-for-money in health, education, agriculture, social security and (in the future) climate change financing.
- *Knowledge Development*, focusing on the establishment of a Budget Resource Centre, budget data gathering and analysis (including OECD surveys), communication and the organisation of the Annual CABRI Seminar
- *Governance and organisational strengthening*, covering strengthening of Secretariat, membership outreach, coordinating the General Assembly and Management Committee meetings and monitoring (including client satisfaction) and evaluation.

For the period 2015-2018, the new Strategic Plan will focus on (i) Fiscal and Budget Policy (which include the sector dialogues and work on fiscal decentralisation); (ii) Public Financial Management Systems (which will include the components of budget transparency and programme budgeting); (iii) Network Governance, and (iv) Institutional Capacity Building.

African Organisation of Supreme Audit Institutions (AFROSAI) Strategic Plan 2012-2014: Three linguistic groups exists, namely AFROSAI-e for English speaking countries, AFROSAI-f (also called CREFIAF[1]) for French-speaking countries, and AFROSAI-a for Arabic countries. Strategic priorities for AFROSAI include:

- Implementing governance structures and strengthening stakeholder interaction. This includes proper communication and sound financial structures;
- Technical capacity building of member SAIs, including the exchange of information, knowledge and experience on technical capacity building. This includes joint audits between the various language groupings;
- Institutional capacity building of member SAIs within their own jurisdiction, including the professionalisation of external auditing

Public Accounts Committees: The establishment of a new African Organisation of Public Accounts Committees (AFROPAC) was announced on 2 September 2013, initiated by 16 African counties. This will see an increased focus of networking activities across the continent. An interim steering committee was formed, which consists of the chairpersons of PACs of South Sudan and Tanzania, chairpersons of Southern African Development Community Organisation of Public Accounts Committees (SADCOPAC), Eastern Africa Association of Public Accounts Committees (EAAPAC) and West Africa Association of

[1] *Conseil Régional de Formation des Institutions Supérieures de Contrôle des Finances Publiques d'Afrique Francophone Subsaharienne*

Public Accounts Committee (WAAPAC), auditors-generals of Namibia, Tanzania, South Africa and Ghana and the SADCOPAC Secretariat. AFROPAC is currently hosted by the Parliament of Kenya, Nairobi.

2.2.2. Sector context: policies and challenges

2.2.2.1. Policies

The project is coherent with the European Commission Communications on "Tax and Development[2]", on "The Future Approach to EU Budget Support to Third Countries[3]" and on an "Agenda for Change"[4]. All of these state the need to strengthen partner countries' capacities in the areas of public finance, to give stronger emphasis to domestic revenue mobilisation, including from natural resources, promoting fair and transparent tax systems which are central to fostering citizenship and state-building and domestic accountability, fostering south-south cooperation and to further support the integration of developing countries and their interests into international discussions and standards development.

The ***Busan Partnership for Effective Development Co-operation of 2011*** calls for the establishment of a "new, inclusive and representative Global Partnership for Effective Development Co-operation to support and ensure accountability for the implementation of commitments at the political level". The Busan Agreement states that *effective institutions and policies* are essential for sustainable development and institutions fulfilling core state functions should be strengthened to facilitate the leveraging of revenues by developing countries. To this end, it was agreed that (i) implementation of institutional and policy changes led by developing countries will be supported, resulting in effective resource mobilisation and service delivery, including regional organisations; (ii) country institutions, systems and capacity development needs will be assessed; (iii) the development of improved evidence on institutional performance will be supported to inform policy formulation, implementation and accountability and (iv) learning on the determinants of success for institutional reform will be deepened, while knowledge and experience at the regional and global levels will be exchanged. The ***Global Partnership for Effective Development Co-operation*** builds further on the Busan Agreement. To fulfil its role, the Global Partnership will focus on, inter alia: (i) maintain and strengthen political momentum for more effective development co-operation; and (ii) facilitate knowledge exchange and sharing of lessons. Under the heading "Effective institutions: developing countries' systems are strengthened and used", a relevant target related to the *quality of developing country PFM systems*, is that half of developing countries move up at least one measure (i.e. 0.5 points) on the PFM/CPIA[5] scale of performance.

