



National Treasury

Strategic Plan

(UPDATE)

2007/08



The 2007/08 National Treasury Strategic Plan (update) is compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision.

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The 2007/08 National Treasury Strategic Plan (update) is also available on www.treasury.gov.za



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Strategic Plan

(UPDATE)

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REPUBLIC OF SOUTH AFRICA

May 2007





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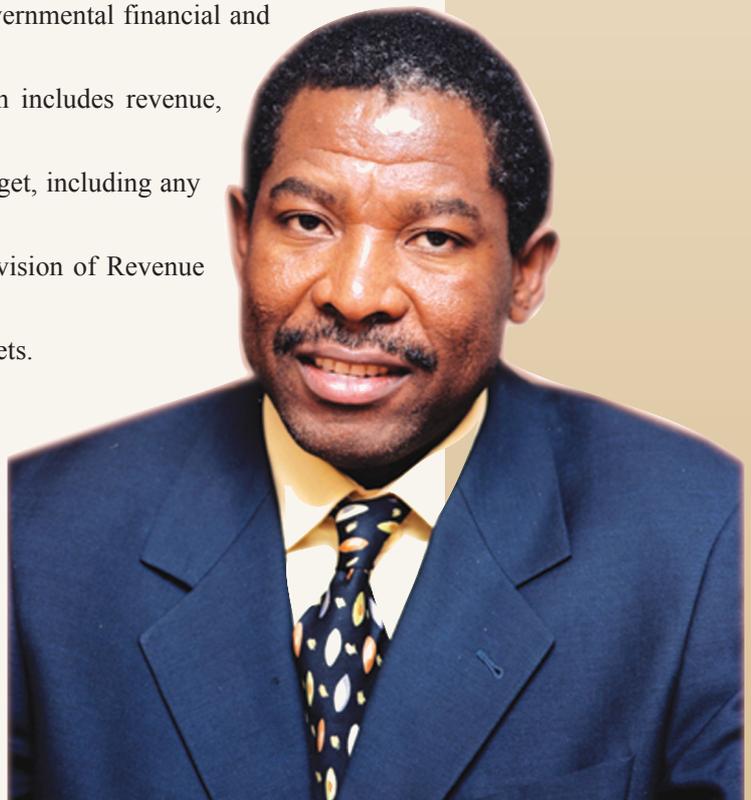
OVERVIEW OF THE ACCOUNTING OFFICER

This is the final update to the National Treasury's Strategic Plan 2005-2008, which was tabled in Parliament during 2005/06. It will be succeeded by a new strategic plan, to be tabled during the first quarter of 2008/09. In reading this update, one should bear in mind that the vision, mission and legislative mandate of the National Treasury have not changed and as such, the strategic objectives of the programmes are largely unchanged from those tabled in our Strategic Plan 2005-2008. The National Treasury remains committed to efficient and sustainable public financial management, and to promoting economic development, social progress and a rising standard of living for all South Africans.

Chapter 13 of our Constitution defines the role of the National Treasury as that of ensuring transparency, accountability and sound financial controls in the management of our public finances. The legislative mandate of the National Treasury, documented in chapter 2 of the Public Finance Management Act (1999) (PFMA), is to:

- Promote government's fiscal policy framework
- Coordinate macroeconomic policy and intergovernmental financial and fiscal relations
- Manage the budget preparation process, which includes revenue, expenditure, assets and liability management
- Control the implementation of the national budget, including any adjustments budgets
- Facilitate the implementation of the annual Division of Revenue Act
- Monitor the implementation of provincial budgets.

Over the medium-term expenditure framework (MTEF) period, the National Treasury will seek to maintain macroeconomic stability while at the same time promoting sustainable economic growth and job creation. In this respect, the National Treasury will focus on increasing investment in infrastructure and industrial capital; improving education and developing skills to raise productivity; enhancing the regulation of markets and public entities; and fighting poverty and inequality through efficient public service delivery, work opportunities, income support and empowerment.



Lesetja Kganyago
Director-General: National Treasury



Below is a synopsis of the nine programmes that fall under Vote 8: National Treasury in the 2007/08 Estimates of National Expenditure (ENE). The summaries below highlight some of the important work to be undertaken in each programme.

Appended to this overview are updated measurable objective tables for programmes 1-8 over the MTEF period.

Programme 1: Administration

This programme provides strategic management and administrative support for the entire National Treasury. As a support service to the National Treasury, the *Corporate Services* division will play a strategic role in developing and implementing an integrated client relations management strategy to meet the needs of line functions. The division will continue to implement National Treasury's talent management strategy to attract young graduates and in the process retain the skills needed to meet our strategic objectives.

Programme 2: Public Finance and Budget Management

The mandate of Programme 2, *Economic Planning and Budget Management*, remains largely unchanged, with the exception that *Economic Policy and International Financial Relations* has been moved to Programme 6 under Vote 8: National Treasury in the 2007/08 ENE. Programme 2, which now comprises three divisions - *Public Finance*, the *Budget Office* and *Intergovernmental Relations* - streamlines the work of economic planning and budget management to provide a collective focus on preparation of the annual budget. This takes place after consultation with government departments, agencies, provinces and municipalities. A further objective of this programme is to provide professional advice and support to the Minister of Finance on fiscal and public finance matters.

The *Public Finance* division is primarily responsible for assessing budget proposals and reviewing service delivery trends in national government departments and their entities. Policy priorities and public finance reforms over the next three years are expected to:

- Introduce the design and financing arrangements for an earnings-related social security system by 2010, and associated reform of the retirement funding environment
- Improve transport planning and systems development, including development of bus rapid transit projects in major cities and accelerated investment in road and rail infrastructure
- Modernise information systems as part of the integrated justice sector reform programme
- Improve government asset management, including reform of government buildings maintenance and accommodation services



- Ensure that public private partnerships (PPPs) activity are consistent with the Financial Sector Charter framework, including housing finance, hospital revitalisation, and the development of residential neighbourhoods, small enterprises and municipal infrastructure.

With the new centralised system for delivery of social grants, the division has worked hard to ensure a seamless transition to the new configuration of fund flows. The next year will see a change in focus to stabilise oversight of financial and accountability changes. Another important priority for Public Finance over the MTEF period is its oversight of 2010 FIFA World Cup funding. To successfully fulfil this responsibility, it will be necessary to strengthen cost controls, especially for stadiums and supporting infrastructure, to contain cost increases.

