

PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

The PMR Project Implementation Status Report should be prepared by the Implementing Country or Technical Partner, with the support of the Delivery Partner and/or the PMR Secretariat. For any questions related to the preparation of the PMR Project Implementation Status Report, please contact the PMR Secretariat at: pmrsecretariat@worldbank.org.

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	South Africa.
Reporting Period:	From 1/10/2019 to 30/09/2020
Report Date:	8 October 2020
Implementing Agency:	National Treasury, Ministry of Finance
Contact Person:	Sharlin Hemraj

Grant Executed By:	Recipient
Grant Effectiveness and Closing Dates:	14/03/2017 – 31/12/2020
Grant Amount (USD):	USD 3,800,000
Funding Mobilized (USD):	N/A
Funding Committed (USD)	USD 1 473 640

2. OVERVIEW

South Africa's PMR grant became effective in March 2017 with an initial allocation of US\$ 5 million. The main components of South Africa's PMR project are:

- Component 1: Supporting the refinement of the design of the carbon tax through analytical work;
- Component 2: Strengthening the capacity of government to enhance the data management and reporting (GHGs) and measurement / monitoring, reporting and verification (MRV) system;
- Component 3: Supporting the design of the carbon offset scheme; and
- Component 4: Communication, stakeholder engagement and project administration support

Following the enactment of the Carbon Tax Act in May 2019, the Minister of Finance approved and gazetted the final regulations to support the implementation of the carbon offset, trade exposure and emissions intensity benchmark performance allowances. The Regulations for the Carbon offsets was

published in December 2019, and set out, among others, the project eligibility criteria, three standards under which carbon offset projects could be developed i.e., the Clean Development Mechanism, Gold Standard and the Verified Carbon Standard, and the procedure and required documentation for taxpayers to claim the carbon offset tax allowance. The Regulation also established the Clean Energy Branch of the Department of Mineral Resources and Energy (DMRE) as the administrator of the carbon offset allowance. The final regulations for the trade exposure and greenhouse gas (GHG) emission intensity benchmark performance allowance, and the notice for the renewable energy premium, in terms of the Carbon Tax Act (Act No. 15 of 2019) were published in June 2020.

To support the implementation of the carbon tax, the South African government comprising the National Treasury, the Departments of Environment, Forestry and Fisheries (DEFF) and Mineral Resources and Energy (DMRE), and the South African Revenue Service have developed and implemented systems for the administration of the tax. This includes the online greenhouse gas emissions reporting system, carbon offset administration system (COAS) and general tax administration systems. The activities under the SA PMR is an important complementary initiative for enhancing the monitoring and reporting systems, capacity building and supporting the effective coordination, communication and stakeholder engagement on the carbon tax.

A key achievement of the SA PMR project was the completion of the Modification of the National Atmospheric Emissions Inventory Systems (NAEIS) activity to include a greenhouse gas emission reporting module. The South African GHG Emissions Reporting System (SAGERS) went live in January 2020 for emissions reporting by entities for the period 1 January 2019 to December 2019. At the end of the reporting period, more than 300 entities, covering about 900 facilities, successfully reported their GHG emissions. More entities are expected to register as some entities move away from manual submission of their data and onto SAGERS. One features of SAGERS that is not currently available through manual submission is that data can be disaggregated by facility.

To support the implementation of the SA PMR Project, two World Bank Implementation Support Missions were held in December 2019 and two recent virtual Implementation Support Mission which was successfully conducted from 11th to 12th June 2020 and 7th to 8th October. To date, the progress made towards the implementation of South Africa's PMR project activities over the period October 2019 to September 2020 has focused mainly on procurement and financial management as outlined below:

The procurement processes for the measurement, reporting and verification, capacity building and project coordination activities have all been completed, namely,

- Strengthening the Department of Energy Central Energy Database to include the Energy Efficiency Targets Monitoring System (CED-EETMS);
- Technical assessment of the Carbon Offset Administration System (COAS); and compilation of the carbon offsets registry request for proposals for hosting of the carbon offsets registry;
- Development of a Framework for Assessing a domestic offset standard and development of a guideline manual for project developers and carbon on the COAS;
- Capacity building and training of technical staff and secondment of technical experts to support the implementation of the COAS; and

- The Programme Coordinator overseeing the PMR project resigned in February 2020, and a replacement programme coordinator was appointed in July 2020 to provide project coordination and administration support to the National Treasury until closure of the project in December 2020.