2.2.2.2. Challenges

Many countries in Africa are not yet in the position to sufficiently mobilise and to efficiently and effectively use domestic revenues, due to constrained capacities of national

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[2] *2010. EU Communication on Taxation and Development. Cooperating with developing countries on promoting good governance in tax matters.*

[3] *COM(2011) 638 final. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The Future Approach To EU Budget Support To Third Countries.*

[4] *COM(2011) 637 final. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Increasing the impact of EU Development Policy: an Agenda for Change.*

[5] Public Financial Management/Country Policy and Institutional Assessment.

administrations. An analysis done jointly by CABRI, ATAF and AFROSAI in 2011[6] noted that good progress has been made in areas such as reforms of key institutions (such as tax administrations), legal frameworks, modernisation of fiscal policies, public expenditure management reforms, key technical gains (including more timely auditing of financial statements, more credible budgets and better information on tax payers) and advances made in public resource management[7]. Many countries have shifted fiscal policies, with lower budget deficits and greater mobilisation of resources becoming more of a norm in the last decade.

But sector challenges remain. Reforms are often not country-specific, with a general lack of professional training opportunities. A key challenge is the significant internal and external transparency deficit that hampers improved public resource management. In the *2012 Open Budget Index (OBI)*[8], results indicate that a total of 19 countries (out of 28) in Africa fell in the categories "scant or no information" (scores below 20) and "minimal" (scores between 21 and 40). Of these, only ten countries improved upon their 2010 scores. Challenges are evident in areas such as publication of a citizens' budget, mid-year reviews (reporting) and external auditing. Public engagement appears to be problematic in most cases. Given the centrality of transparency to good public financial governance, rapid movement in the availability of information is a priority for reform.

Another challenge is that constitutional accountability relationships are impaired. There is a negative performance in terms of budgetary oversight, due largely to a lack of resources and procedures of Supreme Audit Institutions, deficiencies in Parliamentary powers and oversight institutions, and a lack of cooperation by the executive. The capacity of the legislature to perform its functions efficiently and effectively is a major concern in many African countries. Additionally, the high inflow of aid, coupled with the negative connotations of tax in Africa, tax exemptions, tax evasion and tax illiteracy mean that the key relationship between the taxpaying citizens and the responsive state is insufficiently developed. A deficient political will to adhere to constitutional frameworks, tax and budget management laws and stated rules and procedures poses problems not only in terms of eroding tax bases, but centralising budget formulation procedures are often bypassed through interpersonal and political power relationships. This also has an impact on the formal procedures of auditing and oversight, which is thwarted by delays in finalising public accounts, and is undermined by poor and merely procedural compliance by the executive.

A critical enabling factor is the technical and managerial capacity to undertake reforms and manage new systems. The need to recruit, train and retain scarce professional policy, economic, financial, accounting, auditing and general managerial skills is well demonstrated, especially in light of the "brain drain" being experienced in financial governance skills. This is leading to a large extent to a growing mismatch between tax, budget and audit reforms in Africa and the availability of skills.

Finally, financial governance reform choices are not always country appropriate. This is exacerbated by high dependency on donors, suppression of local capacity and initiative, lack of local ownership and costly "big ticket" programmes, inappropriately sequenced reform programmes and unrealistic assessments of capacity requirements. An analysis carried out of

[6] *Status Report: Good Financial Governance in Africa, CABRI et al, 2011. The analysis focused on 53 PEFA countries.*
[7] *In the 2012 Country Policy and Institutional Assessment (CPIA) of the African Development Bank, 22 countries scores 4 or more out of a possible 6 for economic policy.*
[8] *International Budget Partnership: Open Budget Survey 2012. Available on* http://survey.internationalbudget.org/

Public Expenditure and Financial Accountability (PEFA) assessments in 2012[9] across the continent revealed that significant capacity is needed in areas such as effectiveness in collection of tax payments; competition, value for money and controls in procurement; legislative scrutiny of external audit reports; information on resources received by service delivery units; unreported government operations; quality and timeliness of annual financial statement; scope, nature and follow-up of external audits, and effectiveness of internal auditing.

The above emphasise the fact that different countries are at different levels of reform and development. International standards and attempts at reform towards improving public finance administration systems are often not aimed at country-specific realities and therefore their implementation fails. Regional or continental-specific approaches are not developed and raised in international fora. Furthermore, a lack of coordination between the countries as well as a harmonised *"African Voice"* is missing. This shows that, while public finance issues are the responsibility of each country, coordinated and harmonised continent-specific approaches need to be developed. Moreover, the increasing integration of international markets and economic globalisation infuses an international aspect, especially to tackle tax evasion and illicit financial flows.

