

STRATEGIC PLAN 2011/14



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

STRATEGIC PLAN 2011/14



The **2011/14 National Treasury Strategic Plan** 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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MINISTER'S STATEMENT OF POLICY AND COMMITMENT



The medium-term expenditure framework for the 2011/12-2013/14 period gives practical meaning to government's commitment to job creation, high and more inclusive economic growth, reduce inequality and accelerating access to quality public services.

The increase in spending during the MTEF focuses on education and skills development, improved health, integrated and sustainable human settlements, and rural development. All of these elements are the key building blocks of the multi-generational project aimed at improving the lives of the majority of South Africans.

To improve the lives of the majority of our people requires that our policies reduce the twin evils of unemployment and poverty. To reduce poverty and unemployment, in turn, requires not only higher levels of economic growth than we have achieved thus far, but also growth that is inclusive. Higher growth also requires a series of microeconomic reforms. Sustained dynamic growth depends on rapid improvements in productivity to compensate for limitations in the use of capital and labour as sources of growth. Productivity improvements can be driven by many other factors, including better infrastructure and education.

But as we lay the foundations for higher and more inclusive growth, we must also build into our growth and development strategies pillars that will enable our economy to better withstand future crises.

Recessions, as the recent one testified, leave very deep and long-lasting scars on individuals and societies. A recent joint conference of the International Labour Organisation (ILO) and the International Monetary Fund (IMF) concluded that the human and social costs of unemployment are more far-reaching than the immediate temporary loss of income.

"These longer run impacts pose a burden on the individuals, their families, and society as a whole. They include loss of lifetime earnings, loss of human capital, worker discouragement, adverse health outcomes, and loss of social cohesion. Moreover, parents' unemployment can even affect the health and education outcomes of their children. The costs can be particularly high for certain groups, such as youth and the long-term unemployed," the ILO/IMF conference said.

It is for these reasons that South Africa must prepare itself to minimise the damage a crisis can inflict on households, especially the poor and other vulnerable segments of our society.

But resilience, as the Commission on Growth and Development points out in *Post-Crisis Growth in Developing Countries (2010)*, is not a free good. Resilience comes at a cost. "It may entail tighter fiscal policy in good times, even though the budget surpluses may seem excessive. And it may require countries to set aside a sizeable stock of foreign exchange reserves, despite the opportunity costs involved."

South Africa's own experience going into and living through the recession, bears out the Commission's conclusions. Since January 2010 we have spent R52.3 billion buying foreign exchange reserves, an investment towards a more competitive exchange rate and the strengthening of our country's ability to respond to sudden changes in market conditions, such as a slowdown or reversal in capital flows. As a result of prudent fiscal choices, we entered the recent recession with a healthy fiscal position and comparatively low levels of debt. This allowed us to maintain government spending despite a sharp deterioration in revenue.

These choices – to increase foreign exchange reserves and maintain low levels of debt – are not without costs. But these costs ought to be seen as the necessary insurance premiums we must pay to insure ourselves against the more devastating blows of a crisis.



MINISTER'S STATEMENT OF POLICY AND COMMITMENT

- CONTINUED

The fiscal framework set out for the period ahead is sound and sustainable. It recognises that building South Africa is a multi-decade project that must invigorate our capacity to grow, and must include all South Africans in that growth. The framework will also ensure that government is able to pay for existing programmes without jeopardising the affordability of government services and policies. The MTEF will also ensure that meeting the needs of the current generation do not impose an undue burden on future generations. It's a framework that will place this economy on a higher growth trajectory at the same time as it strengthens its resilience.

Pravin J. Gordhan
Minister of Finance



OVERVIEW OF THE ACCOUNTING OFFICER



The National Treasury's strategic plan for the 2011-2014 period fully embraces government's outcome-based approach, which is reinforced by the delivery agreements that all cabinet ministers have signed. We present this document confident that it lays bare our plans for the next three years, plans which outline what each of the National Treasury programmes will contribute to the outcomes. The National Treasury contributes directly to three, and supports the achievement of the remaining nine outcomes.

This will be the last time that we produce a three year plan. In future, the department's plans will be fully aligned with the medium term strategic framework (MTSF) which will allow us to take a five-year view of our activities.

In preparing this plan, we took note of where we are as a department, milestones achieved, and areas needing to be strengthened. This followed a rigorous internal re-organisation process which began in 2008 and has enabled us to streamline our work, panel-beat our aims and focus our energies, with the aim of making a direct and lasting impact on the lives of the majority of South Africans. This plan reflects the results of that reorganisation, and ensures that the high quality of work synonymous with the Treasury continues.

Among highlights for the period ahead is the R9 billion jobs fund, which was announced in the 2011 budget. The fund will support sustainable job creation in general, but will more specifically improve the employment prospects of young people. It will emphasise self-sustaining job creation, support innovative approaches to job creation, and promote opportunities that lead to long term improvement of employment prospects.

The global financial crisis taught us the importance of having a transparent and stable financial sector. Taking this into account, the work of the *Financial Sector Policy* unit during the period ahead and beyond will focus on ensuring that South Africa enjoys the benefits of a fair and accessible financial sector. The publication in February 2011 of a discussion document, "*A Safer Financial Sector to serve South Africa better*", will be followed by consultations with relevant stakeholders as part of the process of strengthening the financial regulatory system.

Our work on social security reform will continue during the period ahead, including support for the development of the National Health Insurance (NHI) proposals, costing studies and research. Work on the NHI will also include improvements to health infrastructure and targeted interventions to achieve this include strengthening the capacity of the national Department of Health.

Other social security reform work will include a feasibility study on the consolidation of the Unemployment Insurance Fund, Road Accident Benefit Scheme, Compensation Funds and South African Social Security Agency.

The coordination of intergovernmental budgeting, budget execution, monitoring and reporting is crucial to government's effectiveness. In 2011/12, provinces and municipalities are due to receive 53 per cent of total non-interest allocations to implement national priority programmes. To ensure that rural municipalities are adequately supported and urban issues addressed, emphasis in the period ahead will be on ensuring the implementation of a differentiated approach to local government funding. We will also focus on reprioritising budgets towards key government programmes, and improving the capacity of provinces and municipalities to deliver infrastructure

Through the *Neighbourhood Development Partnership Grant* (NDPG), National Treasury will continue its support of improved delivery of infrastructure. The grant supports the provision of economic and community infrastructure, creates opportunities for private sector investment, and improves the quality of life of residents in townships. During the 2011/12 financial year the NDPG has set aside R100 million for Technical Assistance and R750 million for capital grants.



OVERVIEW OF THE ACCOUNTING OFFICER - CONTINUED

The *Accounting Support and Reporting* unit will assist all spheres of government to improve audit outcomes. In this regard, support plans to address identified financial management weaknesses will be developed in conjunction with targeted departments and entities.

The drive to achieve streamlined and effective supply chain management (SCM) in the public sector will be also strengthened. Part of the work of programme five will include enforcing compliance with prescribed procedures and prescripts to combat SCM related fraud and corruption.

Our engagements in the international arena will be driven by the need to enhance South Africa's relationships with international financial and other multilateral institutions, and to increase the voice of the African continent within these institutions. We will also continue to use our participation in forums such as the G20 and the G24 to promote consensus on a number of critical regulatory, financial and macroeconomic reforms.

Regional economic integration will continue to be promoted through our work in the Southern African Development Community, the Southern African Customs Union, and the African Union.

This is my last official document as the National Treasury's Accounting Officer. I have had the pleasure of presiding over eight budgets, and I leave the Treasury at a time when the economy is recovering from the devastating recession of 2008. Our economy is set to grow at 3.4 per cent this year; and after ballooning to 7.3 per cent in 2009, the budget deficit is projected to drop to 3.8 per cent by 2013/14.

I wish to express my gratitude to the staff of the National Treasury for their unwavering support, dedication and diligence during my tenure as the Director-General. To my colleagues in government and to the oversight committees of Parliament, a word of appreciation for the difficult questions, but questions that challenged us to think deeper and harder about issues of importance to the welfare of South African citizens.

To fellow citizens, I am confident that the strong team that I leave behind at the National Treasury will continue to achieve excellence. The staff at the National Treasury defines excellence in government.

I have the honour of presenting the National Treasury strategic plan for 2011/ 2014.

Lesetja Kganyago
Director-General



VISION AND MISSION STATEMENT

VISION

The National Treasury is the custodian of the nation's financial resources. We hold ourselves accountable to the nation to discharge our responsibilities professionally and with humility, with the aim of promoting growth and prosperity for all. We aspire to excellence in the quality of our analysis, our advice and the execution of our financial management responsibilities. We aim to realise the full potential of South Africa's economy and people and to mobilise the resources of the state, business enterprises and the wider community in a partnership of trust and mutual respect.

MISSION AND OBJECTIVES

The National Treasury aims to promote economic development, good governance, social progress and rising living standards through accountable, economic, efficient, equitable and sustainable management of South Africa's public finances. We endeavour to advance economic growth, broad-based empowerment, progressive realisation of human rights and the elimination of poverty. We are responsible for preparing a sound and sustainable national Budget and an equitable division of resources among the three spheres of government. We strive to raise fiscal resources equitably and efficiently and to manage government's financial assets and liabilities soundly. We promote transparency and effective financial management.

VALUES

As custodians of the nation's financial resources, the National Treasury acknowledges the authority of Parliament through whom we are accountable to the nation. We value teamwork, sound planning and enthusiasm and strive continually to improve the quality, accuracy and reliability of our service delivery. Our people are our most valued assets. We seek to be an employer of choice, we invest in the education and training of our staff, we cultivate a learning and consultative environment, we make use of the best available technological support and we aim to mobilise the full potential of our people. In our dealings with the public and with our colleagues we act transparently and with integrity, showing respect and demonstrating fairness and objectivity. In achieving these things, we will honour the faith that the South African public has placed in us.

LEGISLATIVE MANDATE

The National Treasury's legislative mandate is based on chapter 13 of the Constitution. As set out in the Public Finance Management Act and other laws governing financial and fiscal affairs, the Treasury is mandated to promote the national government's fiscal policy and the coordination of macroeconomic policy; ensure the stability and soundness of the financial system and financial services; coordinate intergovernmental financial and fiscal relations; manage the budget preparation process; and enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities and constitutional institutions.

PARLIAMENTARY SERVICES

The Minister of Finance, as the political principal of the Department, regards active collaboration with Parliament as vital. The National Treasury will continue to maintain good relations with parliamentary committees during the period ahead, including the Standing Committee on Finance, the Select Committee on Finance and the Standing Committee on Public Accounts.



SERVICE DELIVERY ENVIRONMENT

NEW GROWTH PATH AND JOB CREATION

The New Growth Path targets the creation of 5 million jobs over the next 10 years. It outlines an approach to accelerate growth and employment, focusing on job-creation targets and sector-based actions that will help to achieve them. Jobs drivers are identified as:

- Continued public investment in infrastructure, creating employment directly in construction, operation, maintenance and the production of inputs, and indirectly by improving efficiency across the economy.
- More targeting of labour-absorbing activities in the agricultural and mining value chains and in the manufacturing, construction and services sectors.
- Promotion of innovation through “green economy” initiatives.
- Support for rural development and regional integration.

While many countries are tightening their fiscal belts, South Africa’s macroeconomic approach affords government the space to grow expenditure at a moderate pace to support social and economic priorities. Public spending in support of social programmes has been strong and, if combined with more rapid job creation, will significantly increase inclusion and income equality.

SOCIAL SECURITY AND HEALTH FINANCING

South Africa’s social security arrangements are being reformed to increase efficiency, improve service delivery and ensure effective use of funds. The consolidation of administrative capacity across social security entities is a key part of this process, and will lead to significant savings. Coordinated policy-making across these entities will also help to make their programmes more effective.

While there are considerable institutional challenges to social security reform, significant progress has been made this year in developing alternative arrangements to replace the costly and inequitable Road Accident Fund with a no-fault scheme. The Unemployment Insurance Fund has already demonstrated the benefits of effective reforms.

This year will also witness the first stages of NHI, and further steps in implementing the 10-point programme for improving health services. Money is set aside in this budget for investment in revitalised public health facilities, improved quality of care, family health teams and tighter monitoring and regulation of health services.



ORGANISATIONAL ENVIRONMENT

The National Treasury's introspection over the past few years has resulted in changes to the organisation, including:

- The split of Economic Policy and International Financial Relations into two separate divisions;
- The expansion of divisional resources, where necessary, to accommodate the demands of a dynamic and fast-changing policy environment;
- The introduction of the group coordination structure to ensure that, while technical excellence is nurtured, the organisation also retains a broad strategic focus; and
- The considerable effort to keep the Treasury focused on its core mandate without losing sight of the needs of a young dynamic organisation. In particular, the establishment of a government management support and advisory service is advanced, and will serve to refocus the Treasury on its regulatory mandate.

The National Treasury's objectives have not changed, and we remain steadfast in fostering a nimble, sustainable and adaptive organisation. The positive effects of group coordination and knowledge sharing are becoming evident with the team-orientated approach being more institutionalised. This will be further nurtured and supported by improved technology and streamlined processes.

In addition, the appointment of group coordinators and project leaders will give further impetus to team work across the organisation. To sharpen this focus on team work, quarterly performance meetings are held with the Director-General with divisional performance meetings followed by group meetings. This has brought about better coordination across the organisation, improved knowledge sharing, and is ensuring that the organisation moves towards a more cohesive and inclusive culture.

EXTERNAL FOCUS

The National Treasury will continue to improve the overall performance of government. This Strategic Plan outlines each programme's role in terms of the outcomes of Government.

Continuing improvements in the value derived from public funds spent represents a core aspect of the National Treasury's work. In addition to strengthening the Public Finance division's monitoring and analytical competencies, considerable focus is placed on improving supply-chain and, in particular, procurement practices in departments. Accordingly, resources have been allocated to substantially improve compliance with, and implementation of supply chain norms and practices across government.



RESOURCE PLAN

NATIONAL TREASURY

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Administration	279 058	281 088	306 933	322 103
Economic Policy, Tax, Financial Regulation and Research	104 245	120 364	127 385	135 529
Public Finance and Budget Management	187 117	198 938	207 889	219 134
Asset and Liability Management	20 822 452	822 594	76 193	78 292
Financial Systems and Accounting	693 827	658 220	690 345	740 164
International Financial Relations	596 808	812 380	1 064 302	1 141 191
Civil and Military Pensions, Contributions to Funds and Other Benefits	2 592 837	3 139 833	3 198 084	3 367 287
Technical Support and Development Finance	1 798 195	4 156 180	4 655 754	5 707 678
Revenue Administration	8 142 208	8 653 573	9 244 374	9 757 215
Financial Intelligence and State Security	3 488 166	3 755 021	3 897 838	4 110 281
Subtotal	38 704 913	22 598 191	23 469 097	25 578 874
Direct charge against the National Revenue Fund	340 288 688	373 644 648	405 572 874	437 253 972
Provincial Equitable Shares	265 139 448	288 492 831	305 725 449	323 604 408
State Debt Costs	67 606 879	76 578 687	90 807 738	104 036 204
General Fuel Levy Sharing with Metros	7 542 361	8 573 130	9 039 687	9 613 360
Total	378 993 601	396 242 839	429 041 971	462 832 846

Economic classification

Current payments	69 055 596	7 801 504	92 341 093	105 647 832
Compensation of employees	552 567	605 940	637 672	672 162
Goods and services	896 150	830 777	895 683	939 466
<i>of which:</i>				
<i>Administrative fees</i>	8 741	6 980	6 768	7 140
<i>Advertising</i>	4 244	3 455	3 243	3 568
<i>Assets less than the capitalisation threshold</i>	1 842	3 097	2 035	2 456
<i>Audit cost: External</i>	12 064	11 074	12 464	12 787
<i>Bursaries :Employees</i>	3 729	2 520	2 919	3 093
<i>Catering :Departmental activities</i>	2 787	2 393	2 522	2 654
<i>Communication</i>	7 802	7 358	7 988	8 635
<i>Computer services</i>	446 287	417 880	438 281	458 524
<i>Consultants and professional services: Business and advisory services</i>	228 793	212 017	228 474	243 625
<i>Consultants and professional services: Legal costs</i>	9 560	10 225	11 086	11 788
<i>Contractors</i>	2 819	3 353	3 417	3 631
<i>Agency and support/outsourced services</i>	11 998	10 947	11 873	12 730
<i>Entertainment</i>	514	472	497	525
<i>Inventory : Food and food supplies</i>	844	1 018	1 079	1 450
<i>Inventory : Fuel ,oil and gas</i>	841	341	429	468
<i>Inventory : Materials and supplies</i>	231	248	263	293
<i>Inventory : Medical supplies</i>	4	5	5	6
<i>Inventory : Other consumables</i>	1 529	1 156	647	1 226
<i>Inventory : Stationery and printing</i>	15 659	14 848	15 569	16 874
<i>Lease payments</i>	26 173	34 192	36 389	38 627
<i>Property Payments</i>	14 775	12 133	26 559	17 126



RESOURCE PLAN - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
<i>Travel and subsistence</i>	53 642	49 727	56 180	63 846
<i>Training and development</i>	19 980	11 034	11 790	12 384
<i>Operating expenditure</i>	5 231	4 947	5 024	5 128
<i>Venues and facilities</i>	16 061	9 357	10 182	10 882
Interest and rent on land	67 606 879	76 578 687	90 807 738	104 036 204
Transfers and subsidies	289 171 787	317 463 780	33 669 293	357 177 422
Provinces and municipalities	274 076 398	298 250 602	316 044 469	334 543 854
Departmental agencies and accounts	11 875 937	13 275 383	13 409 378	14 153 945
Universities and technikons	5 500	-	-	-
Foreign governments and international organisations	564 891	781 866	1 032 610	1 107 691
Public corporations and private enterprise	93 005	2 060 026	3 054 962	4 051 498
Non-profit institutions	75	80	85	90
Households	2 555 981	3 095 823	3 151 389	3 320 344
Payments for capital assets	16 218	13 655	7 985	7 592
Buildings and other fixed structures	-	3 600	-	-
Machinery and equipment	16 218	10 055	7 985	7 592
Payments for financial assets	20 750 000	750 000	-	-
Total	378 993 601	396 242 839	429 041 971	462 832 846

EXPENDITURE TRENDS

The spending focus over the medium term will be on: formulating policy as mandated by the Public Finance Management Act (1999), maintaining robust intergovernmental financial and fiscal relations, social security and retirement reforms, and enhancing a *Specialised Audit Services* unit to reduce tender fraud and corruption.

Over the planning period, total expenditure is expected to decrease significantly from R38.7 billion to R25.6 billion, at an average annual rate of 12.9 per cent. The decrease is mainly due to the phasing out of the Eskom subordinated loan in 2010/11, as well as an end to the recapitalisation funding for the Land Bank in 2011/12. Excluding the Eskom loan and the Land Bank recapitalisation, National Treasury's expenditure increases from R18 billion in 2010/11 to R25.6 billion in 2013/14, at an average annual rate of 12.5 per cent. This increase is mainly due to an additional R9 billion allocation over the medium term for the facilitation of access to employment creation funds. The increase is also attributable to the annual effect of adjustments to expenditure on compensation of employees, post-retirement medical benefits, increased contribution to the African Development Bank, common monetary area compensation payments and enhancement of the infrastructure delivery implementation programme.