The procurement process for the appointment of an independent financial auditor was also initiated after consultations with the World Bank and Auditor General of South Africa (AGSA). The procurement process is almost finalized for the auditor to conduct a financial audit of the Project for the 2018-2019 and 2019-2020 financial years, and a final audit will be done in 2021 for the 2020-2021 financial year.

There have been three financial disbursements to date.

- The first withdrawal application of US\$ 98 643 (R1.35m) was processed and approved by the Bank on 6 July 2018, and was used mainly for payments to the Programme Coordinator;
- A second withdrawal application was submitted to the Bank and a disbursement, amounting US\$ 870 468 (R10.8m) was made on 3 July 2019; and
- A third withdrawal application was submitted to the Bank and a disbursement, amounting to US\$ 504, 000 (R7.5) was made on 4 February 2020.

To date, the total disbursements from the World Bank amounts to US\$ 1.47 million (R 19,770, 593). A fourth withdrawal request amounting to R9,574, 636 (~US\$ 563 210) was submitted on 3 September 2020, to the Bank for approval to cater for payments to be made to consultants until 31 December 2020.

A final withdrawal request is expected to be made before the close of the project on 31 December 2020 to cover any final payments to consultants, including for the final project financial statement and audit.

COVID-19 Crisis – Further revisions to project activities

On 26 March 2020, the South African Government mandated a nation-wide lock down in response to the COVID-19 pandemic. This resulted in delays in finalising procurement for the remaining project activities resulting in dropping or moving the following activities:

- Review of the emission intensity benchmarks activity has been moved to the NDC Support Facility program of the World Bank due to the shorter timeframe to finalise the procurement process and insufficient time to conduct a meaningful study under the PMR project which ends in December 2020.
- Capacity Building for the DEFF NAEIS system activity has been dropped from the SA PMR Project, due to the limited timeframe to finalise the procurement process and ensure sufficient time to implement the activity.
- NAEIS-CED Business Case activity. The DEFF indicated that this activity was no longer required as the department was undertaking a restructuring exercise and identifying resource requirements for the various functions including the Climate Change Monitoring and Evaluation Unit.
- Stakeholder engagements. The government had planned to host stakeholder consultation and information workshops on the administration of the carbon tax from March to June 2020. Due to the COVID-19 crisis and implementation of lockdown measures and social distancing

requirements, the workshops did not take place. Several virtual taxpayer workshops rather than face to face physical workshops were held by the South African Revenue Service and the DMRE in August and September 2020.

Amendment to the PMR Grant Agreement

Following the 19th meeting of the Partnership Assembly held in Brussels, the South African government and the PMR secretariat undertook a review of South Africa’s PMR activities. The restructuring of the project was approved by the World Bank in December 2019, and this entailed dropping some project activities, reducing the budget from US\$5 million to US\$ 3.8 million, and an extension of the project closing date by 6 months to December 2020.

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

<p>Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project’s Results Framework?</p>	<p>Yes</p> <p>A restructuring of the PMR grant agreement and amendments was finalized in July 2020. The changes to the grant agreement covered:</p> <ul style="list-style-type: none"> • Reprioritising and dropping some activities, as they are no longer required and merging/ combining others, resulting in reallocation of funds between components and revised component costs. • Updating the results framework to reflect the change to the activities • Extension of the project closing date by 6 months (to 30 December 2020), to enable the implementation of capacity building activities directly linked to the implementation of the carbon tax. <p>As a result of the above revisions, the SA PMR project budget allocation was reduced by US\$ 1,2million to US\$3,8million. The amount of US\$1,2million was cancelled from the grant.</p> <p>Due to the COVID-19 health crisis and the implementation of lockdown measures by the government of South Africa, this impacted the procurement process for remaining activities</p>
--	---

	<p>under the SA PMR. The implementation of working from home arrangements by the SA National Treasury impacted the availability of key personnel within the Supply Chain Management unit to assist with finalizing procurement. Following bilateral discussions with the PMR secretariat, it was agreed that the GHG Emissions Intensity Benchmark Review and Capacity Building for the NAEIS activities would be dropped. The PMR secretariat had agreed to move the benchmark activity to the NDC Support Facility project of the World Bank.</p>
--	---