To successfully address the issues of public finance and to develop approaches based on the specific needs of African countries, a strong cooperation, coordination and dialogue as well as coherence between different players on the continental level need to be established. This will provide an environment that is supportive of sustainable and inclusive development and growth, and that is fostering good governance, including economic governance.

Climate change is a major and growing issue for African countries, necessitating raising amounts of national and international climate finance. The UNEP-led Africa Adaptation Gap Technical Report of 2013 for example conservatively estimates the mid-term climate adaptation costs in Africa at 35 billion USD per year. Additional funds should be well embedded into normal budgeting processes. As the UK Overseas Development Institute points out[10], how climate finance is integrated into national policy, planning and budgetary systems is an important question that warrants attention. The challenge is to secure a comprehensive, cross-government approach that delivers a coherent national response to climate change involving both the public and private sectors. Such an approach has been termed a Climate Fiscal Framework. A first step in building a Climate Fiscal Framework is to develop a methodology that reviews how climate change-related expenditures are integrated into national budgetary processes. CABRI and Afrosai can play a role in engaging with its member countries on this issue.

2.3. Lessons learnt

CABRI was a beneficiary in the South African Financial Management Improvement Programme II (2005-2010), funded by the EU under the Multi-annual Indicate Programme for South Africa (2003-2006). Of note, the final evaluation to the programme stated that support to an organisation such as CABRI, which has a distinct regional/pan-African focus, would have been better placed as part of a regional programme, as opposed to a country-based project, with a holistic approach and objective.

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9 *ADE. April 2012. Feasibility study for a Regional Public Finance Management Capacity Development Programme, EU Delegation to South Africa. The analysis included 20 (predominantly anglophone) countries for which a PEFA report was available at the time of the assessment.*

10 *http://www.odi.org/publications/6191-cpeir-methodology-climate-finance-national-public-expenditure*

The independent evaluations of the International Monetary Fund (IMF) Regional Technical Assistance Centres (RTACs) covering the continent provide some lessons that could be replicated in this project. Good points that are emphasised include the ability of the model to be responsive to countries' needs and where interventions are "owned" by the client countries, the provision of rapid and flexible services, and technical assistance models are effective (which include regional seminars and mission work of Resident Advisors). Responsiveness, knowledge of countries, flexibility, reaction times, cost effectiveness and the use of African expertise was particularly emphasised as positive elements. Recommendations included a stronger link between the RTAC Technical Assistance programmes and the IMF's country strategies, better sharing of lessons, more intensive engagement in post-conflict countries and better monitoring of results.

2.4. Complementary actions

Various Development Partners are providing support to the NOs listed above.

During 2010, a common Financing Agreement was signed between ATAF and five Development Partners (Irish Aid, The Netherlands, The Kingdom of Norway, Switzerland and the United Kingdom) to support ATAF's three-year programme and updated annual Work Plan (2011-2013). Financial contributions are disbursed based on the receipts and approval of specific documents negotiated in individual agreements. The African Development Bank (AfDB) and the EU provided financial support to meetings and workshops. During 2013, support from development partners amounted to USD1 803 000.

Support to CABRI is currently provided by the Bill & Melinda Gates Foundation and the William and Flora Hewlett Foundation, which have confirmed a three-year funding agreement with CABRI. Operational costs are provided to the organisation through these initiatives. Negotiations are currently underway for support from AfDB, the United Kingdom and the Swiss State Secretariat for Economic Affairs (SECO). Non-financial support has been provided by OECD/DAC, the World Bank Institute, Oxfam and East AFRITAC[11].

The International Organisation of Supreme Audit Institutions (INTOSAI) and 15 Donors signed in October 2009 a Memorandum of Understanding to augment and strengthen support to the SAI community. Agreed areas of future activities include INTOSAI-Donor Cooperation Management, Funding Mechanisms and Project Identification, the SAI Performance Measurement Framework, Knowledge Centre on Support to SAIs, Strengthening the Supply of Support to SAIs, Research and Evidence, as well as Monitoring, Evaluation and Lesson Learning.