Over the medium term the department receives additional non-statutory allocations of R3.4 billion in 2011/12, R4 billion in 2012/13 and R5 billion in 2013/14. These allocations are mainly in transfer payments for:

- the employment creation facilitation fund (R9 billion over the medium term);
- post-retirement medical benefits, the state's contribution to the political office bearer's fund and injury on duty expenditure (R1.5 billion over the medium term);
- post-disaster recovery and reconstruction funding (R600 million in 2011/12);
- the increased membership contributions to the African Development Bank and African Development Fund (R466.2 million over the medium term);



RESOURCE PLAN - CONTINUED

- the shortfall in the estimated annual increase of circulation of notes and coins related to the common monetary area (R309 million over the medium term);
- the expansion of the crime intelligence structure (R260 million over the medium term)
- the increased membership contributions to the World Bank Group (R168.1 million over the medium term).

An additional R59.4 million is also allocated to the department over the medium term for inflation related adjustments.



PROGRAMME OVERVIEW

The composition and structure of programmes within the department have been modified, and they are as follows:

PROGRAMME 1: ADMINISTRATION

This programme remains the same, and is responsible for the overall strategic management and support for the department.

PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH.

In the past this formed part of programme six. It is now made up of two divisions, namely Economic Policy, and Tax and Financial Sector Policy. The programme provides policy advice to promote growth, employment and macroeconomic stability.

This programme contributes to **Outcome 4: Decent employment through inclusive growth**. Focus in terms of this outcome relates to specific aspects of **Output 1: Faster and sustainable growth**, and **Output 3: Multi-pronged strategy to reduce youth unemployment**.

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

This programme consists of three divisions: Public Finance, Budget Office and Intergovernmental Relations. Previously, these divisions fell under Programme two. The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.

This programme contributes to:

- **Outcome 9: A responsive, accountable, effective and efficient local government system.** **Output 6: Improve municipal financial and administrative capacity** receives particular focus by the National Treasury
- **Outcome 12: An efficient, effective and development oriented public service**, where the National Treasury plays a role in **Output 3: Business processes, systems, decision rights and accountability**.

PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

The programme manages government's annual funding programme in a manner that ensures prudent cash management and an optimal portfolio of debt and other fiscal obligations. Only the Asset and Liability Management division falls under this programme which was programme three in the past.

PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING.

This programme is made up of two divisions. These are the Office of the Accountant-General and the Specialist Functions divisions. The programme aims to facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector. Programme five was established as a result of combining the previous programmes four and five.

This programme contributes to **Outcome 12: An efficient, effective and development oriented public service.** **Output 3: Business processes, systems, decision rights and accountability** and **Output 4: Corruption tackled effectively**.

PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

Work in the programme is given effect by one division – International and Regional Economic Policy. It facilitates the deepening of South Africa's role in regional and international economic integration. Previously, the work of this programme appeared as a sub-programme, International Economic Policy and Financial Relations, which fell under programme six.



PROGRAMME OVERVIEW

PROGRAMME 7: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS

Referred to as programme eight in the past, this programme ensures the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective-bargaining and other agreements.

PROGRAMME 8: TECHNICAL AND MANAGEMENT SUPPORT AND DEVELOPMENT FINANCE

This programme previously formed part of programme 2, and was reflected as a sub-programme. The purpose of this programme is to provide specialised infrastructure development planning and implement support, and technical assistance to aid capacity building in the public sector.

PROGRAMME 9: REVENUE ADMINISTRATION

Previously, this programme formed part of the Fiscal Transfers programme (also then reflected as programme 9). This programme comprises transfers made to the South African Revenue Service for purposes of undertaking core tax administration activities and maintaining the IT competencies that support these operations.

PROGRAMME 10: FINANCIAL INTELLIGENCE AND STATE SECURITY

Previously, this programme formed part of the Fiscal Transfers programme (then reflected as programme 9). This programme essentially comprises transfers made to the Financial Intelligence Centre to combat financial crimes, including money laundering and terror financing activities.



PROGRAMME 1: ADMINISTRATION

Purpose: Provide leadership, strategic management and administrative support to the department.

Measurable objective: The programme aims to ensure effective leadership, management and administrative support to the National Treasury through continuous refinement of organisational strategy and structure in compliance with appropriate legislation and best practice.

There are four subprogrammes:

- The *Minister* subprogramme comprises the Ministry of Finance, parliamentary and ministerial support services.
- The *Deputy Minister* subprogramme provides for the Office of the Deputy Minister of Finance and related support services.
- *Management* includes the Office of the Director-General and related support services.
- *Corporate Services* supports the administration and smooth running of the department.

POLICY DEVELOPMENTS

The *Minister* and *Deputy Minister* subprogrammes primarily provide administrative support and report directly to the two political heads. The *Parliamentary Office* assists the Minister and the two organisations under his executive authority (the National Treasury and the South African Revenue Service) with parliamentary responsibilities, such as the passage of legislation. The office also co-ordinates interaction between the ministry and the chairpersons of the finance committees in Parliament.

Over the next three years, the Parliamentary Office will maintain good relations with Parliament. The office will also play a leading role in ensuring that the National Treasury engages with Parliament regarding budgetary processes and related legislation.

The management subprogramme is made up of the *Office of the Director-General*, which is responsible for providing strategic direction and leadership to the National Treasury. The *Communications*, *Legal services*, *Internal audit* and *Enterprise Risk and Security Management* units report directly to this office. Below is more information about the strategic focus of these units over the planning period (three years).

The *Communications* unit will strengthen its media monitoring service by providing regular updates on breaking news stories especially news related to the work of the department. The unit will also continue to offer a quality media service to the ministry and the department by proactively soliciting media coverage for important events, sending out agenda setting statements and proactively responding to matters in the media environment. Over the past few years, the unit has been able to consolidate and manage public queries related to the work of the department and the ministry. This service will continue. To improve internal communications, the unit will continuously communicate and involve employees in internal programmes and campaigns. The marketing of the RSA Retail Savings Bonds will focus on increasing and diversifying investor base particularly by attracting younger investors.

The *Legal Services* unit provides comprehensive legal support to the ministry and the department. Through an appropriate mix of in-house expertise and external counsel, the unit will continue to ensure that the highest quality of legal advice is available to support all aspects of the department's work. The unit will continue to be responsible for the efficient passage of legislation through Parliament and for providing substantive input on legislation emanating from other ministries.

Internal Audit will also continue to enhance organisational integrity by doing value for money audits. A customer centric approach will be adopted by developing and implementing a Protocol / Management Control Document to improve relationships with management.



PROGRAMME 1: ADMINISTRATION - CONTINUED

Enterprise Risk and Security Management will continue to manage risk and devise mitigation strategies for the department. The unit will also ensure a safe environment for employees, visitors and contractors. It will continue to implement measures to ensure protection of the department's assets, information and personnel and will support business continuity management and anti-corruption processes in the department.

The *Corporate Services* subprogramme comprises of the corporate services division. The division provides a range of innovative solutions to enable the National Treasury to achieve its strategic and operational goals. In conducting its work, the division engages in strategic internal and external partnerships such that the department continues to achieve service excellence. Over the planning period, work will focus on promoting good governance, efficient allocation of resources, transforming the division to a customer centric service area and ensuring a healthy and secure working environment. Effort will also focus on continuously meeting the needs of clients within a model that ensures proper feedback mechanisms.

The division consists of a number of functional support units: *Human Resources Management, Financial Management, Information Technology, Strategic Projects and Support, and Facilities Management.*

Over the next three years *Human Resources Management* will continue to focus on enhancing efficiencies of the services it provides to the department. The critical focus will be to anchor the talent management strategy, measure its effectiveness and ensure that it is in line with best practice. The unit will operationalise the HR strategy through the HR business partnership model with specific focus on attracting, developing and retaining high-performing and scarce talent.

Financial Management will ensure compliance with all relevant financial statutes and regulations, notably the Public Finance Management Act (PFMA). The unit continuously enhances the financial management environment of the department. Improvements are planned for Supply Chain Management, which will strengthen the effectiveness and efficiency of procurement, demand management, logistics and contract management processes.

The *Information and Communication Technology* unit ensures that ICT is aligned with the plans and strategies of the department. It is also responsible for the management of risks as they relate to ICT, optimisation of the investment, the use and allocation of ICT resources, the maximisation of the value of ICT and the effectiveness of ICT. It is currently examining Enterprise Architecture principles and processes to ensure business and technology alignment. The departmental unit is also aligning its organisational structure to ensure optimal support is provided and solutions are developed based on business requirements.

The *Strategic Projects and Support* unit will focus on the preservation of the department's intellectual capital and institutional memory. The document tracking system will be monitored to ensure optimised effectiveness. As part of the records management, a green environment and electronic registry will be implemented. This will provide an accurate system to retain approved official records in an electronic environment.

The *Facilities Management* Unit will focus on meeting user needs to support and optimise the working environment for employees and people frequenting the National Treasury.



PROGRAMME 1: ADMINISTRATION - CONTINUED

MEASURABLE OBJECTIVES AND MEDIUM-TERM OUTPUT TARGETS

Measurable objective: To ensure effective leadership, management and administrative support to the department through the continuous refinement of organisational strategy and structure, in compliance with appropriate legislation and best practice.

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Minister and Deputy Minister of Finance	Provide parliamentary service to the Ministry and its departments	Quality parliamentary service to the Minister, Deputy Minister and the Director-General	80% satisfaction – assessment system in place	85% satisfaction – assessment system in place	85% satisfaction – assessment system in place
	Ensure that the department adheres to an integrated risk management system	Develop and implement a comprehensive enterprise-wide risk management strategy that promotes and upholds a culture of risk awareness within the department	Enterprise Risk Management Strategy reviewed annually and necessary changes implemented	Business Continuity Strategy tested and necessary changes implemented	Business Continuity Management strategy reviewed annually and necessary changes implemented
	Ensure a secure and enabling working environment for staff	Providing appropriate physical security for employees and assets	Improved electronic security system and management of outsourced security service provider	Review physical security measures and improve on deficiencies	Secure MTBPS and budget day
	Provide effective and efficient internal audit services to the department	Securing the annual budget process	Secure MTBPS and budget day	Secure MTBPS and budget day	Secure MTBPS and budget day
Corporate Services	Efficient HR function	Develop and implement a risk based annual and three year audit plan in consultation with stakeholders	70% client satisfaction achieved on audit work conducted.	80% client satisfaction achieved on audit work conducted.	90% client satisfaction achieved on audit work conducted.
			Efficiency increased to 70%	Efficiency increased to 100%	Maintain 100% efficiency and seek continuous improvement through benchmarking



PROGRAMME 1: ADMINISTRATION - CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Corporate Services		Roll out of the talent management programme	Review the effectiveness of the talent management programme	100% of the Talent Management Framework implemented	Anchor the Talent Management approach, review its alignment to NT strategy, and continue measuring its effectiveness and impact
	Ensure an integrated business solutions approach to improve knowledge management	Implement an electronic registry where departmental information can be stored, managed and accessed electronically	Electronic registry portal implemented and 20% of file plans completed. Begin training of users	Complete creating file plan folders in the electronic registry and train 50% of users	Train 100% of users of the electronic registry and monitor the publishing and accessing of records
	Strategically aligned ICT systems and services to support business objectives	Strategically aligned business solutions	Develop Corporate Services Strategic Information Systems Plan (SISP)	30% ICT Alignment to Corporate Services IT Business Unit SISP	60% ICT Alignment to Corporate Services IT Business Unit SISP
		An effective ICT operational environment	30% of the NT Business Architecture defined	Developed NT Strategic Information Systems Plan 100% of the NT Business Architecture defined	20% Alignment to the NT SISP. Review National Treasury Strategic Information Systems Plan Monitor adherence to SLA as agreed
			Implement Service Level Management and Service Level Agreement (SLA)	Review SLA to ensure alignment to departmental needs	
			85% compliance to SLA	90% compliance to SLA	98% compliance to SLA



PROGRAMME 1: ADMINISTRATION - CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Corporate Services	Sound financial management and governance according to best practice	<p>Progressive development of analytical reporting and enhancing of management accounting</p> <p>Financial governance compliance and sound control environment</p> <p>Ensure that all statutory reporting regulations and deadlines are met</p>	<p>Implement the in-year monitoring tool that will improve the turnaround reporting from 6 days to 2 days, with emphasis on analysis of value for money</p> <p>Report on the development, assessment and implementation of policies on a quarterly basis</p> <p>Reduce by 65% the findings on compliance by Internal Audit and Auditor General resulting in unqualified audit report</p> <p>31 March 2012</p>	<p>Reduce by 70% the findings on compliance by Internal Audit and Auditor General resulting in unqualified audit report</p> <p>31 March 2013</p>	<p>Reduce by 80% the findings on compliance by Internal Audit and Auditor General resulting in unqualified audit report</p> <p>31 March 2014</p>



PROGRAMME 1: ADMINISTRATION - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Ministry	3 312	3 465	3 599	3 779
Departmental Management	34 691	33 781	35 509	38 259
Corporate Services	94 722	95 166	103 170	115 153
Enterprise Wide Risk Management	22 858	17 325	18 213	19 020
Financial Administration	32 187	31 967	33 587	35 362
Legal Services	14 075	13 079	13 695	14 387
Internal Audit	10 597	9 114	9 506	9 988
Communications	8 275	8 882	9 498	10 069
Office Accommodation	58 341	68 309	80 156	76 086
Total	279 058	281 088	306 933	322 103

Economic classification

	266 913	271 344	302 474	317 655
Current payments				
Compensation of employees	125 410	131 487	138 058	145 735
Goods and services	141 503	139 857	164 416	171 920
<i>of which:</i>				
<i>Administrative fees</i>	3 459	2 291	1 957	2 063
<i>Advertising</i>	1 362	1 067	924	1 207
<i>Assets less than the capitalisation threshold</i>	799	1 770	742	1 034
<i>Audit cost: External</i>	6 914	5 638	5 949	6 276
<i>Bursaries: Employees</i>	1 074	648	901	953
<i>Catering: Departmental activities</i>	828	683	721	766
<i>Communication</i>	4 509	3 848	4 255	4 710
<i>Computer services</i>	25 589	28 384	33 509	39 708
<i>Consultants and professional services: Business and advisory services</i>	9 715	5 168	5 613	7 295
<i>Consultants and professional services:</i>	9 520	9 225	9 986	10 588
<i>Legal cost</i>				
<i>Contractors</i>	2 327	2 947	2 985	3 173
<i>Agency and support/ outsourced services</i>	10 201	8 531	8 947	9 295
<i>Entertainment</i>	140	115	124	140
<i>Inventory: Food and food supplies</i>	844	1 018	1 079	1 450
<i>Inventory: Fuel, oil and gas</i>	841	341	429	468
<i>Inventory: Materials and supplies</i>	204	228	241	270
<i>Inventory: Medical supplies</i>	4	5	5	6
<i>Inventory: Other consumables</i>	1 508	1 143	634	1 213
<i>Inventory: Stationery and printing</i>	4 249	4 592	4 944	5 428
<i>Lease payments</i>	23 308	32 008	33 996	36 044
<i>Property payment</i>	14 775	12 133	26 559	17 126
<i>Travel and subsistence</i>	13 317	13 698	15 252	17 448
<i>Training and development</i>	3 990	2 866	3 075	3 516
<i>Operating expenditure</i>	1 198	1 067	1 078	1 132
<i>Venues and facilities</i>	828	443	511	611
Transfers and subsidies	2 074	1 996	2 035	2 079
Provinces and municipalities				
Departmental agencies and accounts	420	396	435	479
Universities and technikons	-	-	-	-



PROGRAMME 1: ADMINISTRATION - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Foreign governments and international organisations	-	-	-	-
Public corporations and private enterprise	-	-	-	-
Non-profit institutions	-	-	-	-
Households	1 654	1 600	1 600	1 600
Payments for capital assets	10 071	7 748	2 424	2 369
Buildings and other fixed structures	-	3 600	-	-
Machinery and equipment	10 071	4 148	2 424	2 369
Payments for financial assets	-	-	-	-
Total	279 058	281 088	306 933	322 103

EXPENDITURE TRENDS

Spending focus for over the medium term will be to support core services by providing habitable accommodation and modernising information technology systems.

Over the MTEF period, expenditure is expected to grow from R279.1 million to R322.1 million, at an average annual rate of 4.9 per cent. The growth is mainly due to increased compensation costs, and increases in spending on goods and services, commitments for office accommodation, information technology system upgrades and audit fees. The bulk of the goods and services budget is allocated to computer services, consultants, and lease and property payments. An amount of R3.6 million has been allocated in 2011/12 for payments for capital assets under buildings and other fixed structures for the refurbishment of the 32 Church Square building.



PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH

Purpose: Provide specialist policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, taxation, the financial sector, and regulatory reform.

Measurable objectives: The programme provides policy advice to promote growth, employment and macroeconomic stability. This includes conducting macroeconomic and revenue forecasts for the annual budget and *Medium Term Budget Policy Statement (MTBPS)*, the development of tax and financial sector policy.

The programme is organised into two divisions, namely Economic Policy, and Tax and Financial Sector Policy. The programme focuses on policy formulation and the drafting of legislation in support of government's economic policy.

This programme contributes to **Outcome 4: Decent employment through inclusive growth**. Focus in terms of this outcome relates to specific aspects of **Output 1: Faster and sustainable growth**, and **Output 3: Multi-pronged strategy to reduce youth unemployment**.

There are six subprogrammes:

- *Management* provides advice on policy to promote economic growth, employment, macroeconomic stability and regional integration.
- *Research* funds the department's economic research programmes and promotes the research capacity of academic researchers in the areas of economic growth, job creation, macroeconomic stability, taxation, financial sector development, regulations, retirement reform and poverty alleviation.
- *Financial Sector Policy* provides policy advice on the financial sector in relation to the regulatory framework and supporting legislation. This entails modernising the financial regulatory framework in response to the global financial crisis, and facilitating financial stability, retirement reform and financial sector access and transformation.
- *Tax Policy* is responsible for drafting the annual tax legislation and providing advice, tax revenue analysis and revenue forecasting.
- *Economic Policy* provides macroeconomic, microeconomic, forecasting, technical and policy analysis.
- *Cooperative Banking Development Agency* is responsible for the registration of deposit-taking cooperative, community and village banks. The agency also facilitates, promotes and funds the education and training of cooperative banks.

POLICY DEVELOPMENTS

Management will continue to provide sound economic policy advice in support of the work of the department and government more broadly.

Research will continue to fund programmes that contribute to critical economic areas enabling growth and development. In support of this goal, the unit will sustain its relationship with the Economic Research of Southern Africa initiative (ERSA) and the Centre for Research into Economics and Finance in Southern Africa (CREFSA).

Financial Sector Policy focuses on policies and legislation to ensure that South Africa enjoys the benefits of an advanced, stable, fair and accessible financial sector. The unit will conduct consultative engagements with relevant stakeholders as part of the process to implement proposals related to strengthening the financial regulatory system. This work follows the publication in February 2011 of a discussion document, "*A safer financial sector to serve South Africa better*". Work will also focus on reviewing the framework for cross-border direct investment. Discussion documents to guide the review were also published in February 2011. A discussion document will also be published on retirement reform. As part of its contribution to the aims of the Financial Sector Charter, the unit will take forward the finalisation of the financial sector codes, including access targets.

Tax Policy conducts research and develops policy which culminates in annual revenue forecasts and tax proposals for the Budget. Other end-goals include policies which incentivise savings, create a more efficient and certain tax regime for businesses, and also help broaden the tax base. The unit will explore the feasibility of financing the National Health Insurance (NHI), with the first steps towards its launch announced in the 2011 budget. The unit will also engage in a range of consultative forums to involve South



PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH - CONTINUED

Africans in the debate about the proposed taxation of carbon emissions. Further announcements on the proposed tax will be made in the 2012 budget.