Public Finance is supported by the *Technical Assistance* Unit, which provides specialist technical support to government departments. Given the limited capacity in many government departments to translate strategy into results, the unit will continue to support government over the MTEF period to achieve its short-, medium- and long-term development objectives. The challenge for the unit will be to build and maintain specialist project management capacity to support reforms led by government.

The key function of the *Budget Office* is to coordinate the national budgeting process. This includes coordinating the allocation of resources to meet the political priorities set by government. While the standard of documentation produced with the budget is already impressive, the Budget Office constantly strives to improve the quality, usability and coverage of the publications produced. The *Budget Office* is consistently increasing the number of public entities covered within the scope of its publications. The consolidated general government accounts produced in the ENE will also continually increase data coverage until a comprehensive set of consolidated general government accounts is produced.

The *Budget Office* is presently reviewing the quality of performance information in the budget. This year the *Budget Office* will issue a framework for performance information to provide clear definitions and techniques for departments to identify more accurate performance measures, and to report in relation to these measures in a timely and consistent way.

One of government's key successes over the past decade has been the creation of fiscal space. Fiscal space provides government with the room to consider new policies (such as the social security reforms) and helps cushion the public finances against domestic and global financial instability. The present fiscal stance must be viewed in this context. Over the next three years, government will continue to ensure that a stable platform is available for increased spending on key public services and to support the Accelerated and Shared Growth Initiative (ASGISA).



The work of the *Public Private Partnership (PPP)* unit is entering a new phase, with a significant increase in PPP activity in local and provincial governments. To achieve this and maintain the high standards of technical support provided to these projects, the unit is playing an increasingly important role in building the capacity of other departments, provinces and municipalities.

The *Intergovernmental Relations* division is responsible for coordinating fiscal relations between national, provincial and local government, as well as promoting sound provincial and municipal financial planning, reporting and management. Three projects - the infrastructure delivery improvement programme (IDIP), the Siyenza Manje initiative and provincial training on budgeting reforms - will be prioritised during the MTEF period.

The IDIP, which provides a framework for improving infrastructure planning, managing delivery and building capacity, is now operating in all provincial departments of Education and Public Works, with 18 long-term technical assistants being deployed in these departments. The IDIP has played a key role in identifying real capacity and skills constraints. During 2007/08, the IDIP will be rolled out in the health sector. Planning activities to align the infrastructure delivery cycle and the budget cycle are also under way.

Similarly, the Siyenza Manje initiative intends to deliver infrastructure, accelerate service delivery and ensure sustainable growth of capacity in local government. The National Treasury, in partnership with the Development Bank of South Africa, is providing aid to distressed municipalities through this programme. A task force of engineers, project managers, town planners and financial management specialists has been deployed in selected municipalities to accelerate economic growth and job creation, improve the rollout of basic services, and provide financial management assistance. The programme aims to provide short-term specialist skills to implement infrastructure projects and to contribute to improved financial management; increase specialist skills by providing on-the-job training for new graduates; provide internships for specific fields to enable student in-service training during graduate studies; and support the development of resident municipal skills, processes and systems for managing infrastructure delivery and finances as outlined in the Municipal Finance Management Act (MFMA) (2003).

Provincial training on budgeting reforms aims to modernise financial planning by allowing for managerial discretion, while at the same time holding management accountable for performance. This reinforces the shift in focus from inputs to outputs and improved performance. Relatively rapid development of public budgeting and financial systems in provincial and municipal government demands greater expertise in budgeting and financial management.

The Chief Directorate: *Provincial Budget Analysis* has introduced two online training courses: The Essentials for Budget Formulation, and Budget Analysis. The aim is to support staff in remote and rural areas, and to establish capacity within provincial treasuries and municipalities.



Programme 3: Asset and Liability Management

Asset and Liability Management aims to manage government's asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring, financial management and optimal management of government's domestic and foreign debt portfolio.

This programme is also leading the effort to complete a review of the mandate of the development finance institutions, which will serve as the basis for developing a systems and policy document for these institutions. Other programme activities include sound forecasting of the R1,3 trillion in expected cash flows, actively reducing debt service costs and reviewing various financial management benchmarks.

Programme 4: Financial Management and Systems

Financial Management and Systems aims to regulate and oversee public-sector supply-chain management and standardise the financial systems of national and provincial government, while coordinating the implementation of the Public Finance Management Act (PFMA) (1999).

The programme continues to coordinate the formidable task of introducing the integrated financial management system to support effective financial management and accounting over the MTEF cycle. Under the master systems plan, rollout of the asset management, procurement and human resource solutions will begin during 2008/09. Coordination of the process to produce proposed amendments to the PFMA also comes from this programme, and these proposals are expected to be tabled in Parliament within the next 12 months.

Programme 5: Financial Accounting and Reporting

Financial Accounting and Reporting seeks to achieve accountability to the general public by promoting transparency and effectiveness in the delivery of services. It sets new government accounting policies and practices, and improves existing ones, to ensure compliance with the standards of Generally Recognised Accounting Practice. It also focuses on the preparation of consolidated financial statements and an improvement in the timeliness, accuracy and efficiency of financial reporting.

The various initiatives to build capacity under this programme include administering a Training Outside Public Practice initiative, in which the National Treasury will be the first government department registered as an approved training organisation with the SA Institute of Chartered Accountants. This initiative enables prospective chartered accountants to complete their training through the National Treasury, and then to undertake the qualifying board examination.

Another significant improvement to this programme is the distinct client focus, designed



to enhance departments' financial accounting and reporting competencies. This will ease subsequent introduction of additional improvements to financial accounting and reporting in national and provincial government. Additional work to strengthen the culture of risk management in departments will also be undertaken during the MTEF period.

Programme 6: Economic Policy and International Financial Relations

Programme 6 has been elevated from a subprogramme of Programme 2. *Economic Policy and International Financial Relations* focuses on economic policy analysis and advisory services in the areas of macroeconomics, microeconomics, regulatory reform, tax policy, financial and banking sector policy, and regional integration and international financial relations.

Over the MTEF period, this programme will continue to fund relevant economic research by local and international economists in areas such as the accelerated and shared growth initiative; employment, banking and financial reforms; retirement reform; taxation; and regional integration. This project includes funding for local economists through Economic Research Southern Africa, as well as the international panel on growth, and Centre of Research into Economics and Finance in Southern Africa.