Implementation Progress by Component

<p>A. Component 1: Supporting the refinement of the design of the carbon tax through analytical work.</p>	
<p>Status:</p>	<p>Review of the industry benchmarks</p> <p>(ACTIVITY CANCELLED)</p> <p>To encourage efficiency improvements in the carbon intensity of activities covered by the carbon tax, the carbon tax act provides a performance allowance deduction of up to 5 per cent of the total GHG emissions of an entity if a company performs better than an agreed emissions intensity benchmark. Several industrial sectors developed emissions intensity benchmarks which was reviewed by the National Treasury and published in a draft regulation for public comment in December 2019. This regulation was finalized after a stakeholder workshop and bilateral consultations with industry associations and companies. The final regulation was published by the Minister of Finance in a Notice in the government gazette in June 2020.</p> <p>As mentioned above this activity was dropped from the PMR due to procurement delays and is currently being implemented through the NDC Support Facility programme.</p>
<p>Comments:</p>	<p>The implementation of the activity under the NDC Support Facility expedited the procurement process. This also allows sufficient time to undertake the benchmark review and ensure a thorough technical analysis with meaningful outputs.</p>
<p>B. Component 2: Strengthening the capacity of the government to enhance data management and MRV systems</p>	

Status:	<p>Under implementation or completed</p> <p>These activities will support the strengthening of the technical capacity of the Department of Environment Forestry and Fisheries (DEFF) and Department of Mineral Resources and Energy (DMRE) related to GHG and energy data management and MRV systems. These activities seek to build a technical foundation for the implementation of the carbon tax and includes the following sub-components:</p> <p>Modification of DEFF’s National Atmospheric Emissions Inventory System (NAEIS) to enable reporting of GHG emissions by industry.</p> <p>(COMPLETED)</p> <p>To support the effective implementation of the carbon tax, the NAEIS modification activity to build in a GHG emissions module has been successfully completed. The service provider, EnfoTech and Consulting Inc. had been contracted to conduct the NAEIS Modification activity. EnfoTech commenced with project implementation in May 2019 and completed the study in April 2020.</p> <p>A dedicated electronic/web-based greenhouse gas emissions reporting module was developed within the National Atmospheric Emissions Inventory System (NAEIS) GHG module called the South African Greenhouse Gas Emissions Reporting System (SAGERS). This reporting module facilitates the process of reporting greenhouse gas emissions, enabling Industry to meet its GHG reporting requirements in a web-based secure environment and simplifies the process for estimating GHG emissions for industry role-players as it has a built-in emissions calculation capability. The main outcomes of the project included:</p> <ul style="list-style-type: none"> • Modification of NAEIS to allow DEFF to register and manage GHG data providers at national security level • Modification of NAEIS to allow company-level and facility-level reporting with traceability particularly for those companies that have more than one facility and GHG emission categories; • Modification of report data entry template and reporting methodology to capture emissions from the wide range of IPCC sectors; • Modification of NAEIS audit console to allow DEFF to perform auditing on GHG reporting; • Generation of sectoral, facility-level, company-level and national-level GHG reports for data analysis and trending purposes, as well as to fulfill the needs of the South African Revenue Services (SARS) for carbon tax purposes; • Building new GIS functionalities to support data upload, manipulation, and visualization of GHG reporting data; • Developing a National Verification process into NAEIS work flows before finalizing GHG emission inventory report; and
---------	--

	<ul style="list-style-type: none"> • Building capacity at DEFF to host the system. <p>A final emissions reporting module went live in January 2020 to enable emissions reporting by emitters for the period January 2019 to December 2019. For the 2019 emissions reporting period, just over 300 entities companies submitted their emissions reports using the SAGERS.</p> <p>Strengthening of the DMRE central energy database (CED) (UNDER IMPLEMENTATION)</p> <p>This activity will enhance the design and architectural capabilities of the existing Central Energy Database, and facilitate testing and implementation of a web-based energy efficiency monitoring system.</p> <p>An updated TOR and EOI was submitted to the World Bank and approved. An evaluation of the bids was concluded on 30 September 2019 and a draft RFP was forwarded to the Bank for comments and consideration.</p> <p>The Request for proposal was issued on 30 October 2019 and the technical bids were evaluated by a bid evaluation committee comprising the National Treasury and the DMRE in early December 2019. Due to procurement delays as a result of the COVID-19 pandemic and lock down measures implemented since March 2020, the procurement process was finalized in June 2020. The scope of the activities was reduced and the duration of the contract was shortened significantly from 12 months to 5 months. The contract was signed in June 2020, and became effective on 15 July and ends on 31 December 2020. The bid was US\$ 425 000 (R 4 057 200).</p>
<p>Comments:</p>	<p>Since the project tasks could be conducted in parallel, it is expected that all the tasks will be completed within the project timeframe.</p>
<p>C. Component 3: Supporting the design of the carbon offsets scheme</p>	
<p>Status:</p>	<p>Under South Africa’s carbon tax policy, companies are allowed to use carbon offsets to reduce their carbon tax liability. This allowance is capped at 10 per cent of the total greenhouse gas emissions of a firm and aims to provide flexibility to firms whilst encouraging real reduction in emissions. For the first phase of the carbon tax, offsets generated from projects located in South Africa under international standards such as the Clean Development Mechanism, Gold Standard and Verified Carbon Standard will be eligible for use under the carbon tax.</p> <p>The design aspects of the carbon offset scheme have been outlined in the publicly available 2014 Carbon Offsets Policy Paper. In November 2020, the Minister of Finance published the final Regulations for the Carbon</p>