Economic Policy will continue to produce quarterly macroeconomic forecasts and scenario modelling to provide sound policy advice on economic issues. The savings ratio in the country is still relatively low, which impacts on the pool of resources available to fund investment from a domestic base. During the 2011/12 financial year the unit will work with *Tax Policy* to consider proposals on how households and companies can increase savings. As part of its work for 2011, the unit will also develop proposals to continually assess and address the competitiveness and volatility of the exchange rate.

The *Cooperative Banking Development Agency* is a recently established entity, set up to register and assist the development of cooperative banks.



PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH - CONTINUED

MEASURABLE OBJECTIVES AND MEDIUM-TERM OUTPUT TARGETS

Measurable objective: Provide specialist policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, taxation, the financial sector, and regulatory reform.

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Research	Build economic research capacity in academic/research institutions, with the broad objective of promoting economic research relevant to South Africa	Number of papers published by research institutions	Publish research papers or discussion documents on economic growth, development, job creation, various microeconomic studies, taxation policy etc. While most papers will be published by academics and researchers through the Economic Research of Southern Africa initiative (ERSA) and Centre for Research into Economics and Finance in Southern Africa (CREFSA), selected papers may be published by the department directly		
Financial Sector Policy	Financial stability	Stability of financial system including first-tier banks	Implementing proposals published in a February 2011 policy document, "A Safer Financial Sector to serve South Africa better" to strengthen the financial regulatory system Support financial regulatory agencies to ensure that they perform effectively in regulating the financial sector		
		Financial surveillance policy	Financial surveillance policy	Publish a policy document with proposals on modernising the framework for inward and outward investment	Develop legislation to give effect to the policy proposal document
		Stable financial markets	Stable financial markets	Submit the Financial Markets Bill and the Credit Ratings Agencies Bill to Parliament in line with international commitments in G20 and the Financial Stability Board	Develop policy framework for regulation of OTC derivatives
		Protect integrity of the financial system in South Africa	Protect integrity of the financial system in South Africa	Support the work of the Financial Intelligence Centre to ensure effective implementation of government-wide strategy on Anti Money Laundering / Combating the Financing of Terrorism	



PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH - CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Financial Sector Policy	Retirement reform	Final Approved Funds Framework	Publish Approved Funds Framework paper and rules for retirement reform	Formulate and pass appropriate legislation supporting retirement reform	Formulate and pass appropriate legislation supporting retirement reform
			Formulate legislation on urgent and broad policy reforms for submission in 2012	Implement proposals	
	Financial sector transformation and access	Broadened and improved access with total percentage banked of at least 70%	Publish proposals to improve trustee performance and governance of pension funds	Publish proposal on disclosure standards for retirement products	Monitor implementation of the Financial Sector Charter's access targets
			Implement revised Regulation 28 of the Pension Fund Act	Take forward finalisation of the Financial Sector Code and include access targets	
Competition and entry into financial sector	Entry of smaller banks and non-banks, including dedicated and co-operative banks Entry of mutual, cooperatives and other member-based organisations into insurance sector	Publish Dedicated Banks Bill	Support and monitor implementation of the Co-operative Banks Act	Publish proposals for Deposit Insurance Bill	Promote competition and entry into financial sector
			Publish micro-insurance policy paper	Implement micro-insurance proposals, possibly including legislation as required	



PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH - CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Financial Sector Policy	Consumer protection in the financial services sector	Consumers of financial services are protected	Establish appropriate legislative framework for new market conduct regulator, including for retail banking	Monitor implementation of Banking Enquiry recommendations	Implementation of market conduct regulatory framework
			Promote implementation of Banking Enquiry recommendations	Monitor implementation of Banking Enquiry recommendations	
			Finalise and implement consumer financial education policy	Monitor implementation of consumer financial education policy	
Tax Policy	Tax proposals and revenue forecasts for the annual budget	Publication of tax policy proposals chapter in the annual <i>Budget Review</i>	Publication on Budget Day 2012	Publication on Budget Day 2013	Publication on Budget Day 2014
	Incentivised savings vehicles (for higher education and first time home owners)	Concept proposal	Policy Proposal for 2012 Budget – October 2011 Budget announcement 2012	Implementation of proposals	
Financial Sector Policy	Carbon tax proposal	Produce policy paper for Cabinet approval and submit proposal for Budget 2012	Policy paper for Cabinet approval – September 2011 Budget announcement in Budget 2012	Implementation of proposals	
			Budget 2012 announcement of reform options to Four Funds approach	Consultation and alternative design options explored	Draft relevant legislative changes
			Signing of revised tax treaty protocols	Ratification of revised tax treaty protocols by parliament	
Financial Sector Policy	Tax treatment of long term insurers	Discussion paper on tax treatment of long term insurers	Budget 2012 announcement of reform options to Four Funds approach	Consultation and alternative design options explored	
	Conversion of the STC regime into the new Dividend Tax	Implementation of new Dividend Tax	Signing of revised tax treaty protocols	Ratification of revised tax treaty protocols by parliament	
Financial Sector Policy	Tax legislation and amendments	Taxation Laws Amendment Bill	Tabling by June 2011	Tabling by May 2012	Tabling by May 2013



PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH - CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Tax Policy		Pilot project to rewrite the Income tax Act or parts thereof	Outline of the proposed rewrite of sections of the Income Tax Act dealing with employment income and depreciation allowances	Concept legislation on new employment income provisions in the Income Tax Act	Legislation on employment income for consideration by Parliament Concept legislation on depreciation allowances
Economic Policy	Economic policy analysis, research, assessment and advice covering trade, labour markets, industrial sectors, network infrastructure, development finance institutions and economic growth	Quality policy memos and economic assessment of policy proposals with appropriate turnaround times	Institutional development of divisional capacity and quality benchmarking Improved benchmarking and coverage of issues Functioning microeconomic assessment		
	Maintenance and development of economic models	Well-specified and up to date economic models	Economic models that facilitate policy making through sound economic analysis		
	Macroeconomic forecasts	Quarterly economic forecasts and high-quality policy and scenario modelling	Staffing and capacity development for modelling and forecasting	Comprehensive in-house macroeconomic analysis and forecasting	
	Stable and competitive exchange rate	Economic policy analysis, research, assessment and advice on the real exchange rate	Develop proposals for assessing and addressing the competitiveness and volatility of the exchange rate and investigate and discuss appropriate instruments as may be necessary and appropriate from time to time	Monitor progress	Monitor progress
	Strategy to increase private savings	Economic policy analysis, research, assessment and advice on private savings rate	Develop proposals	Implement proposals	Monitoring progress



PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Programme Management for Economic Policy, Financial Regulation and Research	13 758	21 570	21 888	22 893
Research	9 650	13 968	15 219	15 909
Financial Sector Policy	23 261	25 766	26 999	28 416
Tax Policy	24 383	25 487	26 824	28 190
Economic Policy	24 993	24 263	25 379	26 611
Cooperative Banking Development Agency	8 200	9 310	11 076	13 510
Total	104 245	120 364	127 385	135 529

Economic classification

	90 397	100 411	105 845	111 481
Current payments	90 397	100 411	105 845	111 481
Compensation of employees	65 957	71 883	75 326	79 027
Goods and services	24 440	28 528	30 519	32 454
<i>of which:</i>				
<i>Administrative fees</i>	716	855	957	1 022
<i>Advertising</i>	314	363	385	410
<i>Assets less than capitalisation threshold</i>	112	115	125	135
<i>Bursaries: Employees</i>	465	420	530	555
<i>Catering: Departmental activities</i>	260	324	337	342
<i>Communication</i>	469	518	578	617
<i>Computer services</i>	366	341	336	290
<i>Consultants and professional services: Business and advisory services</i>	9 610	13 968	15 219	15 909
<i>Consultants and professional services:</i>	40	-	-	-
<i>Legal costs</i>	-	-	-	-
<i>Contractors</i>	63	65	69	73
<i>Agency and support/outsourced services</i>	-	-	-	-
<i>Entertainment</i>	58	32	33	34
<i>Inventory: food and food supplies</i>	-	-	-	-
<i>Inventory: Materials and supplies</i>	-	3	5	5
<i>Inventory: Other consumables</i>	3	4	4	4
<i>Inventory: Stationery and printing</i>	1 309	1 211	1 290	1 354
<i>Lease payments</i>	263	190	219	253
<i>Travel and subsistence</i>	6 486	6 236	6 397	7 317
<i>Training and development</i>	857	873	974	1 039
<i>Operating expenditure</i>	2 389	2 670	2 681	2 665
<i>Venues and facilities</i>	660	340	380	430
Interest and rent on land	-	-	-	-
Transfers and subsidies	13 200	19 310	21 076	23 510
Provinces and municipalities	-	-	-	-
Departmental agencies and accounts	8 200	9 310	11 076	13 510
Universities and technikons	5 000	-	-	-
Foreign governments and international organisations	-	-	-	-



PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Public corporations and private enterprise	-	10 000	10 000	10 000
Non-profit institutions				
Households	-	-	-	-
Payments for capital assets	648	643	464	538
Machinery and equipment	648	643	464	538
Payments for financial assets	-	-	-	-
Total	104 245	120 364	127 385	135 529

EXPENDITURE TRENDS

The spending focus over the medium term will be on reviewing tax policy proposals for the Budget, preparing the legislative changes to support tax proposals, and developing policies to promote economic growth, macroeconomic stability and retirement reforms.

Expenditure over the MTEF period is expected to grow from R104.2 million to R135.5 million, at an average annual rate of 9.1 per cent. This growth is mainly in current payments due to the continued increase in capacity for economic research, improvements to the functioning of the financial regulatory system, and enhancements to both the tax and economic policy proposals over the MTEF period.



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

Purpose: Provide analysis and advice on fiscal policy and public finances, intergovernmental financial relations, and expenditure planning and priorities. Manage the annual budget process and provide public finance management support.

Measurable objective: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.

Measurable objectives are to:

- Prepare a national budget that gives effect to government's economic, fiscal, social and development goals.
- Publish the *Budget Review*, *Estimates of National Expenditure* and *Medium Term Budget Policy Statement* and appropriation legislation, containing relevant, accurate and clear financial information and associated indicators of service delivery and performance.
- Contribute to public policy and programme development, and to sound planning, budgeting and project management, including increased support to public finance reform in provinces and municipalities.
- Promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and Public Private Partnerships (PPPs), advice on financing alternatives for municipal development, and financial assistance for neighbourhood development projects. This support is further elaborated on in Programme 8 (*Technical and Management Support and Development Finance*).
- Support improved monitoring and analysis of public expenditure and service delivery, and the appropriate use of public and private financial resources for social and economic development and infrastructure investment.

The programme is organised into three divisions:

- The *Public Finance* division oversees budgetary planning and execution in national departments, provides advice and analysis on sectoral policies and programmes, monitors public expenditure, and advises on financial and budgetary aspects of public policy and spending proposals. The division provides advice to the Director-General, the Deputy Minister and the Minister on cabinet memoranda and public finance issues that require Ministerial concurrence or treasury approval. It is the primary link between the National Treasury and other national departments and government agencies.
- The *Budget Office* provides fiscal policy advice, oversees expenditure planning and the national budget process, leads the budget reform programme, manages official development assistance and compiles public finance statistics.
- *Intergovernmental Relations* coordinates fiscal relations between national, provincial and local government, and promotes sound provincial and municipal budgetary planning, reporting and financial management.

Technical and Management Support now falls under programme 8.

This programme contributes to:

- Outcome 9: A responsive, accountable, effective and efficient local government system. Output 6: Improve municipal financial and administrative capacity receives particular focus by the National Treasury
- Outcome 12: An efficient, effective and development oriented public service, where the National Treasury plays a role in Output 3: Business processes, systems, decision rights and accountability.



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

- CONTINUED

POLICY DEVELOPMENTS

PUBLIC FINANCE

The *Public Finance* division has six sectoral chief directorates and two specialist units. The chief directorates provide submissions, correspondence and input to the annual budget process, culminating in the *Estimates of National Expenditure* and contributions to the *Budget Review* and other treasury publications.

Within the division, priorities and policy work over the next three years will include the following:

Administrative Services

- Review of the business case for the Public Works Property Management Trading Entity and support the Public Works Department with its implementation.
- Assist with developing a policy framework and legislation guiding the establishment of the Lebombo Ressano-Garcia one-stop border post.
- Develop an appropriate tariff model for training courses offered by the Public Administration Leadership and Management Academy (PALAMA).
- Determine a management model for the 12 proclaimed fishing harbours.
- Assist the Department of Women, Children and Persons with Disabilities to set up a structure and costing of activities included in their business plan.
- Support the Department of International Relations and Cooperation (DIRCO) with planning for development assistance and aid to other African nations. DIRCO will also receive assistance with improving its acquisition and management of foreign property.
- Support Statistics South Africa to acquire new accommodation through a PPP project.
- Assist the Government Communication and Information System (GCIS) in developing a strategy on repositioning the Thusong Service Centre programme and the rollout of electronic communication between citizens and government.

Education and Related Departments

- Monitor the funding of university and Further Education and Training (FET) college students through the higher education subsidy formula and National Student Financial Aid Scheme (NSFAS) study awards.
- Provide support to the ongoing shift of the further education function from provincial education departments to the national Department of Higher Education and Training.
- Monitor the impact of the new national skills development strategy on the Sector Education and Training Authorities (SETAs), the National Skills Fund and skills development in general.
- Monitor and advise the Department of Basic Education on the implementation of the Accelerated School Infrastructure Delivery Initiative. Provide support to the development of school workbooks. Advise the department on means to address scholar transport and outstanding policy issues on school sport.
- Financing and transformation of the Sheltered Employment Factories.
- Funding and solvency of the Commission on Conciliation, Mediation and Arbitration.
- Review the funding arrangement for the provision of community sport facilities, currently funded through the Municipal Infrastructure Grant, the Department of Sport and Recreation South Africa and the Department of Cooperative Governance and Traditional Affairs (COGTA).
- Coordinate allocations to the Expanded Public Works Programme (EPWP) and monitor compliance with EPWP's incentive principles and progress in meeting job creation targets.



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

- CONTINUED

Health and Social Development

- Provide support in the development of National Health Insurance proposals, including costing studies and research.
- Strengthen the process of improving health infrastructure through various targeted interventions, including strengthening capacity of the national Department of Health and support through Development Bank of Southern Africa (DBSA) and Centre for Scientific and Industrial Research (CSIR).
- Support a set of maternal and child health interventions to reduce maternal and child mortality and make progress toward achieving the Millennium Development Goals (MDGs).
- Provide costing analysis and support for antiretroviral treatment rollout and intensifying HIV prevention interventions.
- Assist with the development and finalisation of new payment arrangements for social grants through payment contractors and banks, including assistance with a new tender.
- Provide support for the development of an electronic system for grant applications and an integrated grant administration process.
- Ensure an improved funding arrangement for non-governmental organisations, and the development of a new model on how provinces should fund social relief of distress.
- Provide support and advice during the review of the National Development Agency (NDA).

Economic Services

- Assist with the comprehensive agricultural support programme and post-settlement support to land reform beneficiaries.
- Recapitalise and development of land restitution and land reform projects.
- Work on sector-specific industrial support programmes, financing of industrial development zones and financing of small enterprise development.
- Finance of Industrial Policy Action Plan initiatives.
- Implications of climate change and options for green economy investment and incentives.
- Finance of science councils and priority research programmes, and increased support for graduate study programmes.
- Finance requirements and governance of state-owned enterprises.
- Finance and oversight of the Square Kilometer Array project and the Technology Innovation Agency.

Urban Development and Infrastructure

- Devolute the housing function to municipalities and strengthening of housing finance.
- Economic regulation of water infrastructure and services, tariff determination and long-term funding requirements.
- Establishment of the National Water Resource Infrastructure Agency.
- Subsidise and devolute public transport and economic regulation of transport services.
- Longer term planning and financing of transport network infrastructure and services.
- Design and financing of the Road Accident Benefit Scheme.
- Implement the energy sector integrated resource plan and upgrade of local distribution networks.
- Digital broadcast migration funding arrangements.

Protection Services

- Support and monitor the implementation of the criminal justice system improvement projects.
- Monitor the construction and upgrading of correctional centres as well as implementation of other measures to address prison overcrowding.
- Monitor the implementation of the new Correctional Services budget programme structure with a special focus on rehabilitation and reintegration of offenders into communities.
- Monitor departmental expenditure and financial performance to curb wasteful and unauthorised expenditure.
- Assist with the acquisition of the Constitution Hill site for the development of a justice precinct.
- Assist in establishing the Office of the Chief Justice and support for other newly established entities and units such as the Police's civilian secretariat, Military Veterans and the Independent Police Investigative Directorate.



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

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Social Security and Retirement Reform Project Management Unit (PMU)

- Provide secretarial support to the Interdepartmental Task Team on Social Security and Retirement Reform, and coordinate the advisory and consultative processes associated with this reform programme.
- Provide research support for the Interdepartmental Task Team, including impact of the establishment of the National Social Security Fund on Trade Union and Bargaining Council Funds and on the public sector, requirements for an adjudication framework and tribunal for social security, and feasibility of introducing a continuation benefit for targeted unemployed persons.
- Conduct a feasibility study on consolidating the Unemployment Insurance Fund, Road Accident Benefit Scheme, Compensation Fund and South African Social Security Agency.
- Design of a new consolidated institutional framework for social security, implementation plan and associated transitional arrangements.
- Conduct feasibility study on the National Social Security Fund, which will also serve as the default fund for supplementary savings.
- Research the impact of regulatory reform proposals on the public and private sector.

Capital Projects Unit

- Conduct project assessments and provide overall advice on potential funding scenarios for major projects.
- Monitor the implementation and progress of major capital programmes.
- Analyse big projects currently under consideration. These include renewable energy, conventional electricity power projects and liquid fuels, as well as national infrastructure related to water, transport and telecommunications.

BUDGET OFFICE

The *Budget Office* coordinates government's spending and revenue plans and reconciles these with the public sector's longer term policy and strategic priorities. The division contributes to the work of the Ministers' Committee on the Budget, the Budget Council and the Treasury Committee. The core outputs of the *Budget Office* are the annual budget and *Medium Term Budget Policy Statement*, which are tabled in Parliament in February and October respectively. The division is divided into five units.

Expenditure Planning

- Manage the national budget process and coordinate the production of the *Estimates of National Expenditure*, published on the day of the budget speech.
- Develop a comprehensive checklist that will assist with effective departmental planning.
- Design quarterly performance reporting guidelines which will assist in providing early warning signs and identifying areas needing intervention, to monitor performance more closely.
- Together with other internal divisions, review the Annual Report format and guidelines to ensure improved quality of performance information. This will also enhance alignment with all planning and budget documents.

Public Entities Governance Unit

- Contribute to a coherent regulatory environment and promote a consistent approach to governance, human resource management and financial management in the public sector, including extra-budgetary entities.
- Continue to promote sound planning, budgeting, governance and financial management in government agencies and public entities, and assist in monitoring the public sector wage bill.

Public Finance Statistics

- Produce all fiscal data and public finance statistics used for departmental publications. The main focus is to improve transparency and accountability by providing the public with information on government revenue and expenditure outcomes. Data is also submitted to international organisations, including the International Monetary Fund.



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

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- Introduced a consolidated government budget in the 2011 Budget that not only includes details of revenue and expenditure of all entities forming part of the consolidation, but also provides information on the consolidated borrowing of government, which was not published previously. This consolidation will be extended further in future budgets to include the accounts of all entities that are part of general government.
- Implemented a training programme on the Standard Chart of Accounts (SCOA), together with PALAMA, which will be formalised and will improve the quality of financial data produced.