Reforming the system of retirement funding and in so doing making financial services more accessible to poorer households remains one of government's most important initiatives. It will require significant work by the *Financial Sector Policy* and *Tax Policy* units, as well as other divisions of the National Treasury and in various government departments. A government task team has been set up to implement these proposals as part of broader social security reform. The National Treasury published a second discussion paper on social security and retirement reform with the 2007 Budget. Furthermore, banking sector reform is an ongoing responsibility, which is to be enhanced with further reforms agreed to internationally called Basle II.

The *International Economics* unit will continue to pay particular attention to Africa. The priority is to work towards regional integration in the Southern African Development Community (SADC), and within the rest of the continent. This will include a review of the South African Customs Union (SACU) revenue-sharing formula. The unit also works to identify economic links between African countries and assist them in achieving the Millennium Development Goals.

The *Economic Policy* division will focus on fine-tuning macroeconomic policy, improving the alignment of microeconomic dynamics, raising the economic growth rate, providing support to the social security reform programme, developing internal analytical capacity and achieving policy aims in the Group of 20 meetings.

Macroeconomic policy development focuses on two primary issues: the efficacy of fiscal



and monetary policy coordination, and raising the economic growth rate. The latter area of work is contingent on a range of microeconomic policies and issues related to the country's economic structure. For that reason, *Economic Policy* has set out a work programme in support of export-oriented industrial policies, and assessing the economic impact of government policies.

The need for improved analytical approaches to microeconomic policies will be addressed with the development of a new unit that provides technical support to government's regulatory impact assessment programme. The division's core macroeconomic forecasting and policy capacity will be enhanced to support the budget and fiscal policy, to improve interaction with the Reserve Bank, and to guide policies aimed at generating more rapid and shared economic growth.

Programme 7: Provincial and Local Government Transfers

The strategic objectives of this programme as documented in the Strategic Plan 2005-2008 remain largely unchanged: facilitating the transfer of the provincial infrastructure grant to provinces, as well as the transfer of the local government financial management and restructuring grant, and the neighbourhood development partnership grant, to municipalities.

Programme 8: Civil and Military Pensions, Contribution to Funds and Other Benefits

The strategic objectives of this programme as documented in the Strategic Plan 2005-2008 remain unchanged.

Government's contributions to medical schemes on behalf of retired civil servants consume the largest part of this programme, accounting on average for 62,7 per cent of the programme's budget, and growing from R1,4 billion in 2006/07 to R1,6 billion in 2009/10, at an average annual rate of 4,6 per cent.

The programme's expenditure is expected to increase at an average annual rate of 5,8 per cent over the medium term because of the amendment of the Special Pensions Act (1996), which will expand benefits to widows and orphans.

Programme 9: Fiscal Transfers

Once funds are transferred there is no direct accountability to the National Treasury. All transfers to organisations such as the Secret Services, the Development Bank of Southern Africa (in support of Siyenza Manje), the South African Revenue Service, the Financial Intelligence Centre, and the Financial and Fiscal Commission, are accountable directly to Parliament.

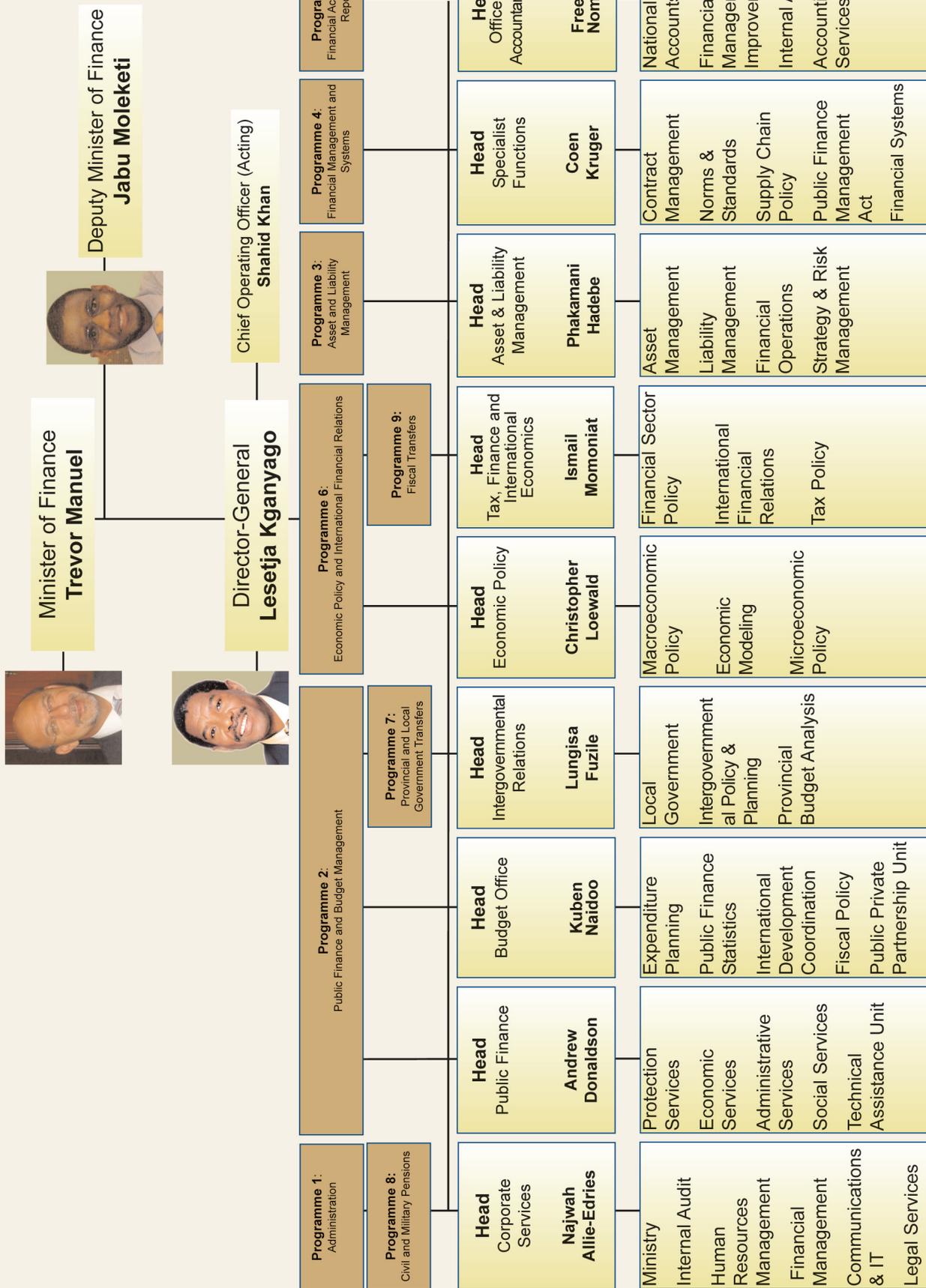


Transfers are expected to increase from R8 billion in 2006/07 to 10,1 billion in 2009/10 at an annual rate of 8,1 per cent.