	<p>Offsets in the government gazette after an extensive stakeholder consultation process. The regulations outline the eligibility criteria for the project, the administration procedure to be followed by companies for claiming the allowance and institutional arrangements for the implementation of the scheme. The Clean Energy Branch (Designated National Authority -DNA) of the DMRE will be the implementing agency of the carbon offset allowance.</p> <p>Review and technical assessment of the Carbon Offset Administration System (COAS), and establishing the registry within the COAS system</p> <p>(UNDER IMPLEMENTATION)</p> <p>A service provider was appointed and commenced with the implementation of the project in July 2019. For the first phase of the study, the consultant had undertaken an assessment of the COAS which was developed by the DMRE as part of a prior study. Following the finalization of the project inception report, the consultant was granted access to the COAS for purposes of the review. The main finding of the review was the requirement for enhancement of the security features for the COAS to address concerns of possible fraud related to credits.</p> <p>This was followed by an assessment of the options for linkages between the COAS, NAEIS and the SARS carbon tax administration systems. Currently, the consultant is completing the final part of the study and compiling a request for proposal for possible outsourcing and external hosting of the registry.</p> <p>As part of the carbon tax implementation, the required security upgrades were made to the COAS by the DMRE, and the COAS went live in July 2020 and project applications have since been processed by the DMRE. This process entails the approval of projects and issuing of Extended letter of approvals confirming that the project was developed under the CDM, Gold Standard or VCS; and facilitating the cancellation of credits, transfer to the SA COAS, listing of offsets eligible to be used for purposes of the carbon offset allowance and finally retirement of offsets for purposes of claiming an offset allowance in a particular tax period.</p> <p>Following the clarification of applicable local taxes for purposes of the contract with the international consultancy firm, the contract was amended to include the applicable Value added tax amount in the contract price and the contract was extended to October 2020 to allow sufficient time for completion of remaining activities.</p> <p>Framework for local standard and manual for offset scheme</p> <p>(UNDER IMPLEMENTATION)</p>
--	--

	<p>This activity aims to develop a technical Guideline which will serve as a guide to all role players including project developers on how the offset program will be implemented and operated. Under a study completed by the Department of Mineral Resources and Energy (DMRE), a Standard Operating Procedure (SOP) manual has been developed which provides details on the administration system and the approval process to be followed by the DMRE. The proposed work under the PMR aims to review the SOP, to identify gaps in the proposed approval process and required documentation and to recommend improvements to the SOP and the process.</p> <p>The contract for the development of a Manual for Offset Scheme Users and a Framework for developing Local Standards was signed and came into effect on 15 December 2019 for a period of eight months. Due to the COVID crisis, delays were experienced with completing the deliverables under the project and following discussions with the DMRE and the consulting firm, the contract was extended until November 2020.</p> <p>Capacity building and training of technical and administrative staff and the secondment of technical expertise.</p> <p>(UNDER IMPLEMENTATION)</p> <p>This activity aimed to hire experts to assist the DMRE with the implementation of Carbon Offsets Administration programme in the areas of IT system development and maintenance and technical support carbon markets and capacity building.</p> <p>The terms of reference was finalized for this activity in December 2020 and the request for proposal was issued in February 2020. The technical evaluation was finalized in June 2020, due to the COVID-19 crisis challenge, and the contract was signed in June 2020. The initial contract duration was for 12 months but was reduced to 6months to align with the closing of the PMR project. The contract came into effect on 15 July and ends on 31 December 2020.</p> <p>The consultant has provided important capacity building support and IT systems support to the DMRE for the COAS. This has assisted the DMRE tremendously in going live with the COAS in July and the continued support until December will be key to the successful implementation for the carbon offset scheme.</p>
<p>Comments:</p>	<p>The continued technical support to the DMRE on the COAS beyond the PMR project will be essential for the effective implementation of the COAS.</p>