Fiscal Policy

- Monitor economic and fiscal trends and advise the Minister of Finance on policy options and the budget framework.
- Continue to play a central role in developing government's framework for infrastructure financing.

International Development Cooperation

- Coordinate and manage official development assistance (ODA) for the country.
- Facilitate effective programme delivery in the sectors that receive ODA assistance and ensure that donor recipients comply with global ODA commitments.
- Ensure that there is improved alignment of ODA funding to budget priorities within the government functions. Continue to mobilise resources by channelling donor funds through the RDP account.

INTERGOVERNMENTAL RELATIONS

The coordination of intergovernmental budgeting, budget execution, monitoring and reporting are crucial to government's effectiveness. In 2011/12, provinces and municipalities are due to receive R428.1 billion or 53 per cent of non-interest allocations (excluding the contingency reserve and indirect transfers) to implement national priority programmes.

Emphasis in the period ahead is on reprioritising budgets towards key government programmes and improving the capacity of provinces and municipalities to delivery infrastructure. Work will also focus on ensuring the implementation of a differentiated approach to local government funding that ensures that rural municipalities are adequately supported and urban issues addressed. The division will publish a *Provincial Budget and Expenditure Review* covering financing and service delivery developments in the nine provinces.

The division is comprised of four units.

Intergovernmental Policy and Planning

- Facilitate legislation related to the division of revenue. The legislation (including the explanatory memorandum on the division of revenue) outlines detailed allocations to provinces and municipalities, including specific provisions to ensure improved planning and oversight of provincial infrastructure projects.
- Regularly review the provincial equitable share formula and fiscal framework, and publish recommendations in the Division of Revenue Act on which institutions should be strengthened to improve the performance of concurrent functions within the current constitutional framework.
- During the 2011 financial year, the unit will conduct a review of all aspects of the municipal fiscal framework, including municipalities' ability to raise their own revenue. This may result in further changes to the local government equitable share and other transfers.

Provincial and Local Government Infrastructure

- Continue to implement capacity building initiatives and reforms in funding policies for provincial infrastructure and municipalities.
- Phase III of the Infrastructure Development Improvement Programme (IDIP) is being rolled out to provincial departments involved in infrastructure, such as education, health, roads and public works.



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

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- IDIP will also support national departments in building capacity for effective oversight and administration of infrastructure grants resulting from the devolution of the Infrastructure Grant to Provinces to sector departments.
- Work with COGTA to strengthen the infrastructure delivery support provided to municipalities through establishing the Municipal Infrastructure Support Agency. The Agency will target rural municipalities and assist them with effective planning and delivery of infrastructure, and conduct a review of the funding policy framework that supports rural municipalities to ensure alignment with the needs of rural municipalities.
- Finalise the design and implementation of the large cities support programme targeted at eight metros to support both the review of their fiscal framework and progressive consolidation of built environment functions at city level. The objective is to support and strengthen the service delivery, management capacity and systems of South African cities.

Provincial Budget Analysis

- Continue to provide a comprehensive programme of financial, advisory and technical support to all provincial departments towards implementing the reforms contained in the Public Finance Management Act (PFMA).
- Continue working closely with provincial treasuries to achieve stable provincial finances (which has already resulted in deeply rooted budget and monthly reporting systems in provinces). Further reforms include the development of uniform sector budgets and strategic plan formats, allowing for more comparability between provinces, the development of performance indicators for each sector, and more uniform annual reports.
- Emphasis on improving overall performance of provincial government by stepping up initiatives that strengthen capacity, including providing technical support to provincial treasuries to enable them to provide technical support and advice to provincial departments.

Local Government Budget Analysis

- Continue the roll-out to all municipalities of the Budget and Reporting Regulations to improve transparency, credibility and the alignment with national government priorities.
- Work closely with the 17 non-delegated municipalities to improve the quality and content of the municipal budget documents through the Budget and Benchmarking engagements.
- Equip provincial treasuries to adopt a similar approach to the assessment of budgets for delegated municipalities through continuous training to provincial treasuries and non-delegated municipalities.
- Improve the quality of in-year reporting by maintaining the 100 per cent coverage rate and ensuring the accuracy of information contained in the in-year reports, including the oversight of conditional grant spending by municipalities.
- Refine the design of the Standard Chart of Accounts, followed by selective piloting and the development of regulations.
- New projects to be initiated include revenue management and billing, a framework for tariff setting and research related to municipal business processes.



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

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MEASURABLE OBJECTIVES AND MEDIUM-TERM OUTPUT TARGETS

Measurable objective: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Programme Management for Public Finance and Budget Management	Leadership and coordination of the programme	Timely completion of budget documents. Effective coordination of the budget process	Publish October MTBPS and February Budget Budget framework consistent with government's fiscal policy guidelines and public expenditure priorities, with draft completed by end-September each year Division of Revenue between national, provincial and local government aligned with budget framework and medium term expenditure priorities, with draft completed by end-September each year		
	Sectoral and departmental policy advice	Departmental correspondence, reports and publications	Timely and relevant analysis and advice Selected expenditure reviews of sectoral programmes and public entities		
Public Finance	Expenditure analysis	Monthly and quarterly monitoring of expenditure; analysis of expenditure trends	Quarterly expenditure reports, completed within six weeks of end-of-quarter Phasing-in of consolidated departmental and agency estimates and expenditure reports		
	Medium-term expenditure recommendations	Inputs on departmental budget submissions to the medium term expenditure committee <i>National Expenditure</i> chapters, with improved budget programme structures	Submit preliminary recommendations to MTEC based on prior consultation with departments Align budget submissions and recommendations with improved programme structure Phasing-in of expenditure estimates and programme information for public entities as part of MTEC process Introduce longer-term expenditure estimates for selected programmes and entities		
	Social security and retirement reform (jointly with Financial Sector Policy - Programme 2)	Policy framework and implementation road-map	Develop policy framework for social security reform	Phased implementation of contributory social security reforms and retirement industry legislative amendments	
	Establishment of Capital Projects Unit	Analysis and advisory reports	Evaluate options for investment in liquid fuels supply capacity Review of solar park proposals Pre-feasibility review of major projects in water and transport sectors		



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

- CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Budget Office	Annual budget framework and division of revenue	Integrity of national budget framework	MTBPS in October of each year setting out the framework for the Budget, including the vertical division of revenue which reflects government's priorities Annual Budget and MTEF published in February each year, following MinComBud and Cabinet approval		
	<i>Budget Review, Estimates of National Expenditure</i> , appropriation legislation and public finance statistics	Quality of budget documentation	Timely publication of budget documentation, characterised by accuracy, extensive scope and quality of content. Improved quality of measurable objectives and selected performance indicators by departments and public entities in the Estimates of National Expenditure, aligned to Government's Outcomes Approach		
	Expenditure planning and budget process management	Departmental and agency spending plans, and submissions to Ministers' Committee on the Budget. Introduce improved guidelines on performance measurement and monitoring, for quarterly and annual reports	Improve budget process, providing coordinated information by government function, that allows for greater value-for-money assessment in the budget expenditure allocation process Improve emphasis and focus on cost effective service delivery by departments and public entities individually, and collated by government function Refine the new disaster funding grant mechanism and other aspects of managing disaster response Improve quality and use of performance information for departments and public entities in budget decision making		
	Consolidated general government accounts for use in all publications of National Treasury	Public finance statistics presented according to function and economic classification, for consolidated general government Guidance to departments and entities on classification of revenue and expenditure	Extend the coverage of the consolidated account to include information on the consolidated accounts and borrowing of government, which was not published previously Issue classification circulars which are used by departments for transactional classification guidance Roll out a further phase of the training programme on the Standard Chart of Accounts (SCOA) and submit the training programme for SAQA accreditation		
Capital expenditure planning and evaluation	Improved quality of capital planning leading to more efficient budget allocations and capital expenditure	Develop a project driven database Changes to regulations (where necessary) and development of appraisal guidelines	Develop a project driven database Changes to regulations (where necessary) and development of appraisal guidelines	Develop a project driven database Changes to regulations (where necessary) and development of appraisal guidelines	Develop a project driven database Changes to regulations (where necessary) and development of appraisal guidelines
				Develop first set of sector specific guidelines and further development of guidelines	Continued roll-out and broadening of training



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

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Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Budget Office	Official Development Assistance (ODA) resources aligned to and mobilised for government policies and priorities	Alignment of ODA funding decisions with the budget process	Broaden focus to include economic and rural development, employment creation and public service delivery improvement Enhance accountability for donor receipts through ENE reporting and transparent financial accounting		
	Deepen governance and accountability in public entities	Implement a governance and financial management monitoring and compliance system in public entities	Institutional budgeting, reporting and change management processes Review of financial, human resource and administrative delegations in public entities Recommendations on appropriate levels of delegations to be submitted to Cabinet Set targets to improve appropriate SCM indicators for public entities by 2014		
Intergovernmental Relations	Provincial and local government budget framework, in line with fiscal framework and policy objectives	Timely publication and quality of the Division of Revenue Bill and explanatory memorandum (Annexure W1)	Provincial and local government budget frameworks by September each year Division of Revenue Bill tabled on budget day with no errors		
	Review of Equitable Share formula	Funding gaps in existing formula addressed	Education component of the provincial equitable share reviewed and funding gaps addressed Review available statistics and adapt local government equitable share formula to recommendations from the Intergovernmental Fiscal Relations Summit	Further revisions to local government equitable share formula	Use of new data sets from Census 2011 in the provincial equitable share and local government equitable share formulas
	Review of Municipal Fiscal Powers and Functions Act	Amendments to the Act to improve the ease of implementation of Act	Finalise amendments to the legislation	Amendments tabled	
	Large Cities Support Programme <ul style="list-style-type: none"> Improved planning and management of the built environment in large cities. Improved performance of intergovernmental fiscal transfers 	Number of cities and technical experts	Teams of technical experts deployed to 8 metropolitan cities to support cities in improving their plans and service delivery management systems	8 metropolitan cities submitting improved integrated built environment performance plans and service delivery management systems	8 metropolitan cities have improved alignment between budgets and long term visions of the cities Support extended to four additional cities



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

- CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone	
Intergovernmental Relations	Effective implementation of the annual Division of Revenue Act and conditions stipulated for conditional grants	Number of workshops, courses and officials trained	7 Division of Revenue workshops 2 Business Planning training courses 400 officials trained	7 Division of Revenue workshops 2 Business Planning training courses 400 officials trained	7 Division of Revenue Workshops 2 Business Planning training courses 400 officials trained	
			• Training on the requirements of the Division of Revenue Act • Performance assessments for conditional grants programmes	2 conditional grant programmes comprehensively assessed	5 conditional grant programmes comprehensively assessed	8 conditional grant programmes comprehensively assessed
	Building capacity in provincial treasuries	Hands-on support to provincial treasuries	Nine optimally functioning provincial treasuries			
	Building budgetary capacity in provincial departments	Number trained on budget formulation and budget analysis courses	450 officials trained on budget formulation and budget analysis courses	Will be phased out to PALAMA		
	Roll out Municipal Budget and Reporting Regulations	Number of municipalities complying with new formats	Budgets of all 278 ¹ municipalities are in accordance with formats	Budgets of all 278 municipalities are in accordance with formats	Budgets of all 278 municipalities are in accordance with formats and focus on quality and narrative information	
	Publication of municipal non-financial information	Annual publication of non-financial information with focus on quality and scope	Preparation and background research work	Prepare and develop reporting formats	Publish non-financial information for 278 municipalities; to be done annually	
	Funding compliance methodology implemented in line with Sections 17 and 18 of the MFMA	Number of municipalities using the methodology	Apply to 17 non-delegated municipalities Oversee application of the methodology to all other municipalities by provincial treasuries			
	Mid-year budget and performance assessment in line with Section 72 of the MFMA	Number of municipalities assessed and corresponding reports sent to the municipalities	Apply to 17 non-delegated municipalities Oversee application of the methodology to all other municipalities by provincial treasuries			

1 After the Demarcation Board's decision – effective 1 July 2011



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

- CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Intergovernmental Relations	Development of a standard chart of accounts for municipalities	Project progress against plan	Pilot the chart with selected municipalities	Regulate the chart and implement it	Manage and monitor implementation of chart
	Municipal Budget Benchmarking Engagement	Number of municipalities involved in the benchmarking exercise between April and June	Apply to 17 non-delegated municipalities Oversee application of the methodology to all other municipalities by provincial treasuries		
	Monitoring of conditional grants	Number of municipalities correctly verifying their conditional grants expenditure	Apply to all 278 municipalities Monitoring is an on-going process and all unspent money has to be returned to the National Revenue Fund		
	Provincial and local government Budget and Expenditure Reviews	Publish the Provincial and Local Government Budget Reviews with focus on quality and scope	Publish <i>Provincial Government Budget and Expenditure Review</i> by end of September	Publish updated provincial data in June	Publish <i>Provincial Government Budget and Expenditure Review</i> by end of September
				Publish updated local government data in October	Publish updated local government data in October
				Publish provincial quarterly reports a month after the end of the quarter Publish municipal reports 45 days after the end of each quarter	
	Publication of provincial and local government expenditure reports in terms of the PFMA (section 32), MFMA (section 71) and DORA (Section 44(3))	Timely and accurate reports Coverage and reliability of municipal and provincial information			
			Maintain coverage at 278 municipalities Improve reliability of data Maintain coverage of 120 departments in 9 provinces		



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

- CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Programme Management for Public Finance and Budget Management	15 797	25 536	27 639	29 705
Public Finance	55 332	54 889	57 195	59 813
Budget Office and Coordination	38 959	42 510	43 897	46 144
Intergovernmental Relations	45 638	42 967	44 720	47 140
Financial and Fiscal Commission	31 391	33 036	34 438	36 332
	187 117	198 938	207 889	219 134

Economic classification

Current payments	153 932	165 386	172 898	182 279
Compensation of employees	120 800	132 851	139 231	146 107
Goods and services	33 132	32 535	33 667	36 172
<i>of which:</i>				
<i>Administrative fees</i>	661	433	443	474
<i>Advertising</i>	562	402	408	423
<i>Assets less than the capitalisation threshold</i>	265	159	164	182
<i>Audit cost: External</i>	-	20	20	20
<i>Bursaries :Employees</i>	464	328	342	388
<i>Catering :Departmental activities</i>	601	449	492	536
<i>Communication</i>	510	553	598	631
<i>Computer services</i>	444	184	185	186
<i>Consultants and professional services: Business and advisory services</i>	11 365	17 134	17 544	18 759
<i>Consultants and professional services: Legal costs</i>	-	-	-	-
<i>Contractors</i>	119	47	53	58
<i>Agency and support/outsourced services</i>	61	11	12	12
<i>Entertainment</i>	112	105	111	118
<i>Inventory : Food and food supplies</i>	-	-	-	-
<i>Inventory : Fuel, oil and gas</i>	-	-	-	-
<i>Inventory : Materials and supplies</i>	2	9	9	9
<i>Inventory : Medical supplies</i>	-	-	-	-
<i>Inventory : Other consumables</i>	8	5	5	5
<i>Inventory : Stationery and printing</i>	6 305	5 607	5 683	6 210
<i>Lease payments</i>	525	362	458	520
<i>Property Payments</i>	-	-	-	-
<i>Travel and subsistence</i>	7 900	5 202	5 497	5 868
<i>Training and development</i>	1 760	882	940	1 007
<i>Operating expenditure</i>	319	245	259	284
<i>Venues and facilities</i>	1 149	398	444	482
Interest and rent on land	-	-	-	-
Transfers and subsidies	31 897	33 036	34 438	36 332
Provinces and municipalities	-	-	-	-
Departmental agencies and accounts	31 391	33 036	34 438	36 332
Universities and technikons	500	-	-	-
Foreign governments and international organisations	-	-	-	-
Public corporations and private enterprise	-	-	-	-
Non-profit institutions	-	-	-	-



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

- CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Households	6	-	-	-
Payments for capital assets	1 288	516	553	523
Buildings and other fixed structures	1 288	516	553	523
Machinery and equipment				
Payments for financial assets	-	-	-	-
Total	187 117	198 938	207 889	219 134

EXPENDITURE TRENDS

The spending focus over the medium term will be on continuing to enhance the implementation of the infrastructure delivery improvement programme to provincial departments, increasing capacity for the benefits assessments, and supporting the Parliamentary liaison office and the comprehensive expenditure reviews.

Over the MTEF period, expenditure is expected to increase from R187.1 million in 2010/11 to R219.1 million in 2013/14, at an average annual rate of 5.4 per cent. This increase is mainly in spending on compensation of employees across all subprogrammes due to inflation related adjustments to salaries.



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

Purpose: Prudent management of government's financial assets and liabilities.

Measurable objective: Manage government's annual funding programme in a manner that ensures prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.

There are six sub programmes:

- *Management* provides support for planning, monitoring and delivering the programme's activities.
- *State Owned Entity Financial Management and Governance* promotes the optimal allocation and use of financial resources and sound corporate governance in state owned entities through financial oversight in accordance with government policy.
- *Government Debt Management* is responsible for government's long term funding needs, manages domestic and foreign debt, and contributes to the development of financial markets.
- *Financial Operations* provides for government's short term funding needs, manages cash in all spheres of government, accounts for debt and the investment of government surplus cash, supplies reliable systems, and provides quality information.
- *Strategy and Risk Management* develops and maintains a risk management framework by implementing debt management strategies.
- *Financial Investments* provides funding mainly for the recapitalisation of Eskom and the Land and Agricultural Development Bank of South Africa.

POLICY DEVELOPMENTS

Only the *Asset and Liability Management* division falls under programme four.

State Owned Entity Financial Management and Governance will over the next three years monitor and report on target achievements by the Land Bank and the Development Bank of Southern Africa. This is in line with resolving challenges related to the cost effectiveness and financial stability of development finance institutions (DFIs). Support will also be provided to the institutions regarding the implementation of mandates. In the 2011/12 financial year, the unit will finalise the establishment of a framework to monitor and evaluate DFIs.

Over the next three years, the unit will exercise financial oversight over SOEs and report annually on the review of the entities' corporate plans and financial statements. In addition, quarterly reports of SOE borrowing programmes and the annual borrowing calendar will be compiled and published. The unit will also ensure that SOEs and metros adhere to treasury guidelines. The benchmark process to determine an appropriate target capital structure of SOEs will be completed in 12 entities by 2012.

In 2011/12, state-owned entities and development finance institutions will borrow R106.3 billion. Over the next three years, development finance institutions are expected to expand their loan books by about R115 billion. These institutions are also expected to seek out opportunities to cooperate with the private sector to co-finance infrastructure investment in South Africa and the region over the medium term.

Government Debt Management ensures that government's borrowing needs are met. In 2011/12, government's gross borrowing requirement amounts to R176.1 billion. As a result of sound economic and fiscal policies, deep and liquid capital markets, and the availability of international funding, government was able to finance this amount and at a lower cost than anticipated. Debt service costs for 2011/12 will be 2.6 per cent of gross domestic product. Refinancing risk will be actively managed by switching R26.8 billion of debt that matures over the medium term into longer-term bonds.

The focus of *Financial Operations* over the medium term will be on meeting government's liquidity requirements, amounting to R3.3 trillion by 2013/14. The unit aims to save 3.4 per cent on borrowing costs of national and provincial government by coordinating and implementing sound financial management. Following the successful implementation of the foreign debt module on the back office system, the domestic and retail debt modules will in 2011/12 be implemented in the new back office system.