Conclusion

This final update to the National Treasury's Strategic Plan 2005-2008 highlights changes to the original strategic plan, while indicating progress on initiatives already under way. Our achievements have been made possible by the National Treasury team working together with the exceptional commitment to which I have become accustomed. Parliament must hold government departments to account, and so we look forward to having a thorough and constructive debate about the details of our planned outputs, measurable objectives and milestones.

Lesetja Kganyago
Director-General





**MEASURABLE OBJECTIVES AND
MEDIUM-TERM OUTPUT TARGETS**

Programme 1
ADMINISTRATION

SERVICE DELIVERY ACHIEVEMENT Programme 1: Administration



PROGRAMME 1: ADMINISTRATION

Measurable objective: Improve the quality of financial reporting by ensuring that appropriate policies and procedures are developed and implemented					
Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Minister and Deputy Minister of Finance (Parliamentary Office)	Provide continued parliamentary service to the Ministry and its departments	Satisfaction of the Minister, Deputy Minister and Director-General regarding quality of parliamentary services provided			100% satisfaction – assessment system in place
Management (Office of the Director-General)	Align National Treasury's strategic direction to the country's development policy needs	Strategic plans developed by National Treasury and approved by Parliament	90% achievement of targets set out in National Treasury's strategic plans	Achievement of all targets set out in National Treasury's strategic plans	
Corporate Services	Develop and implement an integrated client relationship management strategy	Revise client charter and service standards	Client relationship management strategy developed	Service charter and service-level agreements revised Identified commitments of the client relationship management strategy implemented	Client relationship management strategy realigned and specific initiatives implemented
	Contribute to the establishment of a knowledge management culture in National Treasury	Implement an agreed centralised archiving system for National Treasury	Implementation of the agreed solution 70% complete	Implementation of the agreed solution 100% complete	Continuous monitoring of archiving system
	Facilitate the development of strategic capability	Develop and implement an integrated talent management strategy	30% of talent management strategy implemented	A further 40% of the talent management strategy implemented	Talent management strategy reviewed and improvements implemented



**MEASURABLE OBJECTIVES AND
MEDIUM-TERM OUTPUT TARGETS**

Programme 2
**PUBLIC FINANCE AND BUDGET
MANAGEMENT**

SERVICE DELIVERY ACHIEVEMENT

Programme 2: Public Finance and Budget Management



Measurable objective: Promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds					
Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Public Finance	Sectoral and departmental policy advice	Timely and relevant analysis and advice	Review of budget submissions and preparation of estimates to meet budget process deadlines In-depth assessment of programmes and sectoral trends	Review of budget submissions and preparation of estimates to meet budget process deadlines In-depth assessment of programmes and sectoral trends	Review of budget submissions and preparation of estimates to meet budget process deadlines In-depth assessment of programmes and sectoral trends
	Expenditure analysis	Quality of expenditure estimates	5-10 review projects annually Enhancement of in-year expenditure monitoring and performance information systems over medium term Continued phasing in of consolidated departmental and agency estimates and expenditure reports	5-10 review projects annually Enhancement of in-year expenditure monitoring and performance information systems over medium term Continued phasing in of consolidated departmental and agency estimates and expenditure reports	5-10 review projects annually Enhancement of in-year expenditure monitoring and performance information systems over medium term Continued phasing in of consolidated departmental and agency estimates and expenditure reports
	Oversight of 2010 FIFA World Cup funding	Compliance with financial management legislation, practices and procedures	Completion of stadiums and other 2010 FIFA World Cup projects within budget	Completion of stadiums and other 2010 FIFA World Cup projects within budget	Completion of stadiums and other 2010 FIFA World Cup projects within budget
Budget Office	Annual budget framework and division of revenue	Integrity of budget framework: fiscal sustainability, structure and trends in fiscal indicators	Budget framework for MTBPS and Budget Review	Budget framework for MTBPS and Budget Review	Budget framework for MTBPS and Budget Review
	Budget Review, Estimates of National Expenditure, appropriation legislation, treasury guidelines and public finance statistics	Quality of budget documentation published on Budget Day	Timely publication, accuracy of scope and quality of content	Timely publication, accuracy of scope and quality of content	Timely publication, accuracy of scope and quality of content
	Expenditure planning and budget process management	Departmental and agency spending plans and submissions to Ministers' Committee on the Budget	Improved performance information as part of expenditure planning; improved infrastructure planning and project evaluation	Auditable performance information	Auditable performance information
	International cooperation agreements	Alignment of official development assistance (ODA) with government priorities	Improved coordination between ODA planning and budget process in the medium term	Satisfaction between donor and beneficiary department	Satisfaction between donor and beneficiary department
	Provincial Budget Framework	Integrity of framework: fiscal sustainability, structure and trends in fiscal indicators	Provincial budget framework finalised by September	Provincial budget framework finalised by September	Provincial framework finalised by September



Measurable objective: Promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds				
Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone
	Local Government Budget Framework	Integrity of framework: fiscal sustainability, structure and trends in fiscal indicators	Local government budget framework finalised by September	Local government budget framework finalised by September
	Preparation of Division of Revenue Bill and Annexure E and the implementation of the Act	Quality of the Bill and Annexure E Funds transferred to provinces and departments in accordance with the Division of Revenue Act	Timely publication, accuracy of content Transfers made in accordance with the Division of Revenue Act	Timely publication, accuracy of content Transfers made in accordance with the Division of Revenue Act
	Support and training for provincial and municipal government with: <ul style="list-style-type: none"> Financial management reforms Infrastructure planning Service delivery 	Number of provinces in which financial management programmes and reforms are being implemented in terms of the PFMA Enhanced capacity provinces to plan and budget, resulting in better quality documentation, and improved performance	9 provincial treasuries	9 provinces
		Technical assistance to provincial departments with infrastructure planning	Quarterly CFO Forum meetings One budget formulation course focusing on legislatures One budget analysis course focussing on provincial treasuries	Quarterly CFO Forum meetings Budget analysis course for those that previously completed the budget formulation course Introduction of training sequence which includes BF, BA and 3 x electives (workshops)
		Technical assistance to municipal departments with infrastructure planning	4 departments receiving technical assistance All provinces submit quarterly reports on infrastructure spending on time Increase proportion of capex expenditure to 95 per cent	2 departments receiving technical assistance All provinces submit quarterly reports on infrastructure spending on time Increase proportion of capex expenditure to 95 per cent or more
		Technical assistance to municipalities with service delivery	60 rural municipalities receiving technical assistance 144 technical assistants 60 young professionals receiving professional experience	100 rural municipalities receiving technical assistance 144 technical assistants 140 young professionals receiving professional experience