GIZ in particular has been providing strategic, technical, logistical and financial support to ATAF, CABRI and AFROSAI as well as to sub-regional public account committees (SADCOPAC, EAACPAC) and to 4 of the IMF RTACs.

The IMF RTACs (AFRITAC and METAC) are receiving EU support and effectively establish a continent-wide network of support to capacity building operating on a demand-driven basis. Five centres are operating on the African continent providing technical assistance and training in areas such as revenue policy and administration, public financial management, financial sector regulation and supervision, monetary policy operations, economic and financial statistics and macro-fiscal analysis.

[11] *African Technical Assistance Centre (AFRITAC) and Middle East Regional Technical Assistance Centre (METAC)*

The EU intends to launch an EU Domestic Revenue Mobilisation Initiative flagship under the Global Public Goods and Challenges (GPGC) thematic programme, which will address challenges on a global level in the area of public finance. This includes among others EU support to multi-donor initiatives. Examples include INTOSAI, PEFA and the IMF Topical Trust Funds on Managing Natural Resource Wealth and Tax Policy and Administration.

In implementing this programme, the partners will try to maximise the synergies of the programme with these complementary actions.

2.5. Donor coordination

Donor coordination takes place at the level of each NO and includes platforms such as Donor Consultations in the ambit of General Assembly or Council meetings. Donors also have the opportunity to observe discussions during the Strategic Planning Workshops of the organisations. Provision will be made for donor coordination during the Project Steering Committee meetings of each NO.

Bi-annual progress reports, annual reports and work plans are provided to development partners, which include a narrative on project activities, indicators against which progress can be measured, budgets and activities planned for the next year.

3. Detailed Description

3.1. Objectives

Overall objective: Decision-makers in African public finance use region-specific services, products and further education offers to improve good financial governance.

Specific objective: Support development and pilot implementation of harmonised approaches and standards of public finance systems by strengthening Networking Organisations in the field of public financial management, taxation and oversight.

3.2. Expected results and main activities

Results

Based on the sector challenges identified in Section 2.2.2 of this document, the Key Result Areas for this project are as follow:

Result 1 - Services, products and further education towards the reform of African tax systems are made available.

Result 2 – African service providers offer improved products and concepts for budget reform processes.

Result 3 - A well organised AFROSAI provides services to its members in accordance with INTOSAI standards.

Results 4 - A well organised African network of Senior Parliamentary Budget Officials provides services to improve knowledge in the budget process.

Result 5 – The institutional capacities of the Network Organisations match the demands for their services.

Result 6 - The African Network Organisations contribute to international agenda setting representing African experiences in PFM, domestic resource mobilisation and oversight.

Activities

A detailed Logical framework will indicate the activities and objectively verifiable indicators and means of verification per Key Result .The following activities have currently been identified:

1.1 Conducting an evaluation of the pilot training programme on tax administration and tax policy in cooperation with ATAF

1.2 Supporting ATAF in developing a strategy to define the process and modalities of ATAF Technical Assistance services

2.1 Developing a curriculum through consultative process with African budget officials on scope and content of a PFM training course

2.2 Developing proposals for a follow up mechanism on recommendations of CABRI joint country case studies

3.1 Supporting the conceptualization implementation and documentation of joint learning activities (joint audits, trainings, study tours, peer-reviews)

3.2 Developing quality assurance mechanism

4.1 Supporting the development of a strategic plan

4.2 Supporting the organisation of dialogue meetings of Senior Parliamentary Budget Officials to spur learning on budget processes

5.1 Sourcing, contracting and monitoring of integrated experts

5.2 Supporting the exchange of experiences between the Networks

6.1 Supporting dialogue meetings to develop African positions on Good Financial Governance

6.2 Supporting the conceptualisation and organisation of an Africa-wide Good Financial Governance conference

Activities include advisory services, the provision of seconded/integrated staff paid to the NOs, evaluation missions, logistical support to pilot activities, feasibility studies, logistical support to workshops and seminars and targeted grants to the NOs.

3.3. Risks and assumptions

Development Risks	Risk Level	Possible mitigation
Network membership: commitment from participating Governments, including staff turnover and changing political situations	Medium	Although turnover of office-bearers does cause loss of institutional memory, membership is vested within the participating countries. Stability within the networking institutions can be strengthened through increase support to membership support, awareness campaigns of technical products and dialogue with participating countries.
Demand and take-up of products and services by member countries and value added in cooperation between NOs	Medium	Technical products and services need to be developed on a demand basis from the supported NOs. A special focus needs to be set to ensure that inter-linkages between the NOs are considered in the support. Increased demand will be promoted by strengthening the capacities and organisational set-up of the involved secretariats. Activities will be promoted that enhance the value of collaboration between the NOs.
Insufficient financial and human resources at the	Medium	The funding provided through this programme must add value to the ongoing (and planned new) activities of the

Development Risks	Risk Level	Possible mitigation
level of the networking organisations		organisations. Attention will be given to activities enabling the NOs to raise membership fees or to develop appropriate business models to ensure sustainable financing for the activities of the NOs.
Duplication of efforts by development partners	Medium	The application of multiple requirements from various donors could overburden the beneficiary organisations. Some Member States not involved in this project might consider a Pool Fund as a more inclusive way of project implementation. Dialogue and donor coordination mechanisms, such as joint Project Steering Committees, will mitigate the risk.
AFROPAC: momentum to grow into an efficient and effective pan African institution	Medium	As AFROPAC is currently well based in English-speaking Africa, support may focus on broadening the coverage, by concentrating the first efforts on non-English speaking countries in Middle-East and North Africa, West Africa, as well as Portuguese speaking countries.

The main *assumption* made regarding this project is that participating and involved countries will remain committed to the direction of public financial management and tax reforms developed, while maintaining good political will to see improvements in this regard.

3.4. Cross-cutting issues

Apart from addressing gender equality through human resource development within the Network Organisations (NOs), the project has the potential to influence gender equality issues through the technical services and products that will be developed, as well as through training approaches. An area that is not currently well developed, for example, is gender-based budgeting. Indirectly, gender issues are addressed through for example the "health financing value for money" programme of CABRI, where issues of maternal and child health are analysed and discussed. The project will aim at the observance of gender-sensitive approaches in the measures to strengthening public finance systems in at least three networks. The project will support the NOs such as CABRI and AFROSAI to promote in their member states a comprehensive approach to the budgetary and audit process that takes into account medium term environmental challenges, including climate change. The project will in particular support the AFROSAI working group on environmental audit in their climate-change related activities. Strong consideration should be given to ways of broadening the participation of civil society organisations.

3.5. Stakeholders

Public financial systems and processes in Africa include a myriad of stakeholders, including governments, associations, academic and research institutions and civil society. The project focuses on the support to African Network Organisations and their members to ensure an exchange and dialogue between the various stakeholders in public finance at national, continental and global level. In summary, key stakeholders are:

i. **Network Organisations (NOs) –** the funding beneficiaries will be NOs included in this project, namely the ATAF, AFROSAI, CABRI and networks of Senior Parliamentary Budget Offices and Public Accounts Committees, such as the AFROPAC. The organisational and institutional capacity of the NOs vary, which calls for tailor-made support initiatives, including the secondment of staff and grants.

ii. **Public administrations** of countries on the African continent will be policy beneficiaries and will be involved through the respective Parliaments (through the budget and/or public accounts committees), Ministries of Finance or Economic Affairs, notably the budget offices, public financial management offices, accountants-general and tax policy offices, Tax Administrations, and Supreme Audit Institutions. Indicative of the scale of this group of stakeholders is the size and scope of the membership of the involved regional NOs. AFROSAI currently has a membership of 54 SAIs, ATAF a membership of 36 revenue authorities, CABRI has 11 full members of senior budget officials (with about 30 countries with observer status). AFROPAC has recently been established, while one of its members, SADCOPAC, has 11 members. It is necessary to ensure that the support provided is based on countries' own reality and which is owned by the respective countries.

iii. The **final beneficiaries** of the programme will be the population of participating African countries, who will benefit indirectly from improvements in transparency and efficiency of the State's budget implementation, increased capacity of domestic revenue mobilisation and effective financial control. This includes vulnerable groups such as women and youth. This could lead to the improved implementation of national development strategies, contributing to more effective service delivery and infrastructure development. This will have an impact on the most vulnerable population groups such as women and the disabled.