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - CONTINUED

Strategy and Risk Management will review and monitor the benchmark of net government debt, provisions and contingent liabilities; the aim is to keep the level sustainable. The benchmarks of fixed versus non-fixed debt including on foreign debt versus domestic debt, will also be reviewed. The benchmark is set at a 70/30 split and 20-25 per cent maximum debt exposure as a percentage of total debt. The non-fixed component of the domestic portfolio, comprising floating rate notes, inflation-linked bonds and money market loans, grows to 38 per cent in 2010/11, exceeding the National Treasury risk benchmark of 30 per cent non-fixed debt. Over the medium term, government will seek to move closer to the non-fixed debt benchmark.



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - CONTINUED

MEASURABLE OBJECTIVES AND MEDIUM-TERM OUTPUT TARGETS

ASSET AND LIABILITY MANAGEMENT

Measurable objective: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state owned entities through financial analysis and oversight.

Subprogramme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
State Owned Entity Financial Management and Governance	Strengthen financial oversight and monitoring economic performance of Development Finance Institutions (DFIs)	Reporting and resolving DFI issues regarding cost effectiveness, development effectiveness and financial sustainability	Provide support to DFIs on the implementation of mandates	Provide support to DFIs on the implementation of mandates	Provide support to DFIs on the implementation of mandates
			Analyse all DFI related applications	Analyse all DFI related applications	Analyse all DFI related applications
			Operationalise DFI Council	Support the implementation of the DFI policy once approved by Cabinet	Support the implementation of the DFI policy once approved by Cabinet
			Facilitate the establishment of the monitoring and evaluation framework for DFIs	Report on implementation of DFI Council decisions	Report on implementation of DFI Council decisions
	Promote appropriate treasury management policies and practices in SOEs and major municipal treasuries (metros)	Adherence to treasury guidelines by 6 SOEs and 3 metros	Follow up appraisal of previously reviewed SOE treasuries and compile individual reports on progress regarding recommendations within a month of each review	Assist two SOEs to establish treasury operations Conduct follow up reviews of new treasuries after six months of operation Conduct treasury appraisal on two priority SOEs and produce individual reports within one month of each review	Review alignment of Treasury Operations to business execution strategies: Asset and liability matching (refinancing risk); Hedging strategies; Other financial risks (liquidity and counter party) Conduct follow – up reviews (Ekurhuleni, Johannesburg)



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - CONTINUED

Subprogramme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
State Owned Entity Financial Management and Governance			Review one major metro (Cape Town)	Conduct follow – up review for Cape Town	
			Review risk frameworks for two SOEs (Eskom, Transnet)	Review risk frameworks for two SOEs (IDC, DBSA)	Review risk frameworks for two SOEs (Samral, TCTA)
	Coordinate borrowing programmes of SOEs and ensure alignment with sovereign borrowing	Compilation of borrowing calendar and consolidated maturity profile	Quarterly report/updates on SOEs: Borrowing programmes Capital expenditure Hedging risk exposures Annual publication of borrowing calendar by March		
	Complete the process of determining optimal capital structure and appropriate dividend policies for SOEs	Benchmark to determine appropriate target capital structure for SOEs	12 SOEs completed	19 SOEs	Annually monitor and report on implementation of capital structures and dividend policies by SOEs
	Shareholder compliance	Compliance with PFMA, King III Code and SOE Remuneration Guidelines monitored	Annual reporting on compliance of major SOEs		
	Strengthen financial oversight over Schedule 2 and 3B entities	Financial oversight over SOEs	Annual report on review of corporate plans and financial statements		
		Contribute to reports on corporate plans and annual reports of SOEs. Submissions on PFMA, guarantees, funding, borrowing limits, water and electricity price applications as required. Semi-annual report to Cabinet on guarantees	Standardised processes implemented for assessing and monitoring guarantees and evaluating Section 54 applications Review PFMA applications and applications for guarantees, funding or borrowing limits by SOEs as received Review water and electricity price applications in terms of Section 42 of the MFMA and provide comments as received Review the corporate plans and annual reports of SOEs Ongoing monitoring of Eskom, SAA, Denel and SABC, including monitoring compliance with guarantee conditions and providing semi-annual updates to the Minister and Cabinet		



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - CONTINUED

Subprogramme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
State Owned Entity Financial Management and Governance	Develop policy framework within which SOEs are managed	Report on funding model and administered prices. Report on industry/sector research as required	Review funding model for capital expenditure in electricity, transport and water sectors Review administered prices/regulatory model for electricity, water, pipelines, aviation Carry out industry and sector research and review sector policy and legislation as required Provide input to the review of SOEs A thorough analysis of the current state of broadband in South Africa which includes the drafting of a funding model to be implemented at national level Participation in two provincial broadband infrastructure investment pilot projects – Limpopo and KZN		
	Restructuring of SOEs to improve performance and efficient use of government resources	Report on proposed restructuring / interventions Progress report on restructurings / interventions	Participate in and lead major interventions and restructuring with a particular focus on Eskom, CEF/ PetroSA, Transnet and water sector		
	Shareholder management (PIC and Sasria)	Reports on corporate plans; annual reports and quarterly reports	Review and provide input into corporate plans and shareholder compacts Review annual reports Review quarterly reports Prepare presentation of annual report to Parliament by 31 August 2011 Review PFMA applications and applications for guarantees, funding or borrowing limits by SOEs as received		
Government Debt Management	Finance government's gross borrowing requirement	Annual total government borrowing needs fully met	Gross issuance of R176.1 billion	Gross issuance of R199.5 billion	Gross issuance of R198.6 billion
	Sound domestic and foreign debt management policies	Enhanced liquidity	Concentrate issuance in benchmark bonds Scrip lending and repo facilities		
	Manage debt service cost	Active debt management Maintain debt service cost as percentage of GDP at sustainable levels	Buyback and switches/exchanges in domestic debt to reduce loan redemptions by R8 billion (2011/12) and R19 billion (2012/13) 2.6% of GDP	2.8% of GDP	2.9% of GDP
	Contribute to the development of financial markets	Diversification of funding instruments	Domestic funding in fixed-income, inflation-linked and retail bonds, floating rate notes and treasury bills. International funding through capital market and export credit agency loans		



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - CONTINUED

Subprogramme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone	
Financial Operations	Sound investor relations	Retain current investors and attract new ones	Conduct two domestic and two foreign roadshows annually Timely dissemination of reliable information			
	Sound cash forecasts	Government's liquidity requirements met every time	Forecasting R2.8 trillion of cash flows	Forecasting R3.1 trillion of cash flows	Forecasting R3.3 trillion of cash flows	
	Optimise return on investments subject to credit limits	Investment of surplus cash at market-related rates	Quarterly analysis and review of investment rates			
	Optimise use of public sector cash	Public sector cash coordinated	Ongoing broadening of the coordination of public sector cash			
Strategy and Risk Management	Annual financial statements and market reports	Saving on borrowing costs by national and provincial governments	Save up to 3.4% on borrowing costs			
	Treasury management systems	Timely and accurate reporting	Comply with PFMA reporting requirements regarding annual financial statements Timely dissemination of reliable market information			
	Minimise and mitigate risks emanating from government debt portfolio (market risk) and from the investment of surplus cash	Reliable, automated and integrated systems to be implemented	Implement the domestic and retail debt modules on the new back office system	Implement the money market module on the new back office system	Implement and actively manage the revised systems integration strategy	
		Performance against benchmarks:	<ul style="list-style-type: none"> Non-fixed versus fixed debt Foreign debt versus domestic debt 	Review strategic benchmarks of 70/30 fixed versus non-fixed rate domestic debt and 20-25% maximum foreign debt exposure as a percentage of total debt Implement and monitor strategic benchmarks Quarterly review of performance against benchmarks (including cost-at-risk)		
	Adherence to surplus cash benchmark investment ratios and total limits per counterparty	Adherence to surplus cash benchmark investment ratios and total limits per counterparty	Annual review of investment ratios and limits per counterparty Semi-annual reports on adherence to ratios and limits Annual analysis of settlement risk exposure to primary dealers			



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - CONTINUED

Subprogramme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Strategy and Risk Management	Minimise and mitigate sovereign credit rating risks	Quantitative indicators of sovereign risk	Monthly sovereign risk review and credit valuation modelling Semi-annual sovereign rating reviews Align the timing of the sovereign rating review visits to the budget process Improved stakeholder relations and communication		Align sovereign risk policy to reflect the evolving nature of risk and the environment which the sovereign operates
	Manage contingent liabilities appropriately	Capping total government debt, provisions plus contingent liabilities at sustainable levels	Review and monitor benchmark of net government debt, provisions and contingent liabilities to ensure that they remain within sustainable levels consistent with the country's credit rating Review and monitor quality of government's explicit guarantee exposure Review of exposure to PPP projects and their possible impact on the fiscus		



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Programme Management for Asset and Liability Management	15 143	13 111	14 080	13 024
State-Owned Entity Financial Management and Governance	21 310	22 091	23 145	24 261
Government Debt Management	14 185	14 583	15 274	16 049
Financial Operations	14 307	14 789	15 316	16 170
Strategy and Risk Management	7 507	8 020	8 378	8 788
Financial Investments	20 750 000	750 000	-	-
	20 822 452	822 594	76 193	78 292

Economic classification

Current payments	72 137	72 279	75 878	77 977
Compensation of employees	51 141	55 579	58 281	61 278
Goods and services	20 996	16 700	17 597	16 699
<i>of which:</i>				
<i>Administrative fees</i>	383	96	99	102
<i>Advertising</i>	255	250	250	250
<i>Assets less than the capitalisation threshold</i>	25	24	24	24
<i>Audit cost: External</i>	460	477	524	577
<i>Bursaries: Employees</i>	366	264	265	265
<i>Catering: Departmental activities</i>	133	85	87	88
<i>Communication</i>	349	387	391	395
<i>Computer services</i>	5 454	5 494	6 240	4 962
<i>Consultants and professional services: Business and advisory services</i>	9 751	6 651	6 668	6 912
<i>Consultants and professional services: Legal costs</i>	-	-	-	-
<i>Contractors</i>	31	27	28	29
<i>Agency and support/outsourced services</i>	-	-	-	-
<i>Entertainment</i>	38	40	42	42
<i>Inventory: Food and food supplies</i>	-	-	-	-
<i>Inventory: Fuel, oil and gas</i>	-	-	-	-
<i>Inventory: Materials and supplies</i>	-	-	-	-
<i>Inventory: Medical supplies</i>	-	-	-	-
<i>Inventory: Other consumables</i>	-	-	-	-
<i>Inventory: Stationery and printing</i>	531	510	519	528
<i>Lease payments</i>	200	159	160	161
<i>Property Payments</i>	-	-	-	-
<i>Travel and subsistence</i>	2 556	1 774	1 782	1 825
<i>Training and development</i>	404	300	315	330
<i>Operating expenditure</i>	60	43	43	45
<i>Venues and facilities</i>	-	149	160	164
<i>Interest and rent on land</i>				
Payments for capital assets	315	315	315	315
Buildings and other fixed structures				
Machinery and equipment	315	315	315	315
Payments for financial assets	20 750 000	750 000	-	-
Total	20 822 452	822 594	76 193	78 292



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - CONTINUED

EXPENDITURE TRENDS

The spending focus over the medium term will be on sectorial oversight, liability management, the maintenance of a risk management framework, as well as on ensuring sound corporate governance in state owned entities.

Over the MTEF period, expenditure is expected to decrease from R20.8 billion in 2010/11 to R78.3 million in 2013/14, at an average annual rate of 84.5 per cent. The decrease is due to the phasing out of Eskom subordinated loan in 2010/11 and the recapitalisation of Land Bank in 2011/12.



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

Purpose: Promote and enforce transparency and effective management of revenue, expenditure, and assets and liabilities by departments, public entities, constitutional institutions and local governments.

Measurable objectives: This programme aims to facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector.

The programme consists of the following subprogrammes:

- *Management* provides support for planning, monitoring and delivering the programme's activities.
- *Supply Chain Policy* develops policy that regulates the supply chain processes in the public sector.
- *Financial Systems* maintains and improves existing financial management systems and replaces outdated systems to comply with the Public Finance Management Act (1999) and Generally Recognised Accounting Practice.
- *Financial Reporting for National Accounts* is responsible for accounting for; the National Revenue Fund and the Reconstruction and Development Fund; banking services for national government; and for providing support for all spheres of government in implementing financial reporting frameworks and preparing a consolidated financial statement.
- *Financial Management Policy and Compliance Improvement* includes improving financial management, developing the reporting frameworks in line with international and local best practice, developing and implementing accounting policies, and improving the financial management and internal audit capacity in government.
- *Audit Statutory Bodies* provides for compensation for certain shortfalls in statutory bodies and municipalities in terms of the Auditor General Act (1995).
- *Service Charges: Commercial Banks* provides for bank service charges for all departments' deposit accounts.

This programme contributes to the aims of **Outcome 12: An efficient, effective and development oriented public service**. **Output 3: Business processes, systems, decision rights and accountability** and **Output 4: Corruption tackled effectively** are the subjects of focus in this respect.

POLICY DEVELOPMENTS

The programme is organised into two divisions, namely Specialist Functions and the Accountant General's Office.

ACCOUNTANT GENERAL'S OFFICE

The *Technical Support Services* unit will continue to enhance the reporting framework of national and provincial departments based on the requirements of the Generally Recognised Accounting Practice (GRAP) and other relevant legislative prescripts.

Accounting Support and Reporting will support government at large such that there is notable improvement in audit outcomes. The support will be aligned with the results emanating from the Financial Management Capability Maturity Model (FMCMM) and audit opinions expressed by the Auditor-General. Support plans will be developed in conjunction with targeted departments and entities and will address identified financial management weaknesses. The unit will monitor progress and performance regularly. In addition, monthly management accounts will be introduced to enhance the in-year monitoring system already used in government.

The *Chief Directorate Unit* will also continue to provide support to national and provincial departments for the roll out of new frameworks and changes to existing formats of the annual financial statements. This is part of the migration from cash to accrual accounting. Support will also be provided to public entities and municipalities as new GRAP standards are implemented.

National departments will receive daily bank statements and assistance to reduce the risk of fraudulent payments. The unit will also



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

provide support to provincial treasuries on how to produce annual consolidated statements. In supporting this consolidation process, the revenue funds will be included in the Standard Chart of Accounts.

Internal Audit Support will roll out the revised Internal Audit Framework and supporting guidelines to national, provincial and local government during the 2011/12 financial year. The unit will also intensify its support to audit committees, including hosting workshops on the audit committee guidelines which provide guidance on how the internal audit function in government should be implemented and monitored. Particular focus will be given to municipalities in order to embed internal audit best practice.

Risk Management Support will continue to identify and support entities that experience challenges related to financial management, governance and internal controls.

During the planning period the unit will prioritise support to departments and municipalities based on the results of evaluations conducted, using, amongst others, the Financial Management Capability Maturity Model and the Auditor General's reports. The support strategy will be included in strategic support plans for affected entities.

The *Capacity Building* unit contributes to improving financial management in government by implementing a capacity development strategy (CDS) for financial management. The strategy encompasses disciplines of supply chain management, internal audit and risk management for purposes of enhancing institutional, organisational and individual capacity. The unit, through the Chartered Accountants Academy, will support the development and training of Chartered Accountants for the public service.

The *Governance Monitoring and Compliance* unit will review the Treasury Regulations to identify gaps and update outdated regulations in order to ensure efficiency and good financial management in government. The unit will continue to analyse results from the Financial Management Capability Maturity Model, focusing on the state of financial management in departments. The results of the analysis will then be presented to the Standing Committees on Public Accounts and Finance. These assessments will also be given to the National Treasury, provincial treasuries and accounting officers, highlighting areas of concern for which strategies could be developed to improve financial management within departments.

The *MFMA Implementation* unit coordinates the implementation of the Municipal Finance Management Act (Act No. 56 of 2003) in all municipalities and related entities. The unit will continue to ensure that municipalities have improved financial management policies, procedures and practices, and that municipal officials have a thorough understanding of municipal financial reforms.

The Municipal Finance Recovery Service will continue to monitor the performance of municipalities. Municipalities struggling with MFMA implementation will receive ongoing support, especially support for the development of financial recovery plans. The unit will also focus on providing skilled personnel to municipalities. Other initiatives will include the promotion of formal and informal training for municipal officials in accredited courses.

The *Specialised Audit Services* unit scrutinises financial management and internal control systems in all three spheres of government. The unit will conduct performance audits to identify breakdowns in financial systems and assist in providing remedies.

SPECIALIST FUNCTIONS

The *Financial Systems* unit will focus on the roll-out of identified systems modules at particular lead sites. The roll out of the Asset Management, Human Resources and Procurement Management modules is progressing at designated lead sites. Cost challenges experienced at the Free State Departments of Education and Defence are being addressed.



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

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The development of the Business Intelligence module has commenced and is due to be finalised during the 2011/12 financial year. The specifications for the Payroll, Inventory Management and Financial Management modules have been finalised and work is scheduled to commence during the first quarter of the 2011/12 financial year. It is envisaged that the development of the relevant modules will be completed during the 2012/13 financial year, ensuring that the IFMS Project is ready for full roll-out in the 2013/14 financial year.

The *Supply Chain Management Office* will continue to strive for improvements in SCM practices and procedures in all spheres of government.

Supply Chain Policy coordinates inputs from various domains of the integrated financial management system (IFMS). The unit will establish corporate reference data functionality to manage the user requirement statement (URS) repository. An item identification policy has been established and will be implemented at identified lead sites and at a central location such that it is accessible to all departments. The unit will support the implementation of the Procurement Management Module (PMM) at the National Treasury, Limpopo Provincial Treasury, Department of Defence and Military Veterans and three other provincial departments in Limpopo. The module will in the longer term be rolled more broadly in government. It will also support the implementation of the Asset Management Module to departments.

Norms and Standards will continue to monitor and enhance SCM compliance and work to combat SCM related fraud and corruption. The unit will enforce compliance with prescribed procedures and prescripts. It will also ensure the successful implementation of the revised preferential procurement regulations currently being reviewed.

Contract Management facilitates the arrangement and management of transversal term contracts. The unit will continue with this function and will ensure that government and contractors benefit by applying strategic sourcing methodologies.

This practice will also ensure that government gets value for money, especially in the purchase of the following commodity groups:

- Medical and dental equipment and consumables
- Equipment and services
- Pharmaceuticals
- Perishables, consumables and chemicals
- Textiles, clothing, leather and footwear
- Vehicles, related services and consumables



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

MEASURABLE OBJECTIVES AND MEDIUM-TERM OUTPUT TARGETS

Measurable objectives: This programme aims to facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector.