Measurable objective: Promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Technical and Management Support	Support and training for municipal government with: <ul style="list-style-type: none"> financial management reforms, infrastructure planning service delivery 	Number of municipalities in which financial management programmes and reforms are being implemented in terms of the MFMA	157 high- and medium-capacity municipalities Implementation of budget reform in 25 largest municipalities	Programme extended to include 126 low capacity municipalities. MFMA implementation in all 283 municipalities	MFMA implementation in all 283 municipalities Implementation of budget reform in 100 municipalities
		Enhanced capacity of municipalities to plan and budget, resulting in better quality documentation, and improved performance	Co-ordinated implementation of the Finance Management Reforms Interns through the FM Grant programme in 50 municipalities	Co-ordinated implementation of the Finance Management Reforms Interns through the FM Grant programme in all municipalities	Co-ordinated implementation of the Finance Management Reforms Interns through the FM Grant programme in all municipalities
	Section 32 of PFMA quarterly reports on spending trends	Timeliness and accuracy of information of Section 32 reports	Accurate quarterly reports on provincial budget implementation	Accurate quarterly reports on provincial budget implementation	Accurate quarterly reports on provincial budget implementation
		Published reviews of provincial and municipal budgets and expenditure	Enhanced scope of financial and non-financial service delivery information	Enhanced scope of financial and non-financial service delivery information	Enhanced scope of financial and non-financial service delivery information
	Section 71 of MFMA quarterly reports on spending trends	Number of municipalities publishing in-year reports	Publication of in-year reports on financial performance in 50 municipalities	Implementation of budget reform in 50 municipalities and publication of in-year reports in 120 municipalities	Publication of in-year reports by all municipalities
	Monitoring provincial departments service delivery against pre-determined objectives	Timeliness and accuracy of information	Accurate quarterly reports on performance information	Accurate quarterly reports on performance information	Auditable performance information
Programme Project management support	Relevant advice and technical support on priority programmes in government to improve quality of spend	40 technical assistance projects Develop technical assistance cost-recovery framework	50 projects Implementation of cost recovery on technical assistance projects	60 projects a year	
		Gazetting of PPP BEE codes with DTI	Technical and management support		
Black economic empowerment (BEE) participation in public private partnerships (PPPs)	Improved BEE participation in PPPs through alignment of PPP code with Department of Trade and Industry (DTI) codes				



Measurable objective: Promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
	PPP programme and projects	Improve PPP project pipeline through registration of additional projects and better technical assistance	<p>Improve quality and flow of projects, streamlining advisory service, use of project development facility and neighbourhood development partnership grant</p> <p>Provide technical assistance to 30 new municipal projects to access the neighbourhood development partnership grant</p> <p>Provide technical assistance for 10 additional national and provincial PPPs</p> <p>Register 7 new municipal PPPs</p> <p>Reach financial closure for 6 new PPPs</p>	Increase in number and scope of PPPs	Increase in number and scope of PPPs
Facilitate development of PPPs for municipal services	Identify PPP project flow in municipal sphere for basic services in water reticulation and solid waste management		Publication of PPP municipal guidelines to assist municipalities with the implementation of new projects	Monitoring implementation of new projects	Monitoring implementation of new projects



**MEASURABLE OBJECTIVES AND
MEDIUM-TERM OUTPUT TARGETS**

Programme 3
ASSET AND LIABILITY
MANAGEMENT



SERVICE DELIVERY ACHIEVEMENT

Programme 3: Asset and Liability Management

Measurable objective: Manage government's financial asset and liability portfolio in a way that ensures prudent cash management, asset restructuring, financial management and optimal management of the state's domestic and foreign debt

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2009/09 Target Milestone	2009/10 Target Milestone	
Asset Management	Present report on review of mandates of development finance institutions	Mandate of development finance institutions completed	Completed by end-August 2007			
		Development finance systems developed	Completed by end-December 2007			
		Development finance policy document completed		Cabinet approval by end-June 2008	Implementation and adherence by development finance institutions ensured	
	Promote appropriate treasury management policies and practices for government business enterprises (GBEs)	Adherence to guidelines on appropriate treasury management policies and practices		100% follow-ups done on implementation of guidelines	Ongoing	Ongoing
		Promote appropriate treasury management policies and practices for provincial and municipal treasuries	Percentage of selected treasuries reviewed against best-practice guidelines		50% reviewed	100% reviewed
	Formulate GBE dividend policies	Financial modelling of appropriate dividend policies for GBEs		60% modelled	100% modelled	Ongoing
		Dividend policy adherence		40% of GBEs	100% of GBEs	Ongoing
	Prudent management of GBEs	PFMA and King Code compliance and monitoring		Quarterly		
		Shareholder management model		PFMA amendments to reflect prudent stakeholder management		
		Financial oversight of GBEs		Continued interventions and monitoring of GBEs		
Electronic annual financial statements of GBEs on the GBE register	Level of compliance to electronic submission		40% submitting electronically	100% submitting electronically	Ongoing	



Measurable objective: Manage government's financial asset and liability portfolio in a way that ensures prudent cash management, asset restructuring, financial management and optimal management of the state's domestic and foreign debt

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone	
Liability Management	Finance government's net borrowing requirements	Annual total government borrowing needs fully met	Net negative issuance of R11,6 billion	Net positive issuance of R1,8 billion	Net positive issuance of R7,5 billion	
	Sound domestic and foreign debt management policies	Enhanced liquidity	Concentrate issuance in benchmark bonds			
		Buyback and exchange in foreign and domestic debt portfolios	Foreign debt portfolio restructured to a minimum of US\$350 million	Switches to reduce 2009/10 domestic loan redemptions		
		Reduce debt service cost	Debt service cost as percentage of GDP declines	2,7% of GDP	2,5% of GDP	
		Contribute to the development of financial markets	Diversification of funding instruments	Introduction of a new inflation-linked bond maturing in 2027/28 and inflation-linked retail bonds		
Financial Operations	Sound investor relations	Retain current investors and attract new ones	Annual domestic and foreign road shows, teleconferences and meetings Timely dissemination of reliable information			
	Sound cash forecasts	Government's liquidity requirements met every time	Forecasting R1,3 trillion of cash flows	Forecasting R1,4 trillion of cash flows	Forecasting R1,6 trillion of cash flows	
	Optimise return on investment	Investment of surplus cash at market-related rates	Quarterly analysis and reviews	Quarterly analysis and reviews		
		Intergovernmental cash coordinated	Continuous improvements to intergovernmental cash coordination	Continuous improvements to intergovernmental cash coordination		
		Saving by provincial governments through cash coordination	Saving of 2% on borrowing costs compared to borrowing from commercial banks	Saving of 2% on borrowing costs compared to borrowing from commercial banks		