D. Component 4: Communication, stakeholder engagement and project administration support	
Status:	<p>Responding to the need to situate the carbon tax clearly as a key policy instrument within a package of measures to address climate change challenges whilst promoting South Africa' competitiveness in the long term, this component will help the National Treasury communicate with the relevant stakeholders on the objectives, design and implementation of the carbon tax. In addition, it will improve effectiveness of the project implementation for which the NT will be the implementing agency.</p> <p>The specific activities under this component and progress updates are provided below.</p> <p>During the 2018 mission of the World Bank, it was agreed that the stakeholder consultation workshops and training would be supported through the PMR.</p> <p>(UNDER IMPLEMENTATION)</p> <p>An operational plan for the use of the funds, mainly to cater for the hosting of a number of Stakeholder engagement workshops on the Carbon tax act, offsets and emissions reporting, and carbon tax administration, was submitted to the Bank for consideration in April 2019 and this was approved.</p> <p>The stakeholder workshops were planned for March to June 2020 however, due to the COVID-19 crisis, the workshops did not take place. The implementation of lockdown restrictions and the social distancing requirements to curb the spread of the coronavirus, has resulted in the hosting of virtual online workshops rather than face to face physical workshops.</p> <p>During the period August – September 2020, the South African Revenue Service held a series of virtual taxpayer workshops. The aim of the workshops was to provide training to taxpayers on the required forms that need to be completed for filing the tax return including declaring emissions reported, claiming tax free-allowances, and demonstrating how the electronic filing system works. This was followed by virtual workshops by the DMRE in September 2020 on the COAS.</p> <p>The DMRE is also planning at least 2 to 4 physical workshops to be held in October or November mainly because the online workshops might not reach all stakeholders and therefore the need to host some physical workshops. DEFF plan to host online GHG emissions training workshops during October. No decision has been made yet in terms of the physical workshops.</p> <p>Programme coordinator</p>

	<p>(UNDER IMPLEMENTATION).</p> <p>The first Programme Coordinator joined the National Treasury in September 2018 however, the coordinator resigned in February 2020. During the Implementation Support Mission held on 11-12 June 2020, between the World Bank, NT, DMRE and DEFF it was discussed that a replacement coordinator has been identified and NT will proceed with a contract on an expedited, sole source basis so that the project implementation unit can resume its function in line with the grant agreement.</p> <p>The procurement process for the Programme Coordinator was processed and became effective from 15 July – 31 December 2020. The contract amount was US\$12, 000 (R 187, 000).</p> <p>Financial Audit</p> <p>(UNDER IMPLEMENTATION).</p> <p>As part of the PMR Grant Agreement the NT is required to undertake independent financial audits for the project. Following initial discussions with the Office of the Accountant General internal auditing team at the National Treasury in December 2019, and further discussions with the World Bank, the National Treasury requested the Auditor General of South Africa (AGSA) to assist with the financial audit. In May 2020, the AGSA advised that they will not be able to assist with the financial audit and that an independent auditor should be appointed to undertake the audit for the PMR project.</p> <p>A procurement process was initiated for the appointment of a financial auditor, using the least cost selection method, to assist with the audits for the 2018/19 and 2019/20 financial years. The contract is being finalised for the appointment of a consulting firm and the contract amount is about US\$31, 000 (R339 313).</p>
<p>Comments:</p>	<p>The assistance of the World Bank in expediting the procurement of all the service providers has helped significantly with implementation of SAs PMR activities.</p>

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

Important policy or regulatory developments related to the Grant's objectives and activities:

Developments: Following the enactment of the Carbon Tax Act in May 2019, the Minister of Finance approved and gazetted the final regulations to support the implementation of the carbon offset, trade exposure and emissions intensity benchmark performance allowances. The Regulations for the Carbon offsets was published in December 2019, and set out among others the project eligibility criteria, three standards under which carbon offset projects could be developed i.e., the Clean Development Mechanism, Gold Standard and the Verified Carbon Standard, and the procedure and required documentation for taxpayers to claim the carbon offset tax-free allowance. The Regulation also appointed the Clean Energy Branch of the Department of Mineral Resources and Energy as the administrator of the carbon offset allowance. The final regulations for the trade exposure and greenhouse gas (GHG) emission intensity benchmark performance allowance, and the notice for the renewable energy premium, in terms of the Carbon Tax Act (Act No. 15 of 2019) were published in June 2020. The finalisation of the regulations concluded an extensive stakeholder consultation process on the carbon tax over the past decade. Going forward, the National Treasury will embark on a policy process to inform the second phase (from 1 Jan 2023) to assess the impact of the carbon tax in bringing down the absolute level of GHG emission in line with the Paris Agreement requirements for carbon neutrality by 2050.

Challenges: Due to COVID-19 crisis which delayed the finalization of the regulations, the design and implementation of the systems required to administer the tax had to be expedited to ensure the effective implementation of the tax. As part of the COVID tax relief measures, the filing of carbon tax returns was delayed and the first payment of the carbon tax was deferred from 31 July 2020 to 31 October 2020, which also enabled government to finalise the systems for the implementation of the carbon tax.

Important changes in the technical design or approach related to the Grant's activities:

Developments: Due to the COVID-19 crisis, a review of SAs PMR activities was undertaken in consultation with the PMR secretariat and the Project Steering Committee (Oversight body for the PMR project comprising representatives from the Departments of Environmental Affairs, Forestry and Fisheries and Mineral Resources and Energy). This resulted in dropping of the following activities:

- NAEIS-CED Business case: The DEFF had undertook a restructuring process due to the merging of the former Department of Environmental Affairs with the Forestry and Fisheries departments. Since the restructuring exercise included an assessment of the organizational and resource requirements for the Monitoring and Evaluation Unit of the DEFF, the DEFF was of the view that this activity was no longer required as a business case for resourcing the unit was already being conducted as part of the departmental restructuring.
- NAEIS Capacity Building and the GHG Emission Intensity benchmark review. These activities were dropped due to delays in the procurement process which reduced the timeframe for the successful completion of the work and to ensure meaningful outputs. The benchmark study was moved to the NDC Support Facility project.

Challenges: Due to the implementation of some capacity building initiatives as part of the NAEIS Modification project, the dropping of the capacity building activity would not adversely impact on the implementation of the carbon tax and PMR project. It is however important to note that

complementary to technical research and policy analysis, appropriate capacity building initiatives are crucial for the successful implementation of carbon pricing policies.

Key capacity issues (implementation, technical, financial management, procurement) related to the Grant's activities:

Developments: Due to the resignation of the programme coordinator, and the COVID-19 health crisis and the implementation of lockdown measures by the Government of South Africa, delays were experienced in finalizing the procurement for the remaining activities. After discussions with the PMR secretariat and the Project Steering Committee (Oversight body for the PMR project comprising representatives from the Departments of Environmental Affairs, Forestry and Fisheries and Mineral Resources and Energy), the NAEIS-CED Business Case, Capacity building for the NAEIS and the Benchmark Review project activities were dropped. The benchmark study was moved to the NDC Support Facility project.

Challenges: To date, there have been delays experienced in effectively executing activities under the project due to requirements for alignment of the country and World Bank procurement procedures, and staff turnover. Despite the challenges experienced, the activities under the PMR project were crucial to support the implementation of the carbon tax and efforts have been made both by the South African government and the World Bank to expedite the implementation of activities, especially during 2020.

For future recipient-executed projects, it would be important to establish a Project Management Unit in-country that comprising dedicated procurement specialist, financial management and a legal experts (as well as the project coordinator) to assist with detailed and thorough understanding of Procurement and legal aspects, and taxation and to assist with preparation of financial statements for auditing of the project. Where appropriate, flexibility should also be provided to recipient on a combined bank and recipient executed grant depending on the type of project activities.

Stakeholder engagement related to the Grant's activities:

Developments: During the reporting period, several consultation and training workshops were held by the South African government with affected stakeholders on the draft regulations for the trade exposure and the performance allowances and training on the systems to support implementation and administration of the Carbon Tax Act.

Challenges: These stakeholder consultations will impact the grants activities positively as this forms part of the implementation process for the carbon tax.