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Supply Chain Management (SCM) Policy	Overall user requirement statement (URS) and updated (SCM) URS	Maintain and enhance URS	Ongoing		
	Implement item identification policy	Implementation of item identification	Implement centrally but restrict access to lead departments	Render accessible to all departments	Ongoing maintenance and enhancement
	Maintain corporate reference data functionality	Maintain URS repository	Ongoing maintenance and enhancement		
	Roll out strategic sourcing principles to the public sector and assist institutions with implementation	Number of institutions to which roll out is completed	Roll out strategic sourcing principles to 42 medium capacity municipalities	Roll out strategic sourcing principles to 32 medium capacity municipalities	
			Introduce strategic sourcing principles to 30 low capacity municipalities in conjunction with the relevant provincial treasuries	Introduce strategic sourcing principles to a further 30 low capacity municipalities in conjunction with the relevant provincial treasuries	Introduce strategic sourcing principles to a further 30 low capacity municipalities in conjunction with the relevant provincial treasuries
	Alignment of the preferential procurement with the aims of the BBBEE Act and its related strategy	Promulgate and implement revised preferential procurement regulations	Promulgate regulations. Capacity building through the development of further Supply Chain Management Standards, and building skills for SCM practitioners in all organs of state where these regulations are applicable	Increase training capacity through the accreditation of service providers	Monitor implementation of the revised preferential procurement regulations and provision of support where necessary
					Ongoing monitoring of implementation of the revised preferential procurement regulations



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

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Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Supply Chain Management (SCM) Policy	Comprehensive review of the procurement legislation	Development and issuance of a new framework for the implementation of the revised procurement legislation	Develop the terms of reference for the comprehensive review in consultation with NEDLAC	Ongoing comprehensive review of the procurement legislation, as guided by the agreed terms of reference.	
	Improve capacity of all spheres of government to comply with Treasury Regulations in respect of demand management principles	Capacity building and monitoring of improvements in respect of demand management	Issue a guide to implement demand management at all spheres of government by July 2011	Establish framework for compliance monitoring	Ongoing monitoring of the implementation of demand management principles
	Develop further measures to assist with the compliance to prescribed norms and standards, and to counter possible fraud and corruption	Implementation of the recommendations of the multi-agency working group established to counter SCM fraud and corruption	Issuance of Treasury Instructions by April 2011	Monitor and support organs of state in implementation of Treasury instructions regarding preventative measures to combat SCM related fraud and corruption	Ongoing monitoring and support
	Facilitation and management of transversal term contracts	Continuous application of strategic sourcing methodologies to improve value for money	32 transversal term contracts due for renewal during 2011/12 out of a total of 56 transversal term contracts	26 transversal term contracts due for renewal during 2012/13	20 transversal term contracts due for renewal during 2013/14
Financial Systems	Maintenance of current transversal systems: BAS, FMS, Logis, PERSAL and Vulindlela	Percentage availability of systems during working hours	Provide 98% availability of systems during working hours	Provide 98% availability of systems during working hours	Provide 98% availability of systems during working hours
	Develop the outstanding IFMS Modules	Configure and customise the Human Resource Module (HRM) and Procurement Management Module (PMM) solution	Complete User Acceptance Testing (UAT) for HRM and PMM at lead site	Roll out to the rest of national and provincial government	



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Financial Systems		Develop Inventory Management Module (IMM) Develop specifications for IMM, Payroll, Fin Core, Master Data Management (MDM) and Business Intelligence (BI) solution	Publish tenders for the development of the Inventory Management Module, Financial Management Module and Payroll Module	Complete the development of Inventory Management Module, Financial Management Module and Payroll Module	
	Roll out IFMS to lead and other sites	Implement completed IFMS Module	Procurement Management Module implemented at NT and Department of Defence Human Resource Module implemented at the Free State Department of Education Asset Management implemented at Department of Defence and Limpopo Department of Health Business Intelligence implemented at NT	Procurement Management Module implemented at national and provincial departments ¹ Human Resources Module implemented at national and provincial departments ¹ . Asset Management implemented at national and provincial departments ¹ . Business Intelligence implemented at national and provincial departments ¹ .	
					Inventory Management Module implemented at national and provincial departments ¹ Payroll Module implemented at national and provincial departments ¹ Financial Management Module implemented at national and provincial departments ¹

1 The rate of implementation is subject to SITA's implementation capacity for this purpose.



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Financial Reporting for National Accounts	Monthly statements of actual revenue and actual expenditure for the National Revenue Fund	Timeous publication of accurate reports	31 October 2011	31 October 2012	31 October 2013
	Publish consolidated annual financial statements for national departments and for public entities as well as annual financial statements for the RDP Fund	Timeous tabling in Parliament			
	Support financial management improvement in prioritised institutions	Strategic support plans (SSPs) for targeted institutions	SSPs signed off by 31 May 2011	SSPs signed off by 31 May 2012	SSPs signed off by 31 May 2013
	Support to provincial treasuries for preparation of provincial consolidated financial statements, provincial revenue fund statements and implementation of GRAP Standards	Number of trainees	400 trainees in provincial treasuries, municipalities and public entities	400 trainees in provincial treasuries, municipalities and public entities	400 trainees in provincial treasuries, municipalities and public entities
Financial Management Policy and Compliance Improvement	Develop a framework for annual financial statement reporting by national and provincial departments	Timeous publication of framework	2012/13 reporting framework published by 31 March 2012	2013/14 reporting framework published by 31 March 2013	2014/15 reporting framework published by 31 March 2014



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone	
Financial Management Policy and Compliance Improvement	Contribute towards development of local and international standards on accounting, auditing and risk management	Attendance at meetings and reports produced	All IPSASB meetings attended and reports submitted within 7 days of attendance	All IPSASB meetings attended and reports submitted within 7 days of attendance	All IPSASB meetings attended and reports submitted within 7 days of attendance	
		Percentage of comments accepted by the standard setting board	50 % of comments accepted	50 % of comments accepted	50 % of comments accepted	
	Develop guidelines on the Standards of GRAP	Timeous publication of guidelines	31 March 2012	31 March 2013	31 March 2014	
		Timeous publication of policies, frameworks and practices in line with approved reporting frameworks	31 March 2012	31 March 2013	31 March 2014	
	Implementation of financial management capacity development strategy	Develop an enabling Public Finance Management (PFM) environment	26 priority Education Training and Development (ETD) programmes developed by 31 March 2012 Integrated learning matrix developed by 31 March 2012	Job specifications standardised and regulated by 31 March 2013	Central knowledge and information system developed and implemented by 31 March 2014	
		Enhanced organisational PFM capacity	Reports submitted to 100 national and provincial departments reflecting identified skills gaps by September 2011 PFM business processes and/or standing operating procedures developed and enhanced by 31 March 2012	Departmental CFOs structures reviewed and aligned to their strategy and budget by 31 March 2013	Vacancy rates for PFM staff reduced by 10 % by March 2014 and staff turnover reduced to 24 months by 31 March 2014	
	A sustainable corps of competent and committed PFM employees developed	Support implementation of informal and non-formal training by 31 March 2012	Support the roll out of formal ETD courses by 31 March 2012	Support implementation of informal and non-formal training by 31 March 2013	Mandatory training rolled out to 25 % of designated staff by 31 March 2013	Develop and implement on-boarding programmes for PFM, Internal Audit & Enterprise Risk Management for current and new employees by 31 March 2014



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Financial Management Policy and Compliance Improvement	Academic support programme for Chartered Accountants Academy (CAA) and other accountants in government	Number of participants	17 participants	20 participants	24 participants
	Establish donor support for a PFM capacity development programme	Donor support	Establish a donor coordination forum for PFM capacity development by 31 March 2012	Design a donor supported capacity development programme for PFM by April 2012	Implement a donor supported capacity development programme for PFM
	Develop guidelines to strengthen the monitoring and oversight responsibilities of Parliamentarians	Timeous development of guidelines	September 2011	On-going maintenance and enhancement	On-going maintenance and enhancement
	Conduct workshops/information sessions to empower oversight structures to fulfil their responsibilities	Number of participants	300	350	400
	Monitor the improvement of financial management in national and provincial institutions	Reports to the Standing Committee on Public Accounts and to the Standing Committee on Finance on progress made with the improvement of financial management in terms of the Financial Management Capability Maturity Model (FMCMM)	August 2011	August 2012	August 2013
	Enhanced FMCMM for use by public entities and municipalities	Timeous completion of enhanced model	August 2011	On-going maintenance	On-going maintenance
	Review treasury regulations to effect technical amendments and update out-dated regulations	Timeous review of the treasury regulations	December 2011		



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Financial Management Policy and Compliance Improvement	Support the roll-out of the Public Sector Risk Management Framework	Number of trainees in respect of public sector risk management	400 trainees	300 trainees	100 trainees
	Implement Advanced Risk Management Learnership programme	Number of learners in the SAQA accredited programme	20 learners	25 learners	30 learners
	Develop and implement risk management modelling tool	Number of additional institutions where tools implemented	50 institutions	50 institutions	50 institutions
	Support risk management improvement in prioritised institutions	Strategic support plans (CSSPs) for targeted institutions	SSPs signed off by 31 May 2011	SSPs signed off by 31 May 2012	SSPs signed off by 31 May 2013
	Roll out of internal audit training programme	Number of officials trained	200 officials	200 officials	200 officials
	Support institutions to conform to professional internal audit standards	Number of institutions supported	8 institutions	15 institutions	20 institutions
	Support internal audit improvement in prioritised institutions	Strategic support plans for targeted institutions	SSPs signed off by 31 May 2011	SSPs signed off by 31 May 2012	SSPs signed off by 31 May 2013
	Enhance coordination across government for effective implementation of MFMA	An agenda that ensures alignment of activities of departments and municipalities consistent with agreed priorities	Quarterly meetings convened and resolutions implemented. Follow up visits to 4 provinces and 15 municipalities	Quarterly meetings convened and resolutions implemented. Follow up visits to 4 provinces and 20 municipalities	Quarterly meetings convened and resolutions implemented. Follow up visits to 4 provinces and 25 municipalities
	Refine financial management indicators for effective monitoring and reporting on compliance	Improvement plans for affected municipalities that will be used to inform support initiatives and interventions	March 2012	March 2013	March 2014
	Develop MFMA regulations, supporting circulars and guides	Timeous publication	March 2012	March 2013	March 2014



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Financial Management Policy and Compliance Improvement	Implement Capability Maturity Assessment in selected municipalities and entities	Timeous revision of tool and roll out to municipalities	March 2012 (for both revision and rollout)	March 2013 (for both revision and rollout)	March 2014 (for both revision and rollout)
	Facilitate opportunities for officials to attain financial management competencies in municipalities	Number of officials for whom opportunities have been facilitated	1000	1000	1000
	Review and respond to requests for development of financial recovery plans	Financial recovery plans	Developed recovery plans issued within 90 days of request	Developed recovery plans issued within 90 days of request	Developed recovery plans issued within 90 days of request
	Manage financial management technical assistance support programme for provinces and municipalities	Number of provinces and municipalities	7 provinces 20 municipalities	8 provinces 30 municipalities	9 provinces 40 municipalities



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

FINANCIAL SYSTEMS AND ACCOUNTING

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Programme Management for Financial Systems and Accounting	14 008	12 344	12 891	13 300
Supply Chain Policy	39 090	40 167	42 390	44 602
Financial Systems	429 711	399 381	414 559	430 352
Financial Reporting for National Accounts	77 261	76 963	82 146	87 199
Financial Management Policy and Compliance Improvement	112 202	103 276	107 913	115 216
Audit Statutory Bodies	21 355	25 909	30 266	49 305
Service Charges: Commercial Banks	200	170	180	190
	693 827	658 220	690 345	740 164

Economic classification

	631 929	592 377	618 405	647 910
Current payments				
Compensation of employees	122 160	138 212	144 913	151 961
Goods and services	509 769	454 165	473 492	495 949
<i>of which:</i>				
<i>Administrative fees</i>	2 174	1 771	1 791	1 869
<i>Advertising</i>	1 164	777	746	709
<i>Assets less than the capitalisation threshold</i>	468	851	793	858
<i>Audit cost: External</i>	4 690	4 939	5 671	5 597
<i>Bursaries :Employees</i>	1 020	475	482	488
<i>Catering :Departmental activities</i>	640	534	543	557
<i>Communication</i>	1 217	1 363	1 420	1 483
<i>Computer services</i>	414 146	383 225	397 735	413 080
<i>Consultants and professional services: Business and advisory services</i>	41 566	34 387	35 743	40 962
<i>Consultants and professional services: Legal costs</i>	-	-	-	-
<i>Contractors</i>	219	225	236	250
<i>Agency and support/outsourced services</i>	1 355	700	700	700
<i>Entertainment</i>	114	118	122	125
<i>Inventory : Food and food supplies</i>	-	-	-	-
<i>Inventory : Fuel, oil and gas</i>	-	-	-	-
<i>Inventory : Materials and supplies</i>	4	4	4	4
<i>Inventory : Medical supplies</i>	-	-	-	-
<i>Inventory : Other consumables</i>	3	1	1	1
<i>Inventory : Stationery and printing</i>	2 531	1 833	1 965	2 109
<i>Lease payments</i>	1 601	1 291	1 364	1 440
<i>Property Payments</i>				
<i>Travel and subsistence</i>	14 328	9 623	11 279	12 397
<i>Training and development</i>	12 182	5 147	5 463	5 429
<i>Operating expenditure</i>	1 028	654	673	690
<i>Venues and facilities</i>	9 319	6 247	6 761	7 201
Interest and rent on land				
Transfers and subsidies	58 637	63 013	69 248	90 189
Provinces and municipalities				



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Departmental agencies and accounts	58 189	62 613	68 843	89 783
Universities and technikons				
Foreign governments and international organisations				
Public corporations and private enterprise				
Non-profit institutions				
Households	448	400	405	406
Payments for capital assets	3 261	2 830	2 692	2 065
Buildings and other fixed structures				
Machinery and equipment	3 261	2 830	2 692	2 065
Payments for financial assets	-	-	-	-
Total	693 827	658 220	690 345	740 164

EXPENDITURE TRENDS

The spending focus over the medium term will be on the enhancement of a specialised audit unit aimed at combating fraud and corruption in all government institutions, the strengthening of capacity building efforts, as well as the maintenance and improvement of the existing financial management systems.

Over the MTEF period, expenditure is expected to increase from R693.8 million to R740.2 million, at an average annual rate of 2.2 per cent. The increase is mainly due to the enhancement of the special audit services unit, which resulted in an average annual increase of 32.2 per cent in the transfer payments in the *Audit Statutory Bodies* subprogramme.



PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

Purpose: To facilitate the deepening of South Africa's role in regional and international economic integration.

Measurable objectives:

- Advance South Africa's national economic interests through regular strategic analysis, engagement and negotiation at financial and economic forums.
- Increase Africa's voice and improve South Africa's participation in international institutions, including the International Monetary Fund, the World Bank, the G20 and the African Development Bank.
- Promote regional economic integration in the Southern African Development Community (SADC) and strengthen economic links within Africa by providing ongoing support in SADC forums and by supporting the Southern African Customs Union.

There are ten subprogrammes:

- *Management* supports the planning, monitoring and implementation of the programme's activities.
- *International Economic Cooperation* focuses on improving South Africa's participation in international economic institutions and debates. It also facilitates the deepening of South Africa's role in regional integration through SADC and SACU. It works with economic institutions such as the African Development Bank, the United Nations Economic Commission for Africa and New Partnership for Africa's Development.
- The remaining subprogrammes, including the *Common Monetary Area Compensation; Financial and Technical Support; the African Development Bank and African Development Fund; the World Bank Group; the Collaborative Africa Budget Reform Initiative (CABRI); the Commonwealth Fund for Technical Cooperation; and the International Funding Facility for Immunisation and Investment Climate Facility*, transfer funds to various agencies and institutions in accordance with South Africa's participation in the associated forums.

POLICY DEVELOPMENTS

Work in the programme is given effect by one division – International and Regional Economic Policy. The division has two chief directorates, namely international finance and development, and African economic integration. The two chief directorates fall under the sub programme *International Economic Cooperation*. The other subprogrammes transfer funds to various agencies and institutions in accordance with South Africa's participation in the associated forums.

South Africa will host the 17th meeting of the Conference of the Parties of the United Nations Framework Convention on Climate Change (COP 17) in December 2011. The division represents the National Treasury in the inter-departmental coordinating committee that assists with convening the conference. The division develops policies on financing climate change and assists government's coordination efforts in the hosting of COP 17.

International Finance and Development enhances South Africa's relationships with international financial institutions and other multilateral institutions, including the International Monetary Fund, the World Bank, the International Finance Corporation, the OECD and the Commonwealth. The unit aims to fast-track the voice and governance reform in international financial institutions, especially the IMF and the World Bank. The unit seeks to promote consensus on a number of critical regulatory frameworks including financial and macroeconomic reform within the G20 and the G24.

It also makes recommendations on debates on international development policy as well as advances the debates which highlighting the needs and challenges of development, particularly in low income countries in Sub Saharan Africa. The unit also supports South Africa's participation in the donor and development policy negotiations within the World Bank, particularly with respect to its International Development Agency.



PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

African Economic Integration represents the policies, mandate and interest of South Africa within the SACU, SADC and the Common Monetary Area. It also develops policy approaches to regional economic integration. SACU member states will commence negotiations to establish a new revenue sharing formula. The unit also represents South Africa's interests in the African Development Bank, African Union Commission (Economic Affairs) and the United Nations Economic Commission for Africa. In particular, the unit will focus on managing South Africa's shareholding in the African Development Bank and the donor funding of the African Development Fund, the bank's concessionary lending window.

It also provides technical and operational support to South Africa's participation in the World Economic Forum.

South Africa became a formal member of the *Collaborative Africa Budget Reform Initiative (CABRI)* in 2009. CABRI, an initiative aimed at improving public finance management in Africa, is a professional network of senior budget officials from Ministries of Finance across Africa. The forum has seven founding members and 36 participating African finance ministries. South Africa is at the forefront of public financial management reforms and continues to provide lessons to other African countries. South Africa also hosts and provides technical and operational support to the CABRI Secretariat.



PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

MEASURABLE OBJECTIVES AND MEDIUM-TERM OUTPUT TARGETS

Measurable objective: To advance South Africa's economic interests through regular strategic analysis, engagement and negotiation at financial and economic forums. Increase Africa's voice and improve South Africa's participation in international institutions. Promote regional economic integration in SADC and strengthen economic links within Africa.