Measurable objective: Manage government's financial asset and liability portfolio in a way that ensures prudent cash management, asset restructuring, financial management and optimal management of the state's domestic and foreign debt

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
	Annual financial statements and market reports	Timely reporting	Compliance with PFMA reporting requirements regarding annual financial statements		
	Treasury management systems	Reliable automated and integrated systems	Timely dissemination of reliable market information	Rollout of the new back-office system	Acquisition and integration of middle- and front-office system with the back-office system
			Implementing and actively managing the revised systems integration strategy		
Strategy and Risk Management	Minimise and mitigate risks emanating from government debt portfolio (market risk)	Performance against benchmarks: Floating vs. fixed debt	Review of benchmarks and implement		
		Foreign debt vs. domestic debt	Review of benchmarks and implement		
	Duration range	Review of benchmarks and implement			
	Average maturity below 9.75 years	Review of appropriate new issuances and debt consolidations			
	Adherence to surplus cash benchmark investment ratios and total limits per counterparty	Review of investment ratios and limits			
	Minimise and mitigate sovereign credit rating risks	Quantitative indicators of sovereign risk	Semi-annual sovereign credit rating reviews		
	Manage contingent liabilities appropriately	Capping total government debt plus contingent liabilities as a percentage of GDP	Review target		



**MEASURABLE OBJECTIVES AND
MEDIUM-TERM OUTPUT TARGETS**

STRATEGIC PLAN
**Programme 4
FINANCIAL MANAGEMENT
AND SYSTEMS**



SERVICE DELIVERY ACHIEVEMENT

Programme 4: Financial Management and Systems

Measurable objective: Regulate and oversee public-sector supply-chain management through policy formulation, and improve the quality of financial reporting by ensuring that appropriate policies and procedures are developed and implemented					
Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Supply Chain Management	Align preferential procurement system with broad-based BEE	Revision of Preferential Procurement Policy Framework Act (PPPFA) and its regulations	Promulgation of revised PPPFA and its regulations by March 2008	Reports to Cabinet and SCOPA – March 2008	Reports to Cabinet and SCOPA – March 2009
	Regulate and monitor supply-chain management policy and manage general supply contracts on behalf of government	Implementation of consistent legislative and policy framework	Phased implementation strategy and reports to Cabinet and Standing Committee on Public Accounts (SCOPA) – March 2007	Ongoing enhancement	Ongoing enhancement
PFMA Implementation and Coordination	Introduce strategic sourcing principles to enhance value for money	Issue further practice notes for implementing supply-chain management Applicable to at least 70 transversal term contracts	During 2007/08 Introduce strategic sourcing strategies for 70% of all term contracts	Ongoing enhancement Introduce strategic sourcing strategies for 90% of all term contracts	Ongoing enhancement Continuous application decision of strategic sourcing strategies to all contracts – ongoing
	Coordinate implementation of PFMA and related training initiatives, and monitor implementation in institutions to which the act applies	Report to Portfolio Committee on Finance and Standing Committee on Public Accounts (SCOPA) on progress with PFMA implementation	July 2008	July 2009	July 2010
		Report to Cabinet on audit outcomes of national and provincial entities Number of courses presented to trainees to assist with implementation of financial reforms <ul style="list-style-type: none"> • Supply-chain management • Internal audit and risk management • Accounting-related courses 	November 2008	November 2009	November 2010
			266 courses – 5 320 trainees 105 courses – 2 310 trainees 260 courses – 5 720 trainees	266 courses – 5 320 trainees 110 courses – 2 420 trainees 265 courses – 5 830 trainees	266 courses – 5 320 trainees 115 courses – 2 530 trainees 270 courses – 5 940 trainees



Measurable objective: Regulate and oversee public-sector supply-chain management through policy formulation, and improve the quality of financial reporting by ensuring that appropriate policies and procedures are developed and implemented

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Financial Systems	Implement, maintain and improve financial management systems	Percentage availability of financial management systems during working hours	98% system availability during office hours	98% system availability during office hours	98% system availability during office hours
		Implement master systems plan for integrated financial management system	<p>Phase II – detailed technical design of systems specifications and organisational preparation: <u>September 2007</u></p> <ul style="list-style-type: none"> • Award integrated development environment tender – June 2007 <p><u>Fast-Track Phase III</u></p> <ul style="list-style-type: none"> • Commence development of asset management system – June 2007 • Award procurement commercial off-the-shelf (COTS) tender – July 2007 • Customise procurement module – July 2007-March 2008 <p><u>HR COTS Tender</u></p> <ul style="list-style-type: none"> • Publish tender – April 2007 • Award tender – October 2007 • Customise HR COTS solution – October 2007 - March 2008 	<p>Rollout of pilot solutions</p> <ul style="list-style-type: none"> • Asset management systems • Procurement COTS • HR COTS <p>Commence development of other Phase 3 modules as per master plan</p>	<p>Phase 3 – implementation of new integrated solutions as per master plan</p>

***Note**

Supply-chain management training did not materialise to the extent anticipated during 2006/07, and this affects training demand for 2007/08. In addition, delays have been experienced in the alignment of the PPPFA and the Broad Based Black Economic Empowerment Act, resulting in the cancellation of related courses. The rollout of contract-management courses has also been delayed due to setbacks with the development of course material. The anticipated supply-chain management training figures for 2007/08 are therefore, as indicated in this strategic plan, different from the information presented in the 2007 ENE.