Ownership of support is ensured in that initiatives are based on the NOs member countries needs and demand and are coordinated through the Secretariats and reported on in annual reports and work plans. Mechanisms such as peer reviews and joint assessments between countries not only ensure visibility, but also increase the ownership of member countries to participate in these projects. Dialogue (South-South and North-South) and peer-to-peer exchanges will be promoted through this project which will strengthen contact with and between the above stakeholders.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2 and 4.3 will be carried out, is 42 months from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. Implementation components and modules

Indirect management with a National Agency

This action with the objective of supporting development and piloting implementation of harmonised approaches and standards of public finance systems by strengthening Networking Organisations in the field of public financial management, taxation and oversight, may be implemented in indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012.

This implementation is justified because this project will be the continuation of the 'Good Financial Governance in Africa Programme' currently funded by BMZ and implemented by GIZ. BMZ contributes about EUR 6 500 000 to Phase 1 for the period 2013-2014 and EUR 5 000 000 for Phase 2 (2015-2017). The current programme is providing support to ATAF, CABRI, AFROSAI and African Organisations of Public Accounts Committees. It has the objective to create sustainable structures for south-south learning and dissemination of regional standards in the area of public finances. Methods currently employed in the implementation of this project range between strategy advisory services, organisational and human resources development, advisory on research activities, support to the development of products and services, quality control, development of partnerships with universities and research institutions and support to peer learning processes. Instruments include secondment of staff, technical experts, integrated experts (through procurement procedures), targeted financial support and procurement of goods and services. The necessary capacities will be made available by working through this agency to effectively and efficiently implement this project in a harmonised manner.

The entrusted entity will implement all aspects of the project as described in Section 3.1 and 3.2 of this document.

The delegation agreement will be signed and managed by the EU Delegation in Pretoria, whereas at Commission Headquarters level, the Directorate-General for Development and Cooperation – EuropeAid (DEVCO), and in particular the unit working on budget support public finance management issues, will actively coordinate and lead the policy dialogue with the involved stakeholders and the discussion on the strategic orientation of the programme.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	**EU contribution Amount in EUR**	**BMZ contribution Amount in EUR (indicative)**
4.3.1. IMDA with GIZ	5 000 000	2 500 000
BMZ contribution		2 500 000
Totals	**5 000 000**	**5 000 000**

An amount of EUR 2 500 000 will flow directly into the common action, while BMZ will provide an additional EUR 2 500 000 in parallel to the action. A further EUR 2 000 000 contribution by BMZ is tentatively foreseen in joint co-financing in 2015 pending approval by the German Parliament.

4.6. Performance monitoring

The following indicators have been identified as part of the Multi-Annual Indicative Programme of the Pan-African Programme:

- Number of harmonised and coordinated approaches to international and continental tax issues (e.g. number of joint tax audits, number of exchange of information agreements for taxation signed).
- Performance scores of public finance assessments (Public Expenditure and Financial Accountability (PEFA), Administration Diagnostic Assessment (TADAT) Supreme Audit Institutions' (SAI) Performance Measurement Framework).

Performance monitoring will be done at three levels: (i) use of performance indicators in accordance with the Logical framework; (ii) development of monitoring systems for the purpose of strategic planning of all NOs, and (iii) an evaluation towards the end of the 2015-2017 period. The various Progress Reports will be used as basis for monitoring, which includes performance information against Strategic Plans and Work Plans of the organisations. Project Steering Committees will oversee the strategic direction of the project result areas implemented through each of the NOs, while contributing to donor coordination.

4.7. Evaluation and audit

A final evaluation will be carried out towards the end of the period 2015-2017. This will be procured by GIZ. The European Commission will be involved in this evaluation. A satisfactory evaluation outcome will be taken into consideration for a possible extension of the project for the period 2018-2020. Audits and/or expenditure verifications shall be conducted in line with the stipulations of the Delegation Agreement.

In addition, the European Commission may procure an additional auditing and evaluation of the action if needed at any time during the implementation and closure of the action. This will be carried out by independent consultants recruited directly by the Commission in accordance with European Commission Rules and procedures on the basis of specifically established terms of reference. Such auditing and evaluation would be funded under a separate source of funding.

4.8. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

The measures shall be implemented either (a) by the European Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

As an indication, the communication and visibility measures will be carried out through a service contract or a call for proposals from the second quarter of 2015.