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
International and Regional Economic Policy	Promote Southern African economic integration	Agreement and implementation of a road map for integration and review of SACU revenue-sharing formula	Implement any agreed proposals on regional integration in SADC Conclude and implement bilateral agreements with an agreed number of strategic countries (partners) Formulate proposal and establish a regional infrastructure fund Finalise agreement on a new revenue-sharing formula in SACU	Implement any new agreement on a revenue-sharing formula in SACU	Implement financial and investment protocol (road map), and the operationalisation of an infrastructure fund Promote SACU and Common Monetary Area (CMA) as the nucleus for deeper regional and economic integration
	Advocate for the reform of regional institutions to increase efficiency and effectiveness	Progressive governance structure. Increased voice for South Africa and increased shareholding	Increase shareholding in the African Development Bank to 6% Increase number of South Africans working in SACU and the African Development Bank		Increase shareholding in the African Development Bank to 8% Double the number of South Africans working in SACU and the African Development Bank relative to March 2011
	Promote and support the development of African countries	Playing a catalyst role with donor countries and in capacity-building initiatives	Participate in African Development Bank, UN Economic Commission for Africa and Collaborative African Budget Review Initiative		
	Manage South Africa's participation in international finance and development policy institutions.	Facilitate engagements between these institutions and the Minister of Finance and National Treasury Provide policy memos and proposals for negotiating positions and discussion points on issues tabled for discussion at various meetings and events Represent the position of South Africa at these institutions	Review and assess the IMF quota formula for the 2014 General Quota and Governance reforms Review the World Bank Country Partnership Strategy to direct its focus to the policy priorities outlined in the MTSF		
			Prepare annual reviews of G20 strategies for alignment with current chair's agenda and with evolving domestic policy priorities		



PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Programme Management for International Financial Relations	8 021	9 346	9 408	9 791
International Economic Co-operation	25 896	23 278	24 523	26 071
Common Monetary Area Compensation	380 957	403 814	602 132	653 932
Financial and Technical Support	18 088	13 273	26 087	27 687
African Development Bank and African Development Fund	80 567	225 401	241 872	268 562
World Bank Group	68 000	121 926	144 500	138 500
Collaborative Africa Budget Reform Initiative	1 200	1 200	1 260	1 329
Commonwealth Fund for Technical Cooperation	4 079	4 442	4 820	5 085
International Funding Facility for Immunisation	10 000	9 700	9 700	10 234
Investment Climate Facility	-	-	-	-
Total	596 808	812 380	1 064 302	1 141 191

Economic classification

	33 695	32 451	33 856	35 695
Current payments	33 695	32 451	33 856	35 695
Compensation of employees	21 100	22 372	23 397	24 529
Goods and services	12 595	10 079	10 459	11 166
<i>of which:</i>				
<i>Administrative fees</i>	143	260	225	233
<i>Advertising</i>	202	152	97	97
<i>Assets less than the capitalisation threshold</i>	63	57	55	67
<i>Audit cost: External</i>	-	-	-	-
<i>Bursaries: Employees</i>	65	95	100	105
<i>Catering: Departmental activities</i>	108	80	82	85
<i>Communication</i>	512	387	423	453
<i>Computer services</i>	12	11	13	14
<i>Consultants and professional services: Business and advisory services</i>	863	332	310	315
<i>Consultants and professional services: Legal costs</i>	-	-	-	-
<i>Contractors</i>	19	7	8	9
<i>Agency and support/outsourced services</i>	191	10	10	10
<i>Entertainment</i>	18	15	15	15
<i>Inventory: Food and food supplies</i>	-	-	-	-
<i>Inventory: Fuel, oil and gas</i>	-	-	-	-
<i>Inventory: Materials and supplies</i>	-	-	-	-
<i>Inventory: Medical supplies</i>	-	-	-	-
<i>Inventory: Other consumables</i>	-	-	-	-
<i>Inventory: Stationery and printing</i>	343	257	271	287
<i>Lease payments</i>	61	34	36	39
<i>Property Payments</i>	-	-	-	-
<i>Travel and subsistence</i>	5 902	7 141	7 464	8 067
<i>Training and development</i>	395	135	138	143
<i>Operating expenditure</i>	44	17	17	17
<i>Venues and facilities</i>	3 654	1 089	1 195	1 210
<i>Interest and rent on land</i>	-	-	-	-



PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Transfers and subsidies	562 891	779 756	1 030 371	1 105 329
Provinces and municipalities	-	-	-	-
Departmental agencies and accounts	-	-	-	-
Universities and technikons	-	-	-	-
Foreign governments and international organisations	562 891	779 756	1 030 371	1 105 329
Public corporations and private enterprise	-	-	-	-
Non-profit institutions	-	-	-	-
Households	-	-	-	-
Payments for capital assets	222	173	75	167
Buildings and other fixed structures				
Machinery and equipment	222	173	75	167
Payments for financial assets	-	-	-	-
Total	596 808	812 380	1 064 302	1 141 191

EXPENDITURE TRENDS

The spending focus over the medium term will be on the recapitalisation of the African Development Bank and the World Bank, as well as honouring membership and other contributions stemming from international contractual obligations.

Expenditure over the MTEF period is expected to increase from R596.8 million to R1.1 billion, at an average annual rate of 24.1 per cent. The increase is mainly due to additional funds allocated to the international commitments, namely on the recapitalisation of the African Development Bank for the increased membership contribution, the World Bank and expected increases on rand circulation for common monetary area compensation. For these reasons, spending over the MTEF period will grow as follows: from R80.6 million to R268.6 million in the *African Development Bank and African Development Fund* subprogramme, at an average annual rate of 49.4 per cent; from R381 million to R653.9 million in, the *Common Monetary Area Compensation* subprogramme, at an average annual rate of 19.7 per cent; and from R68 million to R138.5 million in the *World Bank Group* sub programme, at an average annual rate of 26.8 per cent.



PROGRAMME 7: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS

Purpose: Provide for government's pension and post-retirement medical benefit obligations to former employees of state departments and bodies. Provide for similar benefits to retired members of the military.

Measurable objective: The programme ensures the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective-bargaining and other agreements.

There are four sub-programmes:

- *Management* provides support to the planning, monitoring and delivery of the programme's activities.
- *Government Pensions Administration Agency* provides administrative services on behalf of the department as regulated by various statutes.
- *Civil Pensions and Contributions to Funds* provide for the payment of benefits to pension and other funds to the beneficiaries of various public sector bodies.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance devices and other related expenses in terms of statutory commitments.

POLICY DEVELOPMENTS

The separation of the fund and the administration of the Government Employee Pensions Fund (GEPF) resulted in the creation of the Government Pensions Administration Agency (GPAA). The agency administers civil pensions and non-contributory benefits and pensions. Over the medium-term focus will be on modernising systems to ensure that processes are properly documented and implemented.

Post-Retirement Medical Benefits will continue to process applications and make timeous and accurate payments of subsidies to medical schemes. To ensure improved customer satisfaction, processing of complete applications will be done within 60 days, and the payment of all medical subsidies within seven days after receipt of claims.

Special Pensions will continue to fast-track the clearing of a backlog of applications and improve the processing of new applications following the Special Pensions Amendment Act of 2008. The backlog will have been cleared by the end of the 2011/12 financial year. *Injury On Duty* will make timeous and accurate payments to civil servants and reduce any backlogs. Payments will be done within 7 days of receipt of complete documentation.

Military Pensions will make timeous and accurate payments and reduce the backlog in applications by 40 per cent in the 2011/12 financial year. Pension payments will be made within 3 weeks of receipt of complete documentation and medical treatment payments within 30 days of receipt of original account.



PROGRAMME 7: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS - CONTINUED

MEASURABLE OBJECTIVES AND MEDIUM-TERM OUTPUT TARGETS

Measurable objective: Ensure the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective-bargaining and other agreements.

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Civil Pensions and Contributions to Funds	Payment of pension benefits and contributions to funds (including special pensions)	Timeous and accurate payment of benefits	Injury On Duty (IOD) beneficiaries: 10 060 Special pensions beneficiaries: 7 200 Presidents : 2	IOD beneficiaries: 11 000 Special pensions beneficiaries: 7 400 Presidents : 2	IOD beneficiaries: 11 300 Special pensions beneficiaries 7550 Presidents : 2
	Payment of contributions to medical aid schemes	All contributions paid timeously	76 846 members per month	80 446 members per month	84 046 members per month
	Payment of risk and administration fees to the Political Office Bearers' Pension Fund	Timeous and accurate payment of risk and administration fees for all members monthly	Payment of risk and administration fees for 900 members monthly		
	Process special pension applications, including those received in terms of amendments to the Special Pensions Act	New applications processed and backlogs reduced	Backlog of applications completely dealt with in the 2011/12 financial year Ongoing administration of members' database to ensure that backlogs are cleared and new applications are processed timeously		
Military Pensions and Other Benefits	Payment of military pension benefits	Timeous and accurate payment of benefits	Beneficiaries :10 022	Beneficiaries :10 000	Beneficiaries :12 000
	Payment to service providers for medical expenses	All claims paid to service providers monthly	Timeous and accurate payment to service providers for medical expenses		
	Reduce backlog in pension and benefit payments	Backlogs reduced and ultimately cleared	Backlog reduced to: IOD: 800 Special Pensions: 1025 Military Pensions: 1000 Medical Subsidies: 0	Backlog reduced to: IOD: 500 Special Pensions: 550 Military Pensions: 500 Medical Subsidies: 0	Backlog reduced to: IOD: 100 Special Pension: 150 Military Pension: 200 Medical Subsidies: 0



PROGRAMME 7: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS - CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Military Pensions and Other Benefits	Provide input to the revision of Military Pensions Act of 1976	Quality of information provided	Accuracy, scope and quality of content provided		
	Develop VIP customer care strategy for Presidents, Parliamentarians, Magistrates, Judges and former TBVC's.	Implementation of approved VIP customer care strategy	VIP customer care strategy successfully implemented	Monitor the effectiveness of the VIP customer strategy	



PROGRAMME 7: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Programme Management for Civil and Military Pensions, Contributions to Funds and Other Benefits	1 888	2 323	2 438	2 559
Government Pensions Administration Agency	35 001	41 497	43 938	43 938
Civil Pensions and Contributions to Funds	2 384 105	2 908 169	2 951 654	3 109 433
Military Pensions and Other Benefits	171 843	187 844	200 054	211 357
Total	2 592 837	3 139 833	3 198 084	3 367 287

Economic classification

Current payments	36 889	43 820	46 376	46 497
Compensation of employees	1 888	2 323	2 438	2 559
Goods and services	35 001	41 497	43 938	43 938
<i>of which:</i>	35 001	41 497	43 938	43 938
<i>Consultants and professional services: Business and advisory services</i>				
Transfers and subsidies	2 555 948	3 096 013	3 151 708	3 320 790
Foreign governments and international organisations	2 000	2 110	2 239	2 362
Non-profit institutions	75	80	85	90
Households	2 553 873	3 093 823	3 149 384	3 318 338
Total	2 592 837	3 139 833	3 198 084	3 367 287

EXPENDITURE TRENDS

The spending focus over the medium term will be mainly on operationalising the Government Pensions Administration Agency, the Political Office Bearer's Pension Fund, eradicating the back-log for injury on duty cases and the contributions towards the post-retirement medical benefits.

Government's contributions to pensions, military and other benefits on behalf of retired civil servants in the form of transfers to households accounts for 98.8 per cent of expenditure in this programme.



PROGRAMME 8: TECHNICAL AND MANAGEMENT SUPPORT AND DEVELOPMENT FINANCE

Purpose: Provides specialised infrastructure development planning and implementation support and technical assistance to aid capacity building in the public sector.

Measurable Objectives: Promotes public and private investment in infrastructure and public services by providing technical support for organisational strengthening and capital expenditure planning. This includes advising on public private partnerships financing alternatives for municipal development. It also provides financial assistance for neighbourhood development projects. Objectives include:

Objectives and Measures:

- Build public sector clients capacity through a combination of diagnostic services, organisation development and programme and project implementation support
- Provision of transaction advice to public private partnerships
- Assist in the design and co-financing of neighbourhood development partnership grant
- Build financial skills by improving internal and external reporting on financial management grants as they relate to budget, service delivery and budget implementation plans, in-year monitoring and annual reports
- Ensure proper planning and implementation of infrastructure maintenance by the provincial departments of education, health and public works through quarterly monitoring of their delivery of provincial infrastructure

There are six sub-programmes:

- *Management* provides advisory and capacity building initiatives focused on public private partnerships, project management, infrastructure service delivery and public finance information systems.
- *Local Government Financial Management Grants* provides for transfers to municipalities and assists them in implementing the Municipal Finance Management Act (2003) as part of capacity building efforts to modernise financial management in local government.
- *Neighbourhood Development Partnership Grant (NDPG)* provides for transfers to municipalities for developing high quality social facilities and economic infrastructure in townships.
- *Post-disaster Recovery and Reconstruction* is a new transfer that deals with post-disaster recovery activities. This is a fiscal transfer and is thus not reflected in the measureable objectives table.
- *Employment Creation Facilitation Fund* supports the government initiative to create jobs.
- *Development Bank of Southern Africa* is the implementing agent of the Siyenza Manje programme which builds capacity and support within local government by hiring experts and young professionals where there are skills shortages. This is a fiscal transfer and is thus not reflected in the measureable objectives table.

POLICY DEVELOPMENTS

Technical and Management Support and Development Finance offers support to all three spheres of government. Support is provided by the following units:

The *Technical Assistance Unit* provides project planning and implementation support to initiatives in the economic sector, social sector and the integrated justice system. It also provides support to national departments, including initiatives that strengthen South Africa's partnerships with other African countries.

The *Public Private Partnership (PPP)* unit focuses on concluding partnership agreements, increasing oversight capacity and promoting capital investment, especially in the social sector, and service delivery.



PROGRAMME 8: TECHNICAL AND MANAGEMENT SUPPORT AND DEVELOPMENT FINANCE - CONTINUED

The *PPP* unit will increase support to municipalities to deliver critical services through partnerships with the private sector. An expanded role for the unit would also allow government to raise the level of investment in infrastructure and improve the quality of services delivered. The unit will work with the Department of Energy in establishing a regulatory framework and an institutional landscape for the establishment and regulation of Independent Power Producers. It will also play an increasing role in supporting the Renewable Energy Feed-In Tariff (REFIT) as part of moving toward renewable energy in the country.

The unit will also support the Department of Health in the rollout of PPP's for the revitalisation of tertiary hospitals and associated medical facilities. Working with the Department of Transport, the unit will also support other initiatives including the acquisition of rolling stock for the Passenger Rail Agency of South Africa (PRASA).

The *Infrastructure Delivery Improvement Programme* focuses on improving the delivery of infrastructure in key provincial departments such as education, health and public works. The unit will continue to deploy technical assistants to these departments and to monitor implementation.

Local Government Financial Management Grants provides financial assistance to municipalities as part of capacity building efforts to modernise financial management in terms of the MFMA.

The *Neighbourhood Development Partnership Grant* supports municipal programmes that provide economic and community infrastructure, creates opportunities for private-sector investment, and improves the quality of life of residents in townships.

Over the next three years, it is estimated that municipalities will use R2.585 billion for a range of township nodal, linkage and general improvement initiatives. This includes technical assistance for programme coordination and implementation management. During the 2011/12 financial year the NDPG has set aside R100 million for Technical Assistance and R750 million for capital grants.

Post-Disaster Recovery and Reconstruction is a fiscal transfer which deals with post-disaster recovery activities.

The *Employment Creation Facilitation Fund* enables the creation of a developmental economy in order to create employment. The 2011 budget set aside an amount of R9 billion to give further impetus to employment creation over the medium term.



PROGRAMME 8: TECHNICAL AND MANAGEMENT SUPPORT AND DEVELOPMENT FINANCE - CONTINUED

MEASURABLE OBJECTIVES AND MEDIUM-TERM OUTPUT TARGETS

Measurable objective: To promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and PPPs, advice on financing alternatives for municipal development, and financial assistance for neighbourhood development projects

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Technical and Advisory Support	Project Management Support/ Capacity Building / Technical and Advisory Services	Percentage of clients' Customer Satisfaction Surveys (CSS) results that indicate knowledge transfer and capacity building	Percentage of satisfied clients maintained or increased (Baseline: 2010/2011 CSS)	Percentage of satisfied clients maintained or increased (Baseline: 2011/2012 CSS)	Percentage of satisfied clients maintained or increased (Baseline: 2012/2013 CSS)
		Percentage of feedback from capacity building sessions that indicates impact on client systems	Percentage impact on client systems maintained or increased (Baseline to be established in 2011/2012)	Percentage impact on client systems maintained or increased	Percentage impact on client systems maintained or increased
		Programmes and projects related to government priorities supported to improve the efficacy of government institutions	80 technical assistance projects supported	90 technical assistance projects supported	100 technical assistance projects supported
	Improved infrastructure delivery, through the implementation of the Infrastructure Delivery Improvement Programme (IDIP) in provinces	Teams of Technical Assistants deployed to nine provinces, targeting departments of Education, Health, Public Works and Treasuries	36 Long Term Technical Assistants (4 per province) deployed across all 9 provinces	36 Long Term Technical Assistants (4 per province) deployed across all 9 provinces	36 Long Term Technical Assistants (4 per province) deployed across all 9 provinces
		Technical Assistants deployed to the national departments of Basic Education and Health	One Technical Assistant deployed to DoBE Two Technical Assistants deployed to Health	One Technical Assistant deployed to DoBE Two Technical Assistants deployed to Health	One Technical Assistant deployed to DoBE Two Technical Assistants deployed to Health
		Infrastructure Delivery Management (IDM) Toolkit used by all participating departments to effectively manage infrastructure delivery	All IDIP-participating departments are trained in the IDM Toolkit Departments are assisted with proper planning and procurement	All IDIP-participating departments implement the IDM Toolkit (incremental application)	All IDIP-participating departments implement the IDM Toolkit (incremental application)



PROGRAMME 8: TECHNICAL AND MANAGEMENT SUPPORT AND DEVELOPMENT FINANCE - CONTINUED

Sub-programme	Output	Measure/Indicator	2011/12 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone	
Technical and Advisory Support	Supporting municipalities in planning and implementing integrated neighbourhood development programmes in townships, to catalyse public and private sector investment in community and economic infrastructure	Total number of neighbourhood development partnership grant programmes funded	100	90	90	
		Total number of neighbourhood development partnership grant projects under construction	50	45	40	
		Number of township regeneration strategies concluded	20	40	40	
	Public Private Partnership Infrastructure Regulation	Partnerships and funding leveraged into the programmes and/or target areas	Partnerships and funding leveraged into the programmes and/or target areas	1:0.7	1:1	1:1
			Project appraisal methodology for capital and infrastructure projects	Develop project appraisal methodology	Pilot methodology on selected projects	Full implementation of methodology to all projects
		PPP agreements	Number of projects reaching financial close	3 health projects, 4 renewable energy projects	3 health projects, 6 renewable energy projects, 1 rolling stock project for PRASA	3 health projects, 2 transport projects, 5 renewable energy projects
Monitor Local Government Financial Management Grants	Transfers made according to conditions	Transfers made by 31 March 2012	Transfers made by 31 March 2013	Transfers made by 31 March 2014		



PROGRAMME 8: TECHNICAL AND MANAGEMENT SUPPORT AND DEVELOPMENT FINANCE - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Programme Management for Technical Support and Development Finance	185 601	171 513	186 459	205 094
Local Government Financial Management and Restructuring Grants	364 589	434 641	479 333	526 086
Neighbourhood Development Partnership Grant	1 155 000	850 000	880 000	855 000
Gautrain Loan	-	-	-	-
Development Bank of Southern Africa	93 005	100 026	109 962	121 498
Post disaster recovery and reconstruction	-	600 000	-	-
Employment Creation Facilitation Fund	-	2 000 000	3 000 000	4 000 000
Total	1 798 195	4 156 180	4 655 754	5 707 678
Economic classification				
Current payments	162 825	158 649	177 623	192 134
Compensation of employees	44 111	51 233	56 028	60 966
Goods and services	118 714	107 416	121 595	131 168
<i>of which:</i>				
<i>Administrative fees</i>	1 205	1 274	1 296	1 377
<i>Advertising</i>	385	444	433	472
<i>Assets less than the capitalisation threshold</i>	110	121	132	156
<i>Audit cost: External</i>	-	-	300	317
<i>Bursaries: Employees</i>	275	290	299	339
<i>Catering: Departmental activities</i>	217	238	260	280
<i>Communication</i>	236	302	323	346
<i>Computer services</i>	276	241	263	284
<i>Consultants and professional services: Business and advisory services</i>	110 922	92 880	103 439	109 535
<i>Consultants and professional services: Legal costs</i>	-	1 000	1 100	1 200
<i>Contractors</i>	41	35	38	39
<i>Agency and support/outsourced services</i>	190	1 695	2 204	2 713
<i>Entertainment</i>	34	47	50	51
<i>Inventory: Materials and supplies</i>	21	4	4	5
<i>Inventory: Other consumables</i>	7	3	3	3
<i>Inventory: Stationery and printing</i>	391	838	897	958
<i>Lease payments</i>	215	148	156	170
<i>Travel and subsistence</i>	3 153	6 083	8 509	10 924
<i>Training and development</i>	392	831	885	920
<i>Operating expenditure</i>	193	251	273	295
<i>Venues and facilities</i>	451	691	731	784
Transfers and subsidies	1 634 957	3 996 101	4 476 669	5 513 929
Provinces and municipalities	1 394 589	1 184 641	1 279 333	1 326 086
Departmental agencies and accounts	147 363	761 434	152 374	146 345
Public corporations and private enterprise	93 005	2 050 026	3 044 962	4 041 498
Payments for capital assets	413	1 430	1 462	1 615
Machinery and equipment	413	1 430	1 462	1 615
Payments for financial assets	-	-	-	-
Total	1 798 195	4 156 180	4 655 754	5 707 678



PROGRAMME 8: TECHNICAL AND MANAGEMENT SUPPORT AND DEVELOPMENT FINANCE - CONTINUED

EXPENDITURE TRENDS

The spending focus over the medium term will be mainly funding post disaster recovery and reconstruction, the facilitation of public funds for job creation initiatives, infrastructure grants for the design of partnership projects, infrastructure delivery improvement programme projects, as well as the enhancement of the delivery capability of the different municipalities.