**MEASURABLE OBJECTIVES AND
MEDIUM-TERM OUTPUT TARGETS**

Programme 5
**FINANCIAL ACCOUNTING
AND REPORTING**

SERVICE DELIVERY ACHIEVEMENT

Programme 5: Financial Accounting and Reporting



Measurable objective: Achieve accountability to the general public and the international community by promoting transparency and effective management in respect of revenue, expenditure, assets and liabilities in the public sector					
Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Financial Reporting for National Accounts	Monthly statements of actual revenue and expenditure with regard to the National Revenue Fund	Timely publishing of accurate reports	Within 30 days of month-end	Within 30 days of month end	Within 30 days of month end
	Specimen formats for consolidated annual financial statements (AFS) and conduct implementation sessions	Agreed formats for annual consolidated financial statements that comply with government prescripts	28 February 2007 for 2006/07	1 April 2007 for 2007/08	1 April 2008 for 2008/09
	Consolidated AFS for national government	Consolidated AFS for national government submitted to Auditor-General	20 August 2007	20 August 2008	20 August 2009
	AFS for the Reconstruction and Development Programme Fund	Tabling of audited consolidated annual financial statements in Parliament	31 October 2007	31 October 2008	31 October 2009
	Support implementation of reporting framework and related topics	Audited and published annual financial statements for the RDP Fund	31 October 2007	31 October 2008	31 October 2009
		Training on templates and reforms: <ul style="list-style-type: none"> • Departments • Local government Information-sharing forums	By February 2008 for 2008/09 financial year May to June 4 chief financial officers' forums per year 2 provincial accountants-general forums per year	By February 2009 for 2009/10 financial year	By February 2010 for 2010/11 financial year



Measurable objective: Achieve accountability to the general public and the international community by promoting transparency and effective management in respect of revenue, expenditure, assets and liabilities in the public sector

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Financial Management Improvement	Enhanced framework for the transition from cash to accrual basis of accounting	Completed framework for transition complies with the Accounting Standards Board work plan and adheres to best practice	Updated motivation paper by 31 March 2008	Comprehensive implementation plan drawn up to be ready for the integrated financial management system	
	Annual financial reporting framework in line with financial management improvement plan	Reporting framework document for departments, and consolidation template for public entities Specimen AFS template issued Final preparation guide for AFS issued Preparation guide for annual report	31 March 2008 for 2008/09 31 March 2008 for 2008/09 31 March 2008 for 2008/09	31 March 2009 for 2009/10 31 March 2009 for 2009/10 31 March 2009 for 2009/10	31 March 2010 for 2010/11 31 March 2010 for 2010/11 31 March 2010 for 2010/11
	Accounting policies and practices in support of framework for transition from cash to accrual basis of accounting	Accounting policies and practices in line with approved accounting standards and adhere to best practice Financial management policies to promote sound management, reflecting best practice	100% alignment to approved standards effective dates	100% alignment to approved standards effective dates	100% alignment to approved standards effective dates
	Internal audit and risk management frameworks for national and provincial departments	Revision of internal audit framework	Approval of the revised framework by 31 December 2007	Awareness and training sessions for all tiers of government and public entities by 31 March 2009	100% compliance at national and provincial and local levels of government



Measurable objective: Achieve accountability to the general public and the international community by promoting transparency and effective management in respect of revenue, expenditure, assets and liabilities in the public sector

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
	Enhance service-delivery capability of audit committees, internal auditors and risk managers through training programmes and workshops	Relevant training programmes on internal audit, focusing on performance audits Facilitate regular training programmes and workshops for departments Number of workshops Annual internal audit indaba	31 December 2007 At least one national workshop and one workshop per province 31 March 2008	At least one national workshop and one workshop per province 31 March 2009	At least one national workshop and one workshop per province 31 March 2010
	Conduct or Facilitate Quality assessment reviews (QARs) in Local Government and qualifying departments	Roll out risk management software to a specified number of sites Number of municipalities	Software operational at 40 sites (departments, municipalities and entities) 31 March 2008 Report on QARs for 20 municipalities submitted to relevant councils by 31 March 2008	Software operational at additional 50 sites (departments, municipalities and entities) 31 March 2009 Report on QARs for 20 municipalities having internal audit functions, submitted to relevant councils by 31 March 2009	Software operational at additional 50 sites (departments, municipalities and entities) 31 March 2010 Report on QARs for 20 municipalities having internal audit functions, submitted to relevant councils by 31 March 2010
	Conduct survey of status of risk management in national and provincial departments, local government and entities	Number of departments Status report on Risk Management in national, provincial and local government	External QARs facilitated for all qualifying departments by 31 March 2008 (all departments qualifying in terms of the standards) Survey completed for public entities 31 March 2008	External QARs facilitated for all qualifying departments by 31 March 2009 (all departments qualifying in terms of the standards)	External QARs facilitated for all qualifying departments by 31 March 2010 (all departments qualifying in terms of the standards)



Measurable objective: Achieve accountability to the general public and the international community by promoting transparency and effective management in respect of revenue, expenditure, assets and liabilities in the public sector

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
	Public sector audit committee forum	<p>Fully functional public sector audit committee forum established:</p> <ul style="list-style-type: none"> • Agreed terms of reference on the forum with all relevant stakeholders • Database of orientated members maintained <p>Review effectiveness of forum and report to Director-General on refinements</p>	<p>30 September 2007</p> <p>31 December 2007</p> <p>31 March 2008</p> <p>100% participation on audit committees of national departments, 20% in provincial and local government audit committees by 31 March 2008</p>	<p>31 March 2009</p> <p>100% participation on audit committees of national departments, 40% in provincial and local government by 31 March 2009</p>	<p>31 March 2010</p> <p>100% participation on audit committees of national departments, 50% in provincial and local government by 31 March 2010</p>
	Participation on audit committees and risk management committees of national departments	Percentage participation on audit committees of national departments	100% participation on audit committees of national departments, 20% in provincial and local government audit committees by 31 March 2008	100% participation on audit committees of national departments, 40% in provincial and local government by 31 March 2009	100% participation on audit committees of national departments, 50% in provincial and local government by 31 March 2010



**MEASURABLE OBJECTIVES AND
MEDIUM-TERM OUTPUT TARGETS**

Programme 6
ECONOMIC POLICY AND
INTERNATIONAL FINANCIAL
RELATIONS



SERVICE DELIVERY ACHIEVEMENT

Programme 6: Economic Policy and International Financial Relations

Measurable objective: Provide policy advice to promote growth, employment, macroeconomic stability and regional integration					
Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Management and Research	Publication and promotion of economic research relevant to South Africa	Publication of economic papers	Publication of papers on growth and employment, and retirement reform in 2007	Publication of research papers	Publication of research papers
	Reforming system of retirement funding	Publishing papers, gazettes or legislation on retirement reforms	Further research and concept papers (at least 2) to support retirement reform	Prepare and research implementation of retirement reform proposals	Prepare implementation of retirement reform proposals
	Financial stability	Enforcement of regulations or drafting of legislation promoting financial stability	Support regulatory agencies to monitor stability of financial sector	Support regulatory agencies to monitor stability of financial sector	Support regulatory agencies to monitor stability of financial sector
Tax Policy	Financial sector transformation and access	Gazetting of financial sector charter and introduction of Cooperatives Bill	Tabling and enactment of Basle II amendments before 1 January 2008	Implementation of Basle II risk management standards for banks	Implementation of revised investment regulations for pension funds
	Tax proposals for the annual budget	Chapter 4 of the Budget Review	Gazetting of financial sector charter and tabling of Cooperative Banks Bill by 10 December 2007	Implementation of Cooperative Banks legislation	Implementation of Cooperatives and Dedicated Banks legislation
	Tax legislation and amendments	Taxation and Revenue Laws Amendment Bill	Publication on Budget Day in 2008	Tabling of legislative amendments to give effect to Dedicated Banks	Publication on Budget Day 2010
		Minerals and Petroleum Royalty Bill	Tabling and enactment by 10 December 2007	Publication on Budget Day 2009	Tabling and enactment by end of 2008
	Diamond export levy		Tabling and enactment by 10 December 2007	N/A	N/A



Measurable objective: Provide policy advice to promote growth, employment, macroeconomic stability and regional integration

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
International Economics	Promotion of African and Southern African economic integration	Agreement and implementation of a 'road map' for integration and review of South African Customs Union (SACU) revenue-sharing formula	Participate in process to develop a road map for regional integration in Southern African Development Community (SADC) Develop proposals and engage within SACU to review revenue-sharing formula during 2007	Implement any agreed proposals on regional integration in SADC Finalise agreement on a new revenue-sharing formula in SACU	Implement any agreed proposals on regional integration in SADC Implement any new agreement on a revenue-sharing formula in SACU
	Promotion of G20 dialogue on Financial and Financial issues	Chair Group of 20 forum and deliver work programme for members Deliver the South African work programme on fiscal space reform of Bretton Woods Institution	Arrange 5 workshops and 2 meetings of the forum		
Economic Policy	Economic policy inputs to the Budget Microeconomic analysis	Economic forecasts, MTBPS and Budget Review chapters Economic assessments of microeconomic factors and policies	Work processes developed by March 2007 Institutional structure for microeconomic assessment establishment and fully functional	Comprehensive in-house macroeconomic and international macroeconomic forecasting and analysis Microeconomic assessment capacity functioning optimally	Comprehensive in-house macroeconomic and international macroeconomic forecasting and analysis Microeconomic assessment capacity functioning optimally



**MEASURABLE OBJECTIVES AND
MEDIUM-TERM OUTPUT TARGETS**

Programme 7
**PROVINCIAL AND LOCAL
GOVERNMENT TRANSFERS**

SERVICE DELIVERY ACHIEVEMENT

Programme 7: Provincial and Local Government Transfers



Measurable objective: Improve the pace and quality of provincial infrastructure investment and asset maintenance, promote financial management reforms in municipalities, and restructure service delivery in municipalities with large budgets					
Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Provincial Infrastructure Grant	Monitoring provincial infrastructure development	Transfers made according to conditions	Transfers made by 31 March 2008 in compliance with Division of Revenue Act	Transfers made by 31 March 2009	Transfers made by 31 March 2010
Local Government Financial Management and Restructuring Grants	Monitoring municipal financial management reforms and restructuring	Transfers made according to conditions	Appointment of at least 2 interns in municipalities (a total of 566 graduates) Improved reporting in 8 municipalities through new system Budget reforms in 50 municipalities Implementation of MFMA in all municipalities	Appointment of at least 2 interns in municipalities (a total of 566 graduates) Improved reporting in 50 municipalities through new system Budget reforms in 100 municipalities Implementation of MFMA in all municipalities	Appointment of at least 2 interns in municipalities (a total of 566 graduates) Improved reporting in 150 municipalities through new system Budget reforms in 150 municipalities Implementation of MFMA in all municipalities
Neighbourhood Development Partnership Grant	Funding assistance to restructure and modernise service delivery in large-budget municipalities	Monitoring of progress against agreed benchmarks	Managing and overseeing compliance with conditions of grants by successful municipalities by 2008	Grant ends	Grant ends
	Technical assistance to municipalities	Number of projects	50 projects receiving technical assistance by October 2007		
	Capital grant to municipalities	Number of projects	1 project to have started construction by October 2007		



**MEASURABLE OBJECTIVES AND
MEDIUM-TERM OUTPUT TARGETS**

Programme 8
**CIVIL AND MILITARY PENSIONS,
CONTRIBUTIONS TO FUNDS AND
OTHER BENEFITS**



SERVICE DELIVERY ACHIEVEMENT
Programme 8: Civil and Military Pensions, Contributions to Funds and other Benefits

Measurable objective: To ensure the payment of benefits and awards to beneficiaries of departments, state-aided bodies and other specified bodies in terms of various statutes, collective-bargaining agreements and other commitments

Subprogramme	Output	Measure/Indicator	2007/08 Target Milestone	2008/09 Target Milestone	2009/10 Target Milestone
Civil Pensions and Contribution to Funds	Payment of pension benefits and contributions to funds (including special pensions)	All beneficiaries paid monthly	17 645 beneficiaries paid monthly	18 527 beneficiaries paid monthly	19 453 beneficiaries paid monthly
	Payment of contributions to medical aid schemes	All contributions paid timeously	67 780 members per month	71 169 members per month	74 627 members per month
	Payment of risk and administration fees to the Political Office Bearers' Pension Fund	Payment of risk and administration fees in respect of all members monthly	Payment of risk and administration fees in respect of 900 members monthly	Payment of risk and administration fees in respect of 900 members monthly	Payment of risk and administration fees in respect of 900 members monthly
	Notify beneficiaries of special pensions amendments	Successful national awareness campaign	Ensure maximum awareness and applications by 31 December 2006	Process all applications by March 2007	Process all applications by March 2008
Military Pensions and Other Benefits	Payment of military pension benefits	All beneficiaries paid monthly	6 468 beneficiaries paid monthly	6 080 beneficiaries paid monthly	5 716 beneficiaries paid monthly
	Payment to service providers for medical expenses	All claims paid to service providers monthly	722 claims paid to service providers monthly	686 claims paid to service providers monthly	652 claims paid to service providers monthly