Expenditure over the MTEF period is expected to increase from R1.8 billion to R5.7 billion, at an average annual rate of 47 per cent. The increase is primarily due to an additional allocation of R600 million in 2011/12 for post-disaster recovery and reconstruction, an additional allocation of R9 billion over the medium term for the Employment Creation Facilitation Fund and the focused implementation of neighbourhood development partnership grant.



PROGRAMME 9: REVENUE ADMINISTRATION

Purpose: To allow the South African Revenue Service to provide core tax administration services and maintain the IT services that support operations. Activities include branch operations, tax payer audits, call centre operations, processing operations, debt management and IT support.

POLICY DEVELOPMENTS

Over the MTEF period, expenditure on this item is expected to increase from R8.1 billion in 2010/11 to R9.8 billion in 2013/14, at an average annual rate of 6.2 per cent.

Please refer to the SARS strategic plan for further information.



PROGRAMME 9: REVENUE ADMINISTRATION - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
South African Revenue Service	8 142 208	8 653 573	9 244 374	9 757 215
Total	8 142 208	8 653 573	9 244 374	9 757 215

Economic classification

Transfers and subsidies	8 142 208	8 653 573	9 244 374	9 757 215
Departmental agencies and accounts	8 142 208	8 653 573	9 244 374	9 757 215
Total	8 142 208	8 653 573	9 244 374	9 757 215

EXPENDITURE TRENDS

The spending focus over the medium term will be on the facilitation of a transfer payment to enable the South African Revenue Service to implement enforcement initiatives and continued modernisation of information technology.

Over the MTEF period, expenditure is expected to increase from R8.1 billion to R9.8 billion, at an average annual rate of 6.2 per cent. The increase is mainly due to spending on compensation of employees to cover additional capacity in the auditing of tax payers.

Please refer to the SARS Strategic Plan for performance objectives and other info.



PROGRAMME 10: FINANCIAL INTELLIGENCE AND STATE SECURITY

Purpose: Allocation of funds to combat financial crime including money laundering and terror financing activities, and to gather intelligence for purposes of national security, defence and combating crime.

POLICY DEVELOPMENTS

Transfer payments to the Financial Intelligence Centre will increase from R136.5 million in 2011/12, to R150 million in 2013/14. Please refer to the FIC Strategic Plan which is tabled by the FIC, for performance objectives and other details.

Transfer payments to the Secret Services will increase from R3.6 billion in 2011/12 to R3.9 billion in 2013/14.



PROGRAMME 10: FINANCIAL INTELLIGENCE AND STATE SECURITY - CONTINUED

RESOURCE PLAN: EXPENDITURE ESTIMATES				
Programme	Adjusted appropriation	Medium-term expenditure estimate		
R million	2010/11	2011/12	2012/13	2013/14
Financial Intelligence Centre	181 414	136 500	142 325	150 000
Secret Services	3 306 752	3 618 521	3 755 513	3 960 281
Total	3 488 166	3 755 021	3 897 838	4 110 281
Economic classification				
Transfers and subsidies	3 488 166	3 755 021	3 897 838	4 110 281
Departmental agencies and accounts	3 488 166	3 755 021	3 897 838	4 110 281
Total	3 488 166	3 755 021	3 897 838	4 110 281

EXPENDITURE TRENDS

The spending focus over the medium term will be on the facilitation of a transfer payment to the Financial Intelligence Centre and the South African Secret Service.

Expenditure over the MTEF period is expected to increase from R3.5 billion to R4.1 billion, at an average annual rate of 5.6 per cent. The increase is mainly due to salary adjustments, and the continued modernisation of the IT systems of the Financial Intelligence Centre. The centre's increased presence in all nine provinces also contributes to increased spending.



PUBLIC ENTITIES REPORTING TO THE MINISTER OF FINANCE

Various public entities report to the Minister of Finance through governance arrangements that allow these entities the autonomy that they require to meet their mandates. Their links to the Ministry enable them to develop strategic alignment with Government's policy goals.

Each entity produces, operates and reports according to its own strategic plan, and its inclusion in this section is to reflect briefly on the broad approach of each entity and its relevance to the National Treasury's strategic goals and business.

The South African Revenue Service, the Accounting Standards Board, and the Financial Intelligence Centre receive transfers from the National Treasury. Other entities that report to the Minister of Finance, but which do not receive transfers from the National Treasury, are the Development Bank of Southern Africa, the Land Bank, the Financial Services Board, the Public Investment Corporation and the South African Special Risk Insurance Association (SASRIA).

SOUTH AFRICAN REVENUE SERVICE (SARS)

As an innovative revenue and customs agency, SARS' vision is to enhance economic growth and social development in a manner which supports the country's integration into the global economy to the benefit of all South Africans.

SARS has distilled its key objectives into four core outcomes, namely:

- Increased customs compliance;
- Increased tax compliance;
- Increased ease and fairness of doing business with SARS; and
- Increased cost effectiveness, internal efficiency and institutional respectability.

Detailed and tangible measurables have been developed for each these four core outcomes. These are outlined in the strategic plan for SARS.

ACCOUNTING STANDARDS BOARD (ASB)

The ASB sets standards of Generally Recognised Accounting Practice for all spheres of government and promotes transparency and the effective management of revenue, expenditure, assets and liabilities of applicable entities.

The ASB's work programme for 2011/12 focuses on the following key areas:

- Developing a standard of Generally Recognised Accounting Practices (GRAP) for related parties.
- Responding to issues flowing from the Board's initiatives to simplify GRAP standards.
- Bi-annual review of GRAP Standards to identify areas of improvement arising from the experience of implementing the standards or from changes to similar international standards.
- Co-operation with the International Public Sector Accounting Standards Board to develop International Public Sector Accounting Standards (IPSAS).
- Facilitating concurrent exposure of proposed IPSAS in South Africa.
- The development of accounting and reporting guidelines, and the research in identified areas of financial reporting.

Implementation of the GRAP Standards will lead to improved decision making, better allocation of resources, and accountability by having all spheres of government prepare comparable financial statements.



PUBLIC ENTITIES REPORTING TO THE MINISTER OF FINANCE

- CONTINUED

FINANCIAL INTELLIGENCE CENTRE

The role of the Financial Intelligence Centre (FIC) is to identify the proceeds of acts of crime and money laundering, the financing of acts of terrorism, and to share relevant information with the law enforcement authorities, the South African Revenue Service and state security agencies. The FIC also shares relevant information with its counterparts in other countries.

The FIC has identified six strategic focal areas for the period ahead, namely:

- Improved compliance of accountable institutions and society (in co-operation with the relevant supervisory bodies);
- Improved capacity in anti-money laundering (AML) and countering the financing of terrorism (CFT) in the Eastern and Southern Africa region
- Improved AML/CFT framework in South Africa;
- Commissioning and ongoing development of the FIC's information and communication technology system;
- Improved utilisation of the FICs products and services (by law enforcement authorities, the South African Revenue Service and Intelligence Agencies); and
- Improved sustainability and capability of the FIC.

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA ("LAND BANK")

The Land and Agricultural Development Bank of South Africa ("Land Bank") is a development finance institution mandated to address agricultural and rural development in South Africa. The Land Bank operates in the agricultural and agri-business sectors and is regulated by the Land and Agricultural Development Bank Act (2002) and the Public Finance Management Act (1999). The Land Bank is keen to resume the development component of its mandate, and this should be evident in the projects that are moving through the pipeline.

In 2009, National Treasury increased the guarantee to the Land Bank from R1.5 billion to R3.5 billion to improve the Land Bank's credit standing. This guarantee is being reduced progressively through periodic cash injections into the Land Bank, which will continue until the full R3.5 billion has been transferred. In the 2009/10 and 2010/11 financial years, the Land Bank received R1 billion and R750 million respectively as part of the recapitalisation programme, reducing the government guarantee to R1.75 billion. This impacted positively on the Land Bank as is evident by its ability to restore investor confidence and successfully raise R1.2 billion in the South African corporate bond market in October 2010. In 2011, the Land Bank will receive a further R750 million from the National Treasury.

The Land Bank is refocusing to prioritise support for emerging farmers, and to increase South Africa's production of food and fibre. It is working with the relevant national departments to implement a support programme for emerging farmers.

In addition, the following activities will be carried out in the next three financial years:

- Establishment of the Retail Emerging Market Unit to fast track support for emerging markets
- A wholesale finance facility for strategic partners to on-lend to qualifying participants; and
- An emerging farmer support facility, approved by Cabinet and currently in the pilot phase.

DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA)

The DBSA's primary purpose is to promote sustainable economic development and growth, human resource development, and institutional capacity building by mobilising financial and other resources from the national and international private and public sectors. Given the scope of the development challenge, and limited financial, institutional and human capital in the SADC region, the Bank aims to proactively broaden and deepen its development impact in support of Government in accelerating service delivery, job creation, integrated spatial development and regional integration.



PUBLIC ENTITIES REPORTING TO THE MINISTER OF FINANCE

- CONTINUED

The Bank is also redefining its role as a government delivery agent and assuming the role as “Centre of Excellence for Infrastructure Development” focusing on:

- Catalytic interventions to enhance national competitiveness and social equity;
- Planning and design of programmes to boost changes in structure of economy;
- High impact, scalable infrastructure projects;
- Support plan and design of infrastructure; and
- Being a lead arranger for Government.

Government and the DBSA have agreed that the Bank will work to improve infrastructure delivery, operations, and maintenance, with spinoffs for local employment and capacity development. The Bank is also encouraged to champion a model that involves private sector co-financing of infrastructure projects. To support these initiatives, Government committed to raise the Bank’s callable capital by R15.2 billion to R20 billion, increasing its lending capacity to R140 billion.

The DBSA has developed three strategic perspectives that inform the organisation’s Key Performance Indicators (KPIs) and these will guide delivery in the 2011/12 financial year. They are:

- Development Impact;
- Sustainability, both developmental and financial; and
- Organisational capability.

The strategy still involves a strong focus on municipal support through the provision of infrastructure funding and capacity building support (especially to under-resourced municipalities), to increase delivery capacity and reduce implementation risks in under developed regions.

Over the medium term, the Bank’s strategic goals are to:

- Catalyse, expand and enable delivery of basic and social services;
- Provide and build human and institutional capacity;
- Promote broad-based economic growth (job creation, efficiency, fixed capital formation and regional integration); and
- Engender sustainability, internally and externally, in financial, environmental, institutional, social and economic terms.

FINANCIAL SERVICES BOARD (FSB)

The Financial Services Board, an independent body, supervises and regulates non-banking financial services. It also ensures that regulated entities comply with the relevant legislation, thereby protecting the investing community and financial services customers.

The focus of the FSB for the period ahead will be to:

- Facilitate communication processes with clients and partners to enhance performance, accountability and public confidence;
- Protect investors by ensuring integrity and confidence in financial services; and
- Implement organisational development strategies that will positively impact the work environment.

PUBLIC INVESTMENT CORPORATION (PIC)

The Public Investment Corporation (PIC) was established as a corporation on 01 April 2005 in accordance with the Public Investment Corporation Act, 2004 (Act 23 of 2004). It is a company which is wholly owned by the South African Government with the purpose of investing certain monies received or held by, for or on behalf of the Government of the Republic and certain bodies, councils, funds and accounts. The PIC is currently investigating various options for diversifying its client and revenue base.



PUBLIC ENTITIES REPORTING TO THE MINISTER OF FINANCE

- CONTINUED

The priorities of the PIC in the medium term are to “get the basics right” and to ensure that the business can implement the following strategic drivers of success:

- Investment performance;
- Enterprise-wide risk management;
- Corporate governance;
- Customer service and collaboration;
- Socio-economic development impact; and
- Financial sustainability.

All these drivers are mutually reinforcing and support investment performance.

The PIC’s strategic goals for the period ahead are as follows:

- Deliver investment performance which meets or exceeds the set benchmarks. The indicator in this regard is the percentage of client portfolios for the top 5 clients with returns meeting or exceeding the benchmarks. This has been set at 80-100% for the 2011/12 financial year.
- Conduct sustainable and efficient PIC operations. The indicator in this regard is net profit per annum as a percentage of sustainable revenue. This has been set at 10% of sustainable revenue for the 2011 / 12 financial year.
- Contribute positively to the development of South Africa. The indicator in this regard is 25 per cent of the mandated assets under management (AUM) invested and committed for investment in the Isibaya Fund.¹

Some of the key initiatives by the PIC include investment on the African continent and offshore as well as the strengthening the Isibaya Fund Strategy. These are as follows:

- Africa and off-shore investments - the PIC is required to invest a portion of the Government Employees Pension Fund (GEPF) portfolio in the rest of Africa and off-shore as per the updated mandate. New processes will be established to accommodate this development.
- Isibaya Fund Strategy – with adoption of the GEPF’s developmental investment policy, it will be necessary to refocus the Isibaya strategy to invest in South African-based projects and enterprises providing good financial returns while simultaneously supporting long-term economic, social and environmental outcomes for the country.

SASRIA - LTD

Sasria Ltd is a short term insurance company that was established by an Act of Parliament (Conversion of Sasria Act of 1999). The company is wholly owned by the Government of South Africa and reports to the Minister of Finance. The primary purpose of the company is to provide insurance against extraordinary perils that are normally excluded by the conventional short term insurers. These risks include amongst others riot, strike, labour disturbance and terrorism.

Sasria has determined a strategy based on the following five strategic objectives and several value-based initiatives. The objectives for the 2011-2012 financial year are:

- Optimisation of shareholder value.
- Integration and alignment of processes.
 - Ensuring good corporate governance; and
 - Knowledge management.
- Investment in human capital development.
- Development of a customer-centric culture.

¹ Currently the GEPF mandate specifies that 5% of its AUM is to be invested in the Isibaya Fund.



PUBLIC ENTITIES REPORTING TO THE MINISTER OF FINANCE

- CONTINUED

Key performance indicators include the following:

- Increase Gross Written Premium (GWP) income on existing products by 12.5% to R1,056 million;
- Grow GWP income on the new products (Sasria Wrap) by 14.3% to R40 million;
- Renew existing reinsurance agreements with a reduction in cost. The reduction to be measured as a percentage of GWP (from a forecast of 28.2% of GWP for the 2011 financial year to a budget of 22.9% of GWP);
- Achieve an average return on investments of 7.4% to R304 million. This is a conservative estimate taking into account the current economic climate;
- Maintain management expense ratio at 6.7% of gross income;
- Increase capital reserves to R3 741 million;
- Improve customer service by reducing the turnaround time for claims to less than 90 days from the date of submission as well as by improving agents submission period for claims to 60 days from the date of loss;
- Improve knowledge of Sasria products by conducting 45 industry product awareness training sessions;
- Achieve Financial Services Board (FSB) deadline for the implementation of Solvency Assessment and Management (SAM). The deadline is set for January 2014;
- Contribute R4.5 million annually to the South African Actuarial Development Project for the development of future Actuaries; and
- Invest in rural development projects through the Future growth Community Property Fund (R157 million already invested).



ANNEXURE

ABBREVIATIONS

ACCC	Anti-Corruption Coordinating Committee	IPFA	Institute for Public Finance and Auditing
ADB	African Development Bank	IPSAS	International Public Sector Accounting Standards
ADF	African Development Fund	ISDA	International Swaps and Derivatives Association
APRM	African Peer Review Mechanism	LRAD	Land Reform for Agricultural Development
ASB	Accounting Standards Board	MFI	Micro-Finance Intermediaries
AU	African Union	MFMA	Municipal Financial Management Act
BAS	Basic Accounting System	MFMTAP	Municipal Finance Management Technical Assistance Project
BIS	Bank for International Settlements	MIG	Municipal Infrastructure Grant
CFTC	Commonwealth Fund for Technical Cooperation	MOU	Memorandum of Understanding
CISNA	Securities and Non-banking Financial Authorities	MSP	Master Systems Plan
CMU	Contract Management Unit	MTEF	Medium-Term Expenditure Framework
CMA	Common Monetary Area	MTSF	Medium-Term Strategic Framework
CPD	Corporation for Public Deposits	MYPD	Multi-Year Price Determination
DBSA	Development Bank of Southern Africa	NCOP	National Council of Provinces
DCIS	Development Corporation Information System	NEDLAC	National Economic Development and Labour Council
DFI	Development Finance Institution	NEPAD	New Partnership for Africa's Development
DORA	Division of Revenue Act	NERSA	National Energy Regulator of South Africa
DPE	Department of Public Enterprises	NERT	National Energy Response Team
DPSA	Department of Public Service and Administration	NIA	National Intelligence Agency
EU	European Union	OAG	Office of the Accountant-General
FATF	Financial Action Task Force	PIC	Public Investment Corporation
FFC	Financial and Fiscal Commission	PFMA	Public Finance Management Act
FIC	Financial Intelligence Centre	PPP	Public-Private Partnerships
FMS	Financial Management System	PPPFA	Preferential Procurement Policy Framework Act
FOSAD	Forum of SA Directors-General	RDP	Reconstruction and Development Programme
FSB	Financial Services Board	REDS	Regional Electricity Distributors
G20	Group of Twenty Countries	RMF	Risk Management Framework
G24	Group of Twenty-Four Countries	SACU	Southern African Customs Union
GAMAP	Generally Accepted Municipal Accounting Practices	SADC	Southern African Development Community
GCC	Guarantee Certification Committee	SAFCOL	SA Forestry Company Limited
GCIS	Government Communications and Information System	SANReN	South African Research Network
GDS	Growth and Development Summit	SAPS	South African Police Services
GPAA	Government Pensions Administration Agency	SAPO	South African Post Office
GEPF	Government Employees Pension Fund	SARB	South African Reserve Bank
GFECRA	Gold and Foreign Exchange Contingency Reserve Account	SARS	South African Revenue Service
GRAP	Generally Recognised Accounting Practices	SASRIA	South African Special Risks Insurance Association
HSRC	Human Sciences Research Council	SAQA	South African Qualifications Authority
IAS	International Accounting Standards	SCM	Supply Chain Management
ICASA	Independent Communications Authority of South Africa	SCOA	Standard Chart of Accounts
IDC	International Development Cooperation	SEC	US Securities and Exchange Commission
IFAC	International Federation of Accountants	SETA	Sector Education and Training Authority
IFMS	Integrated Financial Management Systems	SITA	State Information Technology Agency
IJS	Integrated Justice Sector	SCOPA	Standing Committee on Public Accounts
IMF	International Monetary Fund	SMMEs	Small, Medium and Micro-Enterprises
IMFC	International Monetary and Financial Committee	SOEs	State-owned Enterprises
IOSCO	International Organisation of Securities Commissions	WTO	World Trade Organisation

NOTES

STRATEGIC PLAN

2011/14



STRATEGIC PLAN



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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA